



# ONDC

## ADVANTAGE

# TOOLKIT

**GTM Guide to digitise & democratise  
for commerce led growth**



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## MONEKA KHURANA

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## FOREWORD

### Black Swan Unleashed: Leveraging ONDC Advantage X in E-commerce

We're experiencing the dawn of a new era in the ecosystem, where the convergence of data, commerce, technology, and opportunity is poised to reshape the landscape. I like to call it a black swan phenomenon triggered by powerful and unique disruption having a profound impact on commerce-driven growth.

Guided by expert perspectives and real-world case studies, this playbook unveils a comprehensive guide to leverage the ONDC advantage X from FMCG to consumer electronics, fashion, and beyond. Amidst the see-saw stances that the public domain is taking on the impact of ONDC, we thought it was about time to reveal first-hand insights and strategies from leading powerhouses and decision-makers across diverse industry verticals.

In this highly anticipated ONDC Playbook, a ground-breaking industry guide, we set out on an exploration of the multiple ways in which brands and sellers can harness the transformative power of the ONDC Network. Drawing from the invaluable expertise and insights of our esteemed E-commerce council members, as well as primary research encompassing more than 175 respondents from brands, agencies, and tech providers some of the topline from the study are –

1. 90% of Respondents are likely to adopt ONDC in some form in their companies.
2. 73% Respondents believe that ONDC could help level the playing field for small and medium-sized businesses in the digital commerce space.
3. 41% of respondents believe ONDC can shape the future of digital payments by fostering the adoption of new payment methods and technologies, indicating its potential as an innovation driver.
4. ONDC is likely to Transform Digital Commerce Through Market Expansion, Interoperability, and Cost Reduction as per respondents.
5. Value Proposition, Technical Expertise and Cost & ROI are key factors influencing companies to adopt ONDC
6. 69% of respondents believe that compatibility with existing digital commerce standards and protocols to be highly important for ONDC.

Within these meticulously crafted pages, as the curtain rises on this compelling narrative, we witness how the ONDC platform has the potential to revolutionize the digital commerce landscape igniting a spark of innovation that will propel e-commerce to new heights whilst we confirm the regulations, privacy play, and tech advancements

As a global marketing trade body, the India chapter is steadfast in its commitment to championing the cause of ONDC. MMA Global India's journey thus far has been one of unwavering determination to enable and empower the transformative

journey of modern marketing firsthand, and now we stand poised to unleash the full potential of ONDC as yet another disruptive trend.

Brace yourselves, for the winds of transformation are howling, and together, we shall reweave commerce journeys with the ONDC Advantage X toolkit being your go-to-market guide to digitize and democratize commerce-led growth.



## PRASANTH KUMAR

MMA Global India Co- Chair  
CEO, South Asia, GroupM

## FOREWORD

In the dynamic and ever-evolving landscape of India's digital economy, a remarkable story of growth unfolds. Despite the challenges posed by lower internet penetration rates and untapped markets in Tier 2 and Tier 3 cities, India has emerged as the world's third-largest eCommerce market. This exceptional progress in the digital realm has laid the foundation for a significant opportunity that awaits exploration.

The Open Network for Digital Commerce (ONDC) stands as a beacon of hope and a harbinger of change in this transformative journey. Its advent sets the stage for a revolution, capable of reshaping the destiny of eCommerce in India. ONDC acts as a catalyst, leveraging its disruptive potential to ignite progress and level the playing field for all stakeholders. With a core focus on addressing the myriad issues that have plagued the digital commerce ecosystem, ONDC offers a glimmer of hope to merchants, consumers, and regulators alike.

The playbook plays a massive role in ONDC Revolution in India's Digital Commerce Landscape. Some of the important highlights from an industry perspective are:

- The Open Network for Digital Commerce (ONDC) is poised to bring about a revolu-

tionary transformation in India's digital commerce landscape.

- As ONDC gains prominence, an urgent need arises for a comprehensive playbook that can act as a guiding compass for businesses and brands.
- The playbook serves as a definitive Go-To-Market (GTM) guide specifically tailored for ONDC. It goes beyond general guidelines and provides tailored insights, strategies, and best practices to help businesses effectively position themselves within the ONDC ecosystem.
- By offering invaluable insights and strategies, the playbook empowers businesses to harness the full potential of the ONDC initiative. It deepens their understanding of the digital commerce landscape in India and provides actionable steps to leverage ONDC for growth and success.

As ONDC positions itself to revolutionize the digital commerce landscape in India, an urgent need arises for a comprehensive playbook—a guiding compass that can navigate businesses and brands through this transformative journey. This playbook serves as a definitive Go-To-Market (GTM) guide, providing invaluable insights and strategies for harnessing the potential of the ONDC initiative.



Moreover, the playbook provides a detailed, step-by-step guide on successfully implementing ONDC by covering essential aspects such as understanding the architecture, choosing the right node for your business, exploring the various eCommerce operational structures and the potential of ONDC across various industries. By adhering to these guidelines, businesses can position themselves at the forefront of the digital commerce revolution, unlocking new avenues for growth and innovation.

As you embark on this transformative journey, let this playbook be your trusted companion—a compendium of knowledge, strategies, and best practices that empower you to seize the abundant opportunities presented by ONDC. Together, let us unravel the boundless possibilities and pave the way for a future where digital commerce in India knows no bounds.

# *India is at a tipping point for a Digital Commerce Revolution*

India stands at a tipping point for a revolution in eCommerce. The stars are aligning with the explosion in smartphone usage, increasing GDP per capita, low mobile data costs, digital infrastructure investment, and pandemic-induced online shopping making this the perfect storm. As the world continues to experience an unprecedented shift towards digitalization, India is poised to embrace eCommerce like never before. Recent data from industry experts reveals the scale of this transformation. In 2023, India's internet user base is expected to cross over 900 million, with this figure showing no signs of slowing down. Alongside that, the country's GDP per capita is also projected to grow steadily, creating an environment where consumers have more disposable income to spend online.

Moreover, indications suggest that over the next few years, India's on-demand economy could double, driven by rapidly changing online consumer behavior. This growth is

not just driven by consumers but also by a concerted effort by the Indian government to spur entrepreneurship and innovation in the country's eCommerce industry. The Open Network for Digital Commerce (ONDC), a recently proposed platform developed by the Ministry of Commerce and Industry, has the potential to revolutionize the way eCommerce transactions are conducted, helping to shape the entire landscape of Indian eCommerce.

The coming years are going to be very exciting for India's eCommerce industry, with the rise of the ONDC presenting significant opportunities for businesses in the sector. This report delves into a thorough examination of the key drivers behind the outstanding progress observed in the eCommerce industry and provides insights into the strategic implementation of ONDC for brands and businesses to navigate and transform this dynamic landscape.



*It is important for us to comprehend the factors that have contributed to this exceptional growth.*







# India's Digital Transformation and Adoption

# 01

One of the key drivers of India's digital transformation and adoption has been the government's vision and initiatives to promote digital inclusion and empowerment. The Digital India programme, launched in 2015, aims to provide universal access to digital infrastructure, services, and literacy to all citizens. These projects have enabled millions of Indians to access various government and private services online, such as banking, education, health care, agriculture, and e-governance.

Another factor that has contributed to India's digital adoption is the emergence of innovative and disruptive business models by start-ups and enterprises.

India has become a hub for start-up innovation.

Many of these start-ups have leveraged digital technologies such as artificial intelligence (AI), cloud computing, big data analytics, internet of things (IoT), blockchain, and augmented reality (AR) / virtual reality (VR) to create solutions that address various challenges and needs of the Indian market. For instance, Flipkart (an e-commerce giant), Ola (a ride-hailing platform), Zomato (a food delivery service), Byju's (an online education provider), Paytm (a digital wallet company), and OYO (a hospitality chain) are some of the examples of successful start-ups that have disrupted their respective sectors and gained a large customer base.

## 1.1 | Digital Growth Factors: The Catalysts for Inclusion and Innovation

### 1.1.1 Broad-based inclusion through DPI

Digital Public Infrastructure (DPI) refers to the physical and virtual assets that enable the creation, storage, processing, and exchange of digital information and services. DPI includes elements such as broadband networks, data centers, cloud platforms, digital devices, software applications, and digital platforms. DPI is essential for enabling digital transformation and innovation across various sectors and domains, such as education, health care, agriculture, finance, governance, and entertainment.

One of the key benefits of DPI is that it can facilitate broad-based inclusion and empowerment of various segments of society, especially those who are traditionally marginalized or underserved. DPI can help bridge the digital divide and provide access to information, opportunities, and services that can improve the quality of life and livelihood of millions of people. DPI can also enable greater participation and collaboration among different stakeholders, such as government, private sector, civil society, and citizens, to address various challenges and needs.



## Examples of DPI initiatives aiding inclusion

India has witnessed several DPI initiatives that have contributed to enhancing inclusion and empowerment of its citizens. Some of these initiatives are:



**Aadhaar:** The world's largest biometric identification system, Aadhaar provides unique identity numbers to Indians. It enables verification and authentication for accessing government and private services such as subsidies, pensions, bank accounts, and mobile connections. Aadhaar has helped reduce leakages and corruption in welfare delivery, as well as enabled financial inclusion and empowerment of the poor and marginalized.



**UPI:** The real-time payment system, UPI revolutionized India's digital payment landscape. Using a virtual payment address (VPA), it offers a simple, secure, and interoperable solution for transactions across platforms. UPI facilitates low-cost and convenient transactions, empowering small businesses, merchants, and consumers.



**BharatNet:** A nationwide broadband network, BharatNet aims to connect over 250,000 gram panchayats (village councils) with high-speed internet. It provides affordable and reliable connectivity, bridging the digital divide in rural areas. BharatNet opens access to digital services in education, healthcare, agriculture, e-governance, and more for rural citizens.



**DigiLocker:** A cloud-based platform, DigiLocker provides secure access to digital documents issued by various authorities. It eliminates the need for physical documents, enabling paperless verification and authentication. DigiLocker has empowered citizens by giving them control over their own data and documents.



**\$1.5**  
trillion

Worth of transactions involving 50 million merchants and 300 million users in 2022



**92**  
billion

Authentications, 150 million cards generated, and 15 billion EKYCs were completed as of April 2023



**168**  
million

Users with 5.6 billion documents issued, and over 2,300 document issuing institutions as of April 2023



**\$625**  
million

Collected through 69 million activations across 37 registered banks as of April 2023

Sources: UIDAI, NPCI, DigiLocker

## 1.1.2 Rise in Startups & Private Equity/Venture Capital Investments

India's digital ecosystem has experienced significant growth, with increased private equity and venture capital funding supporting start-ups and enterprises. This funding allows businesses to scale up, expand into new markets, adopt advanced technologies, and innovate their products and services. Many of these start-ups have leveraged digital technologies such as AI, cloud computing, big data analytics, IoT, blockchain, and AR/VR to address the diverse challenges of the Indian market. Successful examples include Flipkart, Ola, Zomato, Byju's, Paytm, and OYO, which have disrupted their respective sectors and gained a substantial customer base.

In recent years, India's startup and venture capital ecosystem has witnessed remarkable growth. In 2021, venture capital funding in India reached a record high of \$38.5 billion. However, in 2022, global venture capital investments experienced a recalibration due to economic uncertainty and recessionary fears. This slowdown also affected India, with a decrease in total deal value to \$25.7 billion. Despite the decline, India remains resilient and has \$16 billion in available funds for 2023, creating a more promising funding environment for start-ups in the country.



**5,300**

Unique Startups  
Funded



**\$5 Bn**

Total Funding  
in Seed Stage



**\$6.4 Bn**

Spent on M&As



**\$32 Bn**

Total Funding  
in Growth Stage



**\$97 Bn**

Total Funding  
Raised in Late Stage

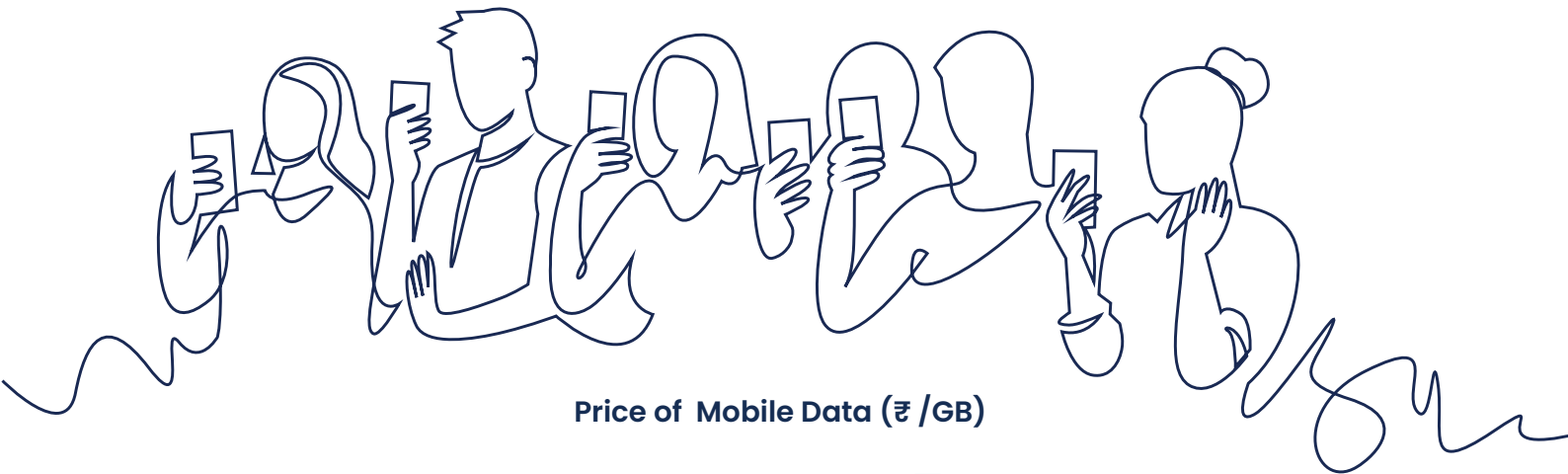


**18**

Total New  
Age Tech IPOs



### 1.1.3. Low Data Costs




#### Price of Mobile Data (₹ /GB)

₹ **₹200** In June 2016 → **₹10.47** In March 2022

#### Number of Mobile Subscribers

 **886 Mn** In December 2013 → **1,142 Mn** In March 2022

#### Average wireless data usage per subscriber per month

 **0.06 GB** In December 2013 → **15.8GB** In March 2022

Source: The Print

One of the reasons for this affordability is the introduction of Reliance Jio services in 2007. Jio offered attractive and affordable schemes and subsidies to people across income levels and socio-economic classes. This had an immediate impact, with Jio services accounting for over 60% of mobile data traffic within a decade of its launch.

Jio's competitive pricing strategy compelled other telecom operators to reduce their data tariffs and provide more

value-added services to retain customers. According to a report by The Print, the average data tariff in India declined from Rs. 200 per GB in 2016 to Rs. 10.47 per GB in 2022.

These low data costs have enabled millions of Indians to access a wide range of digital services and opportunities, including e-commerce, online education, digital payments, social media, and entertainment.

Sources: TRAI, EY, Trade.gov (India) & BBC News



## 1.1.4 Vernacular NLP

India, a nation known for its linguistic diversity, boasts 22 official languages alongside hundreds of regional languages and dialects. According to the EF English Proficiency Index 2022 edition, based on 2021 test data, India is ranked 40th out of 111 countries, showcasing a "moderate proficiency" level. Despite having over 125 million English speakers, which accounts for approximately 9% of

the population as of 2022, there exists a notable disparity between user language preferences and the language capabilities of technology. To bridge this gap, the implementation of vernacular Natural Language Processing (NLP) technologies, such as voice assistants and chatbots, has played a crucial role in boosting internet penetration in India.



**Preserving and promoting culture and heritage**



**Promoting innovation and Creativity among Developers & Entrepreneurs**



**Enhancing access and inclusion**

*Only 9%*

Indians are Proficient in English as per 2022



Source: EF English Proficiency Index

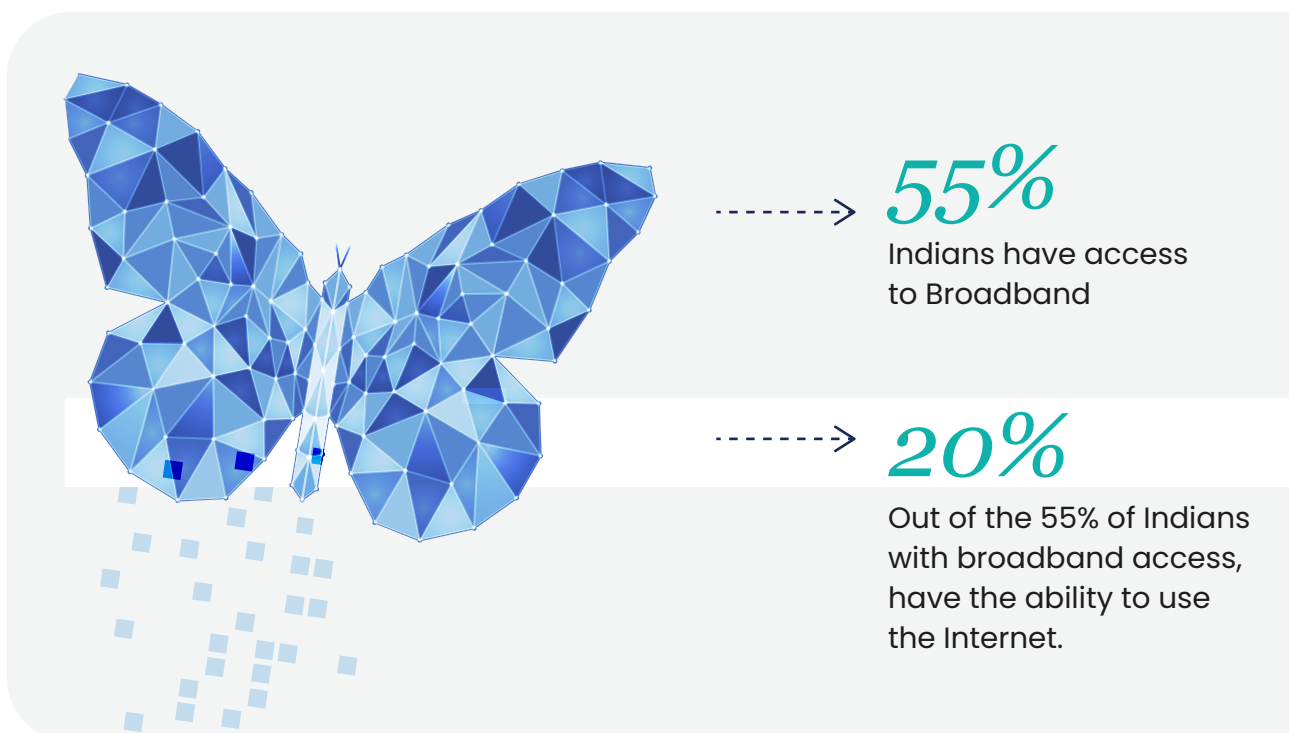


## 1.2 | *The Challenges of Digital Transformation and Adoption*

### 1.2.1 Digital Literacy & Skills

One of the challenges in India's digital infrastructure is the low level of digital literacy and skills among users. According to the Indian National Statistical Office, individuals are considered digitally literate if they are at least five years old and can use a web browser, send and receive emails, and find, evaluate, and communicate information through social media tools. Despite over 55% of Indians having broadband access, statistics from the office indicate that only 20% possess the necessary internet skills.

The limited digital literacy and skills have implications for the adoption and utilization of digital platforms and services. They also restrict the potential for innovation and value creation through digital technologies. Moreover, these factors contribute to a digital divide and inequality among different segments of society based on their levels of digital literacy and skills.



Source: The UN Specialized Agency for ICT



## 1.2.2 Rural & Urban Divide

The rural-urban divide poses a major challenge in India's digital infrastructure. According to the 2022 report by the National Statistical Office (NSO), there is a significant digital divide between rural and urban areas. Only 15% of rural households have internet access compared to 42% in urban areas, highlighting the lack of digital infrastructure in rural regions. The divide

stems from insufficient connectivity, devices, and electricity in rural areas. High costs of deploying and maintaining telecom infrastructure, coupled with lower demand and willingness to pay, contribute to the divide. This disparity limits access to digital services and opportunities in rural areas, perpetuating digital inequality and impeding overall progress.



**15%**

Homes in Rural India  
have access to internet



**42%**

Homes in Urban India  
have access to the Internet

Source: National Statistics Office





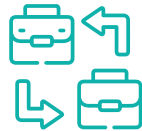
### 1.2.3 Low Adoption by MSMEs

India has remarkably low data costs compared to the US and UK. With 1 gigabyte (GB) of mobile data costing \$0.17 in India, while it costs \$5.62 in the US and \$0.79 in the UK, affordability is a key factor. This affordability was made possible by the introduction of Reliance Jio services in 2007, which offered attractive and affordable schemes for people across different income levels and socio-economic classes. Within a decade, Jio services accounted for over

60% of mobile data traffic, compelling other telecom operators to lower their data tariffs and provide additional services to retain customers. As a result, the average data tariff in India decreased from Rs. 200 per GB in 2016 to Rs. 10.47 per GB in 2022. These low data costs have empowered millions of Indians to access various digital services, including e-commerce, online education, digital payments, social media, and entertainment.

## MSMEs

MSMEs face challenges in digitalization due to inadequate infrastructure, lack of funds and expertise, unfamiliarity with digital technologies, and disruption of existing processes. Concerns over data security and privacy can also cause reluctance in adopting advanced technologies.



### B2B

Business-to-Business

In B2B, transactions are often larger and margins tend to be higher, but established businesses have an advantage due to robust processes and relationships with suppliers and buyers.



### B2C

Business-to-Consumer

It is dominated by large businesses with advanced technology and logistics networks, making it difficult for MSMEs to establish themselves due to limited resources and reach. Consumers tend to prefer recognized brands and trust in the online market.

## 1.2.4 Cybersecurity & Data Protection

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India's digital infrastructure faces a significant issue with inadequate cybersecurity and data protection measures. The country encounters various cyber threats and attacks from sources like hackers, criminals, terrorists, and state actors. These threats compromise the security, privacy, and user data of the digital infrastructure and services. The absence of

robust cybersecurity measures impacts user trust and confidence in utilizing digital platforms. It also exposes users to risks like identity theft, fraud, blackmail, and harassment. Furthermore, it affects the reputation and competitiveness of digital service providers and the nation as a whole.

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Sources: Reports by IAMAI and Nielsen, NASSCOM and PwC, Google and KPMG



## 02

# *Exploring the Growth and Challenges of Digital Commerce in India.*

India's eCommerce market is experiencing rapid growth, propelled by increasing internet penetration and smartphone adoption. This section delves into the landscape of India's eCommerce market, the key industry players, and the obstacles

they encounter. What factors contribute to the limited adoption of e-commerce in India? And how can these challenges be addressed? This section examines the significant hurdles and potential avenues for fostering e-commerce expansion in India.



## 2.1 | *Digital Commerce Landscape*

Digital commerce encompasses a broad range of industries and sectors, including ridesharing, travel, restaurant booking, and mobile commerce payments. Over the past few years, each of these categories has witnessed the emergence of several prominent players, such as Zomato for restaurant delivery, Ola for ridesharing, and MakeMyTrip for travel services. However, the focus of this playbook predominantly revolves around the realm of eRetail.

eRetail has been dominated by global giants like Amazon and Walmart-owned Flipkart dominate the eCommerce market

in India, collectively holding over 70% of the market share. However, local players like Nykaa, Ajo, Myntra, and Meesho also have a notable presence in the market. The market demonstrates diversity, with consumers purchasing a wide range of products, including electronics and groceries. Projections indicate that the eCommerce market in India is expected to achieve a compound annual growth rate (CAGR) of 27% from 2020 to 2026. Furthermore, the COVID-19 pandemic had a significant impact on the eCommerce sector, with online retail sales experiencing a remarkable surge of 54% in 2020 compared to the previous year.

Sources: RedSeer & The Economic Times

### 2.1.1 Market Size Comparison: India vs. Other Countries

E-commerce is thriving worldwide, driven by the increasing popularity of online shopping. India, with its vast population and growing internet penetration, holds immense potential for e-commerce growth. According to Statista, India's e-commerce market is projected to reach \$170 billion in 2023. So, how does it compare to other countries?

China, currently the largest e-commerce market, is expected to maintain its position, with estimated sales of \$2.8 trillion in 2023. The United States is predicted to hold second place, with sales around \$850 billion. As mentioned earlier, India's e-commerce market is set to become the third-largest market, reaching an estimated size of \$170 billion in 2023.

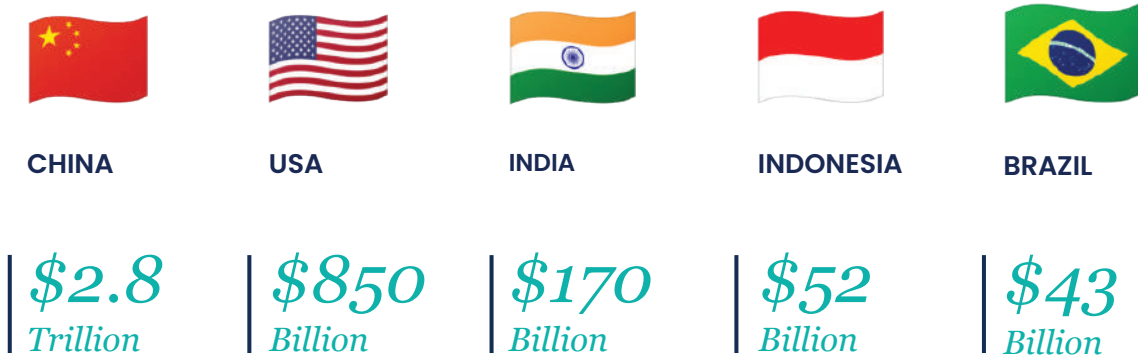
Compared to other emerging economies, India's e-commerce market holds significant weight. Indonesia's market is expected to be worth approximately \$52 billion, while Brazil's is estimated at around \$43 billion. These figures highlight India's prominence as a substantial and valuable market for e-commerce. Several factors contribute to India's e-commerce potential, including government support for digitalization and incentives for e-commerce businesses.

Furthermore, India is projected to have over 900 million internet users by 2023, and its young population exhibits high smartphone penetration.





### Estimated eCommerce Market Size (India vs Others) by 2023



In conclusion, India's e-commerce market is poised for remarkable growth, capturing a larger share of the global e-commerce landscape. Although it may not reach the

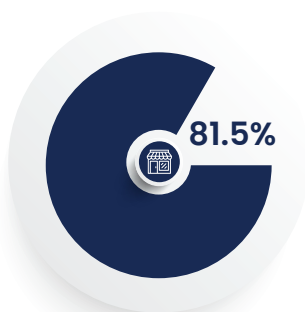
scale of China or the United States, it presents an excellent opportunity for e-commerce businesses seeking expansion in the country.

Source: Statista & eMarketer

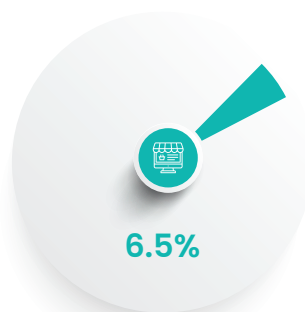
### 2.1.2 Category-Wise Analysis of the eRetail Market in India

According to a report by INC42, the Indian eCommerce market's Total Addressable Market (TAM) is projected to reach \$400 billion by 2030, with a 19% compound annual growth rate (CAGR) from 2022 onwards. The fashion and apparel segment is expected to hold the largest market share in 2030, while beauty and personal care will experience the highest growth rate. Notably, the 2022 festive season witnessed a significant surge in

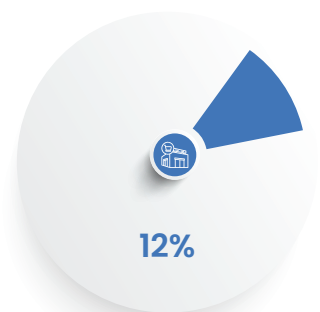
consumer spending, with an estimated Gross Merchandise Value (GMV) of \$5.2 billion, representing a 30% year-on-year increase. Furthermore, the Business-to-Business (B2B) eCommerce sector has experienced growth, thanks to favorable government policies allowing 100% foreign direct investment. The Direct-to-Consumer (D2C) segment has also witnessed substantial expansion, with a projected value of \$60 billion by FY27.



Traditional Retail










eCommerce



Organized Brick & Mortar Outlets

## Category Wise eRetail Market in India

	Category	Market Size in 2022	Market Size in 2030	CAGR 2022-2030	% Share of Market Size 2030
	Fashion & Apparel	\$20Bn	\$ 112Bn	24%	28%
	Smartphones	\$33Bn	\$72Bn	10%	18%
	Electronics & Appliances	\$20Bn	\$68Bn	16%	17%
	Food & FMCG	\$11Bn	\$68Bn	25%	17%
	Beauty & Personal Care	\$4Bn	\$28Bn	27%	7%
	Furniture and Home Décor	\$6Bn	\$24Bn	19%	6%
	Others	\$5Bn	\$28Bn	19%	6%
	<b>Total</b>	<b>\$100Bn</b>	<b>\$400Bn</b>	<b>19%</b>	<b>-</b>

Sources: INC42

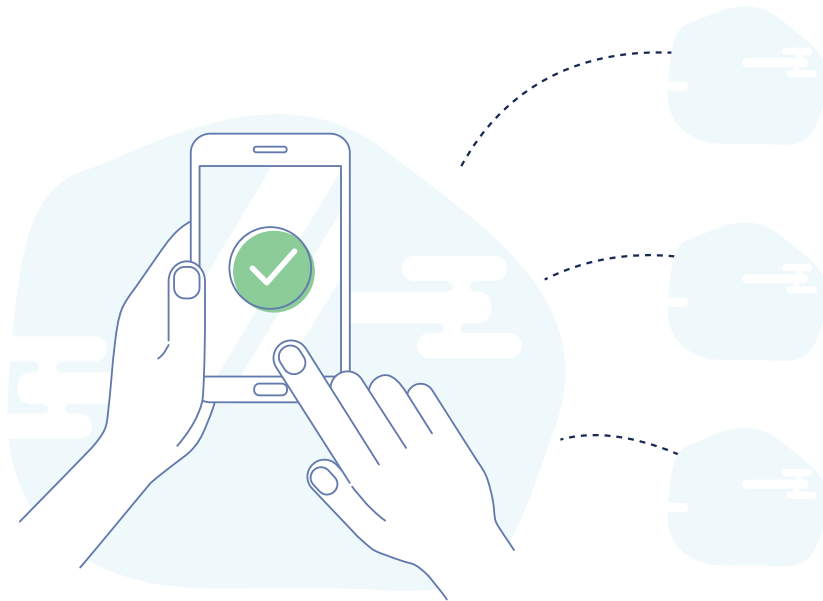
## 2.2 | Understanding The Shopper Base in India

E-commerce has experienced explosive growth in India, emerging as a primary purchasing method for many consumers. To capitalize on this trend, businesses must understand the online shopper base and deliver relevant, personalized experiences.

A noteworthy shift has been the rise in online purchases from rural areas. Despite

the pandemic, rural India's e-commerce market witnessed a remarkable 35% year-on-year growth in 2021, driven by increased internet penetration and focused efforts from e-tailers. This growth creates significant opportunities for businesses to expand their reach and tap into new markets.

## The Shopper Base in India



**35%**

YoY Growth in eCommerce Market in Rural India

**20% CAGR**

YoY Growth in eCommerce Market in Rural India

**60%**

Of all eCommerce Transactions happening with Digital Payments

UPI (Unified Payment Interface) has had a significant impact on consumer buying behavior in India's e-commerce industry. UPI has made payments extremely convenient and secure for users, which has influenced their behavior while

shopping online. The ease of using UPI has increased trust in the payment process, especially for individuals who were skeptical of digital payments. This has led to an increase in the number of first-time online shoppers.

Sources: Redseer, India Brand Equity Foundation, Kearney, Drip Capital, FIS, Statista, Invest India, BusinessWire, Yahoo Finance, MarketWatch, Economic Times

## 2.3 | Opportunities and Challenges in the growth of Digital Commerce Infrastructure.

Digital commerce in India holds vast opportunities due to several factors, including:



The large and expanding base of digital consumers.



The increasing adoption of digital payment methods like UPI, wallets, and cards, facilitating online transactions.



Innovation and competition among global and local e-commerce players, offering customized and affordable products and services to Indian consumers.



The diversification of e-commerce into various domains, such as grocery, pharmacy, social commerce, direct-to-consumer, and quick commerce, catering to diverse and emerging consumer needs.

Digital commerce in India also faces challenges that hinder its potential:



### Lack of trust and awareness:

Many consumers and merchants are hesitant or unaware of the benefits of digital platforms for transactions. Security concerns, lack of familiarity, and fear of fraud contribute to a preference for cash payments. Only 42% of Indian consumers trust online shopping platforms, according to a LocalCircles survey. Each sector and category in the Indian market is predominantly dominated by a select few key players. This prevailing scenario often results in unfavorable operating conditions, rendering the viability of businesses within these sectors quite challenging.



### Low internet penetration and quality:

Despite being the world's second-largest internet user base, India's internet penetration rate is around 50%, below the global average of 62%. Varying internet quality and speed across regions affect user satisfaction. India ranked 131st for mobile internet speed and 70th for fixed broadband speed in April 2021, according to Ookla's Speedtest Global Index.



### Regulatory and policy issues:

India's digital commerce sector faces regulatory complexities. Restrictions on foreign direct investment (FDI) in e-commerce platforms limit inventory sales and price influence.

## 2.4 | Key Challenges for Brands on the eCommerce Ecosystem

### 2.4.1 High Reliance on Marketplaces

Indian brands heavily rely on e-commerce marketplaces for online sales due to their dominance in the Indian online retail market. These platforms provide access to a large customer base, including remote areas with limited physical stores. They offer essential services like product listings, payment processing, and logistics support, helping small and medium-sized

businesses compete effectively. Marketing and advertising investments by these platforms expand brand reach and sales. However, concerns arise regarding high commission fees and advertising costs impacting small business profits. Despite concerns, both big and small brands prioritize selling on popular marketplaces driven by consumer behavior.

**Consumer behavior plays a crucial role in the prioritization of brands and sellers to sell on marketplaces. The reasons for this include:**



**Wide Selection:** Marketplaces offer a vast selection of products across a range of categories, which makes it easier for customers to find what they're looking for. Customers are often drawn to these platforms because of the convenience of being able to find everything they need in one place.



**Competitive Prices:** Marketplaces are known for offering competitive prices, often through deals, discounts, and cashback offers. Customers may choose to search for products on these platforms because they are confident that they will find a good deal.



**Reviews and Ratings:** These platforms have a review and rating system that allows customers to read about other customers' experiences with a particular product. This can influence a customer's decision to buy a product, as positive reviews and ratings can provide social proof and increase confidence in the product.



**Convenience:** Marketplaces offer fast and reliable delivery options, including same-day delivery and free shipping. This convenience can be a significant factor in why customers choose to search for products on these platforms.



**Trust and Reliability:** Marketplaces have built a strong reputation for trust and reliability over the years. Customers may choose to search for products on these platforms because they trust that the products, they are buying are genuine, and that their personal and financial information is safe.



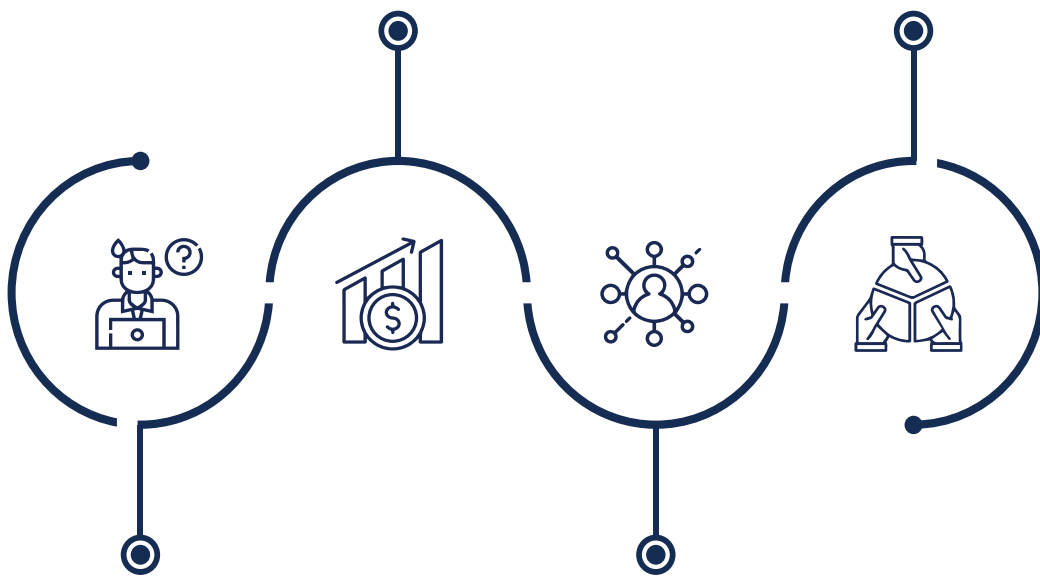


## 2.4.2 Challenges in Building an Independent Sales Channel on eCommerce.

Building a direct-to-consumer (D2C) channel through their own website or mobile app is another approach to reach customers. However, this can pose challenges for brands due to various reasons. Here are some of the main challenges that brands may encounter when attempting to establish their own D2C channel:

**High Costs:** Building and maintaining a D2C channel can be expensive, especially for small and medium-sized businesses. Brands need to invest in website development, payment processing systems, and logistics infrastructure, among other things, which can be a significant financial burden. The cost of acquiring customers is even more significant.

**Competition:** Many brands compete in crowded markets where established players dominate the online retail space. Building a D2C channel may not be enough to compete with established players who have built a loyal customer base and a strong online presence.



**Lack of expertise:** Building and managing an online store requires expertise in various areas such as website development, digital marketing, logistics management, and customer service. Many brands may lack the necessary skills or resources to handle these aspects of D2C sales effectively.

**Limited Reach:** Unlike e-commerce platforms like Amazon and Flipkart, which have a large customer base, a new D2C channel may struggle to reach a significant number of customers. This can make it challenging for brands to generate enough sales to justify the investment in building a D2C channel.

**Most importantly, the biggest challenge for D2C brands is that when it comes to products purchased in a basket shopping journey (e.g., monthly groceries), it becomes highly inconvenient for consumers to shop from multiple D2C sites. These challenges compel brands to consider choosing marketplaces as a means to drive the majority of their e-commerce business.**

## 2.5 | *The Need for an Open Network*

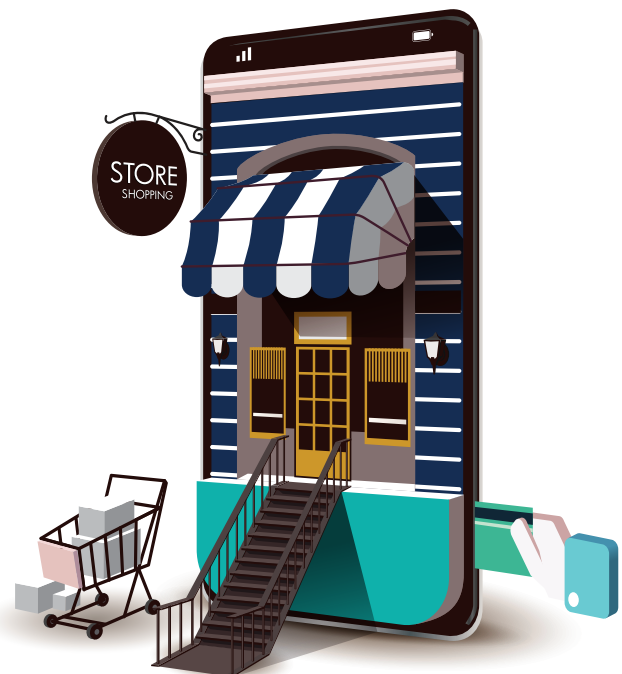
The need for an Open Network for Commerce in India arises from concerns about the concentration of market power in large e-commerce firms, leading to non-competitive behavior. It is crucial to foster an open and decentralized e-commerce ecosystem that promotes technological self-reliance, operational standardization, inclusivity for MSMEs and local businesses, logistics efficiency, and consumer choice.

A network that interconnects sellers, technology platforms, and retailers, breaking down data silos through portability and facilitating innovation. Open Protocols and Networks, exemplified by UPI in financial payments, have transformed digital infrastructure and enabled faster adoption and inclusion. In April 2022, India witnessed nearly 5.6 billion transactions through UPI which demonstrates the power of an Open System.

**Similarly, in e-commerce, it is vital to make essential changes and build infrastructure to:**

1. Provide a common platform for buyers and sellers to discover and compare products and services across multiple e-commerce platforms.
2. Enable small and medium businesses to access online markets and compete with large players without intermediaries or commissions.
3. Promote innovation and collaboration among logistics, fintech, and technology companies.
4. Increase transparency, trust, and inclusion by adhering to government policies and standards in the e-commerce sector.
5. Expand into diverse domains like food, fashion, electronics, mobility, and financial services.

By embracing an Open Network for Commerce, India can create a more equitable and dynamic e-commerce landscape, benefiting businesses, consumers, and the economy.





# *Surveying the Landscape: Point of Views and Industry Outlook on the ONDC*





## ABHISHEK AGRAWAL

Chief Business Officer, Plum Goodness

### How do D2C brands plan to leverage ONDC, and what does the future hold for new age brands on ONDC?

ONDC has been the buzz word in the e-commerce space since its inception. Conceptualized to democratize e-commerce, ONDC offers level playing field to sellers of different products and services and discovery and choice to the buyers. A successful scale up of ONDC is music to the ears for all D2C brands and the reasons are simple and drills down to very basics of business – ability to reach out to the right customers and minimize the cost of serving these customers.

ONDC, in principle will have 2 parts a. buyer apps – where the customers will

search for the product or service they desire and b. seller apps/sellers – entities which are willing to provide these products/services to the customers. India today boasts of 850Mn Internet users of which only 185Mn are online shoppers. The customers between these two states are present across different apps, services or websites like UPI, IRCTC, payment apps like PhonePe, PayTM, internet banking apps or websites etc. The buyer apps which have shown interest in joining ONDC can, put together, convert all internet users into online transactors.

#### D2C brands will benefit massively from this as

- The most important benefit which ONDC provides the D2C brands is the reduction of their cost to reach the target customer. This gets enabled by removal of intermediaries present today in form of e-commerce platforms. The cost of selling on these platforms includes (not limited to) marketplace commission, logistics fee, payment collection fee, warehousing charges etc. A seller must

bear this cost today as e-commerce platforms have the access to customers. With customers now being available to the D2C brands on ONDC, the spends incurred towards marketplace commissions etc. will get eliminated. D2C brands can then pass these benefits to the consumers in form of cost reductions and product improvements.

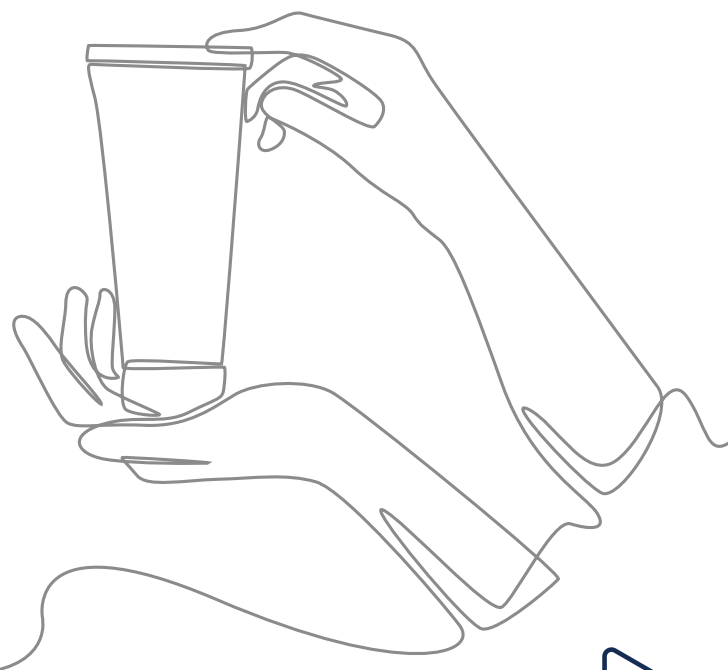


- ONDC platform also removes the hassle for D2C brands to tie up with logistics partners as they will also be a part of the ONDC network and D2C players may choose their preferred partner in real time. This will also open hyper-local delivery partners and democratise the last mile delivery to become even more efficient which means more value for money to consumers.
- New Age brands today face challenges of delivery volume to get better rates from any logistic partner they work with. ONDC can be leveraged where direct connect with local delivery partners would solve this – the focus will move from cost to better service – again a win for consumer and brand.
- ONDC can potentially connect brands and retail point of sales which would help D2C brands solve for distribution in an offline world where legacy brands dominate. This itself could be a killer proposition as this will help build mental and physical availability for new age brands.

- D2C Brands can use ONDC to sharp target points of sales and design a happy network (brand + sellers) that reduces last mile connectivity to consumers.

The ONDC revolution in e-commerce is already happening and D2C brands need to be quick to identify this opportunity at the outset and be a part of the bandwagon. The ONDC platform is a population scale product with policy and infrastructure support from the government. If the success of platforms like UPI, FASTAG and Aadhaar is anything to go by, the scale up of ONDC is guaranteed. The UPI interface helped many startups in the Fintech sector to emerge in innovate on the backend of UPI. ONDC will be a similar watershed moment for existing D2C brands and an enabler for many more to come.

India's Techade, is well and truly here with ONDC tying the internet users to commerce. Fasten your seat belts.





## VIVEK LOHCHEB

Head of Offline Business, PhonePe

### Driving Bharat's Digital Growth Story

The e-commerce industry has come a long way in the past decade, but some challenges have remained. One of the biggest is how to make local merchants competitive in a market dominated by big-name retailers. In the past five years, overall commerce has been growing at a rate of 4-5%. However, close-looped ecommerce has been growing at a much higher rate of over 20%, particularly with dark store/direct inventory-based ecommerce models, which has led to a significant impact on conventional offline stores. As a result, these stores have recognized the need to transform their business to cater to the demands of new-age customers.

It has been challenging to establish a viable closed-looped ecommerce business in low-margin segments, such as grocery and fresh produce, which account for over 60% of overall commerce. This is why the digitization of this segment is still less than 1%.

This is where ONDC comes in. The aim is to leverage the strengths of local offline stores in understanding the preferences of local customers and their presence in the area to make the business viable. This model can then be taken to the grass-root level in a sustainable manner. As the world's first decentralized

e-commerce protocol, it aims to integrate closed ecosystems and create a network that allows all participants - buyers, sellers, and delivery partners - to transact seamlessly, no matter what platform or application they use.

The potential of ONDC is enormous. By decentralizing the entire e-commerce ecosystem, it allows different players in the industry to come together and talk to each other over a standard protocol. This means that buyers get access to a wider range of products, merchants can choose which parts of the ecosystem they want to partner with, and delivery partners get access to a larger pool of customers. It's a win-win for everyone involved.

PhonePe recently launched a new app called Pincode. This hyperlocal shopping app allows users to find stores and restaurants in their pincode, browse through catalogs/menus, and get items delivered to their doorstep. What makes Pincode special is that it's part of the ONDC network, meaning it connects buyers with a wide range of merchants, including supermarkets, kirana stores, grocers, fast food chains, stand-alone restaurants, and pharmacies.

**Consumers** benefit from the visibility of stores and restaurants in their pincode that are willing to deliver to them, providing them with more options to choose from. They get access to a wide range of products across different categories, including groceries, food, and medicines. Pincode allows them to get the best prices that merchants offer and choose different delivery options at their convenience.

For **merchants**, Pincode offers an easy alternative to receive and manage orders that they would have otherwise received over a phone call or messaging apps. With Pincode, merchants have the freedom to set their prices and delivery terms, which are showcased to users in a transparent manner. This helps them get more orders and grow their businesses. Pincode also helps merchants with the discovery of their stores and their items to interested buyers.

**Delivery** of goods is done through delivery partners who are a part of the ONDC network. Pincode, along with other seller platforms and buyer apps on the network, arrange for the delivery of goods with

delivery partners. Returns, too, are arranged through delivery partners or directly by the store. This means that consumers get access to the comfort that online shopping brings, such as returns and instant refunds, all through an easy interface in the Pincode app.

At Pincode, the team is working tirelessly to ensure that users have the best possible experience while placing orders through the ONDC network. They are collaborating with sellers and delivery partners in different areas to open up the experience to consumers pincode by pincode. We believe that Pincode has the potential to become the preferred way to shop for millions of Indians, and we are excited by the opportunities that decentralizing commerce brings. With the support of the ONDC team, seller platforms like Magicpin and Bitsila, and delivery partners like Dunzo and Shadowfax, Pincode is poised to become a game-changer in the e-commerce industry in India. By providing consumers with a wide range of products at the best prices, and a large choice of sellers, Pincode aims to support the ONDC network in decentralizing e-commerce.



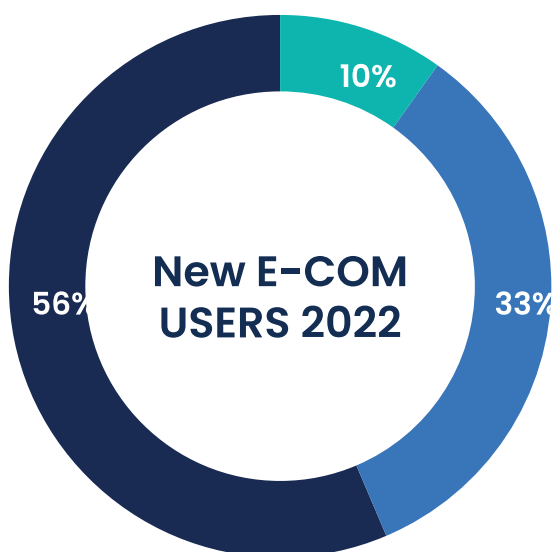


## PUNEET AVASTHI

Director, Specialist Businesses, South Asia, Insights Division, Kantar

### ONDC: Unbundling key enablers of adoption

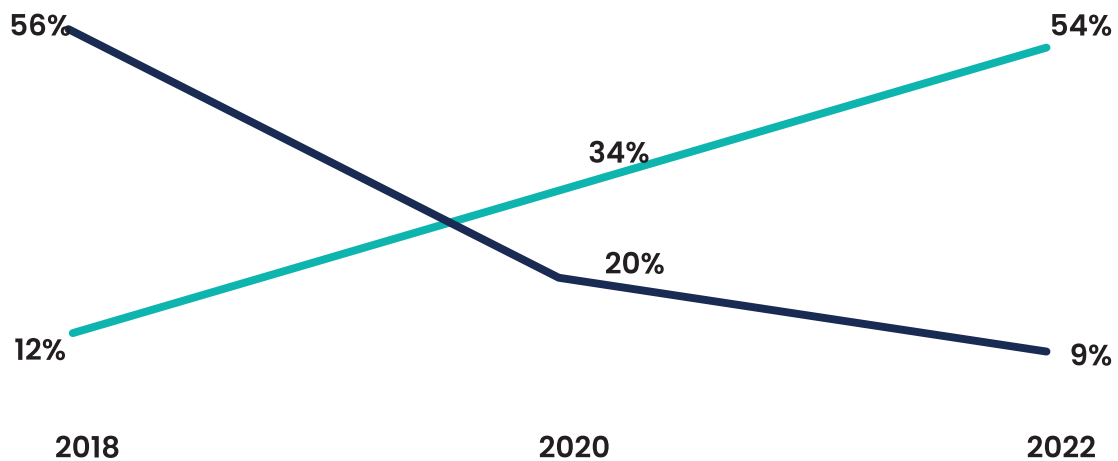
The pandemic has accelerated consumer acceptance of ecommerce for the fulfillment of a variety of their needs. As per Kantar ICUBE, India had an estimated 394 million ecommerce users, growing at a CAGR of 23% over the last 5 years. Basis current growth trends, India is on track to cross half a billion digital commerce transactors by 2025. The growth in digital transactors universe is increasing coming from small towns and particularly from Rural India. In 2022, our estimate is that around 56% of the new transactors came from Rural India.



Concurrently, we have observed a growing adoption of digital among micro, small and medium size establishments (msme) to communicate with their consumers, to facilitate transactions and to buy and sell or in other words there is a growing incidence of msme which are digitally engaged. We have defined a digitally engaged business is in one which is selling and communicating with consumers using various internet applications.

The digitally engaged segment among SME businesses, grew by more than 4 times within a span of 4 years. While this acceleration was triggered by COVID and availability of digital payments infrastructure. The growth baseline which has already been created will get further impetus through the Open Network for Digital Commerce (ONDC) infrastructure, to make sellers more visible and connected with buyers.

This growing digital constituency within the buyer and seller eco-systems presents a significant for the rapid adoption of ONDC. However, it is also important to ensure seamless adoption among through seller applications and buyer applications. As we see it, it is critical to ensure the following for large scale adoption and main streaming of ONDC. These are:



**Offline:** With no internet connectivity

**Digitally Engaged:** Using digital technology investing online e.g., buying, sell or communicating.

Source: Kantar ITOPS

### 1. Leverage Voice and Indian Language powered features to drive adoption:

To drive meaningful adoption of e-commerce in rural areas, local language support and implementation of voice and video capabilities are crucial. 95% of rural India accesses the internet through vernacular languages, majority of them do not even include English in their preference set.

Vernacular language support is essential to connect the dots, facilitating meaningful engagement for a large cross-section of India.

### 2. Integration of Social Media platforms to acquire high frequency buyers:

Social Commerce is gaining popularity among the affluent and younger segments of society, with nearly half of users hailing from metropolitan and small metro areas. Kantar's ICUBE estimates that an estimated 46% of Gen Z, 44% of NCCS A and 70% of the metro Indians have transacted on social media. Integration of

social media platforms also allows for using influencers to socialize and direct traffic to ONDC

### 3. Build trust and familiarity with merchants

The success stories of digital adoption and particularly of ONDC need to be shared with merchants through relevant merchant forums – both digital and offline. Our estimate is that digitally engaged merchants are growing twice as fast as those who have stayed more tentative in digital adoption. Additionally, their interest in seeking social media discoverability too is twice as high.

Therefore, it is important to ensure uniform discoverability to buyers on ONDC, of all merchants across seller platforms. Further, it would be important to demonstrate this level playing field, to build trust and commitment to the platform.







## ANJALI MADAN KRISHNAN

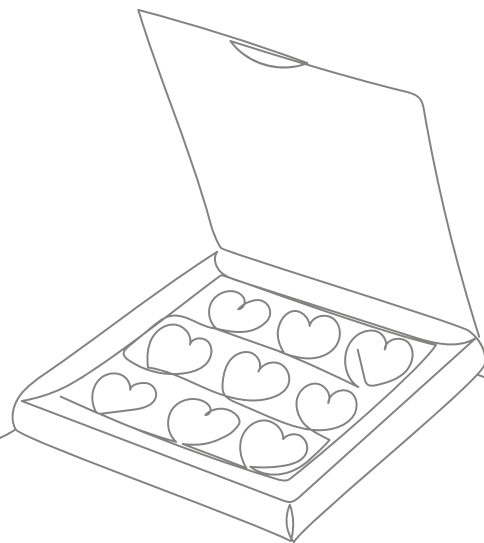
Director Consumer Experience -  
India, AMEA Region, Mondelez

“ India is taking a leap into the future with digital transformation. Digital innovations and technologies are changing the face of every interaction we can have as humans. Digital Commerce is no different and has the potential to grow the economy by empowering small businesses. Digital commerce in India is just 7 percent of the overall market (McKinsey & Co).

Open Network for Digital Commerce (ONDC) will democratise online commerce and make it accessible for every seller irrespective of their size. It will

also create a competitive marketplace bringing the many choices to the consumer at a click. Many allied digital services will make this a seamless process, whether it's the expansion of 5G network that will see the next few million come on to the internet or the use of conversation AI powered technologies that will drive accessibility for sellers and buyers even in small towns to communicate more effectively with consumer. ONDC will help accelerate both B2B and B2C ecosystems.

”





## NEHA KUMAR

Managing Director – Retail, Accenture in India

### Redefining the Future of Commerce with ONDC

As widely known, Open Network for Digital Commerce (ONDC) is designed under two inter-related principles – First is ‘unbundling’ of the digital commerce value chain to curb potential platform monopolies and drive innovation across the value chain. The second is enabling ‘interoperability’ between platforms and applications for greater market access.

Unbundling of ecosystem means that in addition to seller or buyer or logistics applications, several other service providers will emerge to address specific issues such as payouts, customer service, cataloguing and content creation. Given ONDC’s ambition to transform digital commerce and not just e-retail, opportunities exist for start-ups and service providers alike to build solutions that solve critical problems for the ecosystem.

One such area where start-ups and service providers can solve seller problems and create sustainable business models for themselves is ‘cataloguing’.

It can be further sub-divided into catalogue creation, catalogue quality scoring or benchmarking and catalogue enrichment. Each of these segments will require re-imagining the process and technology as per ONDC landscape to

develop sustainable solutions at scale. For example, a service provider may create a digital solution for sellers to seamlessly upload catalogue on the ONDC network, by simply scanning the product on the shelf. Others might develop solutions for scoring the catalogue at scale and proving support in enrichment.

There are numerous other opportunities such as shared service centers for customer service, content creation for A+ images and digital marketing for demand generation.

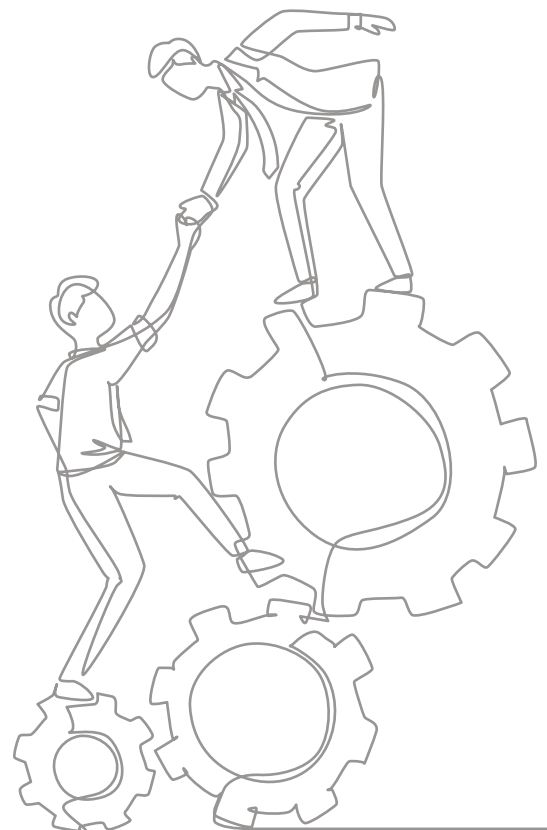
Unbundling of the ecosystem allows start-ups and service providers to focus on their niche areas of expertise. For example, various technology service providers exist on the ONDC network today, who provide support in creation of seller or buyer applications, full stack solution for sellers (order management, logistics, issues and grievance management), front end user journeys for the buyer applications among others. These service providers take the burden of ONDC protocol integration, building and maintenance of apps to enable brands to focus on their core strengths of manufacturing, operations among others.

As ONDC scales, it will also encourage new players to foray into logistics and warehousing solutions to meet the demands of the digital commerce ecosystem. Hyperlocal proliferation will bring in more players like Dunzo into the network and will also lead to technology innovations such as drone deliveries, improved driver utilization and lower cost of fulfillment.

Given ONDC is a population scale initiative, multiple service providers in the same domain can co-exist allowing multiple options for buyers of services. This will democratize digital commerce, ensuring even small sellers get to choose the best option that suits their needs. Since ONDC is a protocol and not a platform, eventually an ecosystem of service providers will develop to provide solutions across the value chain.

While ONDC has started with a B2C model, it will have significant impact on B2B across industries, especially consumer goods companies. The digitalization of small sellers will open opportunities for brands to digitize their B2B channels, giving them greater visibility to their secondary sales. This will encourage companies to explore new models linking B2B and B2C. This is an opportunity for various technology, operations and consulting service providers to create technology led solutions for B2B.

ONDC has the potential to expand the frontiers of digital commerce by driving greater digital penetration among buyer and sellers alike and will also create a never-before opportunity for multiple service providers.






## VARADHARAJAN RAGUNATHAN

Head- Monetization, BigBasket

### ONDC Data – a potential goldmine for CXO's

It's a well accepted fact that platforms create large, profit pools because of their ability to monetize the learnings across the entire value chain and improvise upon them (for eg., across supply chain, product, customer preferences, pricing). ONDC, to that extent, may be the world's first experiment where the core platform that facilitates commerce is completely unbundled and most importantly not for profit.

The interesting tailwind about being a not for profit is that marginal sellers/fringe players feel comfortable to hitch onto the platform without fear that they will eventually get elbowed out by the platform – for eg., a small kirana store may be reluctant to on board as a part of a for profit, large platform as they feel that their data may be eventually used by the platform to further their own profits. The dilemma that most sellers face is that if they scale up substantially on the platform, they fear that platform might squeeze them out by raising commissions/fees and more importantly, possibly even share some of the insights with potential competitors to the latter's advantage.

The extremely low fee makes it attractive for even predominantly offline sellers to be on boarded. However, the profit pool for

offline retailers/sellers comes from being able to control the customer experience end to end and to that extent, most retailers still look at ONDC at best as a marginal lever to their growth and not something that can replace their core engine. For that to happen, it will be essential for retailers to either a. get access to a large audience pool b. or get insights that are otherwise not available elsewhere (for eg., a cheaper last mile delivery option in the neighbourhood; ability to combine the delivery of their product with another hyper local delivery; other hyperlocal cohorts that could be targeted)

Given this, it becomes important to define a framework for sharing data and insights at the right level of granularity may be useful. The following are themes where ONDC could play a big role

- Marketing efficiencies : basket buying across categories and consumer behaviour across different categories at different points of time (day, time of day and day of month, season)
- Supply chain efficiencies: – what are opportunities to bundle/unbundle supply chains right from warehousing to mid-mile to last mile and reverse logistics

- Transactional efficiencies: are there potential ways to club offers and potentially even buying across cohorts (hyper local group buying), delivery time Vs value trade-offs:

Even as the ONDC fly wheel continues to spin and gathers critical mass, it is important that insights at the right level of granularity act as the lubricant for sellers to benefit from increased momentum. Imagine a local baker who so far was not

able to avail of hyper local delivery being able to club his wares alongside the last mile supply chain of an e-grocery and gets access to both the grocery buying audience and the unbundled, last mile hyper local service. How do you provide this insights at scale through an easy to use, self-serve platform that benefits sellers who cannot afford to hire such services. It is a question to think about !







## RAJIV AGARWAL

CoFounder & CEO, StoreHippo & Mystore



“ When you become a part of such a big revolution like ONDC, you truly have no doubts that it will be the biggest development in the history of e-commerce in India.

We have been working in the e-commerce industry for the last ten years, collaborating with small entrepreneurs to big organizations, and having clients in 20 countries. When we heard about ONDC, we knew it was the way to go and that it would fill the huge gap that has restricted our penetration to 4.3 percent in the last 10 years.

We wanted to be part of this revolution as early as possible and establish a reputation for ourselves, as we possessed

the stack capabilities to support it and make a contribution. Therefore, we made the decision to join ONDC.

Almost every channel has associated costs, but ONDC is likely the most cost-effective organic channel with the least associated cost. Currently, ONDC is the most cost-effective sales channel for you to utilize, with no associated costs. If you choose to be part of ONDC, the returns on the ONDC channel may vary for different brands, but they will gradually grow over time.

”

Source: MMA Digital Commerce Dialogues, Decoding ONDC 2023





## AMIT SARDA

Managing Director, SoulFlower



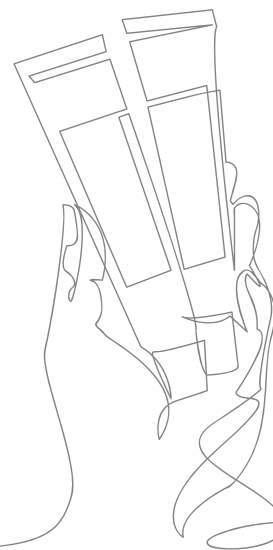
“ Soulflower is a farm-to-face company. We grow our ingredients at our farm and utilize them in our products, which are then applied to people's skin and hair. While some may perceive ONDC as solely focused on selling, I personally believe there are more interesting aspects to explore. Apart from the selling part, we are considering two aspects with ONDC.

Firstly, we value traceability, as it is based on blockchain technology. Imagine when you purchase a SoulFlower soap, you can precisely determine when the ingredients were harvested, their origin, the manufacturing process, and even the temperature at which they were produced. The network established by ONDC, utilizing blockchain's shared ledger, simplifies the transmission of this information, making our lives easier.

Secondly, as a D2C (Direct-to-Consumer) and FMCG (Fast-Moving Consumer Goods) company, our challenge lies in distribution and the supply chain. With ONDC, not only is my brand integrated into the ONDC network, but so are all our warehouses. This enables us to conduct both B2C (Business-to-Consumer) and B2B (Business-to-Business) transactions. For instance, if Shoppers Stop in Ludhiana places an order for our merchandise, we will determine the most convenient location, whether it's Mumbai, Chandigarh, or Lucknow, to fulfill the order. Depending on accessibility, we will establish multiple SoulFlower stores.

”

Source: MMA Digital Commerce Dialogues, Decoding ONDC 2023





## PANKAJ RAUT

VP, Supply Chain, BoAt



“ BoAt was established in 2015 and has now become India's largest consumer lifestyle electronics brand. In terms of volumes, we currently rank as the world's second-largest brand. The category of wearables, such as smartwatches, neckbands, TWS earbuds, and more, has experienced tremendous growth. What's remarkable is that BoAt's entire growth has occurred within India, showcasing the vast market and scale we have achieved. This leads us to the significance of ONDC, as our growth has mainly taken place in tier-one and tier-two cities, where the brand resonates with the youth. However, we are still striving to reach rural India and tap into its immense untapped potential.

The second aspect is the key to BoAt's

success, which lies in its strong connection with consumers, particularly the youth and creators. Our constant endeavor is to position ourselves as close to the consumer as possible. These are the areas where I believe ONDC plays a crucial role. Currently, we operate in the D2C segment as well as the online marketplace segment, each with its own limitations. With D2C, we have a closer connection with customers but struggle to achieve the necessary scale. On the other hand, online marketplaces allow us to scale, but we lose that direct customer connection. Hence, ONDC bridges that gap and provides a solution.

”

Source: MMA Digital Commerce Dialogues, Decoding ONDC 2023





## SHAILENDRA SHARMA

AGM, Asian Paints

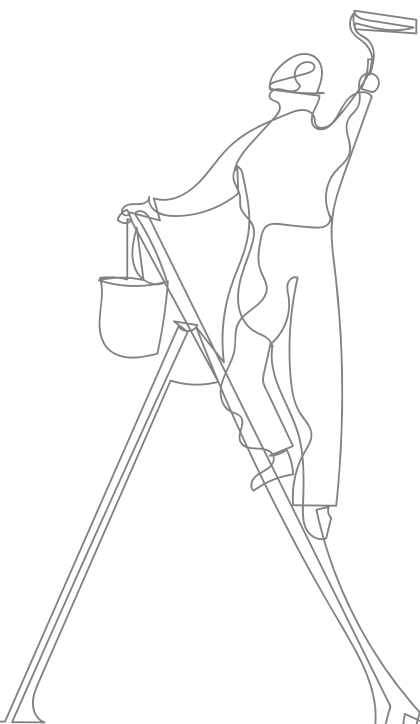
“ Asian Paints operates in the home decor space segment. We serve nearly 1.5 lakh dealer shops on a daily basis through a large B2B commerce platform. In addition to our product offerings, we have also introduced whole interior home decor as a service. Our business includes a significant presence in the modular kitchen sleek industry, bathroom fittings, furniture, and turnkey solutions for homes.

As a brand, while we showcase our products, the execution of services is equally important. When we gain access to local houses in second-tier cities through an open platform, we witness the transformative impact it has on people. This is why I view ONDC as a growth driver for our business.

Expanding our reach to more households is just one aspect of the challenge. In the realm of home decor, it goes beyond typical product selling. There are numerous service elements involved. For instance, when someone moves into a new house, they typically engage an interior designer who then coordinates with other professionals such as carpenters and plumbers to execute the project. It's a comprehensive ecosystem. To truly leverage the power and scale of such a business and make it profitable, opening up opportunities in an accessible manner can yield different approaches and outcomes.

”

Source: MMA Digital Commerce Dialogues, Decoding ONDC 2023





## GIRISH RAMACHANDRA

Founder & CEO, Shopalyst

### What solutions, tech enablement, and future opportunities exist for ONDC service providers?

The Open Network for Digital Commerce (ONDC) in India has emerged as a transformative platform, paving the way for the world's largest digital economy. Over the past decade, India has witnessed a silent revolution in digitalization, and ONDC aims to make it easier for sellers and service providers to participate in this thriving ecosystem. By unbundling services in the e-commerce value chain, ONDC creates an open and efficient marketplace for digital consumers, and also creates a palette of opportunities for service providers.

As the network expands, seller app tech services become crucial to help sellers effectively manage and operate their presence on the platform. These services enable sellers to optimize their offerings, streamline operations, and enhance their engagement with consumers. Catalog management and network discovery services will also be essential for brands and sellers looking to establish a strong presence on the ONDC network. There will be a large market for providers that offer seamless onboarding of catalogs from existing systems and ensure compliance with ONDC requirements. Additionally, services that ensure the visibility of catalogs for relevant consumer queries, along with up-to-date product information and reviews, significantly

enhances discoverability on the network, leading to increased sales opportunities for sellers.

On the other hand, buyer app tech services play a vital role in delivering a seamless and personalized experience to consumers. These services encompass search and discovery capabilities, personalization algorithms, assisted buying features, and reviews and ratings systems, all of which contribute to enhancing the overall buyer experience. Media and marketing services will also have a significant role to play in the ONDC ecosystem. Buyers apps and brands will require service providers who can assist with customer acquisition, campaign activation, and performance marketing. These providers enable effective targeting of the right audience, create compelling campaigns, and optimize marketing efforts to drive sales and brand visibility within the ONDC network. Services that offer seamless integration with popular communication channels like email, text, and messaging, along with integration with large digital paid media platforms, play a vital role in this ecosystem. These CRM solutions enable effective customer engagement, personalized marketing campaigns, and enhanced customer loyalty.

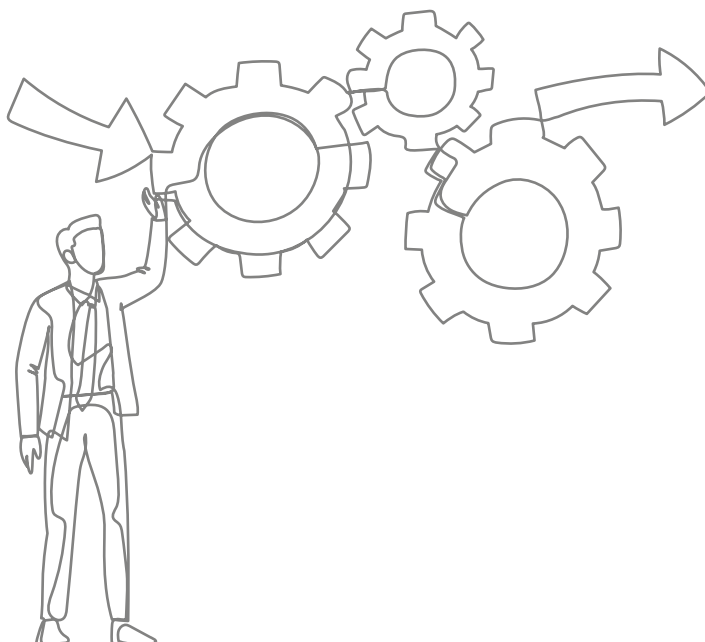


Financial services will represent a significant opportunity within the ONDC ecosystem. Payment gateway services play a crucial role in ensuring smooth transactions. Consumers prefer having choices when it comes to payment options, regardless of where they shop. Service providers that offer diverse modes of payment can enable frictionless transactions, benefiting all network participants, including buyers, sellers, and service. For instance, the introduction of Buy Now Pay Later (BNPL) options based on UPI transactions enables greater affordability and flexibility for consumers. Additionally, merchant financing services that facilitate credit for smaller sellers overcome potential working capital constraints and contribute to their growth and success on the ONDC network.

Service providers that offer analytics and reporting solutions insights into customer preferences, engagement across buying categories, and key metrics such as sales velocity, share of search, and share of voice will be in demand. These solutions provide valuable data and actionable insights to sellers, helping them make informed decisions, optimize their

strategies, and stay ahead of the competition. There will also be demand for assortment planning and pricing services within the ONDC ecosystem. Sellers require assistance in understanding the right product assortment that maximizes discovery and sales. Furthermore, determining the optimal price points ensures competitiveness in the market. Service providers that offer expertise in assortment planning and pricing strategies can help sellers make informed decisions, thereby driving their success on the ONDC network.

In conclusion, ONDC presents a plethora of opportunities for service providers to thrive in a rapidly growing digital economy. As the network continues to expand, service providers that seize these opportunities and align their offerings with the evolving needs of the ecosystem are poised to thrive and make a significant impact on the digital commerce landscape in India.





## NAMAN MAWANDIA

Co-Founder, Magicpin

### ONDC : the disruptor in retail and e-commerce

India is a colossal trillion-dollar economy, with 90% of its retail consumption still happening offline. The readiness for online consumption exists, but small businesses need help figuring out where to start their journey. These retailers truly desire a platform to convert online demand into offline business. Hailed as the next digital revolution like UPI, ONDC is an ambitious initiative taken by the Indian Government to boost the growth of digital commerce across the nation. ONDC is an extension of what we at magicpin have been doing for the past 7 years. We're the country's first and largest hyperlocal start-up besides being a super-app with brands and retailer stores across categories - fashion, food,

electronics, grocery, pharma, nightlife, and entertainment. We have 5 million+ listed merchants across 25+ cities. Our first mover advantage on the hyperlocal front, gives us a great opportunity to contribute towards the success of ONDC. In terms of success, in just 9 weeks from less than 100 orders a day, we have scaled up to 30K orders a day which has been phenomenal growth. We are also fulfilling all backend logistics related to ordering, delivery on ONDC and have also made these services visible on other buyer apps such as Paytm, Spice Money, Mystore, Craftsvilla, Meesho. We are also the largest restaurant aggregator/supplier on the ONDC network with over 40,000 restaurants onboarded.

### What's in store for the customers

For customers, ONDC offers a seamless and inclusive shopping experience where they get access to a much larger assortment and offers from anyone and everyone among the ONDC partners (retailers, logistics, marketing platforms) across fashion, restaurants, grocery, pharmacy, beauty and other categories. In food, customers can enjoy a seamless savings experience on delivery orders at 40,000+ restaurants including popular food chains like Rebel Foods (Faasos, Oven Story,

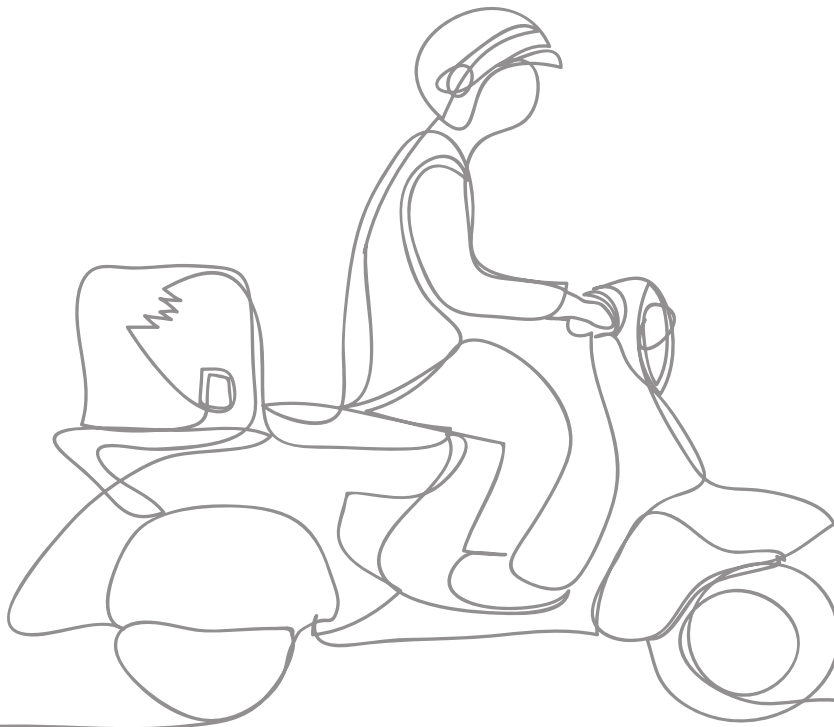
Behrouz Biryani), McDonald's, WowMomo, Pizza Hut, Barbeque Nation, Barista on the ONDC network. ONDC not only enables direct connections between retailers and consumers but also fosters collaboration within the hyperlocal ecosystem. By promoting partnerships between retailers, logistics providers and service providers, ONDC creates a symbiotic network that fuels innovation and shared success.

## What's in the future

ONDC operates as a collective force rather than a single entity, combining the expertise of industry leaders in different domains. With all partners working together and no new fixed cost involved, ONDC lowers the cost of doing business for the retailers by giving them more reach and opening a bigger market which in turn will benefit Indian economy.

Today the retail industry finds itself at a crucial juncture, where the convergence of technology and local businesses can pave the way for an unprecedented transformation in the retail ecosystem. When embraced and harnessed

effectively, ONDC holds the key to unlocking tremendous value for India's small and independent local business owners. It can level the playing field and access the technological prowess previously limited to only big players in the industry. As customers become aware about the ONDC value proposition, the Tier-2, Tier-3 cities will see higher adoption of such services which will boost overall GDP and economic growth.



# MMA India Survey: Industry's Outlook on ONDC

## Primary Research Survey

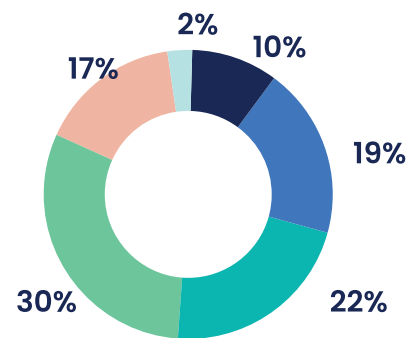
A comprehensive online study was conducted by MMA India from April – May 2023 to obtain valuable insights into the industry's perception of ONDC. The study engaged 177 participants, comprising influential decision makers representing diverse industries, including ecommerce, retail, technology, and more. The primary aim of the survey was to acquire a

thorough understanding of the industry's viewpoint on ONDC by analyzing the challenges associated with its implementation, evaluating its impact on the digital commerce landscape, and assessing the importance of ONDC's compliance with established industry standards and practices.

## Perceptions on ONDC's Impact on the Digital Commerce Realm





Respondents believe ONDC will Transform Digital Commerce Through Market Expansion, Interoperability and Cost Reduction.

- By enhancing security and privacy
- By improving efficiency and reducing costs
- By increasing interoperability and compatibility
- By expanding market access and customer reach
- By offering access to valuable consumers insights & data (such as IPD)
- Others



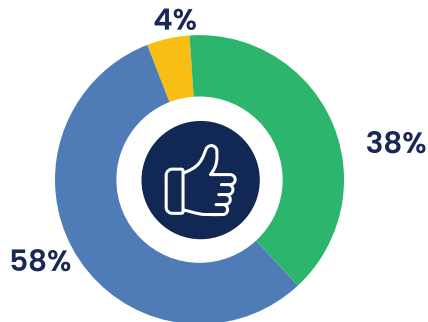
## Potential for Implementation of ONDC in Organizational Structures

90% of respondents likely to adopt it in some form.

 <b>51%</b>	 <b>39%</b>	 <b>8%</b>	 <b>2%</b>
Believe that their company is <b>very likely to adopt ONDC</b> in the future	Believe it is <b>somewhat likely</b>	Believe it is <b>somewhat unlikely</b> their company will adopt ONDC	Believe it is <b>very unlikely</b> their company will adopt ONDC.

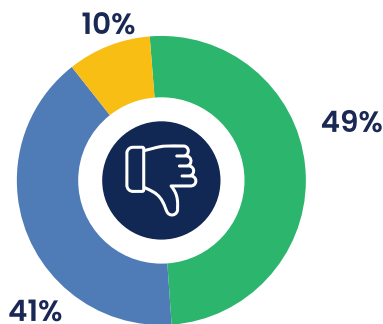
### Factors Influencing Company's Decision to Adopt ONDC

Value Proposition, Technical Expertise and Cost & ROI are key factors influencing companies as per respondents.



Factors Influencing Company's Decision To Adopt ONDC

- Potential Impact on existing business processes and systems
- Perceived benefits and value proposition of ONDC
- Other

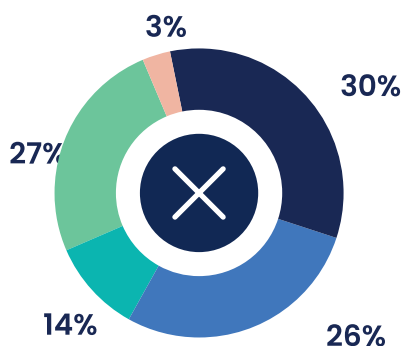


Factors Influencing Company's Decision To Not Adopt ONDC

- Cost and ROI considerations
- Availability of Technical Expertise and Resources
- Other

### Challenges in Implementation and adoption of ONDC

Technical Complexity, Resistance from Existing Players & Lack of Awareness to be key challenges.



- Technical complexity and integration issues
- Resistance from existing players in the digital commerce ecosystem
- Regulatory hurdles and compliance requirements
- Lack of awareness and education among businesses and consumers
- Other



### Impact of ONDC on Existing Players In The Digital Commerce Ecosystem

Respondents believe ONDC could have a significant impact on existing players in the digital commerce ecosystem.



34%

Respondants believe it could disrupt their business model and revenue streams



58%

Respondants believe it could provide new opportunities for collaboration and partnership



8%

Respondants believe it could have no significant impact

### Potential Benefits of ONDC for Consumers

Wider Range of Products & Services a likely benefit to customers.



20%

Believe ONDC will enable greater control over **Personal Data**



54%

Believe ONDC will enable **Wider Range** of Products and Services



21%

Believe ONDC will enable More Secure and Efficient **Payment Options**

5% Provided Other Suggestions

### Importance of ONDC's Compatibility with Digital Commerce Standards and Protocols

Respondents believe compatibility with existing standards and protocols is essential.

**VERY IMPORTANT**

**NOT AT ALL IMPORTANT**

69%

Believe that it is **very important** to be compatible with existing systems

27%

Believe that it is **somewhat important** to be compatible with existing systems

4%

Believe that it is **not very important** to be compatible with existing systems

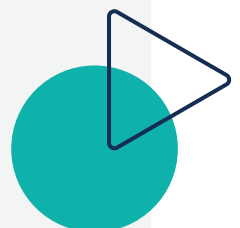
0%

Believe that it is **not at all important** to be compatible with existing systems



# 03

## *How ONDC Can Transform Digital Commerce Landscape*



## 3.1 | Introduction to ONDC

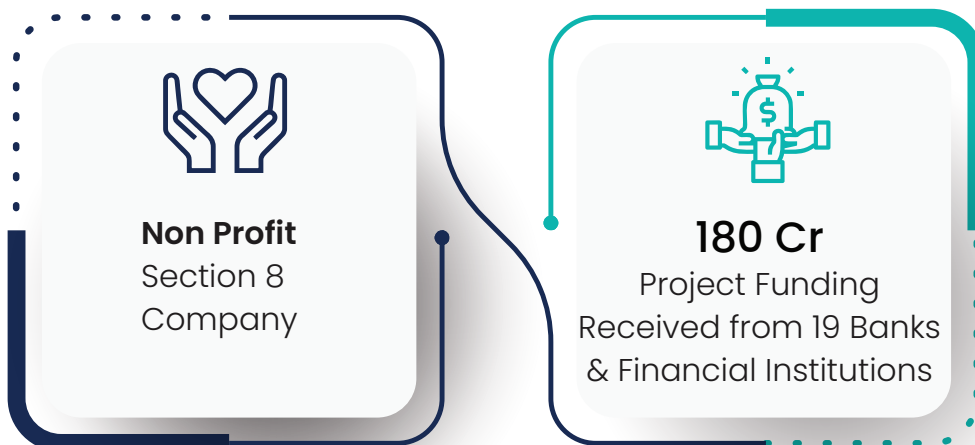
The Open Network for Digital Commerce (ONDC) is a Section 8 non-profit company established to create an open-source network for e-commerce platforms in India. Its goal is to enhance competition, innovation, and inclusion in the digital commerce ecosystem. The concept of ONDC originated from the Department for Promotion of Industry and Internal Trade (DPIIT), led by Piyush Goyal, with the aim of empowering small and medium businesses, particularly in response to the Covid-19 pandemic.

The DPIIT formed an Advisory Council comprising prominent individuals, including Nandan Nilekani, Dilip Asbe, and R S Sharma, to oversee the development of ONDC. The Quality Council of India (QCI)

was assigned the task of incubating ONDC using open-source methodologies and network protocols. The QCI collaborated with public and private entities such as Axis Bank, PhonePe, Meesho, and BigBasket to join the network as early promoters.

With initial investment from the QCI and Protean eGov Technologies Limited, the ONDC entity published a strategy paper outlining the network's objectives, architecture, and roadmap. Additionally, they launched a website (ondc.org) to provide information about the network and its benefits.

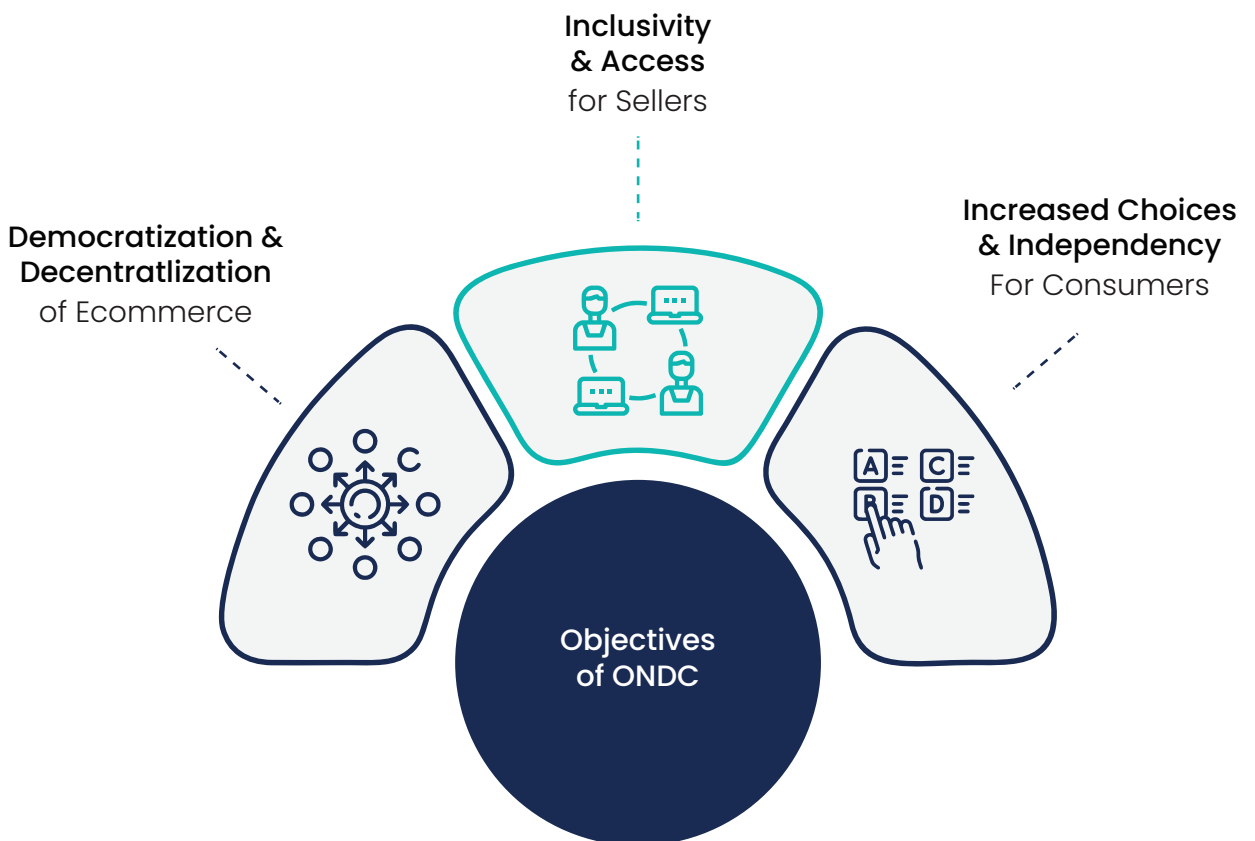
### Salient Structural Features of ONDC



## 3.2 | *Vision of ONDC and its Potential Impact on the Indian eCommerce Market*

The vision of ONDC is to democratize e-commerce, providing opportunities for small traders and empowering consumers with more choices. It aims to include every physical retail business and service provider in the ongoing e-commerce revolution. Some potential benefits of ONDC include accessing a wider market and more options for small sellers and buyers, reducing reliance on dominant global marketplace players to support

local start-ups, enabling a seamless shopping experience with unified checkout and customer support, facilitating credit and financing solutions through fintech integration, and preventing predatory pricing and preferential treatment by existing platforms. ONDC seeks to level the playing field and promote fair competition in the e-commerce ecosystem.



### 3.2.1 Understanding the concept of an Open Network

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It's important to understand what an Open Network is before diving into ONDC. An open network is a framework for a system where the interfaces between the components are open and interoperable. This means that the components of the network can be easily accessed and used by individuals, companies, and organizations.

Open networks promote competition and innovation, as they allow all users to have access to the full resources of the network, as well as means to operate on it. In an open network, the means to access and operate on it are easily accessible to all, and there are no restrictions on who can use or access the network. This kind of network is opposed to a closed network, where access is restricted and controlled by the network's owner or operator.

ONDC is similar to email protocol in the sense that it aims to standardize and simplify operations in the digital commerce space, much like email protocols such as SMTP and IMAP have done for email communication.

ONDC is not an intermediary, application, or software, but a set of specifications designed to enable open interchange and connections between shoppers, technology platforms, and sellers. It uses free software methodology, open specifications, and open network protocol.

ONDC is also often compared to Unified Payments Interface (UPI) as it's quite similar to UPI in the approach.





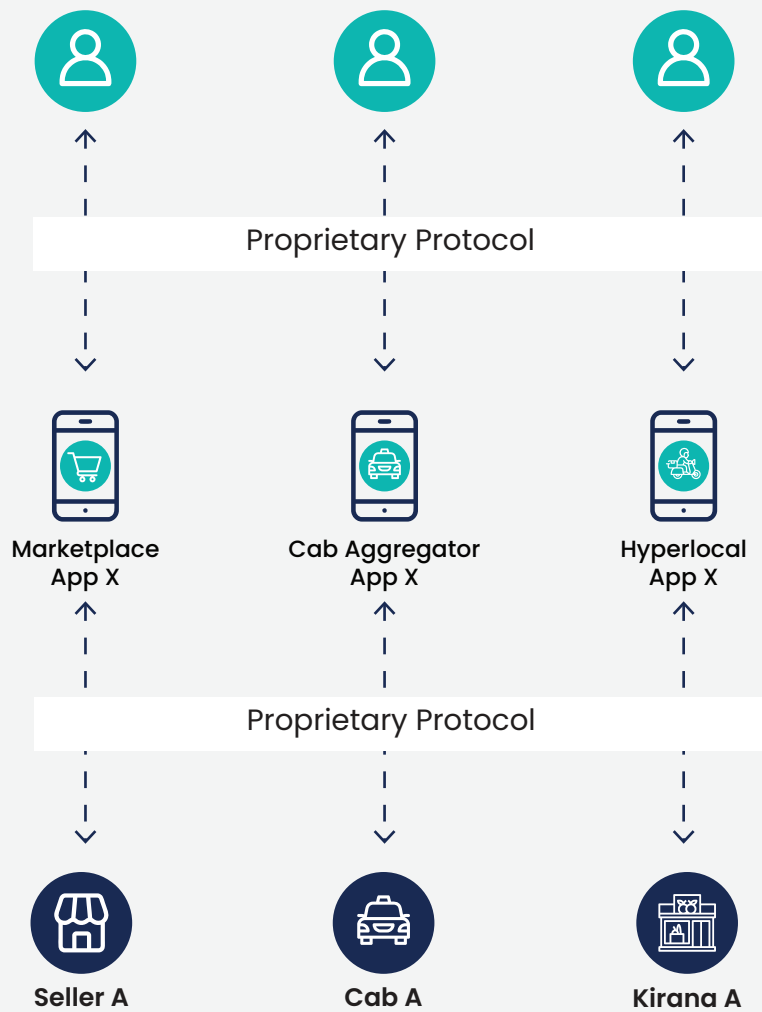
### 3.2.2 How ONDC is democratizing e-commerce by replacing the platform-centric model with an open-network approach

ONDC distinguishes itself from the prevailing platform-centric models in the e-commerce landscape, wherein both buyers and sellers must utilize the same platform or application for digital visibility and conducting business transactions. In contrast, ONDC operates on a

network-centric model that eliminates the requirement for buyers and sellers to be constrained to a single platform or application. As long as platforms and applications are connected to this open network, buyers and sellers can transact regardless of the specific platforms or applications they utilize.

#### Platform Centric Model

In a platform-centric model, buyers and sellers need to use the same platform to conduct transactions.



## Open Network Model

In an Open Network model, buyers and sellers can use any buyer platform (BuyerApp) to interact with any seller platform (Seller App), making it platform-independent.



## A comparison of Platform Centric Model and Open Network Model (ONDC)

Parameters	Platform Centric Model	Open Network Model (ONDC)
Concept	Use proprietary platforms or applications to connect buyers and sellers.	Uses open specifications and open network protocols independent of any specific platform.
Benefits	May provide benefits such as convenience, variety, quality and customer service for consumers and merchants.	Inclusivity, accessibility, freedom of choice, standardization, efficiency and innovation for consumers and merchants, especially small businesses.
Challenges	Challenges such as high commissions, monopolistic practices, regulatory issues and customer retention.	Challenges such as scalability, interoperability, data privacy and security, awareness and adoption.
Examples	Zomato, Swiggy, Amazon, Flipkart and Myntra.	ONDC is currently available through partners such as Paytm, Meesho, Magicpin, Mystore, Craftsvilla and Spice Money.

### 3.2.3 An Interoperable, Unbundled, and Decentralized Digital Infrastructure

ONDC is built on an interoperable, and unbundled architecture. These features make it stand out from other digital commerce platforms currently available

in the market. Here's a closer look at what these terms mean and how they benefit various stakeholders.



#### Interoperability

ONDC has been designed to be interoperable with other digital systems and platforms. It makes use of open protocols and standards, enabling it to easily exchange data and transaction logs with other digital systems and platforms. This means that ONDC users can easily connect with other digital systems and platforms and enjoy a seamless user experience.





**Unbundling**

ONDC is an unbundled infrastructure, which means that it provides various digital infrastructure services separately. This enables consumers, providers, and buyers and sellers to choose the services they need without having to subscribe to the entire package. This makes the infrastructure flexible and affordable for all parties involved.

## 3.3 | ONDC Architecture

ONDC is essentially a decentralized e-commerce built on an adapted version of the Bechn Protocol. The Bechn Protocol is an open-source standard that enables businesses to transact with each other seamlessly, regardless of their location or technology.

The protocol offers a standardized architecture for data exchange and provides a framework for the development of interoperable e-commerce solutions.

The platform has several layers which essentially form the core concept of ONDC.

### 3.3.1 The Platform Layers that form the core of ONDC.

The ONDC platform consists of four layers:



**Network Layer:**

This layer connects buyers and sellers through open network protocols that enable interoperability and discovery across platforms and applications. This layer also provides network policies, network trust, network grievance handling and network reputation system.



**Technology Layer:**

This layer provides the open specifications and standards for the network layer, such as data formats, APIs, schemas and protocols. This layer is designed for minimalism and decentralization, and follows the principles of privacy by design.



### Application Layer:

This layer consists of the applications and platforms that use the network layer to offer various services and products to buyers and sellers. This layer includes buyer applications, seller applications, gateway applications and technology service provider.



### Service Layer:

This layer consists of the services that are offered or consumed through the network layer, such as inventory management, order management, order fulfilment, logistics, payments, dispute resolution and financing.

## 3.3.2 ONDC's Technology Components

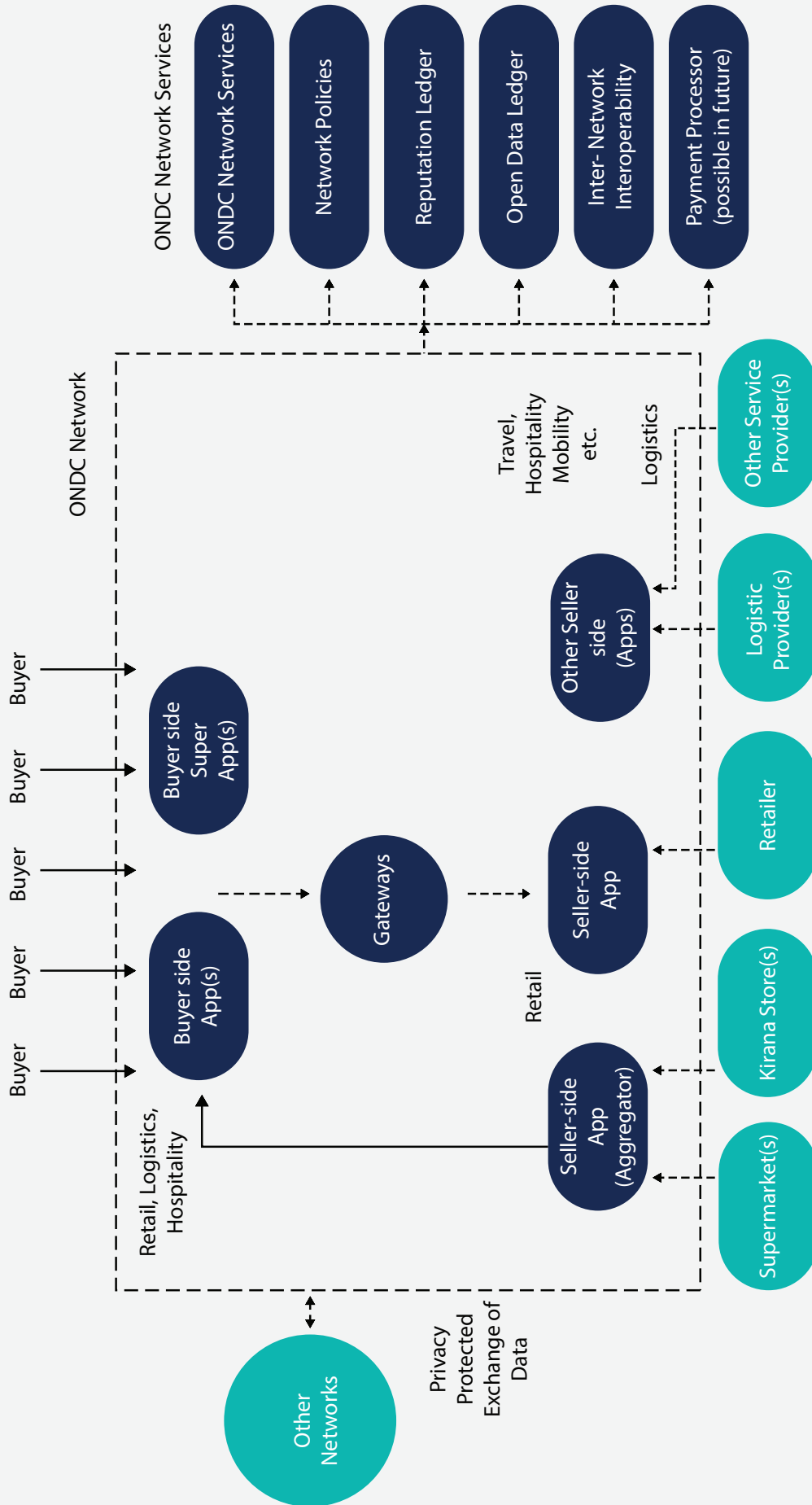
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ONDC will include several network participants, which will help build the network and further push more participants to join the network. ONDC network would include a broad spectrum of industries ranging from retail, logistics service providers, restaurants, hotels, etc. These industries can be broadly classified

into two categories: the buy side categories and the sell side categories.

ONDC will also include several network components such as registry, gateway, buyer and seller apps, and other building blocks such as adapter interfaces that will be utilized to help India's e-commerce industry. Below is the diagram that explains ONDC's Technology Components.





Sources: ONDC.org





- 1. Gateway:**
  - ONDC will ensure the discoverability of all sellers in the network. It helps by multicasting the search request received from the buyer and broadcasting it to all seller applications based on parameters such as location, availability, and other consumer preferences.
  
- 2. Buyer and Seller Side Applications:**
  - Buyer apps are platforms that consumers can use to buy products or order services from merchants on the ONDC network while seller apps are platforms that merchants can use to sell their products or services to customers on the ONDC network.
  
- 3. Adaptor Interfaces:**
  - Adaptor Interfaces are Open APIs. These APIs will facilitate the exchange of information for transaction execution, allowing all network parties to engage and integrate utilizing standardized ONDC-approved interfaces.
  
- 4. Registry:**
  - The registry on ONDC refers to an application that maintains the list of participants who join the ONDC network and stores their information, including their digital certificates and public keys.
  
- 5. Network Policies:**
  - ONDC Network Policies refer to the set of rules and guidelines that govern the interactions between participants in the ONDC network, with the aim of promoting open and fair e-commerce. These policies cover a wide range of topics, including data privacy and confidentiality, network security, user authentication and authorization, network governance, and network trust.
  
- 6. ONDC Reputation Ledger:**
  - The ONDC Reputation Ledger is a ledger that maintains a record of the seller's reputation on the ONDC platform. The reputation score of the seller is determined based on various factors such as customer feedback, reviews, ratings, product quality, and other parameters.
  
- 7. Open Data Ledger:**
  - The Open Data Ledger is a ledger maintained by the ONDC platform that records all transactions involving data exchanged on the platform without competitive or PII details.
  
- 8. Inter Network Operability:**
  - Inter-network operability on ONDC refers to the ability of different e-commerce platforms to interconnect and exchange data with each other seamlessly.

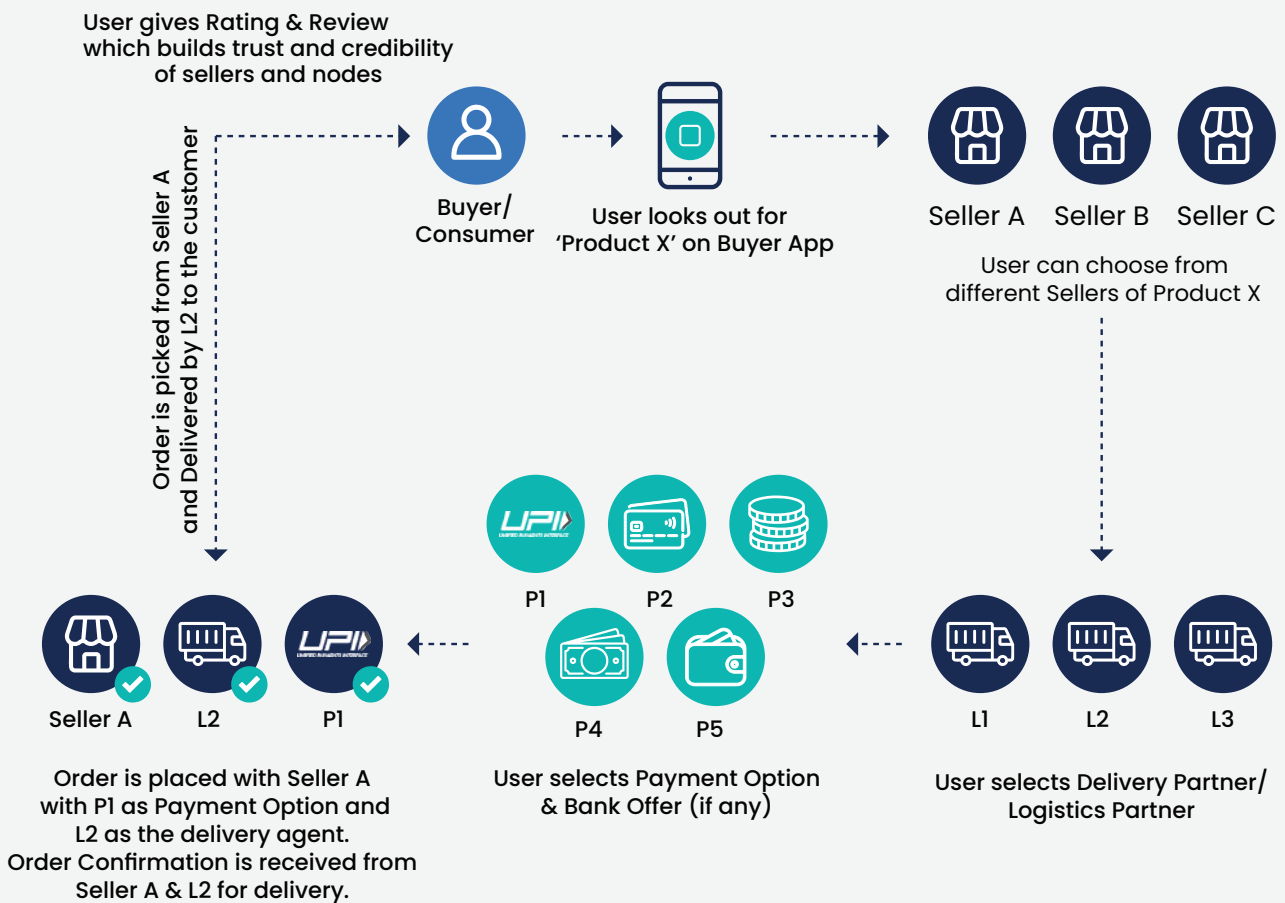
## 3.4 | The Buyer's & Seller's Journey on ONDC

### 3.4.1 Buyer's Journey on ONDC

To buy on ONDC network, a customer needs to download one of the buyer applications registered on the network. They can then browse through the different categories of products and services provided by a wide range of sellers and select the ones they want to purchase. Once they have added the

products to their cart, they can proceed to checkout and select a payment method. ONDC offers multiple payment options, including net banking, credit and debit cards, UPI, and digital wallets. After payment is completed, the buyer can track their order's delivery status through the same buyer application they used for the purchase.

#### Buyer's Journey on ONDC



### 3.4.2 Buyer’s App Role on ONDC

The role of buyer’s app on ONDC is to connect buyers to the ONDC network via a buyer application and shoulder buyer-facing responsibilities such as customer support, ensuring a seamless shopping experience, and providing a unified checkout experience across categories.

**Below are some of the key features of a buyer app:**

- 1. Discovery:** Buyers app allows buyers to discover products and services from various sellers and domains on the ONDC network. Buyers app can use filters, categories, ratings, reviews and other features to help buyers find what they are looking for.
- 2. Ordering:** Buyers app enables buyers to place orders from multiple sellers and domains in a single checkout experience. Buyers app can also offer discounts, coupons, loyalty points and other incentives to buyers.
- 3. Payment:** Buyers app collects payment from the buyer. It can do it on its own or collect on behalf of seller app/seller. Buyers app can also offer multiple payment options such as credit cards, debit cards, UPI, wallets, cash on delivery etc. For more details read ONDC Payment Flow.
- 4. Delivery:** Buyers app allows buyers to choose their preferred delivery option from the available logistics providers on the ONDC network. Buyers app can also provide tracking information, estimated delivery time and delivery confirmation to buyers.
- 5. After-sales:** Buyers app gives buyers an option to manage their orders, track the order status, return or cancel the orders. Buyers app also allows buyers to send queries or feedback to the seller or the ONDC network. Buyers app can also handle disputes and refunds in case of any issues with the order.

#### Buyer Apps on the ONDC Network

Below are some of the registered buyer apps on the ONDC Network. MyStore and Pincode (by PhonePe), are currently being heavily used by consumers.

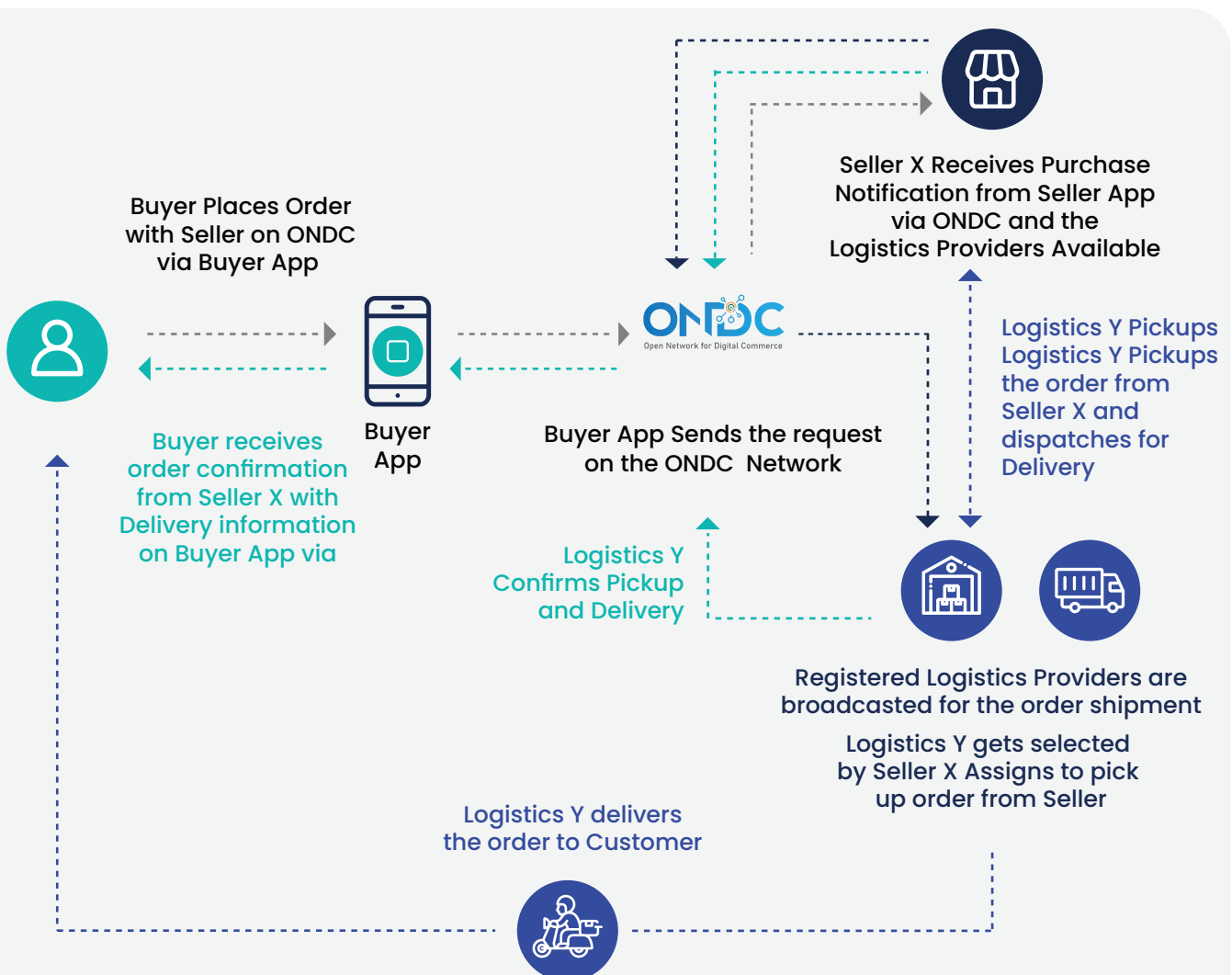


### 3.4.3 Seller's Journey on ONDC

The role of the ONDC seller app is to enable sellers to participate in the ONDC network as a seller and connect them with potential customers through the ONDC buyer app. Sellers can register themselves on the ONDC network and upload their products or services on the platform. The ONDC seller app helps them to manage their inventory, track their sales and revenue, and receive payments from their customers.

The app also provides sellers access to various analytics and insights to understand the performance of their offerings on the platform and make informed decisions regarding their business strategy.

### 3.4.4 Seller's App Role on ONDC



Here is a step-by-step process of how a seller app interacts with a buyer app on the ONDC:

1. A buyer app hosts an e-commerce platform where the buyer can browse and order products from different sellers. The buyer interacts with the app and makes a purchase of a product from Seller X.
2. The buyer app sends a request for a particular product to the seller app through the ONDC protocol.
3. The seller app receives the request and verifies the availability of the product and its price.
4. The seller app then sends a response to the buyer app through the ONDC protocol, which includes details of the product, price, and any additional shipping or tax charges.
5. If the buyer agrees to the terms, they can proceed to make payments using one of the payment options available on the ONDC platform.
6. Once the payment has been confirmed, the seller app receives the order data and sends to the ONDC, which sends a confirmation back to the Buyer post confirmation from Seller X.
7. Seller X then fulfills the order, packages the product, and sends it to the buyer. Seller X may place a request to get logistics from ONDC NPs which can help fulfill the order and confirm on a delivery partner.
8. Post confirmation the selected Delivery partner (Logistics Y) goes to the Seller X and picks up the order.
9. The seller app with the Logistics NP updates the all the information on ONDC protocol with details of the shipping and delivery, including the estimated delivery date and a tracking number.
10. The buyer app receives the updated shipping and delivery details and can track the order's progress.
11. Once the product is delivered, the buyer app confirms the delivery and completes the purchase. The seller app and Seller X receives the payment and the transaction is completed.

## 3.5 | *Other Ecosystem Participants*

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The success of this platform depends on the active participation of various ecosystem participants, including sellers, buyers, technology service providers (TSPs), Reconciliation Service Providers (RSPs), and Network Participant Banks.

Each of these ecosystem participants plays a critical role in the seamless functioning of the ONDC platform.

Below is a descriptive example of each of the Network Participant roles.

### 3.5.1 Technology Service Providers

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Technology Service Providers (TSPs) play a critical role in providing the technology infrastructure for the end-user facing apps on the buyer and seller side of the ONDC network. TSPs enable buyers and sellers to access the ONDC network, provide technology solutions to manage their storefronts, listings, inventory, orders, payments, and logistics, and offers

services such as digital marketing, customer service, and analytics. Essentially, TSPs act as the technology backbone of the ONDC network, enabling buyers and sellers to participate in India's digital commerce ecosystem.

### 3.5.2 Reconciliation Service Providers

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Reconciliation Service Providers (RSPs) play an important role in the ONDC ecosystem by providing services related to reconciling payments and financial transactions between buyers, sellers, and payment service providers (PSPs). RSPs help ensure that financial transactions are accurate, timely, and comply with applicable regulations. They also help resolve payment disputes and manage chargebacks. Overall, RSPs help facilitate a smooth and efficient payments system within the ONDC network.

An example of the role of an RSP on ONDC would be handling payment reconciliations between different parties within the ONDC network. For instance, if there is a dispute between a buyer and a seller regarding a payment, the RSP can investigate and resolve the dispute according to the regulations and protocols set by ONDC. The RSP can also manage chargebacks and refunds to ensure that the financial transactions are processed accurately and efficiently. This helps establish trust and reliability within the ONDC network, making it a more secure and trustworthy platform for digital commerce in India.



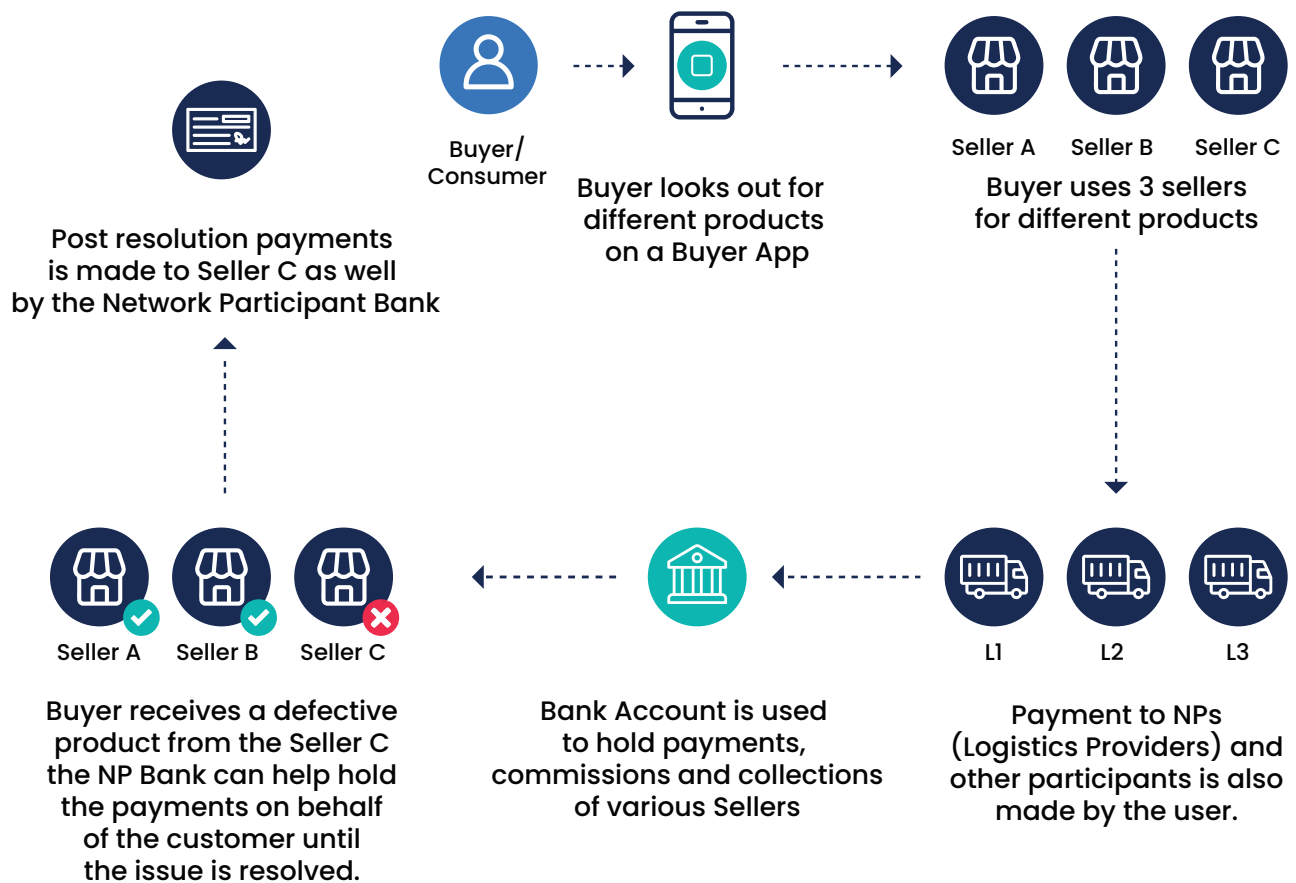


### 3.5.3 Network Participant Banks

Network participants, such as IDFC FIRST Bank, play an important role in the ONDC network. They help ensure compliance with applicable regulations and standards,

especially regarding financial transactions, including payment reconciliation and dispute resolution between buyers and sellers.

#### Network Participant Bank



Network Participant Banks can serve as intermediaries between the buyer's and seller's banks, ensuring accurate and timely settlement of payments. They have the capability to establish trust accounts or escrow accounts to hold funds until transactions are satisfactorily completed. For instance, if a buyer receives a defective product from the seller, the NP Bank can assist by withholding the payment to the seller until the defect is resolved. They also handle refunds and chargebacks to

ensure precise transaction processing in compliance with relevant regulations. By offering these value-added services, Network Participant Banks contribute to maintaining the integrity and efficiency of the entire ONDC network, ensuring that transactions are conducted in a safe and reliable manner for all participants.

## 3.6 | *How ONDC Will Disrupt Various Business Models in eRetail*

The e-commerce landscape in India has seen immense growth over the past few years, with major segments such as D2C and B2B experiencing significant growth.

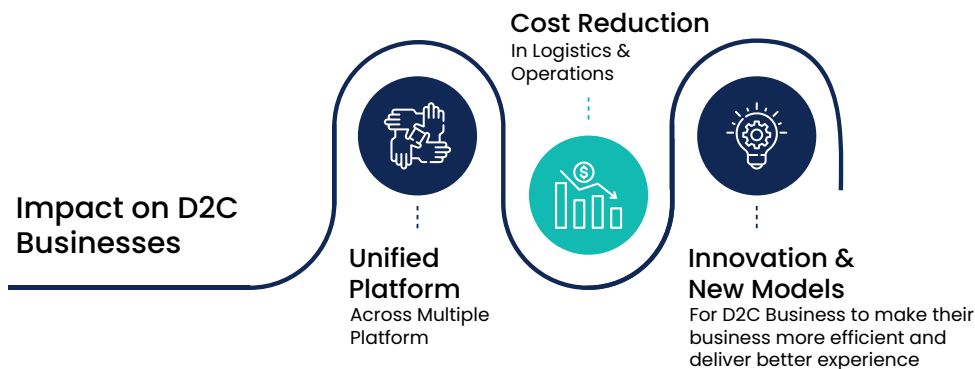
ONDC will not just disrupt D2C and B2B Models but also B2C, which can be a significantly change the ecommerce landscape.

### 3.6.1 Direct to Consumer (D2C) – Digital Native

In D2C businesses, customer acquisition costs are typically higher than in traditional retail due to limited brand recognition, necessitating heavy reliance on marketing for customer reach. Moreover, D2C brands must strike a balance between competitive pricing and maintaining satisfactory profit margins. Unit economics play a pivotal role in assessing the lifetime value of a customer in relation to the cost of acquiring them. If customer acquisition costs outweigh the customer's lifetime value, profitability may be unattainable. Thus, maintaining robust

unit economics is vital for the longevity of D2C businesses.

ONDC's common platform for cataloging, inventory, and order management reduces costs of maintaining separate e-commerce platforms, enabling D2C businesses to focus on core competencies and improve unit economics. Furthermore, ONDC facilitates access to third-party logistics providers, streamlining fulfillment and enabling faster, cost-effective deliveries. This further enhances unit economics and profitability for D2C businesses.



By offering a common platform for cataloging, inventory management, and order management across different channels, ONDC can help reduce the costs associated with developing and maintaining separate e-commerce platforms for each channel. This means that D2C businesses can focus on their core competencies and reduce overall expenses, leading to improved unit economics.

Additionally, ONDC aims to provide access to third-party logistics providers, allowing D2C businesses to outsource their order fulfillment process and offer faster and more cost-effective deliveries. By streamlining logistics and reducing costs, D2C businesses can further improve their unit economics and profitability.

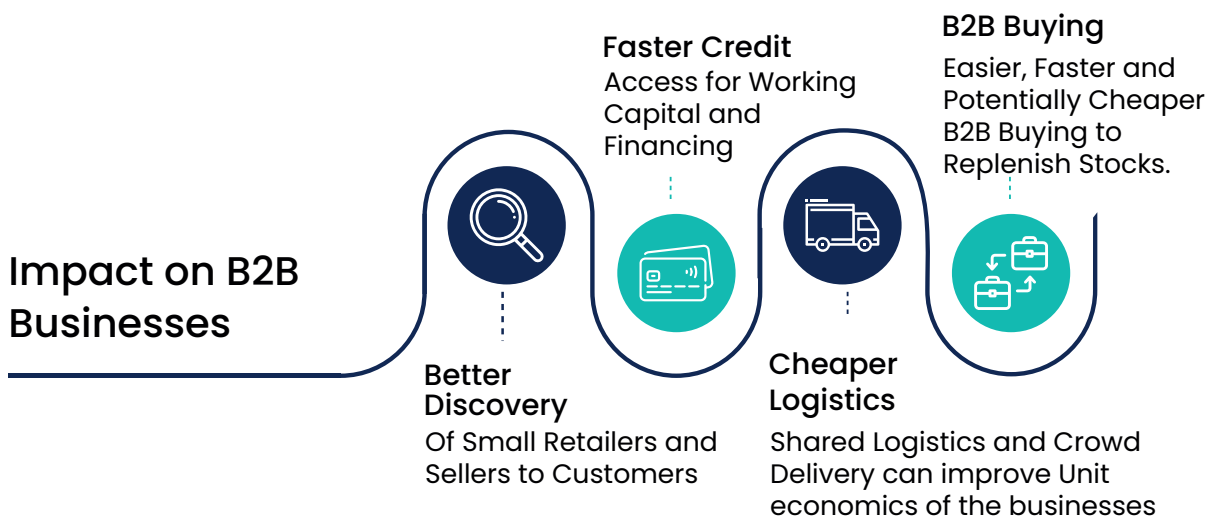
### 3.6.2 Business to Customer (General Trade & Modern Trade)

ONDC has the potential to impact general trade, benefiting small retailers like Kirana stores and shops through faster, secure transactions, improved inventory management, and reduced intermediaries. The adoption of ONDC may lead to cost savings and convenience, although the exact impact will depend on local regulations, adoption rates, and market competition.

The decentralized nature of ONDC could increase discoverability of smaller retailers, while transaction transparency and real-time inventory data enable better business decisions. It may also facilitate direct access to credit facilities and financial services, improving credit assessments and risk management for small retailers.

ONDC enables collaborative delivery models like shared logistics and crowd-delivery, reducing distance between suppliers and retailers for more cost-effective delivery. It may assist modern trade retail companies in hyperlocal delivery marketing, providing access to a larger network of logistics providers and streamlining operations for better customer experiences.

Furthermore, ONDC offers digital payment solutions and other services tailored to specific company needs, potentially enhancing operational efficiency. However, the overall impact of ONDC on general trade will depend on adoption rates and its ability to overcome potential challenges.

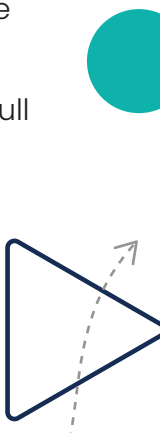


ONDC could potentially reduce the reliance on traditional banking systems and intermediaries, allowing small retailers to access credit facilities and other financial services in a more direct and efficient way. Additionally, the increased transparency and access to real-time data provided by the ONDC network could enable more accurate credit assessments and risk management for small retailers.

ONDC could enable innovative delivery models such as shared logistics and

crowd-delivery by providing a platform for suppliers and retailers to collaborate more effectively. This could help reduce the distance between suppliers and retailers, making it easier and more cost-effective to deliver goods to customers.

However, it's important to note that the full impact of ONDC on general trade will depend on factors such as its adoption rate and how successfully it can overcome potential challenges.



### 3.6.3 Business to Business

ONDC offers potential benefits to B2B businesses, including secure transactions, reduced reliance on intermediaries, and access to new markets. Its open and decentralized network facilitates direct communication between suppliers and retailers, improving procurement efficiency. ONDC can also reduce transportation and warehousing costs, leading to more efficient operations. The

platform enables efficient credit scoring and risk assessment, reducing reliance on traditional banking institutions. Real-time tracking and transparent logistics management streamline inventory and shipping processes, resulting in faster order processing and reduced costs for B2B businesses.



ONDC has the potential to facilitate faster go-to-market (GTM) strategies for new B2B companies by providing a platform for easier and cost-effective connections with suppliers and retailers. This can enable them to expand their market reach

more efficiently. However, the actual impact of ONDC on GTM for new B2B companies will be influenced by factors such as adoption rate and regulatory conditions.

## 3.7 | *Benefits of Onboarding on ONDC for Brands*

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### 3.7.1 Access to a larger customer base

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ONDC aims to democratize and decentralize the digital economy, promote competition and innovation, and standardize logistics operations. It addresses non-competitive behavior of major e-commerce firms, creating a level playing field for small retailers, reducing barriers to online entry and discovery, and fostering adoption of open digital

ecosystems in key sectors like B2B e-commerce. This inclusive approach benefits sellers, especially small and medium enterprises and local businesses. By providing hassle-free delivery for local merchants, it opens up opportunities to serve a larger customer base, benefiting both sellers and consumers and fostering a more competitive and efficient market.

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Sources: Substack, Economic Times, PRN Newswire, Analytics India Magazine & Inc42

### 3.7.2 Reduced Reliance on Marketplaces

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ONDC offers an open e-commerce ecosystem that reduces reliance on closed platforms. It promotes competition and innovation, providing easier access to resources. With hassle-free delivery for local merchants and streamlined logistics, it benefits small retailers and businesses. The commission rate charged by Buyer and Seller Apps on ONDC is expected to be

8-10% of the product price, significantly lower than what closed platform charges i.e. 18-40%. This financial advantage attracts small retailers. ONDC is also in talks with major eCommerce Marketplaces to join, creating a more inclusive network and leveraging existing e-commerce synergies in India.

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Sources: India Inc & Wikipedia

### 3.7.3 Building an Independent Sales Channel

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ONDC empowers brands to establish their own independent sales channels within an open and decentralized e-commerce ecosystem. Brands can directly connect with consumers through their own webstores or pages, fostering personalized relationships. ONDC ensures hassle-free delivery for local merchants, standardizes operations for efficient

logistics, and reduces reliance on dominant e-commerce platforms. Brands also gain access to 1st Party Data, enabling direct customer outreach, loyalty-building, and valuable customer insights that were previously controlled by marketplaces.

### 3.7.4 New Business and Operational Models

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One of the key advantages of an open network is its ability to create new business models for brands and leverage their existing logistics and operations for online growth. ONDC enables brands to

establish multiple nodes across the network, leveraging the capabilities of various service providers, data providers, logistics, and operational services seamlessly and cost-effectively.

## 3.8 | *Reimagining and Transforming India's eCommerce Story*

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ONDC represents a transformative initiative with the capacity to revolutionize digital commerce in India. Its potential lies in democratizing and expanding accessibility to digital commerce, thereby driving the growth of the overall digital economy. The success of ONDC hinges upon stakeholder acceptance and

favorable government policies. If successfully implemented, ONDC could serve as a model for other nations aspiring to build open and inclusive digital commerce ecosystems.





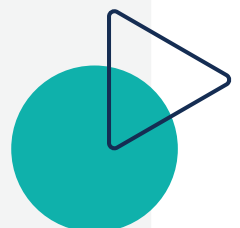


# 04

## *How to embark on the ONDC journey: A Comprehensive Guide for Businesses*

It is crucial for businesses to assess whether their current infrastructure can support the business model they plan to address with ONDC. In this section, we have covered three major types of businesses: D2C (Direct-to-Consumer), B2B

(Business-to-Business), and B2C (Business-to-Consumer). However, it is important to note that ONDC can enable a wide variety of business models in the future.



## 4.1 | *Is ONDC a Viable Option for Onboarding Your Business at Present?*

It is crucial for businesses to assess whether their existing infrastructure can support the intended business model when considering ONDC. In this section, we have addressed three primary business

types: D2C, B2B, and B2C. It is important to emphasize that ONDC has the potential to enable various business models in the future.

### 4.1.1 Direct to Consumer / Digital Native Brands

As e-commerce enters its next growth phase, ONDC could offer D2C brands direct access to a broader range of buyers and sellers, fostering increased competition and improved pricing and terms. By capturing early market share and embracing technology swiftly, D2C brands can gain a competitive edge in the dynamic e-commerce landscape.

ONDC presents a more cost-effective and efficient means for D2C brands to conduct transactions, enhancing network utilization and driving superior unit economics. Moreover, joining ONDC now enables D2C brands/businesses to establish themselves as early adopters and frontrunners in the emerging digital

commerce ecosystem, potentially attracting more customers and investors in the future.



### 4.1.2 Business to Consumers (General Trade & Modern Trade)

Brands in the B2C sector should consider joining ONDC for various compelling reasons. ONDC offers a seamless integrated platform through its Catalog as a Service (CaaS) feature, enabling easy product listing and management, reducing setup costs, and improving time-to-market. It provides logistics support to streamline fulfillment and

delivery operations, especially for expansion into new regions. ONDC also offers a secure and user-friendly payment platform, simplifying transactions with customers across India. Furthermore, ONDC provides tools for customer data collection and analysis through its IPD Data feature, empowering brands to understand customer needs and make

targeted marketing decisions. By fostering a community of sellers, ONDC facilitates collaborations and partnerships. Lastly, ONDC opens doors to new distribution models, enabling companies to enhance their reach and boost sales.



### 4.1.3 Business to Business

Now is an opportune time for B2B enterprises to join ONDC, as the platform is actively expanding its services to enhance B2B commerce and is in the early stages of digital transformation. Unlike the B2C landscape, the B2B sector in India has witnessed limited advancements, with few online marketplaces catering to its unique requirements, such as transactional efficiency, payables and receivables management, and trade credit. ONDC offers numerous advantages to businesses, including reduced transaction costs, access to untapped markets for traditional enterprises, and improved supply chain logistics, simplifying and streamlining business operations. By

efficiently managing trade credit, ONDC simplifies payment processes and minimizes paperwork. This secure and efficient online marketplace is poised to propel B2B commerce forward. Small and medium-sized enterprises stand to gain significant benefits from ONDC, as it empowers them to increase sales, reduce costs, and expand their market presence, bolstering their competitiveness within the B2B sector.



## 4.2 | *Choosing the right node for your brand.*

If you're considering joining ONDC, you'll need to choose between becoming an Inventory Seller Node (ISN) or joining as a Marketplace Seller Node (MSN), or you can opt to become a seller on an existing MSN like MyStore or eSamudaay. The decision depends on factors such as your budget, marketing goals, inventory size, and your business model. To make an informed

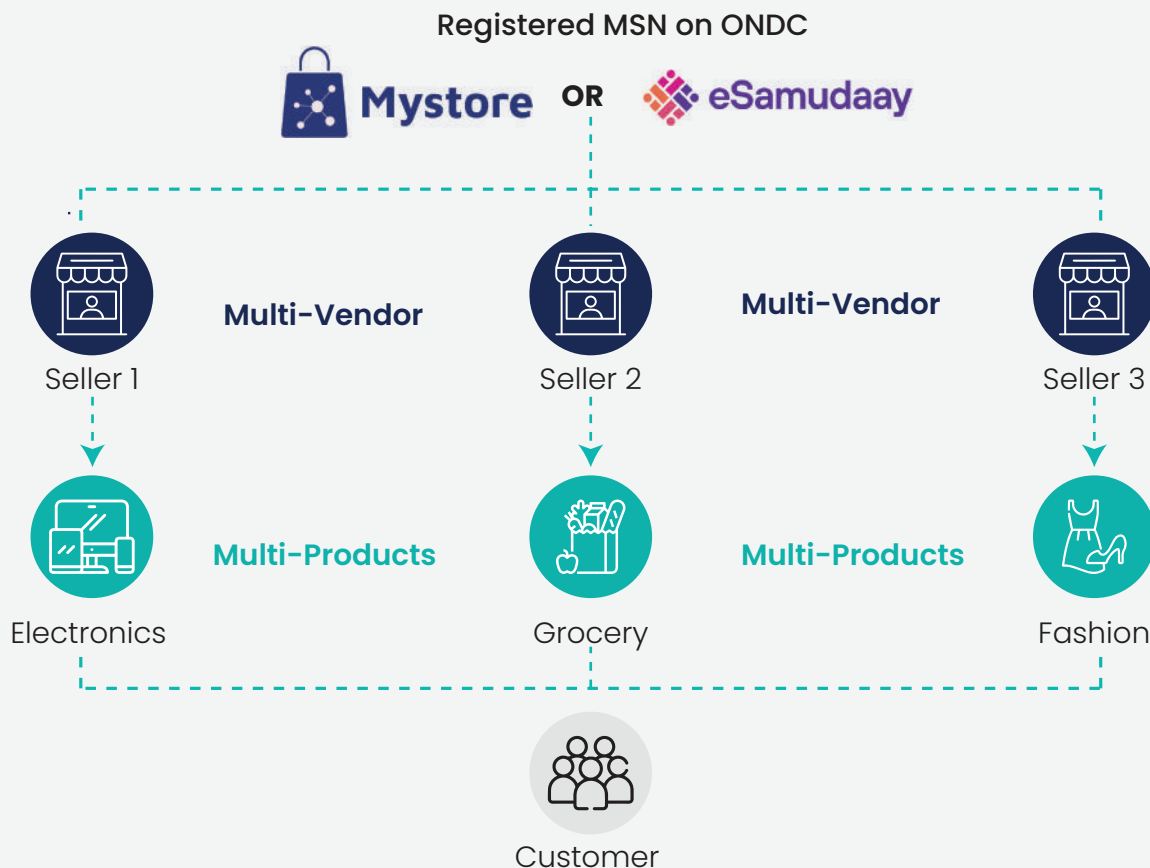
choice, carefully evaluate these factors and seek guidance from ONDC representatives. The following section provides a comparison of the three models available on ONDC and offers detailed information on each node to help businesses choose the most suitable option for their use case.

### 4.2.1 Seller on a Marketplace Seller Node

MSNs, such as MyStore or eSamudaay, act as aggregators on the ONDC platform, allowing market sellers (who are not

network participants themselves) to conduct transactions.

#### Seller on an MSN



**A brand can become a seller just like multiple sellers on an existing MSN (E.g. MyStore) and sell the products to the customers on ONDC.**





By joining as a seller through an established MSN, you can sell your products through an existing e-commerce marketplace within the ONDC network. This model offers the advantage of quick product selling without the need for individual onboarding and compliance procedures. It enables brands to rapidly reach a larger audience and leverage established marketing and advertising channels. Moreover, MSNs handle storefront setup, inventory management, payment processing, and deliveries, allowing brands to focus on product quality and service excellence.

However, there are some drawbacks to joining as a seller on an MSN. These include higher commission fees and limited control over branding and customization compared to ISNs. Additionally, existing Sellers on MSNs have significant competition from other sellers on the same platform, which can make it challenging to stand out from the crowd.

It's important to note that as a seller on an MSN, you will not be a registered entity on the ONDC Network, as the MSN itself is the registered entity.



**Ideal For**

Small D2C Brands and Small Consumer Product Companies.



**Time & Effort**

Effortlessly accomplished on platforms such as MyStore, which facilitate seller onboarding with minimal time investment.



**Should you adopt this Now or Later ?**

It is highly recommended to adopt this mode in order to effectively enhance reach and visibility.



**Cost & Fees**

Platforms like MyStore generally employ a per-order charging model, offering affordable costs, and if a brand aims to eliminate commissions and scale in the future, they can transition into an ISN/MSN.



**Technology Expertise Required to Start**

No extensive technical expertise is necessary; however, a fundamental understanding of eCommerce Marketplace Platforms is beneficial.



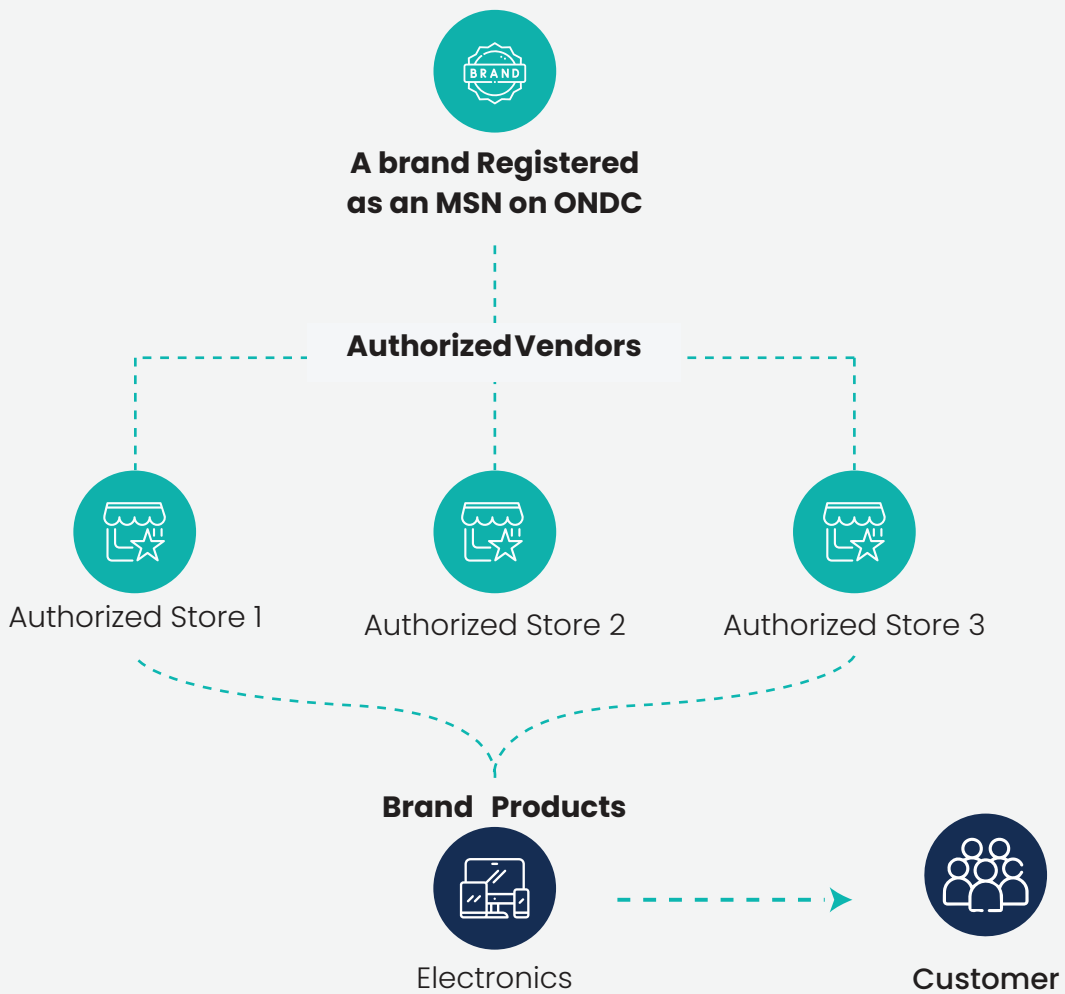


## 4.2.2 Marketplace Seller Node – Network Participant (MSN-NP) on ONDC

An alternative way for a brand to join the ONDC Network is by becoming a Marketplace Seller Node (MSN). As an MSN, the brand acts as the marketplace, facilitating the sale of goods and services offered by third-party merchants or service providers to buyers accessing the network. The brand, in this role, does not

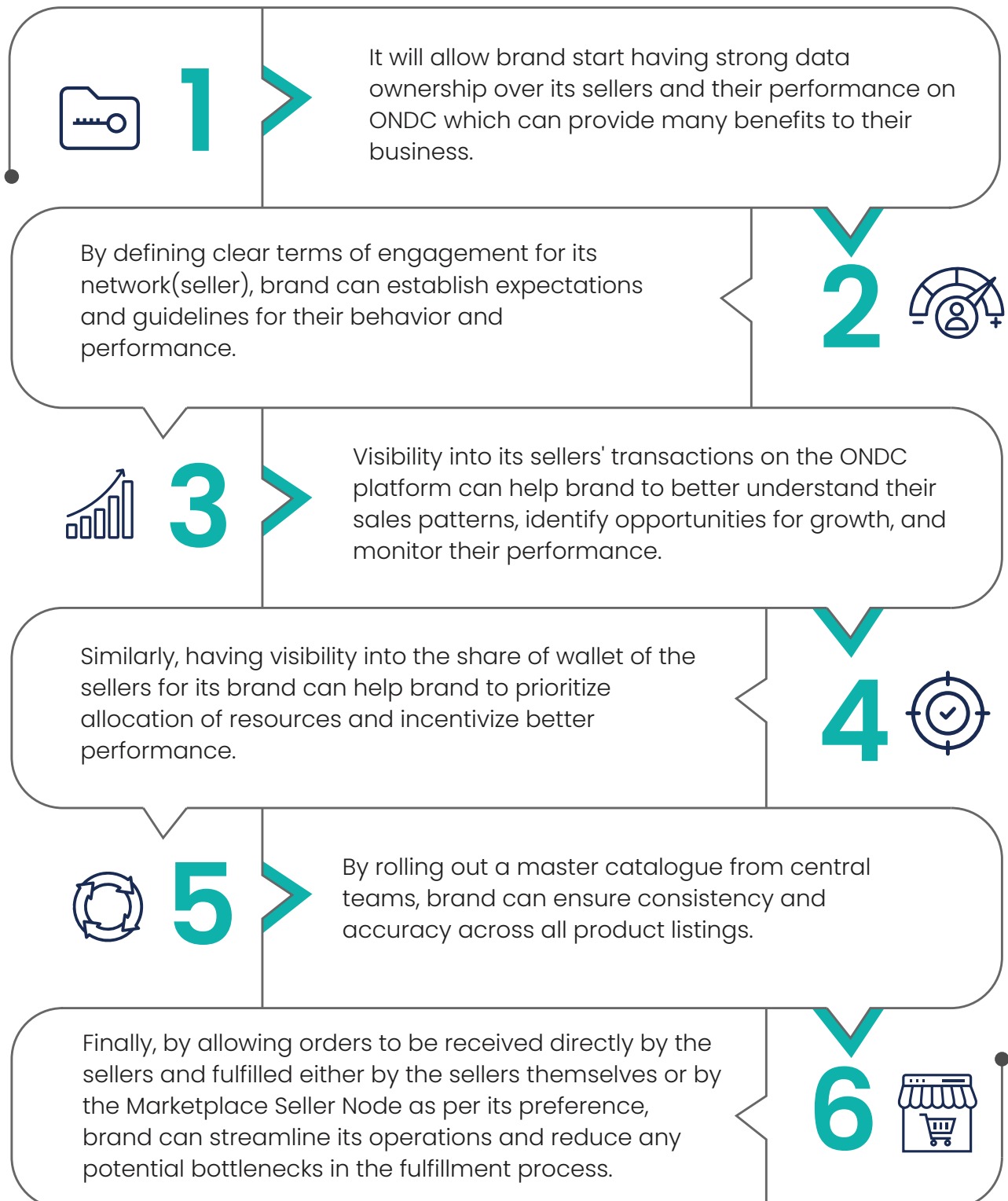
act as the "seller on record," but rather the third-party merchants or sellers fulfill that role. Being an MSN allows the brand to control its sellers, provide a common storefront, manage inventory, and handle payments and deliveries. This enables a standardized and pooled resources approach to its sellers.

### Closed MSNs Operated by Brands with Authorized Sellers



An authorized brand seller has the opportunity to join and become a seller on the MSN network, which is operated by the brand itself.

Some of the key advantages of registering a brand as a MSN-NP are:



Strong data ownership over its sellers on ONDC can help brand to better manage its network and maximize its business's performance.

This can turn out to be a great way for larger brands to leverage existing distributors/brand stores or network of sellers to bring the products on the ONDC Marketplace in a structured way.



**Ideal For**

Perfectly suited for larger consumer product companies seeking to grant autonomy to their individual sellers, allowing them to independently manage and fulfill orders.



**Time & Effort**

MSN is as a "seller on record" which entails direct participation in the network, involving considerable time and effort. Nevertheless, such challenges can be mitigated by enrolling with a Technology Service Provider (TSP) that specializes in facilitating network onboarding.

Through the assistance of a TSP, you can streamline the process, minimizing the required time and effort while effectively establishing your presence on the network.



**Should you adopt this Now or Later ?**

For large Consumer Product Companies, it is advisable to promptly adopt ONDC in order to setup and onboard a seller network and secure a first mover advantage. Taking timely action will enable you to establish a strong foothold in the market and potentially gain a significant competitive edge.



**Cost & Fees**

ONDC itself does not charge any fee to onboard as an MSN, and enables direct onboarding by reaching out to the ONDC Team or utilizing a TSP, with associated costs varying among different partners.



**Technology Expertise Required to Start**

Directly signing up with ONDC requires organizational investment in developing and integrating the platform, which can be costly, time-consuming, and technologically complex, but partnering with a TSP can greatly mitigate these challenges and reduce costs.

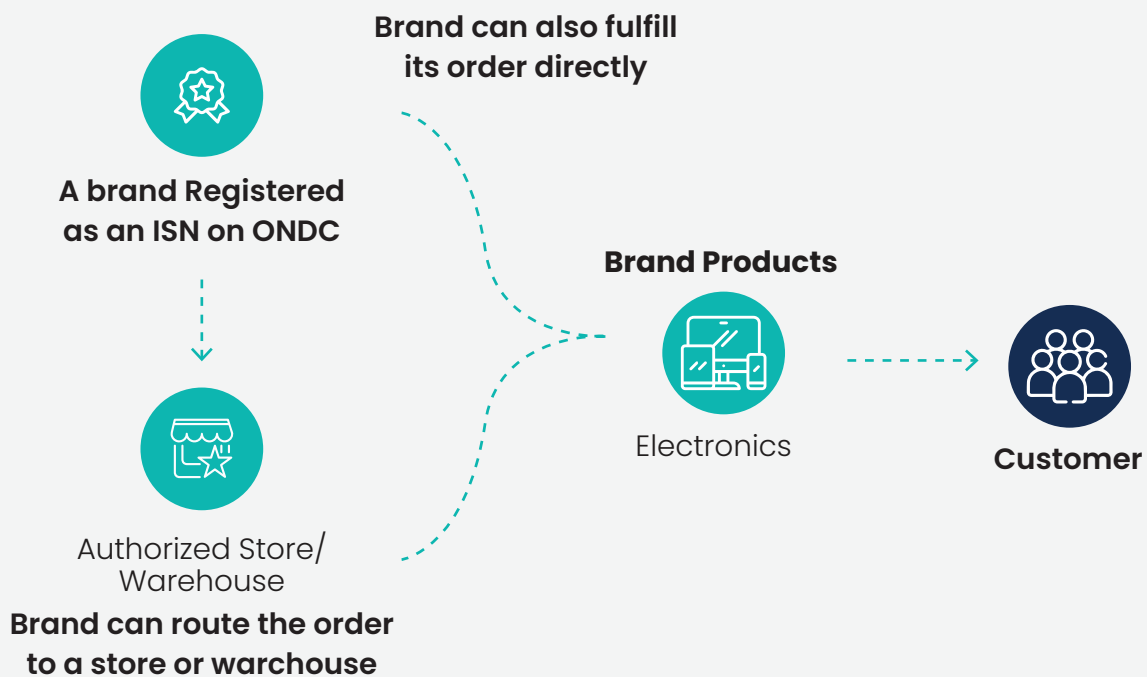


### 4.2.3 Inventory Seller Node (ISN) on ONDC

A brand can opt to become an Inventory Seller Node (ISN) on the ONDC Network. As an ISN, the brand acts as the "seller on record" for their goods and services, offering them to buyers from any Buyer Node. They can utilize their own production inventory or procure inventory from other merchants or service providers. Notably, being an ISN-NP (an Inventory Seller Node – Network Participant) means the brand

operates independently on ONDC without association with other sellers, distributors, or retailers. The brand has complete control over their presence and delivery process, maintaining their identity. This setup is advantageous for brands with established distribution channels, allowing them to retain full control over their sales and operations on the ONDC platform.

#### ISN Model for a Brand



In case of an ISN the brand itself manages the order management unlike MSN where the seller manages it, however the brand may choose to route order if required.

Inventory Seller Node (ISN-NP) on the ONDC offers a range of advantages to brands such as:

1. One significant benefit is that brands can fully own the customer experience, with complete control over the sales process and product delivery.
2. Central teams receive orders, and internal order management systems route the order to the closest fulfillment centers, helping to streamline processes and improve efficiency.
3. Additionally, the ONDC network does not charge any commission rates to the Inventory Seller Node (ISN), allowing brands to keep more of their profits.

In summary, ISN-NP on the ONDC platform provides greater control for brands over the customer experience and the chance to increase their profits while simplifying the sales process.

An ideal brand which can leverage the Inventory Seller Node on ONDC can be a D2C Brand which aims to control their inventory and all aspects of their business directly. Similarly, large companies can use this method in case they want to centralize their inventory management and order management operations but decentralize the fulfillment.



**Ideal For**

Ideally suited for D2C and larger consumer product companies aiming to assert control over order management and fulfillment processes.



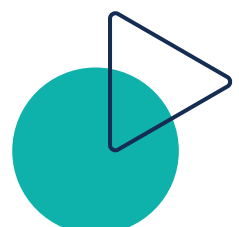
**Time & Effort** ISN is as a "seller on record" which entails direct participation in the network, involving considerable time and effort. Nevertheless, such challenges can be mitigated by enrolling with a Technology Service Provider (TSP) that specializes in facilitating network onboarding.

Through the assistance of a TSP, you can streamline the process, minimizing the required time and effort while effectively establishing your presence on the network.



**Should you adopt this Now or Later ?**

For large D2C/Consumer Product Companies, it is advisable to promptly adopt ONDC to secure a first mover advantage. Taking timely action will enable you to establish a strong foothold in the market and potentially gain a significant competitive edge.





**Cost & Fees**

ONDC itself does not charge any fee to onboard as an ISN, similar to MSN and enables direct onboarding by reaching out to the ONDC Team or utilizing a TSP, with associated costs varying among different partners.



**Technology Expertise Required to Start**

Directly signing up with ONDC requires organizational investment in developing and integrating the platform, which can be costly, time-consuming, and technologically complex, but partnering with a TSP can greatly mitigate these challenges and reduce costs.

## 4.3 | Fees & Charges Associated with Selling on ONDC

### 4.3.1 Seller App & MSN Platform Fees

One of the main advantages of ONDC is its fee structure, which differs from other e-commerce platforms. ONDC does not charge platform fees to sellers who register as an MSN or ISN, allowing them to retain 100% of their profits. Instead, sellers may need to pay a net buyer-finder fee of which may vary from 3-5% on the cart

value to the buyer app that connects them to customers. This fee structure enables sellers to save money, increase their margins, and offer competitive prices to customers. Additionally, being part of ONDC grants sellers access to a vast network of millions of customers across multiple buyer platforms.

Buyer App Finding Fee		1%-5%* (Approx)
Marketplace Seller Node		0% Fees (if you directly register with ONDC)
Inventory Seller Node		0% Fees (if you directly register with ONDC)
Seller on an MSN (MyStore, eSamudaay)		1% - 3%* Seller App Fee (Approx)

A detailed understanding on the Pricing and other commissions and fees is covered in the Payments & Settlements Section.

The buyer and seller app fees may vary, but in most cases, they will be calculated based on the cart value



## 4.3.2 Technology Service Provider (TSP) Fees

TSPs are an integral part of the ONDC ecosystem, providing various technology-based services to sellers and other stakeholders. These services include website or app development, digital marketing, logistics management, and payment gateway integration. TSPs drive innovation and growth by providing advanced tech-

nology solutions to sellers. However, the cost of TSP services on ONDC is a significant consideration for sellers. The pricing of TSP services depends on factors like service level, complexity, and duration. Common pricing models used by TSPs on ONDC are as follows:



### Fixed fee model:

TSPs charge a set fee for one-time services like website development or app design.



### Subscription model:

TSPs charge a recurring fee (weekly, monthly, or yearly) for ongoing services like website maintenance or digital marketing.



### Project-based model:

TSPs charge a fee based on the project's scope and duration, which can be hourly or per project.



### Commission Model:

TSPs may negotiate commission fees based on order volume or GMV, with charges varying depending on services, product category, sales volume, and market competition. TSPs must follow ONDC guidelines to ensure fair charges for sellers.

## 4.4 | *Catalog Creation*

Catalog management is key in ONDC, as it ensures that Buyers are well informed and can make informed decisions about products, in addition to improving the customer experience, attracting more customers, and increasing sales. Proper catalog management is thus critical for the functioning of an ecommerce platform and in providing efficient online commerce services to buyers and sellers.



### 4.4.1 How will ONDC Transform Catalog Creation?

The ONDC platform aims to transform cataloging through the Catalogue as a Service (CaaS) feature. CaaS is designed to enable sellers to create and manage their product catalogs more efficiently, by providing standardized product codes and descriptions, as well as tools for bulk upload and management of product information.

Additionally, CaaS provides a mechanism for enabling sharing of catalog information across platforms, thereby promoting inter-network operability and expanding the range of products available to customers. Overall, the focus on standardized cataloging on the ONDC platform helps to enhance transparency, streamline the buying process, and provide a better customer experience.

### 4.4.2 Importance of a Catalog on ONDC

Below are important reasons on why a good catalog is very important to build a successful ONDC Business:



Provides comprehensive and accurate information to customers, helps them make informed decisions about products.



Makes it easier for customers to find and filter products based on their specific needs and preferences.



Improves the overall customer experience, which can lead to increased customer loyalty and repeat business.





Enhances the credibility and professionalism of the ecommerce platform, which can attract more customers and increase sales.



Improves the platform's search engine optimization (SEO) and visibility in search results, makes it easier for potential customers to find and explore the platform and its products.

In case of ONDC, some important attributes that need to be included while creating a catalog is as per below:

### 4.4.3 Optimizing & Enabling Product Listings on ONDC

In this section, we will explore the cataloguing process on ONDC and discuss some tips for optimizing your product listings.

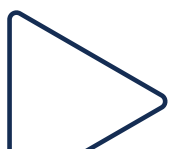
For brand products, utilizing physical copies of the brand's catalog that contain all the necessary information and specifications is an excellent way to create your product listings for ONDC. If your brand has an online store with product information, this information can be used to create listings on ONDC. Additionally, if you are a manufacturer selling through ONDC, creating your own content would be an ideal way to create product listings.

The cataloguing system on ONDC is similar to that of marketplaces, making it easier for companies that already have an existing online presence. They can use resources and imagery from there. This means that if your business already has an online store, you can simply copy the product information and images and paste them into the ONDC listings.

It's important to note that the initial product listing should always include quality images, descriptions, features, benefits, and specifications. This allows potential buyers to get a clear picture of

the product and what it has to offer. Be sure to include details such as product dimensions, weight, and any other critical information that can influence a buying decision.

When creating your ONDC listings, consider partnering with third-party cataloging service providers or establishing an in-house catalog creation team to consolidate and manage the catalog requirements effectively. Choosing the right partner will ensure that your listings are accurate, complete, and up to date, reducing the likelihood of errors and minimizing listing updates.



**To create an effective catalog, several important aspects need to be considered.**



**Attributes & specifications**

Product attributes should be defined to describe unique features, including mandatory critical attributes and optional attributes that aid customers in understanding and comparing products. Product titles should accurately represent the product, including relevant elements arranged by relevance and importance, while avoiding unnecessary words.

Technical products should include detailed specifications provided by the

manufacturer. A concise and compelling product description should highlight benefits, problem-solving capabilities, and superior qualities. Pricing, discounts, and offers should be clearly displayed, and customer reviews and ratings should be enabled to build trust.

Key features should be highlighted in bullet points, focusing on customer-valued features, warranty/guarantee details, and important specifications.



**Robust backend**

Firstly, setting up a robust backend database is necessary to store all product information such as name, prices, inventory, features, FAQs, etc. The frontend of the catalog should display this information in a clear and concise manner. Each product should have a unique Product Display Page (PDP) with images, pricing, and buttons for purchase.



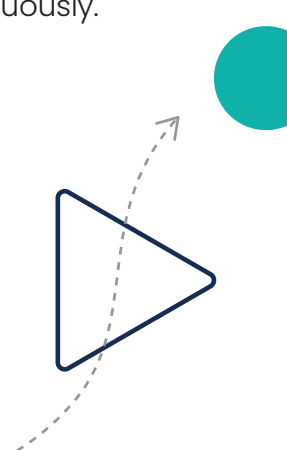
**Frequently asked questions**

Frequently asked questions should be addressed with accurate and detailed answers, and product variants should be displayed separately with relevant images and descriptions. The catalog should be optimized for mobile devices and follow SEO optimization techniques. Regular updates and maintenance should be performed, including adding new products, removing discontinued items, and monitoring stock levels. User feedback and metrics should be analyzed to refine and improve the catalog continuously.



**Images**

High-quality images should be used, showcasing the product from various angles and complying with specific category requirements.



## 4.5 | Order & Logistics Management

Order Management and Logistics Management are two key important areas to create a business on ONDC which is efficient and can actually scale. The way it is different from the existing eCommerce Systems is that it creates contracts between different parties across all levels, making it a seamless system for accountability and grievances, which makes the system very robust.

Its important we understand both the Order Placement and its components and also Logistics Systems before moving towards implementation.



### 4.5.1 Understanding Order Placement on ONDC

Its important to understand the Order Placement flow on ONDC before understanding the guidelines to run an order management system. In a nutshell, Buyers receive responses to their searches, select products, and

communicate with sellers through Buyer and Seller Apps. With transparent information, secure transactions, and efficient order fulfillment, ONDC facilitates a seamless and trustworthy experience for buyers and sellers alike.



### Order Placement Process On ONDC



#### CUSTOMER

Views, Selects and Makes Purchases, gets order and fulfillment confirmations



Displays Available Products & Services and Give Order Confirmation Details



#### BUYER APP

Buyer App Sends Requests to fetch data from Network



Buter App Sends data across Network



Seller App Sends data across to network



Seller App receives data from The network



#### SELLER APP

Lists Products and services and gives confirmation on orders and requests for NP Services (eg Logistics)



Receives Orders and Customer Details





1. **Search and selection:** The buyer receives responses to their search and clicks on a listing to view the product page.
2. **Communication with Seller App:** The Buyer App relays the request to the relevant Seller App, which then communicates with the seller to obtain a quotation (product price, offers, discounts) and terms of sale.
3. **Quotation and terms of sale:** The Seller App sends the quotation and terms of sale, along with fulfilment terms, to the Buyer App. The Buyer App displays this information to the buyer.
4. **Add to cart:** The buyer can add the selected item to their shopping cart, while being informed of logistics/delivery charges, convenience fees, and packing charges if applicable.
5. **Payment and order confirmation:** The buyer completes the payment process and confirms the order. A Transaction-level Contract is created and digitally signed by both the Buyer App and Seller App, outlining the rights and obligations of both parties.
6. **Order fulfilment:** The order confirmation and payment completion initiate the final stage of order completion. As per the logistics contract, the Logistics Provider will pick up the shipment from the seller and deliver it to the buyer. In cases of Cash On Delivery (CoD), the Logistics Provider collects payment from the buyer upon delivery.

## Trust considerations:



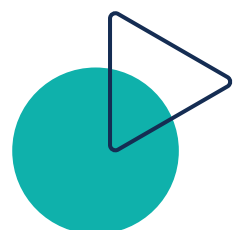
### **Accurate information:**

Seller Apps are required to report accurate and complete product information, including product description, price, offers, return/refund/cancellation policies, delivery time, and charges. The Buyer App must faithfully display the information received from the Seller App without modification.



### **Transaction-level Contract:**

ONDC introduces the Transaction-level Contract, allowing Network Participants without preexisting relationships to enter into binding contracts. This contract ensures trust between the participants and commits them to facilitate the order's completion and fulfilment.



## 4.5.2 How will ONDC Transform Order Management?

The ONDC platform also features standardization of operations such as, inventory management, and order management across different platforms. This means that merchants will be able to streamline their processes and reduce the time and cost associated with managing orders.

ONDC also aims to provide merchants with access to third-party logistics providers, allowing them to outsource their order fulfillment process. With streamlined order processing and reduced logistics costs, merchants will be able to offer faster and more cost-effective deliveries, improving the overall customer experience.

## 4.5.3 Efficient Order Management for Timely Delivery and Customer Satisfaction on ONDC

Once sellers are onboarded and their product catalog is live, they need to efficiently manage orders to ensure timely delivery and customer satisfaction. Effective order management involves having visibility into orders, streamlining

processes, and addressing potential issues promptly. In this section, we will discuss best practices for managing orders to enhance operational efficiency and minimize cancellations.



### Order Visibility:

To effectively manage orders, sellers need to have a clear view of all incoming orders. The Seller App should provide a user-friendly dashboard where sellers can monitor live orders, mark them as ready for dispatch, and track the order status post-dispatch. This real-time visibility enables sellers to take immediate action and ensures smooth order processing.



### Order Management System:

Sellers can develop an in-house order management system through their internal tech team. However, if capacity or capability gaps exist, outsourcing to third-party technical service providers can be a viable option. The order management system should include features such as updating selling prices and inventory quantity, tracking incoming orders, managing order status, processing and packing orders, and generating necessary documents like invoices and shipping labels.



### **Raising and Tracking Issues:**

The order management system should allow sellers to raise tickets against specific orders directly from the dashboard. This feature enables seamless communication with the Seller NP (National Provider) and facilitates efficient problem resolution. Sellers can track the progress of their raised tickets and ensure timely resolution of any order-related issues.



### **Tracking Order Status:**

The order management system should provide sellers with the ability to track orders throughout the entire fulfillment process. Sellers should be able to monitor the status of in-transit and delivered orders, as well as track returned orders. Having this visibility enables sellers to address any potential delays or issues promptly, ensuring customer satisfaction.



### **Order and Fulfillment Reports**

Comprehensive order and fulfillment reports are essential for sellers to analyze their performance and make data-driven decisions. These reports should provide detailed information on order status, fulfillment progress, pickup status, returns, commission invoices, and payment details. By analyzing these reports, sellers can identify trends, track their inventory health, and take necessary actions to improve efficiency.



### **Inventory Management:**

Inventory management plays a crucial role in order fulfillment. Sellers must ensure accurate inventory updates and timely replenishment to avoid stockouts. Regularly downloading inventory reports from the seller panel and comparing them with actual physical inventory can help sellers identify gaps and take necessary actions, such as placing timely orders or adjusting prices.

### **Pricing Management:**



Maintaining competitive and accurate pricing is vital to minimize cancellations. Sellers should regularly review and update their selling prices to ensure they meet the desired margin expectations. By comparing their prices with competitors and monitoring expected margins, sellers can make informed pricing decisions and minimize cancellations due to uncompetitive pricing.

### **Addressing Customer Cancellations:**



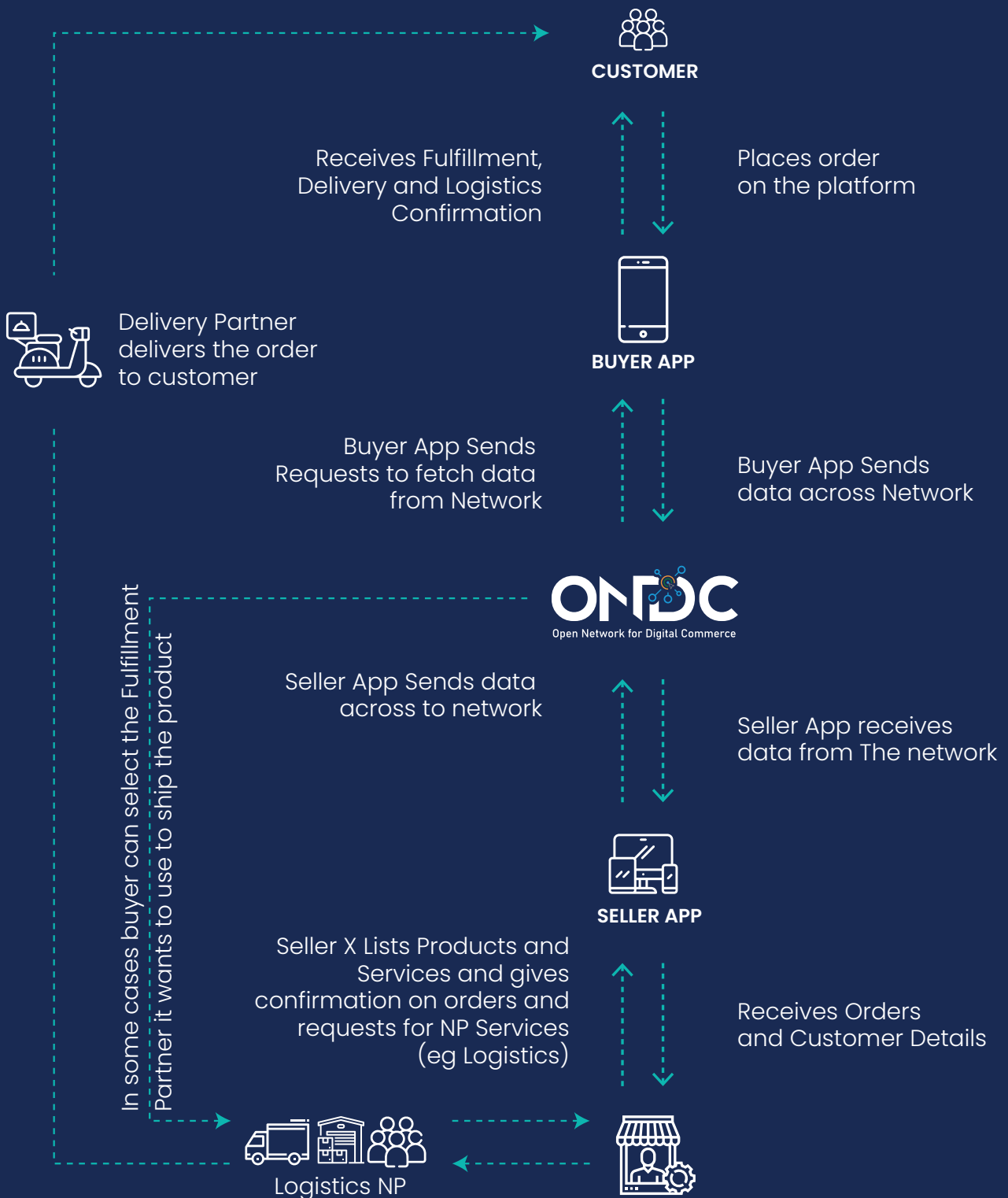
While some customer cancellations may be uncontrollable, sellers can take measures to address common reasons for cancellations. This includes minimizing delays in shipment, improving communication of delivery timelines, and promptly addressing pricing concerns. Analyzing cancellation patterns can help sellers identify areas for improvement and enhance customer satisfaction.



## 4.5.4 Understanding Logistics & Fulfillment on ONDC

The fulfillment stage on ONDC overlaps with the order placement stage. The process for Fulfillment and Logistics can be summarized as follows:

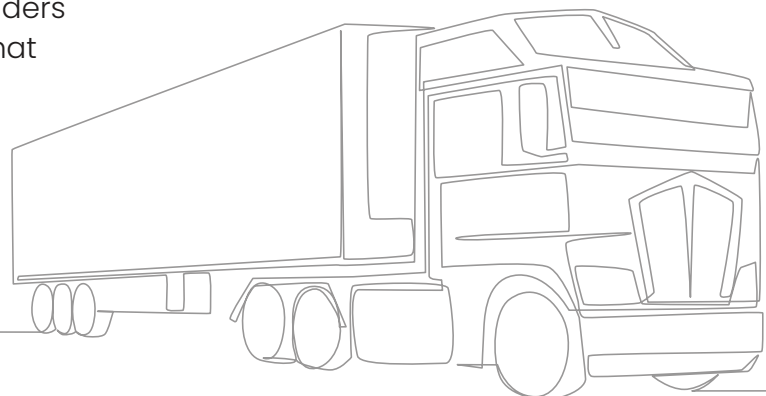
### Logistics & Fulfillment On ONDC



## Here is a step-by-step process of how Logistics and Fulfillment is done on the ONDC Network:

1. The buyer selects a product from the search results and lands on the product page.
2. On the product page, the buyer is informed whether the product can be delivered or if they have to arrange for pick-up.
3. There is no mandate or restriction on who can take responsibility for delivery. The protocol allows both Buyer App or Seller App to deliver the product.
4. If either Seller App or Buyer App chooses to take responsibility for delivering the product, they have the freedom to decide what arrangements they want to make to execute the delivery.
5. If they do not have a pre-existing agreement with a logistics services firm at the time of agreeing to deliver the product, ONDC allows them to procure logistics services through the ONDC Network itself to fulfill the order in question.
6. A Logistics Buyer (i.e. Seller App or Buyer App that is part of an ongoing transaction) searches for logistics services on the ONDC Network and receives quotations from Logistics Service Providers who are willing to deliver that order..
7. The Logistics Buyer passes on the price and turn-around time for logistics to the Buyer App, who then relays it to the buyer.
8. When the buyer confirms their order on the Buyer App, the Logistics Buyer parallelly confirms the logistics order. The two orders are linked to each other through a common reference id.

ONDC's architecture gives Buyer Apps and Seller Apps the freedom to decide how they want to manage order fulfillment, which is an important aspect of building trust among Network Participants and sellers. Additionally, ONDC policies require accurate and complete information to be provided to buyers, including logistics charges as a clear, separate line item in their bill. The provision of on-network logistics is an innovation that ONDC has introduced, enabling sellers to deliver orders even if they do not have their own logistics setup.





## 4.6 | Seller Management

If the business is planning to sign up on the ONDC Network as an MSN it's important to have an effective seller management in

place to ensure smooth functioning and consistent experience to the customer across geographies.

### 4.6.1 How will ONDC Transform Seller Management?

ONDC can potentially transform the seller management for brands, with regard to credit, consistent brand messaging via catalog as a service, efficient logistics and fulfillment, greater control over sellers, and access to data.

**Credit:** ONDC can potentially help small businesses access credit more easily by leveraging the power of the network. Brands can use the network to find financing partners who can provide credit to their sellers based on their participation in the marketplace and other relevant metrics.

**Consistent Brand Messaging via Catalog as a Service:** ONDC can provide a centralized platform for brands to create and manage their catalogs, ensuring consistent brand messaging across all their online sales channels. Brands can use the catalog service to upload product data, images, videos, and other marketing materials, and update them in real-time.

**Efficient Logistics and Fulfillment:** ONDC can enable brands to offer faster and more reliable logistics and fulfillment services to their customers via their Sellers. Brands can use the network to

find logistics partners who can provide end-to-end fulfillment services for their sellers, from pick-and-pack to delivery, at competitive rates. They can also track the status of their orders in real-time using the ONDC platform.

**Greater Control over Sellers:** ONDC can give brands greater control over their sellers by providing tools for onboarding, training, and performance management. Brands can use the platform to ensure that their sellers comply with their policies and standards, and provide them with the necessary training and support to succeed in the marketplace.

**Access to Data Quickly:** ONDC can provide brands with real-time access to data on sales trends, customer behavior, and other key metrics, enabling them to make better business decisions. Brands can use the ONDC platform to analyze seller data and gain insights into their performance, and use that information to optimize their strategies and improve their competitiveness.



## 4.6.2 Optimizing Seller Engagement and Growth on ONDC

It is crucial to effectively classify sellers and establish key objectives to drive engagement and growth. By understanding seller performance, current scale, and potential, Account Managers can tailor their strategies to maximize results. In this section, we will explore the process of classifying sellers based on these factors and discuss the key objectives for engaging with each classification type.

**Seller Classification Based on Performance, Scale, and Potential:** To initiate the classification process, sellers should be evaluated across three key areas: perfor-

mance, current scale, and potential. These factors provide insights into the seller's capabilities and growth prospects. Let's delve into each area:



**Seller Performance:** Performance assessment involves evaluating sellers on various metrics such as in-stock SKU, catalog quality, customer escalation handling, cancellations, and on-time dispatch. By analyzing these metrics, Account Managers can gauge the seller's overall performance and identify areas that require improvement.



**Seller Current Scale:** Scale refers to the contribution of a seller's sales to the overall sales on the platform. Sellers can be categorized based on their current scale, whether they operate on a small or large scale. Understanding the scale helps in prioritizing sellers based on their sales volume and impact on the platform.



**Seller Potential:** Sellers with low performance or scale may still possess high growth potential. Factors to consider when evaluating potential include category growth, seller trainability, experience, current business size in other channels, digital understanding, and investments made by the seller, such as assortment size and team quality.

**Classifying Sellers:** Once the evaluation is complete, sellers can be classified into three categories: high, medium, and low. This classification enables Account Managers to tailor their strategies and objectives for each category, driving targeted engagement and growth.



Key Objectives for Seller Engagement: After classifying sellers, the next step is to define key objectives for engaging with each

category. Let's explore the key objectives for high, medium, and low-rated sellers:



**High-Rated Sellers:** For high-rated sellers, the objectives include resolving challenges for future growth, understanding success factors for replication among medium-rated sellers, and planning for the next phase of expectations over a 6 to 12-month period. This involves reviewing metrics, providing feedback and recommendations, and offering training on best practices to maintain their high classification.



**Medium-Rated Sellers:** For medium-rated sellers, the objectives focus on pushing them to a high rating within a 3 to 6-month timeframe. This entails suggestion and assortment planning for growth, reviewing metrics, identifying areas for improvement, and offering training to enhance their performance.



**Low-Rated Sellers:** Low-rated sellers require goal and expectation re-alignment, training for the seller and their team, guidance on metrics and process improvements, specific insights for improvement, and warnings or implications in case of consistent failures. The objective is to push them to a medium rating within a 1 to 3-month period.

**Frequency of Engagement:** The frequency of engagement depends on the seller's performance and potential. Sellers with low performance but high potential should be engaged more frequently to capitalize on areas of high growth. On the other hand, sellers with high performance and potential can be engaged as needed or during critical situations.

**Tools to Drive Performance:** Account Managers can utilize various tools to drive performance and growth with sellers. These tools include:



**Incentives:** Incentivizing sellers for meeting performance criteria can motivate them to improve and grow. Incentives can range from certificates, trophies, and gifts to monetary benefits such as discounts or rewards based on growth or operational performance.



**Trainings:** Providing sellers with training on essential operations such as order management, inventory management, pricing, and catalog creation can enhance their skills and performance.



## 4.7 | *Customer Support*

The IGM (Issue & Grievance Management) system on ONDC is a way for users to resolve any issues or disputes that may arise while using the network. It was created using a framework that ensures transparency, fairness, and data security when resolving these issues between the

Complainant and Respondent. This framework relies on a tripartite contract between Network Participants (NPs), which may include the buyer app, seller app, logistics service provider app, or any other participants involved in a specific transaction.

### 4.7.1 How Will ONDC Transform Customer Support Systems ?

The ONDC platform aims to transform grievance redressal in digital commerce by providing an online dispute resolution mechanism that is fair, transparent, and efficient. The platform will establish a comprehensive system for resolving disputes between buyers and sellers, based on the principles of fairness, speed, and cost-effectiveness. The ONDC platform will provide a centralized mechanism for receiving, tracking, and resolving disputes, reducing the time and cost involved in settling disputes.

Additionally, ONDC will ensure that all disputes are resolved in a transparent and impartial manner, based on the evidence available, without any bias or undue influence. ONDC's emphasis on trust and security in the e-commerce ecosystem will help to enhance consumer confidence and promote e-commerce growth in India.

When a complainant raises an issue for a specific transaction on the network, the IGM system helps facilitate a fair and transparent resolution process.

### 4.7.2 Understanding the Flow of IGM (Issue & Grievance Management) System on ONDC

**Its important we understand the basic definitions before we dive into understanding the process of Customer Support.**



#### **Complainant**

The complainant may be a buyer, seller, logistics provider, or network participant encountering an issue with the automated processes of ONDC. The complainant raises the complaint with an interfacing app.



#### **Respondent**

It's the entity that will help resolve the complaint. The respondent can be a Buyer App, Seller App or Logistics Provider based on what the complaint has been raised for.



### **Grievance Redressal Officer**

GRO is appointed by each network participant i.e. buyer app, seller app or logistics provider app for resolution of complaints.

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### **Transaction Counterparty**

In any transaction, the transaction counterparty is the immediate next counterparty where the complaint is being traversed to. Example: When a buyer raises a complaint the buyer app is the interfacing app, the seller app is the counterparty app and the logistic provider app becomes the cascaded counterparty.

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### **Cascading Counterparty**

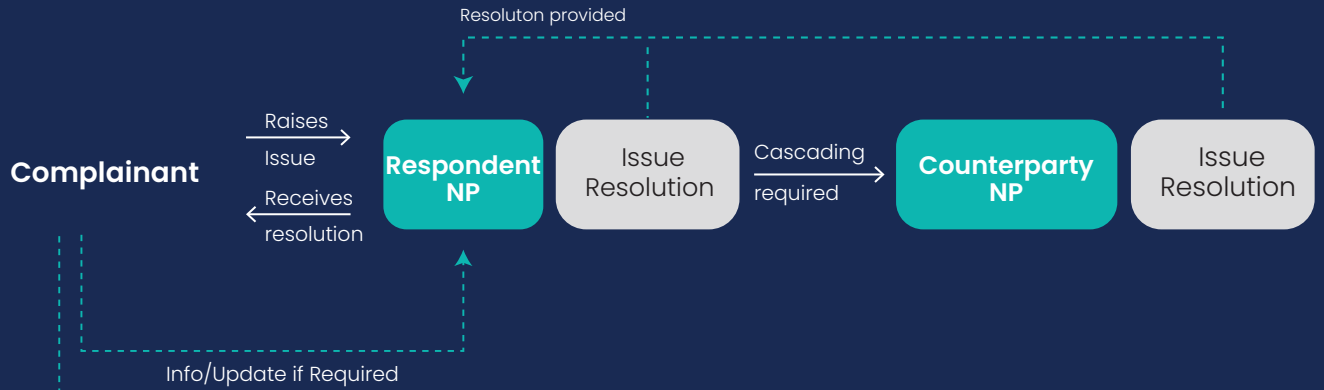
The entity(s) after the transaction counterparty is referred to as the cascaded counterparty



## Complaint Redressal Flow

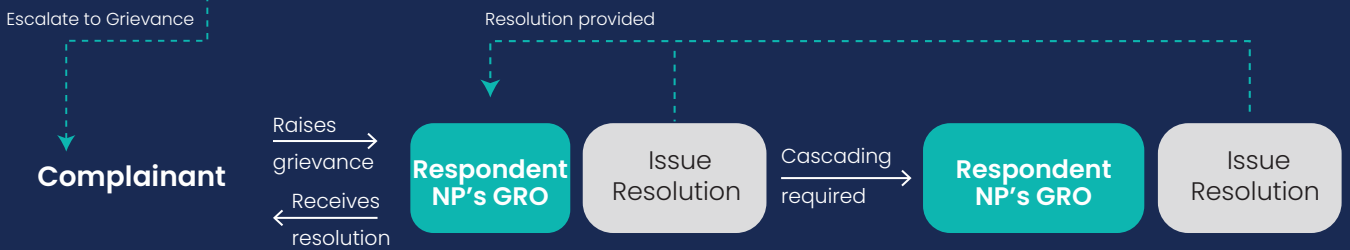
### Level 1:

Issue Resolution by NPs



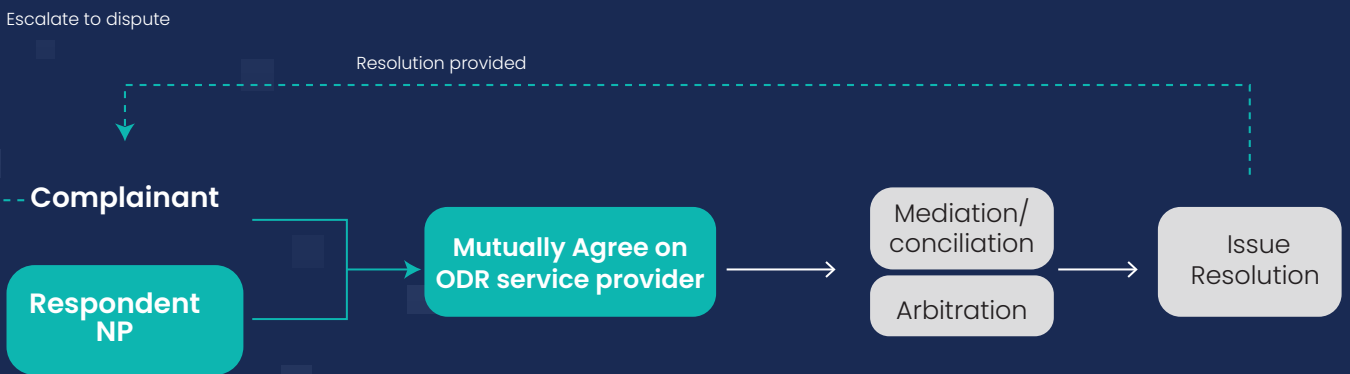
### Level 2:

GROs



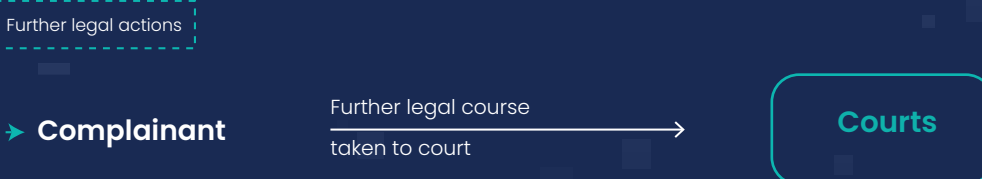
### Level 3:

ODR Service Providers



### Level 4:

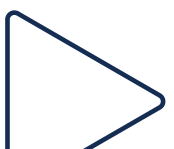
Court





**Below are some points that need to be kept in mind.**

- Complainant may be a buyer, seller, logistics provider, or network participant. Its not just limited to buyers only.
- The Network Issue Identifier is a unique number given to a complaint by the interface application at the source.
- Maintaining a record of the Network Issue Identifier with your own internal ticket number for auditing purposes is mandatory for all network participants.
- The complainant will be notified through the interface application once the issue is resolved by the respondent.
- The complainant has the option to close the complaint or escalate it further.
- Escalation can be triggered based on elapsed response time or if the issue is marked as resolved.



## ODR (Online Dispute Resolution) Mechanisms



### Arbitration

Arbitration in ODR is a method of resolving online conflicts using an impartial arbitrator. It offers a cost-effective, efficient, and convenient alternative to traditional litigation. Parties submit their dispute online, present their case, and receive a binding decision known as an arbitral award.



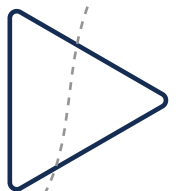
### Mediation

Mediation in ODR is a process where a neutral third party, known as a mediator, facilitates communication and negotiation between disputing parties. It aims to help parties reach a mutually agreeable resolution without the need for formal adjudication.



### Conciliation

Conciliation in ODR is a process where a neutral third party, known as a conciliator, assists disputing parties in reaching a resolution by identifying common interests and facilitating communication. It focuses on fostering understanding and finding mutually acceptable solution

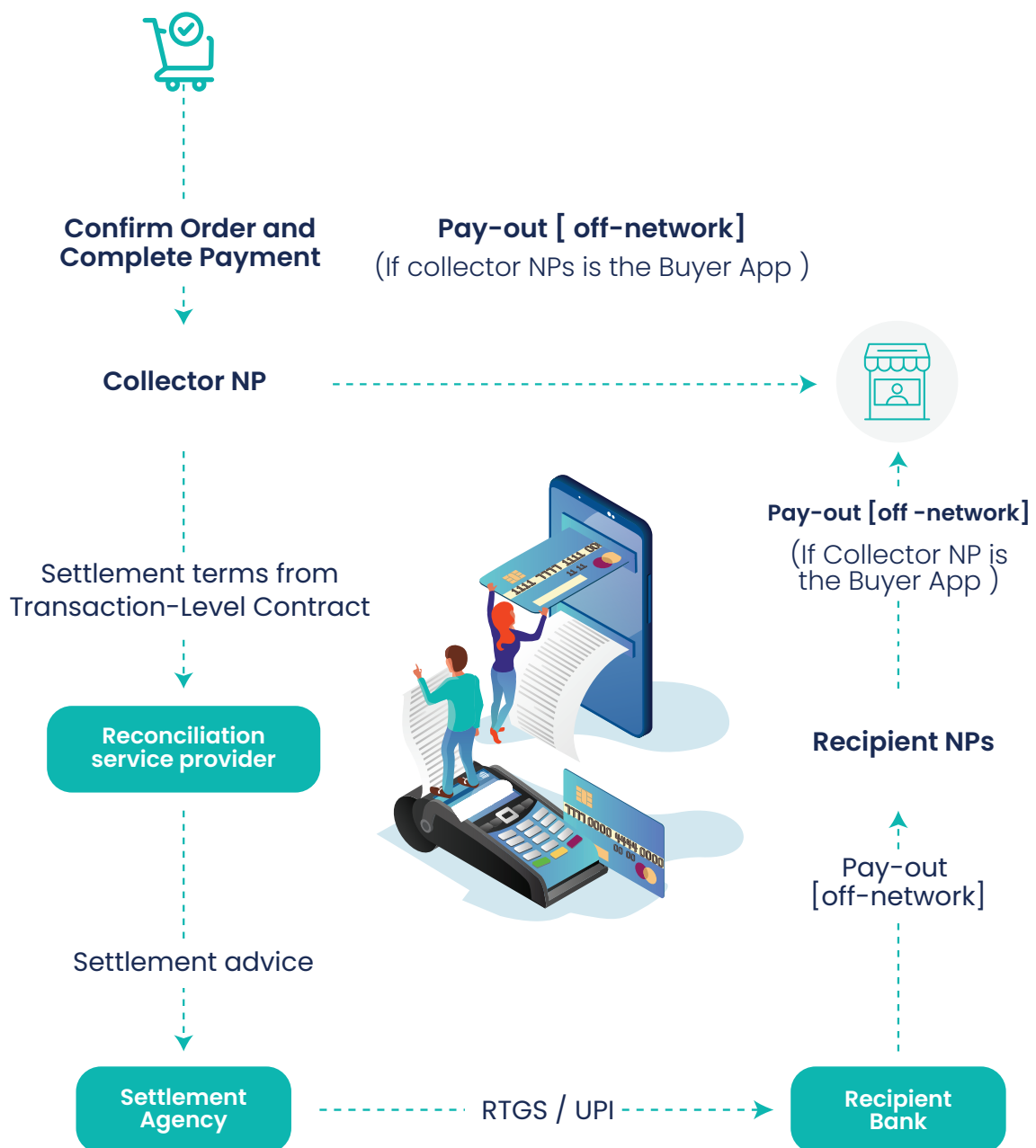


## 4.8 | Payments & Settlements

The payments and settlements is another key area of ONDC, ensuring Buyer and Seller Safety on the network ONDC has

introduced multiple intermediaries via which effective and transparent payout mechanism can be established.

### 4.8.1 Understanding Payment Settlements Process on ONDC



## Payment and Settlement:



1. In the unbundled e-commerce model of ONDC, payment and settlement responsibilities are distributed among multiple entities.
2. The Collector NP, which can be the Buyer App, Seller App, or logistics provider for Cash on Delivery, receives settlement terms from the Transaction-level contract.
3. Reconciliation Service Providers (RSP) receive settlement terms and amounts from the Collector NP and prepare a settlement advice.
4. The Settlement Agency, appointed by the Collector, initiates settlement to Recipient NPs through the Recipient's Bank based on the settlement advice.

## Trust Considerations in Payment and Settlement



1. A specialized bank account, ensures collected funds are used only for settlement purposes as per the transaction terms.
2. ONDC Network Policy mandates all Network Participants to maintain such an account and follow the prescribed settlement process.
3. hours is required, programmatically enforceable through the Transaction-level Contract.
4. Mutually agreed settlement terms apply to refunds, ensuring sellers receive payments based on their agreed terms.

Timely settlement within 24

## Returns, Refunds, and Cancellations:



1. Returns, refunds, and cancellations follow a similar process as order placement, based on the seller's terms of sale.
2. Sellers declare their upfront terms regarding returns, refunds, and cancellations, which are coded into the Transaction-level Contract.
3. Logistics for returns are initiated by the seller or Seller App, following the return policy and return window.



## Trust Considerations in Returns, Refunds, and Cancellations:



1. Transparency and mutual agreement between buyers and sellers are key in building trust.
2. Sellers are required to disclose their terms upfront, allowing buyers to transact with sellers whose terms they find acceptable.
3. The Transaction-level Contract creates a contractual commitment, violations of which can lead to grievances and disciplinary actions.
4. ONDC facilitates the declaration of terms without prescribing specific handling procedures, promoting a balanced and differentiated approach.

### 4.8.2 How Will ONDC Transform Payments & Settlements?

ONDC has the potential to transform payments and settlements by creating a more efficient and transparent system for digital commerce in India. Here are some ways that ONDC can transform payments and settlements:



**Real-time Settlement:** ONDC can enable real-time settlement of transactions, eliminating the need for intermediaries and reducing settlement times from days to seconds.



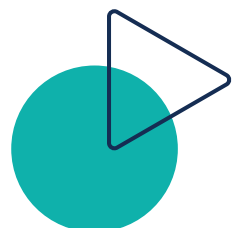
**Multiple Payment Options:** ONDC can provide a platform for multiple payment options, including credit and debit cards, net banking, and UPI (Unified Payments Interface). This will make it easier for consumers to make payments and increase the reach and accessibility of digital payments in India.



**Lower Transaction Costs:** ONDC can reduce transaction costs by eliminating intermediaries and enabling direct communication between buyers and sellers. This will make it more affordable for small businesses and entrepreneurs to participate in the digital economy, and increase competition in the marketplace.



**Fraud Prevention:** ONDC can help prevent fraud and ensure secure transactions by using advanced security protocols and encryption technologies. The system can also provide real-time alerts and notifications on suspicious transactions, enabling timely action to prevent further damage.



### 4.8.3 Demystifying Buyer Prices, App Fees, and Payment Settlement Terms on the ONDC Network

It is essential to have a clear understanding of the various components that contribute to the buyer price and the fees associated with Buyer Apps and Seller Apps on the ONDC Network. In this section, we will explore the elements that make up the buyer price and shed light on the fees charged by Buyer Apps and Seller Apps, as well as the terms governing payment settlement.

#### Buyer Price Composition

The buyer price refers to the final amount payable by the buyer for a transaction on the ONDC Network. It encompasses the following components:

##### **Declared Price (per item/service):**

This is the final price declared by the seller listed on the Seller App, inclusive of Goods and Services Tax (GST). The declared price should not exceed the Maximum Retail Price (MRP) of the specific product. Additional charges such as delivery, packaging, and discounts provided by the Seller App can either be charged separately or included in the declared price.

**Delivery Fee:** This fee covers the logistics services associated with delivering the ordered items to the buyer.

**Other Charges (Convenience Fee/Packaging Fee):** Seller Apps and Buyer Apps may include additional charges such as packaging fees or convenience fees.

**Discounts provided by the Seller App:** The Seller App may offer discounts on the total order value.

**Markup/Discounts provided by the Buyer App:** The Buyer App may also provide markup or discounts on the order.

It is important for the components of the buyer price to be displayed as separate line items for each order to ensure transparency.

**Buyer App Fee:** The Buyer App may charge a finder fee, which can be a percentage of the total order value or a fixed amount per successful order from the Seller App. If the Seller App disagrees with the proposed fee, the Buyer App reserves the right to refuse to complete the transaction.

**Seller App Fee:** The Seller App may charge a fee per successful order from the sellers for listing their catalog items. The terms and conditions regarding these fees are determined between the Seller App and the Seller. ONDC does not intervene in such determinations. Sellers can choose to include these charges in their declared prices if they wish to do so.

**Gateway Fees:** Gateways used for payment processing may charge fees to either the Buyer App, Seller App, or both, based on the agreements with the respective apps. These fees are not included in the buyer price and are separately paid by the Buyer App and/or Seller App.



## Payment & Settlement Terms

Buyer Apps and Seller Apps must mutually agree on the following terms regarding payment collection and settlement:

- 1. Buyer App Fee:** This fee can be either a percentage of the total order value or a fixed amount per successful order, to be paid by the Seller App.
- 2. Event Trigger:** The specific event defined for the settlement of payment with the receiver, which may include order delivery, order return, or completion of the return period.
- 3. Settlement Window:** The duration between the event trigger and the settlement of payments. This includes a specified number of working days from the date of collection, shipment, delivery, or the end of the return window.
- 4. Withholding Amount:** This refers to the percentage of the payment amount held back by the collector until the occurrence of a specific event. For example, a Buyer App may choose to disburse 50% post-delivery and the remaining 50% post the end of the return window.
- 5. Return Window:** The number of calendar days, starting from delivery or shipment or collection (as applicable), within which the buyer may choose to return the product if it is eligible for returns.





## 4.9

# Bringing Trust and Accountability on the Network

### 4.9.1 Laws Governing Ecommerce in India

This section explores the key laws that govern trust in e-commerce. Laws, rules, and regulations are crucial in e-commerce, establishing a framework for online businesses. While consumer protection is the main focus, there is a lack of specific laws for building trust among sellers.

This section explores the key laws that governs trust in e-commerce and will protect consumers, sellers and stakeholders a like.

**1** Consumer Protection Act, 2019, which safeguards consumers from unfair practices and assigns product liability to sellers.

**2** The Consumer Protection (E-Commerce) Rules, 2020, mandate disclosures, prohibit price manipulation, and ensure fair treatment of buyers.

**3** The Legal Metrology (Packaged Commodity) Rules, 2011, promote transparency in packaging, while the Information Technology (Intermediary Rules, 2011) protect users and require grievance redressal mechanisms.

**4** The Payments and Settlements Systems Act, 2007, governs payment systems and facilitates trust-building mechanisms.

### 4.9.2 Ensuring Trust, Credibility, and Authenticity on ONDC: Measures and Steps Taken



#### KYC of Network Participants

All prospective Network Participants undergo a basic validation process before joining the ONDC Network. The eligibility criteria strike a balance between inclusivity and common sense controls. To join, participants are required to provide information such as Legal Entity Name, PAN number, TAN number, GST number, and Bank Account Number. The ONDC validates the provided information using APIs from GSTN and other public digital infrastructure providers. Additionally, the KYC process may include additional validations like penny drop tests and verification of Nodal-like Accounts to further ensure the authenticity and integrity of participants



### **ONDC's Common Taxonomy**

To enable efficient classification and search of products within the network, a product taxonomy framework is established. This framework allows for systematic classification of products across various domains within the ONDC context. It provides guidance for Seller Apps to classify the products being sold by Sellers, promoting consistency and accuracy. Sellers can align their catalogues with the common taxonomy adopted by the Seller App, which enhances search accuracy, boosts the discoverability of sellers, and facilitates seamless portability between different Seller Apps.



### **Scoring and Badging System**

The ONDC Network incorporates a scoring and badging system that allows users to rate the quality of products, as well as the performance of Sellers and Logistics Service Providers. Ratings data is shared with an independent scoring/badging agency. These ratings are computed based on various factors, including past scores, dispute history, satisfactory resolutions, and a standard formula. The scoring and badging system condenses these metrics to provide users with an easy-to-understand measure of trustworthiness, aiding them in making informed decisions. Importantly, these ratings are network-wide and portable, allowing sellers to switch between Seller Apps without losing their reputation, thereby fostering trust in the network.



### **Enforcement and Compliance Framework**

To ensure the smooth functioning and integrity of the ONDC Network, an enforcement and compliance framework is in place. Technical compliance certification is required to ensure that participants' applications can integrate seamlessly with the network. Initially, certification is performed by the ONDC, and later by empaneled certification agencies. Recertification becomes necessary when there are significant updates or newer versions of the Protocol Specification. Participants are required to comply with the Network Policy, which is crucial for governance and maintaining a level playing field. Undertakings from participants at the time of onboarding help ensure their compliance with the Network Policy. Regular compliance audits conducted by empaneled agencies, along with social audits by research organizations, help to enforce compliance. Consequences for non-compliance range from warnings to termination of the Network Participant Agreement, with suspension being an intermediate measure.





### **Transparency and Good Behavior**

The ONDC Network promotes transparency and encourages good behavior among its participants. Certain data sets, such as information about the quality of grievance redress provided by Network Participants, are published as open, public data. Regular publication of such data helps create transparency and accountability within the network. Importantly, data sharing mechanisms are designed to ensure that no personally identifiable information is disclosed, preserving the privacy and confidentiality of individuals.



### **Community Governance and Network Evolution:**

The ONDC Network adopts a participant-driven approach to governance and evolution. A User Council, comprising representatives from Network Participants and civil society, is established to actively engage in the governance processes. The User Council plays a vital role in reviewing existing policies, advising on changes, and guiding the development of new policies and procedures. It provides guidance on compliance and social audits, ensuring adherence to the network's standards. Furthermore, the User Council actively participates in the development of new functionalities on the Network. Regular consultations and the inclusion of diverse stakeholders through the User Council ensure a responsive and participatory governance framework.



### **Cataloging as a Service (CaaS):**

Recognizing the importance of cataloging for high-quality product representation and improved discoverability, the ONDC Network offers a Cataloging as a Service (CaaS) framework. This framework allows Sellers or Seller Apps to download and utilize curated catalogues specifically tailored for different product categories. Specialized Technology Service Providers (TSPs) play a crucial role in offering CaaS and ensuring that catalogues are regularly updated based on product information. By providing access to accurate and up-to-date catalogues, the CaaS framework contributes to enhancing the overall quality and user experience within the network.

By following these steps, the ONDC Network aims to build trust among buyers and sellers, ensure compliance, provide transparency, and foster a participant-driven governance framework for continual network evolution.

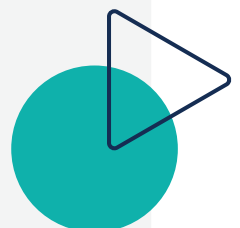


# 05

## *How ONDC will Transform different Categories in eRetail*

This section aims to explore the potential of ONDC in transforming different categories in the eRetail industry. We will discuss how ONDC can be a game-changer for businesses, brands, and sellers, and highlight the advantages brought about by this innovative digital

platform. Additionally, we will provide an overview of some of the prominent brands that have already registered on the ONDC platform, showcasing the industry's early adoption and excitement for this technology.





# Fashion

## 5.1.1 Fashion eCommerce Industry in India

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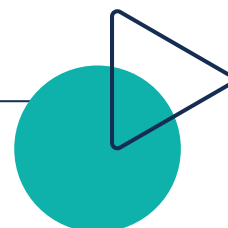
The Indian fashion e-commerce industry is set to experience significant growth in the coming years. According to recent forecasts, the industry is expected to reach a market size of approximately \$100 billion by the end of 2023.

With the increasing penetration of the internet and the proliferation of smartphones, more and more consumers are turning to online platforms to purchase fashion products. And as the Indian economy continues to grow, the demand for high-quality and trendy fashion items is also increasing.

Another factor contributing to the growth of the fashion e-commerce industry in India is the rising number of fashion-conscious millennials, who are more likely to buy products online. This demographic is also looking for personalized experiences

and value-driven purchases, which e-commerce companies are well-positioned to offer.

Moreover, the COVID-19 pandemic has accelerated the shift towards online shopping, as more consumers have started to embrace digital platforms to make purchases. As a result, many online players have been able to establish a prominent position in the market. Some of the leading players in the Indian fashion e-commerce space include Amazon, Flipkart, Myntra, and Ajio. These companies are investing heavily in technology, supply chain, and logistics to improve the overall customer experience and gain a competitive edge.



## 5.1.2 The Transformative Potential of ONDC in the Fashion Ecosystem

ONDC has the potential to bring about transformative changes for numerous stakeholders and partners within the Fashion Ecosystem. What sets ONDC apart is its ability to offer something valuable to all stakeholders involved.

This not only has the capacity to enhance the retail industry as a whole but also serves as a powerful catalyst for the development of stronger and more successful businesses.

### Issues faced by Small Boutique Shops and how ONDC can solve them

#### Challenges

Small boutique shops often struggle to compete with large online platforms and marketplaces that offer lower prices, wider assortments, faster delivery and better customer service. Small boutique shops also face challenges in managing inventory, forecasting demand, creating catalogs, marketing their products, accessing credit and financing, and complying with regulations.



#### Potential Benefits

- ONDC can help small boutique shops by enabling them to connect directly with buyers through buyer applications that offer a seamless shopping experience and a unified checkout across categories. They can create their own catalogs easily and build their own stores to cater to a local audience.
- ONDC can also help small boutique shops by providing them access to data, analytics, logistics, payment and financing solutions from various network participants that can help them

optimize their operations, reduce costs, increase sales and improve customer satisfaction.

- Access to efficient delivery network and local suppliers can also help in better raw material procurement.
- ONDC can also help small boutique shops by creating a level playing field for them to compete with large players and become discoverable online without depending on intermediaries or paying high commissions.



## Issues faced by unorganized multi-brand fashion retailers and how ONDC can solve them

### Challenges

Unorganized multi-brand fashion retailers are those who sell products from multiple brands or manufacturers without having any formal agreement or contract with them. Unorganized multi-brand fashion retailers face issues such as low margins, high inventory risk, lack of quality control, counterfeit products, limited customer reach, and dependence on middlemen or distributors.



### Potential Benefits

- ONDC can help unorganized multi-brand fashion retailers by allowing them to source products directly from manufacturers or brands through a business-to-business (B2B) network that ensures quality, authenticity and transparency.
- ONDC can also help unorganized multi-brand fashion retailers by giving them access to a wider customer base through buyer applications that offer a variety of products across categories and locations.

As branded products tend to be easier to sell, they can profit from a wide customer base ONDC and make margins accordingly.

- ONDC can also help unorganized multi-brand fashion retailers by providing them support from tech companies, fintech players and logistics providers that can help them streamline their operations, reduce costs, increase sales and improve customer satisfaction.

## Issues faced by fashion manufacturers and how ONDC can benefit them

### Challenges

Fashion manufacturers face issues such as low visibility, high competition, low bargaining power, high inventory costs, long payment cycles, and lack of innovation.



### Potential Benefits

- ONDC can benefit fashion manufacturers by providing them with access to search insights and data. This access enables them to study upcoming trends and consumer preferences, as well as market nuances and preferences.
- ONDC can also benefit fashion manufacturers by allowing them to connect with retailers or brands through a B2B network that facilitates faster transactions, lower commissions, better feedback and more collaboration.
- Manufacturers can also spot trends and high selling SKUs to help understand consumer tastes and preferences in an easier way.
- ONDC can also benefit fashion manufacturers by providing them access to data, analytics, logistics, payment and financing solutions from various network participants that can help them optimize their production, reduce costs, increase sales and improve quality.



## Issues faced by fashion brands and labels and how they can benefit from ONDC

### Challenges

Fashion brands and labels are those who design or market fashion products under their own name or trademark. Fashion brands and labels face issues such as high customer acquisition costs, low customer loyalty, high marketing expenses, high inventory risk, and fast-changing consumer preferences.



### Potential Benefits

ONDC can benefit fashion brands and labels by enabling them to reach out to customers directly through buyer applications that offer a personalized and engaging shopping experience.

ONDC can also benefit fashion brands and labels by allowing them to source products from manufacturers or suppliers

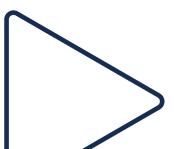
through a B2B network that ensures quality, consistency and innovation.

The inclusion of Marketing Technology on the ONDC platform holds the potential to enhance brand visibility and drive sales performance.

## 5.1.3 Addressing Challenges Faced by the Fashion Industry in India: Exploring the Potential of ONDC

### 5.1.3.1 > Product Returns due to Sizing and Fitment

ONDC can potentially help address the issue of returns in the fashion industry by streamlining and optimizing the supply chain operations. One of the primary reasons for returns in the fashion industry is incorrect sizing information, which can lead to customers receiving ill-fitting garments. ONDC's platform can address this issue by promoting transparency between manufacturers and retailers and creating a more efficient supply chain.



Through ONDC's platform, fashion retailers access a wider pool of manufacturers, each with unique product offerings, sizes, and availability. This can allow retailers to offer customers more accurate sizing information, reducing the chances of incorrect sizing and returns.

ONDC can potentially facilitate the integration of AR & VR technologies into the fashion industry, thereby improving

the accuracy of sizing and fitment and reducing the number of returns. By leveraging ONDC's platform, fashion retailers and manufacturers could develop customized AR & VR applications, allowing customers to see virtual models of products, try them on virtually, and view product specifications and sizing information.

### 5.1.3.2 > Overproduction & Overstocking

ONDC can potentially help in cutting down on overproduction and overstocking in the fashion industry by optimizing the supply chain and promoting transparency between manufacturers, retailers, and customers.

Through ONDC, manufacturers will be able to better forecast demand and plan production to match the requirements of retailers and customers. This can help reduce overproduction and overstocking, thereby minimizing the environmental impact of the fashion industry and creating a more sustainable business model.



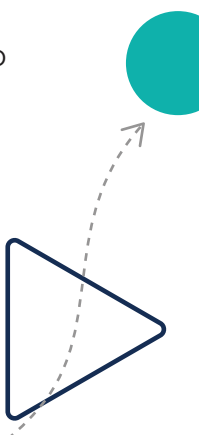
Furthermore, ONDC's reporting and analytics tools can provide manufacturers and retailers with valuable insights into consumer behavior and preferences, allowing them to tailor production and inventory levels accordingly. By leveraging this data, manufacturers can more accurately predict demand, reducing the likelihood of overproduction and overstocking.

### 5.1.3.3 > Brand Safety and Counterfeits

On ONDC each product can be uniquely identified and authenticated, making it much harder for counterfeit products to be introduced into the supply chain. Manufacturers can also use ONDC's platform to track the movement of

products through the supply chain, ensuring that they are not diverted to unauthorized sellers or locations.

Furthermore, ONDC's reporting and analytics tools will be able to provide



valuable insights into consumer behavior and purchasing patterns, allowing manufacturers and retailers to more effectively identify and combat counterfeit products in the marketplace. By combining this data with the unique identification capabilities provided by ONDC's platform, manufacturers and retailers can more effectively protect their brand and ensure that their products are only sold through authorized channels.

Finally, ONDC can enable detection and reporting of counterfeit products, enabling manufacturers and retailers to respond quickly and effectively to any attempts to introduce counterfeit products into the marketplace.



#### 5.1.3.4 > [Cataloging & Scaling](#)

ONDC can help in cataloging in fashion by providing a standardized and centralized platform for retailers and manufacturers to manage and organize their product catalogs.

Through ONDC's platform, manufacturers can easily upload product details, images, and specifications, which can be accessed by retailers and customers. This centralized approach makes it easier for retailers to discover and source products from multiple manufacturers, reducing the time and effort required to maintain their product catalog.

Furthermore, ONDC's platform allows for the integration of third-party tools and services, which can help in creating better visuals and product use cases by using Generative AI.







## 5.2.1 Current State of FMCG eRetail in India

Based on the search results, the FMCG e-commerce market size in India has been growing steadily over the years. E-commerce is expected to contribute significantly to the growth of the FMCG sector in India. As per reports, the contribution of e-commerce to total FMCG sales is expected to go up to 11% by 2030. Top FMCG companies have reported a 50% increase in e-commerce sales recently. The size of the D2C online FMCG market is likely to increase to approximately 21 billion U.S. 2. dollars in the year 2025. Additionally, e-commerce

penetration in the FMCG sector is growing rapidly in rural areas, with online shoppers in India expected to reach ~500 million in 2030, more than 3 times the number of users in 2021. It is believed that the adoption of 5G technology in India will further boost the growth of the FMCG e-commerce sector. Overall, the FMCG e-commerce market size and growth in India appear to be significant, driven by changing consumer behavior and increasing e-commerce penetration.

Sources: IBEF - Indian Brand Equity Foundation, The Balance Small Business, Invest India, Wazir Analysis, Ken Research, McKinsey & Company, The Economic Times & DigiDay India





## 5.2.2 The Transformative Potential of ONDC in the FMCG Ecosystem

ONDC has the potential to bring about transformative changes in the FMCG (Fast-Moving Consumer Goods) industry. This particular category is characterized by lower ticket sizes and higher volumes, making it inherently challenging to scale within an e-commerce framework. The FMCG sector has faced significant hurdles due to the combination of high product delivery costs and lower profit margins, leading to the development of unprofitable business models for various Quick Commerce companies. This issue has adversely affected e-commerce companies across the board.

However, the transformation from traditional Kirana stores to manufacturing companies can play a pivotal role in rebuilding the e-commerce model, creating a sustainable and profitable environment. By leveraging the capabilities and opportunities provided by the ONDC, the FMCG industry can overcome these challenges and establish a more viable and prosperous e-commerce ecosystem.

### Issues faced by Kirana stores and how ONDC can solve them

Kirana stores are small mom-and-pop shops that sell a variety of FMCG products to local customers.

#### Challenges

Kirana stores face issues such as inadequate financial resources, lack of sufficient space for expansion, lack of trained workers, poor window display, lack of facilities for consumers, poor management, etc.

#### Potential Benefits

- ONDC can help kirana stores by enabling them to connect directly with customers through buyer applications that offer a seamless shopping experience and a unified checkout across categories.
- ONDC has the potential to empower Kirana stores by providing them with access to centralized catalogues. This access enables Kirana stores to

effortlessly create online shopfronts, streamlining their transition to the digital marketplace.

- ONDC can also assist Kirana stores by providing access to crowd-sourced logistics systems, enabling affordable delivery of orders to local customers. This capability plays a pivotal role in enhancing the efficiency of logistics at a hyperlocal level.
- ONDC facilitates the enhancement of store management capabilities and enables improved inventory planning for retailers. By leveraging this platform, stores can effectively streamline their stock replenishment processes and accurately map demand patterns.

## Issues faced by modern trade retailers and how ONDC can solve them

Modern trade retailers are those who sell FMCG products through organized formats such as supermarkets, hypermarkets, convenience stores, etc.

### Challenges

Modern trade retailers face issues such as high customer acquisition costs, low customer loyalty, high marketing expenses, high inventory risk, and fast-changing consumer preferences.

### Potential Benefits

ONDC can help modern trade retailers by enabling them to reach out to customers directly through buyer applications that offer a personalized and engaging shopping experience.

ONDC can also help modern trade retailers by allowing them to source products from manufacturers or suppliers



through a business-to-business (B2B) network.

ONDC can also help modern trade retailers by providing them access to data, analytics, logistics, payment solutions to help.

## Issues faced by FMCG manufacturers and how ONDC can benefit them

FMCG manufacturers are those who produce or supply FMCG products to retailers or brands.

### Challenges

FMCG manufacturers face issues such as low visibility, high competition, low bargaining power, high inventory costs, long payment cycles, and lack of innovation.

### Potential Benefits

ONDC can benefit FMCG manufacturers by enabling them to showcase their products directly to customers through buyer applications that offer a wide range of options and preferences.

ONDC can also benefit FMCG manufacturers by allowing them to connect with retailers or brands through a

B2B network that facilitates faster transactions, lower commissions, better feedback and more collaboration.

ONDC can also benefit FMCG manufacturers by providing them access to data, analytics, logistics, payment and financing solutions from various network participants that can help them optimize their production, reduce costs, increase sales and improve quality.



## Issues faced by FMCG brands and how they can benefit from ONDC

FMCG brands are those who design or market FMCG products under their own name or trademark.

### Challenges

FMCG brands face issues such as high customer acquisition costs, low customer loyalty, high marketing expenses, high inventory risk, and fast-changing consumer preferences.

### Potential Benefits

ONDC can benefit FMCG brands by enabling them to reach out to customers directly through buyer applications that offer a personalized and engaging shopping experience.

ONDC can also benefit FMCG brands by allowing them to source products from manufacturers or suppliers through a B2B network that ensures quality, consistency and innovation.

ONDC can also benefit FMCG brands by providing them access to data, analytics, logistics, payment and financing solutions from various network participants that can help them optimize their marketing, reduce costs, increase sales and improve customer retention.

ONDC can benefit FMCG Brands by providing them with access to search insights and data. This access enables them to study upcoming buying patterns and trends and consumer preferences, as well as market nuances.

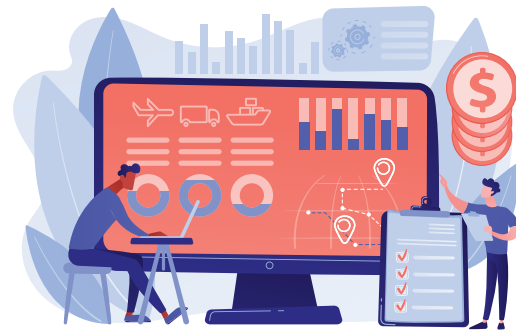


## 5.2.3 Understanding how ONDC can address challenges faced by FMCG Companies

### 5.2.3.1 > Low AOV and High Fulfillment & Logistics Cost

ONDC can help FMCG companies build a better unit economics model by lowering delivery and fulfillment costs and increasing Average Order Value. By leveraging the platform's capabilities, FMCG companies can access a larger delivery network, reducing delivery costs through integration with logistics and transportation partners. Additionally, ONDC's tools can help curate products that sell well together, creating upsell and cross-sell opportunities to increase Average Order Value. This

can ultimately lead to improved supply chain and logistics, optimized product offerings, and increased profitability for FMCG companies.



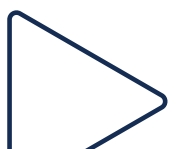
### 5.2.3.2 > Consumer Data Insights & Demand Forecasting

ONDC can benefit FMCG companies by providing them with access to customer behavior data and 1st party data through its open platform. This can enable FMCG companies to create new offerings, improve existing ones, and better plan their production and marketing strategies.

With the help of ONDC, FMCG companies can directly connect with customers and small retailers, and get more detailed information on their preferences. This can allow them to create targeted marketing campaigns, improve product quality and features, optimize their production and supply chain processes, and tailor their offerings to meet customer demand.

Furthermore, the ONDC platform is designed to provide real-time analytics and insights about customer behavior and market trends, enabling FMCG companies to make data-driven decisions. They can leverage this data to identify new market opportunities, adjust their pricing strategies, and improve customer engagement by providing personalized experiences.

In addition, ONDC facilitates the seamless exchange of data between FMCG companies, retailers, and customers without any intermediaries involved. This can help FMCG companies streamline their operations, reduce costs, and operate more efficiently.



### 5.2.3.3 > Highly Efficient and Data Backed B2B Sales Channel with faster access and reach to new markets.

ONDC has the potential to help FMCG companies better manage their distributors and retailers, enable better credit facilities, and create a strong technology-backed infrastructure.

By connecting with distributors and retailers directly, FMCG companies using ONDC can monitor their operations in real-time, identify gaps in the supply chain, and take corrective action to prevent stockouts. Additionally, they can use ONDC's infrastructure to enable better credit facilities and streamline payment processes, building stronger relationships with distributors and retailers and ensuring timely payments.

ONDC can also facilitate the creation of a robust and efficient infrastructure for FMCG companies, leveraging blockchain technology to improve traceability and transparency in the supply chain, or using advanced

analytics and machine learning techniques to optimize operations and improve forecasting accuracy.

By providing a digital platform that connects small retailers and MSMEs with larger FMCG companies, ONDC can enable more efficient and effective distribution channels. FMCG companies can use the platform to find new retail partners, expand their reach into new markets, and reach a larger customer base, in turn driving growth and improving revenue streams.

Moreover, ONDC's focus on building a more inclusive and equitable digital ecosystem can help FMCG companies reach previously underserved markets. By connecting with smaller retailers, ONDC can enable FMCG companies to tap into the demand in rural and semi-urban areas of the country, where traditional distribution channels are often limited.

### 5.2.3.4 > New Business Models

ONDC offers FMCG companies an open network that allows them to create a unique offering that aligns with their unit economics and business model. Brands have the flexibility to rely on distributors, kirana stores, modern trade stores, or their own fulfillment centers to sell their products to end customers. Additionally, in some cases, a brand may choose not to participate in organizing the trade but instead create a standardized Catalog to provide clear brand communication and information to customers. This

creates endless possibilities for FMCG brands to reach and engage with their target customers.

By participating in the ONDC ecosystem, FMCG companies can collaborate with other players such as technology companies, retailers, logistics providers, and customers, which can help improve their reach, customer experience and access new audiences.



## 5.2.3 Brands Selling on the ONDC Network

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There are multiple FMCG brands that have registered on the ONDC Network both as a Seller on an MSN and some of them have signed up as an MSN or ISN. Below are some of the companies that are registered with MSNs or as independent MSNs or ISNs.







# Consumer Electronics

## 5.3.1 Current State of Consumer Electronics in India

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The electronics industry is a significant contributor to the e-commerce sector, and it has grown considerably in India, mainly driven by advancements in semiconductor technology. According to recent statistics, the Indian online market is expected to reach \$200 billion by 2026, with the electronics sector being a major driver of growth.

Additionally, the Indian e-commerce industry is predicted to see a Compound Annual Growth Rate (CAGR) of approximately 30% between 2020 and 2025 due to increasing internet access, mobile phone penetration, and consumer demand.

Moreover, the Indian electronics industry has witnessed significant job creation in recent years. For instance, Apple has become the largest blue-collar job creator in India's electronics industry, creating over 1 lakh new jobs. Additionally, the Indian government's 'Make in India' initiative has further boosted employment in the industry by encouraging electronics manufacturing in the country.



## 5.3.2 The Transformative Potential of ONDC in the Consumer Electronics Ecosystem

### Issues faced by small electronics shops and how ONDC can solve them

#### Challenges

Small electronics shops face issues such as price competition from large players, lack of sufficient space for expansion, lack of trained workers, poor window display, lack of facilities for consumers, poor management, etc.

#### Potential Benefits

- With the ONDC platform, the process of accessing credit is simplified and streamlined. Small electronic shops can use their transaction data on the ONDC platform to demonstrate their creditworthiness and access credit easily.
- Trade benefits and offers are another area where small electronic shops can benefit from the ONDC platform. The platform can enable faster enablement of offers and trade benefits, which will help small shops compete with larger retail chains.
- Access to authentic and genuine suppliers is another challenge that small electronic shops face. Often, small shops are forced to rely on less reputable suppliers, who may provide sub-standard

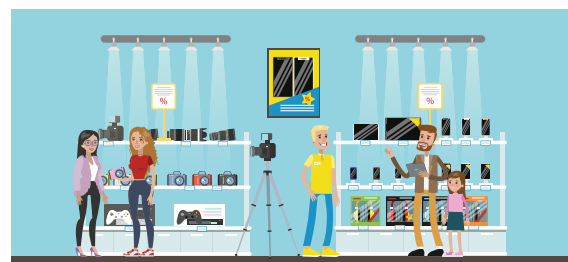
products. ONDC's network of suppliers are all verified and authentic, ensuring that small electronic shops have access to genuine products at competitive prices.

- Insights into consumer preferences is a vital tool that small electronic shops can use to grow their businesses. ONDC's platform provides detailed insights into consumer preferences, best-selling products, and trends, enabling small shops to make informed decisions about the products they offer customers. Armed with this information, small shops can tailor their product offerings to meet the needs and preferences of their target customers.
- Access to direct buyers on the ONDC network is another key benefit for small electronic shops. The platform connects buyers and sellers directly, eliminating the need for intermediaries or brokers. This direct connection improves efficiency and reduces costs, enabling small shops to compete more effectively with larger retail chains.

### Issues faced by modern trade retailers and how ONDC can solve them

#### Challenges

Modern trade retailers face issues such as high customer acquisition costs, low customer loyalty, Short product life cycle, high marketing expenses, high inventory risk, and fast-changing consumer preferences.



## Potential Benefits

1. Direct Access to manufacturers: Modern Trade companies will be able to directly access multiple manufacturers and choose from a larger catalog of products. It can also help to reduce the reliance on a few big brands and help retailers with better pricing and margins.
2. Efficiently using existing stores for store delivery: With a larger pool of sellers, Modern Trade Electronics Retailers can use their existing stores as delivery points for their customers, making deliveries

more efficient and reducing operational costs.

3. Faster and direct access to better payment options for customers: With the use of ONDC, Modern Trade Electronics Retailers can offer their customers a wider range of payment options through various Fintech NP Participants and enable faster processing times, increasing customer satisfaction and loyalty.

## Issues faced by OEM manufacturers and how ONDC can benefit them

OEM manufacturers are those who produce or supply consumer electronics products to retailers or brands.

### Challenges

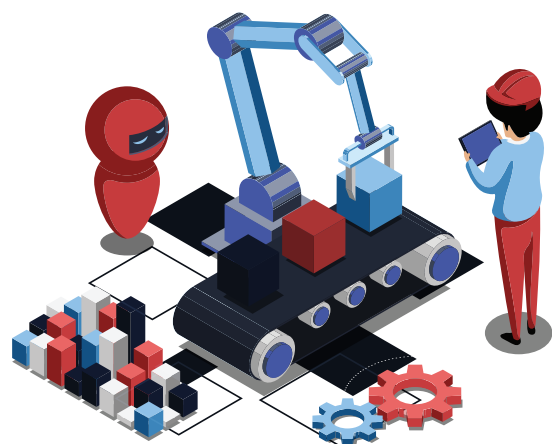
OEM manufacturers face issues such as low visibility, high competition, low bargaining power, high inventory costs, long payment cycles, and lack of innovation.

### Potential Benefits

1. Access to brands and new markets: OEM Electronics Manufacturers will be able to directly access a wider range of brands and new markets, reducing their reliance on a few big e-commerce platforms and helping them to diversify their customer base.
2. Consumer insights and preferences: OEM Electronics Manufacturers can gain valuable insights into consumer behavior, preferences, and buying patterns, helping them to develop better products and services that meet the needs of their target audience.
3. Credit worthiness and credit enablement to buyers: With the use of ONDC, OEM Electronics Manufacturers can get credit worthiness and can get

credit enablement to their buyers, enabling them to participate more fully in the e-commerce process and expanding their potential customer base.

4. B2B sourcing for components: OEM Electronics Manufacturers can expand their B2B sourcing for components by choosing from a larger pool of sellers, reducing their costs and increasing efficiency in the supply chain.



## Issues faced by consumer electronics brands and how they can benefit from ONDC

Consumer electronics brands are those who design or market consumer electronics products under their own name or trademark.

### Challenges

Consumer electronics brands face issues such as high customer acquisition costs, low customer loyalty, high marketing expenses, high inventory risk, and fast-changing consumer preferences.

platform to connect with like-minded potential partners, ONDC will supports brands in expanding their market reach, enhancing brand awareness, and fostering trust and credibility among customers.

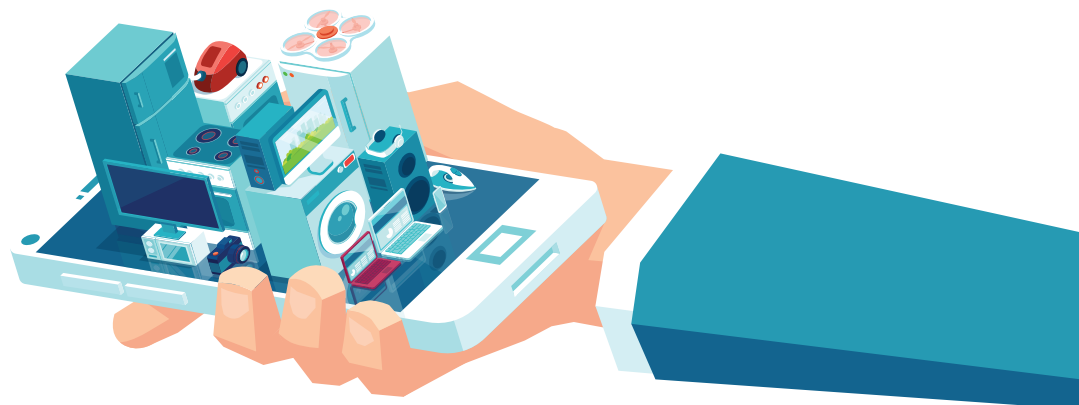
### Potential Benefits

Facilitating the establishment of efficient Direct-to-Consumer (D2C) channels: ONDC can offers valuable assistance to electronics brands in establishing their own D2C channels effectively. By providing a digital ecosystem that connects brands and buyers, ONDC reduces reliance on intermediaries. This, in turn, lowers costs, streamlines operations, and grants brands greater control over their brand image and customer experience.

Enabling OEMs to access parts and services: ONDC can serves as a facilitator for Original Equipment Manufacturers (OEM) Parts and after sales services directly by connecting them with authorized service centers. This eliminates intermediaries and empowers brands to provide high-quality after sales services at competitive prices, leading to improved efficiency and competitiveness.

Building a network of Authorized Stores and Retail Partners: ONDC can play a crucial role in assisting electronics brands in creating a network of authorized stores and retail partners. By providing a

Leveraging consumer insights and preferences: ONDC's platform offers a wealth of data related to consumer behavior, preferences, and purchasing habits. This valuable information empowers electronics brands to gain insights into their target audience, optimize their products and services, and enhance their marketing and advertising strategies.



## 5.3.3 Understanding how ONDC can address challenges faced by Consumer Electronics Companies

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### 5.3.3.1 > Effective Maintenance of Product Life Cycle

For electronics companies specifically, Product Life Cycle management is essential to maintain lifecycle of their products, from conceptualization and design to production, distribution, and end-of-life.

By having a centralized database connected to ONDC that tracks all of this information, electronics companies can reduce time-to-market. Moreover, PLM for electronics companies may also include web-based product catalogues. By leveraging PLM solutions with ONDC, electronic companies can streamline their operations to optimize sales and reduce errors, improve supply chain

management, collaborate more effectively between teams and partners, and ultimately drive higher profits.

### 5.3.3.2 > Efficient Expansion and Leveraging of Existing Retail Network

One of the biggest benefits of ONDC for electronic companies is the ability to leverage their existing infrastructure and reach new customers on digital channels without the need for major investments. By integrating their backend systems with ONDC infrastructure, companies can easily add e-commerce functionality, allowing their customers to browse, order and receive products online.

Moreover, ONDC's open architecture allows companies to easily integrate innovative solutions and services from third-party tech providers, providing

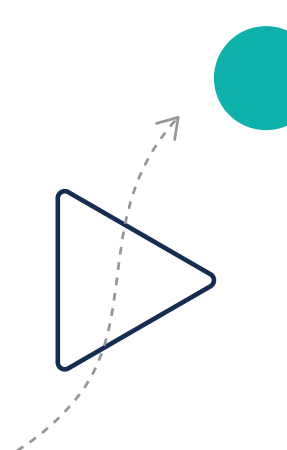
flexibility and customization for their e-commerce platform. This opens up the possibility for businesses to provide a personalized and seamless customer experience while increasing their revenues.

Another advantage of ONDC is its ability to provide end-to-end visibility of the supply chain, allowing electronic companies to efficiently manage inventory and processes across multiple channels. With this increased visibility, companies can optimize their supply chain, improve efficiencies, and reduce costs.



### 5.3.3.3 > Brands Registered on the ONDC Network

There are multiple electronic brands that have registered on the ONDC Network both as a Seller on an MSN and some of them have signed up as an MSN or ISN. Below are some of the companies that are registered with MSNs or as independent MSNs or ISNs.





# Home Décor, Furniture & Kitchen

## 5.4.1 Home Décor, Furniture & Kitchen eCommerce Industry in India

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The home decor, furniture, and kitchen market in India has seen significant growth in recent years, particularly in the eCommerce space. The growth is attributed to the rising income levels of the middle class, changing lifestyle preferences, and increasing penetration of internet and smartphones.

According to a report by RedSeer Consulting, the furniture and home decor market in India is expected to reach \$38 billion by 2024, growing at a CAGR of 13%. In addition, online furniture sales are expected to grow at a CAGR of 80% between 2019 and 2024, which is a testament to the rapid adoption of eCommerce in the country.

The kitchenware market is another important segment of home decor and furniture. According to a study by Ken Research, the kitchenware market in India is expected to grow at a CAGR of 16% during 2020-2025. This growth is attributed to factors such as rising disposable incomes, modernization of kitchen designs, and increasing demand for kitchen appliances.

eCommerce platforms such as Flipkart, Amazon, Pepperfry, and Urban Ladder have been at the forefront of this growth. The acquisition and funding of these eCommerce platforms by global giants such as Walmart and IKEA underline the potential for growth in this sector.

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Sources: Forbes, Shopify, Multiple Articles & Statista



## 5.4.2 The Transformative Potential of ONDC in the Home Décor, Furniture & Kitchen Ecosystem

### Issues faced by Small Home Décor, Furniture & Kitchen shops and how ONDC can solve them

#### Challenges

Small Home Décor, Furniture & Kitchen shops face issues such as price competition from large players, lack of sufficient space for expansion, lack of trained workers, poor window display, lack of facilities for consumers, poor management, etc.



#### Potential Benefits

##### 1. Direct access to buyers for the sale of Furniture, Kitchen Products, and Home Decor Items:

ONDC provides a platform for small and medium-sized manufacturers and retailers to reach out to a wider range of buyers including tier-2 and tier-3 cities, rural areas, and smartphone users. This can help small and medium-sized manufacturers and retailers to directly reach out to the buyers who are interested in their products, resulting in increased sales, revenue, and exposure.

##### 2. Consumer insight and preferences on the trending products:

ONDC Search Insight data can provide valuable insight for businesses looking to better understand their target audience and improve their marketing strategies and consumer preferences. By analyzing search trends and patterns, businesses can gain a deeper understanding of their customers' interests and behaviors, allowing them to tailor their messaging and offerings for maximum impact.

##### 3. Faster access to working capital and investment credit from financial institutions:

ONDC is in the process of partnering with various banks and financial institutions to provide its sellers with faster access to working capital and investment credit. This can be beneficial for Small and Medium-sized Manufacturers and Retailers as they require funds to purchase raw materials and inventory, invest in marketing campaigns, and improve their supply chain network in order to grow their business.

##### 4. Network-Wide Portable Reputation for Sellers:

A network-wide portable reputation system for sellers can help build that trust. By allowing sellers to carry their reputation across various platforms, buyers can feel more confident making purchases. Such a system can also provide sellers with valuable feedback and improve their performance, leading to more success for both parties.

## Issues Faced by Modern Trade Home Décor, Furniture & Kitchen Retailers and How ONDC Can Solve Them

### Challenges

They face challenges such as high inventory costs, low customer loyalty, high customer acquisition costs, and difficulty in differentiating themselves from other retailers. ONDC can help modern trade retailers gain an edge by:



### Potential Benefits

1. Allowing them to create a virtual showroom that displays their products and services in an immersive and interactive way.
2. Enabling them to offer customized and personalized solutions to their customers based on their preferences, budget, and lifestyle.
3. Offering them access to a network of designers, influencers, and experts who

can help them create appealing and innovative campaigns and promotions.

4. Facilitating them to leverage data analytics and artificial intelligence to optimize their pricing, inventory, marketing, and customer service strategies.

5. Giving them insights and recommendations from customers and experts that help them enhance their brand value and customer satisfaction.

## Issues faced by Manufacturers of Home Décor, Furniture & Kitchen Products and how ONDC can solve them

### Challenges

They face challenges such as low demand, high production costs, quality issues, regulatory compliance, and environmental impact. ONDC can help manufacturers boost their business by:

specifications, certifications, reviews, and ratings.

### Potential Benefits

- Providing them with a digital marketplace that connects them with potential buyers from across the country.
- Enabling them to showcase their products and services in a transparent and credible way with detailed

- ONDC can benefit Manufacturers by providing them with access to search insights and data. This access enables them to study upcoming buying patterns and trends and consumer preferences, as well as market nuances.

- Giving them feedback and ratings from buyers and experts that help them improve their quality, efficiency, and innovation.





## Issues faced by Brands of Home Décor, Furniture & Kitchen Products and how ONDC can solve them

### Challenges

They face challenges such as high competition, low customer retention, high customer expectations, and difficulty in reaching new markets. ONDC can help brands grow their presence by:

### Potential Benefits

- Providing them with a digital platform that showcases their products and services to a large and diverse audience.
- ONDC can benefit Brands by providing them with access to search insights and data. This access enables them to study upcoming buying patterns and trends and consumer preferences, as well as market nuances.



- Facilitating them to expand their reach by partnering with other brands, retailers, manufacturers, suppliers, etc. on cross-selling and co-branding opportunities.

Giving them feedback and ratings from customers and experts that help them refine their brand positioning and differentiation.

## 5.4.3 Understanding how ONDC can address challenges faced by Home Décor, Furniture & Kitchen Companies

### 5.4.3.1 > AR/VR Buying Experience for visual decision making.

AR/VR can potentially be used on ONDC to provide users with a more immersive online shopping experience for furniture, home decor, and kitchen equipment. For example, with AR/VR, users can try out furniture and appliances virtually in their homes to see how they look before committing to purchase. They can also view 3D models of products to get a better sense of size and dimensions. This can enhance

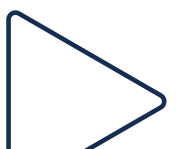
the overall online shopping experience and make it easier for buyers to make informed purchase decisions.



### 5.4.3.2 > New Business Models and Scaling Made To Order

ONDC has the potential to enable Made-to-Order customization and new business models for furniture, kitchen and home decor companies. ONDC could allow for greater flexibility in the supply chain by connecting designers, manufacturers, and consumers directly, allowing consumers to place orders for customized furniture, appliances or home décor products they want. This could benefit small businesses and entrepreneurs, who can take advantage of the network to reach

wider audiences and generate more sales. ONDC could also potentially provide data insights about consumer preferences and trends, which can help companies adapt their products and business models accordingly. This could encourage the creation of new business models that cater to unique consumer tastes and preferences.





# Pharmaceuticals

## 5.5.1 Current State of eRetail in Pharmaceutical

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The pharmaceutical industry in India has been growing steadily over the years with eCommerce playing a significant role in its growth.

According to a report by ResearchAndMarkets, the Indian online pharmacy market is projected to reach \$3.1 billion by 2024, growing at a CAGR of 63.8% during 2019–2024. Additionally, the COVID-19 pandemic has further accelerated the growth of the sector, with people preferring online orders to avoid physical contact and long queues at brick-and-mortar pharmacies.

The government of India has also taken steps to promote the growth of online pharmacies and make access to medicines easier for people across the country. In 2018, the Ministry of Health and Family Welfare issued guidelines on the sale of

drugs by e-pharmacies, which paved the way for the sector's growth and expansion.

The eCommerce platforms have revolutionized the way medicines are accessed and ordered in India. E-pharmacy platforms such as Netmeds, PharmEasy, Medlife, and Img are leading players in the sector, with a wide range of medicines available for purchase on their platforms. These platforms have leveraged technology to offer doorstep delivery, affordable pricing, and easy-to-use mobile apps, improving the convenience for consumers.



## 5.5.2 The Transformative Potential of ONDC in the Pharmaceutical Ecosystem

### Issues faced by Unorganized Medical Pharmacies and how ONDC can solve them

#### Challenges

They struggle with limited resources, high overheads, low margins, lack of access to new products and technologies, and fierce competition from online and offline pharmacies. ONDC can help small medical stores overcome these challenges by:



#### Potential Benefits

- Providing them with a digital storefront that showcases their products and services to a wider audience.
- Enabling them to source quality products and supplies from verified

manufacturers and suppliers at competitive prices.

- Giving them feedback and ratings from customers and experts that help them improve their performance and reputation.

### Issues faced by Modern Trade Pharmacies and how ONDC can solve them

#### Challenges

Modern trade pharmacies are large-scale outlets that offer a wide range of products and services to their customers. However, they also face challenges such as high inventory costs, low customer loyalty, high customer acquisition costs, and difficulty in differentiating themselves from other pharmacies.



## Potential Benefits

ONDC can help modern trade pharmacies gain an edge by:

- Allowing them to create a virtual showroom that displays their products and services in an immersive and interactive way.
- Enabling them to offer customized and personalized solutions to their customers based on their prescriptions, medical history, and health goals.
- Offering them access to a network of doctors, nurses, and experts who can

help them provide better health care advice and guidance.

- Facilitating them to leverage data analytics and artificial intelligence to optimize their pricing, inventory, marketing, and customer service strategies.
- Giving them insights and recommendations from customers and experts that help them enhance their brand value and customer satisfaction.

## Issues faced by Pharmaceutical Brands and how ONDC can solve them

### Challenges

They face challenges such as high competition, low customer retention, high customer expectations, and difficulty in reaching new markets. ONDC can help pharma brands grow their presence by:

pharmacies, manufacturers, suppliers, etc. on cross-selling and co-branding opportunities.

- Giving them feedback and ratings from customers and experts that help them refine their brand positioning and differentiation.

## Potential Benefits

- Providing them with a digital platform that showcases their products and services to a large and diverse audience.
- Offering them access to a network of doctors, nurses, and experts who can help them create compelling stories and narratives around their brand values and vision.
- Facilitating them to expand their reach by partnering with other brands,



## 5.5.3 Understanding how ONDC can address challenges faced by Pharmaceutical Companies

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### 5.5.3.1 > Better Prediction of Supply & Demand

While ONDC may not have a direct role in predicting outbreaks or demand for pharmaceutical brands and companies, it may indirectly help in various ways. For example, the platform may collect data on sales and consumer behavior, which could potentially be used by pharmaceutical companies and retailers to make more informed decisions about supply and demand. The ONDC platform could potentially facilitate the

distribution of pharmaceutical products to underserved areas, improving availability and accessibility of medications.

Additionally, pharmaceutical companies may be able to leverage data collected by ONDC to gain insights into consumer behavior and preferences that may inform their marketing strategies and product development efforts.

### 5.5.3.2 > Ensuring Drug Safety & Preventing Counterfeits

ONDC may not have a direct role in ensuring drug safety. However, it could indirectly help by enforcing regulations and guidelines related to the sale and distribution of pharmaceutical products on its platform. This could include verifying the authenticity and quality of products sold by registered sellers, ensuring compliance with

labeling and packaging requirements, and enforcing restrictions on the sale of certain prescription drugs. Additionally, ONDC could potentially work with regulatory authorities and other organizations to monitor drug trends and patterns on its platform and take appropriate actions to prevent the sale or distribution of unsafe or counterfeit drugs.

### 5.5.3.3 > Product Information & Safety

As a pharmaceutical company, ONDC's Catalog as a service can be leveraged to enable safety on the platform by providing a standardized and centralized platform for managing and organizing product catalogs. Through the platform, pharmaceutical companies can easily upload product details, images, and specifications,

making it easier for retailers and customers to access and purchase their products. This centralized approach can also help in ensuring that the products being sold meet industry standards and compliance requirements, which can ultimately improve drug safety for end-users.

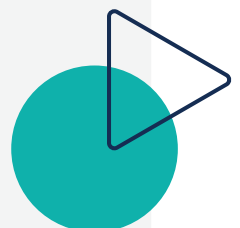


# ONDC Advantage X Toolkit Feedback Survey



Please spend a few minutes sharing your thoughts with us.

Link: <https://www.surveymonkey.com/r/VB8PD8Y>



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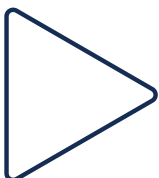
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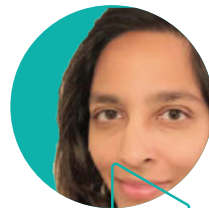
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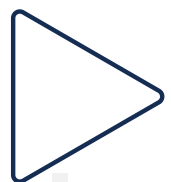
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Led by CMOs, the MMA helps marketers lead the imperative for marketing change – in ways that enable future breakthroughs while optimising current activities. The MMA is committed to science and questioning and believes that creating marketing impact is steeped in constructively challenging the status quo, encouraging business leaders to aggressively adopt proven, peer-driven

and scientific best practices, without compromise. The MMA invests millions of dollars in rigorous research to enable marketers with unassailable truth and actionable tools. By enlightening, empowering and enabling marketers, the MMA shapes the future of modern marketing propelling business growth.

Anchoring the MMA's mission are four core pillars; to cultivate inspiration by driving innovation for the Chief Marketing Officer; to build marketing capabilities for marketing organizations through fostering know-how and confidence; to champion the effectiveness and impact through research providing tangible ROI measurement; and advocacy.



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The MMA's global headquarters are located in New York with regional operations in Asia Pacific (APAC), Europe/Middle East/Africa (EMEA) and Latin America (LATAM).

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