

“ONDC to offer level playing field to traders”

-Piyush Goyal, Minister of Commerce & Industry

“ONDC can become next UPI”

-Ashwini Vaishnaw, Union IT minister

“Joining ONDC will be a natural business compulsion for everyone”

-T Koshy, CEO of ONDC

“ONDC is a fascinating idea”

-Manish Tiwari, Country Manager of Amazon India

ONDC has been the talk of the town lately. From the government officials to conglomerate executives, all have been talking about it.

So, what is ONDC?

Open Network of Digital Commerce (ONDC) is a network based open protocol which enables discoverability of multiple sellers of product/service by any network enabled application. In other words, like UPI's interoperability feature wherein digital payments is possible without listing on all possible payment gateways, ONDC is a platform agnostic ecommerce system wherein all kinds of sellers (big or small) can display their offerings online without much hassle.

The problem

Currently, the ecommerce sector is ruled by two behemoths, Amazon, and Flipkart, who have



An exhausting set of data requirements from sellers for listing,



hefty listing and ad fees



lack of customer behaviour insights shared with sellers

In short, sellers must play by their rulebook.

The solution

The idea of ONDC is to democratize 6 crore small stores that employ around 10 crore people by giving these sellers an equal playing field who were not able to take advantage of the fast-growing ecommerce sector and reduce the dominance of existing retail giants.

ONDC's open network work on 2 key features - 'unbundle' and 'interoperability' and break down the complex system of granular activities into separate microservices that can be addressed separately by any entity that chooses to perform these activities.

UPI has enabled bank account holders to mobilize payments irrespective of which apps they use. Similarly, with ONDC everyone can use the app as long as they are a part of the system. Vendors would not be required to join different platform or create their own ecommerce system.

What ONDC is doing differently from private ecommerce players

Ecommerce Marketplaces

Buyer places an order on the buyer side interface



Order reflects on platform built on proprietary network



Order reaches sellers registered with the platform on the seller side interface



ONDC open protocol marketplace



Buyer places an order on the buyer side interface of any e-commerce, net banking, telco and payment apps onboarded with ONDC



Order routed through open platform of ONDC



Order displayed to sellers on all e-commerce apps, MSMEs, FPOs and seller organisations onboarded with ONDC



Buyer selects a particular seller to fulfil the order



Order reaches seller on the seller side interface

The biggest benefit

Large-scale democratization of digital commerce in India by providing a level playing field for large and small players.

“So, everybody will have commerce; there (will be) no separate need to have an ecommerce company... Amazon will also exist, Flipkart will also exist, (but) they will all become part of this common pool.”

In other words: “Ecommerce as a sector will become irrelevant.” - T Koshy

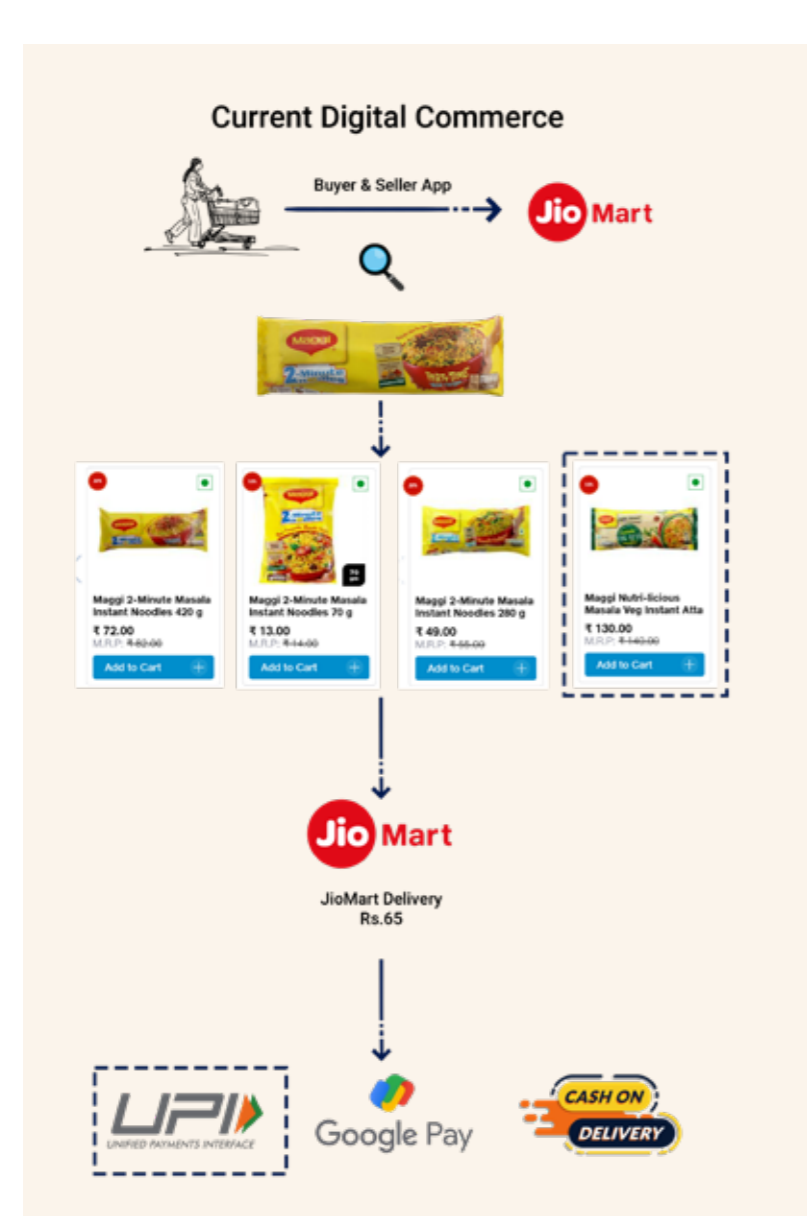
The goal

India's e-commerce purchase penetration is 8%. ONDC plans to take it to 25% in 2 years. In the next 5 years, it plans to onboard 1.2 million sellers and 900 million buyers.

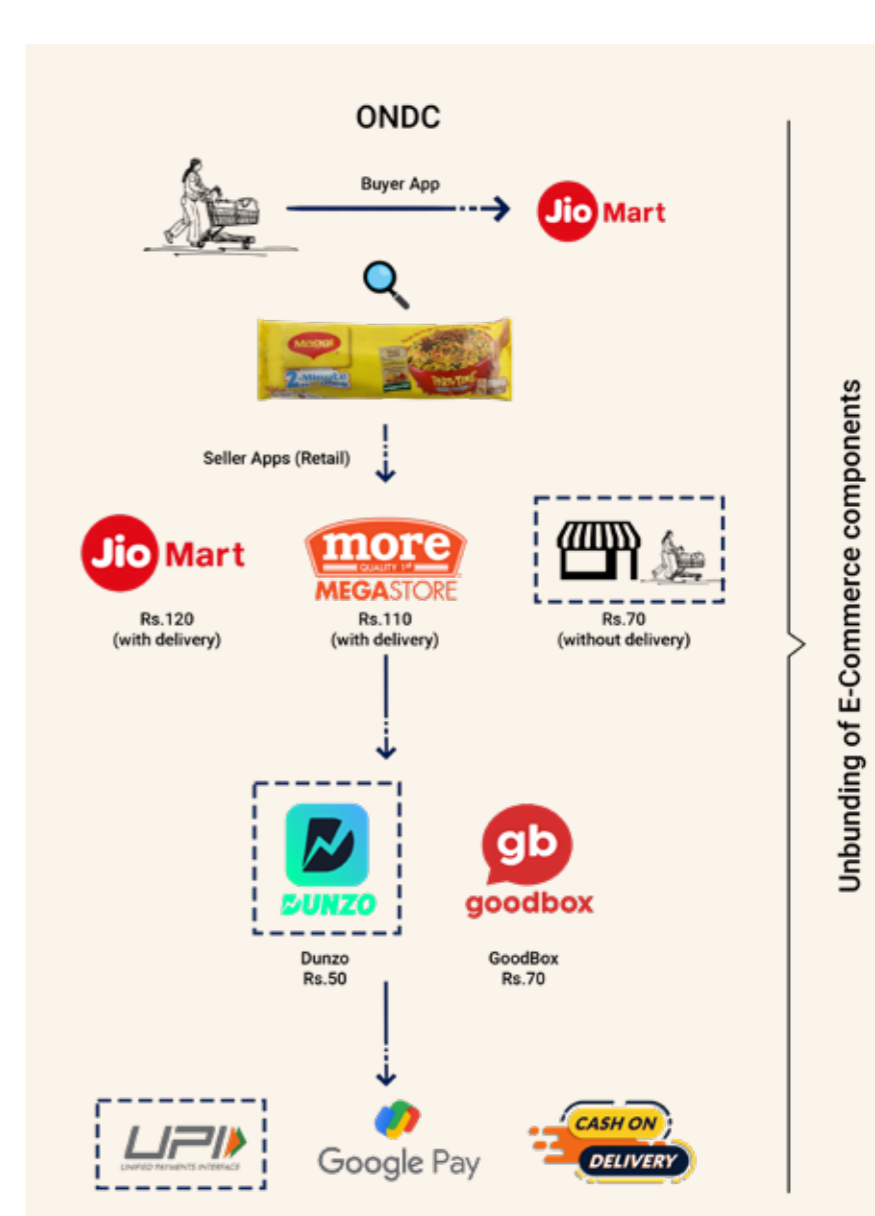
“Instead of one or two players becoming trillion-dollar companies, this will enable 500 (small ones) to become unicorns” – Piyush Goyal

For example, imagine ONDC as the mother of all apps where you can view and compare prices from Flipkart, Amazon, Jiomart, neighbourhood store for retail, from Zomato, Swiggy, local restaurants for food, from Myntra, Meesho, local apparel stores for clothing. The shoppers will not be forced to buy from the large platforms as local players will also get equal visibility. Buyers get the option to choose between logistics players as well.

Example of transaction flow under current digital commerce space vs ONDC



- Aditi opens a Buyer App and searches for the options to buy Maggi.
- Various search results are displayed from other seller apps other than just Jio Mart.
- Aditi decides to buy Maggi from the local kirana store and choose a separate delivery partner.
- Various delivery partner apps are displayed for Aditi to choose from.
- Aditi opts for Dunzo as his delivery partner.
- He is then told through seller apps that he can make payment through UPI or Cash on Delivery.
- Aditi chooses to make his payment through UPI.



Unbundling of E-Commerce components

The brains behind this initiative include **Mr. Nandan Nilekani & Mr. R. S Sharma** on the advisory panel, who are the masterminds behind UIDAI. The panel also includes heads of NPCI & NSDL amongst others.

At present, the government has launched a pilot in 5 cities across India, which they intend to expand to 100 cities in the next 6 months. It will positively impact 30 million sellers and 10 million vendors. It has onboarded companies like PayTM, PhonePe, Kotak and IDFC First Bank.

However, there are certain factors that remains to be seen,



Will the big players sign up for this voluntary network is a big question mark. The platforms like Flipkart, Amazon have made their base by spending a lot of money. Why will the companies choose to share their customer base with the competitors. However, some articles state that Flipkart, Dunzo & Paytm are already on board.



Lack of clarity on how the mechanisms will work. For example, who will take responsibility for products returns, customer issues on transactions etc.



While ONDC stated they will not own any customer data and will implement a governance layer, it will be interesting to see how it plays out.

Overall, ONDC is government's promising step to move from platform centric model to network centric model which can change the way how ecommerce is done in India.

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