OCTOBER 2019 • Vol. 5 • Issue 7
MONTHLY • Pages 64
₹ 200

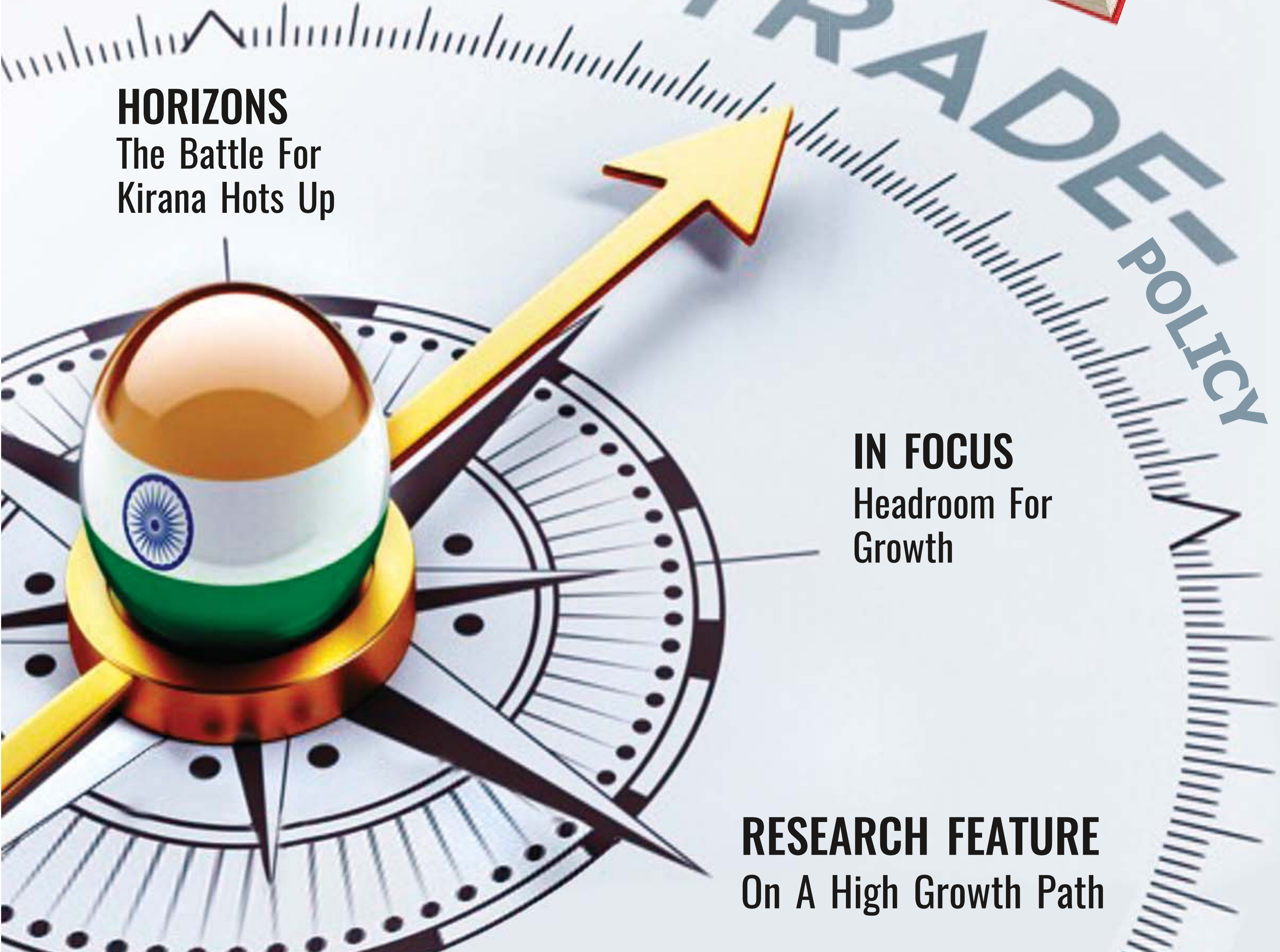
RNI No.: DELENG/2015/67140; Published on: Every month; Posted at Lodi Road HPO, New Delhi on 9-10th of every month

THE AWARE CONSUMER

www.theawareconsumer.in

SUPPORTING ECONOMIC REFORMS AND PUTTING AN END TO UNFAIR TRADE PRACTICES ...

INTERNAL -TRADE- POLICY



HORIZONS
The Battle For Kirana Hots Up

IN FOCUS
Headroom For Growth

RESEARCH FEATURE
On A High Growth Path

PLUS ROUND UP • MY MARKET • THE PRESCRIPTION

NABL

QCI

Creating an Ecosystem for Quality

National Accreditation Board for Testing and Calibration Laboratories (NABL)

(A Constituent Board of Quality Council of India)

Are your test results
RELIABLE??

Do you trust your
PATHOLOGY LAB??

Is the integrity of your sample
MAINTAINED??

Get your samples collected at NABL Recognised Sample Collection Centers & tested at NABL Accredited Medical Laboratory to ensure

- Reliable & Trustworthy Results
- Patient's Trust & Satisfaction
- Accurate Diagnosis
- Correct line of treatment by Doctor

SYMBOL OF TRUST!!

MC-XXXX

MC-XXXX

CERTIFICATE OF RECOGNITION

QUALITY IN PATIENT CARE

VIEW  POINT

BEJON KUMAR MISRA | bejonmisra@theawareconsumer.in

A Strong Retail Trade Policy Must To Ensure Vibrant And Affordable Market For Consumers

> Retailers and etailers must now come up with robust frameworks and work policies that are mindful of consumer rights and put an end to unfair trade practices and unethical business practices.

WHILE CONSUMPTION IN India has been rising at a fast clip, consumerism or the protection and promotion of the interests of consumers has failed to keep pace. Thankfully, in the recent past, the government has started taking the rights of the consumers seriously. The Consumer Protection Act, 2019, is a step in the right direction. But a law to protect consumers in itself is not sufficient to safeguard their rights if the ecosystem remains unregulated by strong laws.

Internal trade, primarily retail trade, remains haphazard in India. It is unfortunate that policies in India come generally in hindsight after much damage has been done and even then, as enforcement remains weak, the laws lack teeth. Retail trade rapidly evolved from the kirana culture to hypermarkets and etailing in the past decade. Apparently, since the newer retail formats vary vastly from the older ones, the same laws could not be applied to them. Add to it the influx of foreign retailers and etailers who attracted by India's vast consumer base, rising disposable income and fortuitous demographics wanted to set up shop on its soils. The retail market which was never easy was becoming increasingly complex. The Indian consumer meanwhile was overwhelmed by choice and became an easily manipulated target. With little knowledge of existing retail laws and the absence of any specific ones to regulate the new entrants into the space, the consumer was at the mercy of the market forces.

In this scenario, while the new Act is welcome, what is also required is a strong retail policy to protect the consumers. A policy that address the issues of small self-organized traders and domestic trade and all central and state level trader related aspects. Why? Chiefly because India's consumer base is not homogenous. There are people with deep pockets who shop for foreign brands at hypermarkets and luxury malls, there are the middle-income groups that look for a bargain on e-commerce platforms and there are those who buy in loose at the local kirana. The modern formats are inevitable with the rapid pace of modernization and digitalization. But not all sections of consumers are ready for them. The mom and pop stores are their lifeline where they can even get provisions on credit.

Hence a retail trade policy that ensures a vibrant market with all formats flourishing side by side is the need of the hour. It is welcome news then that it is on the anvil.

Message from the Editor-in-Chief

POOJA KHAITAN
pooja@theawareconsumer.in

PROTECTION OF SELF-ORGANIZED TRADERS MUST TO SAFEGUARD INDIA'S MULTITUDES

A STORY ON internal trade cannot be complete without a mention of the scores of small and medium sized businesses in manufacturing, trading, retailing and other services. India's growth engine, as they are referred to, are 6.4 crore in number and are mostly located in rural and semi-urban pockets of the country.

In the domestic trade sector that contributes around 15 percent of India's GDP and currently has more than 6 crore business enterprises across the country (source: Confederation of All India Traders (CAIT)), self-organized trade accounts for 95 percent of the total trade. It is managed by traditional forms of low-cost retail trade – the neighborhood local shops and general stores, handcart sellers of wares and vendors on the pavement selling locally manufactured brands among others.

For many Indians, domestic trade has been a relatively easy choice of livelihood as it has low capital investment and infrastructure needs. With unemployment rates at a record high, domestic trade is a viable option for the many unemployed. According to estimates, domestic trade is the single most important source of livelihood for about 25 crore people in India. The sector is registering an annual growth rate of about 15 percent.

If the people engaged in domestic trade are the those with low education, skills and capital, the people that they cater too are mostly similar in status to them. The many MSMEs and lesser known brands, self-help groups and cooperatives are supported by the self-organized traders. It is a unique trading system where even the poorest consumers have a choice and a wide range of products to choose from. If this system is wiped out, the consumers would be at the mercy of the big retailers with expensive brands.

Needless to say, the self-organized traders and small retailers need a strong domestic trade policy for protection to be able to cater to India's vast millions.

INSIDE

THE AWARE CONSUMER OCTOBER 2019

REGULARS

Conducive macroeconomic environment, supportive policy and a huge consumer pool with rising disposable income make India's retail trade sector a bright spot

There was a time when the organized players were hellbent on wiping out these ubiquitous mom and pop stores to expand their footprints. Today, these kirana stores are being perceived as necessary to those very expansion plans in the smaller cities and how!

Kumar Rajagopalan
CEO
Retailers Association of India
(RAI)

Government relaxes local sourcing norms in single brand retail

The absence of a strong regulatory framework to support the direct selling industry continues to impinge upon its growth prospects and its ability to contribute to the economy effectively

India's e-commerce sector is booming thanks to a supportive ecosystem, innovation and the rising online population

THE AWARE CONSUMER
UNLOCKING CONSUMER POTENTIAL
www.theawareconsumer.in

OCTOBER 2019 • Vol. 5 • Issue 7

EDITOR-IN-CHIEF
Pooja Khaitan

EDITORIAL CONSULTANTS
Sangita Thakur Varma
Praful D. Sheth
Bina Jain
Suman Misra
Manisha Bhatla
Pyush Misra
Shashank D. Sudhi
Shashi Bhushan

MANAGER CIRCULATION
Nirmal Dayal

DESIGNER: Galaxy
DESIGN CONSULTANT: Maanav Khaitan

WEB DESIGNER:
Manish Mohan
Ebrahim Bhanpurawala

Owner, Printer, Publisher & Editor:
Bejon Kumar Misra

Published at:
B - 306, 1st Floor,
C.R. Park, New Delhi-110019

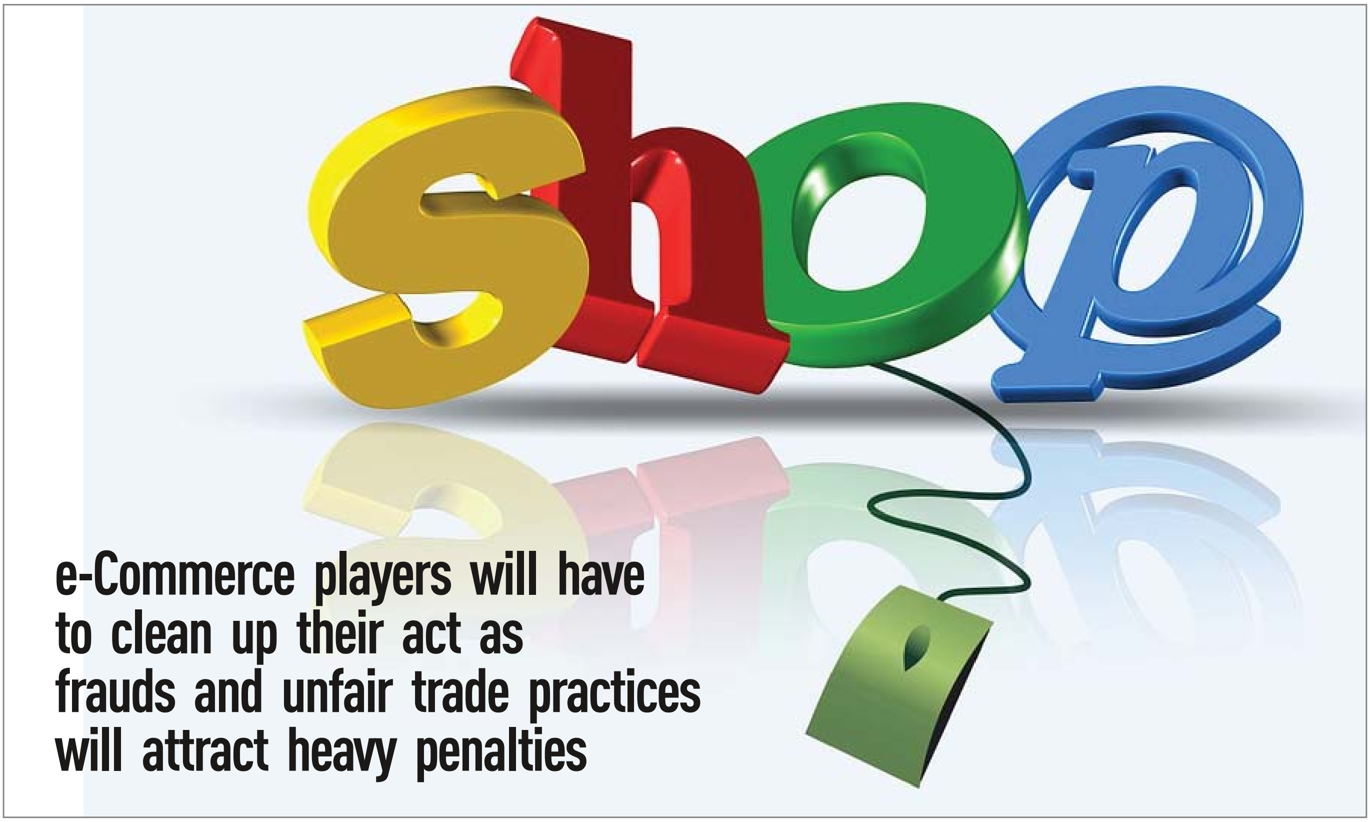
Printed at:
M/s. Swastika Creation
19, D.S.I.D.C. Shed, Scheme 3,
Okhla Phase II, New Delhi - 110020

For any queries, please contact us at
contact@theawareconsumer.in
Phone: 9885564767

Total number of pages - 64, Including Covers

RAM VILAS PASWAN
CABINET MINISTER OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
"Transparency matters most to a consumer.
If there's no transparency, no one knows what is going on."

ROUNDUP



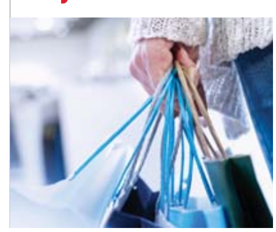
e-Commerce players will have to clean up their act as frauds and unfair trade practices will attract heavy penalties

IMAGE: PIXABAY

New Act Seeks To Empower Consumers Against Newer Trade Formats

DATA BRIEFING

US$ 3,600 Billion – India's expected total consumption expenditure by 2020



India's retail trade is valued at about $650 billion and is the economy's lifeline. It is one of the top five retail markets in the world by economic value. India is also one of the fastest growing retail markets globally and is expected to grow to $1,200 billion by 2021.

CONSUMERS REJOICE! CONSUMER Protection Act, 2019 has recently replaced the three-decade old Consumer Protection Act, 1986. Shoppers can certainly heave a sigh of relief. Aimed at empowering consumers, the Act brings much cheer to e-shoppers since they are unable to physically check the product before making online purchases and return policy of most etailers leaves one fuming. With this Act, shoppers are a step closer to initiating class action lawsuits over issues such as refund and return of products.

A slew of measures has been proposed in the Act to strengthen existing rules for safeguarding consumer rights. The new Act has provisions to address the new-age consumer's vulnerabilities. Newer forms of unfair trade and unethical business practices have added to the existing retail woes of consumers and require newer laws to deal with them. The 1986 law fell woefully short of the fast-changing market realities and also did not cover the e-commerce sector or direct selling.

According to an earlier statement issued by the Ministry of Consumer Affairs, Food & Public Distribution, there is provision for central government to set up a Central Consumer Protection Authority (CCPA) to promote, protect and enforce the rights of consumers. The authority will be empowered to investigate, recall faulty/ unsafe goods and services], refund and impose penalties.

The CCPA would have the power to tackle e-commerce frauds, violation of consumer rights, unfair trade practices and misleading advertisements. Further, it will be empowered to impose a penalty of up to Rs 10 lakh on a manufacturer or an endorser and imprisonment for up to two years for a false or misleading advertisement.

There is a specific and broad definition of Unfair Trade Practices in the new Act and provides protection for right to privacy and data of consumers like sharing of personal information given by the consumer in confidence, unless such disclosure is made in accordance with the provisions of any other law.

The overall purpose of the Act is to ease the process of consumer grievance redressal and make it timely. Consumer Affairs minister Ram Vilas Paswan had said while speaking on the Bill in Parliament. The Act proposes setting up the Consumer Disputes Redressal Commission and forums at the district, state and national levels for adjudicating complaints. It also provides for "mediation" as an Alternate Dispute Resolution Mechanism.

The Consumer Protection Act, 2019 proposes a simplified dispute resolution process and a product liability provision to deter manufacturers and service providers. Everything from manufacturing and design defects to faulty services and inadequate instruction for correct usage now will become grounds for product liability action.

Notably, the Consumer Protection Bill was first introduced in the Lok Sabha in January 2018 and was passed by the Lower House in December. However, it got stuck in the Rajya Sabha and eventually lapsed when the Lok Sabha dissolved.

Some of the major reforms introduced in the 2019 Act that will have far reaching impact on the Indian consumer are:

- A new codified product liability framework
- Strict penalties for misleading advertisements
- Guidelines for e-commerce and electronic service providers
- Establishment of Central Consumer Protection Authority, a new consumer protection regulator
- Provision for filing of complaintswith consumer forums located in the place of residence or place of work of the consumer. The current regulations mandated filing of complaints at the place of purchase or at the place where the seller has its registered office address.
- E-fining of complaints and hearing and/or examining parties through video conferencing is another provision in tune with today's digital reality. Electronic processing would bring about procedural ease and ensure that consumers are saved much of the inconvenience and harassment.
- An important provision is the introduction of mediation as an alternate dispute resolution mechanism. This would go a long way in making the process of dispute adjudication simpler and quicker. Also, it would promote speedier resolution of disputes and thereby reduce the pressure on consumer courts that are overburdened by numerous pending cases.

Consumer Protection Bill 2018

Retailers and etailers must now come up with robust frameworks and work policies that are mindful of consumer rights and put an end to unfair trade practices and unethical business practices. As with this Act, the consumer certainly will be the king and queen.

DIPP Rechristened Department For Promotion Of Industry And Internal Trade

Move seen as a response to traders' demand for a separate ministry for internal trade


IMAGE: PIXABAY

DPIIT will look into matters related to promotion of internal trade, including retail trade, welfare of traders and their employees, facilitating ease of doing business and start-ups.

IN A RECENT move, the government renamed the Department of Industrial Policy and Promotion (DIPP) as the Department for Promotion of Industry and Internal Trade (DPIIT). The rechristened department will function under the Ministry of Commerce and Industry and will look into matters related to promotion of internal trade, including retail trade, welfare of traders and their employees, facilitating ease of doing business and startups. The order was approved by PresidentRam Nath Kovind, who gave his assent to bring internal trade matters under the Department for Promotion of Industry and Internal Trade.

Earlier, all matters related to internal trade were under the domain of the Ministry of Consumer Affairs.

The move comes amidst a demand by traders' body CAIT for forming a separate ministry for internal trade. The Confederation of All India Traders (CAIT) had in a recent letter to Prime Minister Narendra Modi asked that a National Trade Policy for retail trade be formulated and a separate ministry for internal trade should also be constituted.

DPIIT's Draft National Retail Policy Delayed

In June 25 meeting of the department, DPIIT secretary Ramesh Abhishek had announced that the draft national retail policy would be ready in 10 days. However, according to reports, the draft is not yet ready for a public release. The renamed department will float the policy for feedback from retail industry stakeholders.

Notably, the DPIIT has been working on the draft national retail policy as part of the new government's 100-day agenda.

As per media reports, the consultations on the proposed policy have been completed by the department and the process of drafting it is on.

The government had earlier said that a national retail policy will be formulated to support the development of the sector with the aim to benefit 65 million small traders of the country.

The focus of the policy includes promoting ease of doing business, licensing, access to funds, direct selling, hypermarket related matters, etc.

The Retailers Association of India (RAI), had been demanding a national retail policy to ensure smooth business activities in the country. According to reports, India's retail trade is valued at about $650 billion and is the economy's lifeline. It is one of the top five retail markets in the world by economic value. India is also one of the fastest growing retail markets globally and is expected to grow to $1,200 billion by 2021.

In July, Minister of State for Commerce and Industry Hardeep Singh Puri had informed Parliament that all necessary steps for formulation of a national retail trade policy are underway. The minister, in a written reply, had said that a number of interactions with industry, trade associations, ministries concerned and states have been held by DPIIT on issues being faced by retail sector and with a view to finding possible solutions to them.

According to reports, Praveen Khandelwal, president, CAIT had advised that the national retail policy include upgradation and modernization of existing format of retail trade. He had also sought one license instead of more than 28 licenses for conducting business and the abolition of yearly renewal clause for these licenses.

A national retail policy is needed especially as the government plans to introduce a new ecommerce policy.

Source: Secondary research & media reports

Consumers, Beware

Get Rich Quick? Beware It Could Be A Ponzi Scheme!

While Parliament has passed the Bill to curb Ponzi schemes and protect investors; consumers need to be on guard too

Beware of get rich quick promises!

PHOTO: PIXABAY

BENGALURU: IN JUNE, Enforcement Directorate (ED) provisionally attached immovable properties worth Rs 197 crore and Rs 98 lakh from 51 bank accounts and Rs 11 crore from HDFC Bank held in the Pradhan Mantri Garib Kalyan Deposit Scheme under the Prevention of Money Laundering Act, 2002 (PMLA) in the IMA Ponzi scheme case. According to the FIR, more than 40,000 middle-class and lower-middle-class people had fallen victim to the Ponzi schemes.

Haryana: In August, the Enforcement Directorate attached assets worth Rs 261 crore in connection with its money laundering probe against a Haryana-based multi-level marketing (MLM) group. It was alleged that the company was promoting Ponzi schemes and cheating investors.

The probe revealed that the accused had fraudulently collected around Rs 2,950 crore from lakhs of gullible members.

Telangana: In the money laundering case against the Heera Group, the Enforcement Directorate recently attached properties worth Rs 299.99 crore in connection with Ponzi schemes floated by the company. The ED attached immovable assets included agricultural lands, commercial plots, residential buildings, commercial complexes and bank balances, spread across Telangana, Andhra Pradesh, Kerala, Maharashtra and Delhi worth Rs 277.29 crore and movable assets worth Rs 22.69 crore.

ED had earlier initiated investigations under Prevention of Money Laundering Act (PMLA) in a Ponzi fraud, based on cases registered by the Central Crime Station, Hyderabad and Andhra Pradesh Police, against founder of Heera Group, Nowhera Shaik and her associates. Over the course of investigation, it was revealed that Shaik had floated multiple companies under Heera Group and collected a total amount of Rs 5,600 crore as unauthorized deposits. A network of marketing executives and direct selling agents had trapped over 1,72,000 investors across the country with false promises.

The ED pegs the scam to be worth Rs 3,000 crore, and the number of Heera Gold victims to be around 1.72 lakh.

West Bengal: Saradha chit fund and Rose Valley scams need no introduction with police brass to politicians accused in them. The Saradha group collected around Rs 200 to 300 billion (US$4–6 billion) from over 1.7 million depositors before it collapsed in April 2013.

Rose Valley scam that rocked West Bengal in 2013 is even bigger than the Saradha scam. The ED estimates Rs 17,520 crore was raised from investors across India. However, the all India small depositors' association pegged the amount much higher at Rs 40,000 crore. Few reports pegged the amount at over Rs 60,000 crore. The states affected by the scam were West Bengal, Assam and Bihar.

So, what is common in IMA jewels, Heera Group, Saradha, Rose Valley – they are all multi-crore Ponzi schemes, which thrived on a politician-police-criminal nexus.

These are the scams that came to public knowledge, but there are many Ponzi schemes that are duping lakhs of investors everyday of their life's savings with false promises of high returns. According to reports, 978 cases have been identified so far and of this 326 are in West Bengal.

Get rich quick?

Who doesn't want to! But any scheme that holds out the tempting promise of making you get rich quickly, is suspect. It can be potentially a Ponzi scheme. A typical Ponzi scheme will promise impossibly high returns defying any marketing logic and thus lures investors into putting in their money. The investors are also typically the middle classes and the lower classes, who are in need of money and end up losing their entire savings in the hope of earning a few quick bucks.

The modus operandi involves shifting the gullible investors' money from one place to another. Since there is no stable business model to back such schemes, expectedly, they fail. The result: money runs dry, the promised returns stop materializing and even as the customers are realizing that they have been duped big time, the company shuts shops and the founders vanish. Sometimes the enforcement agencies unravel the scam in the niche of time, sometimes it is too late – in any case it is the investors in such Ponzi schemes that are the worst sufferers.

As investors realize in hindsight, it never matters for such companies as to where the money is being put or how the business is running. Ponzi schemes could be in the shape of a simple investment scheme, business partnership, investing in commodities…or anything. Whatever, the supposed business premise, the investors are promised fantastic returns.

The payment model is simple, Money from new investors is used to pay the old investors, hence the need to keep on adding more and more gullible investors, so much so that a Ponzi scheme can run across many states and even the country. A part of the money also goes into making the owner of the scheme rich. Your money is basically being shifted from one place to another.

Though Ponzi schemes are of several types, but one common scheme that has recently grabbed the limelight is the Halal scheme. It thrives by exploiting the religious sentiments of the Muslim community. Bengaluru has been home to several such Ponzi operators that duped gullible investors of crores of rupees – Ajmera, Aleefa, Aala, Injaz, Burraqh, Ambidant are some of these schemes. For example, IMA and Heera Gold schemes scammed investors with the promise of making them partners in the gold trading business with profit sharing.

How to spot a Ponzi scheme?

The more fantastic it sounds, the higher the probability that it is a scam. It pays to have an eye on the market so that you are aware of the current rate of interest. If some company is promising you a rate that is much higher than the market rate, it would be elementary to investigate further before investing your money.

The second promise that should put you on high alert is that of consistent returns. While consistency is desirable, returns on any investment seldom are. They fluctuate based on the market condition.

The third red flag is either the lack of documents or mountains of paperwork that hide a lot in the fine print. If the scheme seems to have a complex structure, beware!

Also, if you can't withdraw your principal amount or if the scheme insists you stay invested for higher returns, it could be sign of a scam.

As a matter of routine, as an investor it is your duty to find out if the company or the scheme is registered with a financial regulator. An investment scheme must be registered under the RBI, SEBI, IRDAI or PFRDA.

As regards Halal schemes, it is not recognized under India's Banking Regulation Act 1949. Islamic banking is not formally recognized or regulated in India.

Respite for the beleaguered consumer

In July, Parliament unanimously passed the Banning of Unregulated Deposit Schemes Bill, 2019. The Bill seeks to put in place a mechanism that would help the duped depositors to get back their hard-earned money.

As per media reports, the Bill covers existing gaps in legislation that were being exploited by various parties to dupe small investors and siphon large amounts of money. It amends three laws, i.e., The Reserve Bank of India Act, 1934, The Securities and Exchange Board of India Act, 1992 and The Multi-State Co-operative Societies Act, 2002.

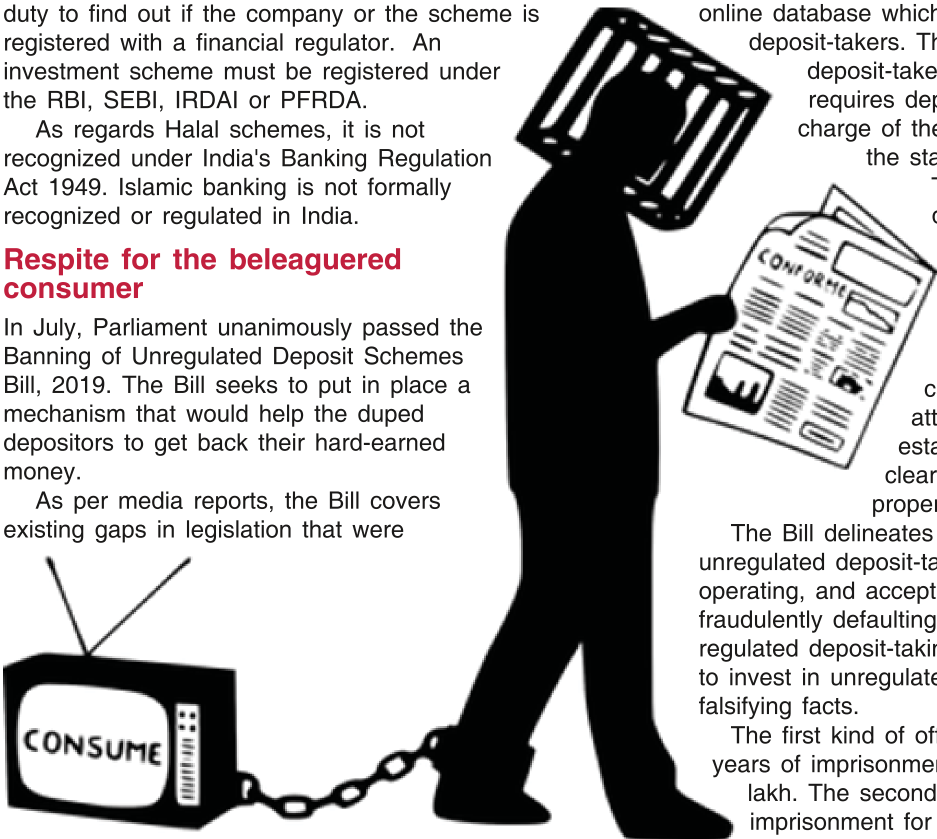


PHOTO: PIXABAY

Under the Bill, deposit-taking schemes undertaken for business purposes and not registered with one of the nine regulatory authorities mentioned in the Bill, are defined as 'unregulated'. The nine authorities charged with the oversight and regulation of deposit-taking schemes include the Reserve Bank of India (RBI), the Securities and Exchange Board of India (Sebi), the Ministry of Corporate Affairs (MCA), and state and Union Territory governments. Each authority oversees different types of deposit-taking schemes, with the RBI overseeing deposits taken by non-banking financial companies (NBFCs), and Sebi overseeing mutual funds.

Further, there is provision for the appointment of a "competent authority", of a rank not below Secretary to the state or central government. This authority has been vested with the power to provisionally attach the property of the deposit-taker, and all the deposits received by them. The competent authority can also summon and examine people to obtain evidence, and order records to be produced.

The Bill provides the first claims right on the recovered money to the depositors.

Under the provisions of the Bill, designated courts in specific areas will be formed. The central government has the power to designate an authority to establish an online database which will have information on various deposit-takers. The database will help ascertain if deposit-takers are regulated or not. The Bill requires deposit-takers to inform the authority in charge of the database about their actions and the state of their business.

The Bill provides for punishment and disgorgement or repayment of deposits in cases where such schemes nonetheless manage to raise deposits illegally.

It also seeks to establish a mechanism to ensure depositors can be repaid without delay by attaching assets of the defaulting establishments. The legislation provides clear-cut timelines for attachment of property and restitution to depositors.

The Bill delineates three types of offenses – running unregulated deposit-taking schemes, including advertising, operating, and accepting money for such schemes; fraudulently defaulting on the deposits made under a regulated deposit-taking scheme; and prompting investors to invest in unregulated deposit schemes by knowingly falsifying facts.

The first kind of offense would attract two to seven years of imprisonment and a fine of Rs 3 lakh to Rs 10 lakh. The second kind of offense is punishable by imprisonment for three to 10 years, and fines ranging from Rs 2 lakh to double the amount collected from depositors. Repeat offenders will have to spend five to 10 years in prison and would have to pay a fine between Rs 10 lakh and Rs 5 crore.

Under the Bill, both central and state governments will have the power to frame rules.

The legislation further contains a substantive banning clause by which deposit takers are to be banned from promoting, operating, issuing advertisements or accepting deposits in any unregulated deposit scheme.

Conclusion

With the government plugging the gap in laws, it is to be hoped that it would discourage Ponzi schemes from flourishing. However, laws by themselves are inadequate unless consumers become aware and knowledgeable in order to safeguard their interests. Begin by curbing your greed for making a quick buck.

Source: Secondary research & media reports

SUPPORT THE CAMPAIGN

LOOK OUT FOR THE RED LINE

BE RESPONSIBLE

Medicines such as Antibiotics have a Red Vertical Line on their pack to indicate that these should be consumed only on doctor's prescription. Always complete the full course as prescribed by the doctor.

Campaign Partners

OPPI
Consumer Conexion
Consumer Online Foundation
Healthy You Foundation
PATIENT SAFETY AND ACCESS INITIATIVE OF INDIA FOUNDATION
a Partnership for Safe Medicines India Initiative

SIGN THE PLEDGE.

HTTP://WWW.CAUSES.COM/CAMPAIGNS/106670-RAISE-AWARENESS-FOR-SALE-USE-OF-ANTIBIOTICS-TO-COMBAT-AMR

On A High Growth Path

Conducive macroeconomic environment, supportive policy and a huge consumer pool with rising disposable income make India's retail trade sector a bright spot

The retail market is projected to grow to $1.3 trillion by 2020 from the level of $672 billion in 2017.

THE TRADE IN goods and services across the country is termed as internal trade. While internal trade also comprises wholesale trade, it is commonly taken to mean retail trade. Over the centuries, trade has gone through many mutations – from the oldest barter system of exchange to today's e-commerce – the changes have been quite drastic. However, consumers remain central to retail trade. According to 'Overview & Evolution of the Global Retail Industry', a research report by MarketResearch.com, the global retail sector is estimated to have achieved revenues of US$ 22.6 trillion in 2015 and should continue to rise to US$ 28 trillion by 2019, with average annual growth rate of 3.8 percent since 2008. The report adds that the sector represents 31 percent of the world's GDP and employs billions of people throughout the globe. Hyper and supermarkets account for 35 percent of retail direct sales with USA and China at the forefront. E-commerce is expected to show a CAGR of 23 percent between 2012 and 2019 in revenue and 12 percent for e-consumers.

Indian scenario

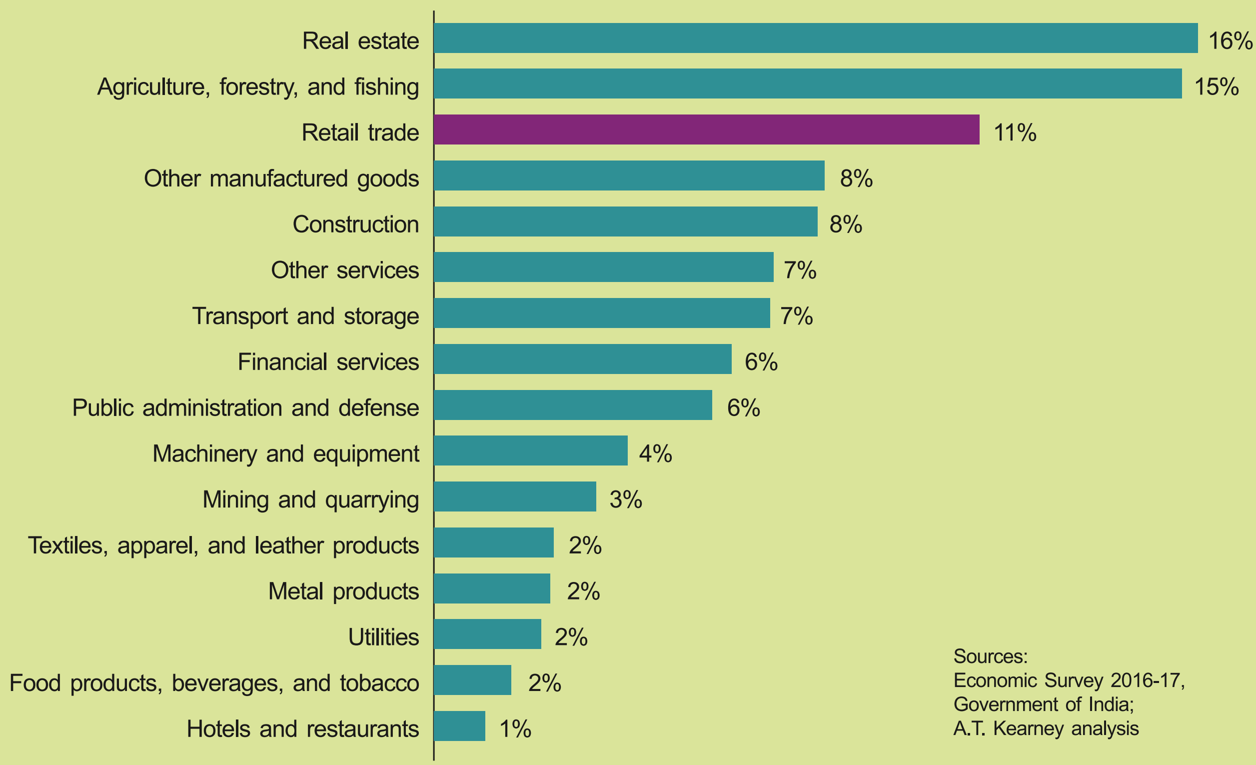
Coming to India, the retail sector is one of the most dynamic and fastest growing in the world, with the country pegged to become the third largest consumer market globally by 2030. Growing at an unprecedented rate, the retail market is projected to grow to $1.3 trillion by 2020 from the level of $672 billion in 2017.

The retail sector is growing at a rapid pace across formats – from traditional kiranas to modern trade and e-commerce retailing – and is the third largest sector in the country, contributing 11 percent of gross value added to overall GDP. Not only this, the retail sector is also the country's largest employer, directly employing about 11

Retail is the third largest contributor to India's economy

Gross value added

% of overall GDP



Sources:
Economic Survey 2016-17, Government of India;
A.T. Kearney analysis

percent of the total working population. Apart from the 48.5 million people that the sector directly employs, it also provides indirect employment to a large number of people in allied sectors such as warehousing, logistics, construction, and packaging to name a few. It is not just the largest employer, but also unlike sectors like construction and agriculture, where employment is seasonal, retail sector is a dependable employer providing stable jobs for most of its workforce.

According to the Confederation of India Traders (CAIT), the retail sector has more than 5 crore small shopkeepers and more than 20 crore people dependent on it excluding low cost kiosks, pushcart and footpath vendors. India accounts for the highest density of retail outlets in the world – for 1000 persons there are 15 retail outlets in India. CAIT estimates put the overall size of retail market in the country at Rs 15 lakh crore. Also, just about 4 percent of the retail trade is in the organized sector and the balance 96 percent is unorganized. India's retail trade is estimated to be expanding 10 percent to 12 percent every year with an addition of 25 million middle class consumers.

The rapidly growing population and disposable incomes in the country have ensured a rapid growth for India's retail sector and it is set to become a force to reckon with in the next decade. It is projected to grow to $1.3 trillion by 2020 from the level of $672 billion in 2017 and will reach USD 1,750 billion by 2026, a growth of over 150 percent.

Growth potential

Yet, despite the paradigmatic shifts taking place in the past decade, the retail sector remains mainly unorganized. However, it is because of this characteristic that there is a huge potential for growth and development of India's retail sector. Looking at China, where the retail sector contributes about 18 percent to GDP, Malaysia where it is 18 percent, Taiwan where it contributes 24 percent, 25 percent in Thailand and its contribution in developed countries such as the United States at around 21 percent, India retail contribution of 11 percent leaves scope for stupendous growth, especially given conducive factors and supportive regulatory regime.

With the thrust of Indian economy on becoming a digital powerhouse and disruptive technologies such as virtual reality (VR), augmented reality (AR), artificial intelligence (AI) and strategies such as omnichannel infiltrating the retail space, Indian retail space is poised for transformative growth.

Source: IBEF

Technology has brought a wealth of data in the hands of modern retail that is being used to predict consumer behavior and choice even before they articulate it. Global retail giants as Amazon, Facebook, Google, etc., are already using data to improve their functionality and provide intuitive recommendations to consumers.

The past decade has also witnessed conducive macroeconomic factors that have helped boost India's retail growth. The good run is expected to continue in the next decade too. According to an AT Kearny-CII report – 'National Retail Policy: Now or Forever Late' –since 2008, GDP per capita (PPP) has nearly doubled from $3,787 to $6,427. However, in past three years, the average savings rate has flattened at around 30 percent after reaching a peak of about 34 percent. Thus, backed by greater purchasing power coupled with a steadying savings rate and growing consumption, the retail sector is expected to continue to grow at a steady CAGR of 11 percent for the next five years. The growth in retail and wider product choices have boosted consumer spending.

India is also witnessing demographical changes with rapid urbanization, nuclearization and rising consumer expenditure. These coupled with increasing FDI investments are bound to benefit the sector.

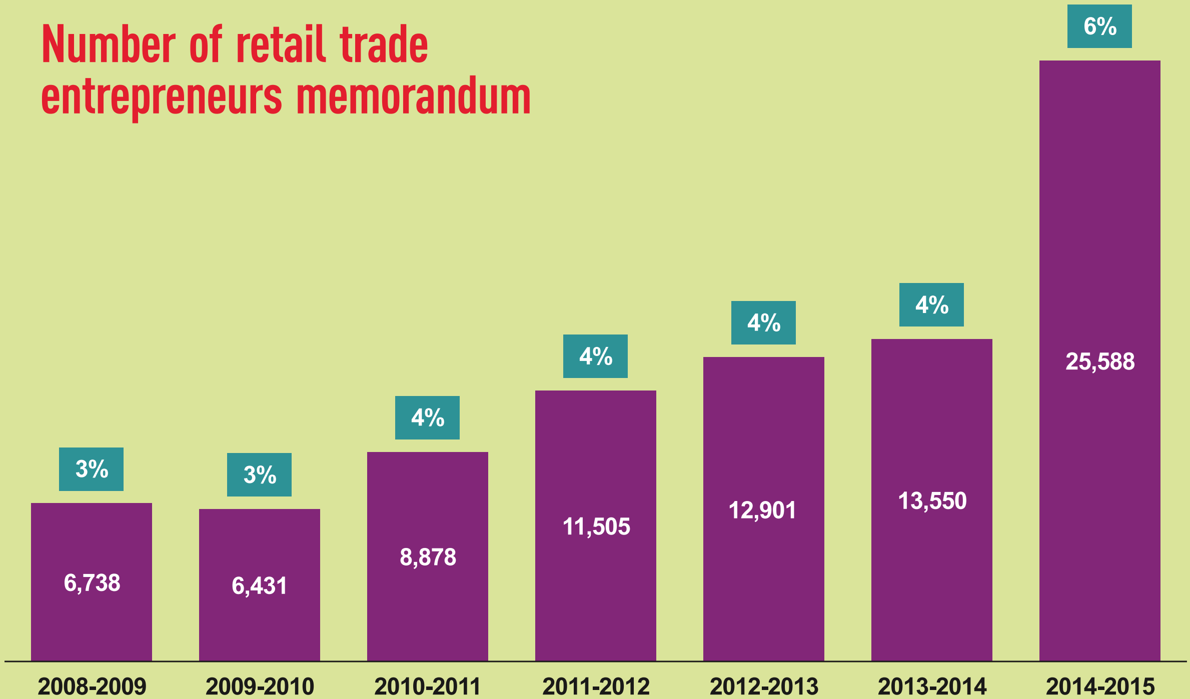
With 1.3 billion population, India is a huge consumer market for both domestic and global retailers. Over 65 percent of the country's population is aged below 35 years, while population below 25 years of age account for more than 50 percent. These demographic statistics have acted as a pull factor for global retailers and India has become the launchpad for many global brands.

Although growth will be primarily led by e-commerce (five-year CAGR at 28 percent) and modern retail (five-year CAGR at 18 percent), traditional retail is expected to grow at a rate of 8 percent CAGR. Although traditional retail is expected to grow gradually, it is also likely to rapidly modernize to survive in a highly competitive environment.

Thrust to micro, small, and medium enterprises

India's retail sector is expected to witness double-digit growth over the next three years. This is good news for MSMEs, particularly those in food processing, textiles, and apparel industries, as they will get a tremendous boost by supplying to organized retail companies. There is also a perceptible behavioral change in the consumers as can be seen in the acceptance of locally sourced labels and organized retailers' private labels. This increases the opportunity for MSMEs to supply to organized retail. India's foreign direct investment (FDI) policy also mandates sourcing locally from India and this is an added boost to the MSME sector.

Number of retail trade entrepreneurs memorandum



Note: Absolute numbers refer to the total entrepreneurs memorandum in the retail sector. Retail trade refers to repair and maintenance of personal and household goods and retail trade. Percentages in box refers to the percentage of retail entrepreneurs memorandum to that of total entrepreneurs memorandum registered.

Source: Entrepreneurs Memorandum Part II: A.T. Kearney analysis

According to the AT Kearney-CII report, there is evidence of more MSMEs registering under retail as indicated by the list of Entrepreneurs Memorandum (EM) Part II. The sector created a huge volume of employment.

Retail goes hi-tech

The way forward for retail is undoubtedly digital. In a 2015 report by IMD and CISCO on how digital disruption is redefining industries, the retail sector figures in the top three. The sector has been undergoing rapid disruptive changes with innovative online shopping formats and mobile shopping becoming the norm. Now the focus is not so much on adopting technology, rather it is on how technology can be used to provide superlative immersive customer experiences as businesses compete fiercely for consumer attention. Customer loyalty is now passé, as in the days of competing brands consumer is deluged with choice.

According to a McKinsey & Company report – "Perspectives on Retail and Consumer Goods' – various surveys indicate that millennials find newer brands as better and more innovative, and that more than 60 percent of Gen Z consumers are attracted to smaller "new" and "fun" brands. There is also an element of distrust for older traditional corporate brands as the younger consumers want brands to be transparent and approachable.

The most effective way for retailers and consumer brands to reach such consumers is digital media. As the report says, consumers spend, on average, almost six hours per day on digital media. Hence, digital channels continue to be the source of most retail growth and will soon influence most retail purchases.

In the digital age of instant gratification and experiential shopping, consumer expectation too is now sky-high. Retailers, if they want to remain competitive, must ensure these digital savvy consumers get a convenient, frictionless shopping experience both offline and online.

The AT Kearny-CII study expects retail sector transactions to account for more than a fifth of the total digital transactions in the country by 2020 and power the government's movement to cashless transactions. With more lower income groups adopting digital modes of payment, greater trust of digital in consumers and expanding ambit of financial inclusion, the proportion of non-cash transactions in online retail by volume is expected to grow 55 percent by 2020 and traditional retail is expected to contribute one-third of the value of all peer-to-merchant digital transactions. The Center for Financial Inclusion states that more than 60 percent of all rural retailers are willing to adopt cashless payment systems. With Digital India initiative taking deeper roots, the retail sector would see a significant proportion of its transactions done digitally.

As noted earlier, Indian retailers are also adopting digital to standardize business operations. Technology is being integrated into their day-to-day operations in areas such as billing management solutions, RFID technology, inventory management, and CRM solutions.

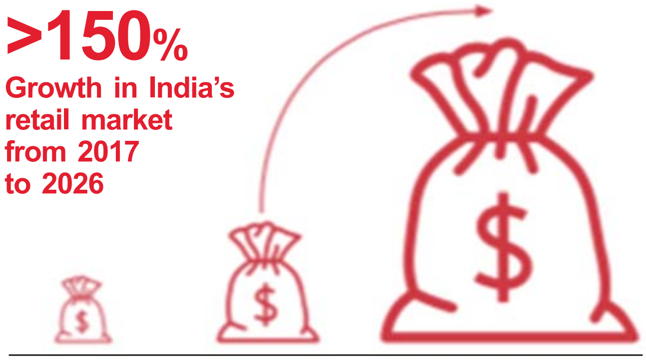
>50%

Nuclear families in urban households (Census 2011)

Per capita income of the residents grew from ₹ 86,454 in 2014-15 ₹ 86,689 in 2017-18 owing to economic growth suitably supported by rising employment

>150%

Growth in India's retail market from 2017 to 2026



Consumer expenditure expected to

double (2x)

2017 to 2020

Source: IBEF

Though currently, it is the big retailers with deep pockets that are modernizing rapidly, small retailers are not far behind. Apart from modernized physical stores using technology and opting for omnichannel presence to be where consumers are; the small retailers have also got help from large online retailers such as Flipkart and Amazon. These platforms are helping traditional traders to adopt customer demand analytics and inventory and order management systems. For small retailers and kiranas, help is also coming from startup platforms in going the omnichannel way. These platforms accept and deliver orders on their behalf.

Reforms shaping the Indian retail sector

The Government of India has taken several measures to create a conducive environment for retail and boost its growth. It allowed 100 percent FDI permission in online retail. With investments coming in, the retailers could invest in modernization, infrastructure, supply chain and capability building.

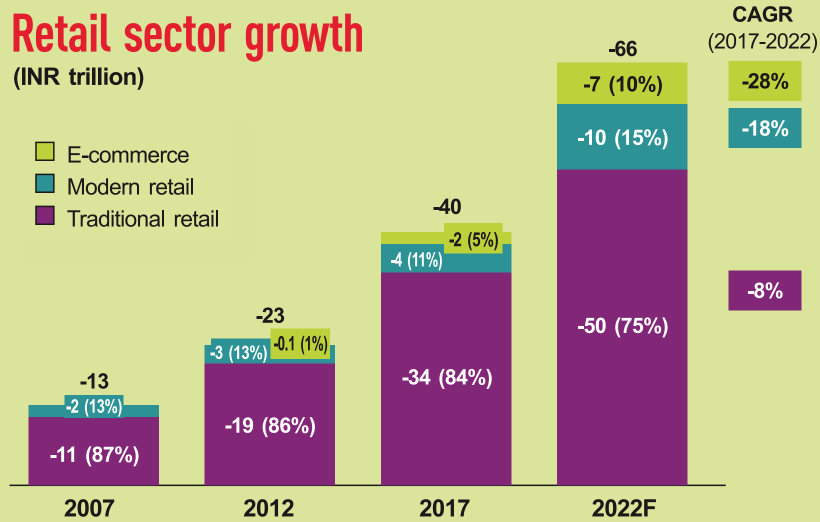
The series of structural reforms and policy changes that the government has introduced further have created a supportive ecosystem for the Indian retail industry. Demonitization and GST brought in transparency in the sector and regulated it. This enhanced investments. Further, as Anarock report – 'Customer Experience (CX) – The Epicenter of Retailing' – noted, rising consumer expenditure amidst favorable FDI norms has positioned the Indian retail sector on the global map of investments fueling the growth of the organized retail market in the country.

The advent and growth of online marketplaces brought in tough times for the offline retailers operating out of brick and mortar stores. Ease of buying without stepping out of the house coupled with huge discounts and cash back offers from online marketplaces lured customers away from brick and mortar stores. This brought to fore the question of survival of brick and mortar stores.

The government announced a new e-commerce FDI policy in 2018 and it was implemented from February 2019, in response to the demands from retailer associations and brick and mortar store owners that were threatened by online formats and their deep discount policies. The idea was to bring price parity between

Retail sector growth

(INR trillion)



Note: Traditional retail includes traditional grocery, traditional non-grocery specialists, and direct selling. Modern retail includes modern grocery, modern non-grocery specialists, mixed retailers, luxury retailing, off-price retailing, and home shopping. E-commerce includes internet retailing, mobile internet retailing, and internet pure-play retailers.

Source: Euromonitor; A.T. Kearney analysis

online and offline retailers and address the concern of data colonization.

The government has set a 12-month deadline for the e-commerce policy and it is now expected around the middle of 2020. However, the government has made it clear that there would be no changes in the FDI rules in the sector. The regulations allow 100 percent FDI in marketplace model in the online store but FDI is not permitted in firms following the inventory model. The policy proposes 49 percent FDI under the inventory model for firms to sell locally produced goods in their online platforms. To tackle the issue of data colonization, the government mandates that large e-commerce giants store consumer data in India only. Further, provision of special preferences by e-commerce platforms to any vendors/suppliers is prohibited and the entity with equity participation or control on its inventory by e-commerce platforms or group companies will be prohibited from selling its products run by such marketplaces.

With a national retail trade policy also underway, India is set to strengthen its internal trade further.

Future trends

According to a KPMG report titled, 'Retail Trends 2019', this year is poised to be a transformational one for retail. In 2019, technology continues to change the rules of engagement, consumers are more demanding than ever, and getting them to notice a brand amid all the noise in the market is an even greater challenge.

The report expects hyper personalization as retailers have access to more and more data giving them a closer view of the lives of consumers. The need is for retailers to meaningfully analyze the data for intelligent insights and shore up on security tools.

Consumers are also becoming price savvy as paying less for more becomes a trend in itself. Today's consumers with their digital education know pricing strategies and are prioritizing value. There is an abundance of information and consumers can do their own product research. According to the KPMG report, 81 percent of shoppers do online research before committing to the purchase; 89 percent of these customers begin their buying process with a search engine; and 75 percent of people don't think that quality necessarily goes hand in hand with high prices. Further, modern shoppers don't want to pay full price and aren't afraid to share their opinions through reviews.

The impact of artificial intelligence (AI) is growing. There is increasing comfort communicating with robots. According the report, the number of people with smart speakers enabled with voice-activated virtual assistants almost doubled from 14 percent in 2017 to 27 percent in 2018.Voice-controlled shopping is set to explode over the next four years to US$40 billion by 2022.

2019 will also see a huge surge in the development of chatbots. Gartner and Juniper predict that chatbots will be involved in 85 percent of all types of business to customer interaction by 2020.

Another evolving trend is experiential retail or retailtainment. The desire for experiences is on the rises. The report states that for millennials, 52 percent of their holiday spending would go to experience-related purchases compared to 39 percent of older consumers. Retailers hence need to create more immersive experiences to attract consumers.

An important trend is sustainable shopping. As consumers become more planet conscious, they are choosing brands based on their social and environmental impact, says a new research by Unilever. What is emerging is a breed of consumers that shop with their conscience and not just their wallets.

With more than 2.56 billion social media users globally, another trend that impacts retailers is their use of social media for shopping. According to the report, one out of every three millennials use social media as their primary tool to interact with brands and companies

Conclusion

Retailers must keep pace with changing consumer behavior, technology and demographics if they are to thrive in this world. As one of the fastest growing retail markets in the world and the largest consumer market, India needs to be spot on the trends to score a hit on the retail map.

Source: Secondary research & media reports

Etailers Can't Sell Amway, Modicare And Oriflame Products

It is a violation of the Direct Selling Guidelines, says court, as it demolishes etailers' arguments and safe harbor plea

PHOTO: PIXABAY

E-COMMERCE PLATFORMS HAVE opened up a shopper's paradise for consumers – unlimited choices, access to innumerable national and international brands and deep discounts. Looking for say a bottle of shampoo throws up a virtual shelf of shampoo brands from Lakme, Loreal, Tresemmé to Moroccan Oil, OGX, Keratin and Amway. But wait! Did we say Amway? Amway is a direct selling brand and should not be there. I am sure not many of us are aware of this fact.

In July, for all such avid buyers of health and beauty products from e-commerce websites like Amazon and Flipkart, the Delhi High Court came up with some cautionary advice. According to media reports, while hearing a plea filed by Amway, Modicare and Oriflame that alleged unauthorized sale of their products on leading e-commerce platforms as well as chances of counterfeit goods, the court brought several malpractices to light.

A report of the local commissioners who inspected the warehouses of certain sellers on Amazon, Flipkart, Healthkart, Snapdeal and 1MG, was submitted to the court and based on it, the court observed that not only were the MRPs on the higher side, but names were also wrongly attributed. Moreover, in the course of the inspection it was found that codes and inner seals of the products had been tampered with and expired products were being given new manufacturing dates. Furthermore, instead of genuine goods, some of the etailers were found to be selling completely tampered products.

It is to be noted here that Amway products generally bear unique codes which helps the company track the source of the seller.

The battle between direct selling companies and e-commerce entities commenced in 2018 with Amway India Enterprises Pvt. Ltd., filing a series of suits against e-commerce websites such as 1MG.com, Heathkart.com, Snapdeal.com, Flipkart.com, etc. The allegations included perpetual injunction, tortious interference with its legitimate business, and unfair competition. The complaint was that the actions of e-commerce platforms was a violation of Amway's Direct Seller's Contract. This contract permits sellers to market, distribute, sell products and provide services to the end consumers. In Amway's case, this contract is dictated by its Code of Ethics and Rule of Conduct. Notably, under the contract, it is not permitted to sell Amway's products on any e-commerce platform or in retail or wholesale stores without prior authorization from Amway.

It is to be noted here that in 2016, the Government of India issued the Direct Selling Guidelines with the purpose to regulate the business of direct selling entities and protecting the interest of the consumers. On its part, Amway had submitted its undertaking that it is 100 percent compliant with the DS guidelines.

Amway had sent legal notices to the e-commerce entities, when it found unauthorized and illegal listing of its products on them, requesting them to delist their products. Reports say that even government agencies such as FSSAI, ASCI, etc., wrote to major e-commerce companies to comply with the DSA Guidelines but to no avail.

Amway products were also being sold at cheaper prices than the original market prices and the company feared that there was a risk of circulation of counterfeit products in the market.

Moreover, the e-commerce platforms' return and refund policies were different from Amway's official 30 days return and refund policy even of 30 percent consumed product. Apparently, the consumers were being denied these benefits by the e-commerce operators.

To add to the issues, the reviews on the portals were negative about Amway with many consumers raising concerns about the authenticity and genuineness of the products.

During the raid proceedings, it was found sellers were using thinners and glue for tampering the unique codes imprinted on the internal and outer seal of Amway products and were resealing them.

All these illegal and unauthorized activities were affecting the business of Amway, and its reputation and goodwill built over many

***The interim order* observed that the way these etailers operate makes it extremely convenient and easy for sellers to sell products without any quality controls**

years. Not only was Amway losing its loyal customers, the e-commerce platform's activities were also affecting its relationship with its direct sellers.

Amway hence alleged that the said e-commerce platforms, in connivance with some of the sellers of Amway products were flouting the Direct Selling Guidelines issued by the Government of India as also the Information Technology Act, 2000 or the Guidelines thereunder.

Amway contended that for the acts of the e-commerce portals, it would be liable for violation of its own undertaking given to the Government of India under the DSG and feared that the permission granted to it to conduct direct selling business in India in 1994 may be revoked.

It is surprising that the e-commerce platforms had not verified these Amway sellers, most of who had been either previously terminated by Amway for some acts or were sourcing these products from some unknown sources. Some of them were also existing sellers who were working in violation of Amway's rules.

After Amway, Modicare, Oriflame and some other direct selling companies too filed suits against e-commerce platforms. All the suits were heard together, and a common judgment was passed by the Delhi High Court.

Justice Pratibha M Singh, in the interim direction, restrained major e-commerce platforms from selling products of the three petitioners without their consent.

The interim order that ran into 225 pages also noted that the platforms had failed to adhere to their own policies in this case, which is the minimum conduct expected of them.

The interim order observed that the way these etailers operate makes it extremely convenient and easy for sellers to sell products without any quality controls.

An important observation was that the manner in which the three e-commerce platforms' marks, logos, company names and product images were being used was "clearly misleading to a consumer" as the sellers' names were not fully disclosed.

The court ordered that only those sellers who had obtained the consent of Amway, Oriflame and Modicare will be allowed to sell their products online. Further, the e-commerce platforms have to display the complete contact details of such authorized sellers.

Conclusion

The arguments of the etailers were completely demolished in the court. The DS Guidelines have been authenticated, approved and Gazetted under Article 77 of the Constitution of India, 1950 and have the force of law and hence are binding. Further, the Guidelines have been implemented in a large number of states.

As the direct selling companies are the owners of their respective trademarks, their ownership rights are also not disputed. The sellers had signed DSCs with these direct selling companies hence they were bound by the code of ethics and the terms and conditions contained in the contract which includes specific embargo on sale in retail stores and e-commerce websites.

The court observed since the details of the sellers were completely missing from the portals, it could lead to the consumer into believing that the products are originating from their manufacturers. Further, the customer reviews showed that enormous damages were being caused to the reputation and goodwill of the direct selling companies.

With regard to the safe harbor provision of the IT Act, the court observed that the e-commerce entities are admittedly providing their sellers various other services such as logistic payment portal, delivery, return, etc. Thus, they are facilitators rather than passive players.

Finally, the e-commerce companies cannot hide behind the common stand that they are intermediaries and the sales are done by the sellers on their platform, as they shifted their neutral position on intermediaries and defended their acts arguing that their fundamental rights cannot be impinged. Moreover, since e-commerce platforms indulge in substantial sales of consumer products on their platforms and invest heavily in their logistics, warehousing, etc., they should be aware of the sellers whom they permit to operate on their platforms, and the kind of products that are being sold.

Source: Secondary research & media reports

PHOTO: PIXABAY

It is surprising that the e-commerce platforms had not verified these Amway sellers, most of who had been either previously terminated by Amway for some acts or were sourcing these products from some unknown sources. Some of them were also existing sellers who were working in violation of Amway's rules.

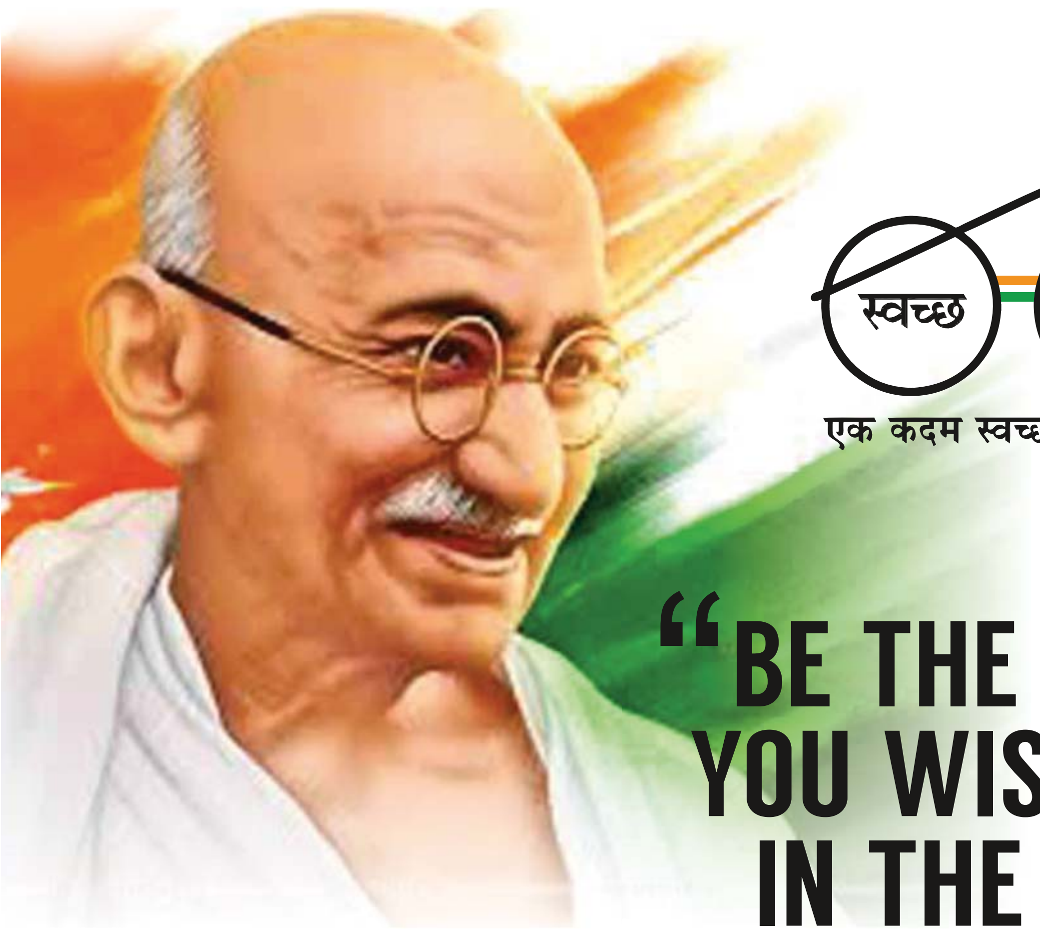
Consumer Conexion

Consumer Online Foundation

PATIENT SAFETY AND ACCESS INITIATIVE OF INDIA FOUNDATION

a Partnership for Safe Medicines India Initiative

Healthy You Foundation



स्वच्छ भारत

एक कदम स्वच्छता की ओर

"BE THE CHANGE YOU WISH TO SEE IN THE WORLD"

150

YEARS OF CELEBRATING THE MAHATMA

www.jagograhakjago.com • www.safemedicinesindia.in

The Battle For Kirana Hots Up

There was a time when the organized players were hellbent on wiping out these ubiquitous mom and pop stores to expand their footprints. Today, these kirana stores are being perceived as necessary to those very expansion plans in the smaller cities and how!

PHOTO: PIXABAY

IF YOU HAD written off your shabby local kirana store, think again. There has been a quiet revolution in the kirana space, as the friendly neighborhood uncleji who stocked over 1000 retail brands in his crammed 100 sq yard store is modernizing with a vengeance. The cash and credit system has been replaced with POS swipe machines, wallets and whatnots. The tiny shop where uncleji yelled orders at his assistant who ran hither thither producing just the product and brand you demanded, has made way for a more spacious store where you can sail across with your shopping cart and the assistants are now educated youth in store branded uniforms.

But that is nothing compared to the kirana war being fought by India's heavyweight corporates, all for a pie of uncleji's store and there decades old customer 'khata' (register). The ubiquitous mom and pop stores that dot India's every nook and corner are an estimated 12 million in number. According media reports, they are now the center of two transformational forces — the first is the modernization force that is attempting to change their anatomy using technology and giving them efficiencies and strategies of modern retail. The second force is more insidious. It wants to convert them into pulsating nerve centers of a coming e-commerce and digital payments revolution that is set to sweep tier 2 and 3 cities and beyond. It aims to connect them to virtual hubs of demand, supply and transactions.

These tiny kiranas are striking up mutually beneficial contracts with fintech companies like Paytm, PhonePe and Google Pay. There is intense competition among these companies to become the preferred mode of wallet for these stores and their customers. While some charge a fee to receive payments, store owners also receive a commission for growing the volume of their business.

The second kind of tie-up is happening with mega e-commerce and grocery giants that want to make these kirana stores an extension of their platform and also tap them as pickup and delivery hubs for other products. The modus operandi is to help these stores modernize and refurbish with cheap credit and help them manage inventory and other processes.

Some companies like Metro Cash & Carry are offering PoS solutions on EMI that help the retailers keep track of inventory, sales and revenue and even print GST compliant invoices among other things.

Given the rising importance of the local kirana stores, it is not surprising then that giants like Reliance and Walmart are also jumping into space. From earlier attempts at wresting business from them, to making them the bridge to India's hinterlands, this is quite some change.

Just last year at the firm's annual general meeting, Reliance Industries chairman Mukesh Ambani announced the companies' plans with regard to the kirana retail sector. "We shall create this (technology platform) by integrating and synergizing the power of Reliance Retail's physical marketplace with the fabulous strengths of Jio's digital infrastructure and services… The 35 crore and growing customer footfalls at Reliance Retail stores... The 21.5 crore and growing Jio connectivity customers… The targeted 5 crore Jio Giga-Homes; and all the 3 crore small merchants and shopkeepers all over India who provide the last-mile physical market connectivity."

According to a report by Bank of America Merrill Lynch, Reliance's entry into online retailing will help expand the current 15,000 digitized retail stores to over 5 million by 2023. With as much as 90 per cent of India's USD 700 billion retail market unorganized, made up mostly of neighborhood kirana stores selling groceries and other sundries and keen to upgrade and modernize, this could be a wave that would transform India's retail trade forever.

Reliance's retail footprint spreads across the country with over 10,000 Reliance Retail outlets. The current move would create the world's largest online-to-offline e-commerce platform in the country. This is also part of the country's larger interest that spans across retail, telecom and technology.

The company wants to install its Jio MPoS (mobile point-of-sale) device at kirana stores. This will connect kiranas to its high-speed 4G network that can be used by its customers to order supplies. The mPoS solution was successfully piloted across Gujarat and now the company plans a national rollout with a target to reach five million retailers by 2025. It too is offering the small retailers a combination of store modernization and its own PoS offering.

However, it is not alone in this race to corner the mom and pop stores.

The MPoS space is fragmented and Reliance will be taking on players like SnapBizz, Nukkad Shops and GoFrugal. Reliance with its Jio MPoS at a one-time investment of Rs 3,000 will be giving some tough competition to SnapBiz that offers the same machine at a one-time cost of Rs 50,000, Nukkad Shops at Rs 30,000 to Rs 55,000 and GoFrugal at a one-time investment of Rs 15,000 to Rs 1 lakh.

Apparently, behind the kirana scene a lot is happening – supply chain tech upgrades for instance with various established players and startups vying for the attention of the small traders. From tech companies that hope to grow with new set of clients to consumer goods companies that would like to access the priceless purchase history of consumers, for every player worth its name, the kirana stores have become invaluable. Capitalizing on their need for funds and survival, the biggies are offering from technology to funds to ensure they survive.

Uncleji meanwhile is keeping his options open.

Source: Secondary research & media reports

A GeM Of An Initiative

With an aim to support MSMEs, streamline the procurement process and bring in transparency in processes, the government launched GeM, an in-house e-commerce platform in 2016. It has not only made government procurement cashless, contact-less and paperless but is today an attractive platform for small businesses

GeM displays the governments mantra of tech enabled faster, cheaper and efficient citizen services

IMAGE: PIXABAY

THE BUSINESS ASPECT of India is changing and not in the least because of the efforts of the government that is looking into every aspect of the economy to ensure "Sabka Sath, Sabka Vikas". GeM or Government e-Marketplace is one such effort which has streamlined procurement as never before. But more importantly, it has brought about a perception change among the business community regarding doing business with the government. Common citizens have been naturally wary of any truck with the government given their experience with its notorious babudom and red tape. The notion that the government is more of an obstructionist than a facilitator has been pervasive and deeply rooted. It has traditionally been an obstacle course – complex procurement norms, severe bureaucratic hurdles, nepotism and delayed payments.

GeM (gem.gov.in) has made doing business with the government easier and safer, payments timely and logistical hassles few and far between.

So, what is GeM?

Launched in 2016, GeM is the online version of DGS&D (Directorate General of Supplies and Disposals) – but better, smoother and leaner. While the DGS&D was anachronistic, bloated, paper-driven and overstaffed (more than 1,800 employees), GeM is, modern tech-driven and lean with a staff strength of just 50.

It was a government decision, based on the recommendations of the Group of Secretaries, that led to the setting up of a dedicated e-market for different goods & services procured by government organizations/departments/PSUs and that too in a record five months' time. According to its website, GeM facilitates online procurement of common use goods & services required by various government departments/ Organisations/PSUs. Thus, the explicit aim of GeM is to enhance transparency, efficiency and speed in public procurement. It provides the tools of e-bidding, reverse e-auction and demand aggregation to facilitate the government users, achieve the best value for their money.

With the vision to effect an evolution in public procurement promoting a transparent, efficient and inclusive marketplace, in just three years, GeM has become an embodiment of its mission and values.

How GeM works?

According to the GeM Handbook, the platform works with three core elements – openness, fairness and inclusiveness. Under the first, i.e., openness, GeM works as an open marketplace and promotes access to information and transparency. Relevant information on sellers, goods, and services are available on the platform easily. GeM also provides databased insights to help users in decision-making and ascertaining price reasonability. In this direction it publishes a monthly scoreboard covering number of buyers and sellers, number of product and service categories, % orders with delivery and payment within time and ageing, % savings achieved, number of unfulfilled or cancelled orders, and number of disputes/incidents registered and resolved with aging. The purpose is to keep all its stakeholders informed regarding the development and growth of the platform.

IMAGE: PIXABAY

GeM facilitates a transparent, efficient and inclusive marketplace for public procurement where MSMEs can thrive.

As a key objective of the platform is to allow sellers, big and small, to gain direct access to government buyers and treat all sellers fairly, GeM does not offer promotional treatment to any seller and ensures that all sellers get a level playing field.

Further, GeM promotes inclusiveness. All government buyers and sellers can access the platform and any seller interested in conducting business with the government is welcome. It also provides assistance to those buyers and sellers that do not have the knowhow of using GeM, through focused training, onboarding sessions and continued feedback and support.

However, onboarding the GeM platform is not a chore. All registration formalities, including uploading documents and their verification is done remotely in two days. A seller can start selling within a month. For a woman-led startup there comes additional benefit under the Womaniya platform – vendor fee waiver. Womaniya is a government initiative to promote woman entrepreneurship.

The journey so far?

Impressive in short. GeM can be called the Amazon of government procurement. One of the fastest growing e-commerce platforms in India, it has in three years more than 2.5 lakh registered vendors and around 37,000 buyer organizations, which includes government departments. Around 200-plus public sector units (PSUs) and 30 states and Union Territories are on board. The product portfolio offers more than 10 lakh products and 12,798 services. It has netted transactions worth Rs 32,000 crore since 2016 and is targeting a cumulative total of Rs 1 lakh crore in 2019-20.

According to the GeM Handbook, public procurement amounts to 15-20 percent of a nation's GDP. The government as a buyer has a huge budget and even if we take it at typically 5 per cent of GDP, the procurement stood at Rs 190 lakh crore in 2018-19. According to media reports, about 40 per cent of the procurement spend is typically on buying products, including office stationery and laptops; and the rest is on services including cab services and housekeeping.

The entire procurement process has been digitalized. Most importantly in a boost to startups, the vendor base has become diverse and inclusive, as GeM lays emphasis on supporting startups and MSMEs.

Conclusion

AsGeM demonstrates, technology can help alter the way even governments do business by helping bring in transparency, cutting down red tape and promoting even small vendors, startups and MSMEs. Now the government is planning to launch 'Bharatcraft', an e-commerce platform for micro small and medium enterprises (MSME), modeled on global online shopping platforms such as Alibaba.

Source: Secondary research & media reports

INTERVIEW

Kumar Rajagopalan
CEO

Retailers Association of India (RAI)

in an interview to The Aware Consumer talks about the dynamic developments changing the retail sector in India

"For The First Time In The History Of Mankind, Consumers Are Dictating The Way Technology Has To Be Adopted By Retailers"

Q RAI has been at the forefront seeking a national retail trade policy. Why was this felt necessary?

Retail in India is one of the largest employers, next only to agriculture. It comprises very small to very large retailers. It employs more than 44 million people. With this in mind, it's only fair that there are government-led policies in place for ensuring that retail can make the best of the demographic dividend that this country has to offer. The large population of India with its increasing consumption capability, thanks to the fact that the per capita income is touching USD 2000, is a good way to ensure that India's GDP grows with growth in consumption. The retail industry needs support from the government because a typical retail business has to obtain and retain as many as 46 to 48 licenses. This does not anchor well with businesses and ease of doing business. Our belief is that a government-led policy can definitely pave the path for greater ease of doing business. It will help in increasing business of retailers and thereby the overall GDP of the country.

Q What are the unique characteristics of India's retail sector?

As we all know, India is a country with high diversity. The big trend observed by retailers is that the consumption pattern changes every 100 km because of the diverse nature of consumers. This makes it a country with challenges as well as a very high retail potential. India ranked second in retail potential in the 2016 Global Retail Development Index (GRDI), released by AT Kearney. This year, it ranks 4th on the Global Edge Market Potential Index.

Q What are the laws, rules and regulations that have been governing the sector so far?

There are multiple laws, rules and regulations that govern retail. From a funding perspective, it is the Foreign Direct Investment (FDI) norms that govern retail. And they are separate for single brand and multi-brand retailers wherein it is more difficult for the latter to get global funds. The other laws that affect retail include Consumer Protection Act, Labour Laws, Shops & Establishments Act, Weights & Measures and Corporate Law. Furthermore, the Development Plan of cities and local laws and rules are also applicable to retail.

All the above have an impact on the way retail is set up and run.

Our belief is that a comprehensive policy can help dovetail various rules and regulations towards growth of modern retail.

Q Technology has made trade all about customer experience. How has it impacted retail trade in India?

For the first time in the history of mankind, consumers are dictating the way technology has to be adopted by retailers. With the smartphone, almost every individual is able to interact directly with various service providers, which includes retailers. The ability of a retailer to be relevant to a consumer now depends upon the smart use of technologies that could then be available at the consumer's fingertips on his/her smartphone.

Q Your reaction on FDI in Single Brand Retail announcement.

The announcement by the Government on Foreign Direct Investment (FDI) in India, specifically about Single Brand Retail is a very welcome move by the Government. It has significant capability to create ease of doing business for single brand retailers in the country. The fact that the entire purchase is done by the single brand retailers from India, including the purchase done for the sake of exports, is a good move by the Government, which clearly indicates that they want FDI for single brand retail in the country. At the same time, it ensures that manufacturing in the country is being given a boost. In our opinion, the export capability from this country will dramatically increase when these retailers start buying for their global requirements.

The FDI in contract manufacturing also is a good move as it can encourage new types of manufacturers to look at India seriously. The easing of the channel play for single brand retailers by allowing them to start off with online and then subsequently go offline is also a laudable change as it increases ease of doing business and it will encourage them to come in the country.

The Retailers Association of India (RAI) had written to the Government asking to ease FDI norms for single brand retail by considering the exports that is done from this country also as part of the 30 percent Sourcing norm.

This is a good move by the government, which will, on one hand, encourage global single brands to source from India for global operations and on the other hand, encourage the retailers to showcase global product range to consumers in India.

Pyush Misra
Director,
Consumer Online Foundation

Anatomy Of The Indian Consumer

The Indian consumer market is growing and is a place where every retailer worth their name wants to be. But understanding the Indian consumer is the key to retail success.

Understanding the Indian consumer

IMAGE: PIXABAY

SO, WHO OR what is the Indian consumer? Is there a typical Indian consumer? How do the Indian consumers compare with their global counterpart? Is there a key to unlocking the consumer potential of India's 1.2 billion people? Is there a formula?

Consumer India is as diverse as its many ethnicities, cultures, languages, beliefs and mores. But, as a recent study by Retailers Association of India (RAI) and Deloitte ('Unravelling the Indian Consumer') observes, today's consumers will spare their time and money for only those businesses that understand them and can provide the experiences they seek. If technology is disrupting the retail industry – the entire value chain from sourcing, manufacturing, transportation, procurement, warehousing and inventory, distribution, marketing and advertising, selling, logistics, delivery, after sales servicing, etc. – and bringing a change in consumer business practices; it is also evolving the consumer as never before.

Why consumer India is so important?

Consumption in India is growing at a fast clip and various reports estimate no decline in the growth rate in the next 10 years. It is a growth story that any retailer worth its name wants to participate in it.

A recent report by Boston Consulting Group (BCG) and RAI – 'Going for Gold– By Creating Customers Who Create Customers' – estimated the size of the consumer market in India at Rs 110 trillion in 2018. In the last decade, the growth in domestic consumption has been at the rate of 13 percent and this is expected to continue on similar lines – a similar run rate of 12 percent CAGR to reach Rs 335 trillion by 2028. It is also estimated that between 2008 and 2028, the share of private consumption in India's GDP is set to increase from 57 percent to 62 percent, higher than the emerging market average which is expected to stay constant at 50-51 percent.

This growth will be led by a growing population, increasing affluence and disposable income, rapid urbanization, changing family structure and the emergence of a new generation of youth.

Steady double digit growth in consumption

Total consumption (INR 'trillion')[1]

	2008	2018	2028
India GDP (INR 'trillion')[2]	54.6	184.6	540.9
India Consumption as % of GDP	56.8%	59.3%	62.0%
Emerging Market Average Consumption as % of GDP[3]	51.4%	50.1%	50.6%

Source: BCG-RAI

IMAGE: PIXABAY

The population of Indian affluent classes is growing

While there has been 8 percent growth in average spend per household across all income segments, what differentiates this consumption growth is the expanding base of Affluent and Elite households in India. As per the BCG-RAI report, such households have grown at 10 percent annually in the last decade and have double their share from 6 percent in 2008 to 12 percent in 2018. Subsequently, consumption by Affluent and Elite grew at 20 percent CAGR to be one-third of the total consumption today. During the same period, Aspirer and below households grew by mere 2 percent with 11 percent annual growth in consumption.

One would expect then that this growth in consumption is driven my mega metros and Tier I cities. However, what is unique to India is that though the growth is being primarily led by the middle and higher income segments, it is dispersed across the country. In the last decade, demand across city-tiers has grown similarly between 14-15 percent CAGR with demand in Tier 1 cities growing at a slightly higher rate of 16 percent, the report notes.

Technology has added its bit to this revolution. As the report states, the share of organized and online retail has expanded rapidly in the last decade. Share of offline-organized retail increased at 25 percent per annum from 5 percent in 2008 to 12 percent in 2018. Share of online retail expanded to 3 percent of total retail spending, growing at 78 percent per annum. The over 9x increase in the number of internet users in India, supported this growth. Cost of smartphones, cheaper data packages and mobile-friendly content led to an increase in the number of online shoppers from 4-5 million in 2008 to 110-120 million in 2018. Further, as merchant acceptance of digital payments rises, it will boost the development of digital commerce.

For e-commerce, there are various supportive factors fueling growth. According to Deloitte-RAI report, the three most important factors are:

Growing internet penetration: Internet users in India are expected to increase from 432 million in 2016 to 647 million by 2021. The internet penetration is set to rise from 30 percent in 2016 to 59 percent in 2021. Further, approximately 75 percent of the new internet users are expected to come from rural regions.

According to a Kantar IMRB ICUBE report, the internet user base in India has exceeded 500 million mark and is slated to reach 627 million by end 2019. As of December 2018, there are 566 million internet users. The user base is registering an annual growth of 18 percent. Of the regular user base, 87 percent or 493 million Indians are regular users. Of this, 293 million active internet users reside in urban India, while there are 200 million active users in rural India. For 97 percent of users, mobile is the way to internet access. Rural India is driving the digital adoption and it has registered 35 percent growth in internet users over the past year. According to the report, there are 251 million internet users in rural India, forecast to reach 290 million by the end of 2019.

Rising number of online shoppers: The Deloitte-RAI report estimates that the number of online shoppers in India would grow from the current 15 percent of the online population to 50 percent by 2026.

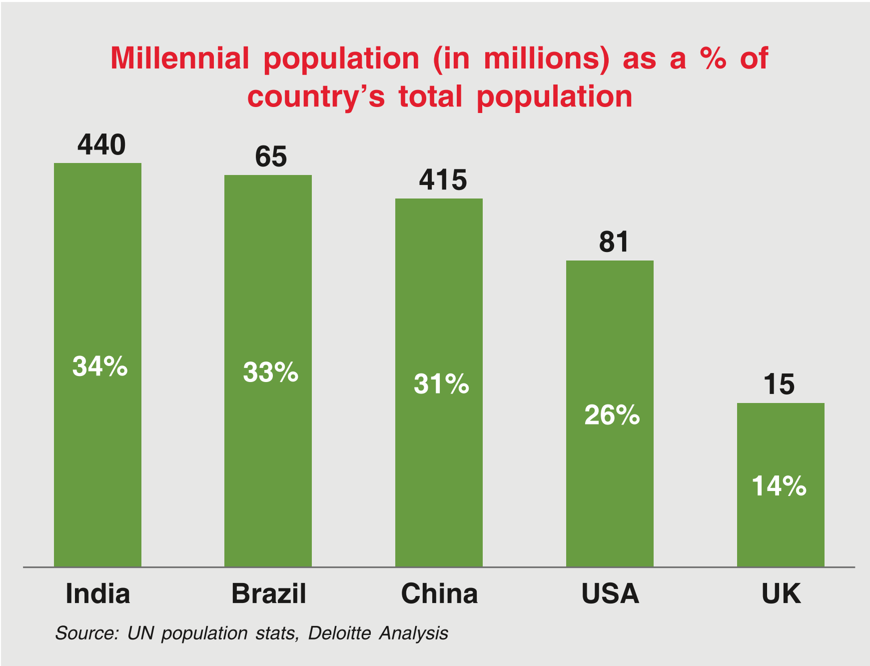
Increasing usage of smartphones: Smartphone users in India are expected to increase from 260 million in 2016 to around 450 million by 2021.The Deloitte-RAI report adds that this is also likely to drive the m-commerce sales from USD10.5 billion in 2016 to USD38 billion in 2020. According to media reports, in 2019, it is expected that almost 374 million people will own a smartphone, that is about 39 percent of all mobile users will be smartphone users. By 2022, the number of smartphone users would hit 442 million.

The new age consumer and their needs

The demographics of India also make it an interesting consumer market.

The new age Indian consumer has a distinct personality and needs

IMAGE: PIXABAY



According to the Deloitte-RAI study, India has the world's largest millennial population in absolute terms. Forming the age group of 18-35 years, and a population of over 440 million, Indian millennials are nearly 34 percent of the country's total population. They also comprise a major share of the workforce population – nearly 48 percent.

Millennials are a force to reckon with driving the digital economy as first global generation of digital natives. They are not just better connected to information but more importantly, as chief wage earners in the household and with significant spending power and greater access to products and services, they are also the chief drivers of the consumer sector. The millennial trend is expected to drive the consumer market in India, leading to disruptions,

New age consumers' characteristics

Source: *Deloitte analysis*

Who is the Indian customer?

IMAGE: PIXABAY

especially in discretionary segments where the millennial group, in general, has a greater tendency to spend more vis-à-vis their increasing disposable incomes.

Gone is the time when health needs were considered emergency and a burden on limited income. The new age millennial consumer is health and fitness conscious and is not shy of splurging on physical and emotional needs. Back to roots is their lifestyle mantra albeit it a modernized version of it and organic is their way of life. According to Deloitte-Rai study, 36 percent of the Indian millennials have a fitness app installed on their phones and about 45 percent think leading a healthy life is essential. Even though eating out and ordering in are on the rise, there is also a penchant for healthy food. From skincare to toiletries, the demand is for natural, chemical-free and Ayurvedic alternatives.

Convenience is the need of their hectic lifestyle they lead. Hence, apps on which they can order their food, grocery and medicine to products that are ready to eat or serve are dictating the retail market.

A product is not just a product, it needs to be a brand in itself and the brand must reflect their holistic values. Unlike the past generations, millennials believe in standing out in the crowd and require personalization as a part of the product or service. As the report notes, the new age consumer attaches more importance to aesthetic aspects than to core functional aspect of a product.

With tech at their fingertips and value for money top of mind concern, millennials like to research online before finalizing a purchase decision.

Millennials also need immersive experiences in all aspects of life – from cinemas to shopping. Though they may like to shop, but there is also an increasing trend to see the products they buy does not end in the landfill. They are not shy of reusing someone's used clothes or buying things second hand.

Needless to say, millennials are shaping the retail industry with their unique needs.

Conclusion

Consumer India is today a complex market. With varied categories and different needs, deeper pockets and wider knowledge, changing value systems and differing values, among others. Understanding this consumer requires a 360˚ view. To understand this consumer, we must answer:

Who is spending?

How is the spend happening?

Where it is being spent?

What is the consumer spending on?

Source: Secondary research & media reports

RETAIL LANDSCAPE TO GET A FACELIFT

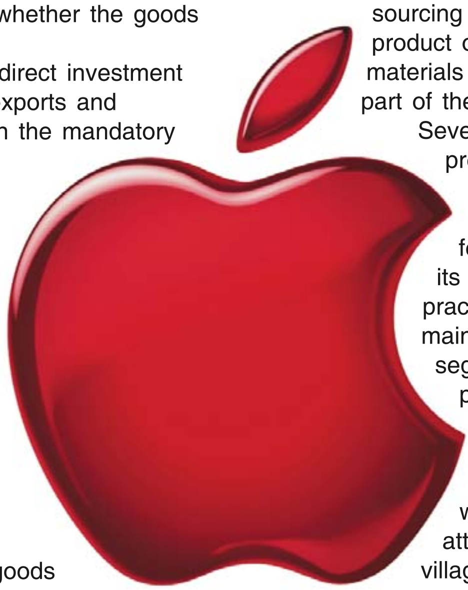
Government relaxes local sourcing norms in single brand retail

Opportunity unfolds for single brand retail trading in India

IMAGE: PIXABAY

APPLE HAS BIG plans in India. And why not when it finally seems to have won the battle. Recently, the Union Cabinet approved relaxation in norms for FDI in single brand retail trading opening up the market for the maker of iPhones. The relaxation in norms for FDI in Single Brand Retail Trading (SBRT) brings much relief to companies like Apple as now all procurements made from India by the SBRT entity for that single brand will be counted towards local sourcing. According to cabinet decision, this would be irrespective of whether the goods procured are sold in India or exported.

The government has eased foreign direct investment (FDI) rules around SBRT by allowing exports and contract manufacturing to be counted in the mandatory 30 percent local sourcing norm over a period of five years. The government also allowed foreign single brand companies to sell directly via webstores, irrespective of a brick-and-mortar store presence



To SBRT entities this brings the much-needed greater flexibility and ease of operations. The government is also mulling removal of the current cap of considering exports for 5 years only. This is expected to give an impetus to exports.

Notably, the current FDI Policy mandates that 30 percent of value of goods is to be procured from India if an SBRT entity has FDI more than 51 percent. The local sourcing requirement mandated for an SBRT can be met as an average during the first 5 years, and thereafter annually towards its India operations.

According to media reports, Apple has apprised government officials about it plans to invest close to Rs 1,000 crore in setting up its online selling platform, and opening three of its iconic retail stores across major cities over the next two to three years

Reports say Apple has plans to sell directly to Indian consumers. It will first reach out its products through its own online store, which given the company's global format, would be easy to implement. It will next open retail stores which would require more time and larger investments.

Under the current policy, incremental sourcing for global operations by non-resident entities undertaking single brand retail trading, either directly or through their group companies, will also be counted towards local sourcing requirement for the first 5 years.

However, many entities are sourcing from India for global operations of their own or for group companies. The sourcing is also being done through unrelated third party contracted for the purpose. Media reported that to cover such business practices, it has been decided that 'sourcing of goods from India for global operations' can be done directly by the entity undertaking SBRT or its group companies (resident or non-resident}, or indirectly by them through a third party under a legally tenable agreement.

Also, to correct the existing anomaly, it has been now decided that entire sourcing from India for global operations shall be considered towards local sourcing requirement.

This means that if a vendor of any given brand sources materials locally it could be considered as meeting the brand's local sourcing requirement. Even sourcing of part material that goes to make a product of the brand, for example, stitching materials or the fabric, will also be counted as part of the brand's local sourcing requirement.

Several brands like Apple and Ikea preferred not to enter India as stringent local-sourcing norms raised quality concerns. Also, companies like Apple feel hamstrung in making all models of its products in India as the company practices a global sourcing model to maintain its quality across product segments. Even for Ikea, it has not been possible to sell all products in India from its Hyderabad store due to the stringent local sourcing norms.

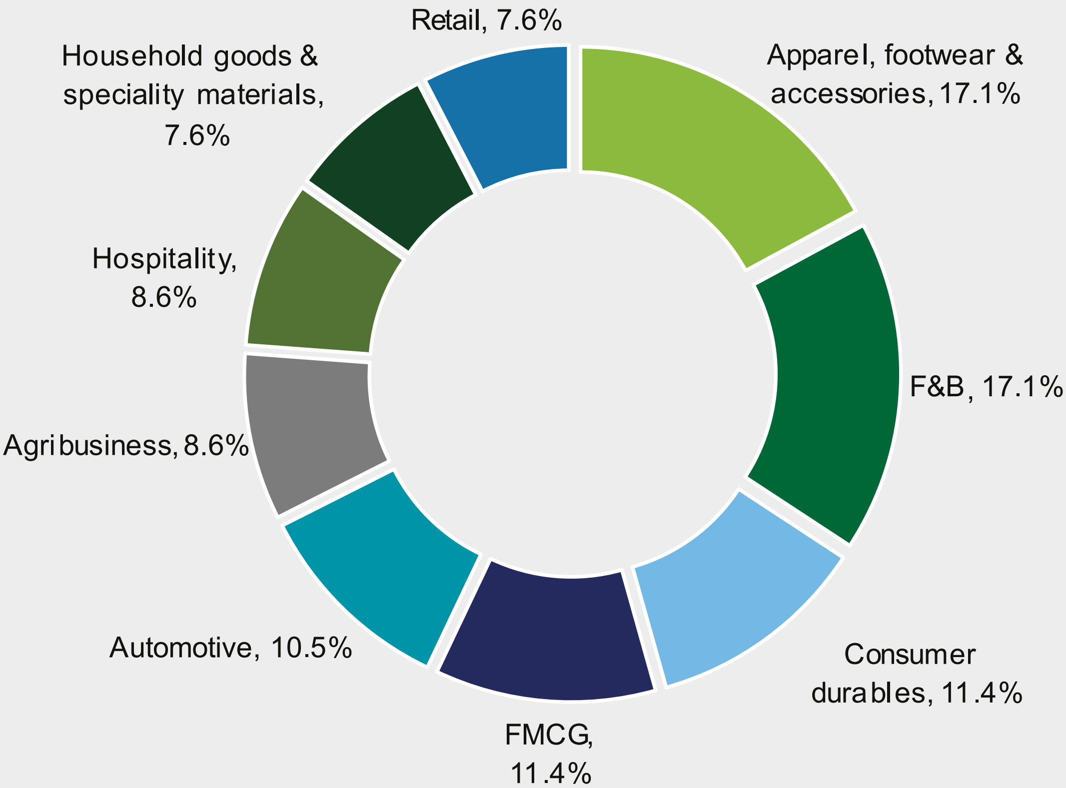
The 30 percent local sourcing rules were imposed by the government in an attempt to promote homegrown MSMEs, village and cottage industries, local artisans and craftsmen.

Under the extant policy it is also required that SBRT entities must operate through brick and mortar stores before starting retail trading through e-commerce. This creates an artificial restriction and is out of sync with current market practices. Single brand retailers have for long sought a more relaxed policy environment and have refrained from setting up shop in India because of the mandatory brick-and-mortar rule. Their reluctance stems from the high cost of commercial real estate.

Under the new decision, retail trading through online trade can also be undertaken prior to opening of brick and mortar stores, subject to the condition that the entity opens brick and mortar stores within two years from date of start of online retail. Online sales will lead to creation of jobs in logistics, digital payments, customer care, training and product skilling. What this does is to allow them to build a viable online business and then invest in a brick and mortar setup than the other way around.

Now global retailers who had wanted a share in the India consumption story pie, can test the waters as the decision to allow to operate online-only model will open the doors for them. They can then open brick-and-mortar outlets either on their own or with a local partner with

Major consumer sectors – Share of sample companies



Source: Deloitte Analysis

the hindsight of response online and the scope of business. This is boon for brands that need to sink large-scale investments.

Even the need for a local partner may not be that important to operate online-only model, they will not need that. However, they may opt for a partner when they open brick-and-mortar outlets, to be able to deal with local issues efficiently.

Apple has the welcomed these changes and as mentioned earlier has informed it is working on plans to set up its first company-owned retail store, besides setting up its own online store

The export focus in SBRT is a definite win-win for all concerned. For instance, Apple has ramped up exports within a short period of two years from India and it is expected that in future its exports will not just meet but far exceed the 30 percent local sourcing requirements multiple times, said reports.

It is expected that Apple stores will be a major branding exercise and the company's hopes hinge on customer experience within the store expected to help push sales through its retail and online partners.

The Government of India acknowledged in its statement that the restriction imposed on SBRT was out of sync with the current market realities. Also, online sales will “lead to creation of jobs in logistics, digital payments, customer care, training and product skilling”, it said.

The example of marketplace operators like Amazon proves the point. It reportedly created 200,000 jobs in India since entered India in 2013. Additionally, 500,000 sellers are associated with it who in turn have added more employees as they grew.

The move is much expected as the government is trying to explore all options for creating avenues of employment as unemployment is at a 45-year high (2017-18).

The big question looming currently is will local producers be hurt? Optimists say they won't if they maintain quality and pricing. A lot of brands like H&M and GAP have been sourcing from local apparel makers, and in fact, it is not uncommon to see global brand's wearing a Made-in-India tag in other parts of the world too. However, to remain profitable, Indian producers will have to be competitive in the global marketplace of sourcing.

As regards consumers, they may look forward to accessing global quality products at competitive pricing.

Source: Secondary research and media reports

DIRECT SELLING

The Conundrum Continues

IMAGE: PIXABAY

Direct selling is person to person sale of a consumer product or service, which is not at a fixed retail location

The absence of a strong regulatory framework to support the direct selling industry continues to impinge upon its growth prospects and its ability to contribute to the economy effectively

IT'S BEEN NEARLY 25 years since the direct selling industry first made its formal appearance on the Indian retail scenario. While slowly but surely it has come to stay as a bona fide sales model in the country, the brouhaha surrounding the sales channel refuses to die down. A retail format that is an easy victim to manipulation, it lends itself to Ponzi and fraud schemes that have eroded its credibility considerably. However, to paint the entire flock black because of a few black sheep would not only be a disservice to a genuine economic sector but also to the cause of nation-building. Take this data for example: According to reports, the industry could grow to Rs 645 billion in size employing 20 million people by 2025. Needless to say, with such potential, there is an urgent need to strengthen the market with the right policy support and regulatory environment and enable direct selling to earn its rightful place under the retail umbrella of India.

Direct selling is known by different nomenclatures – it could be multi-level marketing (MLM), network marketing, or referral marketing – however, these are not interchangeable in their structure and purpose. A few years back, The Aware Consumer had taken out a dedicated issue on direct selling, bringing out the various nuances of the term.

So, what is direct selling and why is there so much confusion around the term?

To define it simply, direct selling is the person to person sale of a consumer product or service, which is not at a fixed retail location. Secondly, the composition of the sales force is a distinguishing factor. The sales force of a direct selling company comprises independent sales representatives or sellers. They are not employees of the company and market the products independently. Often referred to as consultants, distributors or business owners, the sellers earn a commission on sales of products and services of the company that they represent.

It also makes sense to understand the difference between direct selling and direct marketing. Though often used interchangeably, these depict two different formats. The two methods of distribution differ from each other primarily on the mode of publicity employed by each to generate awareness in the market. Direct selling chiefly relies on word of mouth or consumer endorsement. Direct marketing, on the other hand, uses one or more advertising media to generate a specific response or a call to action (CTA) that can be measured. More precisely, direct marketing is a type of advertising under

Sellers are not employees of the company

IMAGE: PIXABAY

which companies communicate directly with customers through formats like email, direct mail, online display ads, text messaging, and the popular telemarketing. On the contrary, direct selling is a unique trade and commerce activity that promotes self-employment and is successfully operating in more than 100 countries globally.

The confusion arises when we talk of direct selling companies that deploy multilevel marketing (MLM) compensation plans. To be precise, this is but a technique used by direct selling companies to systematize and compensate direct salespeople or business owners. According to the World Federation of Direct Selling Associations (WFDSA), the correct way of representing MLM is to call it a direct selling compensation plan where salespeople receive payment in a variety of ways. It is because fraud pyramid or financial Ponzi schemes parade in the garb of direct selling companies with MLM compensation plans that the lines between the two have become blurred.

Primarily, direct selling companies are seller-based — they have human interface — the distributor or business owners — who earn a high reward for making a sale at retail point. The direct selling model offers two propositions — high quality products for consumption and a business opportunity to sell those products and earn a profit on them. The business owners have the opportunity to grow their own sales force that is the distributor networks, which are sustainable distribution channels. Much like an FMCG company's sales force, there are profits to be earned on the total sales of the network, the benefits of which trickles down to each individual member of the network.

On the other hand, in a Ponzi pyramid scheme, there are no profits to be earned on sale of goods as there are rarely products that are flying off the shelf. The compensation is for building a huge pyramid of salespeople. With nothing substantial to support this growing humongous group, the networks become unsustainable and the company folds up soon, leaving thousands of unsuspecting distributors and consumers deprived of their hard-earned money and in many cases lifelong savings.

In the direct selling model, it is the friend, the relative or the co-worker, who becomes the customer through the personal endorsements of the seller. With the basic idea to be a customer first and then bring in more customers, this business channel which grows on the power of referrals and endorsements, is built on a foundation of integrity and trust. Since the emphasis is not on recruitments, unlike pyramid schemes, the business owners here are not under any pressure to enroll more distributors. Hence, the sellers that they bring into the network are those who are genuinely interested in becoming entrepreneurs.

According to the 'Model Framework for Guidelines on Direct Selling': "Direct Selling" means marketing, distribution and sale of goods or providing off services as a part of network of Direct Selling other than under a pyramid scheme. Provided that such sale of goods or services occurs otherwise than through a "permanent retail location" to the consumers, generally in their houses or at their workplace or through explanation and demonstration of such goods and services at a particular place."


IMAGE: PIXABAY

Direct selling is not a Ponzi plan

India scenario

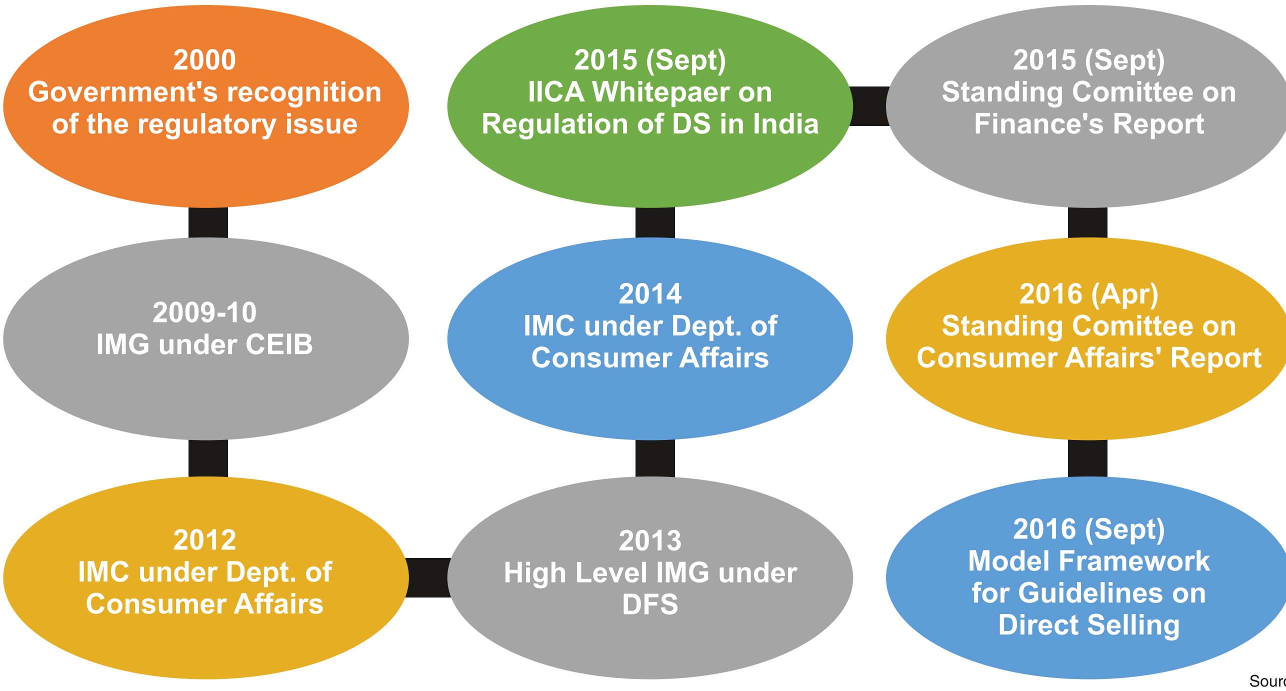
According to a 2018 report by the Federation of Indian Chambers of Commerce and Industry (Ficci) and KPMG, the gross sales of the direct selling industry stood at Rs 8,308.5 crore in 2015-16. It was Rs 7,958.3 crore in the previous year and in the past eight years, had been growing at 12–13 percent CAGR. According to Statista, since 2015 the global retail sales from direct selling have increased from about USD184 billion to approximately USD190 billion in 2017. Direct selling companies specializing in wellness products make up a 34 percent share of sales in this industry, making it the largest direct selling product category.

The Ficci-KPMG report estimates, the industry provided part-time employment to 10.7 crore direct sellers worldwide in 2016.

The top 10 direct selling markets are USA, China, Japan, Korea, Brazil, Germany, Mexico, France, Malaysia, and the UK. Together, these markets accounted for 78 percent of the global direct selling volume, and the largest 23 markets account for 93 percent of the global market share.

The India story has not been so rosy in the past few years. As the report notes, the industry was the fastest growing non-store retail formats, growing over 20 percent year on year. However, the pace of growth slowed down in past five years, with Ponzi and pyramid scams being

Exhibit 3.1 - Timeline and important events in the Indian Direct Selling Industry's history



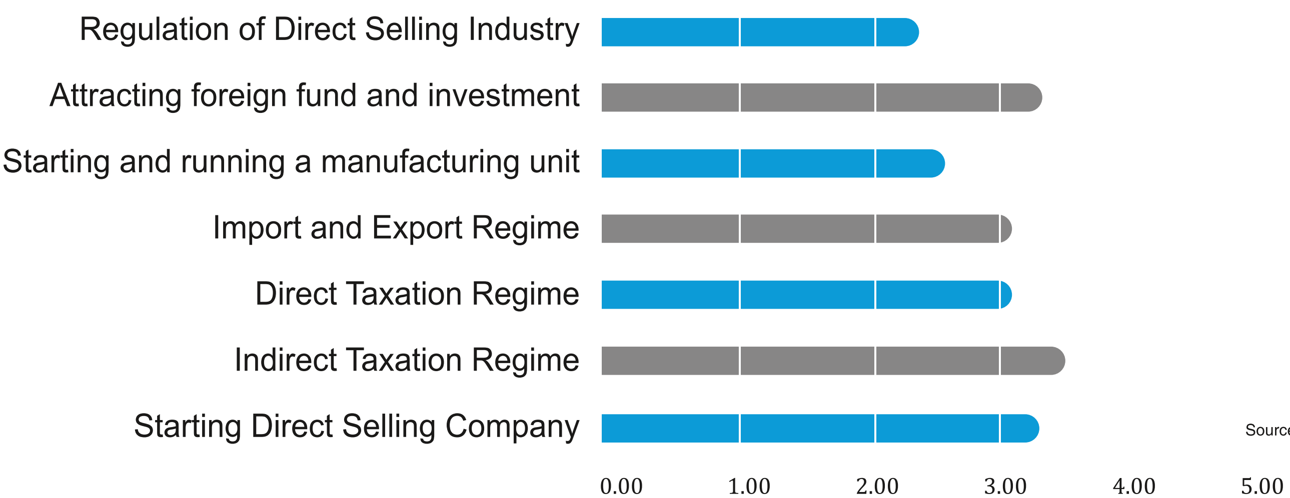
Source: Ficci

"India is closing the gap between international best practices. It is a clear signal that not only has the country been open for business but it is also competing for the preferred place for doing business."

– Annette Dixon, Vice President, South Asia Region, World Bank.

Exhibit 2.2 - Doing Direct Selling India

(Rating on scale of 1 to 5)



Source: Ficci

Exhibit 4.1 - Key features of the Model Framework for Guidelines on Direct Selling are as follows:

Background

- Advisory to State Governments to set oversight mechanisms
- DoCA collects information through periodic undertakings

Key Themes

- Distinguishing features between "pyramid" and "direct selling"
- Dos and Don'ts for direct selling entities and direct sellers
- Direct sellers rights and obligations are spelt out
- Rights of consumers against direct sellers and direct selling entities
- Prohibition on unfair practices, fraudulent recruitment and misrepresentation of DS opportunity

Rights of Direct Sellers/Consumers (Clauses 6 to 9)

- Accurate information on remuneration opportunities
- Refund and buyback
- Protection against unfair recruitment practices
- Information pertaining to distributor's earnings, etc.
- Written contract
- Product information

Source: Ficci

reported in several states across India. This not only created huge uncertainty for the industry, but also eroded the faith of the consumers and the industry stakeholders.

However, a 2018 report by Associated Chamber of Commerce & Industry of India (Assocham) noted the size of the direct selling industry in the country had almost doubled since 2011 to reach Rs 126.2 billion in 2016 and is expected to grow at a compounded annual growth rate (CAGR) of about 4.8 percent to reach Rs 159.3 billion in 2021. Further, the average sales of each participant in India is about USD300 per year i.e. Rs 20,000, whereas the global average is about USD1700 per participant per year or about Rs 10,000 per month.

According to the findings of Assocham study, the top markets with the highest sales globally are USA (20%), China (19%) and Korea (9%). In terms of size, India's rank in the industry was 22 in 2014-2015. In 2015-2016, the country improved its ranking to 20.

Further, the industry accounted for more than USD183 billion in retail sales globally in the 2015 and established a new sales record for the industry. Every region in the year 2015-2016 reported growth in its sales and 80 percent of the countries around the world reported an increase in both sales and people joining the industry, the study added.

The reforms muddle

With Ponzi and pyramid schemes masquerading as direct selling companies in the absence of a legal framework that could competently distinguish one from the other, direct selling industry has been beset with challenges right from the start in India. The matter came to a head in 2000. However, the Framework for Guidelines on Direct Selling was notified as recently as 2016. By then, amid all the confusion, the total number of direct sellers in the country had fallen from 5.8 million in 2013 to 4 million in 2016.

The recent spate of Ponzi and pyramid scams has revealed that Guidelines have not been sufficient to deter such activities. As the Ficci report notes, despite the progressively liberalized and simplified policies and procedures to improve the ease of doing business and provide supportive regulatory environment to govern business operations, a typical direct selling company in India, depending on the nature of products and services, requires compliances to around 10-12 policies and regulations, including state and local laws. Further, the direct selling companies say there has been a prolonged regulatory uncertainty due to the blanket application of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978 (PCMC) to the industry. This has impacted the industry's growth and investments. Further, some states like Chhattisgarh, Sikkim, Meghalaya, Gujarat, Mizoram and Manipur have notified the Draft Money Circulation Scheme (Banning) Rules, 2012 under PCMC Act that not only bans pyramid schemes but also extends the provision of the Act to regulate goods and services without creating a distinction for legitimate direct selling companies..

Despite shortcomings, the Model Framework for Guidelines on Direct Selling however marks a significant milestone in the history of direct selling in India. For the first time, it lay down a framework and clearly demarcated a legitimate direct selling business from pyramid and Ponzi schemes. It also lay down a mechanism to regulate the industry and thereby protect consumers.

Notably, 12 states including Maharashtra, Chhattisgarh, Sikkim, Telangana, Andhra Pradesh, Mizoram, Odisha, West Bengal, Rajasthan, Kerala, Tamil Nadu and Goa have notified the Direct Selling Guidelines.

As the report notes, all states and union territories must notify the Guidelines and pave the way for the growth of the direct selling industry.

Experts opine that for a long-term solution to the regulatory issue the guidelines must be issued under an appropriate legislation or existing law. There is also a burning need for states to invest in capacity building and appropriate manuals enabling that could help law enforcement agencies to properly investigate complaints against pyramid schemes and distinguish genuine direct selling companies from frauds.

Another suggestion is that the Government of India consider including direct selling as a channel of sales under retail rather than as a business. Retail should include various formats including direct selling as for consumers there is no differentiation between channels of sale. It has also been suggested that to control the fly-by-night operators, tall direct selling companies must be made to register with a single authority.

Livelihood & skill building

It is undeniable that the livelihood of a vast no of individuals is dependent on direct selling. Take for example an August 2019 report by World Federation of Direct Selling Associations (WFDSA) that states women contribute 53 per cent of entrepreneurs engaged in the USD1.5 billion (Rs 98.5 billion) direct selling industry. In 2017, the industry had provided entrepreneurship opportunities to 5.1 million people, of which 2.7 million were women. This trend of women taking up direct selling as a viable employment important especially at a time when unemployment rates in the country are on the rise.

Industry veterans feel that regulatory clarity can go a long way in helping the industry increase its contribution in the area of women's empowerment. With more than 50 per cent of the direct sellers being women, the contributions they make as part-time or full-time income earners to the family and the economy cannot be discounted. Further, the industry also equips them with necessary business and soft skills through rigorous training. As the Ficci report notes, direct selling invests in women and their future, which, in the long run, will help in overall economic stability and the reduction of inequality.

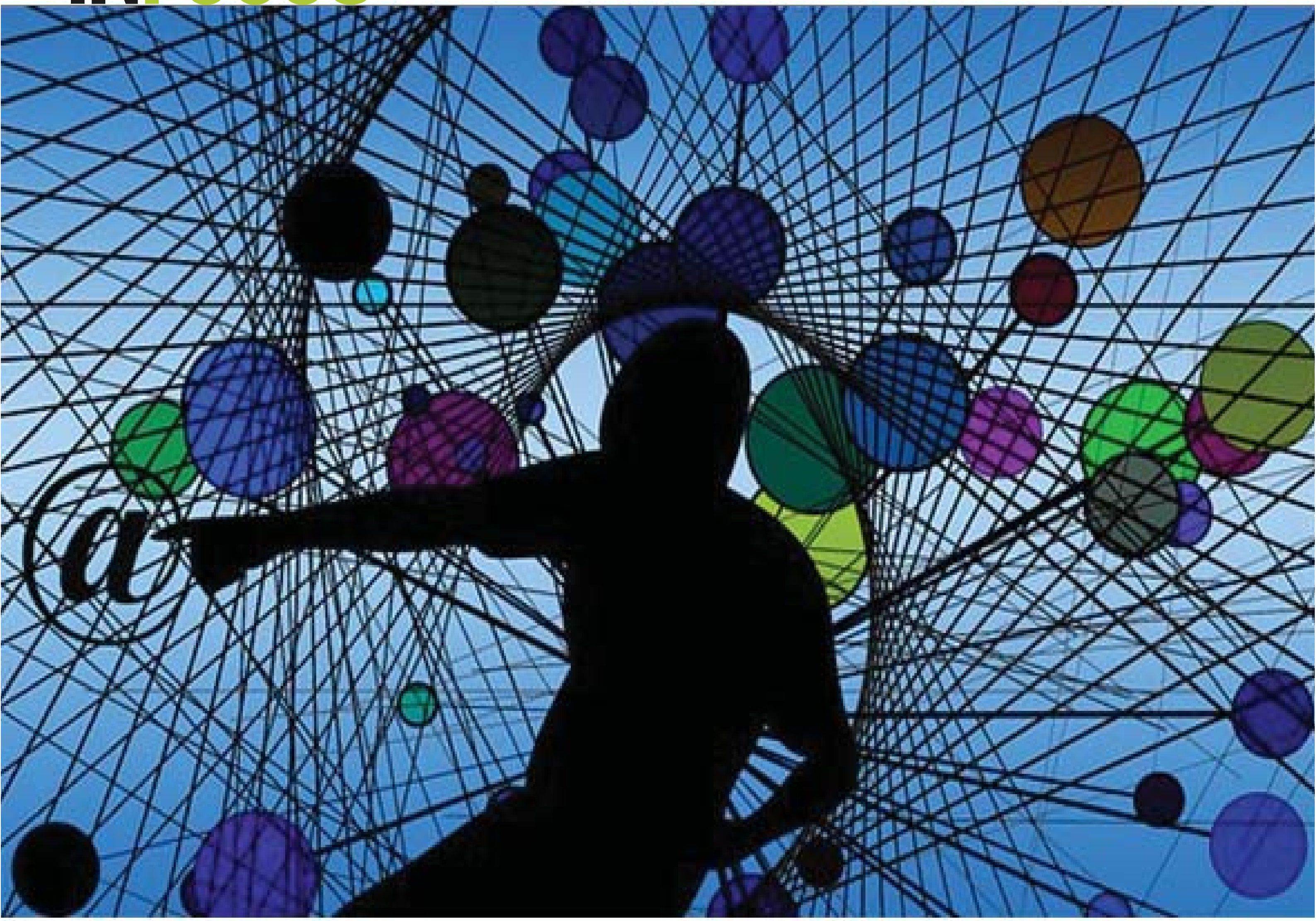
The lack of proper regulation and direction to direct selling is bad for India. As the WFDSA report states though India and China having a similar number of direct selling entrepreneurs, China has left India far behind in the sales generated. While around 5.1 million entrepreneurs in India were involved in direct selling in 2017 compared to 5.3 million in China, the sales generated in China stood at USD34.29 billion while in India it was USD1.5 billion.

It is remarkable then that India despite the absence of proper legislation has become a billion-dollar market.

Conclusion

While the growing network of direct sellers in India is a testimony to the many advantages – socio-economic and personal – that direct selling industry offers to a nation on the fast track to development. But for direct selling to grow, authorities and consumers must learn the differences between genuine direct selling companies and fraud entities to reap the multiple benefits that direct selling companies offer to them for their personal growth and development. According to the Ficci report, the immediate way forward for the direct selling industry in India is for state governments to set up a monitoring mechanism to implement the Model Framework for Guidelines on Direct Selling. This could be followed by the constitution of a National Coordination Committee on Direct Selling that could function as a central nodal agency to coordinate all issues related to the industry. Among other measures, the National Coordination Committee on Direct Selling must set up National Consumer Redressal Committee along with a National Fund for Consumer Awareness on direct selling.

Source: Secondary research & media reports



Headroom For Growth

India's e-commerce sector is booming thanks to a supportive ecosystem, innovation and the rising online population

ETAILERS' WAIT FOR an e-commerce policy got longer with the assurance of a 12-month deadline this June. The government will be putting in place an institutional framework to bring out the national e-commerce policy within the timeline. The policy is expected to help the sector achieve its growth potential, that according to reports, is on the cusp of an interesting phase of growth. Regulatory challenges notwithstanding, the e-commerce sector is well equipped to drive the next level of Indian consumer growth this year according to a report by Deloitte India and Retailers Association of India (RAI) titled 'Unraveling the Indian Consumer'. The report estimates that the marketplace is set to grow to $1.2 trillion by 2021 from the current market of $200 billion. As per India Brand Equity Foundation (IBEF) data, the e-commerce marketplace is forecast to grow to US$ 200 billion by 2026 from US$ 38.5 billion as of 2017.

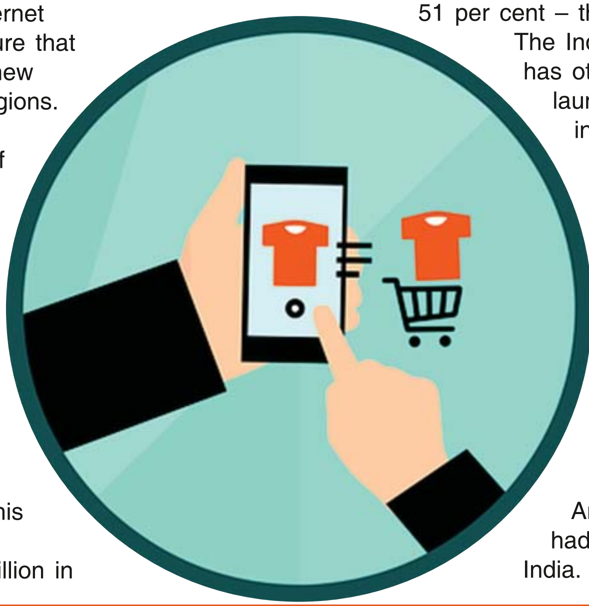
According to the Deloitte-RAI report, the Indian e-commerce sector is currently growing at CAGR 32 per cent. It forecasts the marketplace would grow further on back of factors such as increasing internet penetration, rising number of online shoppers and increasing usage of smartphones by Indian consumers.

India's thrust on digital can be seen in the growing numbers of its digital natives. The report estimates that internet users in India will grow from 432 million in 2016 to 647 million by 2021. Internet penetration would consequently grow from 30 percent in 2016 to 59 percent in 2021. The growing internet penetration in rural India will ensure that approximately 75 percent of the new internet users come from rural regions.

e-Commerce has certainly changed the shopping behavior of Indian consumers as is evident from the growing tribe of online shoppers: The number of online shoppers is set to jump from current 15 percent of the online population to 50 percent by 2026.

Smartphone users in both urban and rural India are also growing and are expected to increase from 260 million in 2016 to around 450 million by 2021. This is also expected to drive the m-commerce sales from USD10.5 billion in 2016 to USD38 billion in 2020.

The report highlights India's tremendous market potential as empowered by digital technology its rising consumer numbers is set to make it the third largest consumer market in the world, poised to grow close to USD1.2 trillion by 2021.



Smartphone is expected to drive the m-commerce sales from USD10.5 billion in 2016 to USD38 billion in 2020.

According to a new report by Payoneer, e-commerce sales from India saw a 4 percent growth in Q1 2019. The data indicates that Indian e-commerce growth is going hand in hand with its rapid economic expansion.

'E-commerce and Consumer Internet Sector – India Trendbook 2019”, an EY report states the factors fueling India's digital economy over the last decade are manifold – sustained growth in disposable income, the rise of internet penetration, availability of affordable smartphone, low mobile data tariffs, improved digital literacy, creation of digital payment acceptance infrastructure, continued support and stimulus provided by the government through programs (Start Up India, Stand Up India, Make in India). In short, India has a supportive ecosystem and systemic enablers in place that are boosting the growth of e-commerce.

According to IBEF, much of India's commerce success story is being scripted due to increasing internet and smartphone penetration. The government's push to digital is further promoting the country's digital transformation and it is expected that India's total internet user base will rise to 829 million by 2021 from 604.21 million as of December 2018. It is also forecast that India's internet economy will likely double from USD125 billion as of April 2017 to USD250 billion by 2020 – mostly driven by ecommerce. The growth of the sector would help ecommerce revenue to jump from USD39 billion in 2017 to USD120 billion in 2020, growing at an annual rate of 51 per cent – the highest in the world.

The Indian e-commerce success story has other supportive factors like the launch of 4G networks and increasing consumer wealth. It is expected that the e-commerce marketplace will grow to USD200 billion by 2026 from USD38.5 billion in 2017. According to IBEF, online retail sales in India will rise by 31 per cent to touch USD32.70 billion in 2018. This explosion will be led by retailers like Flipkart, Amazon India and Paytm Mall.

Such is the growth that in July Amazon announced its seller base had crossed the five-lakh mark in India. If this demonstrates the growing importance of online trade in the country, a lot of credit for it goes to the technology adoption, innovation and orientation by e-commerce players to suit Indian shoppers' requirements. As in the case of Amazon, it is its India-first innovations and traders from small cities and towns that are responsible for the growth.

IMAGE: PIXABAY

More and more Indian consumers are preferring online shopping

Government initiatives

The role played by the government since 2014 to promote entrepreneurial culture has played a big role in the growth of e-commerce. Initiatives like Digital India, Make in India, Start-up India, Skill India and Innovation Fund have been timely and have created a conducive ecosystem providing an impetus to e-commerce. IBEF lists out some of the major initiatives the government has taken that will boost the e-commerce sector in country.

- The limit of foreign direct investment (FDI) in the e-commerce marketplace model has been hiked to 100 per cent (in B2B models). This is to promote the participation of foreign players.
- The government is investing heavily in rolling out the fiber network for 5G. This will further boost e-commerce.
- In the Union Budget 2018-19, government has allocated Rs 8,000 crore (US$ 1.24 billion) to BharatNet Project, to provide broadband services to 150,000 gram panchayats.
- The government is working on the second draft of e-commerce policy, incorporating inputs from various industry stakeholders which will be out in the next 12 months.

Growth prospects

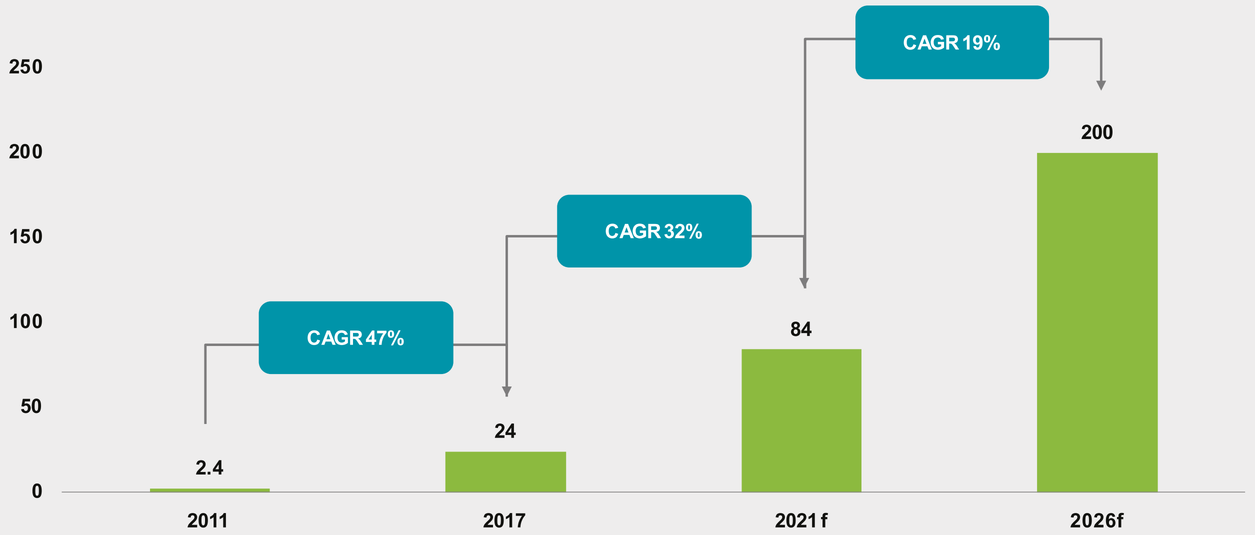
According to brokerage firm Jefferies, online retail in India will touch $170 billion or 8 percent of the total retail market of the country by 2030 growing at a CAGR of 21 percent, a much higher growth rate than what offline retailers are expected to see in the same period. As per the report, online retail is currently 25 percent of the total organized retail market and by 2030 it can jump to 37 percent.

Indicative of the changing preferences of consumer India, shoppers are not only going online with a vengeance; what is surprising is that though earlier shoppers gravitated to online platforms for discounts, they are now hooking up online for the convenience it offers.

According to reports, total e-commerce revenue across all product categories is USD20.04 billion. This is likely to grow to USD45.19 billion by 2021. Consumers in India are shopping online for fashion goods mostly and it is currently the leading product category in India

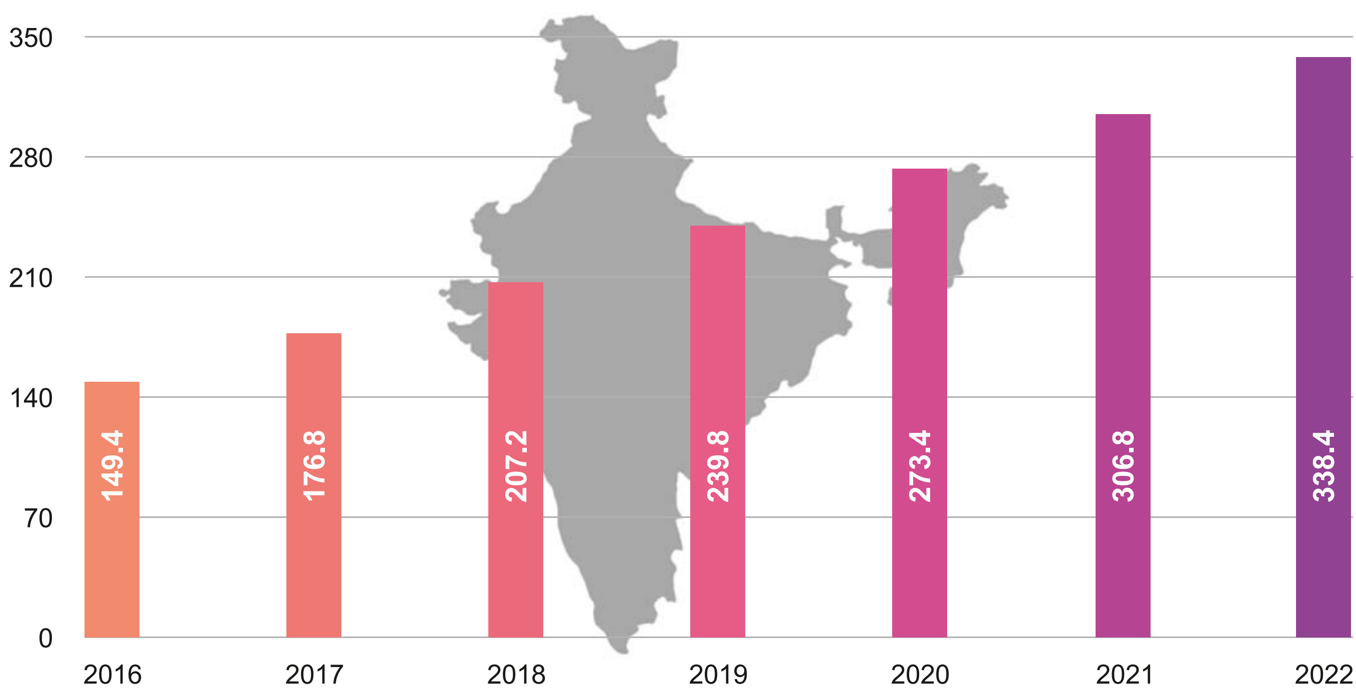
Indian e-commerce market – on a high-growth trajectory

Values in USD billion



Source: *KONNECTED to consumers, Deloitte, 7 September, 2017; Media articles*

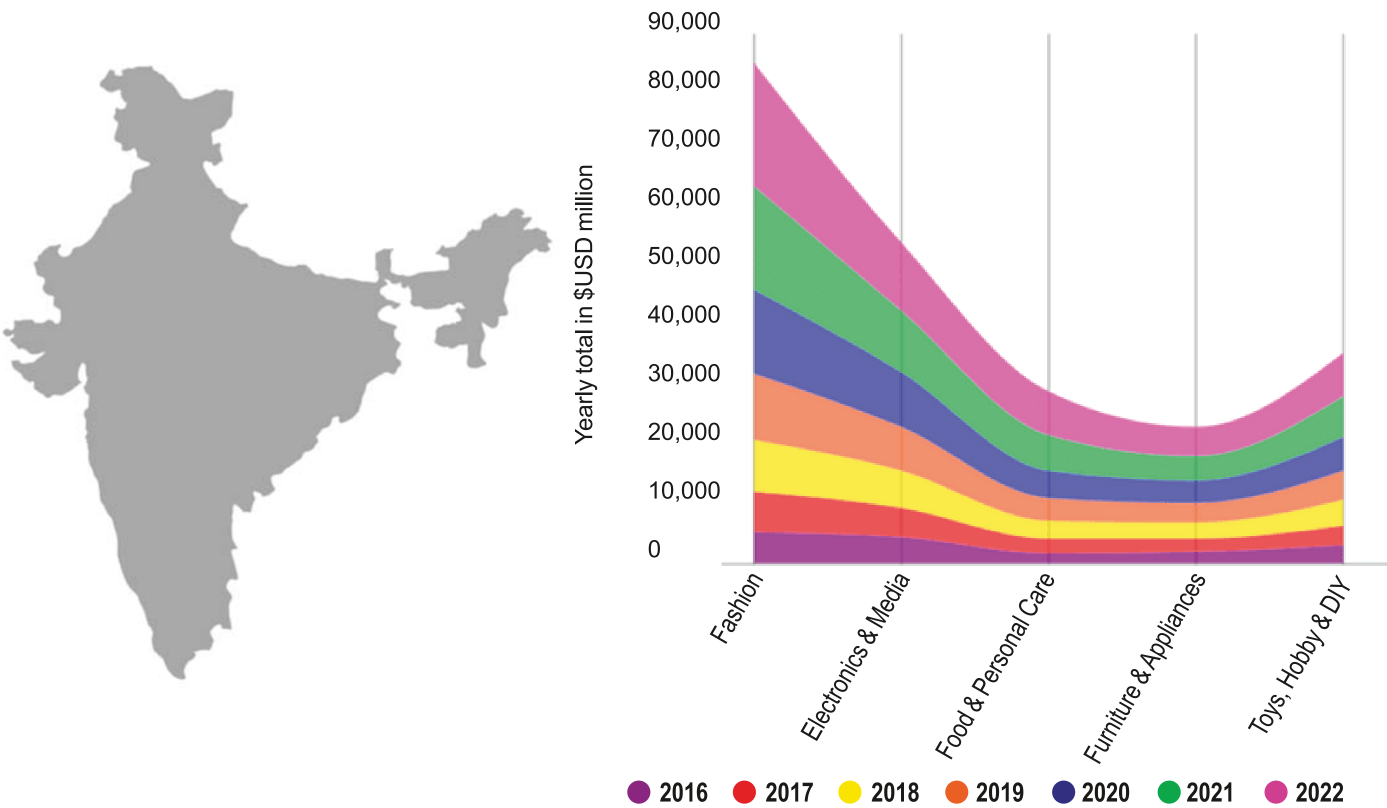
NUMBER OF ONLINE SHOPPERS IN INDIA
(in millions)



Source: Statista, e-Commerce India, User in millions

eshopworld

PROJECTED ECOMMERCE REVENUE IN INDIA
(in $USD millions)



Source: Statista, e-Commerce India, Revenue in million US$

accounting for USD6.8 billion market share. Electronics & Media are the second most shopped items online generating USD5.12 billion in sales.

It is estimated that fashion will remain the most purchased online category even by 2021, at an estimated value of USD17.58 billion. Electronics & Media will also remain at the second spot with an expected worth of USD10.52 billion.

However, though electronics and apparel continue to see high demand, newer shoppers are seen buying personal care and groceries. This is being perceived as an imminent threat to offline retailers.

Jeferries estimates that online shoppers in India currently spend Rs 12,800 per shopper per year. The number is forecast to grow to Rs 25,138 by FY 30 as shoppers start buying into new categories of retail goods.

In FY13 and FY14, there was a trend of deep discounts online in order to attract offline customers to the platform. Discounting has come down from its peak promotions as retailers realize that there is enough headroom for growth.

However, despite increasing numbers of online buyers, getting new entrants to adopt the system is becoming difficult, says Jefferies. This has led to new trends aimed at streamlining e-commerce and luring more online buyers.

Conclusion

Indian e-commerce industry has been on a high growth path and is directly impacting the micro, small & medium enterprises (MSME) in India. They facilitate the small seller by providing financing, technology and training and. Little wonder that the Indian e-commerce industry is expected to surpass the US to become the second largest e-commerce market in the world by 2034. Innovations like digital payments, hyper-local AI driven customer engagement and digital advertisements will ensure its exponential growth further.

Source: Secondary research & media reports

Right ecosystem and incubation must be provided to startups in the Indian retail sector so that they can script their own and that of the industry's success story

IMAGE: PIXABAY

Retail sector is ripe for a startup culture

RETAIL STARTUPS

Need Of The Hour

IN 2017, AMERICAN retail giant Target selected two Indian startups – Find Me A Shoe and Story Xpress – from its India-based accelerator program to participate in a retail-focused accelerator based out of Target's Minneapolis headquarter. It was the first time ever that this had happened. For the selected startups, it meant scaling their business and catering to the US fashion market.

In April 2019, Kevin Harrington, the original Shark on the famous Emmy-winning TV show Shark Tank, sees the Indian retail space as a glass half full. According to him, the retail space in India is not fully developed. But far from seeing it as a disadvantage, he perceives Indian retail as a space with many untapped investment opportunities for investors like him.

At the launch of his first ever investment in India in The New Shop, which is a chain of offline retail stores at alternative distribution locations, the serial entrepreneur was reported as saying that the saturation level of retail In India is still very low – only about 9 percent. This opens doors to numerous entrepreneurial opportunities across the entire retail supply chain.

Twenty of Harrington's companies have each topped USD100 million in revenue. Obviously, he has the eye for opportunity and to capitalize on India's retail story he has invested in the high-speed retail stores.

According to media reports, these especially curated, the best of made in India FMCG brands, will be made available to consumers, right at the very place where they work, play or live.

The fast-growing retail chain currently has over 35 active stores in Delhi-NCR and its flagship store at GoWork complex in Gurgaon.

According to the founders, The New Shop is a highly scalable chain of retail stores in alternative distribution locations. It brings to new and unique FMCG products that are relevant yet cannot be found anywhere else. Something customers can try and buy.

India's retail story would be incomplete without its startups. But startups need incubation which is crucial to help aspiring outfits build a strong foundation and to run their business effectively. These include office spaces, management training, marketing assistance, among others. For startups aspiring to survive in India's retail sector, a business idea and a workable business model are a prerequisite that they can hope for with the help of an incubator.

Why startups must start their story in the Indian retail sector?

Retail industry in India is booming. It accounts for more than 10 per cent of the country's GDP and 8 percent of the country's employment. Counted among the most fast-paced industries, retail industry in India has attracted much attention with the opportunities it offers, and everyone wants a part in it. As is obvious, one of the major factors pushing the immense potential of the retail industry is India's vast population, the second largest globally and undergoing rapid urbanization, and the increasing internet connectivity across the country that is taking a sizable population online.

Despite these apparent business opportunities in the industry, success in Indian retail is still elusive for many players as it requires heavy initial investment to survive the growing competition in the sector.

As is apparent, startups who want a toehold in the Indian retail sector need all the support and assistance they can get from incubators. With the support of incubators, they can create a viable business model and be able to withstand all the competition in the industry.

Potential vs Performance

The scale of opportunities is immense and so is the competition in the sector that makes it difficult for businesses to sustain optimally and ace the game. For startups, the ground situation is tougher as the competition is from global giants with vast resources. It is difficult for them to stand ground against such competition and often impossible to survive.

However, a sea of change is discernible in the Indian retail sector. On the verge of a fast-paced growth and with the potential to become a fastest growing retail market globally, the sector is in need of startups with innovative formats and high on technology.

According to AT Kearney's 2017 Global Retail Development Index that ranks top 30 developing countries for retail investment, India has been ranked number 1. The following key factors are giving the impetus to India to fly high in the retail landscape.

- The opening up the retail sector to foreign investors by government. A 100 percent FDI in multi-brand retail of food products is already allowed, a game changer for the Indian retail sector as grocery and food in retail account for 1/3rd of consumption in India. FDI policy permits overseas players to hold 51 per cent stake in an Indian multi-brand retail company. The decision to relax sourcing norms would also give a push to the sector.
- Rising awareness and higher purchasing power have made the Indian consumer brand conscious

> According to AT Kearney's 2017 Global Retail Development Index that ranks top 30 developing countries for retail investment, India has been ranked number ONE.

IMAGE: PIXABAY

Incubation helps startups in retail gain their potential

and they are rapidly shifting from loose sold products to branded ones. They are now more willing to pay for the service and value that come bundled with premium brands.

- The retail sector is among the top three employers in the country. It is expected that the sector will throw open more employment opportunities give the government support and changing consumer behavior. In a cyclical pattern, with more employment there will be more disposable income and more purchases would mean better prospects for the sector leading to more job opportunities.

However, currently the retail sector faces serious challenges as despite the exceptional potential this, the diverse policies adopted by the states and other local factors hinder the growth in the retail sector. Add to these the high real estate cost and lack of skilled labor in the rural market, the retail sector is handicapped to achieve its true potential.

Why incubation in retail sector?

For startups, infrastructure is crucial for visibility and growth. Incubators, investors, the right technology, and an optimum workplace, help startups perform and grow. The startup ecosystem is not city centric and for growth in tier 2 and smaller cities, this support system is essential. Since retail is also pan Indian, it is imperative that startup ecosystem is strengthened all over the country.

By identifying the right talent, incubation helps support startups with facilities and the ecosystem to help them create, innovate, and thrive. This support system is essential to help startups face the many challenges in the Indian retail industry and at the same time exploit the opportunities present in the sector.

Conclusion

There is no doubt that the Indian retail sector is one of the fastest growing and high on potential sectors. A report by MRRS India and Assocham states, the Indian retail market is expected to hit USD1.1 trillion at a growth rate of over 60 percent by 2020. Factors promoting this growth rate include changing lifestyle, rising income, more foreign players, urbanization, and favorable demographics, among others.

Source: Secondary research & media reports

THE CONSUMER PROTECTION ACT, 2019

HOW WELL DOES IT PROTECT THE ONLINE MARKETPLACE CONSUMER?

IMAGE: PIXABAY

Online consumers: How protected are they?

The changes proposed by the 2019 Act seem capable of strengthening the regime of consumer right protection. It is now to be seen how the consumer courts will deal with cases involving allegations against online marketplaces

ByAnkoosh Mehta with Srinivas Chatti and Saumyata Panwar

On August 9, 2019, the Consumer Protection Act, 2019 **("2019 Act")** became the key legislation in India setting out the rights of consumers and establishing the mechanism for redressal of consumer complaints, after receiving the President's assent. Replacing the three-decade old Consumer Protection Act, 1986 **("1986 Act"),** the 2019 Act sets out a modernized charter of consumer rights with new procedures aiming to improve the delivery of justice in the arena of consumer woes.

Under the 1986 Act, there was no express recognition of transactions between consumers and online product sellers or online marketplaces. This gave rise to ambiguity of the extent of liability of such sellers/ service providers. Given the growth of technology and e-commerce and the change in purchasing trends by the consumer since 1980s, the 2019 Act expressly recognizes-commerce. This article analyses whether the 2019 Act introduces a strong regime for protection of rights of online consumers.

Recognition of online shopping

The 2019 Act recognizes new modes of buying goods or availing services, including e-commerce platforms which have been proliferating the large consumer base. The 2019 Act expressly clarifies that any person who buys goods or avails services online, through electronic means, teleshopping, direct selling or multi-level marketing is included in the definition of "consumer" under the law.

The 2019 Act also introduces new definitions such as "e-commerce", "direct selling" and "electronic service provider". Since online marketplaces and auction websites are expressly included in the definition of "electronic service provider", it may become challenging to claim that they are merely intermediaries in a transaction. Consequently, the extent of their liability increases, making them responsible for a violation of consumer right, subject to the nature of their involvement in the product quality and delivery.

Introduction of 'product liability' and 'unfair contracts'

The 2019 Act adds various legal provisions for consumer protection that were absent in the 1986 Act, the key ones being provisions on product liability and unfair contracts.

One of the key changes introduced by the 2019 Act pertains to 'product liability', which is the responsibility of a product manufacturer, product service provider or a product seller to compensate a consumer for any harm caused due to a defective product or deficient service. The harm may be in the nature of damage to any property, personal injury/illness/death and the

The law recognizes the new age consumer

IMAGE: PIXABAY

resultant mental agony caused to the consumer.

Interestingly, the scope of product liability is very wide since it also includes any loss resulting from the aforementioned cases of damage, injury and mental agony, thereby exposing the product seller to potentially higher liabilities.

The product liability provisions aim to deter manufacturers, online marketplaces and service providers from delivering defective products or deficient services. As per the 2019 Act, an electronic service provider may be liable in a product liability action, if the service provided by him is faulty or deficient, as per law or pursuant to the terms of the contract. Further, the electronic service provider may be held to be liable if it does not issue adequate warnings or instructions to prevent any harm that may arise while delivering the service.

The 2019 Act clarifies that a product seller will be responsible under product liability if inter alia, it has exercised substantial control over the designing, testing, manufacturing, packaging or labelling of a product that caused harm; the product has failed to conform to the express warranty made by the product seller; or if it has failed to pass on the warnings or instructions of the product manufacturer regarding the proper usage of the product thereby causing harm. Interestingly, a product seller will also be held liable if the identity of the product manufacturer is not known or if the product manufacturer is not subject to Indian law.

In addition, the 2019 Act introduces the concept of 'unfair contracts' referring to contracts between manufacturers/ service providers and consumers having such terms that cause significant change in the rights of the consumer. If any contract, including one between an online marketplace seller and a consumer, imposes any unreasonable charge or condition which puts the consumer to disadvantage, then the consumer will be entitled to file a complaint.

IMAGE: PIXABAY

No more at the mercy of unscrupulous traders

Dispute resolution mechanism

Under the 1986 Act, a complaint could have been filed by a consumer in the forum where the opposite party resided or carried on business, or in the place where the cause of action wholly or partly arose. However, the 2019 Act now provides that a consumer may also file a complaint before a forum where the consumer resides or works for gain. This change comes as a big relief to online consumers as they can now file complaints where they reside, saving significant time and costs incurred by the complainant. This is also relevant since an increasing number of people are engaging in e – transactions, day by day, from service providers/ sellers having their registered office anywhere else in the world.

The 2019 Act also revamps the pecuniary jurisdiction of the district, state and national dispute redressal commission. As per the 2019 Act, the district forums may entertain cases wherein the value of goods or services paid as consideration does not exceed INR 1 crore (as against INR 20 lakh under the 1986 Act). Since access to district forums is better compared to State and National commissions, the increase in pecuniary limit to INR 1 crore of district forums will be a convenience point. Similarly, the State Commission may entertain cases wherein the value of goods or services paid as consideration is between INR 1 crore to INR 10 crore (as against a cap of INR 1 crore under the 1986 Act) and the National Commission can entertain such cases above INR 10 crore.

The 2019 Act also proposes setting up of mediation cells which will be attached to consumer commissions at all levels, introducing an alternate dispute redressal mechanism for consumer disputes. If a dispute is referred to the mediation cell and a settlement is reached by the disputing parties, the signed agreement will be forwarded to the concerned commission, which will

IMAGE: PIXABAY

then pass an order recording such settlement and dispose the matter. This proposed change can potentially result in reducing the pressure on the consumer commissions and ensure speedy resolution of disputes.

It is also set out in the 2019 Act that no commission can reject a complaint without hearing the complainant. The commission, in fact, must decide about admitting or rejecting a complaint within 21 (twenty-one) days, by which if it is not decided then the complaint is deemed as having been admitted.

Central Consumer Protection Authority

The 2019 Act also proposes the establishment of the Central Consumer Protection Authority for regulating matters relating to inter alia violation of rights of consumers and enforcement of rights of consumers as a class. Prior to this, there existed no provision for setting up such an authority under the 1986 Act. Enabling suo moto action by an independent authority in the interest of consumers is definitely a positive step.

Conclusion

Overall, the changes proposed by the 2019 Act seem capable of strengthening the regime of consumer right protection. The introduction of 'product liability' and the express recognition of online marketplaces may help in instilling greater confidence in consumers of online shopping. However, this also signals greater interest in regulation of e-commerce businesses which will require these businesses to re-evaluate their processes to mitigate potential liabilities in the future. It is now to be seen how the consumer courts will deal with cases involving allegations against online marketplaces.

About the authors: Ankoosh Mehta is a partner in the disputes resolution practice at the Mumbai office of Cyril Amarchand Mangaldas. Ankoosh works closely on arbitrations, commercial/corporate disputes, real estate and private client practice related litigation. He also works on the white collared crime area of the practice. Ankoosh would like to thank Srinivas Chatti and Saumyata Panwar, both associates of Cyril Amarchand Mangaldas, for their indispensable contribution towards the preparation of this article.

Ankoosh Mehta

Srinivas Chatt

Saumyata Panwar
– Associate

Retailers Must Get The Last Mile Right For Sustainable Future

Last mile delivery can make or break a brand. No wonder a lot is happening in the space.

IMAGE: PIXABAY

Delivery to the doorstep holds the key for retailers

"LAST MILE" DELIVERY is an important cog in the retail wheel. However, in recent years it has assumed more importance than ever, give the vast choices that enable a consumer to switch brands, if dissatisfied by the delivery. The final leg of the retail journey, especially in the era of retailers must be engaging and satisfying for the consumer. As research shows, three quarters of consumers are even willing to spend more on a product, if the last layoff journey leaves them happy.

In fact, a recent study from the Capgemini Research Institute recommends retailer investment in "last mile" delivery in order to uncover new revenue streams. Further, 97 percent of organizations believe that the existing last-mile delivery models are not sustainable for full scale implementation across all locations. Further, unless delivery costs are reduced through automation, it would be untenable to maintain free shipping costs. The study defines last mile as the final leg of the online purchase journey before a product lands in the customer's hands.

The study titled 'The Last-Mile Delivery Challenge: Giving retail and consumer product customers a superior delivery experience without impacting profitability', had surveyed over 2,870 consumers in addition to 500 supply chain executives, and entrepreneurs and industry leaders.

Faulty last mile connectivity network has led to inefficiencies creeping into the retail system. While there is increasing demand for last mile delivery, India poses its own unique set of challenges. India's town planning has not been the best. As a result, cities and suburbs have grown in a haphazard manner and the situation is even worse in tier 2 and 3 cities. Houses, colonies and sectors are numbered randomly, and it may not be a surprise to find house A and B in two different lanes spared by a maze of bylanes. But the Indian consumer is demanding and growing on the past decade of 30 minutes or less, expects express service even in 'Timbuktu', where even the GPS gives up.

Given the challenges, many retailers, especially the smaller ones, find it difficult to take up home delivery. It is not just hard but also cost inefficient for them. However, last mile delivery has become inescapable in the era of offline to online, and delivery apps and platforms offering a stiff competition.

While many small retailers, chemists and restaurants have taken up delivering to the doorstep, the cost of setting up, maintaining and managing own last mile delivery system is prohibitive, especially as small retailers do not have the capacity to invest in technology.

Growing need

Despite these constraints, experts expect the revenues from online grocery orders to increase by 50 percent over the next three years. According to a media report, in this period, shelf-stable food and pet care categories are set to rise the maximum with about 60 percent increase in revenues from online orders.

Retail supply chain is the most underrated function

IMAGE: PIXABAY

Consulting firm Techno Pak the Apparels and Accessories market segment in the country valued at USD56.1 billion in 2017 to grow to USD77.2 billion by 2020. Further, the shares of Branded Apparel and Organized Retail Apparel in this segment, which were 37 percent and 24 percent respectively in 2017, are set to rise to 48 percent and 33 percent respectively in 2020.

Despite the growing requirement of an efficient last mile chain, surprisingly supply chain still is the most underrated support function in retail. However, the importance of supply chain cannot be ignored, especially now as a weak supply chain eventually leads to the consumers selecting another brand/retail chain over delivery issues. As retailers realize the importance of last mile delivery, there is a huge revolution taking place in supply chain and warehousing.

In this era of e-commerce and social commerce, warehousing has taken on a new role here they are required to pick, pack and dispatch individual customer orders. There is also a premium on time as the delivery must be completed in the shortest possible time. As a result, retail must now reorient itself and understand that this new kind of business requires a different capability.

For online stores too, it is time to pack up the old attitudes. Consumers do not like to hear out of stock and do not have the patience to wait for fresh stocks. If they do not find a product at one store, they will happily hop to the next. To ensure that you do not lose customers, it is essential to improve store sell through and replenish stock faster in shorter batch sizes.

Why improve last mile

According to reports, globally, last-mile delivery accounts for the largest share (41%) of supply chain costs, which is more than twice the size of warehousing, sorting, parceling, and other supply chain costs. Also, most of the costs incurred for last-mile delivery are variable. This means that as online delivery volumes of a product increase, it will impact the costs for last-mile services, increasing it too. This would have a cascading effect and increase the proportion of supply chain costs going toward last-mile delivery.

According to media reports, India too follows the global trend in supply chain dynamics. The last-mile delivery in India is also the biggest cost driver in the supply chain at

40 percent of overall supply chain cost, while globally, it stands at 41 percent However, in India has an advantage in the warehousing costs which are lower at 9 percent of supply chain cost. Globally this figure is 13 percent.

There is also similarity between India and the globe when it comes to delivery within 1-3 days. But when it comes to faster delivery speed such as 2-hour delivery, it varies. In India while 11 percent of executives said their organizations provide 2-hour delivery, globally this figure stands at 19 percent.

As is obvious, retailers need to optimize their last-mile delivery cost if they want to avoid a potential drop in net profit with growing volume of online order.

Omnichannel needs last mile upgrade

In retail there is a growing movement towards omnichannel as consumers wants deliveries 24x7. This brings the challenging task of fulfilling customer expectation around the clock. The new age customer requires enhanced customer service and also a seamless experience across channels. For the retailer, there is also the challenge to ensure that the operational costs are controlled and the business robust enough to take care of any unforeseen volatility. Existing infrastructural and cost inefficiencies must also be addressed including includes a fragmented warehousing and inadequate material handling infrastructure. The supply chain's integration with modern information technology also must be taken into account. However, one of the key points of focus for retailers is the improvement of last-mile delivery framework.

To compound the challenges of lack of cohesion in Indian logistical growth, there are numerous smaller, unorganized players that are eating up a large segment of the customer base and are also setting a lower benchmark for operations while influencing pricing. Prompted by the inefficiency of the unorganized last mile delivery solutions, e-commerce players such as Amazon are developing their own cutting-edge logistical fleet comprising drones and RFID/sensor-based technologies that help optimize the entire delivery process.

Apparently, such technological advancement is giving rise to stiff competition in the logistics sectors. Many are hence keen to incorporate digitized processes driven by cutting edge technologies like artificial intelligence (AI).

Hence for the changing nuances of business, a strong supply chain becomes the key.

> Last-mile delivery accounts for the largest share (41%) of supply chain costs, which is more than twice the size of warehousing, sorting, parceling, and other supply chain costs.

Technology to rescue

According to the Capegemini report on global trends, automation and innovative services are key to profitable last-mile delivery.

There is also a visible trend to go for digital automation instead of physical automation which entails automating decision making in warehouses through digital automation. That effectively means turning the humans into robots and allowing systems to take all decisions while workers merely follow instructions.

As the Capegemini report notes, backroom automation could potentially increase profit margins by 14 percent by reducing the cost of click-and-collect orders and deliveries from the store. The study also found half of customers willing to adopt innovative services like smart locks that enable deliveries can be made to the kitchen even when no-one is at home.

To address omnichannel complexities, a new generation of solutions must be developed and create an end-to-end omnichannel. Here too, automation will play a big role, especially in minimizing inventory duplication and enabling a real time, unified view of inventory across channels.

TAI and machine learning algorithms can help here to maximizes the throughput and a fully connected robotics system would help process large amounts of data in real time. Only with such synchronization can retailers unlock new areas of productivity, say reports.

However, though there is a movement across the world to robotics and automation to take care of this, one cannot undervalue the importance of trained manpower for successful supply chain operation.

Conclusion

A key finding of the Capegemini report is that volume of online grocery orders will increase rapidly. Currently, 40 percent of customers order groceries online from retailers, which can be once a week or multiple times. The study expects this figure to grow to 55 percent by 2021.

Another advantage of ensuring a fast and effective last-mile delivery would be on customer spend and loyalty. As the report found, 74 percent of satisfied customers intend to increase spend by as much as 12 percent with retailers they frequently purchase from. The majority (82%) of customers have shared positive experiences with friends and family, and just over half (53%) would even be willing to purchase a paid membership for a good delivery service. However, despite 55 percent of customers expressing that offering 2-hour deliveries would increase loyalty, only 19 percent of firms currently provide this, compared to 59 percent of firms that offer a delivery time frame of over 3 days.

As the report points out, deliveries form the most expensive part of the supply chain, especially as though

IMAGE: PIXABAY

More Indians will shop grocery online

last-mile delivery accounts for 41 percent of overall supply chain costs, organizations charge only 80 percent of the overall delivery cost and hence lose out on profit. Further, 97 percent of retailers said current last-mile delivery models are not sustainable for full scale implementation across all locations and 99 percent of customers are unwilling to absorb the full cost of delivery.

Hence, it for the retailers to find a balance between customers' delivery aspirations and maintaining their own profitability.

A surprising trend that the report highlights is that customers are open to experimenting with 'crowdsourced' style delivery options. For an incentive (the most popular being monetary), 55 percent were willing to deliver products to neighbors in their vicinity, and 64 percent indifferent if a delivery were made by a retail store employee, private individuals, or third-party couriers. In fact, 79 percent of customers are willing to deliver these groceries at a price that is less than the current cost incurred by retailers to deliver it themselves.

It can be concluded that retailers must get the last mile experience for consumers right if they want to remain profitable. Also, the answer to this lies in automation, as for warehouse and product sorting that representing one-third of supply chain costs, there is a significant opportunity in automation.

No wonder, retailers are recognizing this opportunity, and as the Capegemini report found, 89 percent of organizations are already investing in the mechanization and automation of store backrooms to expedite fulfillment and deliveries.

As for India, though the solution is similar as the global last mile delivery options, a few retailers have managed to develop a robust last-mile delivery structure. They have developed a strong franchise-based model. The retailers are required to be involved constantly with the franchise owners to ensure a unified consumer engagement experience.

Last mile delivery in retail, by all accounts, is an interesting space to watch out for.

Source: Secondary research & mediareports

SOURCES / REFERENCES

https://www.ibef.org/
https://www.livemint.com/
https://www.business-standard.com/
https://www.financialexpress.com/
https://www.indiaretailing.com/
https://www.indianretailer.com/
https://www.forbes.com/
https://economictimes.indiatimes.com/
https://www.indiafilings.com/
https://www.indiatoday.in/
https://www.moneycontrol.com/
https://retail.economictimes.indiatimes.com/
https://z6mag.com/
https://www.ey.com/
https://yourstory.com/
https://inc42.com/
https://www.gadgetsnow.com/
https://wefast.in/
https://www.entrepreneur.com/
https://www.franchiseindia.com/
https://www.sogeti.com/
https://www.indiatimes.com/
https://economictimes.indiatimes.com/news/economy/indicators/india-beats-canada-eu-in-internal-trade-economic-survey/articleshow/56891607.cms?from=mdr
https://www.civilsdaily.com/
https://www.businesstoday.in/
http://www.mondaq.com/
https://www.nutraingredients-asia.com/
https://m.dailyhunt.in/
http://www.assocham.org/
https://dipp.gov.in/
http://www.cait.in/
https://rai.net.in/
https://www.thehindubusinessline.com/
https://www.bananaip.com/
https://www.businesstoday.in/current/corporate/delhi-hc-restrains-amazon-flipkart-snapdeal-selling-direct-sellers-products-consent/story/363149.html
https://consumeraffairs.nic.in/
https://www.nationsencyclopedia.com/
http://pib.gov.in/
http://www.newindianexpress.com/
http://www.yourarticlelibrary.com/
https://www.statista.com/
https://scroll.in/article/
https://www.thenewsminute.com/article/ponzi-schemes-what-they-are-and-how-not-fall-one-107362
https://www.indiatoday.in/
https://www.tribuneindia.com/
http://www.uniindia.com/
https://www.hindustantimes.com/in
https://trak.in/tags/business/
https://indianexpress.com/

THE AWARE CONSUMER

India's Most Credible
Consumer Monthly

Save upto 50% on subscription

Subscribe today!

Save ₹3,600/- FOR 36 ISSUES

Please accept my subscription of **THE AWARE CONSUMER**

NAME ____________________

ADDRESS ____________________

PH. NO. ____________________ E-MAIL ____________________

PAYMENT ☐ CASH ☐ CHEQUE CHEQUE/DD NO. ____________________

DRAWN ON ____________________

DATE ____________________ SIGNATURE ____________________

No. of Issues	News Stand Price	Discount	You Pay	You Save
12	₹ 2,400/-	20%	₹ 1,920/-	₹ 480/-
24	₹ 4,800/-	30%	₹ 3,360/-	₹ 1,440/-
36	₹ 7,200/-	50%	₹ 3,600/-	₹ 3,600/-

Cheque / DDs should be drawn in favour of **HAMARA CONSUMER DOST PVT. LTD.**
Send your subscription to: The AWARE CONSUMER, F-9, 2nd Floor, Kailash Colony, New Delhi-110048
Contact: 9885564767 • E-mail: contact@theawareconsumer.in

Posted at Lodi Road HPO, New Delhi on 9-10th of every month
Published on 6th of every month

RNI No. DELENG/2015/67140
REG. NO. DL (S)–17/3523/2017-19