

## Foreign Acquisitions and Strategic Realignment in Emerging Markets: An Exploratory Comparative Case Study of Flipkart and MX Player

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### ABSTRACT

*Foreign acquisitions have rapidly and effectively transformed India's digital economy, impacting corporate strategies and trajectories beyond immediately observable ownership transformations. This study utilized a qualitative, exploratory comparative case study of two successful Indian digital firms, Flipkart (acquired by Walmart) and MX Player (acquired by Times Internet), to explore foreign ownership impacts on post-acquisition strategic orientation. A recompile and reviewing of secondary data including industry reports, regulatory filings, news articles, and literature was used to analyze and identify three prominent trends: (1) strategic orientation towards domestic market consolidation, (2) resources diverted away from strategic initiatives either regarding statutory requirements or management task constraints, and (3) capability reduction created by talent loss and cultural integration issues. The study findings indicated that foreign acquisitions tended to limit global aspirations rather than leverage opportunities that supported them—especially in industries with high-localization costs and highly regulated environments. Implications for international business and emerging markets literature will reflect the strategies revealed in the findings specifically, hybrid structures, asset-light partnerships, and policy-enabled globalization as practical frameworks to enable acquired firms to pursue sustainable international growth and reduce exposure to integration challenges. This paper explores the causes, challenges of foreign ownership, and alternative pathways for global growth based on evidences.*

**Keywords:** *Foreign acquisitions, international expansion, Indian companies, Flipkart, MX Player, cross-border M&A, Strategic realignment.*

### 1 Introduction

India has become a significant destination for digital services, attracting substantial foreign investment. The acquisition of local Indian companies has emerged as a key instrument for multinational corporations in shaping their global strategies. This paper examines how foreign control transformed strategic direction by comparing Flipkart (acquired by Walmart) and MX Player (acquired by Times Internet). Analysis indicates that both entities, following their acquisition, leveraged their domestic positioning, shifting away from outward-looking strategies.

Research by **Kashyap, H. (2022)**<sup>1</sup> highlighted that domestic M&A became the exit of choice for firms in India's startup ecosystem, driven into consolidation by a prolonged funding winter. Data from 2021 indicated e-commerce was responsible for 55 of 208 mergers, or 26% of transactions. **Jha, M. (2023)**<sup>2</sup> identified financial distress, efficiency drives, and profitability requirements as primary drivers behind M&A activity. Collectively, these patterns show that a thrust in foreign acquisition strategies has placed priority on consolidation within domestic markets.

While multinational corporations possess financial resources and strategic expertise, acquired Indian technology companies have predominantly followed patterns of domestic consolidation, largely due to challenges in pursuing global expansion. Surveys have indicated that a significant percentage of M&A transactions fail to meet strategic outcomes post-acquisition. The primary challenge often materializes during the post-deal integration phase.

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According to EY<sup>4</sup>, integration failure stems from a lack of strategic alignment, underestimation of objectives, and unclear acquisition rationale. EY<sup>5</sup> and other consulting firms note that integration often fails due to inadequate due diligence regarding the alignment of business processes, growth goals, and leadership.

Furthermore, issues such as cultural misalignment and talent retention, as noted in industry and academic research, make integration more difficult. This raises a key question for examination: Do foreign acquisitions consistently hinder Indian companies' global aspirations?

### Research Questions

1. As a result of the acquisition, in what ways did the business strategies of Flipkart and MX Player differ?
2. Was foreign ownership a constraint on their international expansion?
3. What are the key reasons that stop Indian companies from growing outside of their local markets once they buy another company?

## 2 Literature Review

Foreign Direct Investment's Function in Developing Markets Traditionally, FDI is a pathway for competitiveness in developing markets, but evidence indicates that acquisitions are often used to consolidate the domestic market. The influence of the acquiring firm, combined with market conditions, steers the post-acquisition strategy of Indian firms, particularly startups. In most cases, acquired businesses have focused on the Indian domestic market rather than on international expansion (Bhaskaran, P. B., & Bandoowala, N., 2019)<sup>3</sup>. Foreign acquirers tend to emphasize domestic acquisition to establish or enhance their profile in India's rapidly expanding consumer market. A prominent example is Walmart's acquisition of Flipkart, which aimed to enter India's e-commerce ecosystem rather than promote Flipkart's internationalization (Saraswathy, B., 2019)<sup>6</sup>. Consequently, Flipkart realigned its strategic focus on consolidating its position in the local market.

International expansion presents significant challenges, including complex regulatory environments, cultural diversity, operational logistics, and market adaptation costs, which can delay global aspirations. These challenges are particularly pronounced for startups that lack the scale and global infrastructure of larger, acquired firms. Funding trends have also reinforced this inward focus. A venture capital fundraising boom in preceding years was followed by a "funding winter" in India's startup ecosystem, making acquisitions a necessary path for many smaller firms. This environment resulted in heightened domestic consolidation, where acquisitions were pursued to enhance market share, achieve scale, and reduce competition.

Post-acquisition cases of strategic realignment including Flipkart deepened focus on Indian e-commerce after its acquisition by Walmart, where it leveraged significant resources to broaden its business offerings. Similarly, MX Player transitioned to focus on local OTT content following its acquisition by Times Internet.

### Mergers and Strategic Shifts

Post-acquisition integration frequently subordinates local growth agendas to the strategy of the parent company. M&A is a strategic activity, and the acquiring company usually seeks to fold the acquired firm into its own strategy and organization. Consequently, the acquired firm's local growth agenda is often replaced or deprioritized in favor of the parent firm's objectives (Gill, M., 2022)<sup>7</sup>.

Consulting firms like EY note that M&A integration, including in cases of divestment, must consider supply chain implications, as these are central to the acquired assets.

Furthermore, talent retention presents a significant challenge during integration, especially for technology companies where the team's knowledge is critical to the product or service's success. Reports indicate that companies like Flipkart have implemented specific plans to retain talent, such as creating employee trust structures to provide liquidity (Sengupta, D., 2015)<sup>8</sup>. Organizational structures, such as dual leadership models, can help mitigate talent attrition by balancing accountability to the parent company with the flexibility needed to address local market needs and cultural nuances during cross-border acquisitions.

### **E-commerce and OTT Expansion Dynamics**

A complex regulatory environment in India presents a significant impediment for both domestic and foreign digital entities. Regulatory uncertainty results in substantial compliance costs and increased operational risk, affecting multinational corporations and smaller firms alike. Content industries, including OTT platforms, face particular pressure to comply with evolving regulations, which act as a barrier to growth and market entry.

The challenges of content localization further complicate expansion. India's linguistic and cultural diversity, coupled with a shortage of localization experts, necessitates a careful balance between standardization and adaptation, making it difficult to achieve a strong return on investment from localization efforts (Adams, D., 2023)<sup>13</sup>. These factors collectively shape the challenging landscape for e-commerce and OTT expansion in India.

### **3 Methodology**

This research employs a qualitative, comparative case study methodology to explore the influence of foreign acquisitions of Indian digital firms on their aspirations for global expansion. The study focuses on two core cases: Flipkart, under Walmart's ownership, and MX Player, under Times Internet's ownership. These cases were selected based on their relevance, the availability of secondary data post-acquisition, and their divergent patterns of globalization.

#### **Research Design**

The study employs an exploratory approach, ideal for examining the subtle strategic implications of cross-border mergers and acquisitions (M&A) in emerging markets. A qualitative approach was used to explore the strategic, operational, and cultural changes Indian firms experience under foreign ownership.

#### **Case Selection Criteria**

Flipkart and MX Player were purposefully selected using the following criteria:

1. Both are Indian-born digital companies operating in e-commerce and OTT streaming, respectively.
2. Both were acquired by foreign owners in the years preceding this study.
3. They represent different examples of post-acquisition strategic direction—one in consumer retail and the other in content and media.
4. Sufficient public secondary data was available to allow for comparative analysis.

#### **Data Collection**

This study is based on secondary data analysis from the following sources:

1. Industry Reports (e.g., Bain & Co., RedSeer, EY, PwC)
2. Publications from regulatory and government organisations (e.g., MeitY, UNCTAD)
3. Academic journals, case studies, and research

4. Corporate press releases and earnings releases
5. Media sources (e.g., CNBC-TV18, Business Standard, The Economic Times)
6. Data from all sources reflects decisions and events from the period between 2010 and 2023. Each source was cross-checked for validity and reliability.

### Data Analysis

The analysis consisted of thematic analysis across both cases based on three dimensions:

1. Strategic Realignment: International expansion focus vs. domestic expansion focus
2. Operational Constraints: Regulatory, fiscal, and organizational constraints after acquisition.
3. Capability Changes: Retention of talent, reconfiguration of leadership, and cultural fit

Each case was considered separately, and then compared for patterns, diverging actions, and context. This approach allows this study to determine both the aggregated consequences of foreign ownership on numerous aggregate phenomena and the variation by case.

## 4 Case Studies

### Flipkart: Strategic Pivot Post-Walmart Acquisition

Like any tenacious start-up, Flipkart likely had aspirations for expansion into new geographic regions prior to Walmart's acquisition. Walmart's acquisition of Flipkart provided the e-commerce start-up with resources and strategic support, while also emphasizing the consolidation of Flipkart's footprint within the Indian e-commerce market. Based on Flipkart's reported losses in preceding years, the strategic priority shifted toward achieving profitable operations. This focus on reinforcing the Indian market first likely influenced Flipkart's initial strategy for international growth.

### MX Player: From Global Utility to Domestic OTT

Despite having a global user base, MX Player effectively ceased its global scaling efforts after its acquisition by Times Internet. Prior to the acquisition, MX Player was primarily known as a video player application with a global installed base of hundreds of millions of users, a significant portion of which was in India. Following its acquisition in 2018, Times Internet pivoted the platform toward developing an advertising-supported OTT service focused on the Indian market, with an emphasis on Hindi and regional language content (Agarwal, M., 2018; S. Mahadevan, 2021)<sup>9</sup>. While the service was made available in a few international markets, strategic investment and content production remained heavily focused on India.

MX Player's international growth was hindered by the substantial costs and complexities of localizing content for diverse markets, a challenge exacerbated by India's own linguistic and cultural diversity (Navami P, and Dr. P.E Thomas, 2022)<sup>14</sup>. The platform faced significant challenges in profitability, attributed to intense domestic competition, high customer acquisition costs, and difficulties in monetizing content. Available financial data indicated a substantial decline in revenue.

The platform also faced challenges in market perception and user retention during its transition from a utility app to a content platform. According to Singh, J. (2019)<sup>22</sup>, MX Player's market share in terms of user reach and app installs declined significantly from early 2018 to early 2019. This was attributed to its strategic shift and increased competition in the Indian OTT landscape, including from new entrants ( jio cinema) offering free content and major sporting events.

## Factors Constraining Global Expansion

Three systemic barriers emerge:

### Strategic Misalignment

Parent companies often focus on domestic Return on Investment (ROI), which can limit the international expansion of subsidiaries due to concerns about cannibalizing existing markets. Parent companies, especially multinational corporations (MNCs), are typically highly focused on returns from core domestic markets. They may be reluctant to risk letting their subsidiaries expand into new international markets, particularly where such expansion could directly compete with or cannibalize the parent's existing operations. If an international expansion goal is incompatible with the domestic market priorities of the parent company or raises fears of cannibalization, this can lead to restrictions on the subsidiary's growth (Gourville, J. T., & Soman, D. 2011)<sup>11</sup>.

### Resource Misallocation

The legal architecture for M&A in India is complex, involving multiple statutes, regulations, and guidelines such as the Companies Act, Competition Act, SEBI guidelines, and FEMA. The timeline for obtaining regulatory approvals is typically lengthy, as deals often require clearance from numerous agencies including the Competition Commission of India, sectoral regulators, and the Reserve Bank of India. This complicated regulatory atmosphere, characterized by prolonged approval processes and extensive compliance reviews, diverts significant managerial time and financial resources. For acquired Indian firms, these regulatory demands can reallocate capital and focus away from strategic growth initiatives, including international expansion.

### Capability Erosion

During a merger or acquisition, employee uncertainty regarding job security, future direction, and career paths creates discomfort, which can drive increased turnover of key talent. This anxiety is often compounded by a lack of clear communication, cultural differences, misaligned management styles, and an absence of shared vision during the integration period. The departure of key employees directly diminishes the acquired firm's capabilities and its capacity to execute strategies, including plans for international growth. In cross-border M&A, integrating corporate cultures presents a significant challenge. The loss of human capital results in the departure of valuable organizational knowledge, technical expertise, customer relationships, and market intelligence (Singh, Avinash & Chitranshi, Dr. 2016)<sup>12</sup>. This erosion of capabilities limits an acquired firm's ability to innovate, develop new products, and penetrate both domestic and international markets, contradicting the fundamental growth objective of M&A. Talent attrition and the challenges of managing human capital post-acquisition thus constitute a major obstacle for acquired Indian firms aiming to globalize.

## Alternative Growth Frameworks

### Dual-Entity Models

Separating legal and operational entities allows for continued flexibility and helps mitigate integration risk. A dual or phased approach to integration, while maintaining separate entities, can provide strategic flexibility and help manage the risks associated with M&A. Advisory firms like EY have documented frameworks for integration that focus on value drivers, guiding principles, and strategic methods to preserve value and minimize risk during the integration of new assets. The core principle involves aligning the goals, resources, and

activities of both companies to enable smoother integration. Like after acquiring Instagram for \$1 billion in 2012 (BBC News, 2012)<sup>19</sup> and WhatsApp for \$19 billion in 2014 (Facebook, Inc 2014)<sup>20</sup>, Facebook kept both platforms as separate operational entities with their own offices, leadership (like Jan Koum at WhatsApp), and development roadmaps. The core principle was to avoid stifling the innovation and distinct user experience that made these apps successful. Integration was phased and minimal initially, focusing on strategic alignment (e.g., leveraging Facebook's infrastructure for scaling) while fiercely guarding their independent brands and operational cultures for years. This approach helped mitigate the talent attrition and cultural clashes typical of tech M&A.

### Strategic Partnerships

A preference for asset-light partnership models over equity-heavy acquisitions represents an alternative approach for growth and market entry. Such models enable firms to concentrate on core competencies while leveraging partnerships for scale and reach, thereby reducing fixed costs and increasing operational agility. Rather than pursuing an outright acquisition, (BBC News, 2020)<sup>18</sup> Facebook invested \$5.7 billion in 2020 for a 9.99% stake in Jio Platforms. This strategic partnership aimed to leverage Jio's extensive digital and retail ecosystem in India with WhatsApp's reach to transform digital commerce and payments, specifically through JioMart. This asset-light approach allowed Facebook to gain a significant foothold in India's digital economy without the risks and complexities of a full acquisition and integration. Flipkart Group invested ₹1,500 crore for a 7.8% stake in ABFRL in 2020 (Press Information Bureau, 2021)<sup>21</sup>. This partnership was aimed at strengthening Flipkart's fashion portfolio by giving it enhanced access to Aditya Birla Fashion and Retail's (ABFRL) brands and offline retail network. It was a strategic move to compete with rivals like Amazon and Reliance in the online fashion segment without acquiring the entire company, thus maintaining flexibility and focusing on core e-commerce operations. This approach allows businesses to pursue expansion into new or uncertain markets with greater flexibility and lower capital commitment compared to traditional acquisition strategies.

### Policy-Enabled Globalization

Government initiatives can lower the barriers to international expansion, which are typically high in conventional M&A due to substantial capital requirements, complex integrations, and regulatory and cultural hurdles. An alternative pathway for entrepreneurial growth involves leveraging public programs designed to enhance international visibility and market readiness. Initiatives such as Digital India, the Startup India campaign, and various startup support schemes aim to build foundational digital infrastructure, provide funding for product development, and facilitate connections to global innovation ecosystems. These policy-driven approaches enable startups and technology firms to pursue global growth while retaining greater control over their strategic direction, founding teams, and equity ownership compared to the traditional acquisition route.

### 5 Conclusion

Foreign acquisitions can systematically limit Indian firms' potential to be globally competitive through strategic realignment, resource diversion, and diminished capabilities. Acquiring firms often align the operations and goals of the acquired entity with their own strategic objectives. When the acquirer's focus is predominantly on the Indian market, the acquired firm's original global aspirations may be deprioritized. The cases of Flipkart and MX Player highlight how changes in ownership can result in a stronger focus on domestic

consolidation. Post-acquisition, complex regulatory structures, integration processes, and compliance demands divert significant resources away from strategic growth initiatives. Furthermore, talent retention poses a major challenge during M&A integration. The loss of key personnel with global experience and leadership capabilities can significantly hinder the execution of international expansion plans for the acquired firm. An effective global scaling process for firms in similar contexts may involve:

**Hybrid structures:** Utilizing differentiated international units allows for market-specific strategies while maintaining core organizational identity and values.

**Strategic partnerships:** Non-equity alliances and partnership models provide a pathway for internationalization without the full risks and loss of control associated with acquisitions.

**Policy incentives:** Leveraging existing government campaigns and export promotion schemes can help lower barriers and support the transition toward international expansion.

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