Walmart Vs. Amazon – The Battle Moves to India

What is the issue?

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- US retail chain “Walmart” recently acquired controlling stake in Indian e-commerce major “Flipkart”.
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- This has brought it into direct competition with fellow US firm Amazon, which is the only other major e-commerce player in India.
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What is the deal about?

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- India’s e-commerce market, accounts for less than a tenth of its overall retail.
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- But the Filpkart-Walmart deal is expected to be a big thumbs-up for the sector.
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- Walmart will be buying about 77% stake in Flipkart for a sum of about $16 Billion (which is considered a very costly buy by analysts).
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- Notably, “Amazon” (another US firm), is currently placed 2nd in India’s e-com market share, and is engaged in a hectic competition with Flipkart.
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- The entry of Walmart will give Flipkart a big fillip in midst of hectic competition that is prevailing in the sector.
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- Also, the deal brings America’s biggest online retailer and the biggest offline retailer into direct competition in the Indian e-com market.
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- Amidst this hectic aggression in the market, China’s Alibaba has also made a significant foray through its Paytm Mall.
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- Traditional retail players have responded with willingness to adapt to this paradigm shift and consider strategic alliances with online rivals.
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Why did Walmart go for the costly buy?

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- Walmart investors have largely perceived the Flipkart bid as expensive and the company is projected to lose $8 billion in net worth due to the deal.
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- This is because, despite Flipkart's market dominance, it is only through discount peddling that they are retaining the spot (thereby making big losses).
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- Notably, Indian consumers are largely still offline shoppers, who are being aggressively nudged online by offering attractive prices.
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- But Walmart's leadership seems to be betting on the future growth it can unlock from this full-frontal entry into a market.
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- Notably, entering Indian market hasn't been easy for Walmart and its attempt in 2007 (in partnership with Bharti Group) also bombed.
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- Strict curbs in India, on Foreign Direct Investment (FDI) in multi brand retail has thus far restricted Walmart to just "Wholesale Stores".
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- These restrictions, seemingly to protect smaller retailers, have remained in place under the NDA government, belying expectations of a reset.
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- Also, Amazon into offline retail in the US market has increased the heat on Walmart to up the game internationally to stay competent.
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What aspects require further pondering?

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- While local trade lobbies are determined to resist the deal, while analysts are wondering how Walmart will turn around Flipkart's cash burn rates.
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- It is also important to assess if the U.S. firm will integrate Indian suppliers

into its international operations.
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- The fact that the deal has manoeuvre policy restrictions reveals the inefficacy of India’s approach to retail FDI in a rapidly changing global economy.
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- Most importantly, a nuanced debates on India’s retail FDI policy — big versus small, local versus foreign — is needed for ensuring a truly level playing field.
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Source: The Hindu

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