



## 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”.
- 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.
- But the Flipkart-Walmart deal is expected to be a big thumbs-up for the sector.
- 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).
- Notably, “Amazon” (another US firm), is currently placed 2<sup>nd</sup> in India’s e-com market share, and is engaged in a hectic competition with Flipkart.
- The entry of Walmart will give Flipkart a big fillip in midst of hectic competition that is prevailing in the sector.
- 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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