

Breaking the E-commerce Monopoly: A Case Study on India's Open Network for Digital Commerce (ONDC)

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Abstract— The Open Network for Digital Commerce (ONDC) is an initiative by the Government of India to create a digital ecosystem for small and medium-sized businesses. The ONDC aims to provide a common digital infrastructure for businesses to seamlessly connect with each other and with consumers.

The ONDC is intended to be an open-source platform that will enable businesses to create their own digital storefronts and participate in digital marketplaces. It will provide a common set of APIs (Application Programming Interfaces) that businesses can use to access digital services such as payments, logistics, and customer support.

The goal of the ONDC is to promote digital commerce and facilitate the growth of small and medium-sized businesses in India. By providing a common digital infrastructure, the ONDC aims to reduce the costs and complexities of doing business in India and make it easier for businesses to connect with each other and with customers.

The ONDC is currently being developed by the Ministry of Commerce and Industry in collaboration with various stakeholders in the digital commerce ecosystem. It is expected to be launched in the near future, and it has the potential to transform the way business is conducted in India.

Index Terms— ONDC, commerce ecosystem.

I. INTRODUCTION

How ONDC differs from other e-commerce platforms in several ways. Firstly, it is not an application, intermediary, or software but a set of specifications designed to foster open interchange and connections between shoppers and sellers. Secondly, ONDC uses open specifications and network protocols that are independent of any one platform. Thirdly, the sellers have the freedom to choose the payment method such as UPI, credit cards, or cash on delivery (COD). Fourthly, ONDC aims to create new opportunities and support micro, small and medium enterprises (MSMEs) and small traders to become hyper-local. Finally, an open network will give sellers better access to information on geographic locations where their products are in demand.

Tailored Solution to Indian consumers

ONDC is a new e-commerce venture in India that offers tailored solutions to Indian consumers, disrupting the business of Amazon and Flipkart. ONDC is designed with the

needs of Indian consumers in mind and provides a platform that offers a great user experience and customer satisfaction. ONDC focuses on building a community where users can discover and buy hand-picked products by Indian brands, and offers an easy-to-use interface for small enterprises and entrepreneurs to launch their own online storefronts. ONDC only features hand-picked products that are exclusive to its platform, and offers customers the ability to pay using UPI or a credit card for faster checkout and fraud detection. The platform will use Digilocker Single Sign-On to eliminate the need for usernames and passwords, and will only collect and store data on its platform to ensure complete security. ONDC is currently being used in Delhi, Bengaluru, Coimbatore, Shillong, and Bhopal as a trial launch, and discussions with Dunzo, PhonePe, and Reliance Retail are at the advanced stages.

The Next Revolution for Ecommerce in India

- The Open Network for Digital Commerce (ONDC) is a non-profit government of India-supported project to promote an open network for the ecommerce industry.
- There are about 4,000-odd big and small players including 600 D2C brands in the Indian e-commerce sector.
- The Indian e-commerce sector is slated to grow to a whopping US \$350 billion by 2030.
- According to a study by McKinsey, 90% of e-commerce revenue is spent on vendor contracts.
- Logistic costs can be as high as 8-10% of the gross merchandise value in the D2C sector, which is only a part of the e-commerce industry.
- ONDC plans to grow the GMV of digital transactions from Rs 4.5 trillion annually to over Rs 7.5 trillion and boost the coverage of retailers using e-commerce from 15,000 to more than 2 million in the next five years.
- The plan also includes increasing the share of Indian e-commerce buyers from 90 million users to over 250 million users.

Objective of ONDC in Supporting Small Business

ONDC's support for small businesses is centered on providing them with equal opportunities in the e-commerce market. This is achieved through the creation of a platform that enables micro, small, and medium enterprises (MSMEs)

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and small traders to become hyper-local. With ONDC, small retailers and merchants have access to an online marketplace that allows them to compete with big players like Amazon. The project also benefits offline vendors who can now expand their customer base through the platform without having to invest huge sums of money. In addition, ONDC seeks to address the issue of unequal dispute resolution on proprietary platforms by empowering local sellers. The ultimate goal of ONDC is to democratize e-commerce and provide small retailers with a level playing field, as stated by the Commerce and Industry Minister, Piyush Goyal.

How does ONDC Support Small Businesses

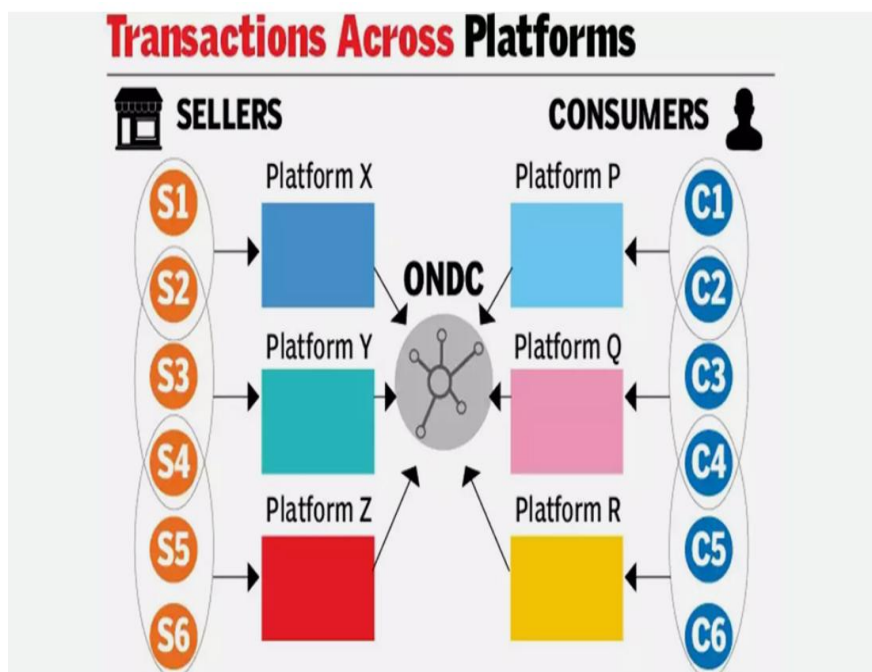
ONDC, a government initiative, is dedicated to supporting small businesses in several ways. One of the ways is by providing a platform for micro, small, and medium enterprises (MSMEs) to list their products at a lower cost without discrimination between big and small traders. This provides small businesses with an equal opportunity to reach potential customers. ONDC also aims to create new opportunities for MSMEs to become hyper-local, further supporting their growth. The initiative is focused on promoting open networks for the exchange of goods and services with an emphasis on small businesses, which can democratize e-commerce and enable millions of small traders. By changing the way MSMEs go about their business, ONDC

has the potential to be a game-changer for small businesses.

How does ONDC ensure fair dispute resolution for Small Retailers on its Platform

ONDC ensures fair dispute resolution for small retailers on its platform by implementing several measures. Firstly, the platform computes and publishes network-level reputation and credibility scores of platforms and sellers, which acts as a check on their behavior and encourages fair practices. Secondly, ONDC takes on the responsibility of building trust among both buyers and sellers, thereby reducing the likelihood of disputes. Thirdly, the platform provides an easy-to-use interface for sellers to list their products and services, which reduces the likelihood of errors and misunderstandings. Fourthly, ONDC ensures that the standards are reasonable and fair, without imposing unreasonable costs on smaller sellers or discriminating against them. Finally, small businesses can approach an ONDC-approved third-party dispute resolution platform if they face any issues, providing an independent and impartial mechanism for resolving disputes.

II. HOW ONDC WORK



<https://www.webspero.com/>

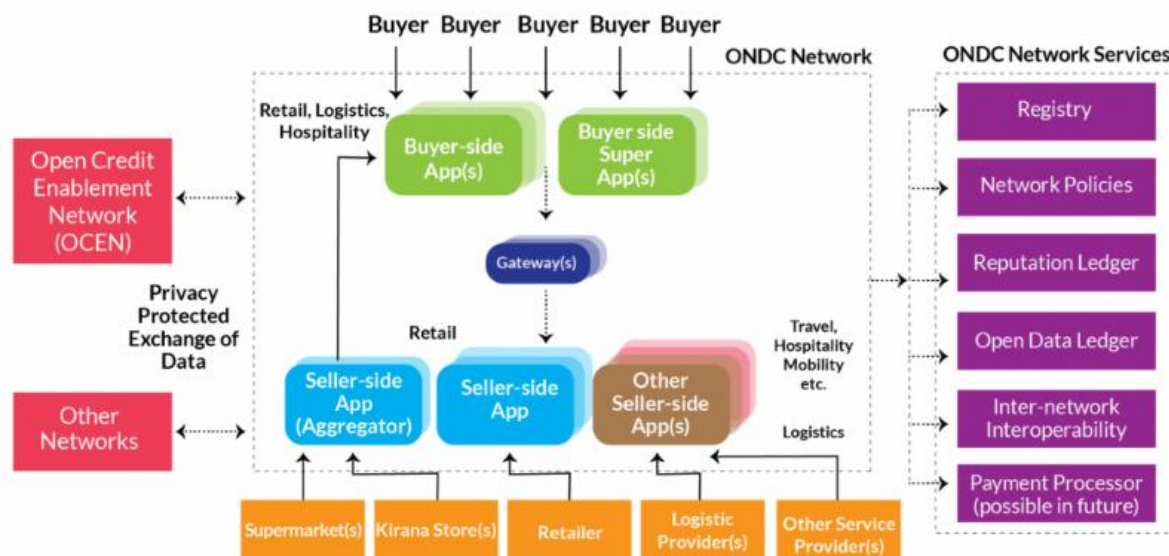
What is the reputation and credibility score of platforms and sellers

The reputation and credibility score of platforms and sellers is a rating system that evaluates the trustworthiness and reliability of the seller and the platform in the ONDC network. The score is based on factors such as feedback from previous transactions, customer ratings, and other relevant

factors that indicate the seller's track record and ability to provide quality services. The score is published on the ONDC platform and acts as a check on the seller's behaviour and reputation, enabling buyers to make informed decisions when choosing a seller to transact with. The ONDC platform aims to provide a fair and transparent marketplace for all sellers,

irrespective of their size or resources, and ensure that small businesses have equal access to markets and opportunities.

Building blocks of ONDC



Source: www.ibef.org/blogs/ondc-to-present-opportunities-to-india-s-local-retailers

What is ONDC not?

ONDC is often confused to mean many things, but it is not:

1. A government regulatory body
2. A super aggregator application or a platform
3. A central intermediary
4. A medium to help digitise business

The Potential Benefits of ONDC

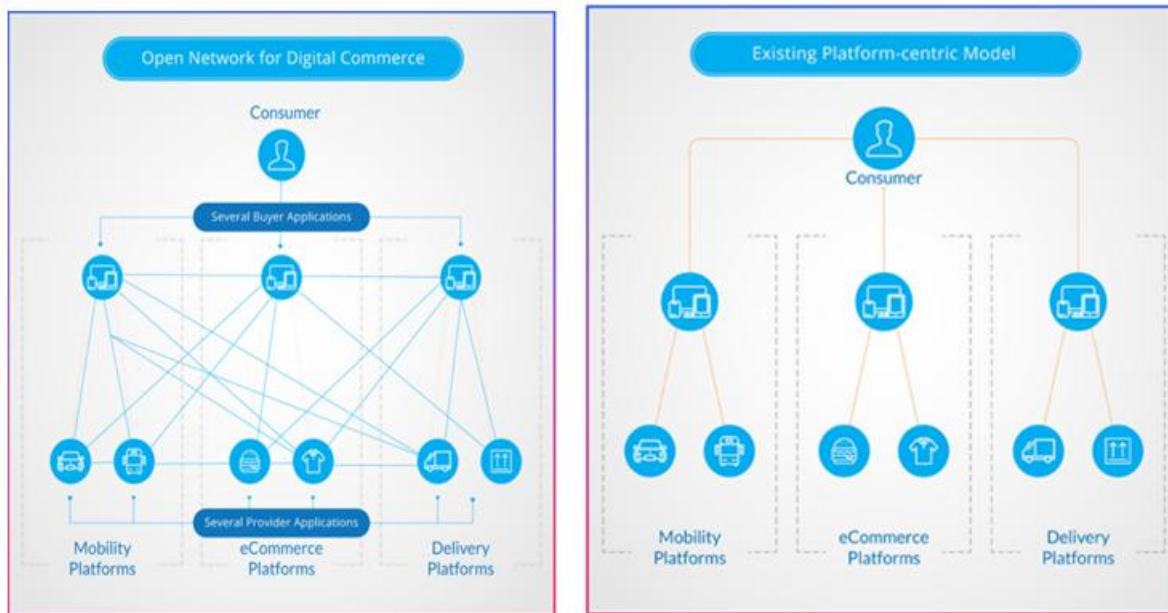
The ONDC platform provides potential benefits for sellers, buyers, and technology platforms. Sellers can benefit from increased access to buyers, better product discoverability, autonomy in terms, lower business costs, and more options for value chain services. Buyers can benefit from increased access to sellers, better service, and faster deliveries due to access to hyper-local retailers, and a better customer

experience. Technology platforms can benefit from new opportunities for start-ups to drive innovation, access to the growth of digital commerce, reduced time-to-market and time-to-scale, and a focus on niche aspects while leaving other partners to focus on different aspects.

Existing Platform-Centric Model and ONDC's Network-Centric Model

Buyers will be able to access all services currently provided by various sellers on different platforms, through a common network in existing Platform however in ONDC network

buyers and sellers must use the same platform/application to do a business transaction.



<https://ondc.org/blog/understanding-ondc/>

III. PARTNERS OF ONDC

ONDC has partnerships with logistics network partners (LNP) and payment network partners (PNP). Ekart and Dunzo are LNP partners, while Paytm and PhonePe are PNP partners. Delhivery and eSamudaay have also partnered with ONDC. These partnerships aim to promote business growth, customer expansion, and seamless transactions, allowing everyone to participate in e-commerce.

Payment Network Partners (PNP) for ONDC

To summarize, Paytm and PhonePe are the Payment Network Partners (PNP) for ONDC and are in the advanced stage of integration with ONDC to enable seamless transactions on the platform. ONDC is built on the National Payments Corporation of India's payment systems, which include UPI and RuPay. By partnering with Paytm and PhonePe, ONDC aims to provide an easy-to-use interface for sellers to list their products and services at a lower cost without any discrimination between big and small traders on the platform.

IV. THE ROAD AHEAD

The emergence of brands and vertical commerce platforms will meet the unique requirements of each market niche and customer group. There are many chances to help these brands give their customers the most seamless purchasing experience possible. There is a considerably larger base of 250K online merchants and 20M retail-focused SMEs that require support, even though the phrase "D2C" conjures up an image of the 400+ VC supported digital-first brands. The ONDC will "showcase for the entire world how open commerce may lead to beneficial non-zero-sum outcomes for business and society." Moreover, the need for logistics will undoubtedly increase, and if the government can complete its ambitious goal to build logistics parks and use public-private

partnerships through ONDC, it will significantly streamline the Indian logistics industry, increase efficiency, and save prices.

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