

Are Discount Festivals a Past? End of Indian E-Commerce Party By Bhumesh Verma

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India has been the favourite playground or battlefield, howsoever you may like to call it for e-commerce companies over the last few years. Amazon, Walmart and you name it, everyone has been eyeing a big slice of online business.



We saw few Indian e-commerce promoters becoming billionaires and part of the folklore.

Now, however, it seems the Indian government has put a spanner in foreign investors' plans in the sector and the party is over. The underlying idea may be to buy peace with the local brick and mortar traders' lobby which had been complaining loss of business due to deep and predatory discounts offered by online e-commerce platforms.

Last month, the government issued a Press note clarifying / amending some provisions of the FDI policy in e-commerce segment barring online marketplaces with foreign investments from selling goods of the vendors and brands in which they have stakes and putting restrictions on exclusive

partnership with brands or offering favourable services to selected vendors.

This has sent shockwaves in the e-commerce industry. Apparently, Flipkart and Amazon have more than half of their revenue through sales through group companies (a major chunk being electronics and apparels, which is likely to be impacted the most by the new guidelines).

The new norms are to be effective from February 1, 2019 so there is a big rush to clear the stocks lying with group companies. This is why one could see a flurry of discounts and sales in the last two weeks of January 2019.

It may take some time for e-commerce companies to tweak their business model and make alternate strategies. Some sanity may also settle in e-commerce discounts when the biggies struggle with the new guidelines.

This could be a boon to the Indian brick and mortar retailers. Even if a third of online retail sales were to be impacted due to the tighter e-commerce FDI policy, brick and mortar sales are to see an unprecedented upswing in their business. This amount could be anywhere in the range of Rs. 100 billion to 400 billion, depending on how much of the business Indian offline retailers can capture.

Further, it may signal an end to the predatory discounting on part of e-tailers since the compliance ecosystem and expenditure may expand now on and we can expect a more level playing field for Indian offline retailers.