

DOWN TURN OF SNAP DEAL: A CASE STUDY ON SNAP DEAL

Uday Gauswami¹ | Prof. Nishit Sagotia²

¹(Student, IMBA Semester 09, Noble Group of Institutions, Junagadh, Gujarat, gouswamiuday747@gmail.com)

²(Assistant Professor, Dept of Management, Noble Group of Institutions, Junagadh, Gujarat, nishit.sagotia@ngivbt.edu.in)

Abstract— Snap deal is one of India's leading e-commerce companies with its headquarters located in New Delhi. Snap deal was launched in 2010, a time when the e-commerce market in India was at a nascent stage. The company was co-founded by Kunal Bahl and Rohit Bansal. Snap deal currently offers more than 60 million products across various categories such as mobiles & tablets, computers, office & gaming, electronics, home & living, men's and women's fashion, sports, fitness & outdoors, daily needs, motors & accessories, books, music, real estate, and financial services. The company has more than 3 lakh sellers on its e-commerce platform that cater to millions of users. Snap deal has a wide logistics network and it delivers to more than 6000 cities and towns in India. Some Reason behind Snap deal failure like An Imitator in Business, Some Decisions Proved Costly, Late Entry into Mobile Payments, No differentiation, Acquisitions for nothing, Lack of democracy in major decision, Lack of first trial surprises, Multilingual tragedy and failure of celebrity endorsement strategy. Some solution of the problem statement like Improve of customer loyalty program, Using sales promotion scheme during festival and event, User friendly language use in application, Improve delivery system, Improving Distribution network & channel, Customer first trial surprises, Making ads more on brand association, Introduction of furniture and Glossary and Customer to customer After study of Snap deal case study learn many things like Create democratic Environment, Execute efficiently, Win Over Customers, Say No to Unnecessary Acquisitions, Be creative and Emulate Smartly.

Keywords— Snap Deal; Distribution Network; Imitator; Late Entry

1. INTRODUCTION

Snap deal is one of India's e-commerce companies with its headquarters located in New Delhi. Snap deal was launched in 2010, a time when the e-commerce market in India was at a nascent stage. The company was co-founded by Kunal Bahl and Rohit Bansal. Snap deal offers more than 60 million products across various categories such as mobiles & tablets, computers, office & gaming, electronics, home & living, men's and women's fashion, sports, fitness & outdoors, daily needs, motors & accessories, books, music, real estate, and financial services. The company has more than 3 lakh sellers on its e-commerce platform that cater to millions of users. Snap deal has a wide logistics network and it delivers to more than 6000 cities and towns in India.

History: Snap deal launched operations on February 4, 2010. At that time, the core business idea powering Snap deal was the daily deals platform. It allowed users to get the best deals every day, for example, discounts at restaurants, hotels movie theaters, etc. Later, in December 2011, the company announced its plans that it would be changing its business dynamics and transitioning to a full-fledged e-commerce company. The move came as a surprise to investors, since the company had a 70 percent share in the daily deals business. Investors were skeptical, but Bahl was able to convince the board members. The decision has turned out to be visionary, as Snap deal is currently a leading e-commerce marketplace in India.

Funding: it has received total funding worth \$1.78 billion. Snap deal has received funding from individuals as well as private equity investors and venture capitalists. Some of the top investors in Snap deal include SoftBank, BlackRock, Temasek, Foxconn, Alibaba, eBay Inc., Premji Invest, Intel Capital, Bessemer Venture Partners, Mr. Ratan Tata, Clouse SA, Ontario Teachers' Pension Plan, Kalaari Capital, Nexus Venture Partners, Cambrian Ventures, Iron Pillar, and Myriad Group.

Acquisitions: Snap deal has acquired several businesses over the years to boost its competitiveness and service offerings. Some of the key acquisitions include GoJavas, Targeting Mantra, Reduce Data, Fashiate, Mart Mobi Technologies, RupeePower, Exclusively, Wishpicker, Doozton, and Shopo. Snap deal has also invested in various businesses such as Vulcan Express, Free Charge, NuvoEx, Pepper Tap, Bewakoof, and Zumbi.

Competition: Snap deal competes with other leading e-commerce marketplaces in India such as Flipkart and Amazon India. **About the Founders:** Snap deal was co-founded by Kunal Bahl and Rohit Bansal, who are school friends. Kunal Bahl is currently the CEO of Snap deal whereas Rohit Bansal is the COO. Kunal Bahl has studied management at the University of Pennsylvania, the Wharton School and Kellogg School of Management. He had worked at Microsoft earlier. Rohit Bansal is an engineering graduate from the Indian Institute of Technology, New Delhi.

2. JUSTIFICATION OF CASE TITLE

Previously Snap deal is leader company in e-commerce business but suddenly to down turn of Snap deal. This case through understand the sometimes company not take decision based on any evidence to very costly. New e-commerce based company enters in india like. Flipcart, amazon not a beat this competitors or downfall of the Snap deal.

This case is selected as per following basis:

1. To understand the problem faced by Snap deal as an E-commerce based company
2. To Know the Sudden decline of Snap deal which initially was on the verge of becoming number one E-commerce company in India.
3. Studying an Indian based company
4. To understand marketing concept like. Celebrity endorsement controversy etc.

3. ASSUMPTIONS

1. Revival of Snap deal in ecommerce
2. Taking on board CEO of alibaba Rectified the mistake done in past
3. Enter in new segment like: C2C Business
4. Source of data will be right
5. Case data will be reliable

4. PROBLEM STATEMENT

Snap deal Co-founder and CEO KunalBahl had said that the company would announce something new every week. And it seemed true for a long time—until a few months ago. Despite the launch of innovative ideas, acquisition of numerous promising startups, and the rebranding campaign that cost the Soft Bank-backed company Rs 200 crore last year, Snap deal seems to have accepted defeat.

Unless you have been living under a rock for the past few months, you already know that Snap deal is about to be acquired by its former rival and e-commerce market leader Flipkart. The only details that remain undisclosed are when and for how much the deal with Flipkart will be closed. looks back at where the seven-year-old company lost its way, and how.

Struggling to raise fresh capital, confuting against internal conflicts, once an e-commerce major Snap deal has decided to stop all non-core actions, reduce costs and handover pink slips to employees to turn cost-effective.

Earlier Snap deal was the 2nd best alternative for people after Flipkart but emergence and rapid growth of Amazon gave people a better alternative. When Amazon entered in 2016 with an additional \$3 billion investment in India, it made clear its intention to dominate the Indian market and pose a massive challenge for home ground e-commerce companies, among which Snap deal became extremely unhappy and didn't keep up the tempo

An Imitator in Business

One huge problem with Indian startups is that very few companies are true innovators and mostly are copycats. The approach signifies picking up a model working in the US or Europe and to duplicate it in India. They end up putting colossal amount in these business models

This copying approach works really well in China as they are a secured market. The foreign players are banned out there and the economy knows to create replacements. However, India is an open country and players like Amazon, eBay, Uber have a free run to come and compete here. Thus, a simple copycat strategy is not supposed to work for long.

Some Decisions Proved Costly

The brand is its 'exorbitant' rebranding exercise which burnt INR 200-crore hole in its pocket. At a time when the brand was already draining, it tried to look profligate by spending an insane amount of money. They spent a lot of money to shout in the undifferentiated marketplace.

Late Entry into Mobile Payments

Snap deal has ventured into mobile payments a bit too late with FreeCharge Wallet. Paytm's wallet services have already paved their way far ahead.

While the market today has full of payment wallets, Snap deal's failure to grow and best utilize Freecharge's platform has also not gone down well with industry experts and investors.

No differentiation

Busy building too many warehouses and burning cash, Snap deal never built any category as their USP like Flipkart did with fashion and electronics, and Amazon with Prime and Pantry.

"Snap deal was not doing anything ground-breaking. Online retail, after all, is also just retail. Your competitors are as good as or better than you. If you don't have a striking differentiation, why should a consumer choose you over the others? Snap deal failed to stand out—they had the upper hand in no particular category or service," says an e-commerce expert who does not want to be named.

Additionally, Snap deal's tie-ups with ClearTrip, redBus, Zomato, and UrbanClap for their respective services also failed to make any impact.

Acquisitions for Startup Company

Many of Snap deal's acquisitions turned out to end poorly. The exception is logistics firm GoJavas; but Snap deal failed to capitalise it long term, and it fell into the hands of Pigeon Express despite Snap deal's 20 million investment in it. Snap deal's own logistics arm Vulcan Express was also rumoured to be in talks for sale.

If Flipkart acquired Jabong and eBay India on their deathbeds, every company Snap deal acquired was at its start up. But as fate (or bad administration) would have it, Snap deal's acquisition of FreeCharge also failed to make waves for the company, as Paytm continued to be the leader in digital payments and FreeCharge failed to capitalise on demonetisation like Paytm. FreeCharge is now rumoured to be close to acquisition by Paytm.

Snap deal could have had the upper hand in fashion, a high-margin category, had it acquired Jabong. In fact, after Flipkart-owned Myntra acquired it, Snap deal had tried acquiring affordable fashion marketplace Voonik and luxury e-commerce platform Zapyle—according to sources with direct knowledge of the talks—but failed to take the talks to a serious level. (Snap deal has denied this when asked for comment.)

Snap deal's earlier acquisition of Exclusively.com, for luxury fashion, bombed in less than a year and was shut down a few months ago.

Lack of democracy in major decision

It's not the money or brand, but culture that inspires your team members to work hard. But in Snap deal's case, sources say, this was lacking. "Co-founders Kunal Bahl and Rohit Bansal never allowed others to participate in decisions or shares. Many senior officials left Snap deal—even those with five years of experience there—due to the autocratic structure within the organisation," a former senior employee says on the condition of anonymity.

According to this person, the money was not shared with anyone—not even the exit money, which was promised to the leaving employees. "The founders took it all. In contrast, Flipkart is more democratic and inclusive. Snap deal was never bothered about building a culture; it never focused on its people," says this person.

Rohit and Kunal, before taking the 100 percent salary cut, were both reportedly drawing an annual salary of Rs 46 crore. An investor who has closely observed the industry says Snap deal had no commendable secondary management team. "Long-term planning was not something Snap deal did best. Besides Kunal and Rohit, there was no major executive who could lead the company, like Kalyan Krishnamurthy could do for Flipkart," says this person. (Anand Chandrasekharan, who was hired as CPO from Silicon Valley, left the company a year after joining.)

Lack of first trial surprises

'Snap deal Gold'—the free service that needs no registration—followed the launch of Amazon Prime, which charges Rs 499 annually. Under this offer, the customer can get next-day free delivery in select areas, and standard free delivery everywhere else. Also, returns can be made in 14 days instead of the usual seven days. Orders placed with cash-on-delivery do not get this offer.

Customers wanted a better experience, not just fast delivery. Snap deal claims that this service was aggressively pushed following demonetisation last year, and now more than 20 percent of the order volume at Snap deal is shipped through Snap deal Gold. However, that metric does not look great when compared to Amazon Prime's. Amazon claims that one in every three orders placed on its platform is from Prime customers, despite being a paid service.

Multilingual tragedy

The vernacular app was lauded at the time of launching. However, either rural India was not ready for e-commerce or vernacular was not the most effective way to reach out to the masses. Those masses know how to transact – they figure it out even without the regional language on the app.

Failure of celebrity endorsement strategy

Snap deal became an unlikely hitting bag for those who were criticizing actor Aamir Khan (Snap deal's brand ambassador), for his derisive views on the issue of intolerance in India. As a protest against Aamir Khan, many customers took to social media to reveal that they gave poor ratings to the Snap deal app on app stores, and even majority started uninstalling it from their smartphones

E-commerce major tried to play safe by saying that, "It is neither connected nor plays a role in comments made by Aamir Khan in his personal capacity."

Here, the brand was not able to understand users' emotions and the take resulted in mass uninstallation of its app, online shoppers rejecting it. Finally, Snap deal ended up not showing Amir Khan in its 'Dil ki Deal' ad and eliminating the contract.

Many users began demanding that they won't buy any product from the e-commerce portal until Aamir Khan gets removed as the brand ambassador.

5. PROPOSED SOLUTIONS OF PROBLEM

Improve of customer loyalty program

In Snap deal required to design new customer loyalty program. Because existing "Snap deal gold" customer loyalty program is not effective because give only free shipping. And give some types of benefits to existing and current customer. Like amazon to give prime membership of existing customer and give some types of discount and offer.

Using sales promotion scheme during festival and event

Using some sales promotion tools during festival time and any specific event The Great Indian Festival, which Amazon has re-christened Tyohaar Bade Dilwala this year, has offers on a considerable variety of products like smartphones, consumer electronics, stationery products, books, baby products and beauty products. Snap deal to grab opportunity and give some types of benefits to customer.

User friendly language use in application

In Snap deal mobile application only use one language English but include some major local language like. Gujarati, Marathi and tamil etc. may be increase the more users.

Improve delivery system

After an order has shipped, you can track your packages on Amazon (ATS) From Your Orders, you can find tracking information in your order details. If an order includes multiple items, each may have separate delivery dates and tracking information and identify where your product reach. Snap deal use the particular system and add more feature like your product packing video etc.

Improving Distribution network & channel

Logistics brings online retail to life. This makes it a very important service to online retailers. As a result, retailers are making efforts to build their networks and enhance their fulfilment services. Flipkart introduced Smart Fulfillment to speed up delivery, Amazon set up 7 new warehouses to meet the demand for large appliances.

Now, it's Snap deal's turn. couriers to use Snap deal's logistics management system. Snap deal may be use FedEx number one courier service to improve delivery system.

Customer first trial surprises

Snap deal may be make strategy to attract new customer to give some types of discount offers and any surprise to first time use Snap deal shopping application. like. ola and uber to give first free ride.

Making ads more on brand association

Make any more creative ads because customer easily recognize the brand and associate with any things. ex. "Apni dukan amazon he" directly associate the emotion of customer.

Introduction of furniture and Glossary

These are opportunities Snap deal lost out on. Both grocery and furniture categories have not been cracked yet in Indian ecommerce. Even Flipkart is only building on those now. (Amazon has been quietly building its kirana network and Amazon Pantry, and was reportedly in talks with online grocery market leader Big Basket for its acquisition.) Supply chains work very differently for grocery than they do for other items; but Snap deal had GoJavas—one logistics firm which experts swear by.

Customer to customer

Customer to customer (C2C) is a business model whereby customers can trade with each other, typically, in the online environment. Two implementations of C2C markets are auctions and classified advertisements. C2C marketing has soared in popularity with the arrival of the internet, and companies such as eBay and Craigslist. Snap deal maybe use C2C channel to enhance more customer base

6. MANAGEMENT LESSONS LEARNED

Create democratic Environment

After customers, your next priority should be to keep employees happy. The working environment should be democratic, where employees can share their concerns and suggestions. A healthy workplace makes a huge difference, which results in a better output that will surely help any business become successful.

Execute efficiently

Your goals may be great, but if they are not executed well, it will spell doom. The management must have a clear vision on how to achieve this. Many startups fail due to this reason because they begin well, but somewhere down the line the execution failed.

Win Over Customers

The saying, "Customer is king/ queen." should be the mantra of your business. A happy consumer makes a successful business and no amount of advertising campaigns or rebranding will help boost sales if people are satisfied.

Say No to Unnecessary Acquisitions

Snap deal spent a lot of money acquiring free charge which didn't give expected returns especially in the Paytm era. So, they lost a lot of money on the deal. Be smart about the acquisitions you make even if you are well funded.

Be creative

Innovation always breathes new life into the business and that will definitely attract new customers while making sure regular customers are kept longing for more. Take Amazon Prime and Pantry for example, through which they gained a wider customer base. The important thing is to not be a one-trick pony.

Emulate Smartly

When it comes to imitating the competition, it is not always a bad thing to do so. You can take a few ideas from your competitors and make them your own

7. SNAP DEAL REVIVAL STRATEGY

KunalBahl, co-founder of Snap deal, wants to give another shot by initiating Snap deal 2.0 process, after declining the merger offer of \$900-950 million from Flipkart. Bahl was always hesitant against the forced merger with rival Flipkart. Now after a complete research of rivals business models, he believes that the open market model will be good for Snap deals growth.

An early investor in Snap deal, holding almost 12.20% stake in it comes out in support of the Snap deal 2.0 decision. Nexus Venture Partners also has a seat on Snap deals board that has representation from SoftBank, Kalaari Capital and the two founders KunalBahl and RohitBansal. After the announcement, Vani Kola, co-founder of Kalaari Capital criticized the move of not accepting the merger offer and initiating again on its own.

It is possible that the company will cut its workforce to half from the current 1,200 employees over the period of time. As the company is initiating on its own so it is necessary to cut costs as much as possible.

SoftBank, the largest shareholder in Snap deal and the one driving the merger discussions with Flipkart, has said it respected the decision to pursue an independent strategy. However, over the last few quarters, the SoftBank-funded company has seen its fortunes failing along with intense competition from US-based Amazon and homegrown player Flipkart.

8. CONCLUSION

Snap deal think to revival in ecommerce business and rectified the past some mistake like Multilingual tragedy .failure of celebrity endorsement strategy because this is a main downfall reason. If company properly learn in past mistake and to learn some market strategy of rivals in that basis to create the market space in e-commerce business.

Top three Solution Company may be adopt like improve delivery system, add new C2C channel and Introduction of furniture and Glossary as a specialty part of company to easily may run in the market.

After study of Snap deal case study learn many things like Create democratic Environment, Execute efficiently, Win Over Customers, Say No to Unnecessary Acquisitions, Be creative and Emulate Smartly

REFERENCES

- [1] <https://yourstory.com/2017/05/Snap-deal-sins/>
- [2] <http://www.newspatrolling.com/Snap-deal-company-profile/>
- [3] <https://www.investopedia.com/terms/c/ctoc.asp#ixzz5Cch9T8oI>
- [4] <https://www.youtube.com/watch?v=GziByKRgeUg>