

Flip Cart Sales Fiasco –A Case Study

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Case summary

Flipkart is an Indian electronic commerce company founded in 2007, by Sachin and Binny Bansal. It operates exclusively in India, where it is headquartered in Bangalore with registered offices in Singapore. On average, Flipkart sells nearly 10 products per minute and is aiming at generating a revenue of ₹ 50 billion by 2015. Their main competitors are Amazon and Snapdeal.


On 6 October 2014, Flipkart sold products worth Rs 600 Crores in 10 hours in a special one-day event - "The Big Billion Day", claiming they had created e-commerce history, but their reputation for good customer service suffered because of technical problems, and angry reactions on social media from buyers disappointed with the pricing and availability of products. Servers within two hours of the sale being opened and many users complained of landing on error pages and seeing their sale process being interrupted, amid accusations that discounts were offered on inflated prices. A day after its Big Billion Day sale, e-commerce giant Flipkart has sent a letter to its customers an apology letter.

Discussion points-

1. What should be Flipkart strategy to win confidence of dissatisfied customers?
2. What Amazon and Snapdeal should learn from The Flipkart Blunder?

History-

Flipkart was founded in 2007 by Sachin Bansal and Binny Bansal, both alumni of the Indian Institute of Technology Delhi. They had been working for Amazon.com previously. The business was formally incorporated as a company in October 2008 as Flipkart Online Services Pvt. Ltd. During its initial years, Flipkart focused only on books, and soon as it expanded, it started offering other products like electronic goods, air conditioners, air coolers, stationery supplies and life style products and e-books. The first product sold by them was the book *Leaving Microsoft To Change The World*, bought by VVK Chandra from Andhra Pradesh. Flipkart now employs more than 9000 people. Flipkart allows payment methods such as cash on delivery, credit or debit card transactions, net banking, e-gift voucher and card swipe on delivery. The following Exhibit 1 shows details of flipkart-

	
The Online Megastore	
Type	Private
Industry	Internet, Online retailing
Founded	5th September 2007
Founders	Sachin Bansal Binny Bansal
Headquarters	Bangalore, Karnataka, India
Area served	India
Key people	Sachin Bansal Binny Bansal
Services	Electronic commerce
Revenue	▲ US\$ 1 billion (2013-14) ^[1]

Employees	10,000 (2014) ^[2]
Subsidiaries	Myntra
Website	Flipkart.com

Exhibit 1: Details of flipkart

Source: en.wikipedia.org/wiki/Flipkart

Exhibit 2 shows details of products offered by Fipkart-

Mobiles Online Mobile Store India- Buy Latest Mobile Phones compare ...	Mens Footwear Online shopping for Mensshoes,sandals and branded footwear ...
Books Books Online Store in India.FreeShipping,Cash on delivery at ...	Motorola Motorola Mobiles-Buy Moto E, Moto X, Moto G Online at Best ...
Women's Clothing Womens Clothing Online Store in India.FreeShipping,Cash on ...	Computers Each one of us has a different function of the computer that we . Exhibit 2 shows details of products offered by Fipkart Source: Flipkart.com -

A few recent acquisitions of Flipkart-

Flyte Digital Music Store-

In October and November 2011, Flipkart acquired the websites Mime360.com and Chakpak.com. Later, in February 2012, the company revealed its new Flyte Digital Music Store Flyte, a legal music download service in the vein of iTunes and Amazon.com, offered DRM-free MP3 downloads. But it was shut down on 17 June 2013 as paid song downloads did not get popular in India due to the advent of free music streaming sites.

Exclusive Product Launches-

Motorola Mobility, previously owned by Google but then sold to Lenovo, in an exclusive tie up with Flipkart launched its budget smartphone Moto G in India on 5 February 2014. This triggered an overwhelming response from online shoppers and more than 20,000 units were sold within hours of launch on Flipkart. After the Moto G successful debut launch, Flipkart was looking for a long term tie up with Motorola Mobility. The Moto G success story, led to an another exclusive tie up between Flipkart & Motorola Mobility, who launched their flagship Android smartphone, the Moto X on 19 March 2014. After Moto G and Moto X, Flipkart invited the Moto E, the newest member of Moto family which is even cheaper than Moto G on 13 May 2014 The sale of high-end smartphone Xiaomi Mi3 produced by Xiaomi Tech was launched in India on an exclusive tie-up with Flipkart. The first batch was sold out within 39 minutes on 22 July 2014, the second in 5 seconds on 29 July 2014. The sale was proceeded on pre-registration mode where more than 150 000 buyers booked for the 5 August 2014 sale. This got sold off in less than 2 seconds. Following this Xiaomi Tech decided to sell 20,000 pieces in the next sale scheduled for 12 August 2014. On September 2, 2014 Flipkart held a flash sale of the budget Android smartphone the Xiaomi Redmi 1S which was launched in India in July 2014. 40, 000 units priced at Rs 5999 each were sold within seconds.¹ In the second round of XiaomiRedmi 1S sale held on Sept 9, 2014, 40,000 units were sold within a span of 4.5 seconds, slightly longer than the first sale, which lasted just 4.3 seconds. Third round of Redmi 1S sale held on Sept 16, 2014 with again 40,000 units sold in fastest of all 3.4 seconds¹ In the 4th round of sale of Redmi 1S held on Sept 23, 2014, Flipkart put more units this time, 60,000 units go out of stock in 5.2 seconds. In the latest Flash sale held on Sept 30, 2014, once again 60,000 units Go out of stock in 13.9 seconds.^[69] Next sale is scheduled for Oct 14, 2014.

Growth of E commerce in India-

The main competitors in E commerce market in India are: Flipkart, Amazon And Snapdeal. The consumer aspiration levels have gone up and with a wide range of products and services offered on line by E commerce companies this market will see good growth in future. With huge discounts offered by E retailers over brick and mortar retailing online consumers are tempted to procure some selected range of products. As per Google Director, the main driving forces for online consumers are: heavy discounts, convenience, full catalogs of products offered on websites, affordability and no accessibility of whole range of products in small cities. Snapdeal, Flipkart and Amazon account for just 5 billion US dollars compared to retail industry's size of 500 billion US dollars. However it is growing at rapid pace and projected to grow about 3 times by 2016.

Flipkart's Diwali Sales Backfires- Creating Customer dissatisfaction than customer Delight-

The blockbuster Diwali Sale on Flipkart that gave it Rs 600 in sales in just 10 hours has backfired. Flipkart's hard won reputation for excellent customer service was marred by technical glitches leaving ill feelings and customer dissatisfaction with majority angered customers." It feels like a boxing bout in which one boxer is technically knocked himself down before the opponent even entered the ring, "says Kartik Hosangar, professor of internet commerce at The Wharton School in United States.

Flipkart ended with lot of criticism on social media sites as its continued to change prices of its products during the day. A Delhi based customer who had paid Rs 27000/- for an LCD TV listed at Rs 49000/- was declined purchase as Flipkart said that the product had gone out of stock. The customer further stated that he lost for better deal on other sites for the same product. Another customer who wanted to buy LCD set on Flipkart saw the price change by Rs 10000/- within two hours. Customers were also peeved as Flipkart did not allow cancellations. Angry customers took a route of social media, rivals gained traction. Amazon was the most trading site on 6th October, 2014, said Swati Bhargava, CEO of Cash Karo, an online cash back site which directs user traffic such as flipkart, snapdeal and amazon

Flipkart on 7th October, 2014 wrote a formal apology to its registered customers for the technical and transaction troubles faced on 6th October, 2014, when attempting to purchase goods on the website.

Exhibit 3 gives full script of Flipkart's apology mail-

"Dear Customer,

Yesterday was a big day for us. And we really wanted it to be a great day for you. But at the end of the day, we know that your experience was less than pleasant. We did not live up to the promises we made and for that we are really and truly sorry.

It took enormous effort from everyone at Flipkart, many months of preparation and pushing our capabilities and systems to the limit to be able to create this day. We were looking at fulfilling the dreams of millions of Indian consumers through deals and offers we had painstakingly put together for months.

And though we saw unprecedented interest in our products and traffic like never before, we also realized that we were not adequately prepared for the sheer scale of the event. We didn't source enough products and deals in advance to cater to your requirements. To add to this, the load on our server led to intermittent outages, further impacting your shopping experience on our site.

An unprecedented 1.5 million people shopped at Flipkart yesterday. While we stand humbled by the sheer faith that such a large number of customers have shown in us, we are unhappy that we were unable to live up to the expectations of millions more who wanted to buy from us yesterday.

And this is not acceptable to us.

Delighting you, and every single one of our customers, is absolutely the top most priority for Flipkart and we have worked very hard over the last seven years to earn your trust. Yesterday, we failed that trust. We have learnt some valuable lessons from this and have started working doubly hard to address all the issues that cropped up during this sale.

Price Changes As we were preparing various deals and promotional pricing in the lead up to the sale, the pricing of several products got changed to their non-discounted rates for a few hours. We realise that this breaks the trust our customers have put in us. We are truly sorry for this and will ensure that this never happens again.

Out-of-stock Issues We ran out of the stock for many products within a few minutes (and in some cases, seconds) of the sale going live. For example, most of our special deals were sold out as soon as they went live. We had ensured availability, anywhere from hundreds to a few lakh units for various products, but it was

nowhere near the actual demand. We promise to plan much better for future promotions and ensure that we minimise the out-of-stock issues.

Cancellations We had large number of people buying specific products simultaneously. This led to some instances of an order getting over-booked for a product that was sold out just a few seconds ago. We are working round-the-clock to ensure availability of additional units for these products and will do our level best to ensure that we minimise any cancellations.

Website Issues We realise that the shopping experience for many of you was frustrating due to errors and unavailability of the website at times. We had deployed nearly 5000 servers and had prepared for 20 times the traffic growth - but the volume of traffic at different times of the day was much higher than this. We are continuing to significantly scale up all our back end systems so that we do a much, much better job next time.

Everything that we have achieved at Flipkart is purely on the basis of our customer's trust and faith. This is why we come to work each day and continue to remain extremely passionate about building the best possible customer experience for Indian consumers. We failed to live up to this promise yesterday and would like to apologise once again to every single customer for our failure.

Thank

you.

Sachin and Binny"

Exhibit 3:Apologymail.

Source:Flipkart apologizes to customers for mega sale glitches

EconomicTimes.Com Oct 7, 2014, 07.38PM IST

Reaction from Industry-

1. The Confederation of All India Traders has also sought a probe into the business model and trade practices of e-commerce companies to find out how they are offering huge discounts during the festive season.
2. Assocham Against Over-regulating E-commerce After Flipkart Fiasco. By IANS. Published: 13th October 2014 12:37 AM

Monday's - Big Billion Day was Flipkart's largest discount sale since in its inception; this poor show will be taken as a lesson for future sales and an opportunity to learn from big firms like Amazon, eBay and those in developed markets – Best Buy, Carphone Warehouse that attract millions of consumers on Black Friday and Cyber Monday.

Commerce and Industry Minister's reaction to this fiasco-

We have received many inputs. Lot of concerns have been expressed .we will look into it, says commerce and industry minister, Nirmala Sitaraman. She further stated that that the government would soon make it clear ,after studying the matter whether a separate policy or clarification was required for e-commerce.the response from a FlipKart spoke person to commerce and industry minister, Nirmala Sitaraman comments were , Asked to respond to Sitaraman's observation and trader's concern the FlipKart spoke person says ,” We are in an e-market place, where sellers decide the price and they can change the prices in the system. They sell directly without stepping out of their work place.

Consumer's reaction to this fiasco-

The following exhibit 4and 5 gives some news papers flashing this news.

Amidst lot of hype, fanfare and not to forget the full page advertisements on leading newspapers across India, Flipkart introduced “The Big Billion Day” sale on Monday. The e-commerce giant offered products in almost every category at throwaway prices like a hand blender at Re 1 or a 2 TB portable hard drive at just Rs 600 — though we couldn't find both online. To make the sale even more irresistible, customer could even avail an extra 10 per cent discount by using a Citi bank or Standard Chartered credit card to shop.

The mega sale started at 8 am and within minutes most of the attractive deals were out of stock. Customers who logged in after 10 am was desperately trying to figure out what exactly Flipkart was offering on its Big Billion Day as most products were sold out. Around noon, Flipkart's servers gave away to the huge demand and services were disrupted for a short while.

Flipkart's #BigBillionDay hash tag on Twitter was trending in the morning but soon several other hashtags, criticising the sale, like #Flopkart, #Failkart, #Fraudkart, etc started to catch up, as disappointed buyers

took to Twitter to express their dissatisfaction. Later in the day, it seemed Flipkart had earned more angry customers than satisfied ones from “The Big Billion Day” sale initiative.

However, Flipkart founders Sachin Bansal and Binny Bansal feels that “The Big Billion Sale” was a great success. “The Big Billion Day is an unprecedented day for us as this is the biggest sale ever in India. We are delighted by the overwhelming response from our customers since 8 am today. With a range of exciting offers on quality products at disruptive prices available throughout the sale period, we have created history in Indian e-commerce,” said the founders in a statement.

Previously, Chinese mobile manufacturer Xiaomi made headlines through its flash sales on Flipkart. Which again attracted a lot of criticism, as it simply failed to sell enough, and resulting in a large segment of Indian buyers swearing never to try buying a Xiaomi phone in future? For many, “The Big Billion Day” sale was a redux of the Xiaomi shopping experience.

Flipkart’s sale got over (products going out of stock) before buyers could even actually realise, a classic example being the Samsung Tab 2 which was being offered for Rs 1,399. “The Big Billion Day” must have surely helped in clearing stocks but this would have been far better if Flipkart had clearly mentioned this as a limited flash sale to at least check the public relation nightmare.

Also, visitors complained about prices being marked up before sale as several products were available at lesser prices on rival websites like Snapdeal and Amazon without any offer.

Exhibit 4: consumer’s reaction to this fiasco

Source: <http://indianexpress.com/article/technology/technology-others/bigbillionday-gets-flipkart-millions-of-unhappy-customers/#sthash.fMyg3DY0.dpuf>

Despite **Flipkart's** Big Billion Day sale taking a public bashing for website crashes, improper pricing, order cancellations

On Monday, Flipkart's Big Billion Day sale turned out to be a disaster after incessant crashes, and sold out products. In some cases, prices of products were inflated in the lead up to the sale. Instead of apologising Flipkart sent out a self congratulatory press release. Finally, the e-retail company had issued an apology to its users.

In the mail to its users, it revealed 1.5 million people shopped on Flipkart on the day of the Big Billion Sale. It admitted that it was unable to cope with unprecedented demand and traffic despite preparing for it well in advance. It admitted that it did not live up to the promises.

On the issue of price changes, it admitted that prices of products got changed to their no discounted rates for a few hours.

While it had stocks for products anywhere between few hundreds and few lakh units for a few products, it admitted to underestimating the demand.

As a large number of products were being ordered simultaneously, for which there were cancellations. For this too it apologised.

Flipkart claimed that it deployed 5000 servers to handle nearly 20 times the traffic it receives normally, it admitted that it was inadequate which lead to crashes and website issues.

Exhibit 5: Consumer’s reaction to this fiasco.

Source: [Source: Sourcing-www.dnaindia.com](http://www.dnaindia.com) > Science & Technology

Discussion Points

1. What should be Flipkart strategy to win confidence of dissatisfied customers?
2. What Amazon and Snapdeal should learn from the FlipKart blunder?

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Teaching Note

Flip Cart Sales Fiasco – -A Case Study

Case summary

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I. Discussion Points

1. What should be Flipkart strategy to win confidence of dissatisfied customers?
2. What Amazon and Snapdeal should learn from The Flipkart Blunder?

II. Course And Levels For Which The Case Is Intended

MBA/PGDM/MFM/MCA in the Second Semester.

III. Teaching Objectives-

- A. To study the E-commerce market in India.
- B. To study the impact of E-commerce failures and what is the effect on its customer satisfaction
- C. To design Flipkart's strategy to win confidence of dissatisfied customers?
- D. What can competitors like Amazon.in and Snapdeal.com learn from The Flipkart Blunder?

IV. Research Methods

Secondary data is obtained by visiting web sites and going through newspapers.

V. Suggested Teaching Approaches

The whole class should be divided into 4 groups. Each group presents their own views. This discussion need to be summarized and concluded by students with the help of a faculty acting as a facilitator and moderator.

VI. Discussion Questions And Suggested Answers To Those Questions

Q1. What should be Flipkart's strategy to win confidence of dissatisfied customers?

Synoptic Answer:

- A. Carry out ABC analysis and find out slow moving and fast moving items and keep stock of fast moving items
- B. Upgrade the present system and ensure that all customer able to have access to the site during rush period
- C. Have better tie up with manufacturers and to get deliveries of fast moving items in time
- D. Gear up for stock points where there is more demand and increase warehousing of items in demand

- E. Create a Blue Ocean Strategy by
- F. Do not repeat the same mistake as some loyal customers will give you a chance only once. If the same mistake is repeated they will move to your competitor and will not come back.
- G. Keep the prices steady and do not change for about 2 hours so that the customer who wants to try out other competing sites gets a chance to buy his favorite items from FlipKart site.
- H. Make sure you deliver
- I. Refund money immediately if you are not able to deliver and send an apology letter.

Q2. What Amazon.in and Snapdeal.com should learn from the FlipKart Blunder?

Synoptic Answer:

a. Keep your servers up & running

The worst thing that can happen on your big day is that servers stop responding or are not ready for such heavy loads. The same happened with Flipkart sigh! Get couple of additional servers, leverage the power of Cloud if needed be, but don't leave things to chance. If you do, then you'll have angry and dissatisfied customers.

b. Online consumer is smart

The online customer is incredibly smart. The young generation is intelligent enough to compare things online before buying. They would go to other eCommerce sites to check the prices of the goods. If you're telling them to come to your website, make sure you have something to offer that others don't have. For instance you can sell products at much lower prices as possible.

c. Don't increase and then decrease

Many complained and joked about this on Twitter and Facebook. FlipKart had allegedly increased the prices of products and then were giving discounts on these prices. One has to realise that you just cannot take the consumer for a ride on the online platform; they will go to other websites and check tags. A dozen other websites are selling the same product after all. You should think smart and do what the offline stores do, where customers have no other way of comparing prices.

d. Make sure you deliver

If you had made a promise of giving discounts for full 24 hours, keep it. It really doesn't go down well with the consumers when they see messages such as 'out of stock' and 'no availability' within minutes of sale. And that is what exactly happened at FlipKart. If you are planning such a big sale, then you better be stocked up with all the goods and make sure you deliver.

VII. Conclusion

FlipKart should learn from this mistake and take all necessary steps to ensure customers are satisfied. Today there is cut throat competition in E Commerce business and FlipKart which has created strong customer base should not open flood gates to competitors' like Amazon by repeating the same mistake in future.

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