

Open Network for Digital Commerce (ONDC), the first such initiative in the world, will go public soon. Here's the first of a three-part series providing insights into how the network will change things and provide new options to key players in the ecosystem, starting with consumers. Also, an exclusive interview with Thampy Koshy, CEO of ONDC

ONDC to be win-win for consumers and sellers, say experts

Plethora of shopping options to open up in a few months

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Mumbai, 6 September

As the Open Network for Digital Commerce (ONDC) — a digital network which connects buyers and sellers — is all set to open to the public this month, both retail and wholesale customers will have the option to buy from any vendor that has registered on the network.

However, experts believe it will take some time for the network to develop as a concept as this is the first such initiative anywhere in the world. It will provide another option to consumers to buy online.

The distinction of the network is that all sellers will be found by all buyers irrespective of the platform from which they access ONDC's seller base.

Simply put, if a buyer logs onto ONDC from Paytm, he or she can see the product he or she is searching for not only from Paytm sellers but also Snapdeal and other sellers registered on ONDC.

"Marketplaces have evolved to a stage where offtake has a major role in listing and searches. Top brands get a disproportionate share of visibility, which could be uniform for a larger section of brands under ONDC. The network is definitely meant to democratise and expand reach for sellers and brands," Angshuman Bhattacharya, national leader, consumer products and retail, EY India, told Business Standard. So far, 17 financial institutions jointly have a stake in ONDC.

Smaller sellers (including kiranas, toy sellers and apparel shops, among others) will be able to participate on the network and ecommerce will become more accessible to them. Also, there is no platform lock-in for the consumers or sellers. It wipes out the notion that some products are available exclusively on one platform.

Product manufacturers and sellers would have to offer more competitive prices and services, which would mean better deals for the consumer.

On the issue of customer experience, Bhattacharya said, "Building customer experience is a journey that ONDC would need to embark on across categories. This is expected to take some time to build the right data and insights. There are consumer expectations and obligations that any platform will need to reciprocate and it may take a few years to stabilise."

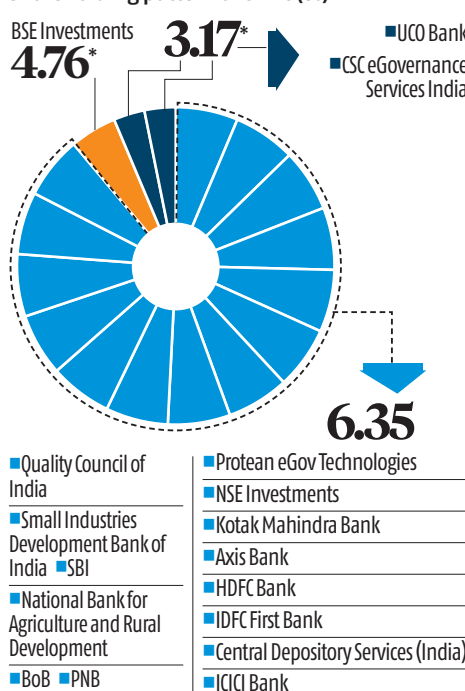
Rajat Wahi, partner at Deloitte, believes that vendor onboarding and verification to ensure quality and genuine products, promotions and discounts offered, among others, will need to be monitored. Also, range and assortment, pricing and product information and data privacy, among others, on the network will need to be taken care of. He added that ONDC will function like another site/platform that is available to consumers to shop at. It will also ensure that all vendors/sellers have access to consumers and will take time to scale up. "It is definitely a win-win for consumers as it could become a very large network over a period of time as more and more sellers and buyers use the platform," Wahi said.

Sellers are also at an advantage as they can list without really paying a significant commission to an ecommerce player and everyone can list their products and services on it.



WHO OWNS HOW MUCH

Shareholding pattern of ONDC (%)



*Barring BSE Investments (₹7.5 crore), UCO Bank (₹5 crore) and CSC eGovernance Services India (₹5 crore), the investment for the others is at ₹10 crore each

T Koshy, chief executive officer (CEO) of ONDC said for every application that consumers use to buy products/services, they usually have to create an account. This requires them to share their personal information.

"ONDC would obviate this by allowing a consumer to purchase any product or service from any seller on the network through a single buyer application. This will potentially make it easier to manage online privacy for the consumer," Koshy said. If a customer wants to return a product, the network has put a process in place. As ONDC prepares to open to the public in Bengaluru, it has already onboarded eight platforms and is in an advanced stage of adding another 25. It has also garnered interest from various other platforms, which include telecom majors and banks, according to a source.

Platforms already integrated with ONDC include Paytm, Digit, eSamudaay, Go Frugal, Growth Falcons, Seller App, Dunzo and Loadshare.



'Existing players to join once reach enters two-digits'

With the Open Network For Digital Commerce or ONDC expected to open to the public shortly, its chief executive officer, T KOSHY, talks about the network's adoption by larger payers and customers over time in an interview with Sharleen D'Souza. Edited excerpts:

How does the ONDC plan to get big players on the network? Will this reduce the dominance of big players?

The ONDC is an inclusive agenda providing opportunities for big and small entities. The opportunities that will evolve when the market adoption explodes from the current single-digit levels of penetration will become a natural road map for existing players to join it. We are already in talks with all of them and we believe that they will arrive at a meaningful mechanism to be part of this new paradigm of digital commerce.

When will the network go public? In how many cities will the ONDC go live by the end of 2022?

It's not like the rollout of a centralised solution like a bank or a stock exchange or even an e-commerce platform wherein significant components of the system are controlled centrally. The components of the ONDC, except the protocol, registry, and gateway, organisational capabilities of ecosystem partners, priorities, and resources are critical and there will be handholding support by the ONDC in this journey. The components to be developed by participants, including network participant apps, onboarding/training of merchants, and digitisation and upload of their catalogues form critical elements of the network. Therefore, the rollout, including the pilot, is planned in a stepped fashion.

In the pilot phase, the ONDC rolled out the central components like registry and gateway, and started field-testing by limited consumers, with five seller platforms, one buyer platform, and one logistics provider making services of grocery supplies available in five cities. Since then, this pilot has been extended to more than 50 cities and covers domains of food and fashion, with more than 200 merchants fully operational. As of now, around 260 entities are under various stages of integration as sellers/buyers/logistics apps; 25 of them are in advanced stages. Many of them are focused on

onboarding a large number of small and micro merchants in the near future. We are also adding merchants from more and more cities and adding domains like garments and electronic goods, besides grocery and food.

As we now have experienced transactions through a select list of buyers. It has been proposed that the network is opened to the public at large at one location with a reasonable spread of online merchants, and then the network is made operational across the country in a phased manner.

What's the transaction limit on ONDC? There is no transaction limit.

With banks also choosing to be part of the ONDC, do you think this will change the game in MSME lending?

Many banks in both private and public sectors are seriously considering becoming part of the network and we expect three prominent banks to become operational on the ONDC this month (September). With a significant increase in digital transactions, we expect industry will have a great opportunity for availing credit, based on digitally verifiable transaction flow, which will be a great boon for the industry, especially MSMEs.



T KOSHY
CEO, ONDC

What are the challenges with onboarding smaller retailers?

We need to give special attention to associated capacity enhancements required in the areas of streamlined business processes, order fulfilment, and customer service, besides technology enablement.

How will this make it easier for customers to shop on the ONDC?

With buyer apps on the anvil from telcos, banks, fintech firms, etc, there will be specialised offers for diverse segments of buyers across the country. Further, these buyer apps with no conflicting priorities of pushing their own sellers will have their loyalty to buyers and will attempt to give their best.

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