

Flash Sales – The Game Changer in Indian E-Commerce Industry

Supriti Agrawal*, S. Abhinav Sareen

Department of Marketing, Amity University, Noida, India

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Abstract

Indiane-commerce market is expected to reach \$100-billion mark by the end of 2020, triggered by increasing internet usage, discounting and investment by online retailers. Promotion the 4th 'P' of marketing is playing a major role. Promotion refers to the entire set of activities, which communicate the product, brand or service to the user. The idea is to make people aware, attract and induce to buy the product in preference over others. Flash sales, sometimes also called as deal of the day are a part of sales promotion which provides its customer with a special deal or discounts on selective products for a limited time .It is helping companies to lure its customers to visit their web sites again and again. The study focuses on the role of online sales promotion done through flash sales in attracting customers and generating sales for web sites. The study is based on the previous researches, newspaper articles, magazines and journals. This Study indicates that flash sales have helped companies to attract masses but they were not able to capitalize on the traffic generated.

1. Introduction

E-commerce or electronic commerce, deals with the buying and selling of goods and services and transmitting of data over the internet. These business transactions are categorized into business-to-business (B2B), business-to-consumer (B2C) and consumer-to-consumer (C2C). E-commerce sector has grown by almost 35% CAGR from the past few years. E-commerce in India has been classified into 5 broad categories i.e. online travel, online retail, online classifieds, online insurance and online financial services. Online retail has emerged as the fastest growing segment in the Indian e-commerce industry. E-tail is expected to contribute 3% in Indian retail market by 2020 growing up from 0.4% in 2014. Flip kart has emerged as the market leader in Indian retail industry followed by snapdeal and amazon. Indian retail industries revolve around the 4 P's of marketing i.e product price place and promotion. Although each P plays a important role but Promotion the 4th p has been crucial in getting the customers to make transactions online.

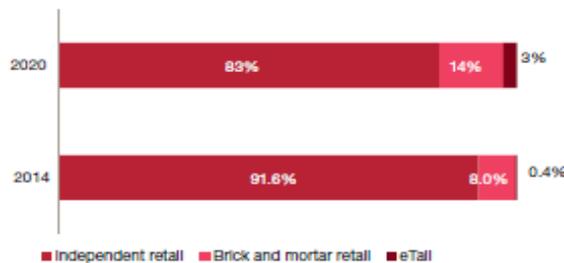


Exhibit 1: Share of e-Tail in Indian retail market.

Source: PWC report 2015

2. Promotion

Promotion is the process of bringing a product or service to the attention of the customers. Promotion acts as persuasive communication which helps in developing a new attitude or change the existing attitude of customers

Corresponding Author,

E-mail address: abhinavsareen1992@yahoo.com

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towards a particular product or service. The aim of an organization's promotional strategy is to bring existing or potential customers from a state of relative unawareness towards an organization's product to a state of actively adopting them .Promotional mix refers to the various promotional tools that are used by an organisation to inform, persuade and remind customers of the products and services being offered. Promotional mix can be classified into 5 broad categories:

3. Sales Promotion

Sales promotion efforts are directed to motivate and persuade the customers to buy goods and services at discount or with some additional benefits which are otherwise not offered. Several techniques for sales promotion include special discounts , freebies , extended warranty , free delivery , cash on delivery , exclusive offers etc. According to American Marketing Association " Those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as display shows and exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine." F

Flash sales a type of sales promotion is playing a important role in Indian e- commerce industry .Companies are offering limited period discounts to their customers to influence them to buy the products online at comparatively low prices as compared to bick and mortar model.

4. Significance of Sales Promotion

Advertising and personal selling help in making the customers aware about a product or service but incentives in the form of sales promotion need to be offered to attract customers to buy the product. Online sales promotion play a important role in increasing the sale of any product. It helps to increase sales in a competitive market and increases profits for manufactures on one hand and helps in delivering cheaper products to the customers on the other. It also helps in developing confidence in the mind of customers by offering services like 15 day replacement guarantee or 30 days easy returns offered by majority of online web sites.

Sales promotion also helps in understanding the buying behavior of consumers since it helps in identifying which customers prefer shopping during the offer session and which customers prefer on time delivery and other services

while buying a product online. Thus, it helps in customizing the offers and services offered to different customers based on their buying patterns.



Fig: 2. Promotion mix tools

5. Flash Sales

Flash sales can be defined as a special deal or limited period offer ranging between 24-36 hours on a particular product to encourage customers to buy a product. Flash sales is mainly done to increase the sales of a particular product or to increase the traffic on a web site. The main objective of a flash sale is sell the products in bulk quantity at comparatively low prices. The concept was first started by flipkart in India, which is the market leader in Indian e-tail industry. Flipkart started its 1st flash sale in the name of big billion day from 6th to 8th October in the year 2014 and 13th to 18th October in 2015.

PROBLEMS FACED DURING FLIPKART’S “BIG BILLION DAY” FLASH SALE

- 1) Lot of users complained of web site crashing whenever they tried ordering a product.
- 2) The products are usually delivered between 3-5 days from the date of order which went up to 7-9 days.
- 3) Wrong products were delivered to the customers.
- 4) Products getting out of stock in the initial few minutes of the sale.
- 5) Cash on delivery was also reduced on a very limited product range and to limited locations.

Flipkart Big Billion Day 2014 Sales Topped Rs. 600 crores in 10 Hours but the company was not able to satisfy all its customers. Twitter and Facebook were flooded with dissatisfying experience of the customers during the sale. Although company apologized to its customers by sending e-mail’s to those who were not able to place an order during the sale, but it affected its credibility. Flipkart tried to manage Big Billion Day sales in 2015 by making it a 6 day event focusing on different categories each day. Amazon Seller Services registered a six-fold increase in sales to Rs 1,022 crore in 2014-15 from Rs 169 crore a year earlier, according to the Registrar of Companies. The US-based e-tailer has already witnessed double the sale than its previous biggest day -- on Independence Day -- when the company ran The Great Indian Freedom Sale. According to the company Great Indian Festival is four times bigger than its sales during previous year’s Diwali. Snapdeal revealed it sold products worth \$100 million on day one of Monday electronic sale that took place on 12th October 2015 a day before the big billion day sale was to start. A similar sale last year was overshadowed by glitches. While Flipkart’s problems hogged the news cycle, Amazon and Snapdeal too faced issues especially with orders getting delivered. This

time, all e-commerce marketplaces assert that they are better prepared and shoppers will have a smoother experience and that will lead to better sales performance for the sites said a report of TOI.

6. Objective

The objective of the research paper is to understand the importance of sales promotion through flash sales in attracting the customers to visit the web site and purchase products online. The study is focused on whether flash sales help in attracting customers to visit the web site and encourage them to buy products based on the deals and services offered.

7. Research Methodology

Due to the limitations of the topic no primary research was conducted. A detailed secondary research was conducted from different newspaper articles, magazines, research papers, reports and journals.

8. Literature Review

E&Y (2012) The report seeks to provide an insight into India’s e-commerce market. The report focuses on the various sub-segments of the e-Commerce market i.e. Online travel industry, online retail industry, online insurance, online classified and online financial services.

ASSOCHAM & PWC (2014) According to report the online retail industry in India is still at its infancy. However over the past few years, the sector has grown by almost 35% CAGR from 3.8 billion USD in 2009 to an estimated 12.6 billion USD in 2013. Industry studies by IMAI indicate that online travel dominates the e-commerce industry with an estimated 70% of the market share. However, e-retail in both its forms; online retail and market place, has become the fastest-growing segment.

PWC (2015) The E-Commerce segment has seen remarkable development in 2014. The development was driven by quick innovation selection drove by the expanding utilization of gadgets, for example, cell phones and tablets, and access to the web through broadband, 3G etc. India’s online retail opportunity is significant, and combined with a demographic profit (youthful populace, rising ways of life what’s more, upwardly portable white collar class) and rising web infiltration, solid development in e-commerce is normal

Crisil research (2014) stated that the online retailers pose a threat to traditional brick and mortar retailers.

Recognizing the danger, many physical retailers have

	FLIPKART	SNAPDEAL	AMAZON
ESTABLISHED IN INDIA	2007	2010	2013
MARKET SHARE	44%	32%	15%
HEADQUARTERS	Bangalore	Delhi	Seattle, USA
Product categories	70+	500+	100+
Total no. of products (in million)	30	12	40
Net losses 2013-2014 (INR CRORE)	715	270	321
Net Losses 2014-2015 (INR CRORE)	2000	1350	1724
Sales target-march 2015 on GMV (USD dollars)	4 billion	3.5 billion	2 billion

started to establish online presence. The impact of online retail is most evident in segments such as books, music and electronics. Unable to match the huge discounts offered by online retailers, traditional booksellers and music stores are closing up their shops.

Wong and Sculli (2005) founded that when there is the presence of promotional offers, consumers will have higher intention to purchase in web-shopping; purchasing decisions and choice making from alternative evaluations can be made easily when there is the presence of promotional offers.

Adebisi (2006) defined promotional mix as “any marketing effort whose function is to inform and persuades the actual or potential consumers to start buying or continue to purchases the firm’s product.”

Adebisi Sunday. A (2011) in his study indicated that strategic promotional mix influences the sale turnover of a online organization by over 25%. Every organization must have a proper and well monitor promotional activities and must be able to tailor it in such a way that it will increase it sales thereby increasing the profit of the organization.

Ma Mengli (2010) in his study developed a conceptual framework to identify various factors that help in the formation of south East Asian consumer attitude towards online shopping. They were Perceived Ease of use, Personal awareness of security, Perceived Usefulness, Perceived risk and trust. Ease of use can defined as how interactive and user friendly the website is and how well it can manage the traffic online

Zenithal et al., (2002) founded in his study that “site characteristics” like search functions, download speed, and navigation, play a role in shaping “ease of use” fo the customers.

SatishRewatkar (2012) said that the elements such as the Website Quality, Familiar with Website Language, Delivery, Customer service, Privacy & Security, Conveniences, Price, Brand, Refund, Promotion, Time, Trust Factor are affects the consumer buying behavior when they are purchasing the goods online. If marketer will concentrate on the said issues they will positively increases their business.

Pringal Soni in his study identified price and offer’s the most important factors to attract customer to shop

online. The customer also seeks convenience in shopping, which he gets as in terms of shopping sitting at home, saving time, wide variety, prompt delivery, cash on delivery, money back guarantees, well established customer service centers.

AdeelMeo (2014) identified various sales promotional techniques such as free samples , discounts, price reduction which impact consumer buying behavior and purchase intention for all type of products. **Gilbert and Jackaria (2002)** stated that sales promotion consist of a broad variety of short-term strategic promotional tool aimed at generate a desired response from customers. The increasing interest in the use of sales promotion as a marketing tactic has resulted in an unmatched growth of research in this area. Price promotion refers to reduction in price for a limited time, which offered to customers. Price discount is famous tool for offering a good reduction in buying price, which is openly mentioned on the product or point of purchase display (**Fill, 2002**)

Digbijay Mishra (2015) According to a report by Morgan Stanley suggests a pecking order. While Flipkart, founded by SachinBansal and BinnyBansal as an online book retailer in 2007, tops with 44 per cent, younger rival Snapdeal is a close second at 32 per cent. US giant Amazon, which launched in India in 2013, is a distant third, at 15 per cent, according to the report. The remaining nine per cent is with the rest of the companies, whom the report does not name.

NDTV Correspondent (2014) Several issues were identified which the customers faced during the big billion day , some of them included internal server issue due to which we had problem in receiving orders online for some time due to surge in traffic , products went out of stock in the initial few minutes of the sale , products were over priced, cash on delivery to limited locations , wrong products were delivered etc.

Aparajita Ray (2015) According to the Assocham survey there is a decline of 46.5% footfall in Bengaluru malls. Those in Delhi-NCR are worst affected with a 55.58% decline in customer flow, followed by Mumbai (51%) and Ahmedaba 49% fall. The main reason for this decline is the increasing penetration for online shopping.

9. Conclusion

The Indian e-commerce market is full of opportunities with the emergence of online retail every company wants to make the best of it. The trend of online shopping during festivals fast catching on, it is malls that are losing out. According to the ASSOCHAM survey there is a decline of 46.5% footfall in Bengaluru malls. Those in Delhi-NCR are worst affected with a 55.58% decline in customer flow, followed by Mumbai (51%) and Ahmedabad 49% fall. The main reason for this decline is the increasing penetration for online shopping. Some other factors included- economic slowdown, high interest rates, inflation of consumer goods items, poor revenue models etc. which indicate that a lot of Indian consumers are moving online to buy their products.

The Indian online market is dominated by youth and they like comparison shopping with the introduction of flash sales concept in India the companies have been able to attract the youngsters but due to the lack of proper infrastructure the companies have not been able to capitalize on the traffic generated. From the previous researches it can be identified that convenience, cash on delivery, discounts, easy returns, timely delivery, easy availability of products and comparison shopping were some of the major reasons to buy the products online but during flash sales conducted by the market leader Flipkart in the year 2014 and 2015 a lot of customers faced the problem of website crash, unable to order the products, early stock out, cash on delivery was limited to few products, wrong products were delivered were some of the problems faced by Indian online consumers according to a report of Times of India, which gave a poor shopping experience to a lot of consumers and many were left disappointed.

Thus it can be concluded that Indian online retail market is in its early growth stage and the market has the ability to outstand offline retail. The increasing number of online and mobile users also have an impact on the online retail industry and should not be neglected. The companies are not able to capitalize on the opportunities because of the increasing competition between online retailers and in the race of capturing the maximum market share. Flash sale business model is a key differentiator between online retail and brick and mortar model but it will only be helpful if the companies are able to meet the demand and expectations of growing online consumers in India and it is only possible by improving their buying experience and proper logistic support is available with online retailers.

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