

# THE AWARE CONSUMER

UNLOCKING CONSUMER POTENTIAL

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## INSIDE INDUSTRY

G Gurucharan,  
Additional Secretary,  
Dept of Consumer  
Affairs, GoI, on  
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## AFTERWORD

Why Indian  
consumers  
must move on  
to cashless and  
mobile transaction  
payment modes

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# INDIA LOGS IN @ E-COMMERCE

India bets big on e-commerce sector as domestic czars and foreign giants jump into the fray. A look at the trillion dollar opportunities in this industry

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# VIEWPOINT



BEJON KUMAR MISRA | [bejonmisra@consumerconexion.org](mailto:bejonmisra@consumerconexion.org)

## *Virtual Kings in a Real Market Space!*

**Why The Aware Consumer?** Or better still, Why Be Aware Consumers? Yes, this is the question that we all must ask ourselves, for we all are consumers in this society. This was also the question that we posed to the panel at the launch of our Quarterly Report – *The Aware Consumer*. The thought-provoking query had the eminent panelist and consumer experts brainstorming the state of consumer awareness and advocacy in the country! I am happy to say that we had notched our first milestone with the launch by becoming a much-needed national platform for consumer advocacy and opening up a dialogue that would take up the mission of consumer awareness in real earnest.

The two-day workshop of consumer organisations from across the country, held on the occasion, took the theme forward for developing a national strategy on consumer advocacy that takes into account the new and emerging channels of distribution like direct selling and e-commerce.

As a natural extension, *The Aware Consumer* Quarter II Report has taken up this theme in a more comprehensive manner for the benefit of consumers. In our first report we gave the readers an inside account of the direct selling industry. In this report, the endeavour is to focus the spotlight on the e-commerce industry in India, currently the hottest sector in the country. Billion dollar investments are being made in the sector, mergers and acquisitions are the order of the day and global players are in the fray

with big bucks, while domestic startups are the blue-eyed boys of institutional investors who are more than willing to fund their dream run. Big names like Ratan Tata, Azim Premji and N R Narayana Murthy have also stepped in making news headline. There is a virtual war in the space for a larger share of the Indian consumer's wallet and time. In the current scenario, Indian consumer is certainly the VIRTUAL king/queen of the channel.

That said, I would like to draw the attention of my readers to the adjective 'virtual'. To take a leap from the realm of virtual kingdom to the real one, consumers need awareness and power. The question that arises here is: Are our laws, obsolete at best, equipped to safeguard consumer interest? Are our consumer advocacy programmes adequate to empower consumers in the new market reality? Are Indian consumers aware enough to deal with the emerging channels?

To know the answers to these and many other questions on consumer empowerment read the interview of G Gurucharan, Additional Secretary to the Government of India, Department Consumer Affairs. Do also read the other reports for an in-depth account of the happening e-commerce space. Write back your views for our insight...

“To take a leap from the realm of virtual kingdom to the real one, consumers need awareness and power...Are our laws, obsolete at best, equipped to safeguard consumer interest?...empower consumers...?”

“Let's  
Not Fall  
Victims  
to Fraud  
Be Aware”



# Digital India Needs Aware Consumers

**FEDERATION OF INDIAN** Chambers of Commerce and Industry (FICCI) is in the forefront of promoting the e-commerce industry in India. It has partnered with the government to address the various concerns of the industry. The e-commerce industry that is poised to grow to US\$ 43 billion in five years promises immense benefits for our country. The marketplace model of leading e-commerce players has become a platform for India's small and medium enterprises from the tiered cities to showcase their products. If the producers have thus got a national platform, in some cases international reach, the consumers too, from any corner of the country, can log in and access a wide variety of hitherto inaccessible products at their convenience and at the most competitive price. As the market grows at a breakneck speed, the consumers are cajoled to make an informed choice. But are they aware and empowered?

Analysts, media, industry are all agog at the new developments taking place almost daily. But in all this excited chatter, there seems to be a need for some clarity of direction, especially for consumers. I am glad to note that an effort like *The Aware Consumer Report* has begun a multi-stakeholder dialogue in this space. The emerging channels of distribution being new also need to win the confidence of the Indian consumers, a people who have been used to transacting business in a peculiar way. The e-commerce industry answered the card wary Indian consumers' call by instituting a unique mode of payment like cash on delivery (COD). This report, by highlighting how such an initiative adds up to an additional cost for the e-commerce player, and why Indian consumers must now move to card and mobile payment modes, is playing a crucial role in bringing about transparency in the functioning of the industry.

The growth of the e-commerce industry is of course being driven by the growing digital population of India. The growing mobile network has made the consumer, right down to our villages, net savvy. The ₹1.13-lakh crore Digital India programme passed by the Cabinet in August envisages transforming India into a connected economy. The government envisions the ambitious National Optic Fibre Network as the main high speed internet backbone for delivering government services to the common man under the Digital India initiative from 2019. As the country moves towards inclusive e-governance, e-literacy, e-health, e-welfare and much else that can be delivered via the internet, the end consumers of all these services—government, welfare and commercial—need a timely educative intervention to apprise them of all these facilities and their rights thereof. The Aware Consumer is indeed the Empowered Consumer. The challenge is to create a trustworthy and predictable legal framework to not only safeguard the interests of the consumers but also the investors in e-commerce industry in India.



“The challenge is to create a trustworthy and predictable legal framework to safeguard interests...”

**Dr A Didar Singh**

Secretary General, Federation of Indian Chambers of Commerce and Industry (FICCI)

A handwritten signature in black ink, appearing to read 'Didar Singh'.

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R CHANDRASHEKHAR, PRESIDENT, NASSCOM

“As a general proposition, we have been advocating that impediments to the growth of e-commerce should be removed...the government should do what they can to catalyse economic growth.”

THEY SAID IT



# ROUNDUP



PHOTO: THINKSTOCKPHOTOS.IN

## India Tops Consumer Confidence Index Regains position after five quarters

**CONSUMER INDIA** India has topped the consumer confidence survey carried out by Nielsen during the second quarter of this fiscal year. With a change of government at the Centre, India is now the most optimistic consumer market after five quarters, followed by Indonesia and Philippines. Consumer confidence in India was indexed at 128 in second quarter of 2014, a seven point increase from first quarter of 2013 (121), displacing Indonesia which had 123 points to second place and Philippines with 120 points to third place. According to the survey, Portugal and Slovenia were the most pessimistic nations. Nielsen takes into account a baseline of 100 to indicate degrees of optimism and pessimism.

In a heartening news, according to *National Geo-*

*graphic's Greendex 2014*, Indian consumers scored the highest along with China exhibiting a high level of environment-friendly behaviour. The *DuPont Green Living Survey: India*, conducted by TNS Global, also found that a majority of Indian consumers are familiar with green products, have confidence that green products are better for the environment, and feel that biobased ingredients enhance the desirability of a product. More than 63 per cent of Indian consumers are familiar with green products and of those, 85 per cent are confident that they are better for the environment. India's confidence in green products being better for the environment (85%) is higher than other countries surveyed by DuPont in 2013.

DATA BRIEFING

# 128

**India's  
consumer  
confidence  
index rose  
7 point in  
Q2 of  
FY14-15**



PHOTO: THINKSTOCKPHOTOS.IN



## Govt Promises Measures to Promote e-Commerce

**IN PIPELINE** The NDA government in its Budget has indicated its intention to allow foreign direct investment (FDI) in the e-commerce sector soon. While presenting the Union Budget 2014-15 in Parliament on July 10, Arun Jaitley, Finance Minister, Government of India, also said that manufacturing units will be allowed to sell products through e-commerce platforms in the country without any additional approvals. In a further boost to the sector, the government is planning to modify IT Act, 2000 and under the proposed Communications Convergence Bill, provide legal recognition for transactions by using electronic data interchange or electronic communication. It is mulling the adoption of the United Nations General Assembly's (UNGA) recommended Model Law on Electronic Commerce (MLFC) to "overcome obstacles arising from statutory provisions that may not be varied contractually by providing equal treatment to paper-based and electronic information." The government also aims to draft a set of globally acceptable guidelines to increase the legal predictability for e-commerce industry.

## HUL Launches e-Tail Pilot Project To rope in 3.2 million outlets for product delivery

**RETAIL** Consumer goods giant Hindustan Unilever (HUL) has launched a pilot project in the fast expanding e-commerce space in India. As per a report, the ₹28,000-crore FMCG company will take the benefit of the presence of 3.2 million outlets across the country to deliver its products directly to the consumers at their doorsteps. Besides selling its own products, HUL may sell select non-competing products through the e-commerce route. The project is in the pilot stage at a few outlets and the company expects to roll it out in a big way soon.

Adopting the direct selling mode of retail distribution, HUL reached out its brands like Aviance and Lever Ayush and set up a few Bru Cafes in Mumbai to serve consumers directly. At the forefront of experiments, HUL recently expanded its direct selling efforts to reach out to the remotest corners and in 2013 expanded its perfect store initiative to one million stores. Now in a strategic multichannel move, it is taking the e-commerce route with as many as 40 brands to understand the buying behaviour of consumers online and re-frame its consumer strategies. All these initiatives are to help the retail giant to expand its footprints.



PHOTO: THINKSTOCKPHOTOS.IN

### QUICK BYTE ON CONSUMERS

PHOTO: THINKSTOCKPHOTOS.IN



**Parents Can File Petition** A consumer forum of Maharashtra has ruled in favour of parents who had filed a complaint on behalf of their child. It has asked the Institute of Hotel Management, Dadar, which had sought the dismissal of the complaint filed by a student's father, to refund ₹36,000 and pay ₹15,000 compensation.



The *Aware Consumer* Quarterly Report being launched on July 30 by the panel including Keshav Desiraju, Secretary to the Government of India, Department of Consumer Affairs (left); Eminent consumer activists and participants (below).



## TAC Launch Kicks Off New Phase of Consumer Advocacy Need to revisit laws for emerging channels, rural focus

**LAUNCHED** Have consumer awareness and consumer empowerment come of age in India after 67 years of its Independence? The stirring question had its answer in the unanimous voices that echoed at India International Centre in Delhi on July 30, where activists from across the country were present at the launch of *The Aware Consumer – A Quarterly Report*. Why ‘The Aware Consumer’—was the theme of the lively panel discussion, which saw participants brainstorming several consumer aspects, like making people aware of their consumer rights and empowering them, providing them means to rise against fraudulent market practices, amending Consumer Protection Act, 1986, etc. The idea, mission and efforts behind *The Aware Consumer* were appreciated and it was hailed as a timely advocacy tool for consumer empowerment.

Keshav Desiraju, Secretary to the Government of India (GoI), Department of

Consumer Affairs, who launched the report along with G Gurucharan, Additional Secretary to the GoI, Department of Consumer Affairs and former Secretary, Department of Consumer Affairs, GoI, L Mansingh, shared the participants’ concerns unequivocally.

While acknowledging that the Department of Consumer Affairs has not done enough to strengthen the consumer district courts in India, Desiraju said, “Now, I am aware of the widespread feeling that the Consumer Protection Act has not served in the way it should have done. I often hear about what is called ‘bad court practice’.” Despite the court members being

constituted carefully and fairly and on good terms and condition of service, he lamented that there is unsatisfactory output, poor-rated disposals, opaqueness in the way the court functions that obfuscates processes and excessive reliance on the structure of the civil courts. Mansingh, the architect of the popular

**“Now I am aware of the widespread feeling that CPA has not served in the way it should have done.”**

consumer awareness campaign *Jago Grahak Jago*, stressed the need for scrapping the obsolete, pre-independence Shops and Establishment Act, which has become irrelevant in today’s complex market environment with the advent of e-tailing, TV marketing, etc. “We have a plethora of laws, rules and regulations—all of them totally irrelevant, obsolete, and counter-productive,” he said.

Dr Mala Banerjee, a reputed legal consumer activist of West Bengal, who has been working in the field for 30 years, was highly appreciative of the direct selling process, as it directly benefits the buyers and sellers alike by eliminating the chain of middlemen. She, however, voiced her displeasure over fund crunch that was hindering consumer bodies from capacity building in order to respond to current market challenges. Addressing her query, Desiraju said, “Let us be honest, we don’t get enough budgetary support to give you support for your kind of activities.” Adding to his statement, Gurucharan said the department had received a limited budget of ₹200 crore this fiscal. He called upon the consumer activists to turn their focus towards rural consumers, who constitute 70 per cent of India’s population. The launch of TAC had successfully provided the momentum to true consumer empowerment.

NET SURVEY

## Cyber Cafes Log Out in India, Only 5% Visitors in 2013: Report

**PHASING OUT** Are cyber cafes, once a symbol of internet revolution in India, logging out? According to a study by Tata Consultancy Services, in 2013, only 5 per cent people visited cyber cafes as against 46 per cent in 2009. In contrast, internet usage

from home grew from 58 per cent to 78 per cent and through cellphones it rose from 12 per cent to 18 per cent during the period. The cafes served as the hub to connect millions of Indians to the outside world, be it for making friends through chatting, searching to

seek admission in foreign countries, research, etc. IT giants like Tata Teleservices Limited that have been in the internet café business since 2003 and Chennai-based Sify Technologies with 3,000 iWay kiosks operating across the country, are scaling down operations.

## US Online Seller of Language Courses Sued for Act Violations Accused of fleecing customers



PHOTO: THINKSTOCKPHOTOS.IN

**LAWSUIT** In the USA, a federal law passed in 2010 mandates that companies that do business with consumers on the internet must make the terms and conditions upfront and very clear. In a recent case of consumer fraud, a lawsuit has been filed in US District Court of Western Washington accusing PimsleurApproach.com of intentionally luring millions of people with its cheap trial offer, which did not clearly reveal the long-term obligation attached to the offer. The company is a well-known seller of foreign language courses online. This is reportedly the first company to be sued for alleged violations of the Restore Online Shoppers Confidence Act (ROSCA). According to the Federal Trade Commission website, ROSCA, prohibits any post-transaction third party seller (a seller who markets goods or services online through an initial merchant after a consumer has initiated a transaction with that merchant) from charging any financial account unless it has disclosed clearly all material terms of the transaction and obtained the consumer's express informed consent to the charge.



PHOTO: THINKSTOCKPHOTOS.IN

IN THE DOCK

## Central Railway Asked to Pay Up for Absent Amenities

**FINED** In Maharashtra's Gondia District Consumer Redressal Forum has imposed a fine of ₹20,000 on Central Railway for failing in providing passenger amenities in one of its trains. Gondia advocate Sudhir Rathod had filed a complaint in the court in March 2013 on finding basic facilities like water, light and TTE missing in his coach in Chhattisgarh Express.

Rathod had boarded S-11 compartment of train from Bhopal's Habibganj station on November 3, 2011. He with his co-passengers brought the matter to the notice of a TTE, who assured that water would be filled and lights repaired at Nagpur. However nothing was done. A day later, the lawyer lodged a written complaint with the Gondia station master. Seeing no reply coming even after a year, he filed a Right to Information (RTI) with the railways. The railways then responded that there was no TTE in six coaches that day due to staff shortage. Demanding compensation for mental torture and harassment, Rathod filed a petition in the consumer forum in March 2013.

While observing that the lack of water, light and TTE came under the definition of "deficiency in service", the consumer forum ruled that the railways was committed to providing safe and dependable train services and also ensure adequate passenger amenities. The ruling is set to bring huge relief to train travellers who have for long suffered due to the lackadaisical attitude of the Indian Railways.





**Connecting with Consumers:** Consumer activists from across the country were in Delhi for two days to brainstorm on strategy for consumer empowerment.



# CHANGING PARADIGMS

Advocay bodies work on new national safety net for consumers.

After a long time, more than 50 leading consumer organisations from 20 states assembled in Delhi to work together on developing a national strategy to facilitate consumers in their respective states and protect them from unethical and unfair businesses. It was observed that the existing laws are not enabling and do not provide affected consumers prompt remedies. The consumers find it difficult to seek solution due to lack of knowledge and awareness regarding the existing protective mechanism. The two-day Capacity Building Workshop for the Voluntary Consumer Organisations (VCOs) was organised by Consumer Online Foundation, New Delhi in collaboration with Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution and Ministry of

Health and Family Welfare, Government of India (GoI), from July 30 to August 01, 2014.

The workshop was divided into four technical sessions with an introductory session and the final valedictory session. The introductory session was chaired by Chavi Hemanth, Secretary General, India Direct Selling Association (IDSA). She gave an overview on the history of direct selling in India and the manner in which IDSA members are guided by a Code of Business Ethics. IDSA was formed with five companies including current members Amway, Avon and Oriflame to protect the ideals and opportunities of what was then a sunrise industry. The Association was incorporated in Mumbai in 1996 and moved its registered office to New Delhi in 1998, from where it continues to operate. Today it has 18 members

and every year the direct selling business in India is growing. The other members of the panel were K Anbarasu, DDG (BIS), B N Dixit, Director (Legal Metrology), GoI and Bimal Kumar Dubey, Director of the Food Safety and Standards Authority of India. All the three government authorities explained the working of their respective organisation and how they wished to further strengthen their association with the various consumer organisations.

The highlight of the workshop was the fourth technical session conducted by Balwinder Singh, IPS (Retd), who narrated interesting anecdotes from his tenure as a police officer and an investigating officer about the financial irregularities by unethical business practitioners. On the second day, the participants were divided into four groups and made to work on a plan in the interest of consumers. Daniel R Pranjali, Chief Strategists, Strategy India, Mumbai, facilitated the group work and guided the participants on developing the strategy. All the groups made their presentations and the key elements that emerged were sharing of information amongst consumer organisations in a regular manner through publications/reports like *The Aware Consumer*. The workshop ended with a keynote address by P C Jha, Vice Chairman, Consumer Online Foundation and valedictory address by L Mansingh, Chairman, Consumer Online Foundation.



“

Be A Participant **Not A**  
**Spectator** In  
Consumer Efforts

They Are For  
**Our Benefit**”





Since 2009, the e-commerce landscape in the country has picked up and is witnessing strong growth of over 30 per cent per annum. The overall size of the market was projected as ₹400 billion in 2013.

Various factors,

including favourable demographics, growing internet penetration, wider exposure of online shopping portals in smaller towns and rural areas, proliferation of mobile devices and emerging need for convenience, options and accessibility are driving demand. In addition to all these factors, the growth of the industry has also accelerated due to conducive regulatory environment. To capitalise on the growth potential, a large number of investors, including venture capital (VC) and private equity (PE) firms, have shown interest in the opportunities in e-commerce startups in India.

Though relatively new, the concept of e-commerce is quickly gaining popularity in the country. e-Commerce offerings range from online booking of travel plans, movies, hotels and retailing of electronic gadgets, fashion accessories, books and home furnishings to online purchase of grocery. It also includes matrimony and job search portals. According to Technopak's estimates, the e-commerce market in India is projected to contribute ~4 per cent of the country's GDP by 2020. At the same time, National Association of Software and Service Companies' (NASSCOM) projects that the contribution of IT-BPO and telecom industry is likely to contribute 10 per cent and 15 per cent, respectively, to the Indian GDP by 2020. With enabling support from IT/ITeS and telecom industries, the e-commerce industry is expected to post healthy growth and contribute more to the GDP.

The growth of the e-commerce industry has had a positive spillover effect on the allied industries also—logistics, media, online advertising and IT/ITeS. In 2012, it accounted for 15–20 per cent of the total revenues for some of the big logistics companies. However, with

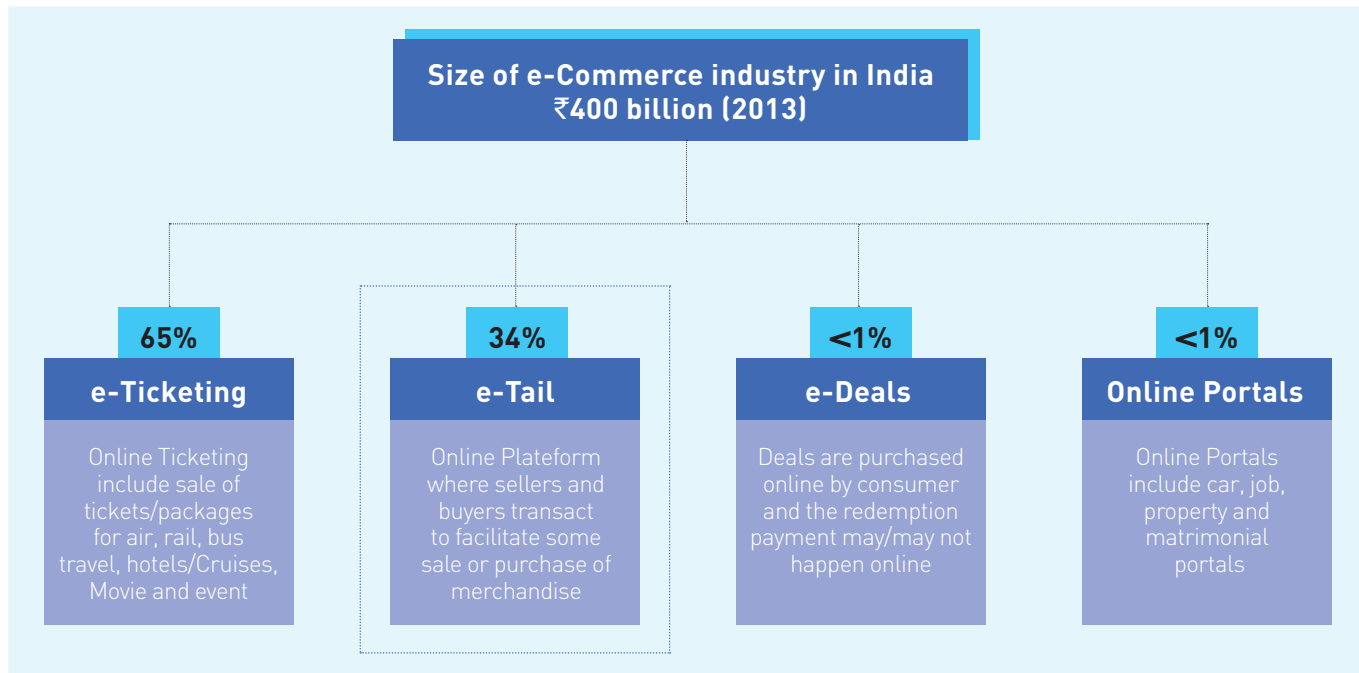
the growth of inventory-based e-commerce models in India, logistics players are also expected to record over 70 per cent growth in their revenues by 2020.

### E-TAILING — AN OVERVIEW

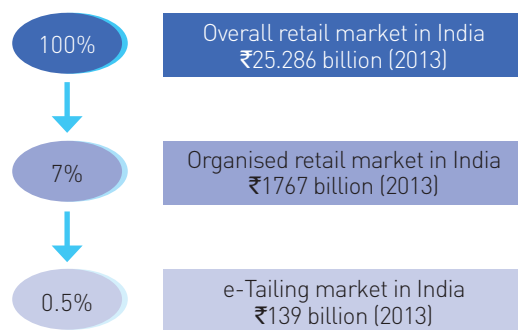
The e-retailing market has the potential to go beyond physical retail boundaries and reach a wider range of customers. The foundation of the e-retailing model is based on technology and logistical solutions that facilitate the customer acquisition and the final 'reach' process. It is a sub-set of e-commerce, contributing 35 per cent share to the market, as recorded in 2013. In the last five years, the e-tailing market—both direct and through marketplaces—has been growing at a fast pace, from nascent to critical mass. However, in comparison with the overall retail sector (organised and unorganised) in India, the size of the online retail market is very small. At present, the Indian retail sector is largely unorganised, with the penetration of organised retail being only 7 per cent of total retail in 2013. Similarly, the share of online retail is a mere 0.5 per cent of the overall retail, which is very low as compared to other countries, such as the US (~17%), the UK (~10%) and China (~5%) in 2013.

The growth of the e-tailing industry plays a vital role in the growth of the economy, customers, society at large and especially for the small enterprises (including SMEs/MSMEs). However, this growth is highly dependent on one key factor—the internet connectivity in the country. In 2013, India had about 137 million internet users, which is 11 per cent of the total world population. However, of these, merely 18 per cent made purchases online. In comparison China, Brazil, Sri Lanka and Pakistan have an internet population of 538 million (40%), 79 million (40%), 3.2 million (15%) and 29 million (15%) internet users, respectively. Therefore, lower internet penetration becomes the key challenge for the growth of the e-tailing market in India. It restricts the growth of several small businesses that still lack the exposure of servicing the global markets through cross-border trading via internet connectivity.

The online business module is highly cost-effective, easily accessible and profitable in several functional areas. The key factor aiding the growth of online retailers is the growing satisfaction and the increasing trust among consumers in terms of transactional experience. Without having to travel to physical store customers are able to get



a fairly good idea about the product they want just by browsing through pages in the comfort of their homes or offices. They have the liberty to choose suitable deals, pay on delivery and get the product exchanged or get the money back—no questions asked—in case of dissatisfaction. While a large number of entrepreneurs are taking to online retail in the hope of getting good returns, the existing players are investing heavily to expand their share. The growth of e-retailers, such as Flipkart (in books, music and electronics) and Myntra and Jabong (in apparel), has compelled several brick-and-mortar retailers and brands to go online. For instance, Shoppers Stop, Croma, Titan Industries and various brands under Aditya Birla Nuvo group have set up their online operations with improved features and user interface to bring them at par with leading e-commerce websites. As a result, their net store additions have declined in last two-three years.



### FUTURE PROSPECTS—WHAT IS ENABLING THE SECTOR'S GROWTH?

e-Tailing has come a long way since its inception and is continuously gaining in value. The overall industry size grew from ₹15 billion in 2007–08 to ₹139 billion in 2012–13, translating into a CAGR of over 56 per cent. In the coming years, the growth momentum is expected to remain intact and the market is projected to post 50–55 per cent CAGR to reach ₹504 billion by 2015–16. The key factors that are driving this growth include the country's increasing internet penetration and changing lifestyle of the Indian consumers.

The category-wise contribution of e-tailing market in 2013 was:

- Electronics — 34 per cent
- Apparels and accessories — 30 per cent
- Books — 15 per cent
- Personal care — 10 per cent
- Home and furnishings — 6 per cent
- Healthcare — 3 per cent
- Baby products — 2 per cent

In the near to medium term, the electronics and apparels verticals would continue to drive the maximum growth. However, in the long term, several new players are expected to enter in various niche online segments, such as baby products, grocery and jewellery, leading to rise in their share in the overall e-tailing market.





## GROWTH ENABLERS FOR THE E-TAILING MARKET

The factors enabling market growth are:

- **Increasing online consumer base**

Internet penetration is rapidly growing in India. Currently, it accounts for only 17 per cent of the total Indian population as compared to more than 40 per cent for other countries, such as Brazil, Russia and China. Moreover, out of this 17 per cent, only 9 per cent of the Indian online population has experienced online shopping, compared to more than 30 per cent in other countries.

- **Highly dispersed internet users**

The online consumer base is evenly spread across India. In 2012, the spread of internet users across India was :

- o Top eight metros — 32 per cent
- o Towns with over 1 million population — 18 per cent
- o Towns with 0.5–1 million population — 10 per cent
- o Towns with 0.2–0.5 million population — 11 per cent
- o Towns with less than 0.2 million population — 29 per cent

On one hand, this dispersion does not allow the accumulation of enough demand for brick-and-mortar retailers to open stores everywhere, and on the other, these consumers, aggregated at a pan-India level, become an attractive opportunity for e-tailers.

- **Increasing generation-Y consumers**

India predominantly has a young population. In the coming three years, potentially 40 million shoppers in the 19–24 years age group will start spending money online. For the gen-Y consumers, spending time on the internet is as normal as watching television is for

gen-X consumers. This key pillar is rapidly aligning with the e-tailing trend to facilitate the sector's growth. These shoppers also have a propensity to spend more money than the gen-X shoppers.

- **Convenience and comfort—emerging as key attributes to the Indian consumers' lifestyle**

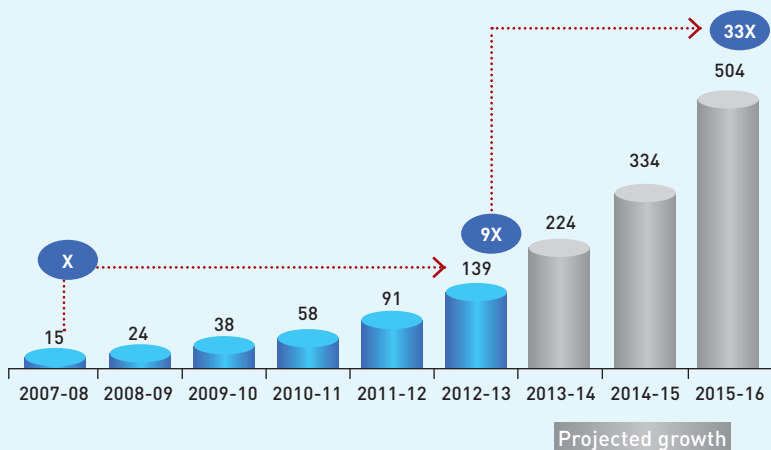
Indian consumers are increasingly looking for comfort and convenience in all aspects of lifestyle, including shopping. About 66 per cent of the urban Indian population spends a majority of their time in working and commuting to work, which results in just one-third of their time remaining for other activities, such as socialising, household chores, spending time with family, leisure and entertainment and shopping. Online shopping opens an alternate avenue for saving time and helps the urban population manage their remaining time effectively.

Furthermore, consumers tend to spend more while shopping online. The average order-value in online shopping is registering yearly growth. The average order value is a definitive indicator of the shopping appetite of the consumers. In the coming years, with the entry of more premium retailers in this market, the average order value is expected to grow from ₹1,080 (in 2012) to ₹3,600 (by 2018).

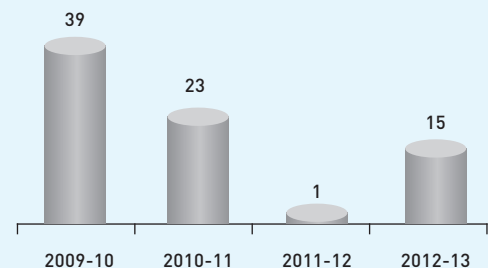
- **Influence of working women is expected to remain intact**

Women play a key role in the e-tailing industry in India. In 2016, 35 per cent of the overall online sales are expected to be influenced by women. According to i-Cube and Internet & Mobile Association of India (IAMAI) research, the segment of working women wit-

Indian online retail market – size (in ₹billion) and growth trend

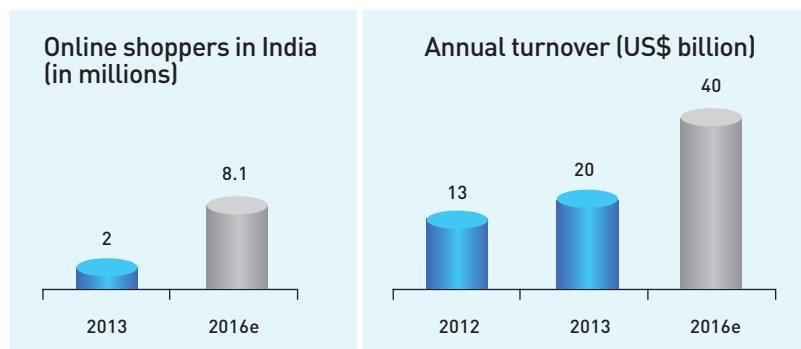


NET STORE ADDITIONS BY TRADITIONAL RETAILS



\* NO OF STORES INCLUDE SHOPPERS STOP, DEPARTMENTAL STORES, SPECIALITY STORES AND TRENTS STORES.

Source : Crisil Research



nessed 43 per cent annual growth in 2013 and contributed nearly 10 per cent of the total active internet users in India. Categories such as baby care, home décor and jewellery have traditionally been influenced by women as decision-makers.

• **Increasing penetration of digital devices to access the internet**

The increase in internet penetration in a country is directly correlated to the penetration of internet-supporting devices in that country, such as PCs/laptops, mobile phones (smartphones), internet-television and tablets. In India, the use of such devices is steadily growing, driven by increasing affordability and demand. Mobile phones (including smartphones) are likely to grow 2.5 times by 2020, enabling the same growth trend for the online shopping industry in India.

• **Fashion—to remain the most lucrative segment**

Fashion apparels and accessories is the fastest-selling online retail category in India. In the last two years, a large number of dedicated portals have started selling fashionable apparels and accessories solely for online buyers; this is in addition to the large portals, including Flipkart and Myntra. Several such ventures—including DoneByNone, Koovs, Shopninteen and StyleTag—are leveraging the immense potential of e-tailing by creating trendy clothes at affordable prices to be sold only via their portals. The gross turnover in online fashion

segment is expected to grow by 400 per cent in the next five years and reach ₹163 billion by 2018.

**CHIEF CHALLENGES IN THE GROWTH OF INDIAN E-TAILING MARKET**

While several e-tailing companies have set up their business in India in last couple of years and have seen success, the fledgling industry has faced several hurdles with respect to infrastructure, governance and regulation. There is no doubt that e-tailers have faced difficult phases in varied business environments while they strived for innovation and broke their way through. However, limited internet access to a large segment of the population has resulted in low internet penetration of 11 per cent, which impedes the growth of the potential e-commerce industry.

**Logistics infrastructure remains the weakest link for any related industry in India**

Considering that the potential consumer base for the online retailing industry is highly dispersed across India, the players require a robust supply chain, last-mile distribution network and an established reverse logistics network for effective servicing. However, such logistics infrastructure in India acts as the biggest barrier to the growth of the e-tailing industry.

Currently, most of the e-retailers have outsourced their distribution and delivery services to third-party delivery firms. However, in the coming years, as the market evolves, competition intensifies and customer expectations increase, these online retailers would need to consider setting up their captive capital-intensive logistic businesses. For instance, players such as Flipkart and Amazon are building their own logistics arms eKart and Amazon Logistics, respectively.

In addition to this, a high dropout rate of 25–30 per cent on payment gateways, consumer loyalty related challenges and slow adoption of online payments are also compelling e-commerce companies to rely on costlier payment methods such as Cash on Delivery (COD)—which poses a challenge for the profitability of e-tailers in India.

**Existing regulations on e-commerce in the country**

In India, 100 per cent FDI is allowed for all B2B e-tailing, but not in case of B2C e-retailing. Recently, there has been considerable interest and debate around granting permissions for FDI in B2C e-commerce. While its proponents recognise enormous benefit, a host of industry players have raised serious apprehensions to this proposition. The key pros and cons related

**Projected rise in users of internet-supporting devices in India**

Internet-supporting devices	Actual number of users in 2012	Projected number of users in 2020
Mobile phones	380 million	600 million
Smartphones	40 million	450 million
PC/laptops	50 million	150 million
Tablets	4 million	36 million

to allowing FDI in e-commerce and KPMG's view on the impact of each of these factors on the overall e-tailing industry in the medium term is shown in the box below (FDI in e-Commerce – Pros & Cons).

### High customer acquisition costs

Customer acquisition cost is also one of the key challenges facing e-tailers in India. Historically, e-tailers in the country have experienced high costs of attracting customers to portals and this cost is set to increase with increasing competition in the space.

While prominent e-tailers (FlipKart, Amazon, etc) find it relatively easier to create recall in the minds of the Indian consumer, smaller/new e-tailers generally have to invest a good deal of time and money to carve out an online presence. The bigger brands enjoy direct traffic to their websites (by virtue of their investments made in the past), while the smaller/new e-tailers

in 2012. Amazon plans to spend ₹100-150 crore in this fiscal year on TV, print and online advertising aimed at increasing customer acquisition. Flipkart's advertising budget is expected to be ₹75 crore.

### CONCLUSION

Indian e-commerce and online shopping are set to offer attractive opportunities in the coming years, not just owing to the increasing internet population, but also due to the changing dynamics of the supporting ecosystem. India is the second-largest internet community in the world, but it forms only a miniscule portion of the organised retail segment. Proliferation of mobiles and other internet-supporting devices in India coupled with favourable demographic changes with emerging need for convenience; choice and access are acting as prime movers to highlight the demand potential in the e-tailing industry. There are a number

### FDI in e-Commerce – Pros & Cons

Degree of impact	Pros	Cons	Degree of criticality
●	Increased capital inflows would boost infrastructure development	Work against the spirit of FDI policy in multibrand retail	●
●	Impetus to manufacturing sector	Possibility of large multinationals dumping their cheaper products in India	●
●	Gain supply chain efficiencies, which would reduce the need for middlemen	Possibility of adverse impact on physical retailers	●
●	Gain outreach and exposure to best global business practices		
●	Improved customer service		

● HIGH ● MEDIUM ● MINIMAL

often have to pay search engine operators to route searches to their websites—inflating operating costs. This becomes necessary as e-commerce sites do not figure in search results, due to the lack of content (corresponding to the keywords used) on their websites.

At the same time, website traffic does not guarantee purchases made through the website. Hence, all payments made to route traffic to a website do not provide the required returns, which affect bottom-lines as well. This is especially true for single-category e-tailers. Discounts and cash on delivery offered by e-tailers also play a part in keeping customer acquisition costs high.

Although relatively better off, larger e-tailers also incur substantial amounts in customer acquisition costs. As per market estimates, average online customer acquisition in India was ~₹1,500 per consumer

of underpenetrated segments such as online purchase of groceries. Players also have opportunities in sectors impacted by online retail, e.g., logistics, in which last-mile reach is a problem. In addition, there are indications of a favourable regulatory regime that could lead to FDI in B2C e-tailing. Such developments in the e-tailing space would help India emerge as a leader in the e-commerce category. Overall, the evidence suggests that a vibrant and fundamentally strong e-commerce market will exist in India for many years to come. 🚀



**Rajat Wahi** is Partner, Consumer Markets, KPMG India



PHOTO: THINKSTOCKPHOTOS.IN

# READY TO WIN

Backed by global experience and the right mix of innovation, product offering and format, Amazon has its finger on India's e-commerce pulse. **BY SANGITA THAKUR VARMA**

It is a game of one-upmanship in India's e-commerce space. After all, the stakes are rather high, especially for players like Flipkart and Amazon. Take a look at these figures—India's retail industry valued at US\$ 525 billion currently is forecast to grow to US\$ 1,040 billion by 2020 (Source: Technopak Analysis). India's mammoth wholesale industry, according to US retailer Walmart, is valued at US\$ 300 billion currently and slated to grow to US\$ 700 billion by 2020. The online retail industry in 2012-13, as per a Crisil Research Report, was ₹139 billion in revenues growing at a compound annual growth rate (CAGR) of 56 per cent. It expects the market to grow to ₹504 billion by 2015-16. With so much on offer, it is little wonder then that e-commerce

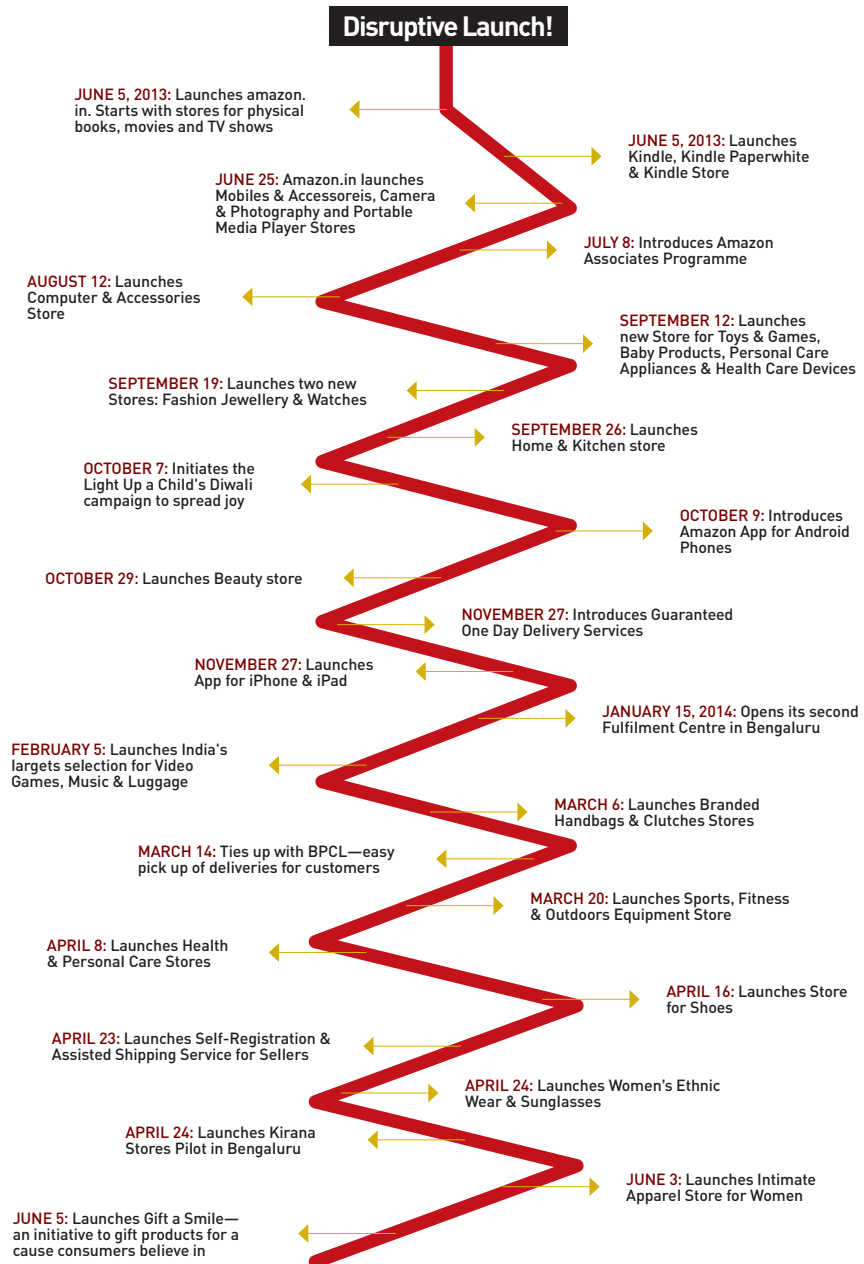


majors are engaged in a discrete battle for the larger share of India's virtual pie. Amazon, the global e-commerce giant, not only raised its stakes in the country to a mind boggling US\$ 2 billion but its Founder and CEO, Jeff Bezos came calling to India on a much publicised visit. He made pit stops in several cities and also met India's Prime Minister Narendra Modi in Delhi. Bezos announced his plans to set up a data centre to tap the cloud opportunity in India. He also handed over the US\$ 2 billion cheque to the India head of his e-commerce venture, making his priorities for the fastest growing e-commerce market of the company very clear. Amazon, reportedly is also planning an exclusive portal for wholesale sellers with an eye on its burgeoning potential.

So what is the company's winning strategy in India—a country that defies common global business practices? Amazon says it is its global principle at work here too. Amit Agarwal, VP & Country Manager, Amazon India, says, "Our global vision is to be the earth's most customer centric company and enable them to find, discover, and buy anything online. In line with this, you will see us work backwards from the consumers and invent on their behalf with the goal of providing a vast selection of products at everyday low prices with fast and reliable delivery and a convenient and trustworthy shopping experience." The logic to winning seems to be simple. "If we are able to provide what customers want, they will choose us."

Agarwal says that the e-commerce industry in India is at a nascent stage and this offers a lot of opportunities to players for innovation. Amazon intends to tap this lacuna and work on its "focus areas" to raise the bar for online shopping in the country. It is the company's USP and vision plan for India to "remain customer-obsessed". The company will relentlessly focus on expanding sellers and selection, innovate on various customer touch points and provide fast and reliable delivery of services. Understanding Indian consumers' peculiarities regarding payment modes and to penetrate their native insecurities over faceless transactions, Amazon offers safe and secure ordering experience, convenient electronic payments including EMIs, no-risk hassle-free returns policy, 24x7 customer service support, and a globally recognised and comprehensive 100 per cent purchase protection under its A-to-Z Guarantee.

## First Year Milestones



Backed by a clear vision and a winning strategy, the company is growing aggressively in the Indian market. In the last one year, the company established a network of seven warehouses straddling the country and is growing with more than 8,500 merchants and a product portfolio comprising over 28 categories and more than 17 million different products already in its fold. It is slated to reach

US\$1 billion sales in 2014-15. Restrictions on foreign direct investment in multibrand retail and e-commerce retail not with standing, Amazon's India ride has been fast and furious. A late entry vis-à-vis its competitors like Flipkart and Snapdeal (amazon.in started its journey in India in June 2013), has not deterred its pace. The company though had made a successful foray earlier in February

## Innovations in India by Amazon

1. Fulfilment by Amazon (FBA) as a service for sellers across India. With FBA, sellers store their products in Amazon's warehouse and it packs and delivers the orders to customers. It also provides customer service and handles returns. FBA is a pay-as-you-go fulfilment service wherein Amazon takes care of packing, shipping and delivery of sellers' products.
2. Amazon set the pace for the industry by introducing premium guaranteed delivery services, both next day and two day and now release day.
3. Amazon pilots Pick Up stores for customers convenience—both *kirana* and BPCL convenience store. It is currently piloting scheduled delivery for customers convenience in Mumbai with the TV category. The plan will be shortly extended to Thane and Pune.
5. Introduced seller services called Self Service Registration (SSR) & Amazon Easy Ship. SSR is a seller-specific innovation by amazon.in, unique to any online marketplace. It provides an opportunity for highly motivated and good sellers—irrespective of their size, location and size of the product catalogue—to start their business on www.amazon.in even in a day, in a self-service manner. Amazon Easy Ship is an assisted shipping service that makes it easy for sellers to ship products across India. Under this initiative, after order confirmation, sellers pick and pack the shipment, confirm to Amazon that they are ready to ship and Amazon collects the shipment and ensures that the product is delivered to the customer. Sellers benefit from low shipping rates, COD, prepaid orders, scheduled pickups, faster delivery and automated shipment tracking. Customers get trackable shipments, COD, prepaid orders and faster and predictable delivery time. Amazon Easy Ship frees sellers of the hassles of figuring out the right shipping provider who can deliver efficiently to a specific location, dropping the package at the collection centres, maintaining the tracking information, etc.
8. Customised, personalised and multilingual amazon.in gift cards enable customers to buy products (excludes eBooks) on amazon.in. Customers can purchase the amazon.in Gift Cards of any value starting from ₹10 up to ₹10,000, which is available in nine Indian languages including Hindi, Kannada, Marathi, Tamil, Gujarati, Telugu, Malayalam, Bengali and Punjabi. Gift Cards come in more than 200 designs that celebrate various special and memorable occasions in a person's life from birthdays, weddings, baby showers, housewarmings, anniversaries to various festivals like Raksha Bandhan, Eid, Diwali, Christmas, etc., professional milestones and many more. Customers can send the same amazon.in gift card to multiple recipients as part of a single order and can buy a total of 25 gift cards in up to 15 variants at one go. Physical gift cards can also be bought in two forms—in a greeting card or in a box. The gift card is affixed to the greeting card suitable to convey feelings on birthdays, congratulations and thank you on appropriate occasions.
9. AmazonCart enables customers in India to add products they discover on Twitter from their social network to their amazon.in shopping carts without leaving Twitter.



PHOTO: THINKSTOCKPHOTOS.IN

2012, with the launch of junglee.com. Junglee too has emerged as the No.1 product search and comparison shopping site in India.

Amazon, operational for over 15 months now, received tremendous response from both customers and sellers. “We launched in India with two departments—books and movies & TV shows.” That currently Amazon's selection has grown phenomenally to 30 departments across hundreds of categories making it the largest store in 12 of the 30 departments that are available on www.amazon.in, is a testimony to its amazing popularity.

The company has all the while kept its focus on customer services as its winning proposition in the crowded market. Amazon was the first one in India to introduce premium guaranteed delivery services including the ‘One-Day Delivery’ service for items fulfilled by Amazon. It makes available an astounding more than 325,000 products for next day delivery across hundreds of pin codes in India. More than 60 per cent of its customer demand is already eligible for next-day shipping on products fulfilled by Amazon. Going a step ahead of competition, the company on September 23, 2014, launched Amazon. Release Day Delivery (RDD), a service committed to delivering new product offerings to customers on the day of their release. Agarwal says the company uses the extensive Indian Postal Services (IPS) network to service over 19,000 pin codes through 140,000 post offices across all 35 states and Union Territories in India.

Simultaneously, the company has been working on expanding its seller base. “We are invested in making sellers successful,” says Agarwal. One of the reasons for the rapid acceptance of Amazon among the seller community is the fact that the company is continually looking for ways to do the heavy lifting for them in order to enable them to sell more and earn more. In an indication of its success, Amazon's initial base of 100 sellers has grown to more than 10,000 sellers. Additionally, Amazon offers sellers a unique and comprehensive suite of services—Self-Service Registration (SSR), Selling on Amazon (SOA), and Amazon Easy Ship & Fulfilment by Amazon (FBA).

The seven Fulfilment Centres (FC) of the company cover Maharashtra, Karnataka, Haryana, Delhi, Tamil Nadu, Gujarat, Rajasthan (five are operational and two will be



**“We are going to relentlessly focus on expanding sellers and selection on the platform, innovate ...and provide fast and reliable delivery of services.”**

**Amit Agarwal**  
VP and Country Manager,  
Amazon India

operational soon) with a total storage capacity of half million square feet. Amazon has taken pains to be small business-friendly in India realising the potential of its more than 44.7 million micro, small and medium enterprises (MSMEs) base (based on fourth Census (2006-07), Ministry of MSME's projected data for the year 2011-12), and with its FCs tries to meet the fulfilment needs of these retailers and SMBs to help them achieve nationwide scale. The company follows the online marketplace model in India where sellers of all sizes use its platform to sell to their customers across the country. The model enables a faster, convenient and nationwide access to customers for sellers registered on the platform, especially SMBs, at significantly lower

costs. “The seller community in the country displays high degrees of motivation,” Agarwal observes, adding, “Sellers in India are highly entrepreneurial and have the zeal to grow.” The reason that is pushing up Amazon's share in the country's e-commerce sector. Amazon's exclusive initiatives for sellers are adding to the pull factor. It trains sellers on how to get online and scale their business nationally using the online platform. “We also help sellers in creating a digital catalogue that captures the right images and information besides educating them on online payment systems and processes,” Agarwal informs.

Stepping into India with the best-fit operating model, the company has been fine-tuning


one thing—customers around the world are similar and want a vast selection at low prices and a reliable and trustworthy online shopping experience.” Reiterating the significant potential for innovation to improve customer experience, he adds, “There is scope for multiple formats and players to operate.”

Amazon's experience of operating globally has provided immense learnings and the company does not think it requires reinventing the wheel in India. “Amazon has built one of the most sophisticated logistics infrastructure ever been built to serve sellers and customers globally. We can learn a lot from that and localise to India.” As Amazon cruises along in India, it promises to enhance



**Staying Ahead with Innovation:** Amazon launched its unique Release Day Delivery initiative on September 23 with midnight deliveries of Xbox across India.

its strategy to suit local needs. It moved fast to tap the growing mobile platform of the country within a couple of months of its India entry, strategically launching its mobile shopping app for Android and iOS phones. In the last month, the company also launched the Amazon Shopping app for Windows Phones. “Today, over 35 per cent of our traffic comes from mobile devices. More than 45 per cent of orders on Amazon.in are coming from outside of the top eight metros,” reveals Agarwal. Are Indian online consumers different from their global counterparts given the fact that they are just taking baby steps in the space? Agarwal answers the question, “Our experience of working around the world has shown

customer and seller experience. “Customers should expect us to continue to invest in expanding selection, launching new categories, enabling more selection and pin codes for next-day delivery, and ensuring we are providing the most convenient and trustworthy shopping experience on PC and mobile. We will also continue to invest on behalf of our sellers so that they have an opportunity to sell more and make more money on the Amazon India marketplace,” Agarwal spells out the company's long-term plans. The endeavour definitely is to be “India's most customer-centric company”. Consumer after all is the King. 

*(Based on interview and secondary research)*



# BY INVITATION

**NILOTPAL CHAKRAVARTI** | Associate Vice-President,  
Internet & Mobile Association of India; Tweet @dicyneil

## Not Bad After All e-Commerce players are in dire need of huge fund injections. FDI seems to be the most logical panacea.



**E-COMMERCE TODAY IS** an exciting space to be in. Billion dollar investments, M&As and offline stories going online to boost business, are pointers to the fact that e-commerce in India has arrived, and how! Let's look at some figures. The e-commerce industry was in its infancy for the larger part of the previous decade. However, in the last three to four years, the industry has witnessed an incredible growth of 150 per cent, increasing from US\$ 3.8 billion (₹19,249 crore) in 2009 to US\$ 9.5 billion (₹47,349 crore) in 2012.

A number of business models for e-commerce have evolved and are in varying stages of maturity. Of the various business models that are prevalent, consumer e-commerce is perceived to have a wider and stronger impact on retail or direct consumer and has engaged entrepreneurs, VCs/ PEs and others. It was expected to grow by 33 per cent in the year 2013. As India moves towards becoming a consumption driven economy, this consumer centric model presents a very large and transformative opportunity. Several factors have contributed to the transition of e-commerce from a purely transac-

tional nature of business into the virtuous cycle of information, identification of options, purchase and feedback. These factors can be categorised into demand, supply, and government and regulatory side factors.

Increasing household disposable income and a growing young population has provided this industry with a unique opportunity. The Indian youth spends almost 16 per cent of its disposable income online. An estimated 828 million people will fall in the age group of less than 35 years by 2015. The industry is serving the customer's needs across urban, semi-urban and rural areas across the country. The concentration of population in these areas reinforces the hypothesis that the potential of e-commerce in India is immense. While, the e-commerce industry is growing at a rate of almost 34 per cent every year and there is a high growth potential, yet, certain hurdles need to be cleared to tap it.

**LIKE ANY OTHER** nascent industry, e-commerce in India faces issues that are impeding the growth. With an internet penetration of 11 per cent (lower than world average of 34 per cent) and



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impediments in logistics and supply chain, the industry is facing difficulties in reaching out to its prospective customers and providing them with a satisfactory buying experience.

The existing taxation norms for e-commerce are complex and open to different interpretations. Revenue attribution is becoming difficult due to lack of clarity on permanent establishment regulations for e-commerce industry. Inter-state taxation rules have further added up to the confusion. As a result of this, e-commerce companies are struggling to comply with the Indian Tax Code and yet maintain operational efficiency. As per Press Note 5 released on September 20, 2012, companies with FDI cannot get into inventory based consumer e-commerce. This restriction of FDI in e-tail is constricting the access to much needed capital required for investments in technology and fulfilment services that are vital to the companies' survival strategy. An estimated 70–80 per cent of e-commerce companies are on life support and are in dire need of funds.

**BESIDES THE TAX** related issues, the absence of last mile connectivity due






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to limited pin code penetration by the logistics companies has limited the reach of the e-commerce industry. Additionally, weak logistical infrastructure has led to high per unit logistic costs, thus adding to the woes of this industry. Relatively high broadband prices, quality and reliability of internet connection and low accessibility to PCs have resulted in the low internet penetration. The industry also faces high transaction drop-out rate which stands at 25-30 per cent, lower adoption of digital modes of payment due to low penetration of credit and debit cards and restrictions on e-Wallets. Many companies have tried to address the issue by introducing Cash on Delivery (COD), which has now grabbed 50-60 per cent share as a preferred mode of payment. This may have led to an increase in the revenues: however, it has had an adverse effect on the profit margins of these companies.

**FOR THE LAST** five to six years, PE funds had backed a wide range of e-commerce businesses including inventory based consumer e-commerce (e-tailing), fashion stores, business services, job portals, e-payments, classifieds etc. The average deal size has almost doubled from US\$ 6 million in 2007 to US\$ 11 million in 2011, as e-commerce businesses have gained traction and require larger investments for growth. The inventory carrying e-commerce players with large product spread



## ...foreign investments are required to bring in knowledge of best international practices to achieve operational efficiencies..”

(referred to as horizontal players) may require funding to the tune of US\$ 200 million to get to profitability, while others (for example, marketplace players) may require US\$ 80 – 100 million. Although investments have been made, in order to grow and become profitable, the e-commerce industry requires significant support with respect to capital infusion. Domestic venture capital firms and some institutional investors may already be significantly exposed to the market. The need of the hour is to garner funds from other sources of funding such as FDI through foreign VCs, FIIs etc.

It is widely believed that investments in consumer e-tailing would benefit manufacturing industry by creating newer and deeper channels of distribution, help employment since it is a human resource intensive industry and directly contribute to key services sectors such as telecom, payments and logistics. The currently permitted formats of e-commerce are already helping smaller retailers gain access to new

markets in India and abroad.

**WHILE CONSUMER E-TAILING** is a “non-strategic” sector, I am sure investors and the industry would be open to taking any social “sensitivities” into consideration in allowing FDI in this sector. Also, since the e-commerce industry is at a nascent stage, foreign investments are required to bring in knowledge of best international practices to achieve operational efficiencies and advance technology for both front and back end of business operations. This knowledge, further, would help e-commerce players in shortening the learning curve and curtail operating losses. The current FDI regulations rule out the possibility of any form of foreign investment in inventory based B2C businesses, thus adding to the woes of the well known e-tail companies. However, other e-commerce business models are not affected by the above mentioned FDI regulations. 

[Source: IAMAI-KPMG e-Commerce Report; Rhetoric, Reality and Opportunity] (Views expressed here are personal)



PHOTO: THINKSTOCKPHOTOS.IN

# Multichannel Mode for Maximum Gains

e-Commerce is a disruptive force and with FDI in the sector in the offing, multichannel retail is an acute imperative.

**I**t would not be an exaggeration to say that the days of purely brick-and-mortar retailers in India are numbered. Given the disruptive force of e-commerce, retailers cannot afford to remain either one or the other mode of selling. Traditional hypermarkets like Reliance are embracing e-commerce via dedicated portals as are direct selling global behemoths like Amway to penetrate into India's heartland, the tiered towns and rural peripheries, where the smartphone generation is a growing opportunity. On the other hand, e-commerce marketplaces like Jabong, and Flipkart-Myntra that have benefitted from the huge traction in the fashion category, are employing traditional promotional channels to retain and grow their customer base. From fashion shows to huge billboards and partnerships with leading brands to launching their own signature brands, the e-commerce players are leaving no promotional avenue untouched to beat the competition. The quick proliferation of the multichannel format, as companies seek to tap manifold gains via various modes of distribution, is a trend to watch.

The stakes are high in the fashion category as sales doubled to reach US\$ 559 million in 2013 when compared with top categories like electronics and books, with an estimated growth rate of 20 per cent per year. It is estimated that the fashion segment will reach US\$ 2.9 billion by 2016 and because of the high margins (20 per cent) that the category promises, e-commerce companies are investing heavily in it. The margins can go even higher in the case of private labels (50-60 per cent). Kumar Rajagopalan, CEO, Retail Association of India (RAI), commenting on the phenomenon says, "With increased internet penetration, e-commerce in India is reflecting a global trend—people going online, browsing and in many cases buying. Retailers are competing for a share of wallet and time of consumers." No wonder, in the intensely competitive landscape, retailers are adopting every means to attract this growing consumer base.

It is in fact imperative for even e-commerce players to constantly evolve and innovate to stay relevant. Talking of the successful e-tailing operating models in India, Pragya Singh, Associate Vice-President, Retail, Technopak, remarks that Indian e-tailers have continuously altered and adapted their operating models to better handle the changing market and competitive scenario. "This is only to be expected in a high growth emerging sector like e-tailing. While marketplace models, have existed since the early days of e-tailing, in the last five–seven years several players chose to adopt inventory-led models, with a view to control and enhance customer experience. However, over the past two years,



was initially a deals site, and Flipkart, which was inventory-led, have both transitioned to managed marketplace models." Amazon entered Indian shores last year, with a marketplace model. Players like Jabong have moved to hybrid models by adopting the managed marketplace model for part of their merchandise (rest being inventory-led).

The adoption of marketplace models by e-tailers, in any of its forms, is based on compelling reasons with business scalability and foreign direct investment (FDI) policy compliance being predominant ones. Marketplace models, however, are challenging to execute, especially in the Indian context. Lower margins, a digitally ill-equipped ven-

**"...e-commerce in India is reflecting a global trend, people going online, browsing and... buying. Retailers are competing for a share of wallet and time of consumers."**

**Kumar Rajagopalan**  
CEO  
Retail Association of India

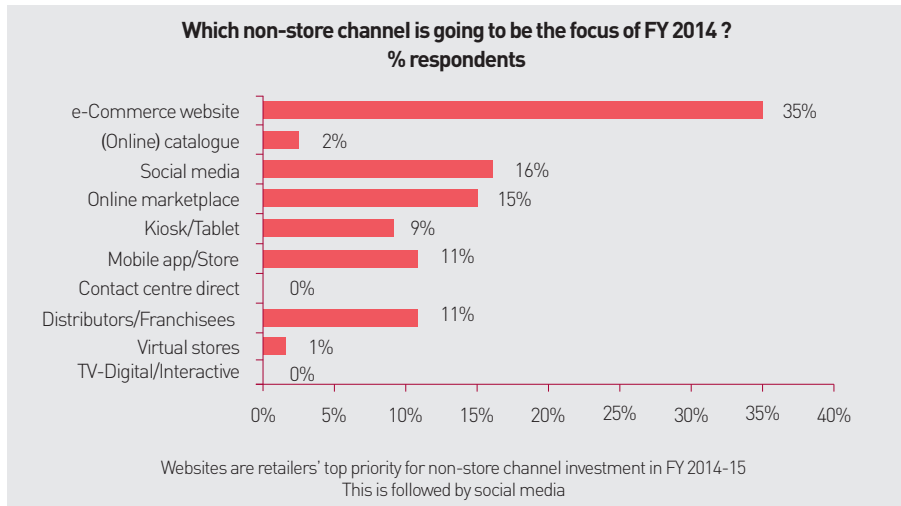
many e-tailers have transitioned to marketplace models." Elaborating with examples she adds that different versions of the marketplace model have emerged like (back to back, drop ship) and pure play. The reason for the popularity of the managed marketplace model with e-tailers than the pure marketplace model, according to her is that the former allows greater control over fulfilment and customer experience. "Snapdeal, which

dor base leading to poor service levels, and suboptimal logistics services which result in fulfilment complexities are some of the extant challenges. In particular, the marketplace shopper experience is under great scrutiny with cases of e-commerce players trying to circumvent the laws of the land.

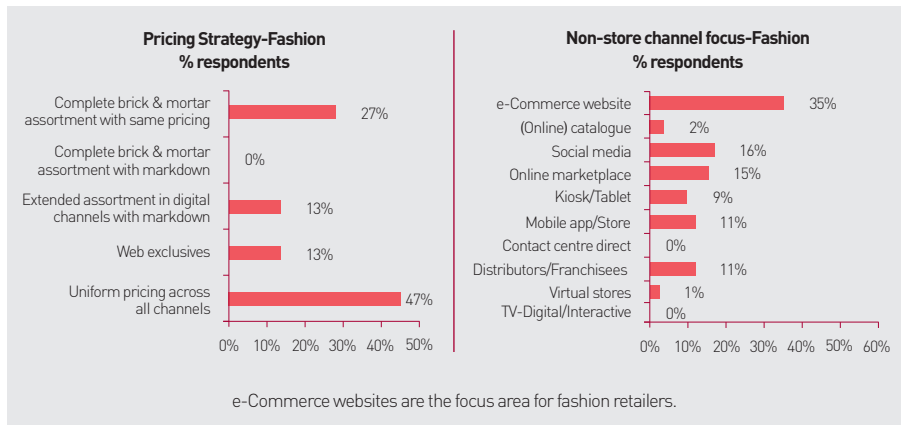
Talking about the future operating models, Singh says, "Going forward, the focus on scalability will increasingly drive the adop-



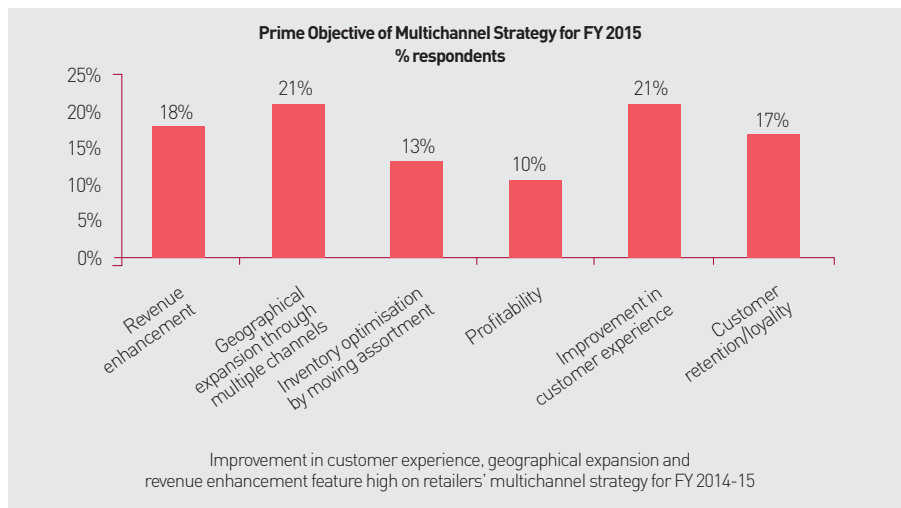
### Prioritisation of Non-Store Channels for FY 2014-15



### Fashion - Strategic Focus for FY 2014-15



### Primary Objective of Multichannel Strategy in FY 2014-15



Source : Retail Operations Benchmarking and Excellence Survey 2014 – The State of Multichannel Retail, Retailers; Association of India (RAI)-Tata Consultancy Services (TCS)

tion of the marketplace model. However, success will follow only if the transition is undertaken in a seamless and controlled manner. Effective methods to manage vendor ecosystem will become a fundamental requirement. The impact of these efforts will then benefit players in the form of better fill rates, delivery services and higher quality customer experience.”

If the operators are continuously evolving and changing their models, it is in order to stay relevant to the rapidly evolving Indian consumer with unique needs logging in to their websites. Discussing the changing profile of the Indian consumer, Rajagopalan says, “Consumers today start their day with their mobile phones, shift to their computers and end the day by watching TV. e-Commerce helps engage consumers and offers them the convenience of shopping at their fingertips. It has also enabled geographical penetration for the retailers. World over retailers are developing robust multichannel strategies and India is not far behind.”

Rajagopalan says Amazon’s entry into India has been a positive step for the country, as it pushed the homegrown large marketplaces like Flipkart and Snapdeal to think differently. “Amazon with its international experience established a marketplace to capture the mass and in a way it will be positive for the industry,” he says, adding, “A major change will come if FDI in retail gets the nod, as then we will see large players like Walmart, IKEA, etc., coming into the fray big time. At the end of it, as we all know, consumer is the king. Hence the ultimate benefit will be to the consumer.”

A 2014 report brought out by the Tata Consultancy Service and the Retail Association of India titled, *Retail Operations Benchmarking and Excellence Survey 2014 – The State of Multichannel Retail* brought the spotlight on the need for fixed store formats to adopt multichannel retail models in view of the increasing number of internet users in India, which in June 2014 was slated to reach 243 million. Google India has predicted that by the year end Indian internet users will surpass the US and the number will grow to 500 million. Add to it the smartphone penetration in the country, which currently is 185 million and growing with increasing penetration of 3G and 4G broadband services. In the next five years



## POINTS TO PONDER

- 01** Brick-and-mortar retailers have begun their multichannel journey in earnest. The primary objective for multichannel initiatives is geographical expansion and revenue enhancement, which is likely to be driven by the online marketplace as a growth channel. But to improve customer experience, retailers have a strong focus on their own e-commerce website.
- 02** With 'showrooming' affecting multichannel and faced with customers who straddle shopping channels with ease, most retailers are making concerted efforts to reinvent themselves by offering a seamless experience, and revamping delivery and payment mechanisms.
- 03** Large retailers, buoyed by growth rates of more than 15 per cent, are leveraging non-store channels to reach Tier II and III cities' remote areas where they do not have a brick-and-mortar presence.
- 04** Smaller players view this as an opportunity to compete on a more level playing field with chain stores: the non-store channel has led to a democratisation of brands.
- 05** Physical stores continue to enjoy higher loyalty from customers as compared with non-store channels.
- 06** Non-store channels have demonstrated around 30 per cent higher returns compared with physical stores.

**Source :** Retail Operations Benchmarking and Excellence Survey 2014 – The State of Multichannel Retail, Retailers; Association of India (RAI)-Tata Consultancy Services (TCS)

m-commerce will account for 20 per cent of the total e-commerce in the country. While online retailers service 3,000 scattered pin-codes, comparatively the reach of the largest retail chain is not more than a 100 locations. The implications of these numbers are huge and the organised retail industry realising the online advantages is logging in to tap them.

The success of marketplace models that provide a berth to SMBs and local retailers in Tier II and III cities on the e-commerce platform has further paved the way for the wide-scale adoption of the multichannel format. An e-commerce website is just a part of the multichannel format that comprises online (catalogues), social media, contact centre direct, distributors/franchisee, virtual store, TV/digital/interactive, mobile app/store, kiosk/tablet and online marketplace. The multichannel format allows retailers to widen their geographical reach and take their product offering to the increasingly aware, demanding and with deep-pocket consumers in the rural and suburban India and across the spectrum of consumer profiles. For the smaller retailers, the multichannel route allows a level playing field as they can compete with bigger brands and large chain formats online at competitive pricing. According to the TCS-RAI report, the

**“Going forward, the focus on scalability will increasingly drive the adoption of the marketplace model.”**

**Pragya Singh,**  
Associate Vice-President, Retail,  
Technopak


non store formats have demonstrated 30 per cent higher returns than fixed store formats, perhaps this is another incentive for retail players to go the multichannel way.

Cautioning retailers on the pricing strategy currently adopted by e-commerce players in India, Rajagopalan says, “They are playing on price offs (discounts to consumers). This would create a few successful e-tailers, but not all will succeed.” The RAI report too notes the retailers' discounting practices and warns that it may have a whiplash effect as it turns consumers into deal seekers. The pricing must be such that retailers move up the multichannel path to offer better value to

consumers. Increased investor interest in the marketplace model of e-commerce is further boosting the multichannel retail model. As Rajagopalan enlightens, “There is investor interest in marketplace models which help various businesses offer their goods and services online. These marketplaces have become the malls of the online world.”

The multichannel model is certainly the way forward for the large retail industry in India, which, according to Deloitte's *India Retail Market Report 2013* is expected to reach US\$ 750–850 billion by 2015. The report adds that organised retail constituting 8 per cent of the total retail market, will grow much faster than traditional retail, to 20 per cent by 2020 and gain a larger share in the growing retail market.

However, to achieve this growth, the store retail players will need to synchronise the pricing and offerings of various formats. While the e-commerce marketplace model has provided the right platform for SMBs all over India, there is an urgent need for proper policy and legislation to ensure that the big sharks do not swallow the small fish. Secondly, the brick-and-mortar model now also has to compete with online retailers who are trying to give their customers the store format touch-and-feel advantage through innovative apps and initiatives. The only way ahead for them at this point is the multichannel route. To conclude with Rajagopalan, e-commerce is complementary to the brick-and-mortar retail stores as one integrates into the other in a multichannel world of endless possibilities.

“One of the benefits of e-commerce has been to help some offline retailers create a concept of endless aisles. Many retailers globally supplement their offline retail businesses with online offerings. This means that customers can come to a store and order goods online if the item is not available in that particular store. Retailers are also developing robust ‘click and collect’ models that help customers buy goods online and take delivery of the same from the trusted retailer offline (ie., from the physical store).” Television meanwhile certainly is the best visual medium to garner top of the mind share for both fixed and non-fixed distribution formats to create visibility and garner maximum hits. 

**STV**

(Based on interviews and secondary research)

# The Amway e-Xperience

For Amway, e-commerce has played a significant part in its global success. Here's why it chose to go online. **BY SANJAY MALHOTRA, DIRECTOR - IT, AMWAY**

**A**mway India has had phenomenal 16 years of business operations in India. It has grown a base of almost 800,000 Amway Business Owners (ABOs) across the country, established a nation-wide presence with over 125 offices, 55 city warehouses and four regional mother warehouses. The distribution and home delivery network set up with the support of independent logistics partners is spread across over 3,000 locations and 11,000 pin codes. The annual sales turnover now exceeds ₹2,000 crore.

In all these achievements of Amway, e-commerce has played a significant part. It is pertinent to understand here why internet plays such an important role in the organisation:

- AIE's business is growing rapidly
- Physical presence in every town is difficult
- Most of the 800,000 ABOs are in the business part time and want to interact with the company at their convenience. Therefore, there is a need for a 24X7 infrastructure
- The new ABOs are younger and technology savvy and wish to utilise the time at their disposal more productively
- Internet is redefining India's social landscape and it is no longer a business tool but also an effective way for people to make new "connections" and find new customers

These were some of the important considerations for the company to adopt a multichannel strategy. In 2004, the company had a very basic site, and with the evolving social landscape and business needs, it launched an e-commerce portal ([www.amway.in](http://www.amway.in)) in 2008, which is constantly evolving in line with ABOs' changing needs. The portal is divided into two sections Public and ABO Only. This portal has enabled the ABOs to buy Amway products online and have it home delivered through the company's home delivery network; manage and grow their business by facilitating them with online

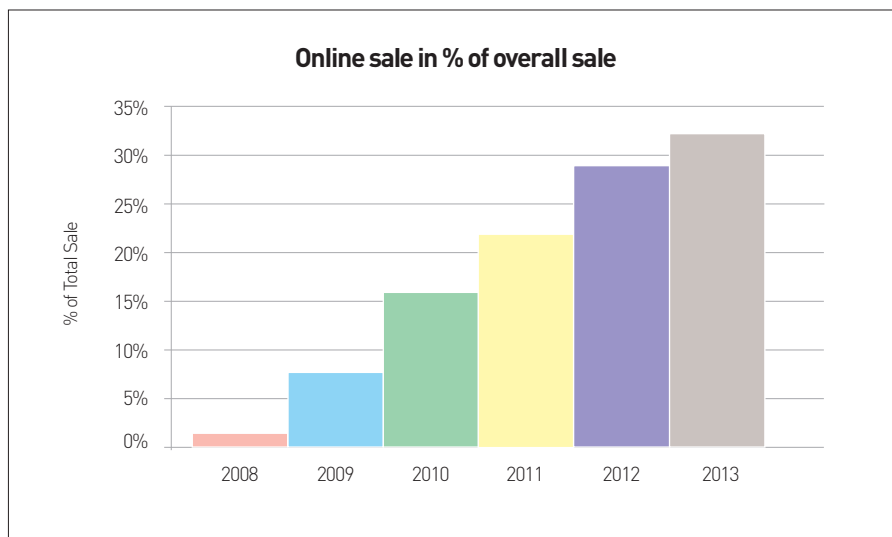
business reports and analytical tools; connect with prospective customers; and manage training needs supported by e-Learning. The e-commerce facilities are available to Amway ABOs and customers in almost all the 80 countries and territories it operates in. The Amway e-platform functions in the following way:

- A registered ABO can create login credentials on this e-platform
- Based on the requested ship to address, the system identifies the warehouse from where this order will be fulfilled and delivered


f. ABOs are provided with business reports and analytical tools to track their business online

g. Non-ABOs can add the product to the cart but cannot pay for it online. This information is then routed to an ABO who ensures fulfilment of the customer request.

The response of the customers has been extremely positive as is demonstrated from the fact that the contribution to sales of the e-platform has had rapid growth (See graph). Globally, there are certain countries where over 90



- The ABO can choose products and add them to a cart and on check out is presented with payment options like Credit Card, Debit Card, Net Banking, Cash Card, etc
- On successful receipt of the payment the order is confirmed and sent to the invoicing system for generation of invoice. The invoice gets printed in the warehouse identified for fulfilment. The warehouse then packs the goods and sends it to the shipment address.

per cent of the orders come through the online channel. Moreover, there are cost advantages, as servicing an online order is about 33 per cent cheaper than a pickup order of the same value. In 2013, Amway created its presence on the social media portals like Facebook, YouTube and Twitter to actively engage with ABOs and customers. Amway now plans to extend its online presence to mobile by providing mobile applications to its huge ABO community. 

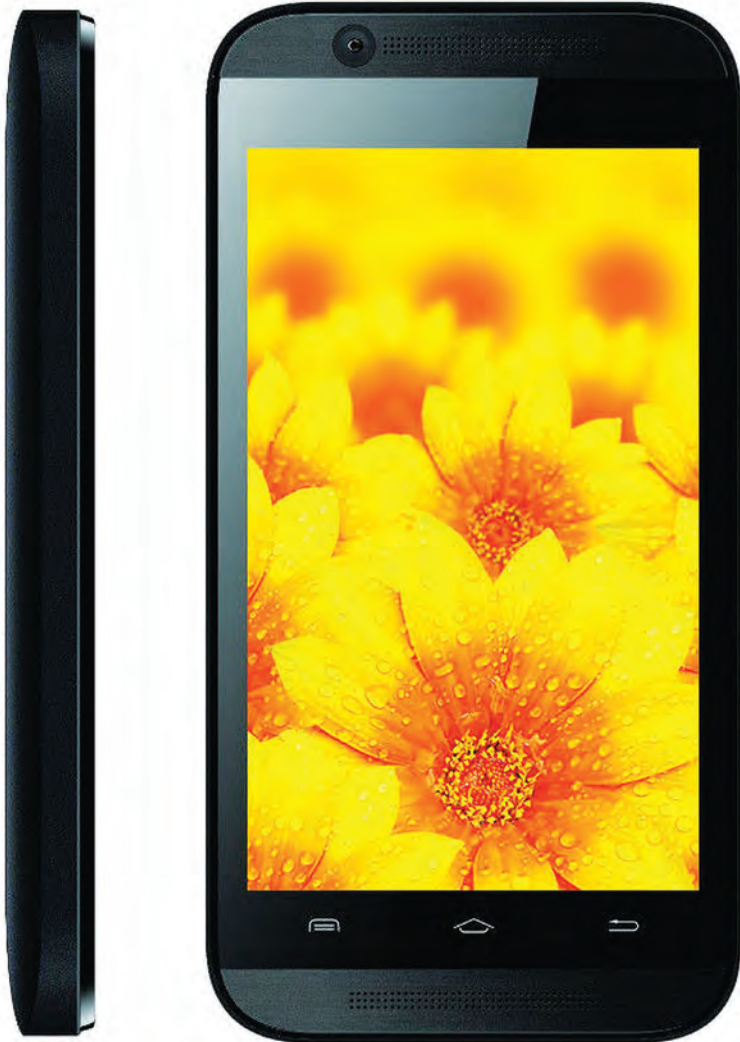
**“ An Aware  
Consumer  
Is A Smart  
Consumer ”**



# THE BUYERS' LENS



The best buys guide from top-of-the-line e-commerce players. To look up these latest treasures, log in, browse, compare and click from the convenience of your handphones or PCs and laptops.



## INTEX AQUA 4X

*The Intex Aqua 4X is powered by a Dual Core processor running on a 4.2.2 Jelly Bean OS. With a 4 inch screen size, the smartphone supports a 3G Dual SIM feature and uses a 1300 MAH battery. The smartphone boasts a 2 MP primary camera with a secondary VGA camera. The Intex Aqua 4X offers its users a memory space of 512 MB with an additional storage capacity of 256 MB to enable them to save their favorite apps and documents.*

*The Intex Aqua 4X is one of the many smartphones sold exclusively on eBay India. This is due to the fact that there is a huge demand for mobile phones on ebay.in. Such is its velocity of transaction that a mobile phone sells every minute on ebay.in.*



### CASIO-G SHOCK

G-shock series of Casio Watches are unisex timepieces for men and women who want their watches to perform more than just tell the time.



### ACCUTONE PISCES BAND

A foldable design with leatherette ear cushions and a tangle-free cable, this headphone has good bass response and delivers clarity as well!

**XBOX  
ONE**

Welcome to a new generation of games and entertainment. Where games push the boundaries of realism and television obeys your every command. Where you can jump from apps to a game in an instant. Where your experience is custom tailored for you and the entertainment you love is all in one place. Welcome to the all-in-one—Xbox One—launched exclusively on [www.amazon.in](http://www.amazon.in) on September 23, under Amazon's new initiative, Release Day Delivery (RDD), a service committed to delivering new product offerings to customers on the day of their release. The service was launched with midnight deliveries of Xbox One, which was released at 00.01 hours in India on the day.



**XPERIA™ Z  
SERIES**



Xperia™ Z series flagship smartphones—Xperia Z3 and Xperia Z3 Compact—both premium smartphones combine all of the details that make Xperia smartphones great, including the highest level of waterproofing, enhanced camera experiences and applications, up to two-day battery life, best audio quality and PS4™ Remote Play2. Xperia Z3's 7.3 mm super-slim rounded aluminium frame and durable tempered glass panels is available in a choice of a new range of colours and is just 152 grams in weight with an easy-to-use interface and symmetrical design. Xperia Z3 Compact's rounded liquid reflection frame with tempered glass panels gives it an elegant, premium finish. It comes in a compact design that is just 8.6 mm thick and 129 grams and is perfect for one-handed use. Xperia series is available on [www.flipkart.com](http://www.flipkart.com).



**FUJIFILM X100T**

An update on earlier versions with improved inner workings, the latest edition sports the hybrid EVF. It has 16.3 mega-pixel X-Trans CMOS II sensor.



**ICOOKIE TRACKER**

Never lose another key with the iCookie tracker. It's a nifty little Bluetooth button. Register the device with your smartphone and keep track of your possessions.



**“We are working to create an ecosystem to address **the full cycle of consumer engagement with the market...**”**

**G Gurucharan**, Additional Secretary to the Government of India, Department of Consumer Affairs, in conversation with *Sangita Thakur Varma*, shares his views on how to forge a strong instrument of consumer advocacy in India.



**Q What is the role of the Department of Consumer Affairs (DCA) and the key policy focussed areas?**

The primary mandate of the DCA is consumer advocacy and we have a very specific picture of what this constitutes. We want to be able to create an environment which will empower the consumers at all stages of his/her engagement with the market. There are three distinct stages of consumer engagement—before he/she buys a product or a service or stage 1; when he/she is buying product or service, and this is stage 2; and stage 3 which occurs after a consumer has purchased a product or a service. At each stage, consumer advocacy plays a very important role. At stage 1, empowerment of consumers takes place by providing them credible information, creating awareness in them about products or services and the risks associated in trade and ensuring that he/she doesn't become the victim of a misleading act. In the second stage, our objective is to try and ensure that the product or service that a consumer receives as a result of the transaction in the market is fair, equitable and consistent. In stage 3, it is our responsibility—by our, I mean all stakeholders including the Government of India, state governments and consumer organisations—to make certain that post-sale consumers get easy, affordable and simple redress of their grievances.

To achieve consumer empowerment goals at stage 1, we are working to create an ecosystem that would address the full cycle of the three stages of consumer engagement with the market. As a primary step, we are creating an inter-ministerial group to tackle the problem of misleading advertisements. Consumers will begin to see the results of this step soon. One of the initiatives being taken under the inter-ministerial group's aegis is the online portal being developed to enable consumers to complain directly about misleading advertisements. Similarly, at the stage of purchase (stage 2), we are amending BIS Act, 1980, to expand the list of products that are under mandatory assurance category from 90 to 2,300.

An amendment to the Consumer Protection Act (CPA) is also being effected by

bringing in two important changes. Firstly, establishment of a Consumer Protection Authority, a central authority with powers to make interventions on a class action basis. The authority would be empowered to order recall of a product from the market, return of a product and refund of a product to the whole class of consumers, if a product or a service is found to be defective. This is in line with international best practices in countries like the US or the UK where if one car is found defective, the entire line of production is withdrawn. Currently, there is no law in India that enables such a drastic overriding act in favour of consumers. We are creating that structure. Secondly, we are developing a product liability provision to be included in the CPA. If any injury is caused to a consumer from a product or a service—injury could be in any form, physical, mental trauma or even inconvenience—the consumer can claim damages. The compensation would cover not just the value of the product but the attendant psychological and physical harassment cost. We are also simplifying Legal Metrology Act to widen its ambit which currently covers measurement of weights and measures to ensure quantity

**“We are proposing a set of guidelines for e-commerce in consultation with related departments. The Consumer Affairs Department will attend this consultative process...the CPA will then allow the government to make interventions on consumers' behalf ”**

guarantees for consumers. So, broadly this is our approach.

**Q You have spoken about the rural focus of the department. How do you ensure that the measures reach rural consumers?**

The CPA was legislated in 1986 and was a pioneering Act and in 1997 the Department of Consumer Affairs was established. With this, somehow, a feeling developed in other government departments that consumer advocacy is the responsibility of only one department, namely the Department of Consumer Affairs. But this is not so. There are other departments that deal with large numbers of consumer problems. For example, agriculture deals with farmers who are consumers using seeds, fertilisers, pesticides, etc. Public Distribution System affects the largest number of consumers, and there is a need to ensure quality products and services to consumers here. There is a transport department too. Yet, how many buses, whether private or government, how many trains and how many planes ensure quality service? How many medical institutions, when you go for treatment, provide quality service? Quality service, according to me, is service measured against quality standard. Consumer advocacy has also so far been urban-centric.

In order to overcome these limitations in consumer advocacy efforts of the government, we decided to bring together other departments as also consumer organisations on the same platform with us to enhance consumer advocacy. We took this proposal to the Committee of Secretaries and now we have orders to constitute an inter-ministerial group focussing on six sectors—agriculture, food, healthcare, housing, financial services and transport. You may ask why these six sectors specifically? The selection is based on the fact that these sectors influence the largest numbers of consumers. All consumers need food, financial services, chit fund, banking... Thus through these six sectors our attempt is to cover the largest base of consumers who need help, not just from the GoI, but state governments, district administration and voluntary organisations. Through this widened ambit of consumer advocacy we have tried to focus

on rural areas. What we have proposed is that for these sectors we have separate consumer advocacy plans to be implemented by the respective departments in partnership with the Department of Consumer Affairs.

**Q What are the significant achievements of the department in the last two years, which have value for consumers and other stakeholders?**

On the awareness front, the ministry has been very successful. The *Jago Grahak Jago* (JGJ) campaign is well-known—not just in India, but abroad. Most people sensitised through JGJ when buying gold jewellery look for hallmark, a guarantee of quality. Most consumers also know that if there is an ISI mark on a product, then it signifies quality. But the need is now to take a step forward and make people know that awareness is not the responsibility of Department of Consumer Affairs alone. The other six departments should also play an active role in enhancing awareness.

The second achievement of the department is that we have been able to streamline consumer products. In the last two years, a lot of infrastructure strengthening is being done for consumers. We have a network called Confonet which enables us to monitor the disposal of consumer grievances by consumer courts. Now our next focus is on creating a culture of quality standards, whether for products or services.

**Q Please provide some highlights of the proposed amendments in CPA? How do the amendments help improve consumer welfare and protection and redress system? How do the amendments plan to address emerging channels of distribution like direct selling and e-commerce?**

The nature of amendments in CPA focusses on three-four key areas. One is the proposal to set up Central Consumer Protection Authority (CCPA). To explain its importance briefly, earlier, we had Monopolies and Restrictive Trade Practices Commission (MRTPC), meant to prevent monopolies and restricted trade practices and prevent unfair trade practices. The MRTPC's work was shifted to the Competition Commission of India (CCI). However, the unfair trade practices issues remain unattended. As is obvious, there was a



gap in the regulatory structure. We proposed to fill the gap by establishing CCPA. The role of this authority is to intervene and prevent unfair trade practices. By introducing product liability provisions, we are making manufacturers liable for damages and also for providing, manufacturing, supplying or distributing sub-standard goods or defective goods from the perspective of safety or quality assurance. Our third focus is to simplify the process adopted by consumer courts for disposal of consumer disputes. The current law provides that consumer disputes should be disposed within 90 days and if they are of technical nature where technical consultations are required, then they may take up to 150 days, which means three months ordinarily and five months if the cases are on a specialised topic. Typically, we have found that consumer courts take two to three years for the disposal of cases. It also becomes complex because advocates appear in these courts. It's a judicial process and so there are delays—expensive and cumbersome. We are trying to simplify this system by bringing in reforms in the manner and functioning of consumer courts.

As regards the concerns of direct selling or e-commerce consumers, I just want to make two-three basic points. One is, e-commerce is going to be the next big market breakthrough. Increasingly, you will see that more and more trade and business consumption is done

through the electronic medium. It will not only be for goods, but also for services. From all accounts, e-commerce is going to be the next big transformative force in the marketplace. It should be welcomed and we must try and help it to grow. This is the first point I want to make. The second is that e-commerce is very complex because it de-territorialises transactions. The supplier can be in any remote corner of the world and the consumer can be in another remote corner of the world. Yet, transaction takes place, whether of physical product or a service. The operational models add to this complexity as it's not just a B2C platform, but can be a B2B, C2C or C2B. It also can be a government to consumer platform or a government to business platform. The potential that e-commerce holds is simply amazing. Therefore, its complexity is something that requires all stakeholders to come together to address it.

My third observation is on the policy perspective. e-Commerce is at the intersection of four or five regulatory departments of the government—Department of Electronics because it's an electronic platform, Department of Industrial Policy and Promotion because it is they who set down the policy for the industry, Department of Commerce because e-commerce deals with imports-exports, Department of Consumer Affairs because the industry has a large and growo-



“...we have orders to constitute an inter-ministerial group focussing on six sectors... through this widened ambit of consumer advocacy we have tried to focus on rural areas.”

**G Gurucharan**, Additional Secretary to the GoI, Department of Consumer Affairs

ing consumer base, and Department of Financial Services because financial aspects are involved. All stakeholders involved in policy formulation and regulation must come together to develop balanced guidelines to enable the growth of e-commerce and at the same time protect the interests of consumers. We are proposing a set of guidelines to be developed for e-commerce in consultation with related departments. The Consumer Affairs Department will attend this consultative process, at least from the consumers' perspective, and try to include some of these guidelines into the CPA. The CPA will then allow the government to make interventions if there is consumer detriment arising from e-commerce. The same applies to direct selling as well.

**Q It is the responsibility of the department to monitor and control pricing. How does the department ensure fair pricing in the e-commerce model?**

We must recognise that e-commerce is based on different models. To mention just two—one is agency-based model, which is typically followed by for instance, Flipkart, where it brings buyer and seller on the same platform and enables the transaction and they Flipkart gets commission for providing the service. Second is the warehousing-based model, say for, Amazon, where e-commerce players

store the products and sell to consumers. Now, there are advantages and disadvantages in both. The pricing varies between agency model and warehousing model. Some players sell it cheaper, some players at higher price. This is the first problem. Price is a function of demand and supply in the market except when there is information asymmetry or there is externality or price distortion because of market distortions.

In e-commerce channel, the government does not have the means by which it can determine the price or dictate the price—this would not be a market function but an applied function. It is not possible because the virtual market or marketplace is such that you can't fix a price. The only thing you can do is to use your current laws to ensure that all e-commerce players follow the law of the land and comply with the regulations set down.

**Q Consumer India is the focus for international brands. How does the department ensure that Indian consumers get the best deal and at the same time are not denied quality global products and goods?**

We now live in a global market. If we want to provide access to consumer India to the best products available overseas, whatever barriers there are to goods coming from outside, have to be removed. The government is looking at enabling more and more good quality prod-

ucts coming from overseas. But that said, we also have a responsibility to ensure that goods coming are of high quality and, most importantly that they adhere to the common laws—both in terms of quality standards and also in terms of national rules and regulations. All international products are not good. A lot of dumping takes place. We should prevent that and the government is addressing all these.

**Q Have consumer organisations in India kept abreast with new developments in consumer India? What steps are being taken by the department to strengthen these bodies?**


India has a strong consumer movement and there have been credible voluntary consumer organisations and very good work done. But the problem perhaps has been that they have not formed an alliance. Each one is doing very good work but in their respective geographies or in their respective sectors. They have not come together to form a federation which has a bigger voice. The effort now is to forge such an association between all active groups to generate some critical mass. This is our focus. To do this, we are starting a new programme called Grahak Suvidha Kendra. It's a network of facilitation centres managed by these voluntary organisations but funded by the GoI to provide a host of services to consumers. 











PHOTO: THINKSTOCKPHOTOS.IN

## Investment Journey

**July 2010:** US\$ 10 million by Tiger Global

**June 2011:** Tiger Global's another investment of US\$ 20 million

**August 2012:** Tiger Global and Naspers group pool US\$ 150 million

**July 2013:** US\$ 200 million from Tiger Global, Naspers, Accel Partners and Iconiq Capital

**October 2013:** US\$ 160 million by Dragoner Investment Group, Morgan Stanley, Sofina, Vulcan Capital and Tiger Global

**July 2014:** Tiger Global Management and Naspers invest US\$ 1 billion

undeterred and committed to their goals, finding their way up the ladder on the pulse of the people, learning from the 'bad business' done by other e-commerce companies and working on the feedback received from customers with their never-dodge-the-customer attitude.

"The biggest enabler for them,

I feel, has been the fact that they always set out to create a company which makes purchasing easy for the customer. They kept the principle of 'consumer first' in mind and worked to make things easy for consumers, which helped them and gave them a position which is envied by many", said Bikky Khosla, CEO, tradeindia.com and Chairman, e-Commerce Committee, Assocham. Early success only served to make the Bansals more determined to develop Flipkart into India's leading e-commerce marketplace. Today, according to estimates, the platform offers more than 15 million products across 70 plus categories, employs 14,000 people, has 22 million registered users, and enables delivery of over 5 million shipments per month.

### Strategic Moves

Bansals are nothing if not smart movers. Sensing the explosive

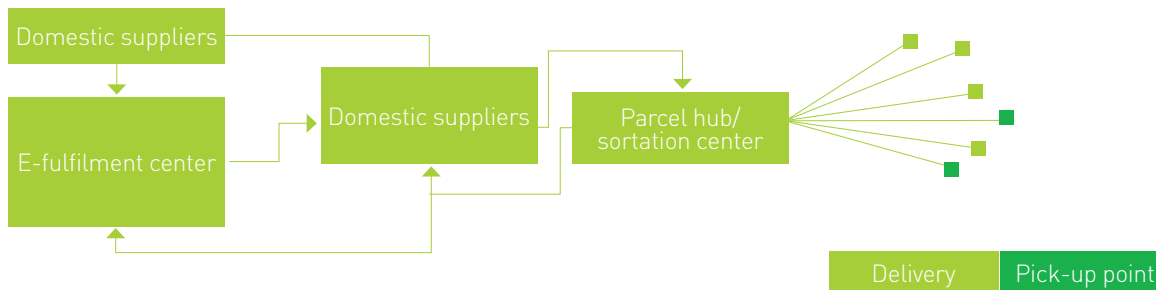


**Binny Bansal,** 32, grew up in Chandigarh, went to the same school where Sachin studied. Binny, too, studied Computer Science in IIT-Delhi and worked in different companies before joining Amazon, where he met Sachin

growth of mobile commerce (m-commerce) in India in the coming years, Flipkart has decided to strengthen its mobile payment service by investing in payment platform Ngpay, a free mobile app that allows customers to buy goods and services through their mobile phones. The company has closed its in-house payment gateway Payzippy after a year of its launch and merged it with Ngpay.

Innovation and constant diversification are the twin strategies to remain ahead of competition in the online space. Flipkart understands this well and is constantly improving its offerings with new and added features to customers happily engaged. Besides providing customers the benefit of annual subscription service, Flipkart First, the e-tailing company offers services like In-a-Day Guarantee in 50 cities and Same-Day-Guarantee in 13 cities at scale. An exclusive plan, Flipkart Students

## E-tail Model



Source: Evolution of ecommerce in India – Creating the Bricks Behind the Clicks, PwC-Assocham

scheme, targets the large youth population of the country with additional discounts in various categories from time to time. The company launched its in-house home appliances and personal healthcare brand, Citron—which offers a wide selection of cooking utilities and grooming products. Flipkart forayed into the private labels segment in 2012 with Digiflip and has been aggressively marketing its products. It launched Digiflip Pro tablets in June, followed by another five ranges in August. A lifestyle private brand Flippd was launched in January 2014 to tap the fastest growingetailing segment—fashion. The only blip in its smooth ride came in 2012 when Flipkart’s forayed into digital music service and had to shut it within a year launch.

### Inking A Leadership Saga

It was a strategic partnership to beat the mother of all competitions—Amazon was poised to open its account in India in mid June 2013—Bansals moved with alacrity in a consolidation drive and Flipkart acquired Myntra, which dominates the online fashion and lifestyle space in May 2014. The smart move successfully expanded Flipkart’s profile and market share in the country and delivered instant results for the company in one fell swoop—it became the No.1 e-commerce company in India—and had now a solid foothold in all online categories



PHOTO: THINKSTOCKPHOTOS.IN

of retail business. A report by Assocham and comScore released in August said that Flipkart group of websites, including Myntra, were the most visited retail sites with over 26 million visitors in July, followed by Jabong with 23.5 million visitors and Amazon with 16.9 million visitors. The study excluded customers who visited websites using mobile internet and mobile apps. Myntra however, was not Flipkart’s first acquisition. It had earlier acquired Letsbuy.com, an electronics retailer, for an estimated US\$ 25 million in February 2012. In September this year, it had inked a deal with Spice Retail Limited, under which select flagship products from Spice are to be exclusively launched on the

e-commerce major. The company, in August 2014, announced a marketing tie-up with online classifieds marketplace OLX.in to leverage each other’s strengths by permitting potential customers to sell their used products to the latter while buying new ones on Flipkart. In the same month, the company had a pact with the Ministry of Textiles to facilitate handloom weavers across the country through the online marketing platform. The initiative is a win-win model for both Flipkart and the weavers as the former will further diversify its product range and the latter will receive fair price for their labour, boosting the handloom sector.

In the biggest fund-raising event ever for an Indian e-commerce company, Flipkart in July 2014 attracted a whopping US\$1 billion investment from its existing investors Tiger Global Management and Naspers. As per industry experts, the Bangalore-based company is now valued between US\$ 5–6 billion nearly double the estimated value of US\$ 2.5–3 billion in May 2014. Flipkart’s other past investors include Accel Partners, ICONIQ Capital, Dragoneer Investment Group, Morgan Stanley, Sofina, Vulcan Capital, DST Global and Singapore’s GIC. Flipkart’s next move is keenly awaited. Meanwhile, here’s a toast to their flipping success! 🍷  
(Despite repeated requests Flipkart refused to participate. The report is based on secondary research.)





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Author

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# BRIDGING THE DIGITAL DIVIDE WITH ICT

ICT does not only find application in e-businesses, it also has a major role to play in e-inclusion efforts of the government and private players. **BY CHARRU MALHOTRA**



**India's rapid** economic march to the ranks of developed nations requires that it moves as rapidly towards becoming an inclusive society. It mandates that the most underserved of the nation are brought into the ambit of its governance to enjoy the fruits of development. It also means that this development of the country must be sustainable. e-Inclusion is a tool that helps in achieving equitable and sustainable progress in a society. It aims to ensure that “no one is left behind” in reaping the benefits of Information and Communication Technology (ICT).

e-Inclusion digital initiatives are expected to be shepherded by the principles of good governance with increased transparency in processes of governance reducing corruption, subjectivity in decision-making and also the costs and discomforts in accessing public services. These digital initiatives must also be accessible to all sans any prejudices or discriminations or restrictions. Indeed, inclusiveness in ICT usage, and inclusiveness in governance, both, happen to be equally valid intertwined doctrines for designing any digital initiative that strives to be ‘inclusive’ in nature and spirit.

The mainstay of an e-inclusive digital initiative is to reduce all kinds of disparities in the usage or access to ICT tools and is also to achieve development objectives for all those intended beneficiaries who happen to be at the fringes of society. Such intended beneficiaries have been referred in the related literature usually as marginalised/isolated/deprived/neglected/vulnerable or subaltern sections of society but the author refers to them as differently privileged communities (DPCs). Using digital tools and technologies, an e-inclusive initiative is expected to enhance livelihood opportunities, provide equitable social participation or lend a better quality of life for the DPCs. This article presents a two-pronged e-inclusion paradigm for such digital initiatives:

**1. Uniform access to ICT technologies:** This cornerstone of the paradigm is required so that all (or some) of the differently privileged digital communities can get exposed to ICT knowledge and skills to stay on the ‘right’ side of the digital divide.

**2. Provision of basic life skills using ICT as a tool:** The second cornerstone of the framework intends to augment the capabilities of all (or some) of the DPC so that their socio-economic development could be catalysed using ICT based applications/initiatives.

### Current e-Scenario

The e-scenario in India has come a long way since computers were first introduced in the country in 1956. The focus is now on using ICT as a tool for development to increase outreach of governance and accelerate the growth of all citizens holistically on socio-economic and happiness indicators. One of the pioneering initiatives for spreading e-literacy among DPCs was Hole in the Wall (HIW) by Sugata Mitra of NIIT in 1999. A computer was placed in the wall of a kiosk in a slum of Kalkaji, Delhi, and children of the slum were allowed to use this equipment freely. Mitra termed this as ‘minimally invasive education’ (MIE).

The experiment had since been replicated in many places and was among the most recognised projects designed to increase mass IT literacy. Similarly Akshaya, launched in 2002 by the state government of Kerala to make at least one individual in every household IT literate, targeted DPCs including rural scheduled caste, scheduled tribes and women. The pilot project was started in Malappuram (Kerala) wherein 100 per cent e-literacy was achieved in eight districts in its first phase. Another project, known as e-Pathshala also referred to as online digital school, is a flagship program under National Mission on Education through Information and Communication and Technology (NMEICT) undertaken by the Ministry of Human Resource Development (MHRD), Government of India (GoI). A private endeavour, titled e-Path on Wheels was started to enhance educational opportunities for underprivileged children from kindergarten through 12th grade through extensive use of technology.

The underlying spirit of all such e-inclusive digital literacy efforts seems to be resonating in the IT for Masses plan scheme of GoI, launched through its Department of Electronics and Information Technology (DeitY). This prestigious scheme initiated in the Tenth Five Year Plan primarily aims to promote ICT activities for focus groups in areas for inclusive growth of IT sector. The present Working Group on Information Technology Sector for Twelfth Five Year Plan (2012-17) has also recommended continuance of the scheme under 12th Plan with e-Inclusion as its thrust area.

In August 2014, the Cabinet of the Prime Minister further approved another ambitious programme of DeitY, titled Digital India that aims to “transform India into digital empowered society and knowledge economy” by ensuring that government services are available to citizens electronically, to be

implemented in phases till the year 2018. One of its integral components is an IT Mass literacy campaign of the country, known as National Digital Literacy Mission (NDLM). It proposes to make one person in every family digitally literate by providing ICT training to 10 lakh people, one in every eligible household in selected



blocks in each state/UT of the country.

Indian healthcare sector has been another domain that has always seen ICT's intervention for a wider outreach. ICT has been making inroads into the health sector in India over the last decade. There are a few national level health IT programs such as Mother and Child Tracking System (MCTS), Health Management Information System (HMIS), Integrated Disease Surveillance Program (IDSP), Nikshay—an online monitoring tool for Tuberculosis/Malaria/AIDS and others that may be using telemedicine component too. Apollo, Hyderabad and Asia Heart Foundation, Bengaluru along with some other healthcare organisations are also contributing to the health sector using the e-medicine systems. Madras Medical College was the first government medical college to have e-medicine systems installed in India. General Electric and Wipro are also undertaking e-medicine stations in Chennai and Hyderabad. Organisations such as Indian Space Research Organisation (ISRO), have adopted an innovative approach to facilitating healthcare delivery by launching an exclusive health satellite. Recently, the Ministry of Health and Family Welfare announced the launch of an e-health care service that will intensify health awareness in rural India. A special health related web portal will be go live to disseminate information about all health-related programmes and schemes and free medical treatment to the masses. These are small steps in e-health by various stakeholders but are relevant indeed!

Gender Development is another arena where ICT is expected to provide better economic and social development alternatives to women in India. Projects like Computer Microenterprise at Kasargod facilitated by Kudumbashree, Kerala State's poverty eradication agency, e-seva centres, IT@ School Programme launched by government in Kerela, India Shop, promoted by the Foundation of Occupational Development (FOOD) in Tamil Nadu are some of the initiatives that use ICT in one way or the other to strengthen and provide economic security to women.

Agriculture is yet another important sector where application of ICT has certainly attempted to level the opportunities avail-



PHOTO: THINKSTOCKPHOTOS.IN

**e-Learning to Teach:** The new face of India under the various e-learning initiatives aiming for total digital literacy.

able to DPCs. Some ICT interventions, such as the ITC e-Choupal ([www.itcportal.com](http://www.itcportal.com)) have ushered in farmers' empowerment wherein the real-time customised knowledge provided equips farmers to take decisions on cropping patterns, agronomy practices to improve farm productivity and in right timing to sell their produce to maximise income. With four million farmers using the system, it has grown into India's largest internet-based agri-initiative. Apart from this, there are other initiatives, such as Nokia Life Tools and Reuters Market Light that provide customised agricultural information to the farmers using text messages on mobile phones, aAqua (Almost All Questions Answered)—an internet based discussion portal and the government's Kisan Call Centres that deliver information on agricultural extension services using toll-free phones.

A few digital initiatives have also been taken up for the persons with disabilities (PWDs). For instance, the government has given clear instructions to the commercial banks to install new ATMs that would provide audible instructions and Braille keypads to customers from July 2014 onwards. By and large all prevailing e-governance applications such as online rail reservations, alienate needs and expectations of PWDs in its design processes and hence stay elitist in its implementation and usage.

### Policy Recommendations

The fact remains that in a developing and diverse country like India, ICT can prove to be an enabler of inclusive growth only if e-designers, e-developers, e-trainers, e-policy makers and e-implementers together, as a community, guard themselves against peddling off-the-shelf, ready-to-eat, one-size-fits-all kind of generic e-solutions. To the contrary, the principles of "customisation", localisation and responsiveness to the local needs and indigenous resources, must be considered. To ensure a digital inclusive India by 2020, we have to think beyond creation of local language government portals, loose public-private partnership models or expensive western technology based solutions. Some basic policy changes are imperative such as establishing the right institutional framework, putting into operation the elements of an action plan, mobilising resources needed for implementation of a holistic e-inclusive programme and so on. An inclusive approach that takes advantage of citizen participation will generate better deliverables and bolster the system's efficiency, which in return would increase citizen satisfaction and trust on these e-initiatives. A digitally inclusive society is a progressive and equitable society. 

*(This article would not have been possible without the support of my budding colleague AnujaThapar)*

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**Consumer  
Rights Are Our  
Fundamental  
Rights, IT is our  
Duty to ensure  
we are not  
shortchanged”**



DR PREM  
LATA

**DR PREM LATA** is a judicial, legal and consumer rights expert. An active legal luminary, apart from her other involvements, she is currently also Member, Consumer Forum (since 2001, under State Consumer Dispute Redressal Commission of Delhi). She is also behind the online consumer awareness and redressal initiative, [www.consumerawakening.com](http://www.consumerawakening.com).

**SHE IS AN** author and a poet with a vast body of published work besides being an activist and a social worker.

# Consumer Protection Act has scope in e-commerce...”

**A**nita Rosen, president, ReadyGo Inc, and a trainer and speaker on internet and web training-related topics, in her book on e-commerce explains it as a practice of purchasing and selling products and services over the internet or other electronic system. Electronic commerce or e-commerce refers to online business activities. It also pertains to any form of business transaction in which parties are not physically present and interact electronically. Digital information technology is the mode of communication in such business. The World Trade Organisation on September 25, 1998, had adopted a broad view of electronic commerce as “the production, distribution, marketing, sale or delivery of goods and services by electronic means” (Mitchel Andrew D).

Connecting to the web is the first important factor/mode of access for the consumer to the market which has increased e-commerce five-fold after 1990s in India. The new breakthrough in the traditional way of business has completely changed the traditional trading patterns. Broadband and growing use of mobile devices is facilitating the general public at large to opt for net transactions. The presence of e-retailers such as Amazon and eBay, is another important factor influencing e-commerce activities. While consumers are equipped with a powerful tool for searching and buying goods and services, increased competition leads to lower prices, more choices of products and convenience of shopping from vendors located around the world. It is an ease and speed shopping world. Consumers are able to shop or conduct their transactions 24 hours a day and also track the delivery status of their purchase. Comparing prices is a great benefit for consumers as it allows them to access best bargains.

But in this rapidly proliferating virtual world of online transactions, are the existing laws concerning consumers rights adequate for their safety, information, fair trade rights, claims and other rights?

## Recognising New Needs

We may refer here to The Economic and Social Council of the United Nations that had set model guidelines on consumer protection which were adopted by the General Assembly in 1985, recognising the need for protection of the rights of consumers. With the change of scenario today, United Nations Conference on Trade and Development has undertaken a revision of the United Nations Guideline for Consumer Protection (UNGCP). Consumers International, an international consumer rights organisation, has along with other groups been trying to represent the voice of consumers. In an effort to take its initiative forward, Consumers International has published a book titled *Updating the UN Guidelines for Consumer Protection for the Digital Age*, which addresses the specific concerns arising out of online consumption.

Domestically, according to a report, the estimated size of the online commerce market is more than US\$ 12 billion forecast to grow to US\$ 43 billion by 2020. Such huge numbers give a sneak peek into the size and scope of the Indian e-commerce marketplace which begs the question—When there are so many transactions occurring in the online marketplace and since a large number of those transactions are between retailers and domestic consumers, are there any specific



**“...there is scope to make use of this law with the same strength in the virtual e-commerce environment as is done in purchases in physical environment, with a little careful dealing.”**

laws out there protecting the interests of consumers in the online world?

Citizen Consumer and Civic Action Group (CAG) also focussed on this issue to find out if the websites were consumer friendly and also if there were adequate laws and redressal mechanisms in the country to protect consumers shopping online. In 2002 it came out with a report, *e-Commerce and Consumer Protection in India*, that provided an insight into the various e-trading websites and how consumer friendly they were. In 2006, CAG conducted a follow up study—*Protecting Consumer Rights in e-Commerce Transactions*—to evaluate the laws and redressal mechanisms available to consumers. This study brought to light a number of issues such as privacy of information, provision of contract terms such as guarantees/warrantees, refunds, dispute settlement, hidden costs and misleading information and other problems besieging the sector. Addressing the audience at a seminar on *e-Commerce and Consumer Responsibilities and Rights*, organised by the Consumers Association of India, Keshav Desiraju, Secretary to the Government of India, Department of Consumer Affairs, too had commented that it is essential to create a policy framework and regulatory environment that favours the development of e-commerce and ensures protection of consumers.

Experts find that the Consumer Protection Act 1986 does not have any specific law to regulate online transactions. S Gopalakrishnan, Commissioner, Civil Supplies and Consumer Protection, Government of Tamil Nadu, too, has reiterated the need to amend the Act suitably so that it takes within its jurisdiction all kinds of consumer transactions, as each situation needs a different set of tools to handle. He has also highlighted the need to amend the Information Technology Act to prevent misuse of any personal information, and also to reduce the existing information irregularity. Ankur Singla, CEO, Akosha, revealed that out of the 11,980 complaints received by Akosha regarding e-commerce in the first quarter of 2013, almost 58 per cent related to deficiency in delivery (such as delivery of damaged goods, delivery of a different product or non-delivery of goods, even after the payment has been made), 29 per cent were for refund of money for non-satisfactory products, while the rest had different concerns. Ako-

sha is an online consumer awareness and complaints website. In the light of these findings, inclusion of dedicated law on e-commerce is specifically being considered in the forthcoming Amendment to the Consumer Protection Act.

### Available Laws & e-Protection

The Information Technology Act, 2000, has done a great deal providing recognition to online purchases. The Reserve Bank of India, by issuing various circulars regarding online banking and money transfer activities, has made consumers capable of securing the online space. While it's true that on the whole there are no specific laws that seek to protect consumers in the online space, it does not necessarily mean that the consumers are left without any recourse. To understand the applicability of the existing laws in the online space there is a need to examine whether it is possible to use the Consumer Protection Act, 1986, to protect consumer rights in the online environment as well. While looking into the present framework of Consumer Protection Act, we find there is enough scope to make use of this law with the same strength in the virtual e-commerce environment as is done in purchases in physical environment—with a little careful dealing.

- **Validity of e-Contracts:** Electronic contracts are governed by the basic principles provided in the Indian Contract Act, 1872 (ICA) and Section 10A of the Information Technology Act, 2000 (IT Act) provides validity to e-contracts. The Supreme Court in *Trimex International FZE Ltd Dubai vs Vedanta Aluminum Ltd* has held that e-mail exchanges between parties regarding mutual obligations constitute a contract.
- **Jurisdiction Point:** The other crucial issue is the consent and the way offers are accepted in an online environment. In a click wrap and shrink wrap contract, the customers do not have any opportunity to negotiate the terms and conditions and they simply have to accept the contract as is offered to them before commencing to purchase. Section 16(3) of the ICA provides that where a person proposes certain terms to the other and other party accepts the same by clicking on it, is bound by all the terms so proposed by the proposer. It is said and argued by some groups that under these online environments, party offering is in a position to dominate the will of another, and the transaction appears on the face of it to be unconscionable. Hence, this is a disadvantageous position for a person who accepts. But we must not forget that the basic principal of Contract Act is that acceptance should be unconditional even if both the parties are present face to face. So, it hardly makes any difference as far as acceptance of proposal is concerned. One can always

avoid clicking if not satisfied. The only point that shall have to be decided while dealing the matter under Consumer Protection Act is the jurisdiction of the court keeping in view the question—where does the cause of action arise? In net purchasing, since proposals and acceptances are made on computer sitting at their respective places, jurisdiction at both the places has been considered by the forums/commissions under Consumer Protection Act as practiced and supported by various judgments too. Hence, consumers can easily reach out to consumer forums in cases of default on the part of seller or service provider.

- **Data Protection:** Security of the information provided during the online transaction is a major concern. Under section 43A of the Information Technology (Intermediaries Guidelines) Rules, 2011, the intermediaries have the obligation to publish the rules and regulations, privacy policy and user agreement for access or usage of the intermediary's computer resources by any person. Such rules and regulations must inform the users of computer, display, upload, modify, publish, transmit, update or share information. Also, the intermediary must not knowingly host or publish any prohibited information, and, if done, should remove them within 36 hours of its knowledge. In *Consim Info Pvt Ltd vs Google India Pvt Ltd*, the Delhi Court had extended the argument that Google being search engine cannot control the fact whether some website, any advertisement given on that site is genuine or fraud. The court then observed that though the intermediary, Google, cannot be made liable for infringement arising out of a third party's actions since it is not possible to always check every advertisement posted online; however, it was said that as per section 3(4) of the aforesaid Intermediaries Guidelines, Google had to act upon it within 36 hours of receipt of such complaint, failing which it may be held liable. This issue is in no way different from the issues time and again raised by the public at large in other than e-commerce platforms, for instance, when phone numbers are given out by banks, etc., for tele marketing and other unwanted calls and bulk SMS to business groups. Data protection issue in the online environment can also be handled and the wrongdoer framed under the pertinent sections for deficiency in services and unfair trade practices under the Consumer Protection Act.
- **Stamping of Contracts:** Another sensitive issue, as an instrument that is not appropriately stamped may not be admissible as evidence unless the necessary stamp duty along with the penalty has been paid. However, as the payment of stamp duty has gone online and e-stamp papers are available, it can become a possibility that stamp duty might be asked on e-contracts as well.
- **Advertising:** Advertising is an important and legitimate means for a seller to awaken interest in his products. Absence of a single comprehensive legislation in terms of a proper code to be followed by the industry and for the authority to regulate or guide the pattern of advertising is till date a problem. In 1985, the Advertising Standards Council of India (ASCI), a non-statutory body, was established that created a self-regulatory mechanism for ensuring ethical advertising practices. ASCI entertained and disposed of complaints based on its Code of Advertising Practice (ASCI Code). But it did




PHOTO: THINKSTOCKPHOTOS.IN

not have the authority to punish anyone. The Consumer Protection Act 2002 through an amendment had added a clause, the Unfair Trade Practice, which is specifically meant for misleading ads and works well on e-commerce purchases as well.

While Consumer Protection Act, 1986, is already on way to be amended suitably after earlier three amendments, it is also incumbent upon the consumer to take adequate care in the online environment.

### Responsibilities of Online Shoppers

1. **Getting Information About Company:** What kind of business is it and what does it sell? Where is the company located, including the country? How can the company be contacted?
2. **Finding out the Privacy Policy of the e-Merchant:** Use your credit card rather than your debit card to make your e-transaction. Find out about the e-merchant's return and refund policies, before placing any orders.
3. **Keep Your Personal Information Private:** Do not disclose your address, telephone number, social security number, or your e-mail address unless you know who is collecting the information and how it will be used.
4. **Shop Only with Known e-Merchants:** Always use a secure browser. Make sure that your browser complies with the industry security standards. Anyone can set up a website offering something for sale. If you are not familiar with the e-merchant, ask that you be sent a paper catalogue or brochure to get a better idea of the type of merchandise the company offers.
5. **Review Your Monthly Bank And Credit Card Statement:** Do this promptly and thoroughly in order to find any billing errors or unauthorised charges or withdrawals. 

**“KNOW YOUR  
Market Well  
TO GET FULL  
Benefits.”**





# In the Centre Stage

The action-packed e-commerce industry in India has the world hooked on with everyone wanting to play a major part.

It may appear clichéd but e-commerce truly is an idea whose time has come—in India. The media is agog with industry forecasts and high-octane mergers, investments and much else. A joint study by industry body Associated Chambers of Commerce and Industry (Assocham) and consultancy firm PwC released this August forecast that the Indian e-commerce industry would grow to a staggering US\$ 20 billion by 2020. Even earlier in a July 23 report, Japanese investment giant Nomura had forecast that the Indian e-commerce market would quadruple from US\$ 10 billion in 2013 to US\$ 43 billion by 2018. The growth in e-commerce would be mostly pushed by the e-tailing segment which would grow from US\$ 2 billion in 2013 to US\$ 23 billion in 2018. The year 2014 can easily be termed as the coming of age of e-commerce sector in India, when it has grown from the nascent stage to the stage gaining critical mass. In a recent report, research firm Forrester estimates that the industry would exit the year at US\$ 3.2 billion with a growth rate of 60 per cent YoY. India, by all reckonings, is changing the way its consumers shop for products and services.

### Growth Pangs

The growing industry's sustenance needs will push investments into creating a

smooth ecosystem for e-commerce sector. eBay Online Business Index, brought out by eBay India, lists the logistic pains of the players. Around 53 per cent of the surveyed merchants are of the view that more competitive shipping rates should be offered by logistic providers, 46 per cent demand faster delivery time and 33 per cent ask for greater flexibility of pick-up services.

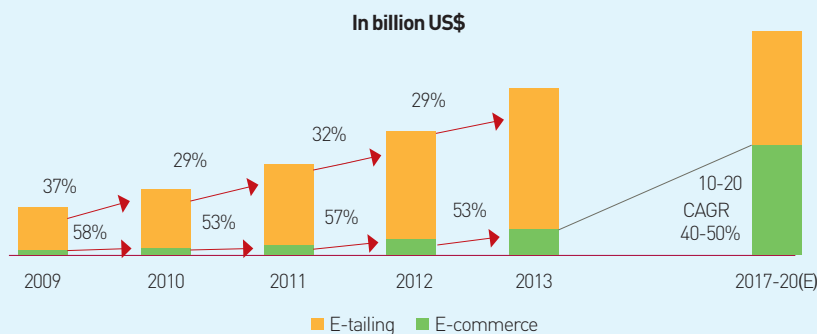
Looking at the requirements, logistics in e-commerce space certainly appears to be a big opportunity waiting to be filled. As per the Assocham-PwC study, from 2017–2020, investments to the tune of US\$ 950–1,900 million will chiefly be pumped into infrastructure, logistics and warehousing in the sector. An enabling environment would

certainly pave the way for for more domestic and foreign players jumping into the fray. If FDI gets the nod in e-tailing sector, according to experts, it would be the final impetus to drive investments, boost manufacturing, infrastructure and create jobs in India.

### Frenetic Pace

The industry is gearing up to meet the challenges. In August this year, TimesJobs

Growth in e-commerce and e-tailing



Source: Evolution of e-Commerce in India – Creating the Bricks behind the Clicks, Assocham-PwC



PHOTO: THINKSTOCKPHOTOS.IN



**“At any given point in time, there are over 3 crore products listed on eBay India across 2,000 categories and on an average day, we sell 18 products a minute.”**

**Upamanyu Bhattacharya**  
Director – Categories  
eBay India

RecruiteX reported stepped up hiring by e-commerce majors such as Snapdeal, Flipkart and Amazon with the sector driving up total hiring in the country, which was at 15 per cent in the month. There is also a talent war going on in the space with the two lead players, Flipkart and Amazon, engaging in a salary slugfest to attract the best engineering and management talent from India's premier technology institutes and B-schools. Reportedly, Amazon India is offering 50 per cent more than the market rate to lure best talent to its fold, while Flipkart had also recently hiked salary offers to fresh graduates by 40 per cent.

Trend watchers like Bikky Khosla, CEO, tradeindia.com and Chairman, e-Commerce Committee, Assocham, have all the reasons to feel optimistic. Khosla comments, “Till a few years ago, shopping online was just an idea for people. But today, with available technology and the ubiquitous smartphone, which has made it possible for people to buy whatever one desires just with the click of a button, not just in large cities but

even in small towns across India, Indian consumers are shopping for goods online.” He estimates that the e-commerce market size is approximately US\$ 4 billion in India and expects it to explode to US\$ 90 billion by 2019. “This is a phenomenal jump,” Khosla exclaims, adding, “Mind you, it is happening in the backdrop of just 15–18 per cent of the population online today. This population is expected to be around 35–40 per cent by 2019.” Countering arguments that these numbers do not compare favourably to those of developed markets, Khosla says India's CAGR is much higher than any other country in the Asia Pacific region and with its huge middle class base with necessary resources and intent, “these numbers are bound to grow and grow fast”.

The gung-ho industry has every reason to cheer. According to a report by the Internet and Mobile Association of India, the sector has grown by almost 35 per cent CAGR from US\$ 3.8 billion in 2009 to an estimated US\$ 12.6 billion in 2013. Towards the end of July 2014, India added seven million new online shoppers taking the total online shoppers' count to 53.4 million. The e-commerce penetration among Indian internet users is about 65 per cent. These findings came out in a study conducted by the Assocham and ComScore.

### Big Deal

Pragya Singh, Associate Vice-President,

Retail, Technopak Advisors, explaining what makes the e-tailing sector so hot and why investors like Temasek Holding, Ratan Tata, Azim Premji and NR Narayana Murthy are betting on it, says, “Though e-tailing (as distinguished from the overall e-commerce industry) in India is currently small, it is backed by strong fundamentals and projected to follow a high growth trajectory. The investments are a reaffirmation of investor confidence in India's e-tailing market potential and bode well for the overall space.” As regards e-tailing market size, according to Technopak Advisors, at US\$ 2.3 billion, it accounts for 0.4 per cent of the overall retail market today. However, it is on a rapid growth trajectory and is projected to reach 3 per cent of Indian retail—US\$ 32 billion, by 2020. Khosla seconds this view adding, “Any investor who has decent money would like to invest in this growth opportunity. These (Ratan Tata, Azim Premji and NR Narayana Murthy) are veterans with keen eyes and astute vision, they have shaped the way India is working today and they must have considered the gains these investments will hold for them in times to come.”

The investor confidence in the e-commerce sector has, in fact, resulted in a dollar war among the big players. No sooner had Flipkart announced raising a new round of US\$ 1 billion capital from new and existing investors, that a day later, Jeff Bezos, Founder & CEO, Amazon Inc, announced



**“The investments are a reaffirmation of investor confidence in India’s e-tailing market potential and bode well for the overall space.”**

**Pragya Singh**  
 Associate Vice-President, Retail Technopak Advisors

the company’s investment of an additional US\$2 billion in India. The e-commerce space experienced a further dose of high drama with a much touted media face-off between India’s tech titans Azim Premji of Wipro and Murthy of Infosys. The industry veterans with their respective investment outfits pumped in sizeable capital into the country’s fledgling e-commerce industry. While Premji Invest along with a clutch of investors had earlier poured in US\$ 50 million in e-tailer Myntra; Snapdeal a frontline e-commerce player, got US\$ 100 from Premji Invest and five other investors. Amazon and Murthy’s Catamaran Ventures floated a JV to help small and medium businesses (SMBs) join the online bandwagon.

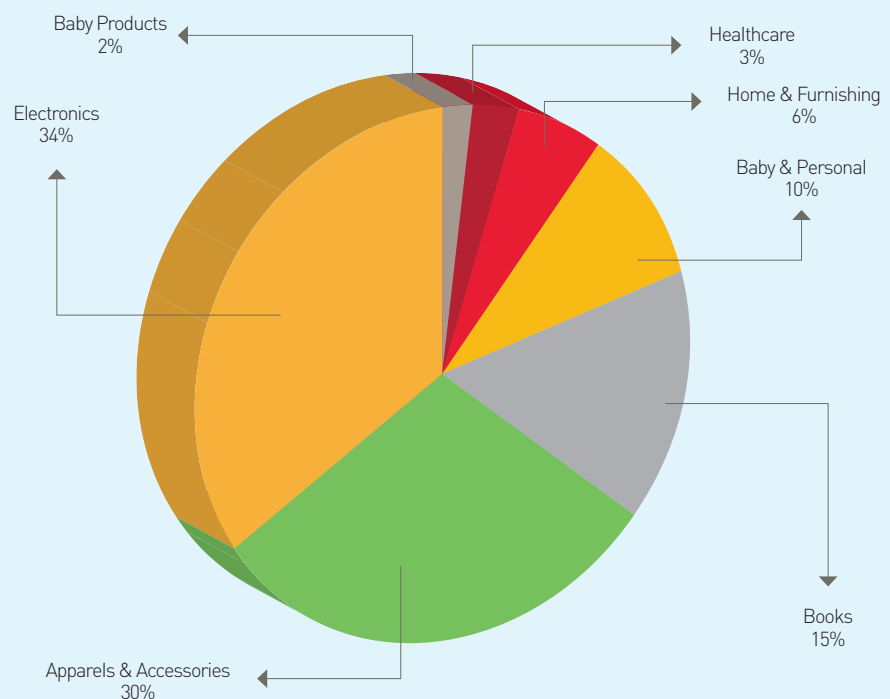
In a surprise move, Ratan Tata, Chairman Emeritus, Tata Group and among the most respected business leaders in India, invested in Snapdeal. This was the e-commerce company’s third round of funding from outside source and though the amount remains undisclosed, it has already raised (not counting Tata’s investment) more than US\$ 233 million. Snapdeal has also inked an agreement with Tata Value Homes to sell a portion of the company’s inventory through Snapdeal’s e-commerce website. Tata Value Homes builds affordable housing and their e-commerce outing is for selling homes online and not just for advertising them online for offline sale. Snapdeal with 20 million registered users, about 4 million

products and a network delivering to 5,000 cities and towns in India, has, with this model, widened its gamut of inventory. The company passed the US\$ 1 billion mark in sales after 2.5 years of institution and is just four years old, and is reportedly looking for another round of funding which could raise its stake to US\$ 4 billion (Flipkart is

valued at US\$ 7 billion). If reports are to be believed, Snapdeal is negotiating with China’s e-commerce juggernaut Alibaba. The latter, bigger than Amazon and eBay combined, will get a solid foothold in India, if the deal succeeds.

Frontrunner marketplace player eBay is one of India’s largest online marketplaces and caters to consumers from 4,306 cities, towns and villages of India. Upamanyu Bhattacharya, Director – Categories, eBay India, says that the company in the last nine years has created a strong merchant base of over 30,000 domestic merchants and 15,000 retail exports merchants who sell on eBay India and export globally on its platform to over 201 countries and a global customer base of over 149 million. “At any given point in time, there are over 3 crore products listed on eBay India across 2,000 categories and on an average day, we sell 18 products a minute, he adds. The company is in the forefront of pioneering in the e-commerce space in India through various innovative concepts. Its various initiatives for India include PaisaPay, an integrated online payment mechanism

**Commodity distribution in e-tailing**



Source: Evolution of e-Commerce in India – Creating the Bricks behind the Clicks, ASSOCHAM-PwC



which is safe, Global Easy Buy, through which eBay made a vast selection of items available to the Indian online shopper, eBay Guarantee, a 100 per cent satisfaction else a refund or a replacement policy and a portfolio of mobile applications to empower the increasing base of smart(phone) shopping Indian consumers.

eBay has tied up with logistics service providers to come up with service models like eBay India's Powership, which significantly enhances the efficiency of managing multiple item shipments by its merchants. PowerShip service enables product pick-ups from eBay merchant's doorstep, automated tracking of shipments, faster item deliveries and preferred shipping rates to eBay merchants. The company's endeavours are not just confined to creating a sustainable and enabling e-commerce ecosystem but also scaling up the industry. Recently, it inked an MoU with the Confederation of All India Traders (CAIT) to help the 60 million members of CAIT become a part of India's e-commerce story. The MoU is aimed at education and modernisation of Indian traders with the establishment of an eCommerce Centre of Excellence within the CAIT Retail School.

According to ComScore, Indian e-commerce industry attracts 30 million unique visitors to shopping websites every month. The next big leap will make shopping completely portable through mobile commerce. Players like eBay, who on an average day sell one product every 27 seconds via a mobile device (mobile, tablet or phablet), are gearing up to handle the exponential increase in mobile shoppers. "eBay India is a big believer in the exponential potential of mobile commerce and we believe that the next 100 million mobile users will probably have their first internet experience through their mobile device. We have launched a suite of solutions for the variety of mobile devices—iPad, iPhone, Windows, Nokia and Android," said Bhattacharya talking of the portal's preparedness.

Jabong, another prominent e-commerce player in India, is also on a high growth trajectory. Fashion and lifestyle product category being the most popular among consumers, Jabong is a lead player as a portal

devoted to this area. The second largest selling category online is electronic goods and accessories in which Flipkart has an edge. The fashion e-tailing segment estimated to be US\$ 800 million and growing faster than all other categories is forecast to grow at a rate of 70 per cent in 2014. Fashion e-tailers have evolved various promotional strategies to push growth. In early 2014, Jabong had raised around US\$ 100 million from a consortium of investors. The growing traction

exciting space. Mahindra with its speciality retail venture Mom & Me is expanding in the e-commerce sector. It is also working out a franchise model for the next phase of growth. "I think e-commerce play in India is underestimated. Everybody's thinking there is bubble building up. No. I think e-commerce is going to explode in this country," Mahindra was quoted as saying about his retail company's foray. In fact, threatened by e-Commerce explosion, many traditional



**Go Carting:** e-Commerce industry has opened up a minefield of opportunities for both sellers and consumers

of fashion and lifestyle e-tailing players like Jabong was one of the primary reasons for Flipkart-Myntra to tie the knot. The ₹2,000 crore merger has created an entity with annual sales of US\$ 1.5 billion clocking 100 per cent annual growth and catapulted Flipkart to the undisputed No.1 rank in the e-commerce reckonings.

Industry veterans like Mahindra Group Chairman and Managing Director Anand Mahindra, are also eager to be part of this

retailers have logged in to online shopping portals. Retail behemoths like Reliance, Future Group and ITC are contemplating their own e-commerce websites, while Walmart (with a pilot) and Arvind have already hopped onto the online bandwagon.

### Enabling Ecosystem

The e-commerce history in making, however, will not be scripted by the private sector alone. The Government of India has been

PHOTO: THINKSTOCKPHOTOS/IN

working zealously to convert its citizens into a population of networked netizens. At the first meeting of the Centre and states on various initiatives under the Digital India programme on August 26, 2014, Telecommunications and IT Minister Ravi Shankar Prasad, had explained the role that the National Optical Fibre Network (NOFN) project will play to usher in an e-commerce revolution in the country. “The NOFN will lead to an empowered India with villages boarding the internet superway. It will also lead to an explosion of e-commerce in the country,” he was quoted as saying. The NOFN aims at providing broadband connectivity to 2.5 lakh gram panchayats in India by March 2017. India’s growing internet and mobile penetration is good news for e-commerce players. The internet user population is 243 million—19 per cent of the total population in India. The number is expected to grow to 500 million by 2015, according to consulting firm McKinsey & Co. Even while the numbers explode, what adds to India’s attraction in the e-commerce space is the demographic profile of these loggers. India has the youngest online population in the world, with 75 per cent of loggers between 15 and 34 years, and 40 per cent of the e-commerce shoppers being women. The cutthroat competition going on in the e-commerce and e-store space is set to get tougher to capture the attention of the iPad generation with short attention span.

Talking about enablers of e-commerce in India, Khosla says, “The most important is the availability of high speed internet—it is the backbone of the industry. Also, smartphones are the game changers which brought online shopping literally in the hands of a user, giving the desired push to the sector.” India had an estimated 91 million smartphone users at the end of March 2014. Growing mobile population has pushed e-commerce’s share of mobile generation—78 per cent of e-commerce shoppers have shown inclination to shop on mobiles. e-Commerce is inherently user-friendly. “It offers time saving, cost saving, hassle-free shopping, COD, no questions asked returns, etc. All these are consumer-friendly services that have given confidence

## Snapshot of e-commerce sale on eBay

- A mobile accessory is bought every 1 minute
- A piece of apparel or an accessory is bought every 6 minutes
- A home product is bought every 8 minutes
- A perfume or cosmetic is bought every 8 minutes
- A mobile phone is bought every 9 minutes
- An auto accessory is bought every 10 minutes
- A laptop is bought every 12 minutes
- An audio or home entertainment product is bought every 13 minutes
- A portable storage device is bought every 13 minutes
- A tablets or an accessory is bought every 14 minutes
- A kitchen product is bought every 24 minutes
- A watch is bought every 25 minutes
- A fitness & sports product is bought every 28 minutes
- A piece of jewellery is bought every 33 minutes
- A home appliance is bought every 35 minutes

**“We will see large players like Walmart, IKEA, etc., jumping into the fray big time. I feel that moment will see big changes with lots of activities...”**

**Bikky Khosla**

CEO, tradeindia.com, Chairman, e-Commerce Committee, ASSOCHAM

to the Indian consumer to go and buy online,” says Khosla.

The changing trends and consumer preferences in the last decade are visible in the declining popularity of travel sites, the fastest growing categories earlier, and the growing traction of fashion and lifestyle. Apparel, health, home furnishings, fragrances, and cosmetics grew the fastest and with apparel clocking the strongest growth at 66 per cent. Fragrances and cosmetics grew at 12 per cent, online retail at 15 per cent and unique visitors to travel sites by 3.4 per cent in the last fiscal. A paradigm shift in the e-commerce space is foreseen, as with

more retailers and shoppers hooking on to the online bandwagon, increasing business could triple the revenue of e-commerce players in the next three years to ₹504 billion, according to Crisil Research. Currently, India has approximately 38 online shopping portals. Companies like Snapdeal may well mull an IPO!

Khosla feels a major change will also come if FDI in retail gets the nod. “We will see large players like Walmart, IKEA, etc., jumping into the fray big time. I feel that moment will see big changes with lots of activities which will eventually benefit the consumers of our country.” Singh enumerates the three factors driving the increasing traction of online retail among consumers—price, convenience and availability. “While the time-constrained large city consumers seek value, easy access, and convenience offered by online shopping, consumers in smaller towns and cities have adopted this channel also for the access to aspirational brands, which have not been able to penetrate to these cities and towns as well as products not easily available to them,” Khosla opines.

Whatever the reason for the growing fascination of India for e-commerce players, at the moment it is the most exciting space to explore. 📺

By STV

(Based on interviews and secondary research)

“

**Time to take  
a leap of faith,  
a digital India  
awakes”**



“India’s transition to a less cash economy is by no means unachievable...”

Kumar Karpe, CEO,  
TechProcess Payment Services Ltd

Author



## Buyers, Be Aware

Move over retail, e-tail is here. Sure. But are we ready to switch over from a cash mode of payment to cashless smart transactions? Digital India calls for a tectonic shift.

**PICTURE THIS!** You are placing an order from an e-tailer for a pair of sports shoes that you intend to use for burning the treadmill at your neighborhood gym. Your decision is centered on the pride associated with flaunting the shoe brand, the colour options that would match well with your gym wear, the pricing that you feel fits your budget and most importantly, the comfort that the shoes promise. While the first three factors can be ascertained in the pre-purchase phase, the fourth factor of comfort can be gauged only by trying on the pair of shoes. We, as consumers, have the right to test a product before making the purchase. Consumers in India have always based their purchases on the principle of ‘caveat emptor’ or ‘buyer beware’, more so in personal effects like shoes. Who wants an ill-fitting pair of shoes?

Thankfully, e-tailers in India have taken this peculiar Indian consumer characteristic into cognisance and have offered a mode of payment unique to India called cash-on-delivery (COD). Isn’t it ironical that while the Indian consumers trust the e-tailer to deliver the product, yet they want to retain control through the only leverage they

have, COD. This, however, comes with its own set of obvious challenges—need to keep huge wads of cash at home, chances of fraud by the delivery boy, shortage of loose change, chances of the delivery boy getting waylaid, etc. The e-tailer too is not happy taking liquid cash as each COD order costs the retailer additional expenses in terms of insurance, doorstep returns, dispute management, etc.

The preference for COD among Indian online shoppers would lead one to assume that there is a resistance to the use of debit and credit cards. But this is not true going by the recent data released by the Reserve Bank of India (RBI) which reveals that the number of transactions at point-of-sale (POS) terminals is on the rise, a figure that stands at an average 55 transactions a month as of May 2014, compared to an average under 48 a month as of May 2012. However, the overall number of POS terminals is still below one million, which is woefully inadequate for a country like India with at least 50 million small and medium businesses. This leads us to the most pertinent question—Why is the penetration of POS terminals so low? An analysis



PHOTO: THINKSTOCKPHOTOS.IN

### ABOUT THE AUTHOR

**Kumar Karpe** has over 20 years of experience in financial technology domain. Prior to Techprocess, Kumar held key leadership positions in IBM India & ASEAN as Head – BFSI vertical, where he was responsible for key decision making and go-to market strategies. He has featured in *Business Today* magazine as one of the “Top 25 Hottest Young Executives in India”. Kumar has a Masters in business administration and a degree in physics from Pune University.

reveals that there are many reasons including the installation cost, recurring charges, maintenance, etc., that make many small retailers prefer cash over cards.

On the other hand, India is on the cusp of a mobile revolution with 942 million mobile subscribers according to the latest data released by Telecom Regulatory Authority of India (TRAI). The release further goes to state that wireless tele-density in the country is on the rise, a figure that stands at almost 74 per cent as of July 2014. The growing penetration of the internet coupled with the adoption of smartphones has given tremendous impetus to this revolution. Google forecasts 480 million online users in India by 2017, largely on account of smartphones, the user base of which is expected to grow six times to touch 385 million people in the next three years. 100 million, out of the over 200 million internet users accessed the internet only through mobile devices at the end of 2013. This figure is expected to grow by the end of this year, as the country is adding over five million new internet users every month, a large majority of whom are accessing the internet only through

their mobile device. The scope for the mobile phone being used for effecting payments at both e-tail and brick-and-mortar retail establishments such as the neighborhood *kirana* store is significant, thus playing a catalytic role in shaping India's digital economy.

In the next three years, the total number of users who transact online will grow to 160 million, according to the Google India report. This positive trend in online shopping, when juxtaposed with the fact that India is venturing into a digital age with the mobile being in the forefront spells out the need for payment aggregators in the e-commerce arena—to bridge the gap completely between innovation and the mobile platform—in order to maximise stakeholder satisfaction. While the technology of converting smart-phone to an electronic point of sale system is no longer new to the world, virtual money wallet in the form of a mobile application that can be used to make instant payments has simplified connections to not just make a transaction possible, but also effect the same securely. By May this year, RBI recorded 13.57 million transactions worth ₹437 crore via mobile wallets, resulting in a staggering growth of 93.5 per cent YoY in volume and 120 per cent YoY in value terms. As more and more payment companies and e-tailers jump onto the mobile payments bandwagon, factors such as simplicity of usage, seamless interoperability and the adherence of highest standards of security can prove to be the key differentiators between the myriad options available. At the end of the day, what differentiates one player from the other is the ability to provide convenience of the highest level to the end consumer.

India's mobile internet revolution is extremely encouraging, and while there is immense potential for mobile payments in e-tail as well as at brick and mortar establishments, we are

still witnessing a lethargic adoption of non-cash modes of payment in the country. India is still a cash dominated economy as almost 90 per cent of monetary transactions continue to be processed in cash, with security being a major cause for end consumers to fall back on cash as the preferred mode of payment. According to an ASSOCHAM survey, 25 per cent of those who are reluctant to shop online cited the reason of fear of sharing personal

for the implementation of this project. If e-tailers and payment companies are brought under the purview of the smart cities initiative, a combination of cloud technology and mobile applications could revolutionise the way we effect our payments, resulting in an era of smart payments in a smart world. The propensity of Indian consumers to effect payments in cash remains the first and rather steep mountain to overcome. The big question is




The propensity of Indian consumers to effect payments in cash remains the first and rather steep mountain to overcome. The big question is whether India is ready for the proverbial leap of faith into the digital world of payments.”

financial information.

India's transition from a cash-dominated economy to a less cash economy is by no means an unachievable dream. Getting more people from Tier II and III cities and rural markets under the digital radar is the first step towards realising that dream. The government is gunning for financial inclusion in conjunction with the RBI and initiatives such as the Digital India programme and the Jan Dhan Yojna are a welcome move. The manifesto of the government proposing the setting up of 100 smart cities stresses on cloud-based applications as the key driver

whether India is ready for the proverbial leap of faith into the digital world of payments.

Replay this scenario again: you've tried that pair of shoes you ordered from the e-tailer, the delivery boy is waiting to get paid, and instead of scurrying around for cash, you use your mobile phone to securely effect the payment. It is convenience simply delivered at both ends, for you as well as the e-tailer, who can now focus on getting you the best pair of shoes rather than worrying about whether the cash will eventually reach him. 

*(Opinions expressed are of the author alone.)*

# VOICES



Where can consumers have their say about policies and legislation, about their needs and requirements, about products and services, about genuine and fraud companies? We provide you the platform to share with our readers your experiences. Write to us: [bejonmisra@consumerconexion.org](mailto:bejonmisra@consumerconexion.org)

## Do you think India has adequate consumer protection laws to cover e-commerce?



**Dr Abhijit Sarkar**

Senior Economist & Vice-President, R&D, Indicus Analytics

There's a need to redefine what constitutes 'goods' or 'service', 'sale' or 'defect/deficiency', especially in case of digital products like software. No specific standards exist for information sharing by e-sellers. The existence of e-sellers and e-consumers in separate jurisdictional areas can also hinder access to legal recourse.



**Ananya Mazumdar**  
Journalist, Delhi

There are certainly a few laws to protect consumers from e-commerce fraud. However, most of the Indian consumers are at a loss as to how to skim pertinent information on the ways and means of getting their grievances redressed. It becomes urgent on the part of government to disseminate awareness among the consumers through education forums and other means.



**B Vaidyanathan**  
Chief Mentor, Consumer Protection Council, Rourkela

I feel two additional provisions in the Consumer Protection Act will help the consumers while doing online shopping. One is equipping the complainant to file the consumer dispute case in the District Forum under whose jurisdiction he resides or works for gain. The second is to allow online filing of cases and provide for the Forum to decide it on merits, based on documentary evidence.



**Kavita Ojha**  
Housewife, Delhi

Majority of the cheated consumers don't think of registering complaints against fraudster e-commerce players in consumer courts because of the complexities involved in getting justice. Hence, it is incumbent upon the government to simplify laws, which could motivate cheated consumers to file litigations against fraud enterprises. The laws must make provisions for heavy monetary compensation and tough punishments to deter such practices.



**Ambresh Ranjan**  
Banker, Dehradun

In order to make electronic business safe and secure, legal and regulatory framework should be evolved in a way that ensures the rights of the consumers on the lines of the IT Act, 2000 which prevents the misuse of internet. Based on the model law on e-commerce adopted by the UN Commission on International Trade Law, it aims to provide legal recognition for the transactions carried out by the means of electronic data interchange and other electronic means of communication. The Act is the basis of the amendments in Indian Penal Code, 1860, The Indian Evidence Act, 1872, Banker's Bank Evidence Act, 1891 and RBI Act, 1934, to ensure regulation against e-commerce and electronic crimes. A lot has to be done to amend several obsolete consumer laws in India.

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