

# Walmart Expands Global Footprint with Flipkart

Is this the competitive edge the retailer needs in India?

## ARTICLE |

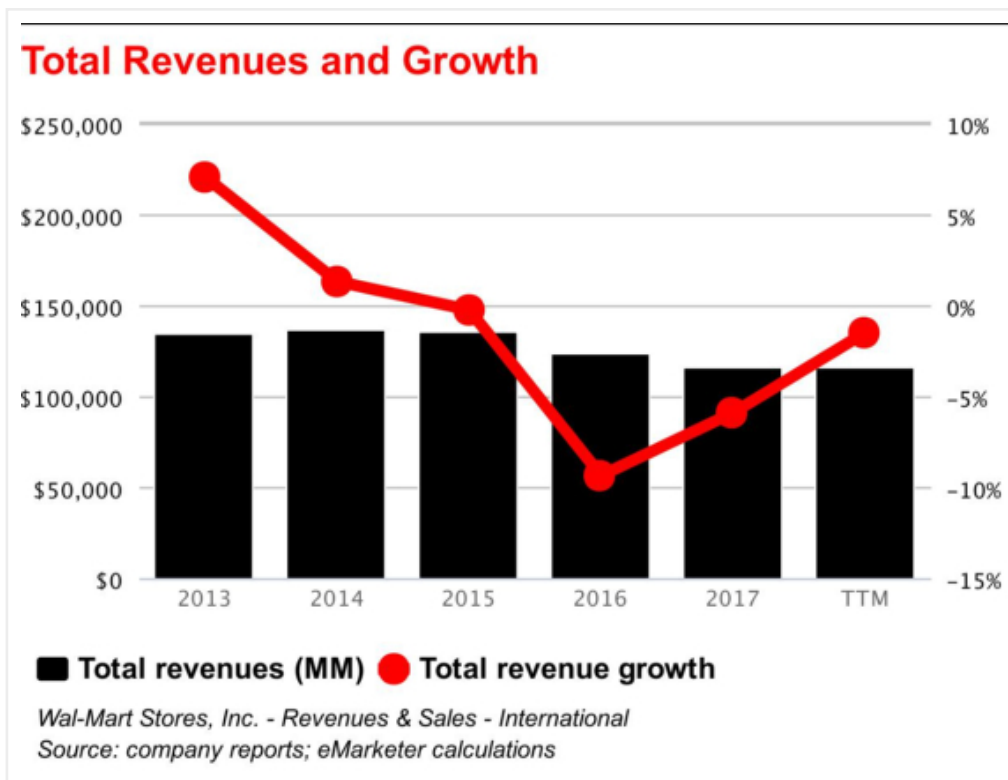
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**W**almart has emerged triumphant in the retail war to acquire a majority stake in Flipkart. On Wednesday, the company gained 77% ownership of the India-based ecommerce site in a \$16 billion deal.

Walmart, known for its big-box format and low prices, isn't perceived to have the ecommerce expertise of Amazon. For the past few years, Walmart has been playing catch-up in the US with acquisitions of online retailers like Moosejaw, Jet.com, Bonobos and ModCloth.

This is a risky move financially for Walmart. In a presentation the company said the Flipkart acquisition would reduce its net income by \$750 million in 2018. To put the Flipkart deal in perspective, Jet.com was bought for \$3.3 billion in 2016.

Flipkart won't add any ecommerce prowess in the US, but it could help Walmart stave off Amazon to become instantly competitive in India and grow international revenues. Walmart has retail stores in 28 countries and ecommerce sites in 11 countries, and international revenues totaled \$116.1 billion in 2017. But international revenues have posted negative growth rates since 2015.



Walmart stumbled when it first entered into China more than two decades ago. The company ultimately had to sell Yihaodian, its online marketplace, to JD.com in 2016 for a stake in that China-based ecommerce company to compete with Alibaba. With India, Walmart is attempting to get footing before Amazon gains a dominant market share, and while digital commerce in the country is still emerging.

We forecast that 23.1% of India's population will make a digital purchase in 2018, though that percentage will be considerably higher among internet users (58.0%). That figure is still lower than the average in Asia-Pacific (61.8%), led by countries like China, Japan and South Korea. We expect digital buyer penetration among internet users in India will grow to 72.9% by 2021.

During a conference call with analysts, Walmart stated that the company believes India will be in the top five ecommerce markets worldwide in the next five years. "One of things we are most excited about is ecommerce in India, which we expect to grow at four times the rate of overall retail," said president and CEO Doug McMillon.