



Walmart - Flipkart Deal

What is the issue?

\n\n

\n

- U.S. retail giant Walmart planning to acquire India's leading e-commerce firm Flipkart for a whopping sum of \$16-billion.
- This is likely bolster the position of Flipkart in the ongoing neck-and-neck contest with Amazon in the Indian e-commerce market.

\n

\n\n

What is deal about?

\n\n

\n

- The deal which is expected to be sealed fully by December will lead to an immediate fund infusion of \$ 2 billion into Flipkart.
- **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.
- Hence, the deal (new funds) will help Flipkart sustain its aggressive pricing against Amazon for now - thereby help in retaining competitiveness.
- Walmart brings with it experience in areas of traditional retail such as logistics, sourcing of goods and managing a physical supply chain.
- Significantly, while Flipkart lacks supply chain expertise currently, it is said to be a major strength of its competitor "Amazon".
- **Walmart's Gain** - Flipkart's prowess in technology and customer insights would complement Walmart's presence in India

- Notably, Flikart has presence in 19 cities across nine states and runs 21 Best Price cash-and-carry stores and one fulfilment centre.
- 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.
- Notably, the sister concerns are Digital Payment Firm "PhonePe", Fashion Marketers "e-tailers, Myntra and Jabong" and logistics arm "Ekart".
- 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).

What is the market scenario?

- India's e-commerce market is projected to grow 4 times faster than total retail over the next five years.
- Notably, consolidated retail segment is projected to grow only 9% between 2018 and 2023, whereas e-commerce segment is expected to grow by 36%.
- 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.
- 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.
- The entry of a promoter with deep pockets into the e-commerce space will accelerate the push towards e-tail adoption in the country.

What are the likely negative implications for small time retail?

- 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.

- However, Walmart has asserted that it would support small businesses through direct procurement as it expands in India.
\n
- Additionally, it also pledged that it would provide for increased opportunities for exports by establishing overseas supply chains.
\n
- 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.
\n

\n\n

\n\n

Source: Indian Express

\n\n

\n\n

\n\n

\n\n

\n



IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative