Competition Commission of India

Fair Competition
For Greater Good

MARKET STUDY
ON
E-COMMERCE IN INDIA

Interim Observations

August 30, 2019

Introduction

- Intent: To gather qualitative information and insights from market participants

- Hypothesis: No a priori hypothesis on likely harm to competition; not for a determination of breach of competition law

- Focus:
  - E-commerce ecosystem
  - Shifts in strategies
  - Competition landscape
  - Issues

Scope

- Goods/Products
  - Mobile
  - Electronic/electrical appliances
  - Lifestyle
  - Grocery

- Services
  - Hotels
  - Food

- Pan India

Stakeholders

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S. No.	Stakeholder Group
1.	Retailers (Online & Offline)
2.	Manufacturers
3.	Online marketplace platforms
4.	Service providers (Hotels and Restaurants)
5.	Payment systems

Approach & Methodology

1. **Survey**
   - *Structured questionnaire*
   - *Store/ website visits*

2. **Stakeholder discussions**
   - *Focused group discussions*
   - *One-on-one meetings and calls*

3. **Stakeholder submissions**
   - *Relevant written submissions by associations to the Government*

4. **Implementation Partner**
   - *Economic Advisory, Ernst & Young*

*Responses received from small, medium and large restaurants across categories such as single cuisine, multi cuisine, restaurant chains and standalones.

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Section 1

Services: Food

Services: Food

Trends

- *Online ordering and delivery marketplaces are the fulcrum*
- *78% respondents have online presence; 69% went online between 2016 and 2018; listed on 3 platforms (on an average)*
- *For respondent restaurants, around 28% revenue through online platforms*
- *Cloud kitchens: delivery only, multiple online channel presence*
- *Platforms expanding into related B2B domains – e.g. food ingredient supply*
- *Platforms providing kitchen infrastructure; platforms' own cloud kitchens*

Services: Food

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Issue	Restaurants	Platforms
NEUTRALITY OF PLATFORMS		
Private labels/cloud kitchen brands	*Dual role of platforms*	*Bridge supply-demand gap; help partner restaurants scale up; more choice to consumers*
Search Ranking	*Algorithm opaque; non-transparent; ads interspersed with organic results*	*Proximity, user reviews; organic listing distinguishable from advertised listing*
Data	*Used to promote own cloud kitchens; not shared with restaurants*	*Shared with restaurants*
PLATFORM TO BUSINESS (P2B) TERMS		
Commission	*Unilateral and arbitrary increase*	*Bilateral negotiation*
Delivery	*Compelled to use platform's hired fleet; restrictions on using own fleet*	*Use of platform's fleet efficient; no restriction*
PRICING		
Discounts	*Cannibalising dine-in; burden shifting to restaurants*	*Restaurants participate in deals at their own discretion*

*Responses received from hotel chains, standalone and independent hotels, franchises, pan India across premium and standard categories

Section 2

Services: Hotels

Services: Hotels

Trends

- *Online Travel Agencies (OTAs) gaining in importance*
- *Respondent hotels listed on at least 5 OTAs; 4 popular OTAs emerged from the survey*
- *Direct (walk in) and corporate sales highest source of revenue, followed by OTAs*
- *Small and mid segment hotels offer more than 20% of the total room inventory through OTAs; For large hotels – less than 20%*
- *New franchise models: franchise agreement with existing properties under own brand name; listed on own website/ app*
- *OTAs' assurance programs*

Services: Hotels

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Issue	Hotels	Online Travel Agencies (OTAs)
PLATFORM TO BUSINESS (P2B) TERMS		
Commission	*Unilateral and arbitrary increase in commission*	*Bilateral negotiation*
Parity	*Room and price parity restrictions*	*Imposed by some*
PRICING		
Discounts	*Affect pricing on other modes; forced to set unviable rates*	*Prices determined by hotels; OTAs offer discounts above listed price*
NEUTRALITY OF MARKETPLACES		
Search ranking	*Opaque; commission, assurance programs*	*No. of customer visits, conversion rates, cancellation policy, user ratings*
MARKET ACCESS		
Exclusive Contract	*Between certain OTA and hotel chain, raising market access issues for competing chains*	*Non-exclusive*

Section 3

Goods

Goods: Trends

- *Mobile phones & accessories constitute the largest share of e-tail, followed by lifestyle*
- *Online-offline split product-category specific; for lifestyle and electronics, online a supplementary channel, for mobiles online a major mode*
- *Offline retailers responding to e-commerce: going online, focus on delivery, digital payment*
- *Emergence of online-only sellers*
- *Warehousing: large investments made by marketplaces; faster delivery*
- *Marketplaces' own private labels*

Goods: Issues

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Issue	Sellers	Marketplaces
NEUTRALITY OF PLATFORMS		
'Preferred Sellers'	*Preferential treatment to few sellers; brands channelling products through these sellers*	*Independent third party sellers*
Private labels	*Dual role of platforms*	*In categories where there is unmet demand; sold by independent sellers*
Search ranking	*High search ranking for 'preferred sellers'*	*Algorithm driven; takes a number of factors into account*
PRICING		
Discounts & Deals	*Feel compelled to participate; else, visibility/search ranking affected*	*Sellers participate in deals at their own discretion*
ISSUES VIS-A-VIS MANUFACTURERS		
Counterfeit	*Unauthorized sellers and/or counterfeit product*	*Mechanisms in place to notify and take action*
Seller on-boarding	*Should be based on identification proofs/ letter of brand authorization*	*Any entity with a GSTIN can register as a seller*

Send in your feedback/comments/inputs to ecodivision@cci.gov.in latest by September 30, 2019