



Flipkart-Walmart deal – Impact on India

Description

Theme :-

- Walmart has struck a deal with Flipkart in May 2018 and is buying 77% stake in it.

Positive impact :-

- Walmart trusted the potential of Indian E-commerce sector. This deal will raise confidence on Indian E-commerce market and thereby will attract more investors.
- At present Amazon is the largest E-commerce platform in retail sector of India. Though Flipkart is giving a good competition to Amazon, it's struggling with several bottlenecks such as drying up of investment, lack of infrastructure etc. Walmart – Flipkart deal will be a boost to Flipkart and it will give a tough competition to Amazon.
- This deal will end the monopoly of Amazon in the Indian E-commerce Industry.
- More competition leads to more benefits to customers in the struggle of attracting customer base.
- More investments will result in attracting best talent to E-commerce sector.
- Till recently, business model of Indian E-commerce companies are not sustainable. Walmart is very efficient in managing supply chains. Since 1980s Walmart is buying products directly from manufacturers. If the efficiency of supply chain is replicated in India, Indian E-commerce companies will turn into profitable.
- Walmart has access to global supply chains.
- With this deal, employees of Flipkart are benefited, because they have – Employee Stock Ownership plan (ESOP) – . This will encourage ESOPs culture.
- A significant percentage of fruits and vegetables spoiling due to inefficient logistics and warehouses. With more investment and modern technology, this problem will be solved.
- At present, there are specific problems to deliver products to rural areas such as lack of warehouses etc. This investment will help in overcoming this problem.
- A few people are opposing the move by saying that it is FDI and it will dominate domestic players. But the fact is that this stake that Walmart is buying was with SoftBank pvt ltd. till



now. SoftBank is a Singapore company. So FDI is already there.

- Walmart is the World's largest retailer. So we can adopt the best practices. This results in Knowledge transfer and thereby benefits us.
- More jobs will be created especially to semi-skilled workers in logistics, delivery, back office operations etc.
- Better supply chain strategy results in benefits to traders and farmer.
- There is so much potential in Indian e-commerce sector. The number of consumers will grow exponentially in the coming days. Walmart-Flipkart will make retail E-commerce sector ready for the future demand.

Negative impact :-

- India still does not have national E-commerce policy. Indian government is planning to bring one by the end of 2018. As we are in the nascent of policy regulations for E-commerce, this sector in India is susceptible to exploitation by foreign players.
- Both Walmart and Amazon are US companies. This means no Indian E-commerce company is in the first two places. Britishers also came to India in 16th century in the name of doing business with India, but eventually they ruled India. Taking lessons from that, we need to be careful. No country can colonize India in the present times, because democracy and sovereignty have worldwide support. but we need to be careful to avoid Digital colonialism.
- There will be no level playing field for other E-commerce companies.
- Big data of Indian customers such as buying history, personal details, search history etc can go into the hands of US company. This can be misused by vested interests. We already witnessed Facebook's "Cambridge analytica" incident recently.
- This deal is against to the spirit of "Make in India" program.
- Walmart has its branches in several countries. It buys products mainly from China. If it does the same in India, it will be a loss to Indian manufacturers and thereby to Indian economy.
- Developed countries like China, US, EU are not allowing foreign companies to dominate their digital economies. We need to observe these things too.
- This deal will result in lower prices which is a threat to physical retail stores.

Conclusion :-

Both Flipkart and Walmart will be benefited by this deal. More investment will help Indian economy and E-commerce sector. But to prevent exploitation, bringing the best National E-commerce policy is a must.

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Afterwords :- Do you think Flipkart-Walmart deal is good for India's E-commerce? Express your thoughts in the comment section below. Subscribe to our blog to read answers to trending GD topics.

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