

**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**POST GRADUATE DIPLOMA IN MANAGEMENT**

**Third Trimester (Batch 2020-22)**

**END TERM RE-EXAMINATION**

**(July 2021)**

**(SET D)**

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| Course Name | **Strategic Management** | Course Code | GM 301 |
| Max. Time | 120 minutes | Max. Marks |  40 |

***NOTE: Answer all questions***

1. **Analyze the ‘Indian Automobile Industry’** using Porter’s Five Forces Model clearly indicating the level of impact of each force in terms of low, medium or high, and your recommendations regarding entering the Smart Phone Industry or otherwise with full justification.(10 Marks)
2. **Following are the details of an SBU of XYZ Corporation:**
* Total weighted score on the Internal Factor Analysis (IFE) = 2.5
* Total weighted score on the External Factor Analysis (EFE) = 3.5
1. Draw the IE (a.k.a. GE/McKinsey) matrix plotting the coordinates, and indicate the strategic choices available in the quadrant. (5 Marks)
2. Among the strategic options available, which are the options feasible for the SBU. Justify. (5 Marks)

**3. Case- Snapdeal. Answer all the questions given at the end of the case.**

# Snapdeal 3.0: taking a leaf out of a fallen unicorn’s playbook to reinvent value

*Snapdeal, once considered a formidable competitor to Flipkart, is now at a distant third place in a market dominated by the likes of Amazon and Flipkart. But the New Delhi-based startup now wants to bridge that gap by focusing on what it calls “value commerce”.*

India’s startup ecosystem seems to be on course to change the etymology of the word unicorn. The distinction is no longer a rarity when a country churns out [**six unicorns**](https://economictimes.indiatimes.com/tech/startups/4-days-6-unicorns-1-55-billion-a-week-like-none-other-for-indian-startups/articleshow/82019190.cms?from=mdr) in four weeks. But far away from the limelight, many star businesses of yesteryear that have fallen out of this coveted club are trying to reinvent themselves.

From more than a decade-old Quikr — which lost its unicorn status last year — to Sticker Chat, the messaging platform that is now trying its luck in social-gaming, an upcoming segment, the story of these startups is starkly different.

[**Snapdeal**](https://economictimes.indiatimes.com/topic/Snapdeal), once considered a formidable competitor to [**Flipkart**](https://economictimes.indiatimes.com/topic/Flipkart), is one such company that has been relegated to the background over the past few years. After a failed takeover attempt in 2017 by its bigger rival, which is now owned by US [**e-commerce**](https://economictimes.indiatimes.com/topic/e-commerce) giant Walmart, the New Delhi-based startup has settled for a distant third place in a market dominated by the likes of [**Amazon**](https://economictimes.indiatimes.com/topic/Amazon) and Flipkart. But now, the e-commerce startup founded by Kunal Bahl and Rohit Bansal wants to quickly bridge that gap.

Recently, Snapdeal launched a brand campaign with actor-couple Riteish Deshmukh and Genelia D’Souza. With the tagline — “*Brand wali quality, bazaar wale daam”*— which roughly translates into “the quality of a brand at wholesale rates”, the company is sharpening its focus on what it calls “value commerce”.

Does that term ring a bell? Those who keep a close watch on the startup universe wouldn’t have forgotten [**ShopClues**](https://economictimes.indiatimes.com/topic/ShopClues). The former unicorn, which relied on bringing the flea-market experience online and was valued at USD1.1 billion in 2015-16, was acquired by Singapore-based e-commerce firm Qoo10 three years later for USD70 million-USD100 million.

The question: Why would Snapdeal take the same path which led to the fall of another unicorn?

**Life after Snapdeal 1.0 and 2.0**
Snapdeal started off as a discount-coupons website (hence the name) in 2010. With Flipkart and Amazon gaining prominence, Snapdeal, too, morphed into a marketplace connecting buyers and sellers. Investment dollars followed — in fact, more than USD1.7 billion. Soon, the entire ecosystem was witnessing a high-decibel triangular fight between the leading e-commerce players. It may be hard to imagine now, but in terms of revenues, Snapdeal was only a couple of million dollars behind Flipkart and Amazon in 2014.

Between 2013 and 2017, the company tried out ways to grow beyond its unimpressive position in the e-commerce market. It had already forayed into digital payments with FreeCharge in 2015 and was also exploring a “controlled” marketplace just like its peers. There were many acquisitions as well, including that of premium luxury goods and luxury-fashion marketplace Exclusively.com in 2015 and C2C e-commerce site Shopo.in three years later.

In 2017, it even launched a branding exercise costing INR200 crore. But the attempt did not yield results and the cash burn was eating into its coffers. Soon, with only a few months of runway remaining and investors mounting pressure, Snapdeal started acquisition talks with Flipkart. But investors couldn’t arrive at a consensus over the contours of the deal and the startup’s founders decided to continue to run the company.

“Rohit and I were clear that in light of all the friction and delays around the merger process; Snapdeal’s best bet was to go forward as an independent company — with a clear business plan, christened Snapdeal 2.0,” Kunal Bahl said in a LinkedIn post, almost a year after the deal was called off.

They had a clear goal. The priority at that time was to stay afloat. They shuttered cash-guzzling units, cut down workforce, retreated from certain categories, and hammered out inefficiencies. From a peak valuation of USD6.5 billion, Snapdeal had lost its unicorn status by the time of the deal talks.

The turnaround did somehow work and Snapdeal managed to win the fight for its survival. Now, the startup wants to focus on covering the lost ground.

Can it?

**The hunt for value**
Snapdeal’s latest “value e-commerce” rejig is another attempt by the battle-hardened startup to regain some of its lost charm.

“Given the vast number of new buyers coming online from smaller towns, the supply of value-priced selection is growing online exponentially — mirroring the selection found in India’s bazaars. Lakhs of small and medium sellers from all parts of the country are looking to establish and grow online businesses to tap this opportunity,” says a Snapdeal spokesperson, pointing out that bazaars across the country continue to thrive because a wide range of products are available at various price points.

“It is very different from the modern format and online. Only 10%-12% of Indian households have the disposable income to buy branded products ... bazaars were synonymous with immense choices, the ability to hunt for deals, and to buy on a budget,” the spokesperson adds.

Snapdeal’s strategy is different from that of other e-commerce companies. From Amazon to Flipkart and Bigbasket to Grofers, or even niche companies such as Nykaa, e-commerce players are working towards building a private-label portfolio to drive growth. There is enough evidence which suggests that private brands squeeze in better margins than the commission model. Snapdeal even set up a wholesale unit called E-agility Solutions to try the inventory model, but the division was liquidated in 2019.

The more than a decade-old startup has now chosen to focus on a segment that is already tested and abandoned by others.

**"Unlike other platforms, which have bits of value selection dispersed across the entire assortment, 100% of Snapdeal is about value."**

*— A Snapdeal spokesperson*

Five years ago, ShopClues became a unicorn by building its business on a similar premise. It tapped the growing consumer base in tier-II cities as people looked to buy anything from clothes to even cow-dung cakes online. But the lure of the hinterland started fading by 2018. Return of goods was rampant, while quality checks for such a large number of small sellers became operationally impossible and order volumes were inadequate to achieve efficiencies of scale.

Here’s how Snapdeal’s strategy is different from that of the major incumbents. For Amazon and Flipkart, a few key categories generate a major chunk of their revenues. A game-changer category has been mobile phones. A significant part of their revenues is driven by these breakout categories. In fact, both e-commerce platforms are forever engaged in a tussle to acquire exclusive partnerships with phone brands or manufacturers of consumer electronics. These are just like the anchor tenants in a mall. Beyond these few categories, e-commerce platforms have a long tail of products that may not have much volume individually but still can swell to a significant number over time.

**Questions**:

1. How effective has the firm been in its turnaround strategy? (6 marks)
2. Identify the Strategic Business Units (SBUs) of Snapdeal. (6 marks)
3. Create a BCG matrix for Snapdeal.(8 marks)