

Walmart - Flipkart Deal

What is the issue?

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- U.S. retail giant Walmart planning to acquire India's leading e-commerce firm Flipkart for a whopping sum of \$16-billion.

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- This is likely bolster the position of Flipkart in the ongoing neck-and-neck contest with Amazon in the Indian e-commerce market.

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What is deal about?

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- The deal which is expected to be sealed fully by December will lead to an immediate fund infusion of \$ 2 billion into Flipkart.

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- **Flipkart's Gain** - As e-commerce market is dominated by thin margins and is worsening due to steep discounting policies, big funds are needed to sustain.

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- Hence, the deal (new funds) will help Flipkart sustain its aggressive pricing against Amazon for now - thereby help in retaining competitiveness.

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- Walmart brings with it experience in areas of traditional retail such as logistics, sourcing of goods and managing a physical supply chain.

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- Significantly, while Flipkart lacks supply chain expertise currently, it is said to be a major strength of its competitor "Amazon".

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- **Walmart's Gain** - Flipkart's prowess in technology and customer insights would complement Walmart's presence in India

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- Notably, Flipkart has presence in 19 cities across nine states and runs 21 Best Price cash-and-carry stores and one fulfilment centre.

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- Also, the deal is not just limited to just Flipkart, but also includes its sister concerns, which will now add to Walmart's diverse portfolio.
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- Notably, the sister concerns are Digital Payment Firm "PhonePe", Fashion Marketers "e-tailers, Myntra and Jabong" and logistics arm "Ekart".
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- Almost 70% of the e-market share in the fashion is currently held by Flipkart Group and Ekart has a presence in almost 800 cities (5 lakh deliveries/day).
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What is the market scenario?

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- India's e-commerce market is projected to grow 4 times faster than total retail over the next five years.
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- Notably, consolidated retail segment is projected to grow only 9% between 2018 and 2023, whereas e-commerce segment is expected to grow by 36%.
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- The e-commerce projections are based on increasing Smartphone penetration in India, which is estimated to be 58% by 2020, compared with 30% in 2017.
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- India's e-retail market is still in its nascence, clocking just about \$ 27 billion sales in 2017-18, which is negligible in comparison to China's \$1.11 trillion.
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- The entry of a promoter with deep pockets into the e-commerce space will accelerate the push towards e-tail adoption in the country.
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What are the likely negative implications for small time retail?

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- This growth of online retail is also expected to hit the unorganised retailers, who currently constitute about 90% of the \$650-billion retail sector in India.
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- However, Walmart has asserted that it would support small businesses through direct procurement as it expands in India.
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- Additionally, it also pledged that it would provide for increased opportunities

for exports by establishing overseas supply chains.

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- Walmart has also said that it will partner with small shop owners and help in modernising their retail practices and enable them adopt digital technologies.

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Source: Indian Express

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