

E-commerce

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Manifest Pedagogy

E-commerce and Market Reforms are important dimensions facing Indian Economy in the near term. Also, issues like technology and job creation will be in focus. Moreover, MSMEs and their issues will also be a focus area both for prelims and mains.

In News

Recent policy changes for E-commerce

Placing it in the syllabus

Economic Reforms Post 1991

Static dimension

1. What is e-commerce?
2. Marketplace model
3. Inventory model
4. Growth of e-commerce in India
5. Cashless and Discounts

Current dimensions

1. Highlights of the e-commerce policy
2. Effects on MSMEs

Content

What is e-commerce?

Electronic commerce (e-commerce) is the marketing, buying and selling of merchandise or services over the Internet. It

encompasses the entire scope of online product and service sales from start to finish.

Marketplace model

Marketplace based model of e-commerce means providing an information technology platform by an e-commerce entity on a digital & electronic network to act as a facilitator between the buyer and seller.

An **online marketplace** (or **online e-commerce marketplace**) is a type of e-commerce site where product or service information is provided by multiple third parties, whereas transactions are processed by the marketplace operator. Online marketplaces are the primary type of multichannel ecommerce and can be a way to streamline the production process.

Inventory model

Inventory based model of e-commerce means an e-commerce activity where inventory of goods and services is owned by e-commerce entity and is sold to the consumers directly.

Growth of e-commerce in India

India is the fastest growing market for E-commerce sector. The e-commerce has transformed the way business is done in India. The Indian e-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion as of 2017. Much growth of the industry has been triggered by increasing internet and smart phone penetration.

Cashless and Discounts

The government's move comes after local traders complained that they were being put out of business because of steep discounts that these e-commerce giants offered. 2018 has been a year of milestones in the Indian e-commerce space.

The majority of customers shopping online do it not just

because of the comfort of not having to step out to a store but because of the deep discounts and exclusive offerings they stand to get online. The new norms will also impact private labels being sold by e-commerce companies. Over the last few years, Flipkart, Myntra, Amazon India and others have been selling private labels/in-house brands to get more customers through exclusive offerings at lower costs and higher margins, making their path to profitability smoother, and much shorter, than it would be for retail offline outlets. This could take a hit now.

Highlights of the e-commerce policy

The changes in the FDI policy are aimed at tackling anti-competitive behavior by e-tail firms (like amazon and flipkart).

- Prevents e-commerce firms from selling products of companies in which they take stake
- Prevents exclusive partnerships with brands
- Clamps down on loopholes in organizational structures, mainly the formation of large sellers and selling between vendors.
- Further clamp down on discounts

What/who could get impacted?

1. Exclusive launches or sale of products (Xiami, OnePlus phone exclusive availability on certain portals)
2. Benefits such as faster delivery, deeper discounts
3. Cashbacks offered by sites
4. Affiliated sellers like Clouddtail, Appario, etc
5. Customers who may no longer get the deep discounts and exclusive offers and Flipkart/Amazon-assured programmes
6. Big online sales – Big Billion Days, The Great Indian Sale, etc – may be a thing of the past.

Who stands to gain?

1. Brick-and-mortar physical retail stores who get to now operate on a “level playing field”
2. Smaller sellers on e-commerce platforms
3. The government. Retail owners form a large part of the current dispensation’s vote bank.

Test Yourself: Mould your thought

MSMEs have not only faced unfavorable government policy but also the onslaught of unchecked global competition. Comment