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Walmart and Flipkart: The Biggest Deal in Indian E-com Startup Market

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Abstract: Merger and Acquisition are strategic tools used time to time by companies to get the cutting edge over competitors and capturing the market. In recent past, the deal of Walmart and Flipkart was the biggest deal in the startup E-com market. The 77% shares of Flipkart was taken by Walmart by paying $16 billion. In this research paper the author is studying the reasons and other future possibilities of Indian e-com market. As many small but prominent players in the e-com market was acquired by Flipkart now Walmart has done the same thing, one possible reason from many other reasons to bypass the local rules and regulation for doing business in the foreign country.

Keywords: Walmart, Flipkart, Acquisition and Merger, E-commerce, Startup Market, Amazon.

I. INTRODUCTION

Merger and Acquisition are strategic tools used time to time by companies to get the cutting edge over competitors and capturing the market. In the world of competition big fish eats small fish and so on. The concept of acquisition and merger is always backed up by the concept of strategy thinking and growth of the market size, international foot print of the organization. The proposed research work focuses on the working styles of the Walmart and Flipkart, both are big giants at their respective places both of them has acquired many companies to support their existing business or to expand the territory of business.

Flipkart was the startup in the e-com industry for selling online goods by fellows from IIT. Flipkart was funded by many funding giants internationally and it became an example for successful e-com startup.

Walmart is giant in the retail store with multinational presence and acquired many companies in different regions of the world to operate and grab the market share to beat the competition.

The case study is running around the e-commerce and commerce like online and offline market with competitor like Amazon and others. Two players Walmart and Flipkart have their strong position over their respective places in terms of market capture and sales other side of the coin reflects the investors who had put their money in the venture like Tiger Global, Softbank etc. the deal become biggest deal due to strong presence of Amazon in the game.

II. WALMART

Fig.1 Showing Walmart Store

Walmart Inc. (formerly branded as Wal-Mart Stores, Inc.) is an American multinational retail corporation that operates a chain of hypermarkets, discount department stores, and grocery stores. Headquartered in Bentonville, Arkansas, the company was founded by Sam Walton in 1962 and incorporated on October 31, 1969. It also owns and operates Sam's Club retail warehouses. As of January 31, 2018, Walmart has 11,718 stores and clubs in 28 countries, operating under 59 different names. The company operates under the name Walmart in the United States and Canada, as Walmart de México y Centroamérica in Mexico and Central America, as ASDA in the United Kingdom, as the Seiyu Group in Japan, and as Best Price in India. It has wholly owned operations in Argentina, Chile, Brazil, and Canada.

Walmart is the world's largest company by revenue – over US$500 billion according to Fortune Global 500 list in 2018 – as well as the largest private employer in the world with 2.3 million employees. It is a publicly traded family-owned business, as the company is controlled by the Walton family. Sam Walton's heirs own over 50 percent of Walmart through their holding company, Walton Enterprises, and through their individual holdings. Walmart was the largest U.S. grocery retailer in 2016, and 62.3 percent of Walmart's US$478.614 billion sales came from U.S. operations. [1]

III. WHAT IS AN ACQUISITION STRATEGY?

Definition: The acquisition strategy is a comprehensive, integrated plan developed as part of acquisition planning activities. It describes the business, technical, and support strategies to manage program risks and meet program

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objectives. The strategy guides acquisition program execution across the entire program (or system) life cycle. It defines the relationship between the acquisition phases and work efforts, and key program events such as decision points, reviews, contract awards, test activities, production lot/delivery quantities, and operational deployment objectives. The strategy evolves over time and should continuously reflect the current status and desired end point of the program. [2]

Acquisition strategy, from a Project Management perspective, is the procurement strategy for the components/services used in a project.

There are some golden rules which can be treated as the Strategies for Successful Merger or Acquisition Deal.

Before entering in to any merger or acquisition deal, the target company's market performance and market position is required to be examined thoroughly so that the optimal target company can be chosen and the deal can be finalized at a right price. This means is that you should look at a company carefully so that you don't pay more than it's worth.

In the deal of Walmart – Flipkart, it is a long term bet on the Indian market and a step ahead from Amazon. Some strategic decisions are for long term, if we look at the current scenario the deal is big, investors of Walmart are no so happy, there is a dip in the stocks of Walmart after the deal. But this is not for the first time, Walmart has acquired many organization earlier to win the game.

IV. ACQUISITION DONE BY WALMART

Walmart has continuously grabbing the market share all over the world by acquiring the various origination to mark the presence all over the world, acquisition is one of the best strategy a company can execute. The price of the deals are less than if we compare the volume or the market capitalization done by the Walmart. By expanding the business and acquiring the various companies all over the world Walmart has beaten the competition. The following table shows the various acquire organization taken over by Walmart.

Table 1: Table shows the various acquire organization taken over by Walmart.

Acquired Organization	Acquire Date	Price	Transaction Name
Flipkart	9-May-18	$16B	Flipkart acquired by Walmart
Parcel	3-Oct-17	-	Parcel acquired by Walmart
Bonobos	16-Jun-17	$310 M	Bonobos acquired by Walmart
Moosejaw	15-Feb-17	$51M	Moosejaw acquired by Walmart
Shoes.com	5-Jan-17	$70M	Shoes.com acquired by Walmart
Jet	8-Aug-16	$3B	Jet acquired by Walmart
Yihaodian	22-Jul-15	-	Yihaodian acquired by Walmart
Reclip.It	1-Oct-13	-	Reclip.It acquired by Walmart
Massmart	29-Nov-10	-	Massmart acquired by Walmart
Vudu	22-Feb-10	-	Vudu acquired by Walmart
Distribucion y Servicio	23-Jan-09	-	Distribucion y Servicio acquired by Walmart
Seiyu Group	Sep-05	-	Seiyu Group acquired by Walmart
Bompreço	1-Mar-04	-	Bompreço acquired by Walmart
Asda	1-Jan-99	-	Asda acquired by Walmart
Cifra	4-Jun-97	-	Cifra acquired by Walmart

Table 1. Shows the various acquire organization taken over by Walmart. Source: https://www.crunchbase.com/organization/walmart/acquisitions/acquisitions_list#section-acquisitions

V. FLIPKART

Fig.2 Showing Flipkart business logo

The biggest success story of Indian e-commerce started from a two-bedroom apartment in Bengaluru.

On Sept. 15, 2007, Sachin Bansal and Binny Bansal (not related) started Flipkart as an online bookstore. The two had known each other since 2005 when they attended the Indian Institute of Technology Delhi (IIT-Delhi) together and were colleagues at Amazon briefly.

Eleven years later, the world’s largest retailer, Walmart, has agreed to buy a controlling stake in the company, Softbank chief executive officer Masayoshi Son said today (May 09).

Flipkart’s journey has been nothing short of a roller-coaster ride. The company went from record-breaking investments and an acquisition spree to failed business experiments and devaluations—only to bounce back.

Here are the key milestones in the journey of the third-most-funded private company in the world.

Table 2: Key milestones of Flipkart

When	What
October 2007	Flipkart's first order goes out to a customer in Mahbubnagar (now in the southern state of Telangana). In the first year, Flipkart makes 20 shipments.
September 2009	Raises $1 million in its first funding round from Accel Partners. The company's total headcount hits 150.
~ 2010	Launches the cash on delivery option, which gave a massive boost to online retail in India.
December 2010	First acquisition: buys book recommendation and review platform weRead.com.
October 2011	Acquires Mallers Inc (Mime360), a digital music store company, in a cash and stock deal.
November 2011	Acquires Accel Partners-backed Chakpak.com, a Bollywood news site that offers news, photos, and videos.
February 2012	Launches Flyte, a digital music store where users can discover and download music.
February 2012	Acquires Letsbuy.com, the country's second-largest online electronics retailer at the time. The deal was reportedly valued at around $25 million.
April 2013	Moves to a marketplace model from an inventory-led model, where a company no longer owns the goods sold through its portal. Instead, it turns its portal into a virtual mall, giving consumers access to multiple sellers and brands.
May 2013	Shuts its music store Flyte MP3. "We have realised that the music downloads business in India will not reach scale unless several problem areas such as music piracy and easy micro-payments, etc. are solved in great depth… (we will) revisit the digital music market opportunity at a later stage," the company said at the time.
July 2013	Launches PayZippy, an online payments solution for merchants, and reveals plans to launch a customer-facing payments product soon.
July 2013	Raises $200 million in the single-largest funding round in the Indian e-commerce space at the time, valuing the company at $1.5 billion. Investors in this round include South African internet company Naspers, Accel Partners, Tiger Global, and Iconiq Capital.
September 2013	Launches an Android app.
October 2013	Raises $160 million from Dragoneer Investment Group, Morgan Stanley Investment Management, Sofina, Vulcan Capital, and Tiger Global.
July 2014	Raises $1 billion from Singapore's sovereign wealth fund, GIC, and some existing investors, making this the biggest single funding round by an Indian internet company at the time.
May 2014	Raises $210 million in a round led by Russian billionaire Yuri Milner's fund DST Global.
May 2014	Acquires online lifestyle retailer Myntra.com for $300 million. Flipkart gets valued at around $2 billion and has a GMV of $1.9 billion. The GMV is the total value of goods sold on an e-commerce portal.
September 2014	Acquires majority stake in payments platform Ngpay.

When	What
October 2014	Launches its flagship annual sale: the Big Billion Day. The "Big" in "Big Billion Day" stands for the audacity and largeness of the event, while "billion" refers to the population of India, the company said.
November 2014	Shuts PayZippy due to "a change in strategic direction" and merges it with Ngpay.
November 2014	Acquires majority stake in Jeeves Consumer Services, which provides after-sales services for large home appliances and electronics.
December 2014	Raises $700 million from existing as well as new investors, including Baillie Gifford, Greenoaks Capital, Steadview Capital, T Rowe Price Associates, and Qatar Investment Authority. The company is valued at around $11 billion.
March 2015	Flipkart and Myntra shut their mobile websites in an attempt to become an app-only shopping platform.
March 2015	Acquires Sequoia Capital-backed mobile advertising company AdIquity.
April 2015	Says will shut its desktop website soon, too, and go app-only.
April 2015	Acquires mobile marketing firm AppIterate to support its "mobile-first strategy."
May 2015	Raises $500 million at a valuation of $15.5 billion.
June 2015	Introduces a new maternity, paternity, and adoption leave policy that is far better than most Indian companies have until then.
July 2015	Raises $700 million in its tenth funding round at a valuation of $15 billion.
September 2015	Acquires payment services startup FX Mart for about $6.8 million.
November 2015	Takes a u-turn on its mobile-only strategy. Launches a data-light mobile website called "Flipkart Lite."
November 2015	Invests in Qikpod, a then yet-to-be-launched startup that planned to offer locker service for deliveries.
January 2016	Binny Bansal takes over as the CEO, replacing Sachin Bansal, who becomes the company's executive chairman.
March 2016	Morgan Stanley trims Flipkart's valuation by 27%.
April 2016	T Rowe Price cuts the value of its holding in Flipkart by 15%.
April 2016	Time magazine names Flipkart's founders among 100 most–influential people in the world.
April 2016	Acquires UPI-based payments start-up PhonePe, which was launched in December 2015 by three former Flipkart employees.
January 2017	For the first time since its inception, Flipkart appoints a non-founding CEO, Kalyan Krishnamurthy, a former executive with investor Tiger Global.
April 2017	Raises $1.4 billion from Chinese internet firm Tencent, American online retailer eBay, and software giant Microsoft. Also acquires eBay in exchange for equity. eBay continues to operate as an independent entity.
August 2017	Softbank's $100 billion Vision Fund invests $1.5 billion in the company to become one of its largest shareholders.

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VI. STARTUPS ACQUIRED BY FLIPKART

India's most funded startup has acquire many other startups in between 2007 to 2017, in the year 2018 the startup was acquired by Walmart, a retail giant.

The major acquisition done by Flipkart

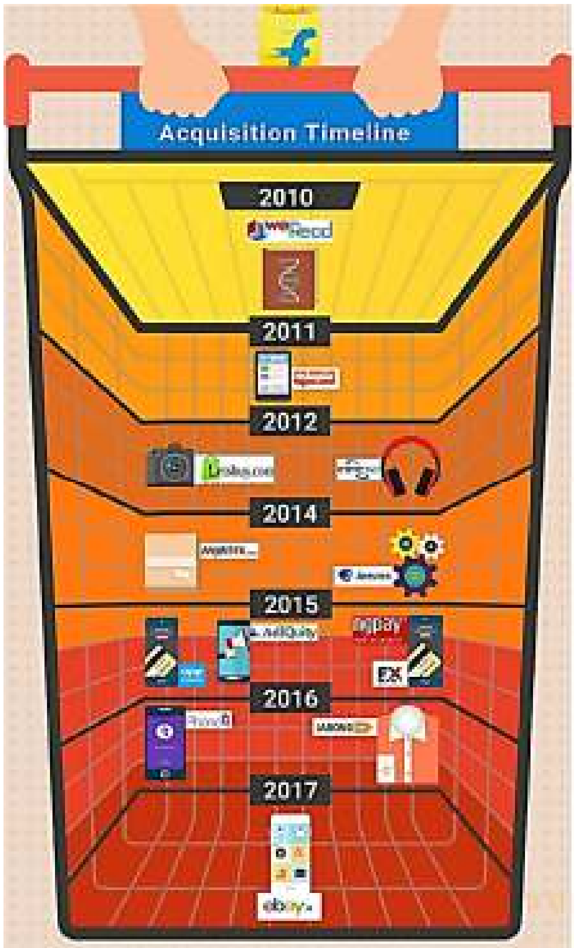

Fig.3 Showing Flipkart Acquisition Timeline

2010

weRead.com

weRead.com, which was launched in 2006, had about 3 million customers and 60 million titles by 2010. Launched as an online community of book enthusiasts by Krishna Motukuri and Harish Abbot, its social cataloguing application was available on Facebook and it had members across MySpace, Orkut, Hi5 and Bebo. It was a part of uGenie Inc., a privately held company based in California and funded by BlueRun Ventures and Sierra Ventures. WeRead.com was the first startup acquired by Flipkart, and instantly expanded Flipkart's customer base to own the entire customer book reading experience from purchase to referrals.

2011

MIME360

MIME (Manoramic International Media Exchange) 360 was a Mumbai-based digital media distribution firm. It was incubated at the Wharton Business School's Venture Initiation Program by Sameer Nigam in 2008. The following year, Rahul Chari and Burzin Engineer joined as co-founders. The company brought together content owners and publishers on a common platform, enabling them to expand their market globally. It had tie-ups with about 50 content owners and 10 content publishers including Saregama and Gaana.com and operated in Mumbai, India and Delaware, USA. This takeover enabled Flipkart to get hold of a robust infrastructure for digital distribution technology platform.

Chakpak.com

Chapak.com was a content portal around films, covering Bollywood, Tamil and Telugu films, with movie timings, news, information, and reviews. It was founded in 2007 by Gaurav Singh Kushwaha and Nitin Rajput, with seed funding from Erasmic Ventures (now Accel Partners) and VC firm Cannan Partners. Accel Partners was also an investor in Flipkart. In this acquisition, Flipkart took over only rights to content – thereby adding about 40,000 filmographies, 10,000 movies and 50,000 ratings into its portal – and not the website, which continues to this day. The acquisition allowed Flipkart to offer editorial and user-generated content for a huge array of Indian movies.

2012

Letsbuy.com

Letsbuy.com was founded in 2009 by Hitesh Dhingra and Amanpreet Bajaj. It had received $6 million in venture capital funding from Helion Venture Partners, Accel Partners and Tiger Global Management. By 2012, it primarily sold consumer electronics, communications and computer goods, and also toys, sports and healthcare goods, watches, and stationery. Flipkart bought Letsbuy.com in a cash-and-equity deal valued around $25 million. Both sites were backed by common investors, Tiger Global Management and Accel Partners.

Fig.4 Showing Business logo of Letsbuy.com, owned by Flipkart

2014

Myntra.com

Myntra was established by Mukesh Bansal, Ashutosh Lawania and Vineet Saxena in 2007. It was initially in the business of personalised of gift items but since 2010 had expanded into fashion and lifestyle products. Myntra tied up with various popular brands to retail a wide range of latest merchandise.

By 2014, when Amazon was ramping up its India operations, Myntra had become India's leading fashion portal. In order to combat Amazon and rival Snapchat, Flipkart acquired Myntra.com at a valuation of approximately $370 million. At that time, Flipkart co-founder and CEO Sachin Bansal had said, "It is a 100% acquisition and going forward, we have

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big plans in this segment. Flipkart and Myntra are getting together to create one of the largest e-commerce stories and together we will dominate the market." The move helped Flipkart strengthen its apparel portfolio. The takeover was largely influenced by two large common shareholders, Tiger Global and Accel Partners. Myntra continues to function and operate independently. Its co-founder and CEO Mukesh Bansal joined Flipkart board to head the fashion business. To date it remains one of Flipkart's biggest acquisitions.

Fig.5 Showing Business logo of Myntra.com, owned by Flipkart

2015

AdIQuity

Adlquity was founded by Anurag Dod as a global mobile ad network to facilitate ad agencies to acquire mobile traffic and to leverage the opportunities presented in the rapidly growing mobile ads space. It served 25 billion ad impressions on a monthly basis for over 200 countries and had 15,000 app developers and publishers using its platform. Flipkart made this acquisition as a part of its mobile-first strategy to strengthen its mobile platform.

Appiterate

Appiterate was a mobile engagement and marketing automation company founded in 2013 by Tanuj Mendiratta, Anuj Bhargva, Mayank Kumar and Varun Sharma. It was launched as an A/B testing tool for mobiles: a methodology to test which of the two variant versions works better with the audience. It had worked with e-commerce companies to target their users through push notifications and in-app messages. With this acquisition, Flipkart aimed to deliver personalized push notifications and in-app messages to its users.

FX Mart

FX Mart, founded by Amit Narang in 2012, provided services like digital or electronic payments, remittances buying and selling of currencies, overseas remittances, travel and related services. It also owned a prepaid wallet licence issued by Reserve Bank of India. This acquisition has enabled Flipkart to offer a digital wallet on its app and avoid paying a cut to external wallet providers. It can potentially help Flipkart increase the proportion of cashless transactions. Subsequently, Flipkart launched its e-wallet in 2016. The deal with FX Mart was reportedly worth around $6 million, according to press reports.

2016

PhonePe

PhonePe was founded by former Flipkart executives Sameer Nigam, Rahul Chari and Burzin Engineer. The first two were also co-founders of MIME360 (which was taken over by Flipkart in 2011). It has worked on a payments solution around the Unified Payments Interface (UPI), an initiative of the National Payments Corporation of India, which will allow fund transfer between banks and will make inter-operability between banks and instant payments possible by using a single identifier like the Aadhaar number or a virtual address. The company's mission is to significantly improve the online and offline digital payments experience for millions of Indian customers. This acquisition is expected to drive Flipkart's focus on innovation on the payments front. While PhonePe would function as an independent business unit, its team has joined Flipkart.

Fig.6 Showing Business logo of PhonePe.com, owned by Flipkart

Jabong.com

Jabong was founded in 2012 by Praveen Sinha, Lakshmi Potluri, and Arun Chandra Mohan as a portal selling apparel, footwear, fashion accessories, home accessories and other fashion and lifestyle products. In 2014, its investor, Rocket Internet merged Jabong with four other online fashion retailers to create Global Fashion Group (GFG). Flipkart acquired Jabong through Myntra for about $70 million from GFG, bringing into its fold over 1,500 high-street brands, sports labels, and Indian ethnic and designer labels from over 1,000 sellers. The acquisition was expected to help Flipkart to further penetrate into the fashion market to maintain its leadership position

2017

eBay.in

Although eBay began its India operations in 2005, it had never been an aggressive player. In April 2017, while closing a $1.4 billion funding round, Flipkart acquired eBay's India arm, eBay.in. It is reported that in exchange for an equity stake in Flipkart, eBay has agreed to make a $500 million cash investment in and selling its eBay.in business to Flipkart. eBay.in will continue to operate as an independent entity. The two companies plan to tap in each other's inventory to expand sales, giving Flipkart access to eBay's global marketplace. The deal may take about 90 days to close and some of eBay's employees may move over to Flipkart. eBay is now the most high profile name in the list of startups acquired by Flipkart.[3]

After Flipkart's launch in the year 2007, initially with the slow pace but after getting funding and starting acquisition different companies to strengthen the market and expanding the business. Flipkart acquire many big players who started as new venture or startups like Jabong.com, Myntra.com, and Phone Pay etc.

VII. THE DEAL: WALMART AND FLIPKART

Walmart, the largest brick-and-mortar retailer in the world acquired a 77 percent stake in India's Flipkart for $16 billion, marking the beginning of its first real battle with Amazon in an emerging market. It starts with the size of India — it's the second-most-populous country in the world, just behind China. Of course, that size alone doesn't matter — rather, it's the shifting behavior of Indian consumers.

India is home to a growing middle class, fueling household spending growth on par with that of China — and at a faster clip than the more mature U.S. market.

With a fragmented brick-and-mortar retail market in the country, more of that spending is gravitating online where the Indian shopper can purchase a wide range of products in one spot — whether on Flipkart or Amazon. In 2017, consumers in India spent $21 billion on e-commerce, making it the 10th-biggest e-commerce market in the world, according to data from digital research firm eMarketer.

The deal, having 77 percent stake in the Indian e-com company has many reasons for Walmart why an Indian company, Indian market, and e-commerce market. One of the strongest reason may be presence of Amazon in the Indian market and global rival of Walmart. Walmart-Flipkart deal would give a big push to the e-commerce market—estimated to grow from a share of 2-2.5% of the retail market to about 30% in 10 years—and thereby act like a force multiplier for the start-up ecosystem.

This deal is a good news for the future e-com market and new startups to mark their presence in the international and national market, many startups founded and some of them are successful, and Flipkart is one of those successful Indian startup.

VIII. REASONS FOR THE DEAL: WALMART AND FLIPKART

Market Strategy, Insecurity, ambition, growing Indian market etc. there are list of many possible reasons for the deal,

Walmart's Amazon problem Walmart's total revenue for the last fiscal was over $500 billion, while Amazon's net sales were $177.9 billion. Walmart showed net income of over $20 billion, while Amazon's net income was $3 billion. Yet, Amazon today is among the top five companies in the world in terms of market capitalisation at over $680 billion market cap. In fact, for a brief time this year the Seattle-based ecommerce giant was the second most valuable company in the world, behind Apple. Analysts have also begun predicting that Amazon could beat Apple to become the first company in the world with a $1 trillion market capitalisation. Walmart's market cap on the other hand is at just over $250 billion, not small change at all, but smaller than Amazon's. The reason for the stock markets in the US putting greater value in Amazon than Walmart is because the former is seen as the company with a more robust future and growth potential. Ecommerce accounted for 13 percent of total retail sales in the US in 2017 and 49 percent of growth, and Amazon is responsible for most of the growth. Overall ecommerce in the US grew at 16 percent last year. According to ecommerce business intelligence firm Internet Retailer, Amazon accounted for over 70 percent of the $62.47 billion growth in US online retail in 2017 and almost 35 percent of the $127 billion rise in the overall retail market. Walmart has spent the last few years playing catch-up in ecommerce. It spent $3.3 billion in late 2016 to acquire Jet.com, a direct competitor of Amazon. Last fiscal, Walmart had ecommerce sales of $11.5 billion, a growth of 44 percent. However, in the last quarter, ecommerce sales grew at only 23 percent, much slower than Amazon.

"In the US, Walmart is the only formidable competitor left for Amazon. Walmart has been growing its ecommerce operations a lot and Amazon has been increasing its footprint with physical stores. It's natural for that battle to spill into international turf as well," says Kartik Hosanagar, Professor at The Wharton School of the University of Pennsylvania.

Despite the potential for growth in online retail within US, Amazon has already made big strides in international markets. This is because the expectation is that emerging markets of today will become growth drivers of the future. China's Alibaba, for instance, is valued at over $520 billion, and most US tech and ecommerce companies either missed the China bus or were kicked out.

India is the only big ecommerce market still up for grabs. India's online retail market grew at 23 percent in 2017. While India's overall retail market is over $670 billion in size, online sales is just at $20 billion. The headroom for growth is immense, with 60 percent growth expected this year.

Amazon is already in a strong position in India with a market share of around 35 percent, compared to Flipkart Group's 45 percent. If Amazon extends this lead in India or builds an unassailable position, the company will be able to extend its overall lead over Walmart dramatically.

Walmart's India problem The Bentonville, Arkansas-based retail giant has been in India for over a decade, but hasn't managed to grab any share of the retail market. This is primarily because of the country's FDI rules in multi-brand retail. In 2011, India allowed 51 percent FDI in multi-brand retail, but allows 100 percent FDI in the wholesale segment. Walmart had a partnership with Bharti Enterprises, but that never scaled up and the partnership ended in 2013. Walmart still operates 21 Best Price wholesale stores in India, but has no presence in retail Ganesh, serial entrepreneur and startup investor, says: "Walmart has consistently missed the bus. They are an iconic brand, have the cash and the market cap, but have let others dominate the market, especially in markets other than the US. Unless they do something drastic they will lose India too. They should have done something like this (an investment into Flipkart) at least four years ago, but it is better late than never. It is a desperate situation for them."

Satish Meena, Forecast Analyst at Forrester Research, says Walmart now realizes that an offline-only play might not happen in India. “They have been trying to enter the India market for 10 years now and have realized that it is difficult for any government to allow Walmart in India. Their experience with offline partners in India wasn’t great. That’s why they are looking at a controlling stake in Flipkart. Their experience as minority partner hasn’t been good.”

As mentioned earlier, India is the last large ecommerce market that is still in its early stages of growth. Walmart needs to carve a space for itself here before it is too late. What better way to do that than by getting a pie of the online retail market leader?

Exit for Flipkart investors Flipkart has become the too-big-to-fail company for the Indian startup ecosystem. It has raised over $6 billion from investors like Tiger Global, Accel Partners, SoftBank, Tencent, eBay, and Microsoft. When SoftBank invested in Flipkart, Tiger got a $424 million exit while Accel got over $110 million. But investors will expect a blockbuster exit from the company. “A strategic investor always has a different equation than a pure financial investor. A strategic investor eventually wants control and a buyout. Tiger, SoftBank, and others will look at IRR. Walmart will not look at just IRR. For financial investors this is the only decent chance to sell their stakes and get returns. With Walmart as an investor, the risk is lower and the value will go up. Flipkart will be in stronger position,” Ganesh says. This is an important point as availability of funds is no longer of great concern for Flipkart, considering it has deep-pocketed investors in SoftBank, Tencent and Microsoft among others. But a strategic investor ensures that financial investors see an end.

Going offline, there is a clear need for Flipkart to start having an offline presence. For Walmart too, while a strong online presence in India would be a good start it will want to start building up an offline retail play. Manish Saigal, Managing Director at advisory firm Alvarez & Marsal, says Indian e-tailers need to have an offline presence to some extent. Amazon has already started building this—through partnerships under Project Udaan it has stores in semi-urban markets, it has its own dark stores for its hyperlocal grocery delivery platform Amazon Now, and it has a stake in Shoppers Stop. From Flipkart’s perspective, not having an offline presence and not having sourcing linkages in fresh is a handicap. In mobile and fashion etc. Walmart can't help Flipkart. Where Walmart will help is in daily household items. In this, you will need offline formats to capture the market. I also believe it is not easy to crack offline for online guys. The business model is very different and in offline you are competing with Dmart, Future Group, and others. Here Walmart’s expertise will help.

Jetting knowledge to India There is this misconception that Walmart has no expertise in ecommerce. That is far from true. As mentioned earlier the company saw a 44 percent growth in ecommerce sales in 2017, with $11.5 billion in ecommerce sales in the US markets. The Jet.com acquisition has helped the company gain some valuable ecommerce knowledge and tech. A CNBC article states that Walmart would soon launch Jet.com’s smart cart technology on its main site. If customers pack more items in one box, use a debit card to make the payment or choose a no-returns option, then they get lower prices under the smart box feature. This has worked well for Jet.com. The same article goes on to say how Walmart will use its unrivalled network of stores to make faster online grocery deliveries. Walmart also has a long list of private label brands. Flipkart could figure out a way to retail these products on its site. The Bengaluru-based e-tailer is also betting big on private label and Walmart’s expertise in this area could be an asset.

Mirroring JD.com partnership to see what Walmart can possibly do with Flipkart we need to just hop over to China and examine how the company’s partnership with JD.com is evolving. Walmart took a 5 percent stake in JD in 2016, after selling off its joint venture with a small online retailer Yihaodian. It has increased its stake in JD quite rapidly since and now owns a little over 12 percent in the Chine ecommerce major. Walmart has opened a store on JD.com and sells thousands of products that sell well in the 400 brick-and-mortar Walmart stores across China. The company uses this offline network to fulfil online orders. There is also a store that sells only imported Walmart products. It also launched a store for Asda, Walmart’s British subsidiary, on JD.

Tencent, an investor in Flipkart, is also an investor in JD.com. Walmart is using Tencent’s WeChat Pay in parts of China.

Earlier this month Walmart launched its first integrated offline-online small format, Walmart Supermarket, in Shenzhen, China. According to reports, customers in the store will be able to access about 90 percent of Walmart’s inventory on JD.com. The stores offer a scan-and-go checkout process. This uses a WeChat programme that allows customers to scan barcodes as they shop along with a tech-enabled stocking system. This allows fast deliveries—less than 30 minutes for a delivery within two kilometers.

Like Paytm Mall was able to replicate Alibaba’s QR-enabled stores in India quickly, Flipkart can also launch smart stores in India with Walmart’s knowhow, alongside offline stores.

Sam’s Club an answer to Amazon Prime? Amazon’s membership programme, Prime, has been a headache for Flipkart. While Amazon has not shared exact numbers, it claims its Prime member base now is in the millions. A person with knowledge of Flipkart’s strategy says the company’s management knows that they need to find an answer to Prime and soon.Walmart has had a membership programme, Sam’s Club, for decades now. In the US, Sam’s Club has two membership tiers, one priced at $100 and the other at $45—quite similar to Amazon Prime membership fees in the US.However, Sam’s Club has been an offline-based membership model and is only now partly transitioning online. However, in China, JD.com has already launched an online store for Sam’s Club. This could be the solution to Flipkart’s Prime problem.

The big question is will this be enough for the two companies to fend off Amazon. If there is one area where Walmart really pales in comparison with Amazon it is in new tech like Amazon's voice assistant, Alexa. Its smart grocery store experiment in the US is another example. Sure, such technology is not yet adopted by all those online but this is where technology is headed. If one company has shown that it can keep innovating it is Amazon—one of the reasons why it has such high market capitalisation.

Amazon's spend on R&D, at $23 billion last year, shows how important innovation is for the company. Amazon spent the most on R&D last year, ahead of Google, Intel, Microsoft and Apple. To put that in context, Amazon's R&D spend last year was larger than India's current ecommerce market. This is what the Walmart-Flipkart combine is up against.

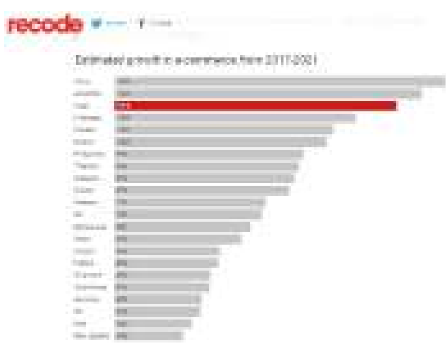

Fig 7. Showing estimated growth in e-com market from 2017 – 2021.
Source:

https://www.recode.net/2018/5/11/17335706/walmart-flipkart-india-ecommerce-charts

What's more important to Walmart than the current size of the market, though, is its anticipated growth. From 2017 to 2021, online retail in India is expected to grow 141 percent to more than $50 billion.

India's 2017 e-commerce market share is distributed among in between, Flipkart, Amazon, Snapdeal and Other players. Some players are being acquired by these standing players in the market. In 2018, entry of Walmart in e-com business of India by acquiring Flipkart creates disturbance and the ripple of the wave will rearrange the scenario

IX. ADVANTAGES AND DISADVANTAGES OF THE DEAL

Acquisition and merger of any organization has some advantages and disadvantages, it has some long term effects and immediate reaction from market. Every entity which is related to the deal directly or indirectly has some reaction on the deal. The Confederation of All India Traders (CAIT) said the deal is nothing but a clear attempt to control and dominate the retail trade in India by Walmart through e-commerce in the long run.

On the other hand, Retailers Association of India while staying away from commenting directly on the acquisition, said some e-commerce companies in India have been flouting FDI Policy for marketplaces.

"Digitally powered e-Walmart will certainly vitiate the e-commerce and retail market. There will be an uneven level playing field to the disadvantage of retail traders. Only the venture capitalist, investors and promoters will be benefitted and not the country," CAIT said in a statement.

The Walmart-Flipkart deal as a salute to the success of an Indian start-up that pioneered the fledgling online retailing in a country where bulk of the trade is in the unorganized sector. [4]

In present scenario, the Indian market is having an e-com market, offline organized market where D- Mart, Big Bazzar, Reliance etc. are serving and unorganized traditional market which is existing side by side and struggling but still in existence due to its own merits over multinational players.

As Walmart scales in India, the company will continue to partner to create sustained economic growth across agriculture, food, and retail. On the forefront, the company is looking at extensive job creation through development of supply chains, commercial opportunity, and direct employment.

Furthermore, the retail major plans to support small businesses and 'Make in India,' through direct procurement as well as increased opportunities for exports through global sourcing and e-commerce.

Among other initiatives, Walmart will partner with Kirana store owners and members to help modernize their retail practices and adopt digital payment technologies. They will also support farmers and develop supply chains through local sourcing and improved market access.

Fig.8 Showing India's Growth with long term market potential

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Fig.9 Showing Flipkart's leading position in the Indian E-com Market

Fig.10 Showing Flipkart and Walmart group value creation for everyone in the Indian E-com Market

There has been growth in the Indian market in terms of Internet user, mobile user, online purchasing trends, many retailers and shop owners became seller for selling online their reach to all over India, employment Increase and many other things. Customer, associates, Investors, communities and other persons everyone will be benefiting in longer run. [5]

FUTURE OF INDIAN E-COM INDUSTRY

India is tipped to reach 500 million internet users by June 2018, according to a report from the Internet and Mobile Association of India (IAMAI) and Kantar IMRB. That's up from 481 million six months prior, but internet penetration in rural areas is at just 20 percent compared with 65 percent in urban India. That rush online has led some analysts to predict big gains for online retail, with Morgan Stanley forecasting that 30 percent annual growth in GMV will take India's e-commerce market to $200 billion by 2026.

Walmart's increased focus on India comes after the retailer exited the Chinese market in 2016, selling its Yihaodian service — which it first backed in 2011 — to Alibaba rival JD.com. That deal also saw Walmart work closely with JD.com, essentially using the company as a storefront to reach Chinese consumers. [6]

India's e-commerce market will grow at a 30% compound annual growth rate for gross merchandise value to be worth $200 billion by 2026, according to investment bank Morgan Stanley.

Once a consumer has been online for over five years, they are more likely to buy online. Right now, that's only 30% of India's 432 million internet users.

"The reason for that is very simple, because a bulk of the addition in the internet base has happened in the last three years.

"That's when smartphone penetration started ballooning. So a large base of the internet population has been on the internet for not as many years as required to get comfortable with the medium. When does that maturity come through? Most likely 2019, the year can be an inflection point for India's e-commerce market.

With this comfort, e-commerce customers are also moving to digital payments. [7]

STARTUPS AND ACQUISITION

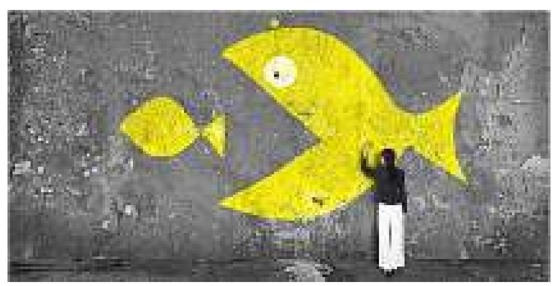

Fig.11 Showing pictorial imagination of Acquisition of Startups

The Indian startup ecosystem witnessed a large number of startup acquisitions. Startups are a tricky ordeal to start with, and sometimes, it takes a little more than just effort or a good idea to reach the top. In fact, it takes a lot more than those two variables! The ultimate goal of every entrepreneur is to get their company recognized and listed, to turn their dreams into concrete reality, to be at the pinnacle of success. But, situations seldom happen how we plan them in our heads. Along the journey, other well-established companies might become interested in your business model and might even want to acquire your company.

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An honorable exit

It is hard for any entrepreneur to let their brain child go to waste, so they find an honorable way out, and that is by getting acquired. Entrepreneurs who wish to keep their business model intact and keep their company running, averting the various issues they are faced with, generally go in for this process. So, without having to demolish the company that they had built so hard, getting acquired helps them retain the earlier model, enjoy the benefits, all while staying under the control of a bigger company.

A desire for exposure

As a consequence of acquisition, the company that gets acquired, along with all the employees, gets exposed to many new influential people aside from a host of newer companies and institutions. Acquisition will inevitably lead to newer opportunities and opening up of networks which only leads to more business.

Speedy achievement of your vision

Every entrepreneur has a set of visions and goals that they want to achieve. Sometimes, for them to realize their goals, acquisition becomes a necessity. This is because they might not be able to reap the projected success in the preordained framework or working model of their company. The process of acquisition might induce the necessary changes. Moreover, the established infrastructure might just help smaller companies realize the same.

Working more efficiently

Startups, after a particular point, might become less productive. Hence, getting acquired by a bigger company might just be the spark that sets the efficiency meter running. A new infrastructure coupled with new heads will bring about that increase in efficiency.

Whatever be the reason, the process of getting acquired can be a very hectic one where your company, your skills or even the team is essentially what you are selling. Ensure you make an informed decision in which both the parties will be able to reap an equal amount of profit! [8]

Table 3. Showing Indian Startup Acquisitions in 2017

Acquired By	Company Acquired	Amount	Date
Ebix Inc.	**Via.com**	$75M	Nov-17
Bharti Airtel Ltd	**Seynse Technologies Pvt Ltd**	$15M	Feb-17
Ebix Inc.	**ItzCash**	$123M	Jul-17
Dentsu	**Sokrati**	$108M-$124.4M	Jul-17
FreshWorks	**Zarget**	$15-$18M	
HomeLane	**CapriCoast**	$13.9M	Nov-17
Coutloot	**Once Again**	Undisclosed	Jan-17
OneLoyalCard	**Pocketin**	Undisclosed	Feb-17
Flipkart	**eBay India**	Undisclosed	Apr-17
Byju's	**Edurite**	Undisclosed	Jul-17
Avendus	**Zodius Advisors**	Undisclosed	Nov-17
Paytm	**Nearbuy India**	Undisclosed	Dec-17
MonkeyBox	**75 In A Box**	Undisclosed	Dec-17
Freshdesk	**Pipemonk**	Undisclosed	Jan-17
OMA Emirates	**MobiSwipe**	Undisclosed	Feb-17
APUS	**Siftr**	Undisclosed	Mar-17
Google	**Halli Labs**	Undisclosed	Jul-17
Espacio	**The Tech Panda**	Undisclosed	Oct-17
Golflan	**GolfGreedy**	Undisclosed	Jan-17
Byju's	**Vidyartha**	Undisclosed	Jan-17
Jayaram Banan	**India Equity Partners**	Undisclosed	May-17
Zomato	**Runnr**	Undisclosed	Sep-17
Everstone Group	**Kenstar India**	Undisclosed	Nov-17
Swiggy	**48East**	Undisclosed	Dec-17

Bharti Airtel Ltd	Tigo Rwanda	Undisclosed	Dec-17
Mara Group	Nimbuzz	Undisclosed	Mar-17
Freshdesk	JoeHukum	Undisclosed	Jul-17
PropTiger	Housing	Undisclosed	Jan-17
iTransparity	ReachAll	Undisclosed	Jan-17
PickMyLaundry	Oneclickwash	Undisclosed	Mar-17
BookMyShow	Burrp!	Undisclosed	Jul-17
Flipkart	F1 Info Solutions & Services	Undisclosed	Sep-17
SHEROES	Babygogo	Undisclosed	Dec-17
Ola	Foodpanda	$40M	Dec-17
Dentsu Aegis Network	SVG Media Pvt Ltd	Undisclosed	Apr-17
APUS	Siftr	Undisclosed	Mar-17
ixigo.com	Reach App	Undisclosed	Jan-17
DIDI	Timemytask	Undisclosed	Jan-17
Marico Limited	BEARDO	Undisclosed	Mar-17
Byju's	TutorVista	Undisclosed	Jul-17
HalfBrain	Towny	Undisclosed	Jun-17
Paytm	Little	Undisclosed	Dec-17
Smartron	MiQasa	Undisclosed	Dec-17
Times Internet	House of God	Undisclosed	Dec-17
Alibaba Pictures Group Limited	TicketNew	Undisclosed	Jun-17

Showing Indian Startup Acquisitions in 2017
Source: http://dsim.in/blog/2018/01/19/44-biggest-startup-acquisitions-2017-india/

Fig.11 Showing pictorial presentation of Acquisition of Startups in India - 2017

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CONCLUSION

Acquisition and mergers are strategic tools to get a competitive edge over competitors and get the maximum market share and win.

Acquisition is the strategy for Indirect entry to the market in which there are some business legal restriction.

Flipkart Walmart deal is the biggest M&A deal in startup history, globally. In one swoop, the $16 billion deal has wiped out all the losses of investors in the Indian startup ecosystem.

The great Indian dream

Launched in 2007 and envisioned as the 'Amazon of India' before the latter came to India, Flipkart has raised over $6 billion so far and is valued at about $14 billion. Flipkart owns India's largest online fashion retailers -- Myntra and Jabong - both of which it acquired. Together, Flipkart-Myntra-Jabong has a 70 percent market share of the online fashion business in India. It also owns eBay's India business as well as popular mobile payments app, PhonePe. With over 100 million users and these popular properties, Flipkart is a valuable asset in the global internet economy for its long-term potential.

Amazon is on a golden run of sorts challenging Flipkart's leadership position in India and threatening Walmart's supremacy in the U.S.

An Amazon-Flipkart alliance would lead to a monopolistic entity which is neither good for the customers, nor the merchants and the industry ecosystem. A Walmart versus Amazon battle, much like it is in the U.S. currently, is where my money is at.

If the deal goes through, Flipkart will not only add significant financial heft but also be able to leverage Walmart's famed global supply chain and enhance efficiency in procurement and product assortment.

Walmart's existing Cash & Carry store business in India can be expected to continue as a separate business unit and not mixed with the eCommerce business.

The Indian retail market is currently pegged around USD 650 Billion and with 90% of it being unorganized. It is a well-known fact that Walmart runs this business very efficiently. It doesn't make sense for them to leave such a cash cow where there is hardly any competition and upside is so huge. With this, they can not only continue to serve large Kirana driven traditional market but will also be able to serve the growing B2C consumer market. So best of both the worlds.

A company of the size of Walmart can be expected to solve the current gaps that consumers in tier 2 and 3 towns of India (including rural India) face while shopping online by way of investment in showcase centers that allow consumers to touch, look and feel products that they may never otherwise buy online. It takes muscle, intent and depths of expertise to create such pools of community infrastructure much needed to expand and grow the Indian retail sector.

Flipkart's biggest competition comes in the form of Amazon, Paytm Mall, TataCliq, Shopclues and the like. While Amazon is expected to be the most closely impacted, we must not discount the impact on Paytm Mall and its key investor Alibaba. For reference, Alibaba has been on an acquisition spree and recently took control Ele.me marking its foray into logistics and brick-and-mortar assets. Further, only yesterday they have also acquired Rocket Internet's online retail company, Daraz. These acquisitions go to show their laser-sharp focus on building assets and capabilities to put up a serious fight against Walmart and Amazon.

In the light of this aggressive and head-to-head competition between the 3 big players namely Walmart (including Flipkart), Amazon and Alibaba (Paytm Mall) we can well expect further consolidation and acquisition of specialised eCommerce companies that will allow the 3 big players to gain dominant market share in newer segments. Over the coming years, the Indian eCommerce market will be dominated by these 3 big players.

For the Indian start-up ecosystem at large, this will be a morale booster given the lack of exits or buyouts of unicorns till date. This global attention by way of an acquisition will be a confidence builder for existing start-ups being forced by their investors to hit the IPO button. This acquisition strongly conveys the maturity of the ecosystem in the country and the possibilities of a multi-billion dollar exit.

Impact the Indian consumer

The intense competition between the 3 big players will be an investment in newer categories like grocery, furniture among others. This will give the Indian consumer availability of new product types which otherwise were not available online. Furthermore, these 3 big players, to outdo each other, will bring in global stocks and sellers to the local marketplace – this will solve a long-standing complaint of the Indian consumer of the unavailability of some of the world's best products.

Another key outcome for the consumers will be better-managed deliveries given the increase in investment in supply chain and infrastructure. This will also translate to the availability of products in Kirana stores which implies better pricing, quicker deliveries and overall better service levels.

Overall, the coming scenario in Indian market, e-com as well as brick n mortar both if we look at the brighter side feel good expectation is there and it has many stronger reasons like increased population with better internet connectivity, payment options like COD, e-wallet, net banking people are slowly moving towards cashless payments. Big giants like Walmart and others are putting their money in Indian market this will generate competition and customer benefits in terms of price and varity of goods available on online stores. Increased in employment, better logistics etc.

On the other hand the local unorganized market and other players who are already existing in the offline market like Reliance, D-mart, Big Bazaar and other small stores who are serving niche areas could face some problems, but they are only competitors left to give a good fight to Amazon, Walmart and Paytm in longer run. India has scattered unorganized market and this could be the key to balance the competition in near future.

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