

## FDI in e-commerce - Policy review - II

Click [here](#) to know more on the issue

\n\n

### What are the possible benefits?

\n\n

\n

- Under the guidelines, the e-commerce players cannot directly or indirectly influence the price of goods and services.

\n

- Also, e-commerce marketplace entity will not mandate any seller to sell any product exclusively on its platform only.

\n

- Thus, consumers may no longer enjoy the deep discounts offered by retailers that have a close association with marketplace entities.

\n

- However, the absence of large retailer's monopoly will, however, bring relief to small retailers selling on these platforms.

\n

- Traders running traditional brick-and-mortar stores, who now find it difficult to compete with the large e-commerce retailers with deep pockets, could also gain.

\n

- These changes will enable a level playing field for all sellers, helping small retailers, including MSME, to leverage the reach of e-commerce.

\n

\n\n

### What are the concerns?

\n\n

\n

- The guidelines say that e-commerce companies running marketplace platforms (Amazon and Flipkart) cannot sell products through companies in which they hold equity stake.

\n

- Also, a vendor's inventory will be deemed to be controlled by the e-

commerce player if more than 25% of its purchases are from the e-commerce player or its related firms.

\n

\n\n

\n

- **Business model** - The changes will have a significant impact on the business model of e-commerce majors, as most of them source goods from sellers who are related party entities.

\n

- Going forward, the suppliers will not be permitted to sell their products on the platform run by such marketplace entity.

\n

- This will impact backend operations, as Group entities would have to be removed from the e-commerce value chain.

\n

- Separately, any specialised back-end support given by e-commerce players for some sellers must now be extended to all vendors.

\n

- **Equity restrictions** - E-commerce players, who have their private labels on a product, will not be able to sell them on their platforms if they hold equity in the company manufacturing them.

\n

- For example, Cloudtail India Pvt Ltd is the biggest retailer operating on Amazon, while WS Retail was the biggest seller on Flipkart.

\n

- Cloudtail's ownership shows a clear link with Amazon.

\n

- Hence, under the new rules, Cloudtail, in which Amazon holds equity stake, may not be able to sell products on Amazon's e-commerce platform.

\n

- **Voluntary sale** - An e-commerce marketplace entity will not mandate any seller to offer a product exclusively on its platform under the new rules.

\n

- However, there is no explanation on what to do when a seller voluntarily opts to sell exclusively on one e-commerce portal over another.

\n

\n\n

## What should be done?

\n\n

\n

- The guidelines could reinforce investor complaints about India being

unpredictable in terms of policies.

\n

- Despite these concerns, the policy requires a major overhaul in the business model and shareholding structures of such players.

\n

- The government, on its part, has to form a regulatory authority to check flouting of e-commerce rules under the new guidelines.

\n

\n\n

\n\n

**Source: The Indian Express, The Hindu**

\n

