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ıdian Online Companies Welcomes New e-Commerce Norms in India

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The changes will mostly affect US-based Amazon and Walmart-backed Flipkart — the two largest players in the burgeoning Indian e-commerce sector — as one of the norms bars striking exclusive marketing arrangements that could influence product prices. "It (introduction of the new norms) is an acknowledgment that all the major foreign players have been consistently violating the spirit of the policy from day one. Almost all the clarification points mentioned in this policy can be directly attributed to an active violation by these foreign players," ShopClues CEO and co-founder Sanjay Sethi said.

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The government's move to tighten norms for online marketplaces with foreign investment will close the "back door" that has been "blatantly exploited" by such companies and provide a level-playing field, industry players said. The changes will mostly affect US-based Amazon and Walmart-backed Flipkart — the two largest players in the burgeoning Indian e-commerce sector — as one of the norms bars striking exclusive marketing arrangements that could influence product prices.

"It (introduction of the new norms) is an acknowledgment that all the major foreign players have been consistently violating the spirit of the policy from day one. Almost all the clarification points mentioned in this policy can be directly attributed to an active violation by these foreign players," ShopClues CEO and co-founder Sanjay Sethi said. He added that the clarification will "finally close the back door that has been blatantly exploited by these players".

Snapdeal too has lauded the move, with founder and CEO Kunal Bahl saying these changes will enable a level-playing field for all sellers and help them leverage the reach of e-commerce.

While Flipkart has not commented on the changes, Amazon has said it is evaluating the circular.

The new norms — effective February — will also bar online marketplaces from selling products of companies in which they hold a stake. This could potentially impact many electronic and smartphone brands like ASUS, OnePlus, BPL and others that work exclusively with either of the two giants. The new guidelines will also make it difficult for players with FDI investments to offer discounts and cashbacks to online shoppers, a development that industry watchers say will affect business models of these companies.

The new rules could also pull the plug on seller entities like Cloudtail and Appario (that have equity investment from e-commerce companies).

"There are some specific points that need greater clarity, especially the fact that an entity having 'equity participation' by e-commerce market place entity or its group company, is not permitted to sell its products on the platform run by marketplace entity," said Darshan Upadhyay, partner at Economic Laws Practice, adding that this could result in all vendors and suppliers where the marketplace entity (or its group) have insignificant holding being ineligible for selling their products.

Instamojo CEO and co-founder Sampad Swain said while the earlier regulations were bound by high caps, MSMEs of the country would now get a fair opportunity to come and participate in the digital economy. "This new development creates a level playing field for smaller players… Now, all the micro-merchants of our country can participate without the fear of being left out," he added.

The decision came in the backdrop of several complaints being flagged by domestic traders on heavy discounts being given by e-commerce players to consumers. Many sellers had flagged concerns that the e-commerce giants were using their affiliates and exclusive sales agreements to create an unfair marketplace and offering some products at deep discounts.

According to the current policy, 100 per cent FDI is permitted in marketplace e-commerce activities. It is prohibited in inventory-based model.

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