International Journal of Multidisciplinary Research and Growth Evaluation.

The decline and ascent of Snapdeal: A case study

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Article Info

ISSN (online): 2582-7138
Impact Factor: 5.307 (SJIF)
Volume: 04
Issue: 05
September-October 2023
Received: 03-09-2023;
Accepted: 05-10-2023
Page No: 1066-1069

Abstract

Snapdeal is one of the e-commerce platforms established and operating in India. It has faced a lot of challenges and a period of ascent as well. Snapdeal provides a unique viewpoint on the changing online retail landscape because of its quick ascent to prominence in the Indian e-commerce market, which was followed by a challenging period. They slowly managed to come out of those challenges and take a hold of their position in the Indian E-commerce industry. This case study offers an analysis of Snapdeal's turbulent journey and insightful information about the challenges they faced and the strategies they undertook to relieve themselves of their challenges.

Keywords: Ascent, Decline, E-commerce, Snapdeal

Introduction

Snapdeal is one of the exclusively focussed e-Commerce platforms in India which was listed among the top four online lifestyle shopping terminals. Its main aim was to provide the customers with reliable and affordable online shopping with good value. Snapdeal strives to enhance the purchase experience for its customers who are value-conscious by showcasing the most suitable and durable products that algin with the needs of the customers, guarantees genuine value for their shopping. It upholds the high service standards by enabling its suppliers to operate within well-structured system and facilitate the provision of good quality products at competitive process. Snapdeal within 5 years of its incorporation, acquired Freecharge company, after which they faced a financial challenge and was forced to sell the company.

Fig 1: Snapdeal Logo

Their market share tragically fell from 26% to 4% which forced them to sell the company. Following that, during lockdown, they gained customers by adding fresh sellers. This enabled the possibility of sustaining itself using its own funds. Additionally, its yielding profits as well.

About the Organization

Snapdeal is an Indian based e-commerce company that is headquartered in New Delhi, India. Founded in 2010, it was established by Kunal Bahl and Rohit Bansal. It is one of the largest online platforms in India. Jasper Infotech Private Limited is the parent organization which holds Snapdeal. It is headquartered in India's Capital city, New Delhi.

Majority of the products sold by the online platform was fashion, home goods and general goods. There are over 5 lakh sellers partnered with Snapdeal. Snapdeal's main aim is to empower the people of India to realize their needs and desires through providence of dependable and cost-effective shopping experiences. It has a personalised and a multilingual interface intertwined with advanced technology which streamlines the purchase process for its customers, who are value – conscious. Through showcase of pertinent products that aligns with the requirements and quality expectations of the customers Snapdeal intends to deliver authentic value to its customers. The company is dedicated to superior service providence within a well-structured eco system, that in turn enables them to supply high quality products at affordable prices.

Snapdeal uses third party logistics to provide its products to nearly 96% of India's areas and regions. It is an extensive network that enables timely deliveries to its customers to more than 2500 towns and cities in India, with further expansion plans as well. It majorly intends in allowing the third-party sellers to sell products to customers directly to customers. It additionally provides supplementary services such as delivery and logistical assistance to companies with a purpose of promoting the utilization of its online platform.

The company is eager in establishing a holistic eco system which is majorly focussed in value-driven commerce. The ecosystem aims to cater to the needs of the customers across the country, regardless of their location. Having a positive impact is established as the core strategy of the organization. Their website is very easy to understand, user-friendly and they have flexible policies too.

The challenge they encountered

When Snapdeal was launched, it was initially a daily deals platform and further in 2011, it was expanded as an online market. Then it slowly grew to become one of the largest online market places in the country. They have been inspired by Alibaba and wanted to create a similar online market place. When Kunal Bahl and Rohit Bansal decided to expand their business, it was a do or die situation for them during that stage. Then, when the idea was proposed in the board, it took time for the board to accept the idea. Later, Snapdeal was established as an e-commerce portal that took shape into what we see today. As days went on, it grew very bigger and bigger. It experienced a remarked journey in such a short span of time period. They were able to attract e-bay a successful e-commerce website known famously for online auction and trading to invest in their business. In a couple of years, the company managed to become a billion-dollar company. The proprietors of the company put in their continued effort to succeed as the best online platform.

They undertook various methods for increasing their customer base such as paying an amount for making their friend sign up to the Snapdeal website. This improved the brand value. They also ensured in sending promotional e-mails to the users registered in the platform. They added more and more products to their online platform such as electronics, kitchen appliances, apparels and so on. During September 2011, Snapdeal turned in to whole marketplace. Snapdeal used various advertising strategies to make their website well known to customers. In the due course, Snapdeal managed to acquire various online business platform such as esportsbuy, shopo, doozton, wichpicker, smartpix, gojavas and so on.

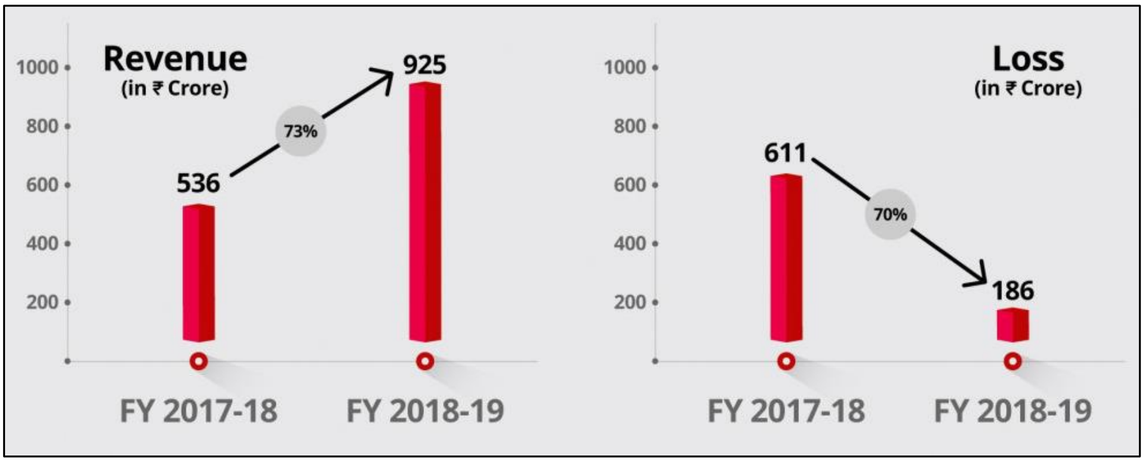
During 2016, Snapdeal began to realise too much heat due to its flawed strategies and this led the company to shift its focus on improving its unit economics. This sudden shift caused a immobility in the company's growth.

When the business was growing well, it suddenly faced a decline in its shares from 26% in 2015 to nearly 4% in 2017. While its competitors where aggressive in gaining association with famous mobile companies to sell it through their online platforms, Snapdeal wasn't able to acquire any partnerships with mobile companies. Snapdeal also failed to differentiate itself from other e-commerce websites, as in it did not have a unique selling proposition to attract further customers. Unique Selling Proposition is a unique or a distinct quality or even the benefits of the product or service. As the other e-commerce platforms offered various products assortment especially in fashion, Snapdeal wasn't able to offer such fashion.

These were two major reasons for the decline of its shares. Due to which, the company also laid off nearly 600 employees.

Another main reason for their decline in the shares is due to its acquisition of a online recharge company names Freecharge. This company is completely unrelated to Snapdeal, as Freecharge is a recharging and bill payment online platform. It acquired the company as it aimed to attract the customer base of the Freecharge company as well. But it faced a huge fall in their share price. They weren't able to justify their acquisition of Freecharge. Even though Freecharge helped Snapdeal to gain customers, it seemed as a great loss for the company. After realizing that their acquisition was the primary cause of their downturn, they found themselves in a forced position to divest the acquired company – Freecharge, at a reduced rate nearly marking 90% decrease from the initial purchase price.

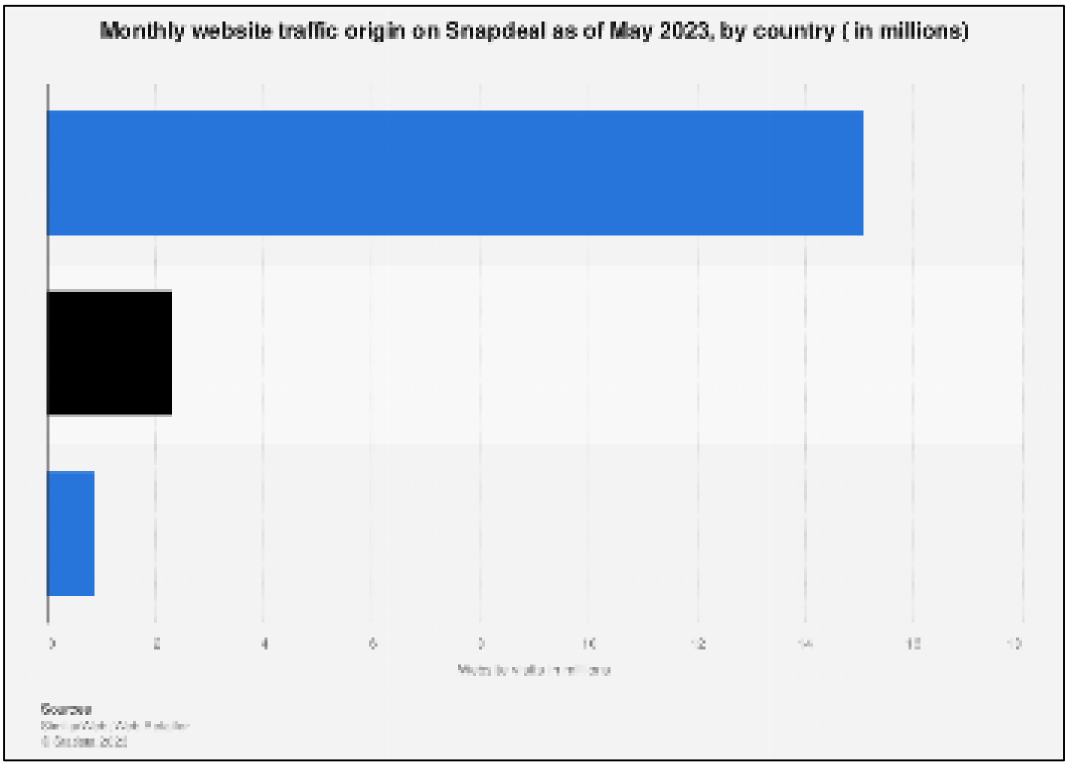
Their Revival



Source**:** adgully.com

Fig 2: Revival of their company

Later, Snapdeal worked on their strategies to solve their chaos. They formulated a new strategy named Snapdeal 2.0 as a revival plan, in which the company divested many of its business that did not seem profitable, downsized employees to cut down on remuneration costs and further cut on other unwanted costs. Doing so, it got back on track slowly and by 2019, it was able to hit the highest monthly users. It added nearly 60000 new sellers which had a greater number of products listed in their website. They added a lot of apparel sellers and home decors. Its net losses shrunk during the year 2019. In 2020, the company had more than 15 million new buyers who purchased through the company. Snap deal was able to attain its break even in the same year.



Source**:** https://www.statista.com

Fig 3: Increase in buyers

From the year 2017 to 2020, the company's revenue increased by 74% and they were able to cut its losses by 95%. In these years, Snapdeal's orders came from the users located in the non-metro cities. In its Snapdeal 2.0 strategy, it formulated an asset-light operating model for serving the value segment in e-commerce including decentralising the company's logistics and minimising its inventory thereby reducing the operating costs. Asset light model enables the business owners to expand their business while investing only a fraction nearly one-fourth of the capital that would be usually needed. As Snapdeal turned its major focus to FMCG companies, companies such as Godrej, Himalaya, Mama earth and Ustraa joined hands with Snapdeal to enable the reach of their products to non-metro areas. It also runs a various ancillary services such as collection, packaging, courier services and warehousing, through which also it earns its revenue.

Currently, Snapdeal has nearly 5 lakh sellers in its website which enables them to put up 200 million listings in their online market.

Questions

1. What do you think is the main reason for reduce in the price of shares of the company?
2. Do you think the company divesting the acquired company is a correct decision? Why or why not?
3. Provide any other strategies to revive the company back to old stage without divesting the acquired company.

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