

E-COMMERCE POLICY -CHANGES AND EFFECTS



WILL BE EFFECTIVE
FROM 1ST
FEBRUARY, 2019'

-BY PAVITRA

-FOR  **Ruchi Anand
& Associates**

- **WHAT IS E – COMMERCE ?**

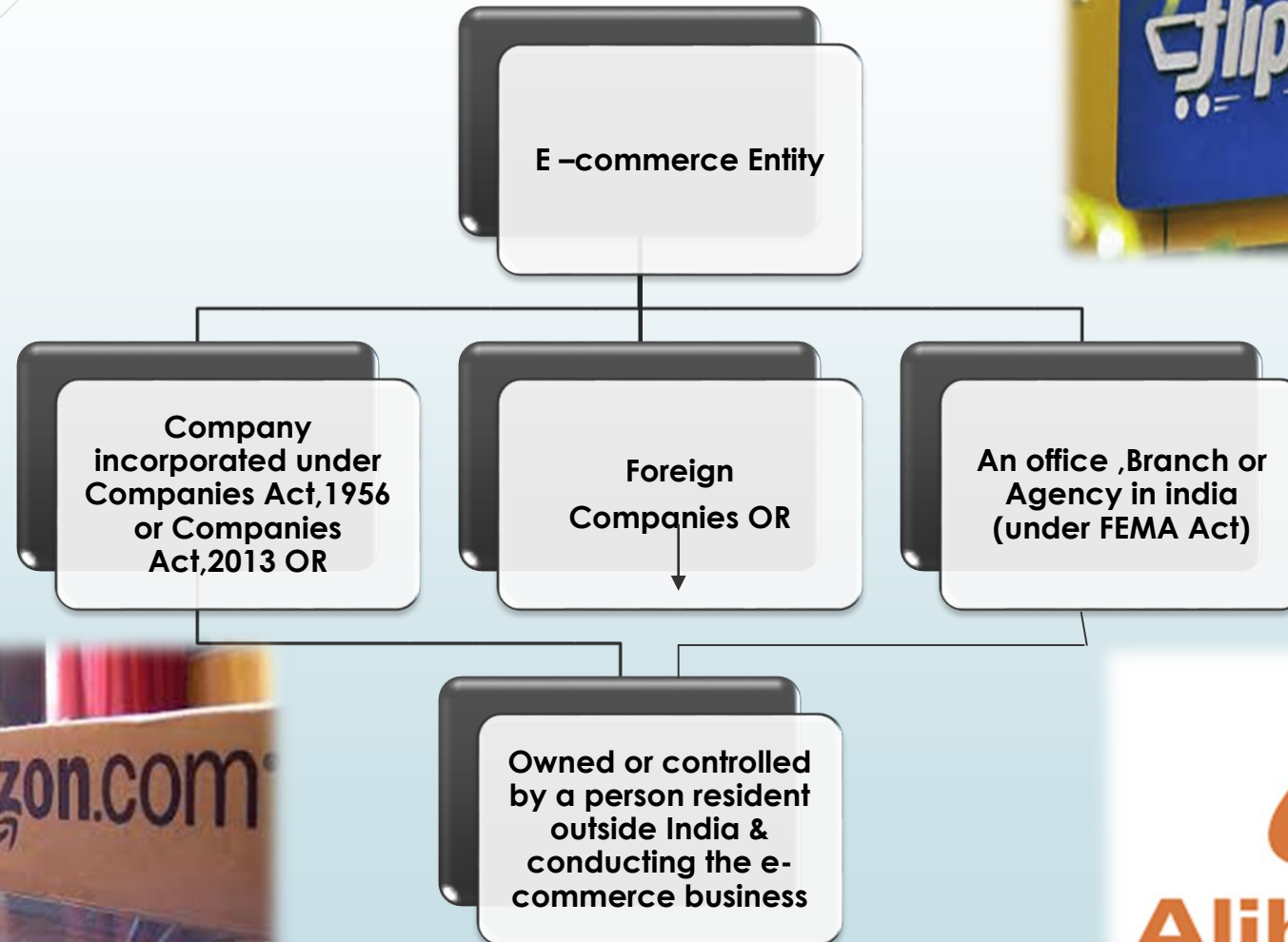
E-commerce means buying and selling of goods and services including digital products over digital & electronic network.



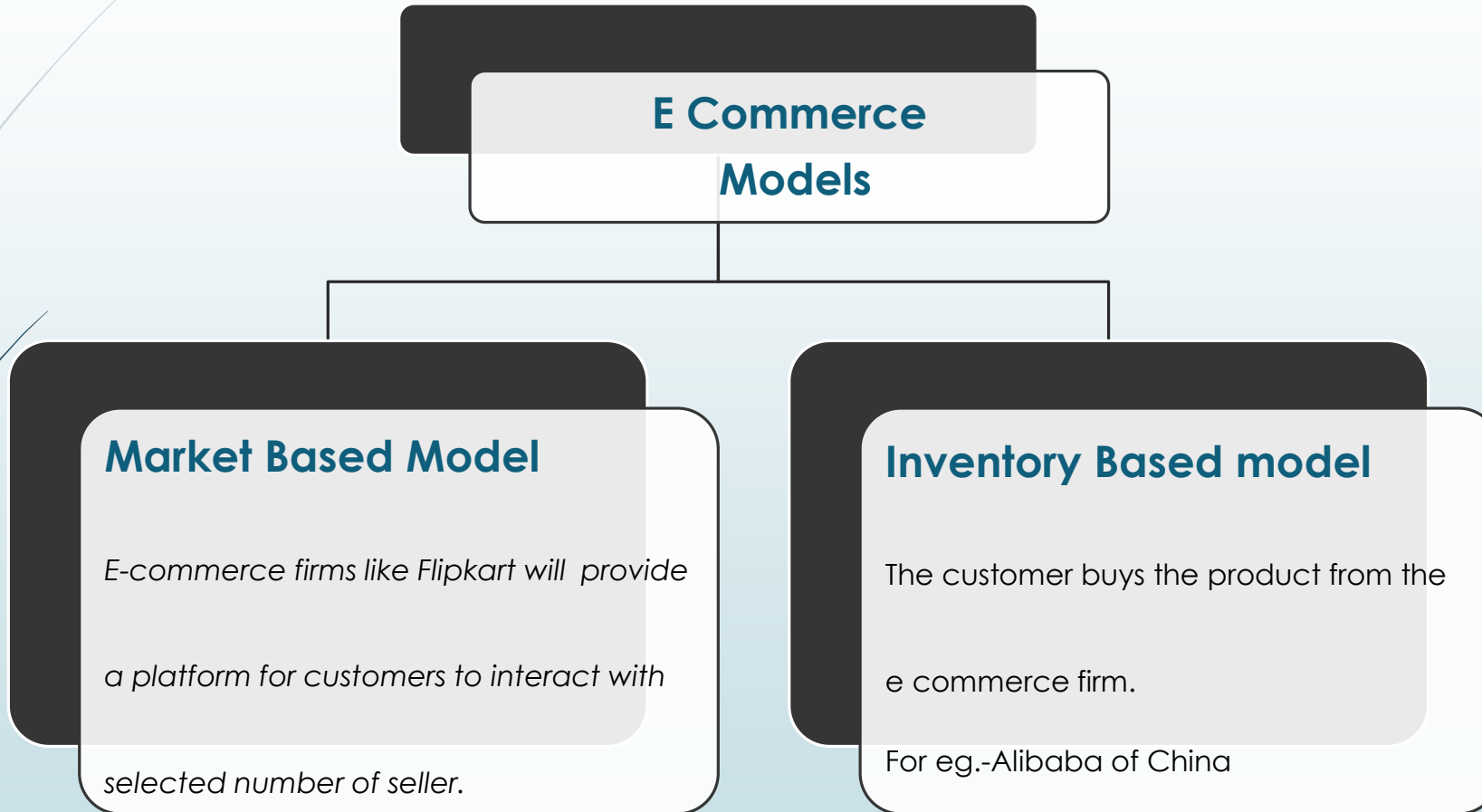
- **WHAT IS E-COMMERCE POLICY?**

Policy of Foreign Direct Investment (FDI) in E-commerce sector as provided by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India in Para 5.2.15.2 of Consolidated Policy Circular 2017. (https://dipp.gov.in/sites/default/files/CFPC_2017_FINAL_RELEASE_D_28.8.17.pdf)

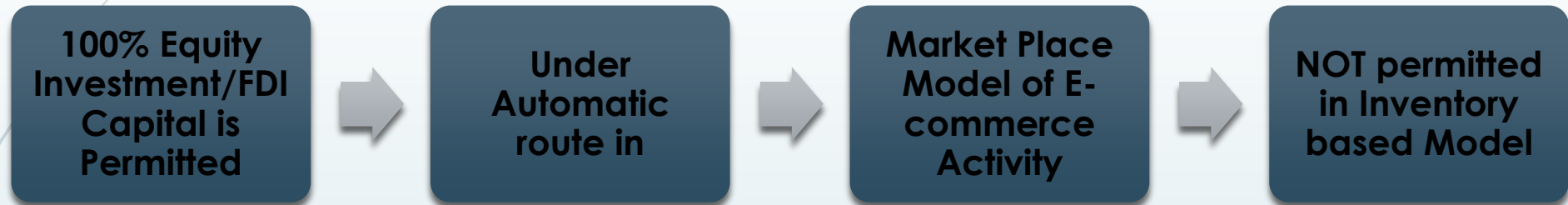
WHAT IS E –COMMERCE ENTITY?



E COMMERCE MODELS



FDI POLICY ON E-COMMERCE



PROVISIONS OF FDI POLICY ON E-COMMERCE
SECTOR WOULD APPLY ONLY ON MARKET PLACE
MODEL OF E-COMMERCE ACTIVITY.

CHANGES IN E-COMMERCE POLICY

► EARLIER(Consolidated FDI Policy Circular of 2017)

E-commerce entity providing a marketplace will not exercise ownership over the inventory. An e-commerce entity will not permit more than 25% of the sales value on financial year basis affected through its marketplace from one vendor or their group companies.

Essence- This will prevent any brand or supplier aligning exclusively with one marketplace, as is usually the case with many mobile or white goods brands.

► Now[As per Press Note No.-2(2018 series) Applicable w.e.f.-1st February,2019]

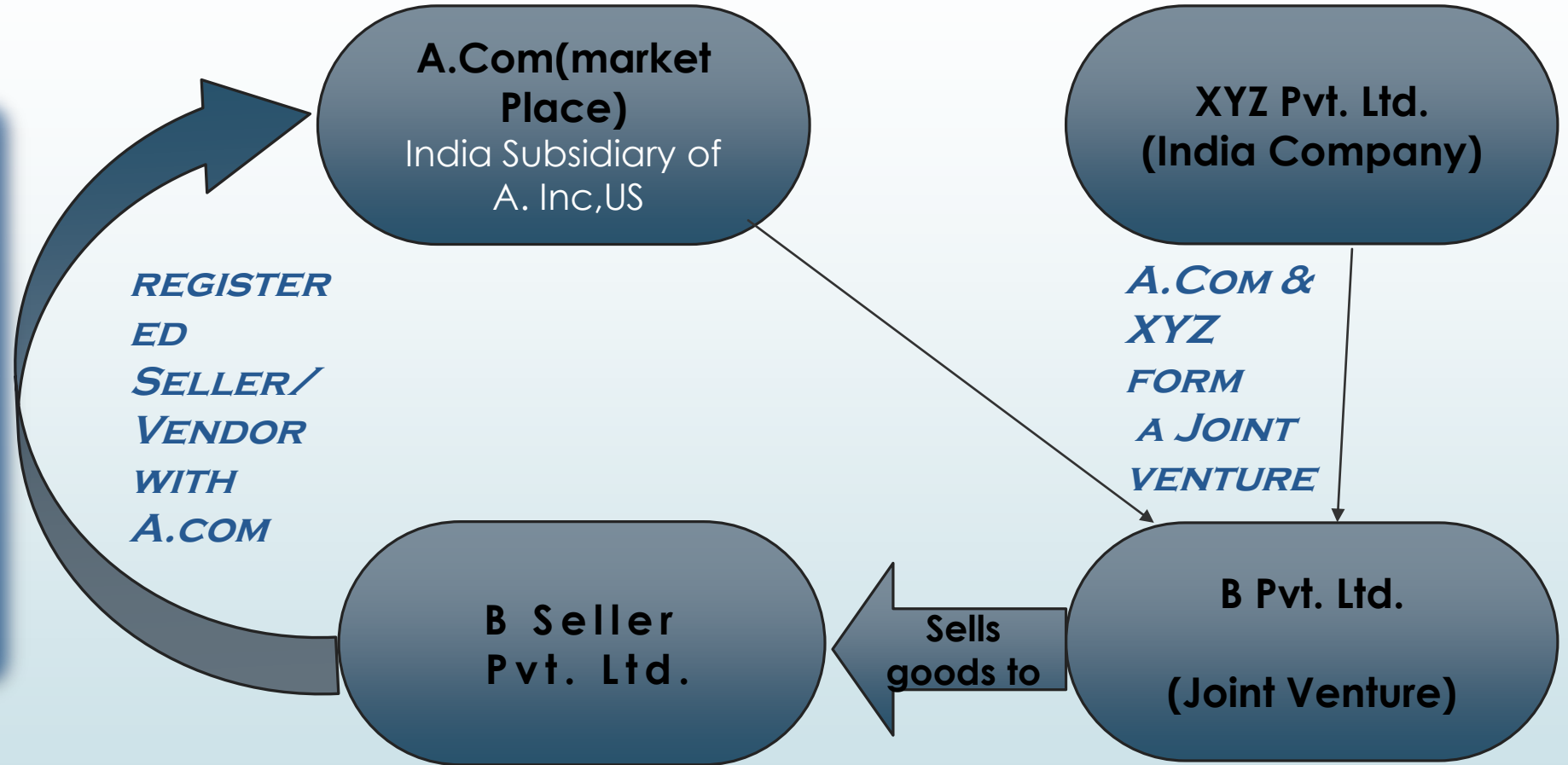
E-commerce entity providing a marketplace will not exercise ownership or control over the inventory. Inventory of a vendor will deemed to be controlled by e-commerce marketplace entity if more than 25% of purchases of such vendor are from the marketplace entity or its group company.



PURCHASES OF
VENDOR

Example:-

Now As per new E commerce policy [press Note No.2(2018 series)] w.e.f. 1st Feb,2018,
B seller Pvt. Ltd.(Vendor of A.com) can not have Purchases of more than 25 % from B Pvt. Ltd. or any group company of A.com.



➤ **EARLIER(Consolidated FDI Policy Circular of 2017)**

Equity participation

No such clause present

➤ **Now [As per Press Note No.-2(2018 series) Applicable w.e.f.- 1st February,2019]**

An entity having equity participation by e-commerce market place entity or its group companies, having control on its inventory by e-commerce marketplace entity or its group companies, will not be permitted to sell its products on the platform run by such ,marketplace entity.

Equity Participation:-It refers to the ownership of shares in a company or property.

Essence- An entity having equity participation by an market place entity will not be permitted to sell its product on platform run by such marketplace entity

➤ **EARLIER(Consolidated FDI Policy Circular of 2017)**

Mandate a seller to sell its product only on its platform.

No such clause



➤ **Now [As per Press Note No.-2(2018 series) Applicable w.e.f.-1st February,2019]**

E-commerce market place entity will not mandate any seller to sell any product exclusively on its platform



Essence- Exclusive/prime products will not be available.

➤ **EARLIER(Consolidated FDI Policy Circular of 2017)**

Certificate confirming Compliance- No such Clause.

➤ **Now [As per Press Note No.-2(2018 series) Applicable w.e.f.- 1st February,2019]**

E-commerce marketplace entity will be required to furnish a certificate along with a report of statutory auditor to RBI,confirming Compliance by 30th September of every year.

CERTIFICATE OF COMPLIANCE

Essence- Another statutory compliance added for submitting certificate confirming compliance.

EARLIER(Consolidated FDI Policy Circular of 2017)

Cashback and discriminating prices:-

No such Clause



Essence- Low cashback and approximately equal prices for products. The policy prohibits ecommerce platforms from giving any preferential treatment to any supplier.

Now [As per Press Note No.- 2(2018 series) Applicable w.e.f.- 1st February,2019]

Provision of services to any vendor or such terms which are not made available to other vendors in similar circumstances will be deemed unfair and discriminatory. Cashback provided by group Companies of market place entity to buyer shall be fair and non-discriminatory.



EFFECTS OF CHANGES IN POLICY



► Adverse Effects

1. **Deep discounts disappears:** Big online sales may disappear and one of the main method of attracting customers i.e. deep discounts on Flipkart or Amazon may not be usable now.
2. **Buyers inconvenience :-** Customers will now have to check other shopping websites and even may have to Switch to real shops. Now buyers may have to visit the traditional street side shop to get better prices and discounts.
3. **End of Cashbacks:-**the buyers whose buying decisions get affected on the basis of cashback available would have great impact as the guidelines imply the end of cashbacks.
4. **End of exclusive deals:-** New policy clearly prohibits E –commerce entity to force any vendor to sell products only on its platform. This clearly means end of 'exclusive/prime deals' which are generally run by Flipkart and Amazon India.
5. **Lack of choice:-**The new policy prohibits entities from selling its products on e-commerce platform, in which the e-commerce platform has an equity investment.This implies choice would be reduced due to this provision.

GAINERS FROM NEW E-COMMERCE POLICY:-

- **Retail stores:** New guidelines restricts discounts and cashbacks will help Retail stores i.e. brick-and-mortar retailer retain customers.
- **Small ecommerce companies:-** To compete with giants like Amazon/Flipkart, smaller ecommerce companies don't have enough money. These Small e-commerce Companies will stand to gain from the new norms.
- **Small sellers:-** an ecommerce platform which provide any service– logistics, warehousing or easy financing options – will now have to offer to all sellers and no preference would be given to any particular seller.



THANK YOU...

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