

GROWTH PROSPECTS OF ONDC

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01

Introduction

Getting to know ONDC and it's Aim

What is ONDC

Open Network for Digital Commerce (ONDC) is a network based on open protocol and will enable local commerce across segments, such as mobility, grocery, food order and delivery, hotel booking and travel, among others, to be discovered and engaged by any network-enabled application.



ONDC Evolution

**5 July
2021**

A nine - member
Advisory Council was
constituted by DPIIT

**Till 26
October
2021**

QCI established a
team of experts for
execution while
DPIIT approved
initial investment

**Till March
2021**

Various public and
private entities
picked up stakes by
investing seed
money

**29 April
2022**

The pilot phase of
ONDC was launched
in five cities

02

E Commerce In India

How will ONDC affects the Ecommerce

Current Scenarios

- India has emerged as the **fastest-growing economy in the world** and is expected to be one of the top three economic powers over the next 10-15 years. As per provisional estimates, India's gross domestic product (**GDP**) at **current prices stood at ₹51.23 lakh crore** in the first quarter of Financial Year 2022 (FY22)
- India's digital commerce industry has evolved and picked up **significant momentum during the past few years** which was further accelerated by compulsions on account of COVID-19
- However, the **COVID-19 pandemic exposed the critical shortcomings of the Indian digital commerce ecosystem** when most parts of the retail chain were found to be digitally absent and there was a complete breakdown of the supply chain.][p

Existing Problems



**Limited
competitiveness
of new sellers**



**Concentration
risk gives
Platforms
excessive power**



**No portability
of trust**



**Difficult for
sellers who want to
be on multiple
platforms**

Curb the dominance

One of ONDC's objectives is to curb the dominance of large, foreign-owned e-commerce companies.

Increase participation

Encouragement for widespread participation; especially that of small and medium enterprises

Not being platform centric

This network will prevent the platforms become 'operators' within the market and the small and medium businesses lose the choice and freedom of participation

Portability of trust

Addressing discoverability and trust, agnostic of a platform and across platforms

**How ONDC
solves
these
problems**

Scope For Digital Commerce In India

Kirana stores account for most retail activity, but they are digitally excluded

In India, around **1.2 crore Kirana** stores, which are hyperlocal neighbourhood provision stores, **account for 80% of the retail sector**, but most of these stores are **digitally excluded**.

Moreover, as of September 2020, India had 4.25 crore (MSMEs) that could benefit from the digital revolution

Only a small portion of internet users are online shoppers

Currently, only **about 20 percent of the internet users** in India are online shoppers. Even with this small number, **the country has the third-largest** online shopper base globally

By 2030, we can expect this to grow to nearly 50 crores.

E-retail penetration lower than countries like China, South Korea

In India, the Gross Merchandising Value (GMV) **for the digital commerce retail market was ₹2.85 Lakh Crores** (US\$ 38 billion) in 2020, which is only **4.3% of the total retail GMV** in India and **well below the e-retail penetration in countries like China (25%), South Korea (26%), and UK (23%)**.

03

Reshaping the E commerce

Moving from platform-centric model to
network-centric model

The idea behind it is to connect buyers, suppliers, payment, and logistics providers through open-source specifications and protocols

- ❑ The ONDC is an attempt at such an open network and the way it will be created is by **unbundling the current system**
- ❑ Unbundling' refers to the **breaking down of a complex system into granular activities or microservices** which can be separately operated to orchestrate a whole transaction
- ❑ After federating the individual items, different actors can take up these individual activities. The **elements are non-exclusive** and hence there can be **multiple actors performing the same element**
- ❑ For example, in a transaction, the seller, logistics, and buyer side activities can be unbundled and taken up by different entities
- ❑ The unbundling allows buyers and sellers to **exercise their choice at every step**, which theoretically should lead to interoperability between platforms, allowing buyers and sellers **to transact irrespective of the platform** used by them.

04

Potential Benefits

Why will people want this change?



For Seller

- Access to more buyers
- Better discoverability of products and cost
- Autonomy on terms because of multiple choices for being digitally visible
- Lower cost of doing business
- More options for value chain services like logistics and fulfilment

For Buyers

- Access to more sellers and therefore more choices
- Better service and faster deliveries due to access to hyper-local retailers
- Better customer experience





For Tech Platforms

- New opportunities for start-ups to drive innovation in various parts of the network
- Access to the growth of digital commerce through buyer and seller side applications
- Reduced time-to-market and time-to-scale
- Focus on niche aspects leaving other partners to focus on different aspects

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Challenges And Concerns





Basic Requirements

ONDC will have to ensure that its apps are

- User-friendly.
- Capable of giving a better shopping environment than Amazon and Flipkart.
- Swift dispute resolution.



Liability - Returns /Cancels/Refund

There's no clarity yet on **where the liability rests**.

Open And Public Good



ONDC will set protocols in critical areas like price discovery, vendor match, and cataloguing, in open source. Ideally **we get an open network with open specifications and protocols**. Although, not everyone agrees on calling ONDC a public good either.

Price Wars



Whether small kirana stores may be able to match the discounts offered by bigger sellers. The **bigger sellers already know their game** of attracting customer online which is clearly **lacking in small business**

Will ONDC Able To Overcome UPI's Problem?



ONDC is built **on the foundations of UPI**. But will it address UPI's challenges? ONDC is an open protocol for the entire goods and services chain. This includes establishing public digital infrastructures like open registries and open network gateways to exchange information between providers and consumers.

Solving problems at such a population scale necessitates a paradigm shift from an operator-driven monolithic platform-centric model to a facilitator-driven, interoperable decentralised network

According to a media report, India sees about **80,000 UPI frauds every month**. The report also quoted a senior government official saying that 50% of all financial services frauds are via UPI. **Will ONDC able to prevent these fraud?/**



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Final Thoughts

Concluding our research

The ONDC project has the potential **to simplify discovering products and make the online market accessible to small-scale retailers**. As of now, consumers need scourge through various platforms to find the best product at the best price. On the other hand, retailers must comply with policies made with the platform's interest in mind.

When consumers can choose freely, and more sellers are present online, it might lead to more competition which in turn leads to:

- **Lower prices**
- **Improvements in quality**

Being that said it has **number of obstacles in its way**, whether people will accept this change, will the small, medium businesses **able to compete** with the company having significant online experience and many more **tech related challenges**



**THANK
YOU**