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Behavioral lessons from Flipkart's Big-Billion Day sale

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Abstract

Purpose – The purpose of this paper is to understand the behavioral lessons and managerial implications of deep discount strategies used by e-commerce firms to gain a competitive advantage over rivals. The paper seeks to understand the behavioral aspects of consumer and competitor response to such online sales, particularly with reference to e-satisfaction and e-loyalty. The case study seeks to: understand the behavioral aspects of utility and customer satisfaction; understand the behavioral aspects influencing customer attitudes, preferences and choice; understand heuristics involved in consumer decision-making; and understand possible firm strategies based on a thorough analysis of behavioral influencers of customer decisions.

Design/methodology/approach – The paper follows a case study approach. Secondary data sources from the library, company website and newspaper articles have been used to build a case which would encourage students to discuss and analyze the application of principles of behavioral economics to marketing problems faced especially by e-retailers. It uses Flipkart's botched-up Big-Billion Day sale to drive home lessons in behavioral economics to marketers.

Findings – With growing internet penetration, e-retail presents high potential in India along with its BRICS peers. However, the task of grabbing customer mindshare, as also a share of wallet of the growing Indian purchasing power through monster discounts and deals by e-tailers may not work. Firms such as Flipkart may strategize using principles of behavioral economics including confirmatory bias, framing effects, reference points, principles of loss aversion, heuristics and the peak–end rule to influence customer decision-making in their favor. They must also guard against any incidents/events which invoke the representativeness heuristic or negative confirmatory biases towards e-commerce portals.

Practical implications – E-tailers in countries like India should understand the behavioral implications of deep discount strategies and deals offered by them as a means of gaining competitive advantage. Attention to e-service outcome quality and e-service recovery is important.

Originality/value – The case is unique in its applications of behavioral economics principles to e-retailing in India. It seeks to apply behavioral principles to a major e-commerce marketing event in India. With the e-commerce industry likely to boom in India, the case study provides unique insights into competitive pricing strategies adopted by e-retailers and the feasibility thereof.

Keywords Anchors, Behavioural influences, Biases, Big Billion Day sale, Discount sales, E-commerce, E-loyalty, E-retail, E-satisfaction, Flipkart, India, Loss aversion, Online sales, Utility

Paper type Case study

Introduction

It was 7 October 2014 – a day after Flipkart India's much-talked-about "Big-Billion Day" (BBD) sale. Sachin and Binny Bansal, co-founders (though unrelated) of Flipkart – India's largest e-commerce portal – went through the apology letter they had drafted for Flipkart customers. The Bansals had spent all of the previous evening discussing the BBD sale, the extreme customer ire faced in the wake of the glitches during the sale, competitor response and the best course of action to recover the goodwill that Flipkart

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had lost during the sale. "Unquestioned apologies, rendered in all humility and honesty to our customers. That's the only immediate course of action," Sachin Bansal reasoned. The letter had been drawn up in keeping with such spirit. It was an effort to redeem customer trust and faith – factors that the Bansals knew were extremely significant in any e-commerce business, but even more so in the nascent e-commerce business in India with its tremendous potential. Such trust, as had been created painstakingly by the Bansals in their seven years of existence as one of the earliest e-commerce businesses in India, had been eroded on the day of the BBD sale. Further, Flipkart found itself under-prepared in anticipating the competitor response from both online and offline competitors. Was it a case of a *Big Billion Disaster* behaviorally? Were there behavioral lessons for Flipkart, and indeed for the e-commerce industry itself? How would this experience affect customer utility, attitudes, future preferences and choice for Flipkart as the preferred e-commerce portal? Were the Bansals correct in their assessment of an apology letter assuaging customer ire successfully and minimizing damages?[1]

Conceptual background

E-satisfaction and e-loyalty of online customers

An important consideration for marketers who seek to differentiate their offerings by establishing customer value and satisfying customer needs is delivering "quality service" (Collier and Bienstock, 2006). Such service quality acquires greater significance in the case of e-commerce, as "competing businesses are only a mouse click away" (Anderson and Srinivasan, 2003, p. 124), and it involves considerably less personal effort and time in defecting online (Srinivasan *et al.*, 2002), as also because the online environment presents a case scenario of a near perfect market (The Economist, 2004). Fostering e-satisfaction and e-loyalty become extremely crucial for firm profitability and survival in e-commerce businesses.

Antecedents of e-loyalty have been variously identified as: trust or assurance, customer service, website aesthetics and technology (website navigation), customization, perceived switching barriers, e-satisfaction and image (Anderson and Srinivasan, 2003; Balabanis *et al.*, 2006; Bitner *et al.*, 2000; Chen *et al.*, 2002; Chen and Wells, 1999; Gommans *et al.*, 2001; Harris and Goode, 2004; Kim and Stoel, 2004; Kwon and Lennon, 2009; Reichheld and Schefter, 2000; Srinivasan *et al.*, 2002; Szymanski and Hise, 2000; Zeithaml *et al.*, 2000). Collier and Bienstock (2006) conceptualize e-service quality, as affecting e-satisfaction and e-loyalty, on 3 dimensions and 11 sub-dimensions – process quality (privacy, design, information accuracy, ease of use and functionality), e-service outcome quality (order timeliness, order accuracy and order condition) and e-service recovery (interactive fairness, procedural fairness and outcome fairness).

Much of the extant marketing research on online shopper behavior is Western-centric (Lee *et al.*, 2006; Bathgate *et al.*, 2006). However, culture and differences in the cultural dispositions of online customers across societies play a role in various aspects of e-commerce (Cyr *et al.*, 2008; Jin *et al.*, 2008; Kassim and Abdullah, 2010; Omar *et al.*, 2011). In particular, the impact of firm reputation on e-trust and e-satisfaction, as also the inter-relationships among e-satisfaction, e-trust and e-loyalty are likely to be different based on cross-cultural differences (Jin *et al.*, 2008). E-tailer performance is likely to be viewed differently by consumers in societies like India, with cultural dimensions such as high power distance, low uncertainty avoidance, medium masculinity and low individualism (Hofstede, 1984)[2]. The reputation–satisfaction and satisfaction–loyalty links are likely to be higher in collectivistic societies, where culturally, consumers value external frames of reference (such as firm reputation) higher. It also makes them "tend to stick to the same service provider once satisfied" (Jin *et al.*, 2008, p. 331).

The role of behavioral intentions in predicting actual behavior has been studied (Ajzen, 1991; Fishbein and Ajzen, 1975). Behavioural variables, especially the emotional and cognitive responses associated with purchasing online, are hence relevant to e-commerce. Especially in a collective society, an assessment of online satisfaction (and hence loyalty) would be based on an understanding of "attitudes towards risk, technology, vendor, website as well as perceived behavioural control" (Omar *et al.*, 2011, p. 228). The perceived e-service quality and the degree of satisfaction with a given website are significant explanatory factors of consumer loyalty (Cristobal *et al.*, 2007; Kassim and Abdullah, 2010; Lee and Lin, 2005).

Behavioural influences and heuristics in consumer decision-making

The theory of consumer behavior has traditionally been the subject matter of economics. The standard economic model treats consumer decision-making as a constrained optimization problem. "People choose the best things they can afford" (Varian, 2006, p. 33). The model is based on the assumptions of a wholly rational "economic man" who analyzes all options and makes utility maximizing decisions based on self-interest (Albanese, 2006, p. 7; Wilkinson and Klaes, 2012, pp. 10-11). This model of human behavior based on three unrealistic traits – unbounded rationality, unbounded will power and unbounded selfishness – is modified by Behavioural Economics (Thaler and Mullainathan, 2008).

The complex nature of utility, the difference between utility and happiness, as well as the neglect of behavioural phenomena such as reference dependence, loss aversion, endowment effects, mental accounting and social proof lead to deviations from the predictions of the standard economic model of consumer preferences. Such behavioural influences, together with shortcuts (called heuristics) used in decision-making situations (Kahneman, 2011; Simon, 1990; Wilkinson and Klaes, 2012), have the potential to affect customer attitudes, preferences and future choice of a given e-commerce portal. Strengthened by the cultural context, they may affect adoption and/or continuance of online shopping itself.

Contextual background

India's e-commerce industry

The e-commerce industry comprises of four segments: the business-to-business (B2B) segment, the business-to-customer (B2C) segment, the consumer-to-business (C2B) segment and the customer-to-customer (C2C) segment. E-retail is a part of the B2C segment and comprises the online retail and online marketplace models[3]. All these modes of e-commerce, including e-retail, crucially depend on internet and mobile penetration.

In 2014, the Indian e-commerce industry, though in a nascent stage, compared to the mature markets of the USA and China, exhibited a compound annual growth rate (CAGR) of 35 per cent over the period 2009/2013. Further, buoyed by a growing internet penetration, increase in the proportion of internet users as well as mobile phones, growing consumer awareness reflected in the growth in per-shopper transaction value, as well as a steady stream of investments by willing investors, it was expected to grow at a CAGR of 40 to 50 per cent and achieve a size of USD10 to 20bn by 2017/2020 (PwC, 2014).

India's internet usage *vis-à-vis* the top internet user nations, as also its BRICS peers (Table I), reveals that in 2014, India had the third largest number of internet users in the world, impressive rates of growth in the number of internet users, low albeit growing penetration rates and a relatively lower share of world internet users (at 8.33 per cent) compared to its 17.5 per cent share of the world population. Thus, India offered scope for substantial growth in potential internet usage.

In 2014, online marketplace and online retail – together constituting e-retail – accounted for 23 and 19 per cent market shares of the Indian e-commerce industry, respectively. With a CAGR of 39 per cent, the online marketplace segment drove growth in Indian e-retail. Its relative share in the e-retail industry had increased from 44 to 55 per cent over 2010/2011 to 2013/2014 and was expected to increase further to 68 per cent over the period 2013/2014 to 2016/2017. The share of online retail had declined correspondingly from 56 per cent in 2010/2011 to 45 per cent in 2013/2014 and was further expected to decline to 32 per cent in 2016/2017 (CRISIL Research).

Flipkart

Sachin and Binny Bansal launched Flipkart in October 2007 as an e-commerce website-retailing books (Nair, 2014), when the e-commerce market in India was still in its infancy stage. The duo pooled in a sum of INR0.2m each and with two computers, launched their site from a two-bedroom apartment in an up-market residential locality in Bengaluru – the information technology (IT) capital of India. By 2014, the company had 20,000 employees, 26 million registered users, 13 state-of-the-art warehouses, 8 million daily page visits and technology that enabled it to undertake 5 million shipments per month.

With a view to enhanced customer satisfaction, the company had continuously strived to offer innovative services. The 24 × 7 customer support launched in 2008, the cash-on-delivery launched in 2010, the card on delivery and the 30-day replacement policy launched in 2011 were all means aimed at making online shopping easy to use, smooth and trustworthy. Paying attention to the customer and ensuring customer satisfaction was more important in e-retail than in physical retail. In a scenario where

Table I.
Top internet user country statistics: 2014

Country	Global rank	One-year user growth rate (%)	Country's share of world population	Country's share of world internet users	Penetration (% of population with internet)
China	1	4 (10)*	19.24	21.97	46.03
US	2	7 (2)	4.45	9.58	86.75
India	3	14 (37)	17.5	8.33	19.19
Japan	4	8 (1)	1.75	3.74	86.03
Brazil	5	7 (2)	2.79	3.69	53.37
Russia	6	10 (1)	1.97	2.89	59.27
South Africa	24	14	0.73	0.85	46.88

Notes: *Figures in brackets refer to 2013 rates
Source: Internet Live stats

customers were wary of purchasing and paying online, gaining the customers' trust, providing a variety of good-quality products at a reasonable price and flexibility of payment options were of prime importance.

As Sachin Bansal had stated in an interview:

> Those getting into the segment need to understand three things from the point of view of the customer. First, a website cannot sell low-quality products, and it has to deliver on time so that the trust can be built on. The second expectation is that websites should offer good stock and variety of products; this, by the way, is not an expectation one has from physical format stores […][…]. The third aspect is the discounts offered. At Flipkart, we call these the three pillars on which the entire e-commerce model stands; service, selection and price. The fundamental of ecommerce is service to the customer. (Ojha, 2013)

Flipkart, through acquisitions in 2010 and 2011, had moved into books, movies and music, mobiles and consumer electronics (Preethi, 2013). Realizing the limitations of operating with an inventory-led online retail business model in diverse product categories, Flipkart switched over to an asset-light marketplace model in 2012/2013 (Mookerji, 2013). The marketplace model helped Flipkart achieve scale, as also overcome the domestic restrictions on foreign direct investments in retail.

The company had raised US$540m in funds since 2009 to strengthen its technology and supply chain, of which US$360m had been raised in 2013 alone in two phases. It invested a large part of these funds in the development of customer-oriented technology, such as technology which facilitated customer payments through card-on-delivery payment mechanisms, as also in building software that would help customers track their orders. As Sachin Bansal said:

> We will be able to track the delivery boy and the route he is taking to deliver products. We are also building mobile applications that can help delivery boys find routes, and take payments on the phone (Soni and Mookerji, 2013).

The company also invested in physical infrastructure to strengthen its supply chain, especially warehousing; in back-end systems that managed data flows; and in training its people.

As a result of these customer-centric innovations, Flipkart's sales increased over the period 2008/2009 to 2012/2013 (Figure 1). The company had targeted to achieve the $1bn revenue run rate mark in gross merchandise value (GMV) by March 2015. However, in March 2014 – a year ahead of schedule, the company hit the US$1bn mark, and became the first billion-dollar company in Indian e-commerce (Abudheen, 2014). In doing so, it overtook both its largest offline rivals – Shoppers Stop and the Kishore Biyani-owned Future Lifestyle Fashion. Amazon – the global retail giant, which had made a formal foray into the Indian market in 2013 – had achieved a GMV in sales in excess of US$1bn within a year of its launch in India (Malviya, 2014). With a view to take on Amazon in India's fast-growing e-retail market, Flipkart went in for strategic acquisitions. In May 2014, it acquired Myntra – an online fashion portal and a leader in the e-fashion segment (ET Bureau, 2014). Fashion as a product category had high margins compared to Flipkart's existing largest product category – the low-margin electronics.

In a survey on e-commerce in India in 2014 (Department of Consumer Affairs, Government of India, 2014), consumers ranked Flipkart the highest amongst the top 15 e-tailers in India in terms of satisfaction scores (3.71 on a five-point scale), as also the top site to be recommended to family and friends. Flipkart was ahead of its chief

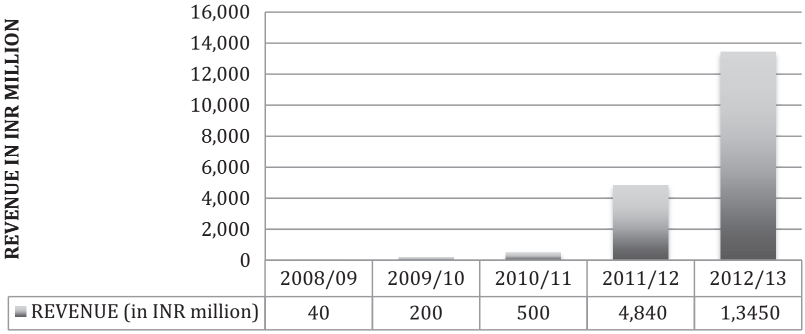


Figure 1.
Flipkart's revenue: 2008-2013 (in INR million)

Source: Adapted by the author from www.coolavenues.com/companies/flipkart, www.vccircle.com/news/technology/2014/03/07/flipkart-says-it-has-hit-annual-revenue-run-rate-1b-gmv (accessed December 24, 2014)

competitors – Amazon and Snapdeal – on these parameters. Paradoxically, Flipkart also scored highest in terms of problems cited by consumers with regard to issues such as non-delivery/delays in delivery, products being out of stock or problems in reaching address for delivery (Table II). It was evident that despite these issues, Flipkart's ability to address service failure through quick service recovery action kept the consumers coming to it for more.

The Big-Billion Day sale

The offer

The Indian retail sector was highly fragmented and unorganized. In 2014/2015, organized retail accounted for just 9.1 per cent of the overall Indian retail industry valued at US$6166.67 billion. Online retail was a miniscule portion (3.4 per cent) of such organized retail (CRISIL Research). Shifts in consumer lifestyle and preferences owing to globalization, favorable demographics leading to higher consumer spend and increases in the disposable income were the drivers of growth of organized retail. However, rigid regulations, high real estate and personnel costs, inadequate basic infrastructure and high competition among domestic retailer groups posed potential challenges to organized brick-and-mortar retail stores. Consequently, 95 per cent of the 4,000 to 5,000 Indian towns and cities where demand existed, had little or no access to physical retail. Such an absence of well-developed organized retail, together with the increasing aspirations and brand consciousness among the youth in smaller cities, the growing mobile usage and internet penetration provided attractive opportunities for the nascent Indian e-retail industry.

A chief driver of the e-retail market was the offer of deep discounts. The festive season in India marked heavy competition within the retail market, with various e-tailers, as also brick-and-mortar retailers trying hard to woo customers with attractive discounts and deals. In 2014, both the Hindu festival of Diwali and the Muslim festival of Bakra-Eid fell in the month of October.

Corporate India knew the power that the two festivals held in stimulating consumer sentiments and consumption. Diwali marked the commencement of the Hindu New Year. Indians purchased gold, gifts, consumer durables, fireworks and household

Table II. Comparison of the top e-tailers in India

Overall satisfaction score (scale of 5)	Top sites recommended to friends/relatives (% respondents)	Top customer problems in online shopping: Non-delivery/delay in delivery (% respondents)	Top customer problems in online shopping: Product out of stock	Top customer problems in online shopping: Finding the address (% of respondents)
Flipkart (3.71)	Flipkart (89.2)	Flipkart (16%)	Flipkart (26.7)	Flipkart (30%)
Jabong (3.63)	Myntra (86.5)	Sanpdeal (13.7)		
Myntra (3.59)	Ebay (85.5)	Homeshop 18 (11.5)		
Snapdeal (3.48)	Jabong (84.2)			
Amazon (3.43)	Infibeam (82.6)			

Source: Department of Consumer Affairs, Government of India (2014) appliances during these festivals. People spent money on decorating and painting their houses during this period. Indian films were generally timed to release during either Diwali or Eid. Employees received bonuses during Diwali, thereby enabling higher purchases. At the same time, companies offered huge discounts during the festival season, which also served to attract greater consumer spends. “Diwali Dhamaka”[4] (or Eid) sales by companies, as well as by retailers, were the norm across India during the festive season. Online e-tailers, with their greater reach, were in a better position to tap the higher purchasing power generated during the festive season.

In the face of competition from Amazon, Flipkart decided to capitalize on the potential offered by the festive season by running a “Big-Billion Day” sale (BBD sale) on 6 October (6/10), 2014. The date 6-10 marked the number of the flat from which Flipkart commenced its operations in 2007 (Sharma, 2014). A choice overload, as also information overload of the various sales and deals, was likely to drown out the best of the promotional campaigns during the festival season. Amidst this, Flipkart’s “Big-Billion Day sale” rose above the clutter as not being “just another” Diwali sale. The use of the term “Big-Billion Day” instead of the usual term used by most retailers – namely “Diwali Dhamaka” – created a *Framing Effect* by framing the day as one of huge discounts.

The sale started at 8 a.m. in the morning. It was preceded by huge hype and fanfare. Flipkart carried full-page advertisements in leading newspapers across India, and marketed the BBD sales both online and offline. The company sent emails to its customers in the preceding week to inform them about the sale and also ran advertisements on YouTube, Facebook and other social media sites.

Flipkart’s BBD sale promised mammoth discounts in almost all categories, hourly discounts and new product launches for customers. Customers were enticed by the promise of throwaway prices. Thus, for instance, customers could expect to buy a hand blender at INR1 or a 2 Terabyte (TB) portable hard drive at just INR600 during the sale. Popular deals included the Nokia X at INR700, an INR4,000 exchange discount on Motorola’s Moto X (Gen 2) and the Moto G (Gen 2), a 90 per cent discount on the Nokia Lumia 525 and the Xiaomi 5200 mAh power bank at INR500. Customers using Citibank or Standard Chartered credit cards were offered an extra 10 per cent discount.

Customers were given to believe that the following offers would be up for grabs during the Flipkart BBD sale: a price of INR1 (= US$0.061 on 6 October 2014) for multiple items; 30 per cent discount on popular smartphones; laptops starting at INR15,000; 50 per cent discount on fashion items and perfumes; and 50 per cent discount on toys (http://gadgets.ndtv.com/internet/news/flipkarts-big-billion-day-sale-whats-on-offer-602338).

However, Flipkart made it clear that there would be no refunds or cancellations of items bought as part of the BBD Sale. It would only replace defective items bought during the sale.

Flipkart had anticipated a large scale of traffic and customer visits during the sale and had in place a 1,000-strong “technology team that had been dedicated towards addressing errors and providing constant support to accommodate [such] traffic and customer visits” (http://gadgets.ndtv.com/internet/news/flipkart-big-billion-day-sales-top-rs-600-crores-in-10-hours-602746). Additionally, there were more than 10,000 field staff to make sure that the products ordered during the deal day were delivered on time (Business Standard, 2014).

Sale: a Big-Billion Disaster?

Glitches in the sale

The "monster" sale created news of a different kind. The first set of issues that Flipkart faced was with regard to the numerous glitches during the sale. Within minutes of the commencement of the sale, most of the attractive deals were out of stock. Customers who tried to buy online after 10 a.m. found that most items had been sold out, leading to extremely disgruntled shoppers who felt they had been cheated of the opportunity to share in the bonanza. Orders were cancelled on account of unavailability of stocks and lack of inventories. The Flipkart servers were unable to handle the huge online traffic and gave way around noon. Services were disrupted for a short while, and this added to customer dissonance.

Customer ire was also directed towards the supposedly "marked up" retail prices in the run up to the sale, which were then offered at discounts leading to perceptions of betrayal of trust or even outright cheating. For instance, a Twitter user, @Surnell, posted screenshots of Flipkart manipulating its price before and during the sale, with the message: "Dear @Flipkart, Your 29 per cent Discount Demystified" (Hindustan Times, 2014). These social media posts showed Flipkart in an extremely poor light.

Customers also posted price comparisons of products available on Flipkart with those available on the rival e-commerce sites – Amazon and Snapdeal. Flipkart again compared unfavorably to the products available on the latter. For instance, Snapdeal sold a MacBook Air 13, which was priced at INR56,490 on Flipkart, for INR49,999 on the day of the sale (Hindustan Times, 2014).

Flipkart's #BigBillionDay hash tag was trending on Twitter in the morning. However, very soon, several other hash tags mocking the Flipkart sale had come up. These included hashtags such as #Flopkart, #Fraudkart and #Failkart (Sarkar, 2014). An industry expert commented that Flipkart's sale was mentioned in more than 15,000 hash tags on the social media on 6 October 2014 (Dalal and Verma, 2014). People – who could not get the mobile phone or laptop of their dreams, felt like losers. Those shoppers who had been turned away due to these glitches, used the social media – Twitter, Facebook and blogs – to run down the sale and Flipkart (Table III). Not only this, they migrated to rival online retailers and bought from them instead.

The Big-Billion Day sale and competition

Competition from online retailers. Flipkart's competitors – Amazon and Snapdeal – offered their own special promotional offers and deep discounts to match Flipkart's discount. Amazon used India's successful mission to Mars in September 2014 to brand its weekend mega sale The "Mission to Mars" weekend. The sale, which started earlier, but ended on 6 October 2014, promised "out-of-the-world" deals to its customers (Bhattacharya, 2014). Snapdeal announced its Diwali Bumper sale on 6 October 2014.

Further, both e-retailers leveraged the BBD sale and its glitches to their own advantage. Amazon used ambush marketing to divert customers to its own site. It bought the catchphrase "Big-Billion Day" coined for the sale by Flipkart. So, when customers typed bigbillionday.com to access the sale, they landed on the Amazon India site (amazon.in) instead. Customers also found that Amazon advertisements appeared on pages online that contained the key word "Flipkart", prompting speculation that Amazon had bought the keyword "Flipkart" for the day (DNA, 2014).

Nature of the complaints	Comments on the social media
Out-of-stock products	It's 8 mins after @Flipkart sale opened and how can most things be out of stock already? #ecommerce I was looking for a baby on the Flipkart sale[...] But it said Out of Stork! The Flipkart Big billion sale ended at 8:05 a.m. Thanks for coming
Cancellation of orders	Disgusting sale on #Flipkart sale. Placed order at 8.30 a.m. Great bargain. Paid in full. In 2 hours cancelled by FK. Why no idea
Non-delivery	Complete nonsense @Flipkart. Chose my products and then message pops up saying they cannot be delivered to the locations in South Delhi !!
Non-delivery	Went to Flipkart, selected some laptops, felt happy about their awesomeness, there are no deliveries to UP, thank you ok tata bye bye
Server error	"Flipkart announces a 50% hike for its employees" "Delirious employees chk thr payslip" "404 Not found" "hike is on conveyance allowance"
Server error	Good news. The 500 Internal Server Error pages are gone from flipkart. Now you have 404 Page Not Found pages. 19.2% off on error message
Allegations of cheating and price hikes	Flipkart Flipkart Yes Papa Selling cheaper Yes Papa Telling lies No Papa Where are the offers? Ha Ha Ha Flipkart should have just kept this Big Billion Sale on April Fools day instead Seems like @flipkart has increased price of items about 30-80% as a preparation for the big billion day Digital consumers are not fools What you sold out today is your own damn credibility

Sources: Daily News Analysis (2014); Pani and Kurup (2014)

Table III.
Consumer ire on social media

Snapdeal leveraged Flipkart's BBD campaign with its tagline: "For others it's a big day. For us, today is no different". Further, it countered Flipkart's #BigBillionDay hash tag with its own #checksnapdealtoday. This was one of the top used hash tags and was trending on Twitter on 6 October 2014.

Snapdeal and Amazon further used guerrilla-marketing tactics by purchasing key search words such as mobile phone brand names among others. Thus, customer traffic searching for these brands online ended up seeing advertisements of these e-commerce sites.

As an angel investor put it:

> Not surprised that Snapdeal and Amazon worked to piggyback for free on the big Flipkart marketing campaign – it's a great example of guerrilla marketing. In today's hyper-competitive, multi-channel, noisy marketing landscape, companies must build competitor and community "involvement" or "interference" into any marketing campaign they plan. It's a free-for-all world out there and often the company paying the big bucks for the original campaign idea finds itself drowned out in the ensuing hullaballoo. (Dalal and Verma, 2014)

Irate customers, faced with glitches when trying to shop on Flipkart, ended up shopping on Amazon and Snapdeal instead. Social media services provider, Airwoot, in its social media report card for the three e-retail companies (Table IV), reported that while 78 per cent of the consumers expressed dissatisfaction with Flipkart on the BBD sale, its competitors – especially Amazon, enjoyed high consumer satisfaction (Dalal and Verma, 2014).

Media reports the next morning carried the Bansals' statements regarding the overwhelming success of the sale with its billion hits on the Flipkart site, as also the achievement of their 24-h sales target of $100m in GMV in less than 10 h. (Sarkar, 2014). However, prominence was also given to Snapdeal's announcement of having clocked sales of INR10m *per minute* through its own Diwali Bumper sale on 6 October 2014. Not only did this figure translate to roughly similar numbers as Flipkart's sales figures when extrapolated for the entire day, it also did not carry the negativity associated with the BBD sale.

The BBD sale had externalities for Flipkart's competitors and increased customer traffic for all major online retailers. Snapdeal's spokesperson claimed, "We have seen a 30 per cent jump today and over the last week, the traffic has been 10 per cent higher than what we get every month." The spokesperson for Amazon claimed:

Parameters/company	Flipkart.com	Snapdeal.com	Amazon.in
Consumer Sentiment			
Negative (%)	78	26	18
Positive (%)	22	74	82
Consumer Support and Response time on Twitter and FaceBook (FB)			
Response time	5.2 h	45 min	N.A. (Amazon does not engage with consumers on social media
Response rate	2 out of 5	1 out of 10	
Social Media Traffic (FB and Twitter)			
Total incoming mentions	37,602	20,273	8,065
Customer complaints/queries (%)	40	11	6

Source: Dalal and Verma (2014)

Table IV. Social media report card for the three e-commerce companies on the day of the BBD sale

> Today, on the last day of our "Mission to Mars" campaign, we have witnessed a 100 per cent increase in sales since yesterday. It is our biggest day ever and we believe it is owed to the introduction of Dhamaka deals every hour through the day and ensuring the availability of the deals advertised. (Hindustan Times, 2014).

The competition between the three major online retail players was already very heated in 2013/2014 (Figure 2). What would be the fall-out of the BBD sale?

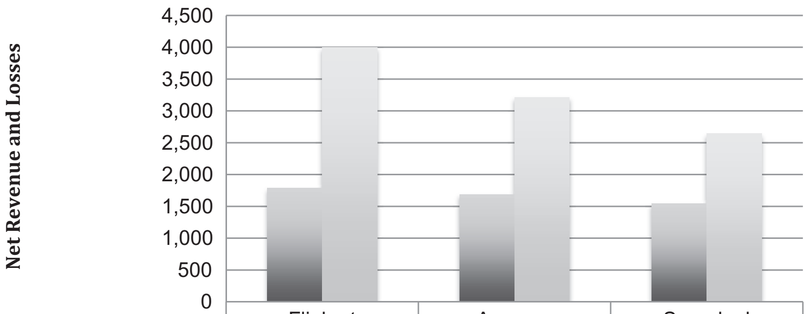
Off-line retail competition. There were the off-line retailers also to worry about. One of the largest of the organized brick-and-mortar retailer was the Future Group. Operating in India since 1987, the group had created well-known businesses in the retail sector including the 180-store hypermarket chain – Big Bazaar, the department store chain – Central, the supermarket chain – FoodBazaar and the sportswear chain – Planet Sport, among others. Its retail stores were spread across 95 cities in the country, covered more than 10 million square feet of retail space and attracted around 300 million customers every year (www.futuregroup.in/businesses/modern-retail.html).

On the day following the sale, Kishore Biyani, the group chief executive officer of the Future Group, accused Flipkart of selling products at below cost price, thereby alleging anti-competitive tactics (Anand and Malviya, 2014). Other vendors and traders had levelled similar allegations of predatory pricing against Flipkart and other e-commerce companies, with a further charge that external funding was being used to undercut prices, thereby killing competition. Traders constituted the large support base for the ruling National Democratic Alliance (NDA) government. Would Flipkart's BBD lead to probe and action by the Competition Commission of India[5]?

Behavioural lessons and managerial implications

Lessons from customer response

Dimensions of utility. Behaviorally, the concept of utility is a complex one. Customers derive *acquisition utility* from buying goods and services. However, there are other relevant concepts of utility – anticipatory utility, remembered utility and transaction



	Flipkart	Amazon	Snapdeal
Net Revenue (in INR million)	1,790	1,689	1,541.1
Loss (in INR million)	4,000	3,213	2,646

Source: http://trak.in/tags/business/2014/11/06/flipkart-amazon-snapdeal-revenues-losses-comparison/, accessed December 25, 2014

Figure 2.
Flipkart vs competitors: comparative position 2013/2014

utility (Appendix 1), which come into play both before and after the purchase, which influence consumer behavior.

Customers would experience pleasure (high anticipatory utility) *before* the sale in anticipation of their purchases during the sale. The retrospective evaluation of events causes customers to experience certain pleasure/pain *post* purchase, called remembered utility. For unfulfilled customers of the BBD sale, such remembered utility would be negative. Finally, the customers' transaction utility (the difference between the price paid and a reference price) would have been impacted by Flipkart's earlier announced "silver lining deal" prices, as also the online rival prices. Because prices on the day of the sale were higher than both these reference prices, the transaction utility of customers was significantly negatively impacted.

Managers of online retailing operations should understand the various behavioural dimensions of consumer utility that could be impacted by the process and outcome quality factors associated with online sales.

Utility and happiness. While marketers strive to maximize customer satisfaction (utility) through deals and discounts such as the BBD sale, happiness (joy) may not strictly correspond to utility. The notion of happiness is always linked to a *reference point.* Individuals tend to compare their perceived well-being with that of others, as also with their own earlier state of well-being. Moreover, happiness and unhappiness do not represent symmetric reflections of gains and losses, respectively. The behavioural principle of *loss aversion* implies that losses (unhappiness) are less preferred to equivalent gains (leading to happiness) (Wilkinson and Klaes, 2012, pp. 75-76).

In the context of the sale, promotions such as INR1 for several items, 50 per cent discounts, use of reference prices and stating discounts would have helped in creating a positive frame, as also increased anticipatory utility for customers. However, only about 1.5 million customers were able to avail of the promised discounts during the sale, leaving millions unhappier, as there were others who had managed to get the discounts and deals. Moreover, the glitches in the sale would have led to a feeling of perceived loss for millions of disappointed customers. The principle of loss aversion meant that such losses would have left customers unhappier with Flipkart *than the sale would have made them happy*.

More importantly, customers tend to use such discounted prices as anchors to evaluate their purchases as losses or gains (*anchoring and adjustment effect*). The practice of regularly discounting online prices through such deep discount sales and freebies would make it difficult for e-tailers to restore original prices later, thereby affecting profitability. Thus, e-tailers would need strategies other than deep discounts to grow their markets.

Choice and information overload. While choice and information add to consumer utility, an excess of both leads to overloads which affect consumer behavior. E-tailers should guard against such overloads, thereby preventing customer fatigue.

Customer satisfaction and loyalty. Customer satisfaction from online purchases and their consequent repurchase decisions are an amalgamation of online and offline value and joy (Porter, 2001; Semeijn *et al.*, 2005). While customers in the past had experienced high service outcome quality problems with Flipkart (referred to earlier), such negative experiences had not affected their attitudes towards Flipkart. Flipkart's prompt service recovery response had resulted in offline fulfillment. It was thus possible to affect service quality, as well as perceived service quality through e-service recovery.

Flipkart promoted the BBD sale as "the greatest sale in the history of India" with its numerous discounts and deals. However, the botched-up sale with its numerous glitches led to highly disgruntled customers, who vented out their ire on social media. The following behavioural principles (Appendix 1) can be used to analyze e-satisfaction and e-loyalty associated with the BBD sale.

Endowment effect. It is a phenomenon which states that utility derived from an object is affected by possession. The endowment effect would apply to disappointed customers who had ordered for items online or even mentally committed to purchases. Once the online purchases were made/orders placed, customers who had to face disappointment in the form of cancelled orders or "out-of-stock" issues or even issues of non-delivery would have faced strong endowment effects on account of a *feeling of possession* of the item. Even those customers who had planned on purchasing certain items (though not having actually paid) would have faced a similar behavioural effect, as they would have mentally accounted for such purchases as having already been done. This explains the strong social media reactions of those affected by the glitches.

Loss aversion. It refers to the tendency of individuals to feel losses more deeply than gains of the same value. The glitches in the sale would lead to strong loss aversion. Because the price had been paid (either actually online or implicitly in the mind of the committed customer who planned to purchase), it would have high salience in the customer's mind. The customer who was unable to consume the good would consider it a loss. To avoid such loss aversion, disgruntled customers shifted to Amazon and Snapdeal and bought from these rivals instead.

Mental accounting. It refers to the behavioural phenomenon of money being mentally accounted to different accounts, which are not easily substitutable (fungible). The pre-sale promotions associated with the BBD sale meant that people were likely to have already mentally committed to certain purchases. Such mental accounts, which had been opened, would lead to a feeling of loss unless they were closed through actual purchases.

Reference prices. In behavioural economics, outcomes are always defined relative to a reference point, which serves as the zero point of the value scale. Flipkart's pre-sale promotions, as well as prices of similar items offered by Amazon and Snapdeal, served as the reference point for shoppers on the day of the BBD sale. When shoppers found that discounts were no longer available on the earlier announced prices, they alleged "marked-up prices", leading to considerable anger against Flipkart.

Social proof. It refers to the tendency of people to look to the behaviour of their peers to inform decision-making, and to conform to the same behaviour that their peers are engaged in. Once the BBD sale started facing glitches, social media was abuzz with blogs, hashtags and other forms of outpourings against the sale and Flipkart. The social media report card for Flipkart and its online rivals indicated that 78 per cent of consumer sentiments for Flipkart on the day of the BBD sale were negative, with 40 per cent of the incoming mentions being customer complaints or queries.

Managers of online retailing operations can strategically influence e-satisfaction and induce e-loyalty through an understanding of such behavioural influences. They may announce schemes whereby customers could pre-commit to purchases by paying a nominal amount (say INR1) and load them onto their shopping cart, even before the sale begins. Shopping lists of available items may be put out online beforehand. This would not only strengthen the endowment effect, but also help e-tail companies with planning their inventories. E-tailers should guard against customer disappointment through e-service process and outcome quality effects.

Lessons from competitor response

Consumers use shortcuts in their decision-making, referred to as heuristics. The *availability heuristic* can be used to explain the online competitor response to Flipkart's BBD sale. This heuristic refers to the tendency of individuals to use information that is easily recalled or retrieved from memory to make decisions rather than using a comprehensive set of facts that evaluates all options. Thus, an event that evokes emotions and is vivid, easily imagined and specific will be more "available" from memory than will an event that is unemotional in nature, bland, difficult to imagine or vague. As such, consumers will respond to messages they easily recall and that are easily retrieved from memory (Wilkinson and Klaes, 2012, p.119). Associated with such a heuristic are the cognitive biases of ease of recall and retrievability[6].

The promotion undertaken by Flipkart led to high salience of e-commerce sites in general and Flipkart in particular, for customers. The online rivals piggybacked on the *availability heuristic* and the associated cognitive bias of strong ease of recall for the BBD sale to promote their own sales. For instance, Snapdeal's tag line: "For others it's a big day […]", as well as the guerrilla marketing tactics adopted by both Snapdeal and Amazon are examples of the use of the availability heuristic.

Further, Flipkart faced the threat of probe by the Competition Commission of India, following allegations of predatory pricing strategies by brick-and-mortar rivals led by the Future Group. This could have been pre-empted through well-designed communication strategies directed towards external stakeholders throughout the period leading up to the BBD sale, informing them about Flipkart's overtaking offline rivals – Shoppers Stop and Future Group – and highlighting continuous innovations as the source of such competitive advantage. They could have also communicated Flipkart's constant attempts to offer value to customers.

A strategic implication is that e-tailers should understand the crucial role of the availability heuristic and the associated cognitive biases of ease of recall and retrievability in securing competitive advantage. Strategies to deal with such availability and the resultant ambush marketing tactics of competitors may include preventive action taken beforehand in the form of registering the domain name (say "bigbillionday.com"), registering key search words, as well as exclusive media buys.

Perceived e-service quality

The botched sale had the potential to affect the perceived service quality of e-commerce sites (particularly Flipkart) additionally, through several heuristics.

Affect heuristic. Sales, such as the BBD sale, have the potential to lead to strong affects of dislike towards the retailer (Flipkart) or even to online sales in general. This may be reinforced by similar such experiences with other online sales.

Representativeness heuristic. A failed sale, such as the BBD sale, may become the relevant prototype to judge all future online sales. People may ascribe a very high probability to glitches in online sales in the future, and hence decide not to purchase online during such sales, based on a failed experience.

Such affect and representativeness heuristics have the potential to lead to biases affecting customer behaviour. People who are against online purchases and argue for their unreliability and untrustworthiness may interpret glitches during online sales as confirmation of their opinions/prior beliefs, leading to a *confirmatory bias*. Disappointed first-time shoppers may experience a *status-quo bias* and may continue to shop off-line, rather than make online purchases.

The managerial implication is that e-tailers must guard against any incidents/events, which invoke the representativeness heuristic or confirmatory bias in a negative manner towards e-commerce portals.

Peak–End rule. On the flip side, Flipkart could use the *peak– end rule*, as it had done in the past, to impact the e-service recovery process, and thereby perceived e-service quality. The *Peak–End* Rule refers to the psychological errors of judgment, where people tend to evaluate experiences based only on some combination of the *peak* happiness/misery experienced and that experienced at the *end*. Customers may forget problems if the experience ends well. Hence e-tailers must ensure that there is no intense disappointment (i.e. the peak rule), as also that at the end of the day, customers leave the online site satisfied (end-rule).

While the peak disutility suffered by customers during the BBD sale may have been very high, the Bansals could have taken corrective action during the course of the day itself to reduce the peak experience of dissatisfaction (unhappiness). The honest and sincere apology sent to customers may help assuage the ire; however, the Bansals may have thought of ending the BBD experience in some other manner as well, so as to win/retain loyal customers. These may include gift-coupons and small, personalized gifts specifically for dissatisfied customers who were left empty-handed during the sale. It may also have announced a set of discounts for specific types of products, each running over a longer time period. This would help Flipkart address logistics issues for the large customer base in India, all of whom may not be serviced through a single-day sale. The maxim suggested is "All is well that ends well".

Flipkart's response

On the face of it, Flipkart had created history in Indian e-commerce. An estimated 1.5 million shoppers had shopped on Flipkart during the BBD sale. Flipkart had achieved its target of $100m in GMV of sales in just 10 h, instead of the original target of 24 h. Yet, the Bansals knew that the sale had not turned out as they had planned. The sale – with its numerous glitches – failed to live up to its promise of "fulfilling the dreams of millions of Indian consumers through deals and offers [they] had painstakingly put together for months". The purchase decision of customers was a complex process and had been affected by these glitches. Further, the BBD sale had raised the salience of Indian e-commerce companies including Flipkart.

The Bansals had deliberated all day regarding the BBD sale and the lessons from the same. These included important lessons regarding consumer utility and value, inventory and media management. They agreed that customer trust was of utmost importance in their business. It was important that the customer did not carry this memory of disappointment during the BBD sale forever, since this could affect customer attitude towards not only Flipkart but also online sales in general. It could also affect consumer preferences for the nascent e-commerce industry. They decided to draft an apology letter addressing the customers with utmost honesty and humility (Appendix 2).

As the Bansals re-read the apology letter, each had the same question in his mind: Could Flipkart's apology letter minimize the damages of the botched sale? How could the company, additionally, favorably impact future consumer decisions regarding online purchases?

Notes

1. This case has been written on the basis of publishes sources only. Consequently, the interpretation and perspectives in this case are not necessarily those of Flipkart or any of its employees.
2. Power distance refers to the extent to which a society accepts unequal power distribution in organizations and institutions. In countries like India with high power distance ranking, there is high deference to authority. Societies high on uncertainty avoidance seek to reduce personal risk and to augment security. Masculine cultures focus on material success and assertiveness, as opposed to feminine societies, where the emphasis is on quality of life and relationships. Finally, collectivist cultures emphasize the good of the group, as opposed to individualistic societies, where personal interests score high over group interests (Hofstede, 1984).
3. Online marketplaces – including Flipkart, Snapdeal and Amazon – are platforms where sellers/vendors (typically companies) and buyers (typically individuals) transact online; online retail includes players which stocked inventories for stock-keeping units (SKUs).
4. Dhamaka is a Hindi word and refers to explosion. The word in this context was used *to denote a big (explosive) sale.*
5. The Competition Commission of India is a body of the Government of India, established in 2003, with the objective of eliminating practices having an adverse effect on competition, to promote competition, protect consumer interest and ensure freedom of trade in the market.
6. Ease of recall refers to the tendency (leading to a cognitive bias) of individuals judging events that are more easily recalled from memory, *based on vividness or recency*, to be more numerous than events of equal frequency whose instances are less easily recalled. Retrievability refers to the tendency of Individuals to be biased in their assessments of the frequency of events based on their retrievability of the event from their memories. Thus, it refers to how their memory structures affect the search process.

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Appendix 1

Table AI. Behavioral influences and heuristics associated with the BBD sale

Behavioral influences	Description
Acquisition utility	It is measured as the difference between what the consumer is willing to pay for the good (rather than go without it) and what he actually pays. Also called consumer surplus
Anticipatory utility	It refers to the hedonic utility (pleasure or pain) that people gain from the anticipation of events in the future
Choice overload	When the consumer is faced with too many choices for a particular decision, making it difficult to evaluate and decide
Confirmatory bias	The tendency of people to interpret new, ambiguous information as being consistent with their prior beliefs or as confirming their own opinions
Endowment effect	The phenomenon, which states that utility derived from an object, depends on possession. "Simply put, the endowment effect shows that we value the things we own more than identical products that we don't own" (http://danariely.com/tag/the-endowment-effect/)
Framing effects	Refers to the important phenomena in behavioral economics where equivalent descriptions of a decision problem lead to systematically different decisions. It refers to how people's responses, in terms of values, attitudes and preferences, depend on the contexts and procedures involved in eliciting these responses
Heuristics	Decision rules that are applied as short-cuts to simplify or accelerate the decision-making process
Information overload	When there is too much information in the environment, which affects the individual's evaluation and decision-making
Loss aversion	An important concept in Behavioral economics whereby people tend to value losses and gains differently. Loss aversion refers to the tendency of individuals to feel losses more deeply than gains of the same value
Mental accounting	Refers to the behavioral phenomenon of money being mentally allocated to different accounts rather than being fungible. Traditional economics considers money fungible i.e. substitutable across budget categories
Peak–end rule	Refers to the psychological errors of judgment, where people tend to evaluate experiences based only on some combination of the *peak* happiness/misery experienced and the experience at the *end*. They do not evaluate an experience as the sum total of utilities experienced at every moment. The Peak-End Rule involves the concept of 'Remembered Utility' i.e. the utility based on a retrospective evaluation of past experience
Reference point	In behavioral economics, outcomes are always defined relative to a reference point, which serves as the zero point of the value scale. Positive deviations from the reference point are treated as gains and negative deviations as losses. However, the reference point itself is affected by several factors, including expectations and status of others

(*continued*)

Behavioral influences	Description
Social proof	The tendency of people to look to the behavior of their peers to inform decision-making, and to conform to the same behavior that their peers are engaged in
Status quo	Caused by the phenomenon of loss aversion, it refers to the tendency of individuals to maintain their current state, even if a change in their circumstances would present better options
Transaction utility	Behavioral economics considers two types of utility that consumers gain from a transaction: one is the utility associated with acquiring the good (called acquisition utility), measured by the value of the good as perceived by the consumer relative to its price. The second is the utility corresponding to the "perceived value" of the deal (called transaction utility), measured by the difference between the reference price and the price paid
Heuristics	**Description**
Affect heuristic	Decisions (or judgments) are guided directly be feelings of like or dislike, with little deliberation or reasoning
Anchoring and adjustment	Making an estimate by making certain adjustments to a particular reference value (i.e. the anchor)
Availability heuristic	Using information that is easily recalled or retrieved from memory to make decisions rather than using a comprehensive set of facts that evaluates all options
Representativeness	Another heuristic (shortcut in judgments/decision-making, it refers to the tendency that people have to evaluate the likelihood of an event by comparing it to an existing prototype that already exists in their minds

Table AI.

Sources: Culled and adapted by case author from: Kahneman (2011); Wilkinson and Klaes (2012)

Appendix 2. Flipkart's apology to its customers

Subject: Apologies, from Flipkart

Dear Customer,

Yesterday was a big day for us. And we really wanted it to be a great day for you. But at the end of the day, we know that your experience was less than pleasant. We did not live up to the promises we made and for that we are really and truly sorry.

It took enormous effort from everyone at Flipkart, many months of preparation and pushing our capabilities and systems to the limit to be able to create this day. We were looking at fulfilling the dreams of millions of Indian consumers through deals and offers we had painstakingly put together for months.

And though we saw unprecedented interest in our products and traffic like never before, we also realized that we were not adequately prepared for the sheer scale of the event. We didn't source enough products and deals in advance to cater to your requirements. To add to this, the load on our server led to intermittent outages, further impacting your shopping experience on our site.

An unprecedented 1.5 million people shopped at Flipkart yesterday. While we stand humbled by the sheer faith that such a large number of customers have shown in us, we are unhappy that we were unable to live up to the expectations of millions more who wanted to buy from us yesterday.

And this is not acceptable to us.

Delighting you, and every single one of our customers, is absolutely the top most priority for Flipkart and we have worked very hard over the last seven years to earn your trust. Yesterday, we failed that trust. We have learnt some valuable lessons from this and have started working doubly hard to address all the issues that cropped up during this sale:

- *Price Changes*: As we were preparing various deals and promotional pricing in the lead up to the sale, the pricing of several products got changed to their non-discounted rates for a few hours. We realize that this breaks the trust our customers have put in us. We are truly sorry for this and will ensure that this never happens again.
- *Out-of-stock Issues*: We ran out of the stock for many products within a few minutes (and in some cases, seconds) of the sale going live. For example, most of our special deals were sold out as soon as they went live. We had ensured availability, anywhere from hundreds to a few lakh units for various products, but it was nowhere near the actual demand. We promise to plan much better for future promotions and ensure that we minimize the out-of-stock issues.
- *Cancellations*: We had large number of people buying specific products simultaneously. This led to some instances of an order getting over-booked for a product that was sold out just a few seconds ago. We are working round-the-clock to ensure availability of additional units for these products and will do our level best to ensure that we minimize any cancellations.
- *Website Issues*: We realize that the shopping experience for many of you was frustrating due to errors and unavailability of the website at times. We had deployed nearly 5,000 servers and had prepared for 20 times the traffic growth – but the volume of traffic at different times of the day was much higher than this. We are continuing to significantly scale up all our back end systems so that we do a much, much better job next time.

Everything that we have achieved at Flipkart is purely on the basis of our customer's trust and faith. This is why we come to work each day and continue to remain extremely passionate about building the best possible customer experience for Indian consumers. We failed to live up to this promise yesterday and would like to apologies once again to every single customer for our failure.

Thank you

Sachin and Binny

Source: Company e-mail received by Flipkart customers

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