

Flipkart shows how India has moved into the big league as far as raising money is concerned

# Welcome to the Flip Side



Rishikesh Krishnan

**T**he dramatic news of Flipkart raising \$1 billion is a major landmark for Indian business and entrepreneurship. While the size of the amount raised is in itself magical, this unambiguously confirms the arrival of e-commerce in India.

It's taken a long time. I can remember attending a conference organised by Chrysalis Capital in Delhi in April 2000 when its portfolio companies, all in internet-based businesses, presented their plans. There was a heady euphoria about how the internet would upend all businesses in India. However, that euphoria remained short-lived, as the slow penetration of the internet and the even slower diffusion of computing devices thwarted any such internet revolution. It's only once the smartphone came of age that India could even contemplate a leap into e-commerce on a large scale.

More than this, it also indicates that India has moved into the big league as far as raising money is concerned. Earlier, for an Indian start-up to raise multiple rounds of capital in quick succession to grow was unheard of. Stories were legion of companies that got bogged down compared to their global counterparts as they couldn't raise cash quickly enough.

With Flipkart's success in raising

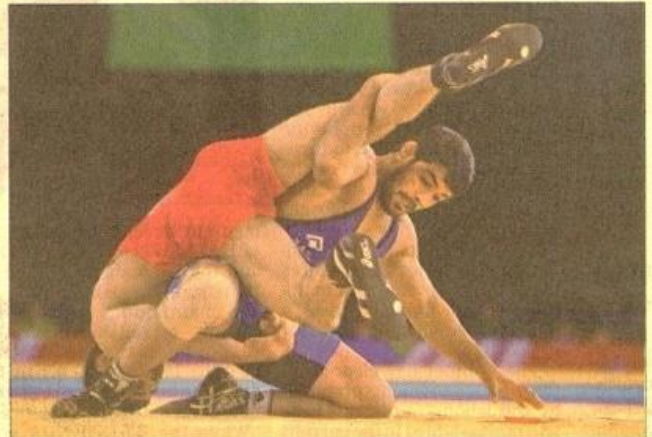
this round, we can no longer give lack of capital as an excuse for businesses failing to take off. If you have the right idea, team and business model, capital should follow. That's great news for India's start-ups.

And what could be more energising than to see a home-grown start-up giving the global company that's almost eponymous with the e-commerce industry a run for its money? There's no denying that Flipkart's vault past the \$1-billion-revenue mark and its diversification into multiple categories have given Amazon a jolt that has resulted in the latter accelerating hard to catch up. Flipkart has defined the contemporary Indian e-commerce industry in many ways with innovations in both analytics and fulfilment (like cash on delivery).

## Turning a Pro

Flipkart really stepped on the gas about two years ago when it realised that it would have to design its organisation for scale if it were to defend itself from the might of the Amazons of this world. I experienced this first hand when Flipkart almost overnight refused to continue selling my self-published book and wanted contractual documentation to cover the sales they had already done. In the last two years, the company has professionalised itself on multiple fronts, improved its systems, and hired both experienced and fresh people to prepare itself for staying ahead.

What is the future of Flipkart? Most doubts about the willingness of Indians to buy from online retailers have been dispelled by what's happened in the last few years as online sales have zoomed to \$3 billion. Some project the online market at \$20 billion in 2020, reflecting a handsome



Fundraising with muscle

growth of 22% per year.

After its acquisition of Myntra, a leading online fashion retailer, Flipkart is well positioned in terms of its portfolio of products, size, brand recall and, now, money. Its biggest challenge is going to be managerial. Can it sustain this pace of growth without stumbling on the way?

Online retail is a business that requires constant innovation yet consistent execution. So, it's clearly not for the faint-hearted. The good news is that while Flipkart has gone through some rough patches in the last couple of years as it adapted to regulatory requirements, closed its music streaming business and changed its fulfilment model, so far, it's managed to land on its feet every time.

## Shift on the Fly

But Amazon has done well in India too. It hit the ground running in spite of having to use a different model than in the US. In the short time it has been present in India, it has put in place a robust fulfilment network, expanded its product range by building a huge marketplace and pioneer-

ed innovations like same-day delivery. Amazon's logistics and information technology backbones are legendary and, so far, they have adapted these well to the Indian market.

## Spreading Itself Too Thin?

The only threat I can see to Amazon is one that has nothing to do with the Indian market. In the US, Amazon has diversified into a number of new businesses, including document storage and smartphones. Believe it or not, Amazon lost \$126 million last quarter on sales in excess of \$19 billion, and investors are getting impatient for returns. Success in India will mean large investments here as well.

Jeff Bezos has been thick-skinned towards investor impatience in the past. But should there be any hesitation in Amazon's investment strategy in India, today, Flipkart has the money to forge ahead. That's certainly a privileged position for an Indian company to be in, and marks an epochal change for India.

*The writer is director and professor of strategic management, IIM-Indore*

We can no longer give lack of capital as an excuse for businesses failing to take off. If you have the right idea, team and business model, capital should follow