

1. Why e-commerce in India has been perceived as a threat and disrupting force for organized retail? Critically analyze the recent steps taken by the DIPP to regulate the e-commerce sector in India. (250 words)

Answer:

- The tussle between offline retailers (including Reliance, Future Group and Aditya Birla Group) and online firms (like Flipkart, Snapdeal and Amazon) has been playing out for a few years now.
- This public battle between online and offline retailers centered on the pricing strategies adopted by the online firms, which were considered as anti-competitive and price-distorting, as online companies were selling several products even below their production costs in order to gain market size.

In order to address such concerns, the DIPP has issued set of regulations, discussed as follows:

- a) 100% FDI under automatic route is permitted in marketplace model of e-commerce, whereas FDI is not permitted in inventory based model of e-commerce.
- b) A marketplace is simply a platform where buyers meet sellers using technology and the role of the marketplace platform should be limited to facilitating the transaction (through payments, warehousing, and logistics).
- c) The marketplace should not influence the terms of the transaction-buyers and sellers should carry it out at their own risk and reward. The seller should be liable for product quality and warranty.
- d) Discounts, offers or inducements of any kind have to be offered solely by the seller, and will not be layered on "directly or indirectly" by the online marketplace. The word "indirectly" means that, marketplaces can't refinance the sellers for the discounts through credit transfers or other incentives.
- e) No single seller can be more than 25% of the marketplace revenue. However, this single seller can be a group company of the marketplace and since it could influence such a seller, this restriction does not allow more than 25% of its revenues from such a group company.
- f) Online marketplaces are rendering a service to the sellers and they should charge them for such services. That should dictate the economics of these models.

Analysis of regulations

- A marketplace like Amazon, Flipkart or Snapdeal may invest in brand-building, attracting customers, building vendors, showcasing products and indulging in all kinds of marketing on "behalf" of the sellers, but they cannot offer any inducements to the customers that the seller has not explicitly agreed to give.
- Online retailers were supposed to create efficiencies and pass them on to customers, create new markets, and develop vendors. They were supposed to use the power of technology, analytics and utilize access to millions of Indians on smartphones to cut wastage, reduce inventory losses and create super-efficient, super-lean businesses.
- They were also supposed to open under-served markets and take brands to markets that were hard to reach-and facilitate creation of powerful brands in India. But all we've seen is

an unsustainable level of price-cutting, unprecedented media blitzes, wastage and inefficiencies that is not sustainable and may ultimately lead to the bankruptcies. This caused massive damage to offline companies and brands that lost control over their pricing.

- In effect, Government has leveled the playing field between offline retail and online retail and stopped any deviant behavior by online firms who were using capital to distort pricing and induce customers.

PRACTICE QUESTIONS

Answer the following Questions

1. Discuss how Ayushman Bharat is an improvement over RSBY? Examine the challenges that lie ahead in fulfilling the mandate of Ayushman Bharat? (250 words)
2. What do you understand by mobile communication on aircraft (MCA) and onboard connectivity (OBC). Discuss their benefits and various concerns associated with these technologies. (250 words)