

Status of E-consumers in India

Approach Note on Survey Questionnaire *for* Subproject 1: Consumer Welfare Index

A. Background

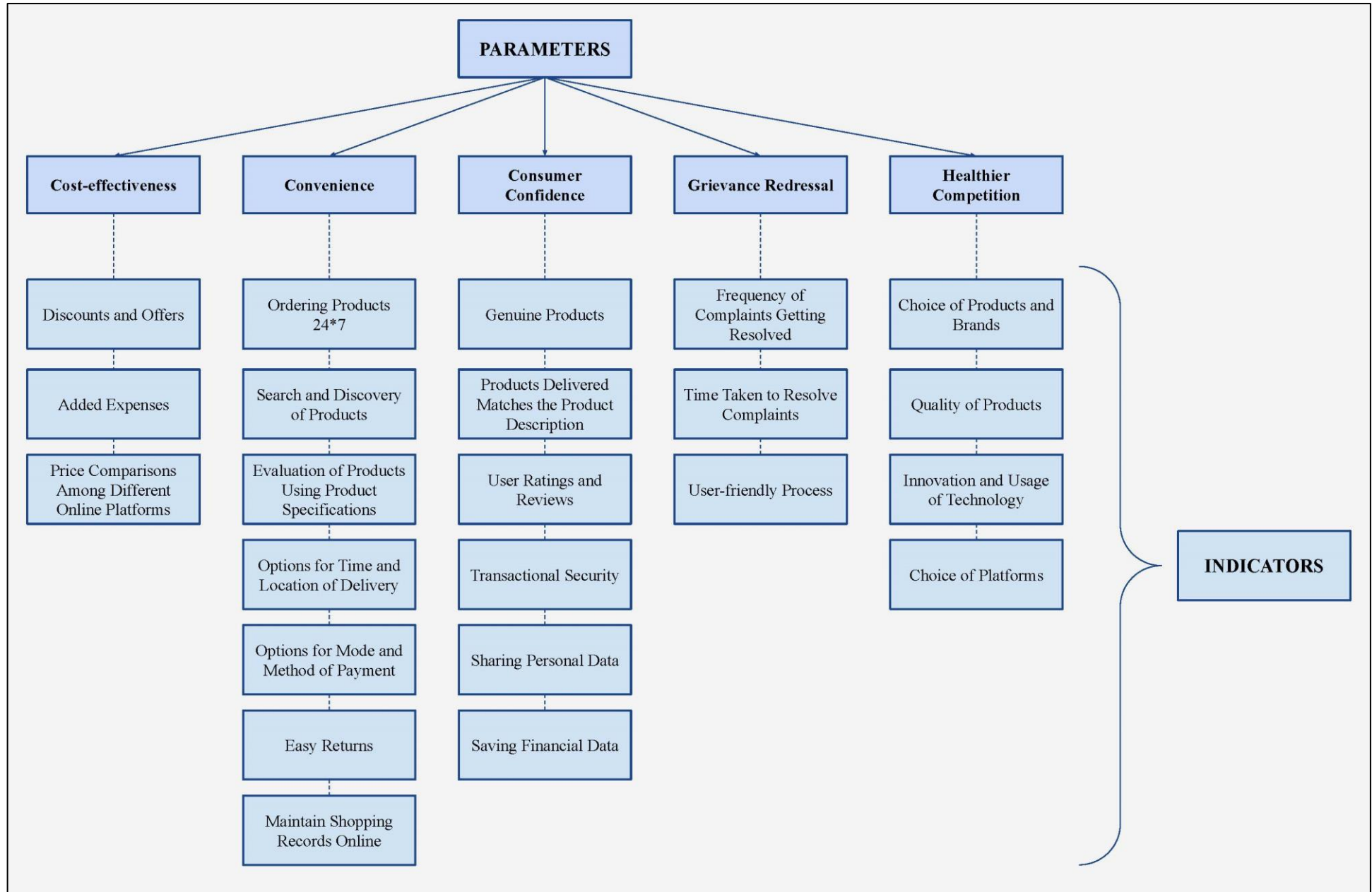
Over the years, there has been a growing need to include consumer voice in the policy making process to reduce the gap between those who plan and design policies and those for whom such policies are designed. This need is felt more greatly than ever, with respect to the e-commerce landscape in India, which could benefit greatly if consumers were more involved and their voices heard. The inclusion of the needs and requirements of consumers will provide a roadmap for the government and e-commerce platforms alike for how to enhance the total consumer welfare.

In recent years, the concept of consumer welfare has evolved further with the advent of the digital economy, including e-commerce. There is now a greater shift towards including non-price parameters under the umbrella of ‘consumer welfare’ such as the effects on quality, innovation, and the likes. This can also be inferred from the fact that the success of e-commerce platforms is attributed greatly to parameters such as ease and convenience of shopping and greater variety and quality of products, in addition to just the price of the products. Despite the known importance of these parameters towards enhancing consumer welfare, there is hardly any assessment, at least in India, which estimates the level of impact and significance of each such parameter on total consumer welfare.

Such a gap between the significance and impact of parameters on total consumer welfare might discourage policy makers from knowing the exact weightage of each parameter which can help determine which parameter is likely to cause a greater increase in consumer gains. It is, therefore, important to take a bottom-up approach, including using primary research, to address this gap. Such an analysis could help design actionable recommendations and frameworks which could be used to design e-commerce policies with the intent of enhancing consumer welfare through e-commerce.

The survey questionnaire is thus designed to analyse the relationship between parameters and consumer welfare and assess how the former impacts the latter. In that endeavour, the first step has been to identify the parameters which contribute to the total consumer welfare, and then determine the indicators to assess each of those parameters. The second step then has been to draft the survey questions basis the identified indicators.

Through extensive literature review, internal brainstorming sessions, and personal experiences, the following parameters and indicators were identified for the purpose of designing the survey questionnaire.



The difference between the parameters and indicators is that the former is a broader term such as convenience, whereas the latter are factors which can be associated with convenience such as the ability to order products 24*7. Furthermore, the indicators are designed keeping the respondent in mind, to ensure they are simple and understandable. In addition, the indicators under each parameter are not exhaustive, and have been chosen keeping in mind the brevity of the questionnaire.

B. Objective and Research Question

The objective is to *quantify and analyse the impact of e-commerce on consumer welfare* with the help of the above-mentioned predetermined parameters and indicators.

In order to achieve the objective, the following research questions are designed:

1. What is the relationship between the identified parameters and the total consumer welfare, in terms of impact and strength?
2. What is the estimated consumer gain or loss through each identified parameter?
3. What is the distance to frontier score for the total consumer welfare?

C. Data Analysis

A combined analysis of all three research questions will help quantify and analyse the impact of e-commerce on consumer welfare, as far as possible. For that purpose, an analysis from indicators to parameters and parameters to consumer welfare will be done, following the trajectory as outlined in Figure 1, to arrive at the total consumer welfare score.

The data collected through the survey questionnaire, in the form of scores which the respondents will assign to each indicator statement, will be totalled to arrive at a score for the respective parameter. Subsequently, the scores for all the parameters will be totalled to estimate the total consumer welfare score for each respondent. For instance, for the parameter ‘convenience’, the total score of the seven indicators assigned to it (refer to the table above) will be the score for convenience, and the addition of the scores of all parameters (five in total) will make up the total consumer welfare score for each respondent.

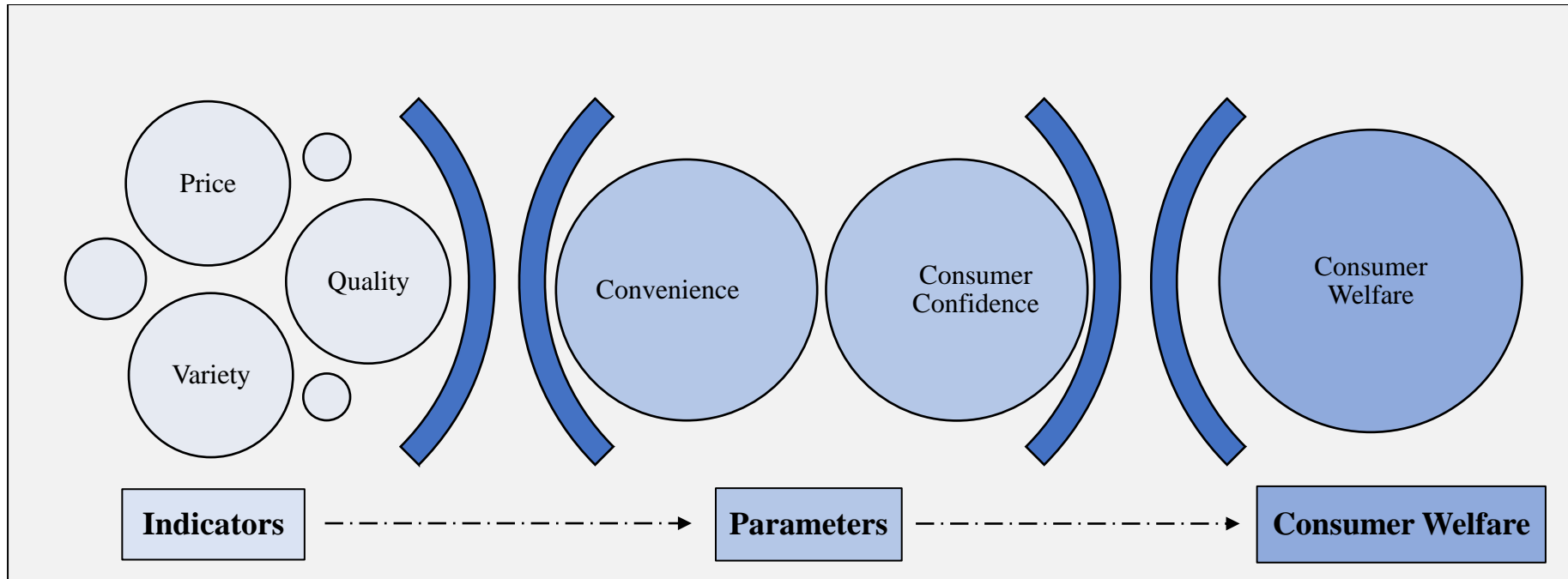


Figure 1: From Indicators to Consumer Welfare (Source: Authors' Analysis)

This trajectory of data analysis will help draw linkages between the indicators, parameters, and the total consumer welfare, as far as possible. This level of data analysis is important to achieve the objective as the indicators and parameters are essentially features of online shopping through e-commerce platforms, which also contribute greatly to the evolving concept of consumer welfare.

The approach to the survey and data analysis as outlined above is unique and novel as it attempts to quantify the impact of e-commerce on consumer welfare from a different perspective. Firstly, it includes a bottom-up approach, where the data analysis will be based on data received from e-consumers via the survey questionnaire. Secondly, while attempting to estimate the consumer gains or losses through each parameter, the approach will enable going one step ahead to quantify and analyse the impact of each of those parameters on the total consumer welfare. Lastly, as far as possible, the approach will quantify the maximum possible consumer welfare score, the average consumer welfare score attained, and the scope of improvement to reach the maximum possible.

In that pursuit various data analysis tools will be used, such as Excel and STATA.

D. Envisaged Outputs

Following the approach, the following are the envisaged outputs:

1. Annual Report: The report will highlight the status of e-consumers in India, including the impact of e-commerce on consumer welfare. The report will include policy recommendations for the government, policy makers, and regulators, along with recommendations for e-commerce platforms to consider, with an objective of enhancing the total consumer welfare through e-commerce. For this purpose, various consumer perception questions have been incorporated in the survey questionnaire. Moreover, questions have also been added to gauge the challenges e-consumers face when shopping online, and how their overall experience can be improved. The responses to these questions will enable providing actionable policy and practice recommendations in the annual report.
2. Consumer Welfare Index Scorecard: The annual report will be accompanied by a multi-fold scorecard, which will reflect the data trends and analysis from the survey questionnaire vis-à-vis consumer welfare.