

Festive Economy and e-commerce sales of SMBs in India
17 February 2022, Thursday | 3:30-5:00 PM
Speaking Notes

- *How is e-commerce adoption in India growing? What is the consumer experience of e-commerce in India?*
- *Has the consumer shopping behavior changed due to covid?*
- *What attracts consumers to e-commerce?*
- *How do e-commerce platforms such as Amazon, Flipkart etc. make their lives easy?*
- *Is there a difference between online and offline pricing of products?*
- *During the covid restriction around festivals, what role did e-commerce play in making shopping easy for consumers as well as providing resilience to e-commerce in India?*
- *What e-commerce policies should be made to make the ecosystem conducive for MSMEs and beneficial and safe for consumers?*

1. E-commerce, as an industry has been growing at an accelerated pace in India due to majorly four factors: growing demand, attractive opportunities, policy supports and increasing investments. India's ecommerce order volume had increased by 36 percent by the end of the last quarter of the 2020 and is expected to reach US \$ 200 billion by 2026.

2. In times of Covid, especially, sales have seen a rise in 2021. This is complemented with the policy support from the government of allowing 100 percent FDI in B2B segment and marketplace model. Rise in digital literacy has been one of the major reasons for influx of investments in Indian ecommerce with allowing level playing field for new players to set up their base.

3. With the pandemic onset, the e-commerce sector was trying to adjust itself to the behavioural changes in consumers. It had to cope up with unprecedented demand for items with excessive courier restrictions in containment zones. Shopping app installs in India showed strong growth in 2020, and surged

again last year, surpassing 80 million. Meesho alone contributed more than 12 million downloads. The covid-19 pandemic has accelerated the shift to e-commerce by at least 5 years. Thus, it is clear that e-commerce must be one of the biggest cogs in the wheel to economic recovery post-covid-19, in India and globally.

4. CUTS itself had undertaken a research project which aimed to study the status of ‘e-consumers’ while analysing the e-commerce space in India. Despite its growing importance, there is still minimal academic literature on the status and impact on e-consumers in developing countries, like India. We aimed to bridge this gap. The study will soon be released. I will highlight some of the findings:

- Factors like ‘convenience’, ‘cost-effectiveness’ and ‘variety of products available’ are the biggest motivators for consumers to start availing ecommerce services.
- Consumers were attracted more during the times of covid due to factors like ‘time and cost saving’, and ‘safe buying’.
- As far as their preference is concerned, ‘electronics and other appliances’ were the most sought for primarily because of the discounted prices that are offered online.
- Consumers do believe that there is massive difference between online and offline prices. Almost 60 percent of the surveyed consumers claimed that e-commerce had reduced their monthly shopping expenditure.

5. However, the government through the proposed amendments to the E-Commerce Rules, 2020, intends to ban ‘flash sales’. This may have adverse

impact on consumer welfare. While the intention is to curb ‘preferential treatment’ and ‘deep discounting’, ambiguities are left for instance, what may constitute as ‘fraudulently intercepting the ordinary course of business using technology’. Also, conventional flash sales by third party may be allowed but the basis of differentiation between the two is a matter of grey area.

6. Consumers are expected to splurge on discretionary items during Dussehra and Diwali, followed by the wedding season through to Christmas and New Year. In preparation for the festive season during the pandemic time, e-commerce players had enhanced the accessibility of their platforms. Amazon announced to add Hindi support to its voice shopping experience and Marathi and Bengali to its customer shopping experience, in addition to the already existing six Indian languages. Flipkart also noted that this festive season was the most inclusive and sustainable in the eight year history of the company’s ‘The Big Billion Day’ sale. The Flipkart app, too is currently available in 11 Indian languages. It was noted that 85 percent of the new customer base of Amazon, during Diwali 2021, came from Tier-2 cities. So not only is the base growing, but the contribution from smaller towns is also growing. In addition, during the festival seasons especially, the e-commerce platforms like Amazon itself has created more than 100,000 jobs across the operation network within the country.

7. Way forward:

- The E-commerce industry has been directly impacting micro, small & medium enterprises (MSME) in India by providing means of financing, technology and training and has a favourable effect on other industries as well. Indian E-commerce industry has been on an upward growth and is expected to surpass the US to become the second largest E-commerce market in the world by 2034.

- Technology enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements will likely support the growth in the sector.
- The growth in E-commerce sector will also boost employment, increase revenues from export, and provide better products and services to customers in the long-term.
- We had also found in our survey that there is significant scope of ‘improving grievance redressal mechanism’ for ecommerce. Efforts should be made to increase consumers’ confidence on ecommerce, which may be done by adequate data protection measures, and ensuring product quality, amongst others. In our survey, the respondents have marked ‘consumer confidence’ as the most important parameter.