CRM Implementation of flipkart.com

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Abstract

Flip Kart started out with the goal of offering customer delight and aspires to be the "amazon of India". It has pretty much achieved its goal and is scaling fast to indeed become the amazon of India. Hence, there is a need of automation in processes including CRM for it to scale geographically as well as venture in other product areas. This paper trough the light into CRM implementation of flipkart.com

Key words: Flipkart, CRM, Customer.

Why study Flipkart?

Flipkart defies the traditional e-commerce model by adopting COD. Eight out of ten transactions are based on COD in India. It is the first e-commerce company in India to implement COD(cash-on-delivery), a revenue generation model which has received much scrutiny from experts and media for not sustaining operational costs and generating meagre profits as cash flows are controlled by courier companies(it locks up working capital and increases risk exposure).

Flip Kart started out with the goal of offering customer delight and aspires to be the "amazon of India". It has pretty much achieved its goal and is scaling fast to indeed become the amazon of India. In a span of just 5 years, the company has reached a revenue milestone of RS.5 billion. The core of its business relies on its procurement and CRM implementation. Has made several acquisitions in a short span of time such as We Read, Mime360, chakpak.com and specially, Letsbuy.com, a rival of flipkart operating in the consumer electronics segment, consequentially making flip kart the dominant share In the space. Shared by General Atlantic partners, the world's 12th largest private equity firm with over 12 million USD in investments which lends flipkart all the credibility. Hence, there is a need of automation in processes including CRM for it to scale geographically as well as venture in other product areas.

Company Profile

Flipkart is an Indian e-commerce company which is founded by Sachin Bansal and Binny Bansal in 2007. It is headquartered in Bangalore, Karnataka. The Bansals control 37% of Flipkart equity, Accel Partners and Tiger Global together control 48% and the management holds the remaining 15%.

Flipkart came in to light because of its cash-on-delivery model that has proven to be of great significance since the credit card and net banking penetration is very low in India. Flipkart has generated revenue of $350 million and until recently made negative gross margins. It has just started making 2-3% profit margins after expanding its product catalogue.

Flipkart intends to boost its operating margins to 8-10% in the coming year. Flipkart, has heavily invested in infrastructure, particularly, backend logistics as a business differentiator. As a measure to cut down costs, it has started controlling runaway costs and letting go some employees as it has more than 5,000 delivery men servicing 45,000 orders daily.

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Review of Services and Products Offered

Products

Flipkart started its journey in 2007 with only one category i.e. Books. It gradually moved to other categories such as media (2010), electronics, stationery, white goods, personal care (2011), toys, poster and apparel (2012). Flipkart revolutionized the way Indian e-commerce worked by bringing in variety, new payment methods and convenience in its operation processes.

Upside of Offerings

Variety

Flipkart provides a plethora of options, titles and categories for consumers to search compare and purchase.

Payment Models

Sanjay and Binny Bansal caught the pulse of Indian internet buyers and realized that credibility, reliability and trust are essentials to create a loyal customer base. To emphasize the same, they introduced payment models such as:

Cash-on-delivery: Payment method that allows consumers to purchase products and make payment after delivery.

EMI: Easy monthly instalments to help consumers purchase expensive goods spread over a period.

Electronic wallet: Allows users to save money as prepaid balance and later appraise for purchasing products.

Strategic Partnerships

Flip kart has entered strategic partnerships with several vendors and suppliers to have advantage over its competitors such as publication houses, individual authors, companies in various categories. For instance, Flipkart is the only authorised online reseller of iPods in the country.

Price

Flipkart optimizes its costs owing to the inventory model it has adopted and hence can afford to give best prices and discounts on purchases to its customers unlike its competitors.

Return Policy

Flip kart allows its users to return products if unsatisfied within 30 day period with full refund of money or exchange for another product. This allows customers to shop online without worrying about the risks involved.

Customer service

Highly responsive 24/7 customer service team is one of the core strengths of Flipkart. They tackle all kinds of queries and process all request within five business days.

Downside of the Offering

No advanced searching option:

Flipkart provides only basic search facilities to its users to search products unlike many of its competitors that provide advanced options with book ISBN number, author name etc., to search entries with same title.

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Categorizing structure

Flipkart's product categorization is visible only at the macro level, however, the structure lacks efficacy in the depth where sub categories need to structure. For instance, Books category may catalaouge culinary books under same structure but at deeper level sub categories of baking, salad dressing books are not properly catalouged.

Business Model

The inorganic success of Flipkart can be majorly contributed to the inventory model it has adopted. The efficient backend model it has used has led to its major success. Backend model of e-commerce companies are generally of two types: Warehouse Model and Consignment Model.

Flipkart adopts the consignment model where in procurement is done based on demand and relies very little on other means. More than 80% of the deliveries are directly done from the warehouse.

The model has been borrowed from China which has successfully handled problems such as extremely large population, poor transportation facilities and network, low penetration of retail, unreliable third party logistics and credit card transactions that are prominent in India too.

China worked its way around the problem by e-commerce vendors creating infrastructure around each problem and not relying on uncertain mediums to transact.

Business canvas

Key Partners	Key Activities	Value Proposition	Customer Relationships	Customer Segments
Equity Partners: Accel and Tiger Global	Platform management	Variety	word of mouth	Youth
Advisory and restructuring: Indus Law	Platform promotion	Convenience	online & interactive advertising	Avid book readers
Distributors and suppliers	Service provisioning	Reliability	social media	Technology savvys
Authors and publishers	**Key Resources**	Best Price		Online shoppers
Companies across various categories.	Hardware& software for platform	Quality customer service.	**Channels**	Trend setters
	Manpower	Credibility	Online sales	
	capital	Speed		

Cost Structure:	Revenue Streams
Infrastructure costs	Online sales
Manpower costs	
Platform maintenance costs.	

Challenges for Flipkart

Flip kart is growing at a tremendous pace. To accommodate its growing capabilities and support new businesses, it needs huge infrastructure and presently it lacks it. Flipkart faces the inherent difficulty of ecommerce industry of capturing consumer interests and preferences and constantly modifying offerings to reflect the same. Huge costs of manpower and runaway costs to sustain the business. Distrust among consumers regarding making payments online via payment gateways. Cash-on-delivery is not a very sustainable revenue generating option. E-commerce sites like Flipkart need constant technical up gradation to maintain the platform. Existence and emergence of several competitors in the sector making it difficult to continue as a leader. Acquisitions have their own threshold and can be implemented only in a limited scenario. With too many opportunities now available for suppliers, distributors, publishers and other affiliates, Flipkart faces a huge challenge of retaining existing alliances and luring new connections. Scaling up the existing business along with upholding Flipkart's values of delivering quality products in short duration in reliable and convenient way is still a huge challenge. With the prospective entry of ecommerce giant Amazon, Flipkart will experience major crisis as the former can offer greater discounts.

Why CRM at Flipkart?

Flipkart is a fast growing company with several employees, partners, suppliers and distributors. The information entering the system is too huge to gather structure and make sense of without proper technology integration such as ERP and CRM. CRM helps manage customers, employees, suppliers and other operation processes in the following ways:

Enables efficient gathering and pooling of customer orders, sales information, delivery and shipping details, web traffic and analytics in real time through internal and external channels. Helps control scaling of the company by allowing addition and tweaking of requirements and resources as demand grows and shrinks. Automates processes by allowing repetitive processes to reiterate on its own instead of manual handling of data. Decreases labour cost of processing the order by a huge amount due to integration of system. Reduces the need for additional man power and resources to complete transactions. With automation, useful information can be derived and charted such as customer churn rate, repeat customers, frequency of purchase etc, Flipkart reaches out to its customers through several channels such as email, customer care, chat support etc and CRM enables thorough integration of all the channels at the back end to deliver quality consumer experience.

CRM   at Flipkart

Strategic CRM

Customer-management orientation

Sachin and Binny Bansal are ardent believers of customer service and have structured the company by heavily focusing on consumers. The company philosophy echoes in their tagline "making better our service promise". The founders believe that huge discounts alone cannot sustain a successful business and customer satisfaction and preferences need to be addressed to keep the flame going. Flipkart has built itself on the core foundations of reliability, quickness, credibility, variety and quality. Providing good customer service enables Flipkart to enjoy high levels of customer satisfaction, generate repeat business and ensure positive word-of-mouth. Senior management believes that as the retail sector evolves customer satisfactionwill be a key driver of success for most brands and organisations.

Operational CRM

Sales Force Automation

SFA is the application of technology to support regular sales functionsand includes tools that are employed by users to perform administrativeand other repetitive tasks. SFA transforms repetitive and routine manualprocesses to automated processes, which helps sales reps operate in a more efficient manner. For example, applications such as quarterly automatedsales reports and calendaring tools are key elements of sales technology.

The domain for SFA applications includes the attainment and storage of information. SFA tools assist sales reps in formulating a professional salesencounter. Sales reps can remain in contact with distant customers viae-mails and cell phones, thus reducing travel hours. They can also receive and manage orders from customers in an easy, timely fashion. Addition-ally, applications like calendaring and routing tables help sales reps reducedowntime and increase their own production during regular work hours.
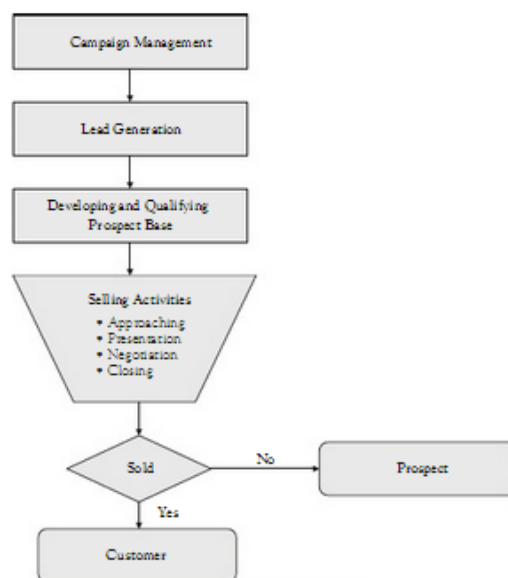

Figure 1.2. Sales technology supported business process flow.

Services Automation

Service Automation aims at developing methods and tools for enabling businesses to automate the value co-creation between consumers and businesses (B2C), between businesses(B2B) and within businesses (internal business functions).

The visionary goal is that for each service instance the ideal configuration of resources necessary to deliver this service instance, (i.e. information, people, technologies, organizations) iscomposed and (to the highest possible degree) executed dynamically and in real-time.

More specifically, the following questions are addressed:

1. How can a semantic model of the business be developed?

2. How can a repository with semantically described business activities and services be developed?

3. To what extent can plans, processes and workflows for achieving business goals be generated automatically?

4. How can businesses better coordinate their activities, more quickly adapting to changing circumstances.
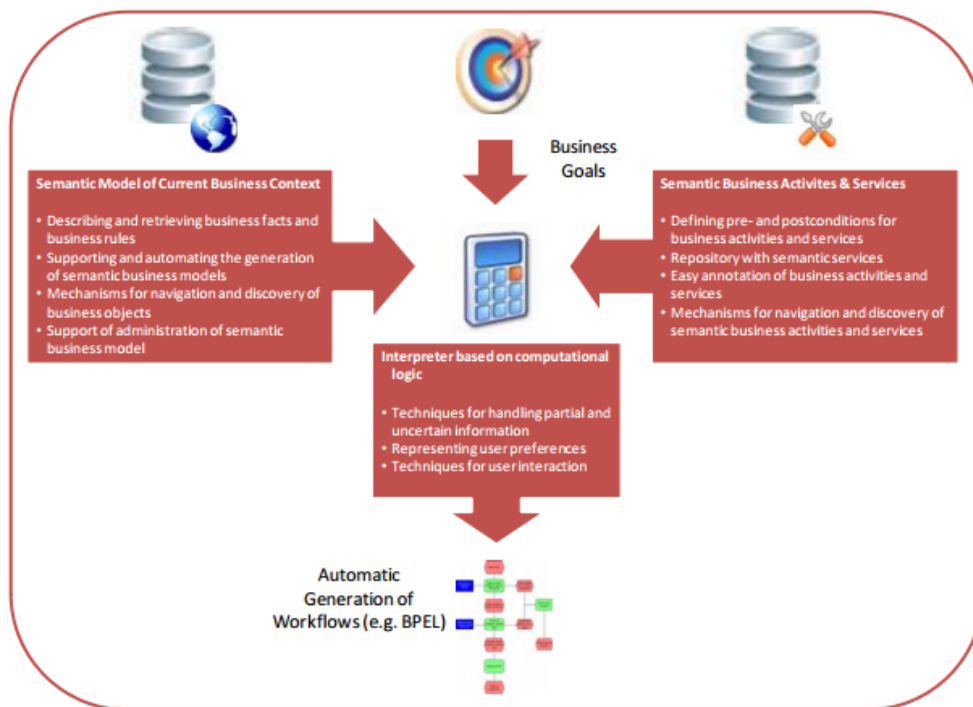

Figure 3: Generating & Updating Workflows on the Fly with Declarative Technologies

Supply Chain Management / Vendor Relationship Management

The elements and aspects of supply chain management in an e-environment is as follows:

Architecture of Internal operations

This consists of the management of organizational processes, customer focus, employee management and the development of a virtual organization.

Architecture of inter-organizational operations

This consist the creation of a shared vision between organizations, operations modelling between organizations and process modelling between organizations

Architecture of inter-organizational technologies

This consists of integrating through the creation of networks across organizations.
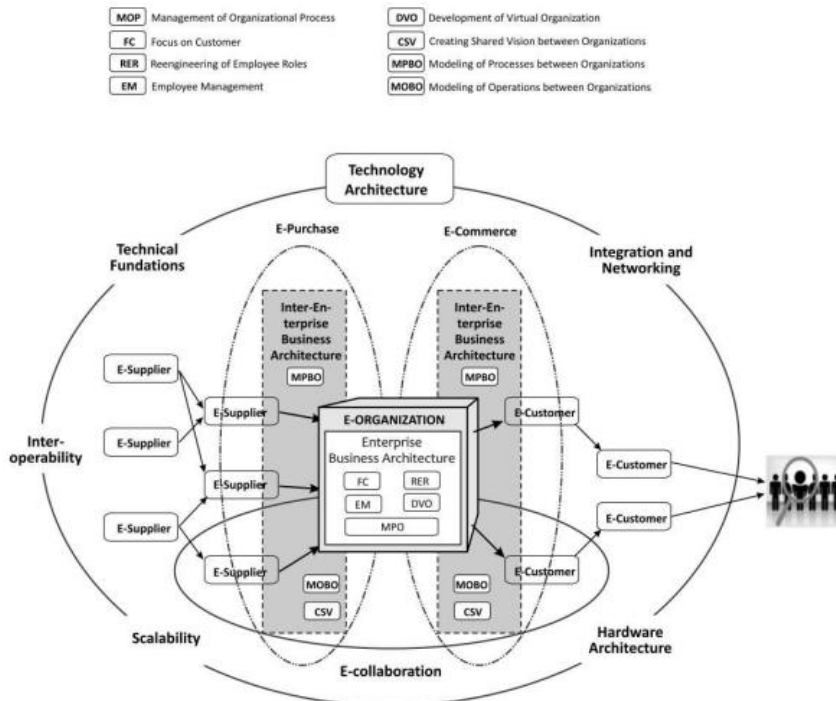

Figure 7 Generic model of supply chain architecture in e-environment

Analytical CRM

Customer knowledge discovery

Flipkart has an amazing recommendation system at place to make product discovery faster and seamless.The recommendation system used by Flip Kart predicts user's intent and helps connect them with products they need or perhaps be interested in an automated manner. They help users in following ways:

- Help find: similar products.
Ex: recommendations to buy a apple phone when surfing Nokia phones.
- Help decide.

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Ex: people who viewed this ended up buying.

- Complete the purchase experience.

Ex: cases for phones, laptop bags etc.

- Excite or wow.

Ex: New Chetan Bhagat novel etc.

Recommendation system= data + algorithms.

Formula:

Recommendation Score = (i * i) / (n1 * n2).

Where,

i = count of occurrences of items i1, i2together.

n1 = # of occurrences of the item i1 alone.

n2 = # of occurrences of the item i2 alone.

It uses collaborative and content based filtering methods to generate recommendations for users.

Customer demographic analysis and customer behaviour modelling

Flip kart's customer's fall in to the categories of youth, avid book readers, technology enthusiasts and online shoppers. Therefore, it has carefully demarcated and segmented each of the demographic categories and modelled the customer behaviour to understand their needs and preferences. It creates data models from the following sources:

- Bought history
- Browse history
- Compare history
- Bought items
- Wish list items
- Rated products
- Cart additions

Data Transformation

As per our discussion with a couple of friends working for Flipkart as software developers (Names undisclosed on request), we learnt that the Flipkart website is based on the LAMP architecture.

LAMP Architecture:

LAMP stands for Linux, Apache, MySql and PHP and refers to a common way of designing modern day websites based on freely available and reliable open source technologies. LAMP architecture provides a cost effective and reliable way of building websites. Usage of LAMP components also helps in the backend scaling of the website and integration with ERP (and CRM) capabilities. Flipkart is one of the best examples of companies that have used the LAMP architecture to build and scale a highly profitable e-commerce system. Typical LAMP architecture is shown in the figure:
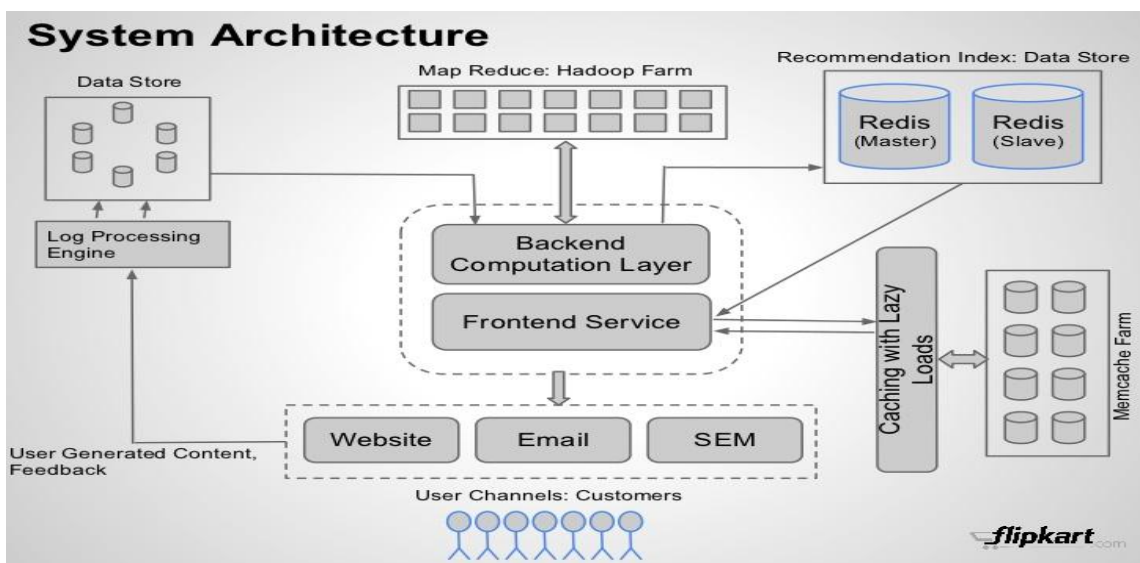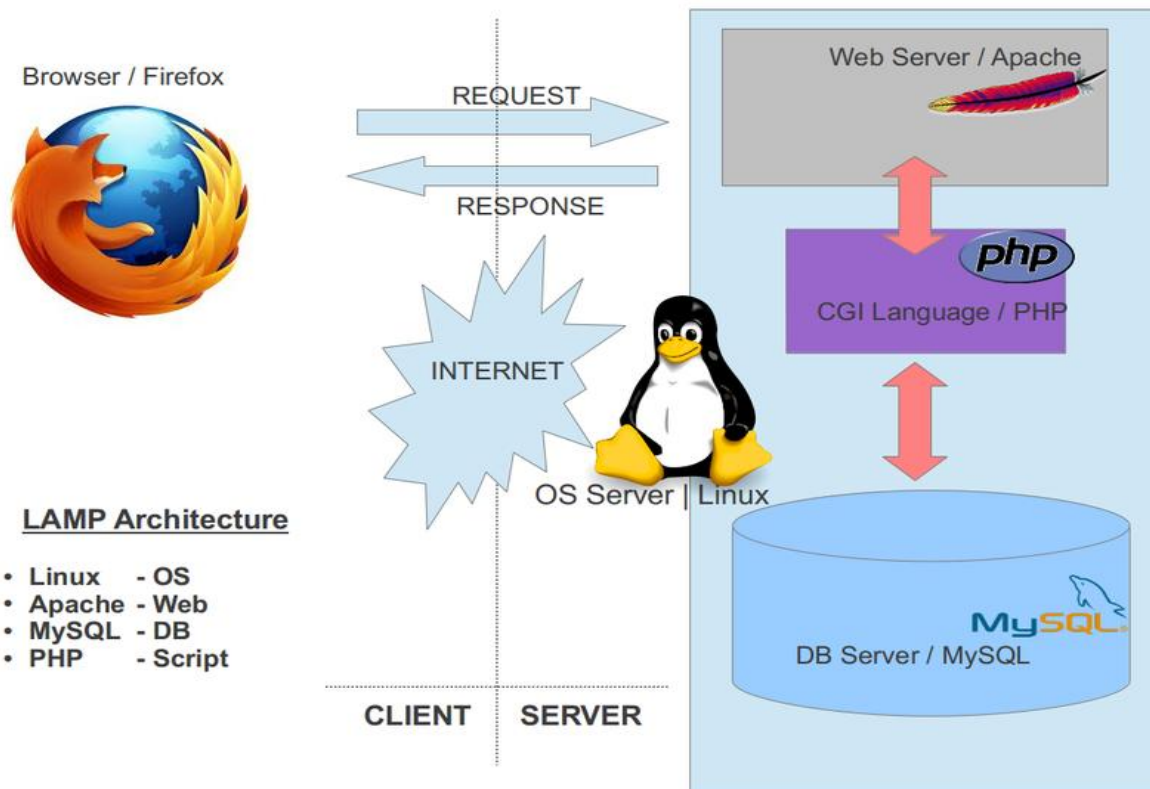
There are essentially four technology teams within Flipkart as an organization:

1. Website development and maintenance
2. Data Analytics/Business Analytics (Data mining and warehousing)
3. ERP (CRM comes here)
4. Platform Management (integrating sales force automation and managing forward/backward integration with other technologies)

Ref: Linkdin profiles of employees and list of opening on naukri.com and on Flipkart's site:

http://www.flipkart.com/s/careers

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Excerpt from Flipkart's career site:

"This expansion has led us to hire talented professionals across departments like Website, Business Planning and Analytics, ERP, Business Development, Product Management and Marketing, Supply-Chain Management and Customer Support."

Website:

Flipkart defines its website management and development roles with the intention of achieving:

Scalability: Development must be scalable to accommodate more traffic and more orders.

Availability/downtime: 0 downtime, 100% availability for enhanced *end user experience.*

Social Experience: Flipkart continues to design its website with the intention of providing opportunities for customers to interact in a group and to tap this group behaviour for more targeted results.

Analytics:

The analytics team is not only concerned with data mining and understanding consumer buying preferences, but the analytics team engages in understanding vendor management, supply chain management and managing the logistics.

The team is involved in managing different information systems and analyzing the data flowing through all these systems to tweak and streamline the operations of the company. Some of the achievements of this team include "2-day delivery process", "money back guarantee", "hassle free Just In Time shipping" and "route optimization" for delivery boys. The team indulges in data mining, data analytics, data warehousing and predictive analysis.

ERP:

The core ERP system at Flipkart can be broken down into:

1. Procurement
2. Inventory Planning and Forecasting
3. Logistics: Self Delivery, accounting, invoicing and customer management
4. CRM (Discussed in detail in the report)
5. Warehousing Management

Typically, Flipkart follows the classic CRM architecture as dictated by Goodhueet. al., MIS quarterly executive, 2002. The diagram is for representational purposes and the actual implementation may vary slightly:
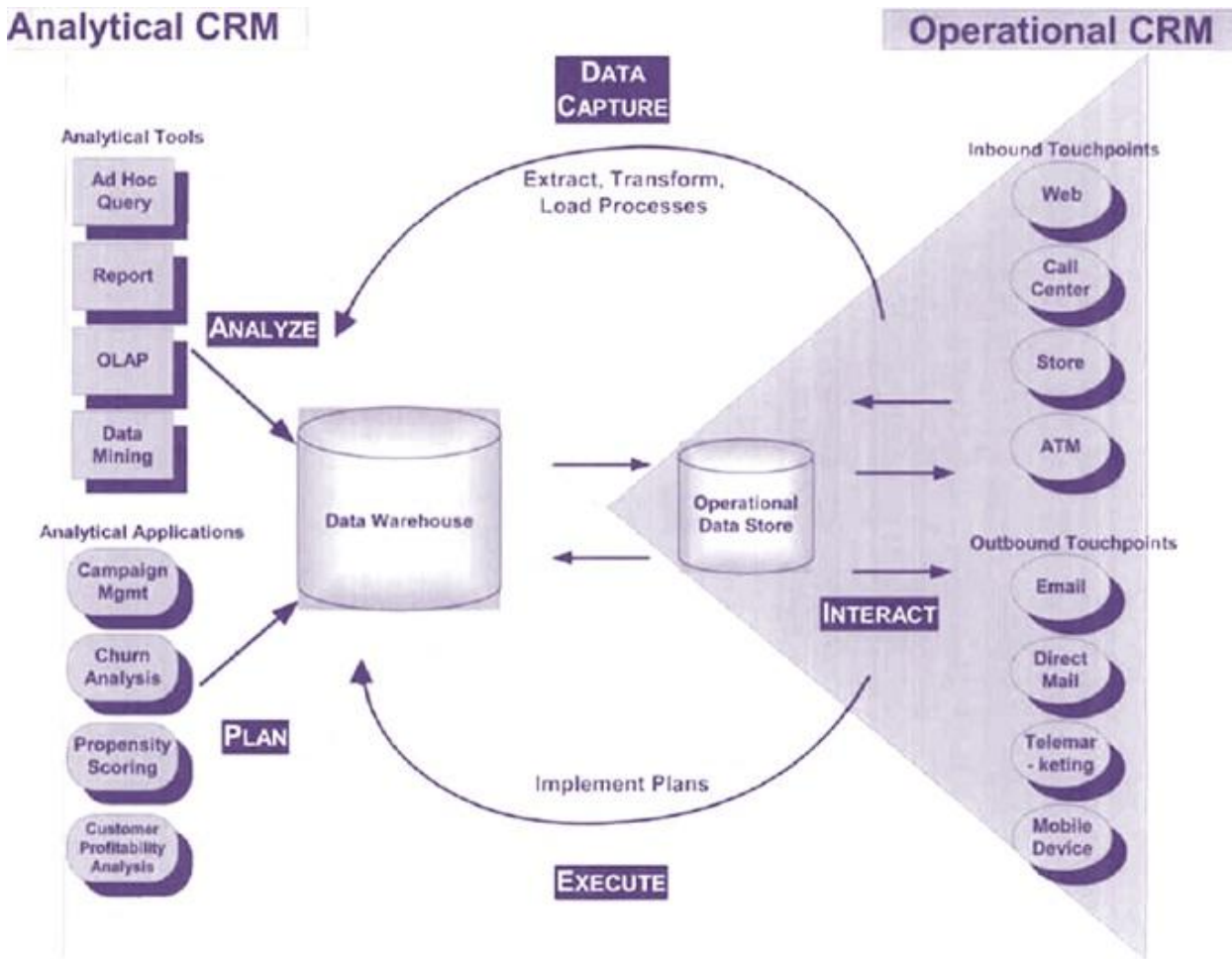
Ref: *Goodhueet. al., MIS quarterly executive, 2002.*

The technical team handling ERP implementation and operations at Flipkart is cross-functional and the ERP system is the backbone of Flipkart's operational efficiency.

Platform:

The platform team is concerned with the overall maintenance and scaling of the e-commerce platform. The team helps different business units at Flipkart in understanding the integration process and helps the teams in working in harmony.

The platform team actively seeks new technology adaptation for increasing the operational efficiency across the organization without disturbing the existing stability of the system. Some of the new technologies that the team is exploring include:

1. Cloud computing
2. Distributed computing
3. Data sources (Schema/Schema-less) and understanding service oriented architecture.

Team's motto "*Quality, Innovation and efficient execution*".

Customer value assessment

Value assessment at Flipkart is done through various metrics such as:

Click-through-rates

o Relevance/ quality.
o Visibility

Click-to-order

o Quality
o Confidence

A/B Framework

A.B framework is used to measure the success of web marketing programs as it allows multiple versions of the site to be live simultaneously. Thus enabling the the company to conduct live experiments by drawing off a considerable 1 portion of traffic and analysing the results.

Both components of measurements i.e. metrics and A/B work hand-in-hand. The metrics tool exists in the form of a dashboard that measures the website's performance on various parameters. For example, if the transaction rate falls below a certain limit, systems are immediately alerted.

Whereas with A/B, engineers can rapidly implement their ideas.

"When someone proposes a new idea, a lot of precious time is spent debating what-if scenarios. Now, we can implement an idea, while mitigating its risks."

Impact of CRM

Through CRM initiatives, Flip kart has successfully garnered an audience strength of 7.4 million or 74 lakhs unique users every month growing at 431% annually. It has a strong customer base of 2.08 million as of beginning 2012. Its inventory model and strong customer relationship management has made it the largest book seller in both online and offline category in India. Also, it is expanding majorly to become India's largest ecommerce platform.

Through its efficient e-crm implementation, Flip kart has website visits of 102 million. Total Number of Repeat customers have been 70% of net consumers. The average order size has risen to Rs 772 from Rs.300 in the past, with bulk of sales happening from the books category. The current margin Flipkart gains from its sales has gone up in various categories:

o Books: 20%
o Apparels: 30-40%
o Electronics-6-8%

The outreach to online user has scaled up to 11.5%. The average revenue per customer is continually increasing with 35$ or rs.1855 a figure reached in early 2012. The supply chain and distribution model has been majorly impacted by technology integration with delivery of products reaching a milestone of 20 products per minute i.e. 1250 an hour and 30,000 items a day. With increase in customer base and number of orders, the estimated % return of goods has also gone up to 20-30%. No of employees has increased to approximately 5000.

Recommendations

Flipkart needs to minimize its dependency on key suppliers, distributors and other partners whose services are not up to the mark and is impacting Flipkart's performance. Further strengthen its backend-warehouses, logistics, delivery network etc to cut down costs in order to reap profits in the cut throat competitive scenario. Improve personalization features on its website to engage consumers and keep them from drifting away to other ecommerce sites. Improve search options by introducing advanced search options by book ISBN no, author name etc. It must resolve unsatisfied customer issues that has brought about negative social branding on networking sites and can hamper the very objective of Flipkart of providing quality customer service. It must provide customized delivery dates where the user has the freedom to select the date he wants the good to be delivered on. Same day shipping is another exclusive feature which it can introduce to attract more consumers, however, at this point of time it can incur huge expenditures to deliver the same.

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