

PRODUCTS PRICING ON FLIPKART

By Shivanjali Talari

Abstract

The Internet of Things is taking over our lives in a big way. Smart-watches, smart bands and other smart devices are making us lead increasingly connected lives. Online shopping or e-shopping is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the Internet using a web browser. Alternative names are: e-web-store, e-shop, e-store, Internet shop, web-shop, web-store, online store, online storefront and virtual store. Online shopping has grown in popularity over the years, mainly because people find it convenient and easy to bargain shop from the comfort of their home or office. One of the most enticing factor about online shopping, particularly during a holiday season, is it alleviates the need to wait in long lines or search from store to store for a particular items and the main reason for this is the low prices compared to traditional stores. The leading market players in E-commerce are Flipkart, Amazon, and Snapdeal. Flipkart is one the leading market players and the prices of the products on their website are low compared to other websites.

Key words: Pricing, Flipkart

Introduction

E-commerce

The advancement of telecommunications technology in the past few decades is changing many aspects of our lives in the way such as how we search for information, how we travel and not at least how we buy products or services. Although classic shop-based retail is still preferred, e-

commerce or electronic commerce, namely the buying and selling of products and services exclusively through electronic channels, is gaining ground. The most well-known form of e-commerce or electronic commerce is online shopping, also known as business to consumer e-commerce (B2C), where private customers can order various products which they then receive by courier or postal mail. Another category of e-commerce focuses on transactions between companies, such as manufacturers and a wholesalers or wholesalers and retailers and is called business to business e-commerce (B2B). The third category of e-commerce involves transactions from consumer to consumer (C2C), as in the example of eBay or other similar websites.

Objectives:

- To understand the pricing strategy adopted by Flipkart.
- To understand how Flipkart offers low price then other E-commerce websites.

The research paper is based on information collected from secondary sources after the detailed study. An attempt has been made to present comprehensive analysis of Flipkart products lower prices from other websites.

Flipkart

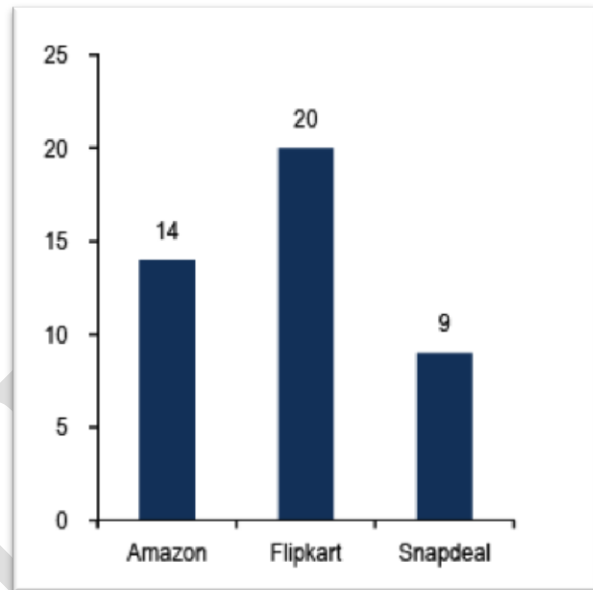
Flipkart is one of the leading E-commerce players in India. Flipkart Online Services Pvt Ltd, also known as Flipkart.com, is an India-based company, which operates as an online retailer. It was founded in 2007 by Sachin Bansal and Binny Bansal the alumni of Indian Institute of Technology, Delhi. Flipkart was registered in Singapore however its headquarters is located in Bangalore, Karnataka, India. Flipkart was the first to implement the popular 'Cash On Delivery' facility, which every online shopping website in India offers as an option today.

Its products include movies, music, games, mobiles, cameras, computers, healthcare and personal products, home appliances and electronics, stationery, perfumes, toys, apparels, and shoes. The Company's electronic items consists of mobiles, tablets, mobile accessories, laptops, computer accessories, cameras, camera types and accessories, camera accessories, audio and video, gaming and consoles, software, personal appliances, health care devices, and home and kitchen. Its home and kitchen items include home furnishing, bed, kitchen, bath, living, home

appliances, tools and home improvement, and kitchen appliances. It also provides kids clothing, toys and games, baby care, watches, kid's footwear, men's and women's clothing, footwear, sunglasses and grooming products.

In a Survey, Flipkart scored the most trusted brand in India from its competitors.

Flipkart had the lowest median prices across non-exclusive offers on mobile phones and other electronics on October 2 compared to other rival e-retailers. Flipkart had the lowest median price at Rs 7,900 for mobiles against Rs 8,200 for Amazon and Snapdeal while large appliances and consumer electronics sold on the Bengaluru-based web retailer averaged at Rs 4,220.



The above example of Flipkart shows that the products are cheaper than other ecommerce websites. Flipkart sells products at low on its website. The big questions in the minds of competitors are:

- Other than infrastructure how do they do other savings?
- How do they do sourcing optimization?
- What margins do they operate on?
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I will break this up into the following parts:

1. How pricing is decided on a general scale?
2. How Flipkart or any company (e-commerce or otherwise) optimizes pricing?
3. How Flipkart compares to competitors?

The reason for Flipkart keeps the Price of products low compared to competitors are:

General Pricing strategy

Pricing can be set on the following points:

1. *Operating Margins* - Essentially determining what the company earns to sustain business and turn a profit
2. *Strategic pricing* - Overall pricing strategy deals with some products that are given at a higher discount in order to capture market share or consumer share.

Individual product pricing can be higher or lower while the overall picture is kept in mind so that the company as a whole can sustain itself on an overall profits or deep enough pockets to work on losses for some time.

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That being said no company can survive on a perpetual loss and has to move towards sustainable operating margins in the long term in order to have a far reaching strategy.

Flipkart's Pricing Process

Price is optimized best when the overall cost to the company per product is optimized. So that means here the contributing factors have to be looked at and the costing there has to be optimized.

So looking at the major cost factors that affect the E-Commerce in particular:

1. *Supply Chain (procurement and shipping):*

This involves a deep understanding of where the suppliers are and where the end consumers are so that when a customer orders a product, it can reach him by the shortest route in the shortest time and minimum manpower time being spent.

This also means that customer demand is anticipated and pre-emptive steps are taken so that products are ready to be shipped from the point closest to the consumer before he even places the order.

2. Manpower and time spent on each order:

In India, we celebrate the idea of "Jugaad"; however, we must understand that all operations have to be made sustainable and more importantly scalable for ultimate long term growth. So all process from what route a person takes to pick up material to how much time it takes to pack a product have to be looked at and it is when a company works toward optimizing all these processes that a company really starts to take the lead. Flipkart is doing just that.

Flipkart and Competitors






If we have survived through that entire monologue, I hope we will see Flipkart's Pricing is competitive because it is working at all levels.

And I know a lot of the people here are coming back saying that competitors have cheaper pricing, well that's basically for the first point ("strategic pricing"), it remains to be seen who comes out on top, although I personally believe that there is space for all e-commerce to coexist.

Flipkart has migrated from branding itself as a destination for price-conscious shopper to focusing on service and customer satisfaction (their cute TV ads; none of them claim low prices as a reason to shop at Flipkart).

As a result, if we compare prices across popular e-tailing websites, Flipkart would inevitably end up on the higher side.

A Flipkart spokesperson said, "The prices on our site are decided by our sellers. As a marketplace, we simply facilitate a platform where the sellers can connect with potential customers."

Store	Price	EMI	COD	Shipping Cost	Shipping Time	Seller Review	
	₹396			VARIABLE		★★★★★	Buy Now
	₹401	Yes		FREE	10-14 days	★★★★★	Buy Now
	₹401	Yes		FREE	10-14 days	★★★★★	Buy Now
	₹401	Yes		FREE	3-5 days	★★★★★	Buy Now
	₹501			FREE	21 days	★★★★★	Buy Now

Conclusion

Flipkart primarily sells products mostly between ranges of 2% profit to a loss on certain items. Flipkart works on a valuation model. We see for certain categories of popular books they have a larger discount compared to the not so popular ones. They don't mind selling things at a loss as long as they get their customers to order more preferably from any other vendor. Flipkart primarily targets customer acquisition over profits.

Some guesses how Flipkart is able to give discounts that they do:

- They are one of the early movers in Indian online books scene. Lot of people including me, are devoted buyers. Some other sites offer a lower price but don't offer COD and take a longer lead time.
- Their website is very good; their reputation is solid.
- Self-delivery. They might be saving good money on courier.

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