

# STATUS OF E-CONSUMERS IN INDIA

*Evaluating Consumer Welfare of E-Consumers*



## **Status of E-Consumers in India**

### *Evaluating Consumer Welfare of E-Consumers*

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## Executive Summary

The COVID-19 pandemic has accelerated the growth of e-commerce in India, with the market value expected to reach USD 111 billion by 2024 and USD 200 billion by 2026. However, the pandemic has also impacted e-consumers' behaviour and platforms' practices, raising concerns related to counterfeit goods, product safety, predatory pricing, grievance redressal, data protection and privacy. To assess the impact of these factors on consumer welfare, CUTS conducted a study analysing the status of e-consumers in India through consumer surveys conducted in 2021 and 2022.

The study evaluates consumer welfare in e-commerce by categorising parameters that influence consumer welfare, such as convenience, cost-effectiveness, consumer confidence, grievance redressal and healthier competition. The 2021 survey found that convenience, cost-effectiveness, and variety of products were key motivators for consumers to use e-commerce services. However, the study highlighted the need to improve grievance redressal mechanisms and data protection measures, as consumers expressed low confidence and concerns for these aspects.

The report captures relevant policy including reports by the Standing Committee on Commerce and the Standing Committee on Finance that address e-commerce regulation and anti-competitive practices. The growth of e-commerce must align with consumer sensitivities and maximise consumer welfare by including their voices in the policymaking process. This report presents a comparative analysis of consumer welfare in e-commerce for the years 2021 and 2022, considering recent policy developments.

The report underscores the risks and benefits of e-commerce, including unsafe products, unfair business practices, privacy breaches, and weak enforcement of laws. It also emphasises the evolving concept of consumer welfare in the digital economy and the importance of non-price factors such as quality, choice, and innovation. This helped in identifying five parameters: cost-effectiveness, convenience, consumer confidence, grievance redressal, and healthier competition.

Cost-effectiveness is determined by factors like discounts, no added expenses, and price comparison options. Convenience includes indicators such as 24x7 ordering, product search, flexible delivery, and multiple payment modes. Consumer confidence is influenced by genuine

products, accurate information, transactional security, and data protection. Grievance redressal examines action on complaints, timely resolution, and user-friendly processes. Healthier competition encompasses choice of products, competitive quality, and choice of platforms.

By diving deep into aforementioned issues, the study aims to inform policymakers, regulators, and e-commerce platforms on how to enhance consumer welfare in India. By analysing the impact and strength of the identified parameters, the study quantifies consumer welfare gains or losses between 2021 and 2022. It provides valuable insights into factors impacting consumer welfare in e-commerce and presents actionable recommendations for enhancing consumer welfare in India. The findings will benefit stakeholders in developing a nuanced understanding of e-consumer welfare and contribute to the betterment of policies and regulations.

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# 1. Introduction and Background

The COVID-19 pandemic considerably accelerated the growth of e-commerce in India.<sup>1</sup> The market value of the e-commerce industry in India is expected to touch USD 111 billion by 2024 and USD 200 billion by 2026.<sup>2</sup> However, it has also impacted e-consumers' behaviour.<sup>3</sup> Concerns related to counterfeit goods, product safety, predatory pricing, inadequate grievance redressal mechanism, digital literacy, language barriers and data protection and privacy, among other things adversely impact consumer welfare and trust. With e-commerce emerging as an alternate mode of shopping for many consumers, the concept of consumer welfare is evolving. Many non-price factors like quality, innovation and ease, among others impact consumer welfare.

To assess the impact of these factors, CUTS has undertaken a study, which analyses the *Status of E-Consumers in India* by calculating consumer welfare using consumer surveys for two consecutive years like 2021 and 2022.<sup>4</sup> The study evaluates consumer welfare for online consumers or e-consumers by categorising specific parameters, which impact consumer welfare in e-commerce. Taking a bottom-up approach, which utilises primary research, it is a first of its kind attempt to bring forward the consumer perspective on such factors, at least in India. This study provides useful insights as to where polity, industry and decision makers need to focus more in order to maximise consumer welfare.

For instance, the 2021 survey found that 'convenience', 'cost-effectiveness' and 'variety of products available' are some of the biggest motivators for consumers to use e-commerce services. However, the study highlighted the need of improving 'grievance redressal mechanisms' for ecommerce, as consumers rated it as the lowest scoring parameter. Consumers also showed low levels of confidence due to absence of adequate data protection measures. Detailed findings of the survey can be found [here](#).<sup>5</sup>

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<sup>1</sup> For this study, e-commerce means online commerce where sales happen between business and consumer.

<sup>2</sup> 'Indian E-commerce Industry Analysis'. Available at <https://www.ibef.org/industry/ecommerce-presentation>

<sup>3</sup> For this study, consumers are referred to those who buy goods and services through e-commerce such as Amazon, Flipkart and Snapdeal.

<sup>4</sup> 'Status of E-consumers in India (SECI)'. CUTS CCIER. Available at <https://cuts-ccier.org/seci/>

<sup>5</sup> Consumer Welfare Index, Status of E-consumers in India (SECI), CUTS CCIER, Available at <https://cuts-ccier.org/pdf/seci-consumer-welfare-index.pdf>

The report for the 2021 survey captures the relevant policy developments until December 2021.<sup>6</sup> Since then, on the policy developments front, the Standing Committee on Commerce has come up with the report titled Promotion and Regulation of E-Commerce in India in June 2022.<sup>7</sup> The Parliamentary Standing Committee on Finance has also released a report titled Anti-Competitive Practices by Big Tech Companies in December, 2022 which has an interface with consumer welfare.<sup>8</sup>

The growth of e-commerce needs to be attuned with consumer sensitivities and maximising their welfare by centring their voices in the policymaking process. This is critical for overall enhancement of consumer welfare and substantive growth of e-commerce in India. This paper by CUTS presents a comparative analysis of consumer welfare quotients for e-commerce for the years 2021 and 2022, while taking into account recent policy developments.

## 1.1 Literature Review

The penetration of e-commerce in India and globally has propelled consumers to go digital in shopping. Digital commerce platforms have provided access to enormous choice of goods and services to the consumers. However, despite the considerable value that e-commerce provides, it has also opened new risks for the consumers in terms of unsafe products, unfair business practices, inadequate online dispute resolution, breaches to consumer privacy and weak enforcement of laws.

At the same time, the concept of consumer welfare has also evolved further with the advent of the digital economy, including e-commerce. There is now a greater shift towards including non-price parameters to evaluate 'consumer welfare' such as the effects on quality, choice, 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, not much assessment has been done, at least in India, which estimates the level of impact and significance of each such parameter on total consumer welfare.

While there is plenty of literature that talks about the gains to consumers and producers with the advent of e-commerce, there is still much less literature about *in what ways* e-commerce

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<sup>6</sup> Consumer Welfare Index, Status of E-consumers in India (SECI), CUTS CCIER, Available at <https://cuts-ccier.org/pdf/seci-consumer-welfare-index.pdf>

<sup>7</sup> Promotion and Regulation of E-Commerce in India, Parliamentary Standing Committee on Commerce, (June 2022). Available at [https://rajyasabha.nic.in/rsnew/Committee\\_site/Committee\\_File/ReportFile/13/159/172\\_2022\\_6\\_14.pdf](https://rajyasabha.nic.in/rsnew/Committee_site/Committee_File/ReportFile/13/159/172_2022_6_14.pdf)

<sup>8</sup> Anti-Competitive Practices by Big Tech Companies, Parliamentary Standing Committee on Finance, (December 2022) Available at [https://eparlib.nic.in/bitstream/123456789/1464505/1/17\\_Finance\\_53.pdf](https://eparlib.nic.in/bitstream/123456789/1464505/1/17_Finance_53.pdf)

provides value. This literature review accounts the studies that have been conducted in different jurisdictions to assess the ways in which e-commerce increases or decreases gains, especially to consumers. Amongst other things, these studies review the significance of non-price factors which affect consumer welfare induced by e-commerce. Through the various studies, the authors also shed light on the behaviour and attitude of consumers towards online shopping channels.

The mapping of existing literature has helped us identify five broad parameters – *cost-effectiveness, convenience, consumer confidence, grievance redressal, and healthier competition* – that contribute to the consumers' welfare within the e-commerce space.

### 1.1.1 Cost-Effectiveness

Researchers have established that perceived cost often determines the motivation of consumers to buy products.<sup>9</sup> Annual Consumer View report by National Retail Federation in the United States (US) explores how online shopping shapes consumers' behaviour in the US and what this means for the future of retail.<sup>10</sup> The report shows that an overwhelming number of consumers opt for e-commerce due to cost-effectiveness, as it allows them to compare prices and choose the most cost-effective option.

In e-commerce literature, the conventional meaning of economic benefit largely refers to the consumer perception that e-commerce platforms offer price discounts, promotions, or other preferential activities.<sup>11</sup> However, cost-effectiveness can be seen by consumers in multiple ways including monetary gain, time, effort and price comparison.

Discounts and offers are a fairly common marketing strategy to attract customers by offering an added benefit or incentive, which motivates customers to buy the promoted products immediately.<sup>12</sup> There may be potentially negative economic effects of discounts and offers such as consumers spending more time to find the best deal or delaying their purchase to wait for promotional offers. When encountering discounts and offers, consumers in a positive mood will perceive a greater transaction value than consumers in a negative mood. This effect has a positive influence on consumers' perception of price deals and therefore, may positively influence perceived savings. Monetary discounts and offers can give consumers a monetary

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<sup>9</sup> 'Effects of price discount on consumers' perceptions of savings, quality, and value for apparel products: mediating effect of price discount effect'. Available at

<https://fashionandtextiles.springeropen.com/articles/10.1186/s40691-018-0128-2>

<sup>10</sup> 'Consumer View Winter 2020: Convenience and the Consumer', National Retail Federation, January 2020, Available at <https://cdn.nrf.com/sites/default/files/2020-01/cv8-convenience-final-jan-9-2020.pdf>.

<sup>11</sup> 'Mobile shopping platform characteristics as consumer behaviour determinants'. Available at <https://www.emerald.com/insight/content/doi/10.1108/APJML-05-2019-0308/full/html>

<sup>12</sup> 'Effects of price discounts and bonus packs on online impulse buying'. Available at <https://www.sbp-journal.com/index.php/sbp/article/view/4165>

advantage and motivate them to purchase a product.<sup>13</sup> Consumers regard a higher discount as more valuable, making it the most widely used factor for a higher level of savings for a product. This suggests that price discounts are positively related to perceived savings. Marketing research also informs that discount and offers are also relational to the emotions such as aroused to purchase the products. Consumers feel enjoyable emotions and excitement when discounts are offered to them.<sup>14</sup>

Further, Paul Dolfin et al have demonstrated that e-commerce allows the consumers to be cost effective in shopping as it eliminates the cost of going outside and associated costs such as parking, transacting, and carrying home the purchased items. They also note that e-commerce adds critical values in terms of quality, and affordability of products online as compared to offline.<sup>15</sup> Furthermore, Yufeng Huang and Bart J. Bronnenberg have attempted to address the existing gaps, which is in what ways e-commerce adds tangible values to the consumers. Earlier literature has focused on the fact that e-commerce provides consumers' access to buying products, which are not available "offline". They have demonstrated that consumers save on transportation cost, which acts as an important factor for consumer welfare. Studying retail apparel industry in the Netherlands – a retail market for clothing, footwear, and accessories – from 2007 to 2018, they note that there are sizable gains when shopping online, equivalent to a 5.9 per cent decrease in all prices. Further, while quantifying the extent of price competition, the authors found a 5.3 per cent decrease in prices, which is a significant but indirect consumer gain even for those who do not shop online. This substantiates the understanding of consumer attitudes and behaviour, and what is likely to bring them on-board an online transition.<sup>16</sup>

Yoon J. Jo, Misaki Matsumura, and David E. Weinstein have brought attention towards relative price and consumer welfare. They presented evidence from Japan that reduction in prices and availability of a greater variety of products are the most important factors for consumers while shopping online.<sup>17</sup>

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<sup>13</sup> 'Does privacy assurance on social commerce sites matter to millennials?'. Available at <https://www.sciencedirect.com/science/article/abs/pii/S0268401217310083>

<sup>14</sup> 'Managing the effectiveness of e-commerce platforms in a pandemic'. Available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7475027/#bib30>

<sup>15</sup> 'Assessing the Gains from E-commerce', National Bureau of Economic Research, May 2020'. Available at <http://klenow.com/assessing-gains-ecommerce.pdf>

<sup>16</sup> 'Consumer Transportation Costs and the Value of E-commerce: Evidence from the Dutch Apparel Industry'. Available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3596460](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3596460)

<sup>17</sup> 'The Impact of E-commerce on Relative Prices and Consumer Welfare'. Available at [https://www.nber.org/system/files/working\\_papers/w26506/w26506.pdf](https://www.nber.org/system/files/working_papers/w26506/w26506.pdf).

Thus, based upon the above literature, for the purposes of the study, Cost-Effectiveness is defined by (i) *discount and offers*, (ii) *no added expenses* such as travel costs and parking charges and (iii) *price comparison options*.

### 1.1.2 Convenience

Convenience is not simply a one-size-fits-all solution. Convenience varies based on how people are shopping, where they are along their path-to-purchase journey, and what they are buying.<sup>18</sup> On e-commerce platforms it even becomes trickier to understand, as all benefits and gains differ in magnitude and relative importance across services and consumers. For some online shoppers, the convenience of shopping without having to travel might be a big motivator for online shopping, whereas for others, it could be the ease of comparison between products and home delivery, to name a few.

Paul Dolfin et al also underlined that convenience in terms of availability of the goods and services is an important factor for online shopping. This is particularly crucial for consumers who live in rural areas and smaller cities, where there is limited availability of physical stores. They argue that democratic experience of shopping through e-commerce, which is essentially available to everyone everywhere, makes a tempting choice for consumers to go digital in shopping.<sup>19</sup>

Guillen-Royo (2019) shows a wide range of positive outcomes for customers to include happiness and life satisfaction resulting from product and service interactions.<sup>20</sup> Erik Brynjolfsson, Michael D. Smith, and Yu (Jeffrey) Hu go beyond price-sensitive approach and present a framework and empirical evidence that consumers place a high value on the convenience offered by Internet retailers when locating and purchasing obscure products.<sup>21</sup> Further, for a developing market like India, the range of availability of payment options such as Cash on Delivery, and payment through Unified Payment Interface (UPI) are important factors.<sup>22</sup> Neelam Chawla & Basanta Kumar found that cash on delivery is the priority option for online shopping in India.<sup>23</sup>

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<sup>18</sup> Consumer View Winter 2020: Convenience and the Consumer', Available at <https://cdn.nrf.com/sites/default/files/2020-01/cv8-convenience-final-jan-9-2020.pdf>.

<sup>19</sup> 'Assessing the Gains from E-commerce', Available at <http://klenow.com/assessing-gains-ecommerce.pdf>

<sup>20</sup> 'Sustainable consumption and wellbeing: does on-line shopping matter?'. Available at <https://www.sciencedirect.com/science/article/pii/S095965261931577X>

<sup>21</sup> 'Consumer Surplus in the Digital Economy: Estimating the Value of Increased Product Variety at Online Booksellers'. Available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=400940](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=400940)

<sup>22</sup> 'How valuable is e-commerce?', Available at <https://drive.google.com/file/d/1GrcXCvNRrSu8Dc-BBC32YVYpVEfmSCvp/view>

<sup>23</sup> 'E-Commerce and Consumer Protection in India: The Emerging Trend'. Available at <https://link.springer.com/article/10.1007/s10551-021-04884-3>

Therefore, for the purposes of the study, convenience is defined by several indicators including (i) *ordering products 24x7*, (ii) *product search & discovery*, (iii) *product evaluation*, (iv) *flexible delivery time and location*, (v) *multiple payment modes and methods*, (vi) *easy returns* and (vii) *maintaining shopping records online*.

### 1.1.3 Consumer Confidence

In the context of e-commerce, consumer confidence plays a crucial role in determining their decision to choose an e-commerce platform for shopping. The Digital Economy Report of 2019 also advocated that building consumer trust is crucial for a better e-commerce system.<sup>24</sup> Online shopping needs greater trust than purchasing offline.<sup>25</sup> Consumer confidence can encompass various aspects including quality, safety, genuineness, and accessibility of products and services. When consumers are confident in e-commerce platforms through informed purchasing decisions, it leads to a positive experience for them.

There are growing concerns related to counterfeit or fake products and reviews. As per a report of the World Customs Organisation (WCO), around 7 to 9 per cent of the global trade consists of counterfeit products. Swaminathan argues that one of the main reasons behind counterfeit products occupying this space is the inability of existing supply chain networks to combat the issue.<sup>26</sup> A study shows that 38 per cent of consumers had purchased counterfeit products from an online retailer in 2021. This included Snapdeal (12 per cent), Amazon (11 per cent) and Flipkart (6 per cent).<sup>27</sup> This has raised the important question of consumer trust and safety in online shopping.

As e-commerce is increasingly being instrumentalised to sell counterfeit goods, it poses a risk to legitimate markets and allows unauthorised and grey market operators to take up economic space, resulting in negative experience for consumers.<sup>28</sup> Although technology provides various solutions to verify the authenticity of the genuine product, the same technological tools, specifically artificial intelligence, can also generate clones, making it harder to differentiate between the real and fake products. Furthermore, when e-commerce players and brand

<sup>24</sup> 'Digital Economy Report 2019'. Available at <https://www.un-ilibrary.org/content/books/9789210042161>

<sup>25</sup> 'Total Consumer Report 2019', Available at <https://www.nielsen.com/us/en/insights/report/2019/total-consumer-report-2019/>

<sup>26</sup> 'E-commerce fakes: How online retailers can curb counterfeiting without messing with customer experience'. Available at <https://www.financialexpress.com/industry/sme/cafe-sme/e-commerce-fakes-how-online-retailers-can-curb-counterfeiting-without-messing-with-customer-experience/2031025/>

<sup>27</sup> '38% consumers received counterfeit product from ecommerce sites'. Available at <https://www.moneylife.in/article/38-percentage-consumers-received-counterfeit-product-from-ecommerce-sites/53843.html>

<sup>28</sup> 'Misuse of E-Commerce for Trade in Counterfeits'. Available at <https://www.oecd-ilibrary.org/sites/1c04a64e-en/index.html?itemId=/content/publication/1c04a64e-en>



owners engage in disputes, counterfeiters are the ones who profit.<sup>29</sup> Not only does it bring mistrust to their minds, but they can spread word-of-mouth to help others make that all-important decision of buying online or not.

Consumer confidence is also influenced by the availability of accurate information that allows consumers to make informed choices. This includes access to authentic product reviews, detailed product descriptions, and the ability to compare products from different sellers before making a purchase. Consumers want to have as much information as possible to make the best decision for themselves, and this is particularly important when shopping online where they are not able to physically examine the products. The Government of India (GoI) has also been actively attempting to curb fake reviews, which mislead consumers while shopping and/or using e-commerce services to facilitate a trustworthy experience on e-commerce platforms.<sup>30</sup>

Along with this, Neelam Chawla demonstrates that website information and effective customer care services, security, privacy and warranty also build a customer's trust in online shopping.<sup>31</sup> Hubert et al also state financial data security and the protection of personal data to be of importance in building consumer confidence.<sup>32</sup> Similarly, in spite of a large number of consumers gravitating towards online shopping with technology advancement and escalated penetration of the internet, there are consumers who are reluctant to make the shift due to certain concerns related to data and financial security,<sup>33</sup> and privacy.<sup>34</sup>

It is crucial to ensure the protection of personal and financial information on e-commerce platforms. With the increasing volume of financial transactions, consumers must share their bank account and personal information when availing services on e-commerce. If their information is leaked or mishandled, consumers may face potential risks and dangers.<sup>35</sup> For instance, the Government of India had informed the Parliament that over nine lakh (0.9 mn)

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<sup>29</sup> 'E-commerce: The threat of counterfeits and piracy | Opinion'. Available at <https://www.hindustantimes.com/analysis/e-commerce-the-threat-of-counterfeits-and-piracy-opinion/story-Q7LujelDtiVn9OTvnZKeqL.html>

<sup>30</sup> 'India issues guidelines to curb fake reviews on e-commerce platforms'. Available at <https://techcrunch.com/2022/11/21/india-fake-reviews-ecommerce-guidelines/>

<sup>31</sup> 'E-Commerce and Consumer Protection in India: The Emerging Trend', Available at <https://link.springer.com/article/10.1007/s10551-021-04884-3>

<sup>32</sup> 'Acceptance of smartphone-based mobile shopping: mobile benefits, customer characteristics, perceived risks, and the impact of application context'. Available at <https://onlinelibrary.wiley.com/doi/abs/10.1002/mar.20982>

<sup>33</sup> 'Explicating the privacy paradox: a qualitative inquiry of online shopping consumers'. Available at <https://www.sciencedirect.com/science/article/pii/S0969698919305442>

<sup>34</sup> 'Consumer Perceptions of Online Shopping, Issues in Information systems'. Available at [https://www.researchgate.net/publication/255660637\\_Consumer\\_Perceptions\\_of\\_Online\\_Shopping](https://www.researchgate.net/publication/255660637_Consumer_Perceptions_of_Online_Shopping)

<sup>35</sup> 'Acceptance of smartphone-based mobile shopping: mobile benefits, customer characteristics, perceived risks, and the impact of application context. Available at <https://onlinelibrary.wiley.com/doi/abs/10.1002/mar.20982>

incidents of phishing and vishing had been reported between 2020 and 2022, duping consumers worth Rs 15,000 mn.<sup>36</sup> Based upon the literature, for the purposes of the study, consumer confidence has been defined by using following indicators (i) *genuine products*, (ii) *product matches its online description*, (iii) *user ratings and reviews resulting in informed choice*, (iv) *transactional security*, (v) *sharing personal data*, and (vi) *saving financial data*.

### 1.1.4 Grievance Redressal Mechanism

Growing concerns of grievance on e-commerce in India significantly impacts consumer welfare. Lack of user-friendly complaint filing processes, slower turnaround times for complaint resolution, and bad quality of their customer service representatives can have a negative experience on consumers.<sup>37</sup> In recent years, the number of complaints filed against e-commerce companies and online shopping portals has been increasing steadily. The GoI has informed the Parliament that 5.12 lakh complaints pertaining to e-commerce have been registered in the National Consumer Helpline between April 2019 and November 2021.<sup>38</sup>

Common complaints include issues related to product quality, delivery delays, payment discrepancies, and customer service. The effectiveness of existing grievance redressal mechanisms is often called into question, as consumers frequently report delays and inadequate responses to their complaints. Another concern for consumers in India is the time taken to resolve grievances and lack of user-friendly process for filing the complaints. This can be particularly frustrating for consumers who are waiting for a refund, replacement, or other form of compensation. E-commerce companies have complex complaint filing systems, requiring customers to navigate multiple screens, fill out lengthy forms, and provide detailed documentation. This can be particularly challenging for consumers who may not be tech-savvy or who do not have access to a computer or smartphone.

Notably, effective customer care services build a customer's trust in online shopping.<sup>39</sup> Thus there is a need to resolve the key concerns including increasing frequency of complaints, the time taken to resolve grievances, and the lack of user-friendly processes. Accordingly, for the

<sup>36</sup> 'Over 9 lakh incidents of phishing, OTP compromise reported in last two years; 42% Indians have experienced financial fraud'. Available at <https://timesofindia.indiatimes.com/business/india-business/over-9-lakh-incidents-of-phishing-otp-compromise-reported-in-last-two-years-42-indians-have-experienced-financial-fraud/articleshow/93361388.cms>

<sup>37</sup> 'E-Commerce and Consumer Protection in India: The Emerging Trend'. Available at <https://link.springer.com/article/10.1007/s10551-021-04884-3>

<sup>38</sup> 'More Than 5.12 Lakh Complaints Registered Against E-Commerce Between April 2019-November 2021'. Available at <https://www.outlookindia.com/website/story/business-news-more-than-512-lakh-complaints-registered-against-e-commerce-between-april-2019-november-2021/405561>

<sup>39</sup> 'E-Commerce and Consumer Protection in India: The Emerging Trend'. Available at <https://link.springer.com/article/10.1007/s10551-021-04884-3>

grievance redressal parameter, the following indicators are considered (i) *action on complaints*, (ii) *timely resolution* and (iii) *user friendly resolution*.

### 1.1.5 Healthier Competition

For a long time, scholars have approached consumer welfare from the perspective of welfare economics and law. Lina M Khan argued in her defining work that competition laws need to be adequately equipped to provide welfare to the online consumers in terms of cost-effectiveness and choosing service providers without getting influenced by market power.<sup>40</sup> Vancauteran et al argued that e-commerce increases productivity and widens choice through cost savings and competitiveness.<sup>41</sup> E-commerce has reshaped the global retail market.<sup>42</sup> The observation is that e-commerce is vibrant and an ever-expanding business model; its future is even more competitive than ever, with the increasing purchasing power of buyers, the proliferation of social media users, and the increasingly advancing infrastructure and technology.<sup>43</sup> This enabled the scholars and regulators to analyse the functioning of actual markets compared to an ideal market.

There are growing claims that e-commerce players engage in unethical practices such as giving preferential treatment to themselves, offering deep discounts (predatory pricing), using anti-competitive tactics, and imposing unfair and biased terms on their business users.<sup>44</sup> There have been concerns over anti-competitive practices involved in discounting by the e-commerce platforms.<sup>45</sup> This can potentially harm consumer welfare in the long run. Trader/retailer associations have repeatedly approached the Competition Commission of India (CCI) and the Ministry of Commerce and Industry to voice their concerns on anti-competitive behaviour of e-commerce platforms.<sup>46</sup>

<sup>40</sup> 'Amazon's Antitrust Paradox'. Available at [https://www.yalelawjournal.org/pdf/e.710.Khan.805\\_zuvfyeh.pdf](https://www.yalelawjournal.org/pdf/e.710.Khan.805_zuvfyeh.pdf)

<sup>41</sup> Vancauteran, M., Reinsdorf, M., Veldhuizen, E., Eugene van der, P., Carsten, B., & Airaksinen. E-commerce. In United Nations Economic Commission for Europe, The Impact of Globalization on National Accounts, Available at [https://www.unece.org/fileadmin/DAM/stats/groups/wggna/GuideByChapters/Chapter\\_13.pdf](https://www.unece.org/fileadmin/DAM/stats/groups/wggna/GuideByChapters/Chapter_13.pdf)

<sup>42</sup> 'Total consumer report 2019'. Available at <https://www.nielsen.com/us/en/insights/report/2019/total-consumer-report-2019/>

<sup>43</sup> 'Digital India: Technology to transform a connected nation' Available at <https://www.mckinsey.com/~media/McKinsey/Business%20Functions/McKinsey%20Digital/Our%20Insights/Digital%20India%20Technology%20to%20transform%20a%20connected%20nation/MGI-Digital-India-Report-April-2019.pdf>

<sup>44</sup> 'No meaningful action taken by govt in five years to stop malpractices of e-commerce companies: CAIT'. Available at <https://www.financialexpress.com/industry/sme/msme-eodb-no-meaningful-action-taken-by-govt-in-five-years-to-stop-malpractices-of-e-commerce-companies-cait/2355985/>

<sup>45</sup> 'Back Amazon, Flipkart execs meet DPIIT officials over deep discounting allegations'. Available at <https://www.livemint.com/companies/news/amazon-flipkart-execs-meet-dpiit-officials-over-deep-discounting-allegations-11570726960739.html>

<sup>46</sup> Peerzada Abrar, 'Top Retailer Body moves against Amazon-Flipkart festive Sales'. Available at [https://www.business-standard.com/article/companies/top-trader-retailer-body-moves-govt-against-amazon-flipkart-festive-sales120101901249\\_1.html](https://www.business-standard.com/article/companies/top-trader-retailer-body-moves-govt-against-amazon-flipkart-festive-sales120101901249_1.html); Asit Ranjan Mishra, 'Amazon, Flipkart execs meet DPIIT officials over deep discounting allegations'. Available at

The e-commerce industry in India has shown a trend of concentration, where only a few dominant e-commerce platforms control a significant portion of the online retail market. This makes them essential for businesses seeking to reach their large online customer base. The pandemic has only added to the necessity of businesses to rely on e-commerce players to reach consumers.

Nestor Duch-Brown et al have demonstrated that offline sales do decrease to some extent, due to the appearance of the online channel - which they term as the 'business stealing' effect. On average, 36.5 per cent of online sales of digital cameras, 28.5 per cent of media players, and 36.7 per cent of portable computers would be lost without the online channel. However, there is also a market expansion effect because selling products online allows retailers to expand their total sales. In this regard, there is an increase by 2.4 per cent, 5 per cent, and 7 per cent, respectively, in the total sales of the three products studied.<sup>47</sup>

This conceptualisation of consumer welfare leaves very limited understanding about the ways, in which e-commerce provides values to a diverse range of consumers. This is particularly complex in least developed and developing countries as there is a very limited understanding of how e-commerce is (re)shaping existing consumer behaviour, business interactions and business models. In light of this, healthier competition in the e-commerce space can result in better consumer welfare outcomes. Many factors indicate that competition is present in the market. These include a greater amount of choice of products and brands available with the consumers, better quality of products, and the option of choosing different platforms, among others.

Yufeng Huang and Bart J. Bronnenberg state that availability of a variety of products is also a critical factor in consumer welfare.<sup>48</sup> Erik Brynjolfsson et al present empirical evidence that product variety made available through digital platforms can be a significant source of consumer welfare gains.<sup>49</sup> Further, innovation by e-commerce companies in terms of utilising technology to provide better quality of services to consumers also is a result of competition

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<https://www.livemint.com/companies/news/amazon-flipkart-execs-meet-dpiit-officials-over-deepdiscounting-allegations-11570726960739.html>; S. Shanthi. S, 'Traders body takes on e-commerce giants a timeline of CAIT vs-Amazon, Flipkart and Co'. Available at <https://inc42.com/buzz/traders-body-takes-on-ecommerce-giants-atimeline-of-cait-vs-amazon-flipkart-and-co/>

<sup>47</sup> Nestor Duch-Brown, et al, 'The Impact of Online Sales on Consumers and Firms. Evidence from Consumer Electronics', International Journal of Industrial Organization, 2017, Available at <https://ideas.repec.org/a/eee/indorg/v52y2017icp30-62.html>.

<sup>48</sup> 'The impact of online sales on consumers and firms. Evidence from consumer electronics'. Available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3596460](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3596460)

<sup>49</sup> 'Consumer Surplus in the Digital Economy: Estimating the Value of Increased Product Variety at Online Booksellers'. Available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=400940](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=400940)

being present in the ecommerce space. Innovation also contributes to development of the entire e-commerce industry.<sup>50</sup>

For the purposes of the study, we define healthier competition by choosing the following, (i) *choice of products and brands*, (ii) *quality of products*, (iii) *innovation*, and (iv) *choice of platforms*.

## 1.2 Parameters & Indicators of Consumer Welfare

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. Within the five (05) identified consumer facing parameters, 23 different indicators were chosen. 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.

Parameters				
Cost-Effectiveness	Convenience	Consumer Confidence	Grievance Redress	Healthier Competition
Corresponding Indicators				
Discount and Offers	Ordering Products 24*7	Genuine Products	Action on Complaint	Choice of Products and Brands
No Added Expenses	Search and Discovery Products	Products Delivered matches the Product Description	Timely Resolution	Competitive Product Quality
Price Comparison	Evaluation of Products using Product Specifications	Informed Choice	User Friendly Resolution	Better Innovation
	Options for Time and Location of Delivery	Payment Security		Choice of Platforms

<sup>50</sup> 'Innovations As A Key Factor In The Development Of E-Commerce' Available at [https://www.researchgate.net/publication/329699566\\_INNOVATIONS\\_AS\\_A\\_KEY\\_FACTOR\\_IN\\_THE\\_DEVELOPMENT\\_OF\\_E-COMMERCE](https://www.researchgate.net/publication/329699566_INNOVATIONS_AS_A_KEY_FACTOR_IN_THE_DEVELOPMENT_OF_E-COMMERCE)

	Option for Mode and Method of Payment	Privacy		
	Easy Returns	Finance Data Security		
	Maintain Shopping Records Online			



## 2. Research Rationale

Like any other country, e-commerce has grown exponentially in India. The COVID-19 pandemic brought the necessity of e-commerce to the fore. The COVID-19 pandemic has certainly had a significant effect on consumers, speeding up the shift from traditional shopping to online shopping through e-commerce. Even though the overall retail market decreased by 5 per cent, the e-commerce retail sector increased by 25 per cent to reach an impressive USD 38 billion in the fiscal year of 2020-2021.<sup>51</sup>

However, there is still limited knowledge about the ways, in which e-commerce provides value. There is a growing necessity to understand in what ways welfare is being perceived by consumers in the e-commerce space, particularly when the impact of COVID-19 pandemic seems to be settling down.

As identified through existing literature, consumers can perceive welfare through their experience of cost-effectiveness, convenience, consumer confidence, grievance redressal and healthier competition. A consumer-centric policymaking necessitates maximising consumer welfare and also bestowing more weightage to consumer voices. The study aims to inform the ongoing attempts to frame policies and regulations relevant for e-commerce to factor-in sensitivities of e-consumers.

The inclusion of the sensitivities of consumers will provide a roadmap for the policy makers, regulators and e-commerce platforms alike for how to enhance the total consumer welfare in India. The findings of the surveys of about 2,000 respondents each in 2021 and 2022 are being analysed and few actionable recommendations made, which could serve as inputs for policies enhancing consumer welfare within e-commerce space in India.

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<sup>51</sup> Prerena Lidhoo, 'E-tail surges 25% in FY21: Bain & Co', Available at <https://www.fortuneindia.com/technology/e-tailsurges-25-in-fy21-bain-co/105737>; John Sarkar 'E-tail may beat modern trade by FY26: Report'. Available at <https://timesofindia.indiatimes.com/business/india-business/e-tail-may-beat-modern-trade-by-fy26-report/articleshow/85394641.cms>

## **2.1. Research Objectives**

The study aims to quantify and analyse the impact of multi-brand retail e-commerce upon identified parameters of consumer welfare using consumer perception, and presenting Consumer Welfare Scorecard of e-consumers in India.

## **2.2. Research Questions**

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 welfare gain or loss between 2021 and 2022 on identified five different parameters of consumer welfare emanating from e-commerce?
3. How can consumer welfare be enhanced through e-commerce?

## **2.3. Envisaged Outcomes**

The findings of the project will help relevant stakeholders in developing nuanced understanding of factors impacting consumer welfare for e-consumers. Stakeholders working in the domain of e-commerce policy making and consumer welfare will be able to benefit from getting an on ground perspective. The findings can also be useful in the betterment of policy formulation and regulatory decision making, including that of not only the Department of Consumer Affairs and the Department for Promotion of Industry and Internal Trade but also the Competition Commission of India. Further, it may also help e-commerce platforms to contribute more towards enhancing consumer welfare.

## 3. Research Methodology

### 3.1 Research Design

#### 3.1.1 Secondary Research

To answer the research questions, outlined above, the study adopted a mixed method approach involving in-depth literature review as well as survey. Secondary literature review involved studying and reading emerging understanding around e-consumer welfare. This included academic writings, policy papers, news articles and government policy documents to map the current status of e-consumers in India.

#### 3.1.2 Identification of Parameters and Indicators

Mapping this is crucial for the assessment of consumer welfare. Further, this exercise also enabled the identification of five parameters – cost-effectiveness, convenience, consumer confidence, grievance redressal and health competition. Within these five parameters, 23 indicators were identified to understand the nuances of consumer welfare, as perceived by e-consumers. Further, 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.

#### 3.1.3 Survey Questionnaire Design

In order to capture perceptions of e-consumers on the identified parameters and indicators, a questionnaire was developed to conduct the survey.<sup>52</sup> To gauge perceptions of a diverse sample spread, the survey was conducted online as well as offline. Other demographic factors such as gender, geographical locations, age, educational qualification among others were also taken into account.<sup>53</sup> Consumers were asked to state their reasons for using e-commerce for the first time, the preferred mode of shopping, perceived benefits received in terms of saving time and costs and safety. Further, consumers were asked to rate their experience according to the scale provided on each of the 23 **Indicators (I)** of the 5 **Parameters (P)** on the following aspects:

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<sup>52</sup> Survey Questionnaire, Status of E-Consumers in India is available in Annexure 3.

<sup>53</sup> Respondent Profile is available in Annexure 1.

- **Level of agreement (A)** about the Indicators positively impacting consumer welfare on a scale of 1 to 5 (1: Strongly Disagree, 2: Somewhat Disagree, 3: Neutral, 4: Somewhat Agree, 5: Strongly Agree).
- **Level of importance (M)** they gave to each of the Indicators on a scale of 1 to 5. (1: Not at all Important, 2: Less Important, 3: Somewhat Important, 4: Important, 5: Very Important).
- **Level of improvement (K)** required for each of the Parameters on a scale of 1 to 5. (1: No Improvement Required to 5: Most Improvement Required).
- **Total Consumer Welfare received (TCW)** in terms of benefits and satisfactions on a scale of 0 to 10. (0: No Consumer Welfare Received, 10: Maximum Consumer Welfare Received).

### 3.1.4 Data Analysis and Compilation of Findings

These responses on different aspects were studied to understand the significance of each parameter in enhancing consumer welfare as perceived by the consumers. Utilising them, several scores were created to evaluate Consumer Welfare Scorecard, Average Agreement Indicator Score, Average Agreement Parameter Score, Stated Consumer Welfare as well as Revealed Consumer Welfare score. Methods for calculating these values have been outlined below.<sup>54</sup>

## 3.2 Scores for Consumer Welfare

### 3.2.1 Average Agreement Indicator Score (AA<sub>Ixy</sub>)

Each respondent stated their level of agreement on each indicator. Responses for each of the individual indicators were averaged to get the *Average Agreement Indicator Score (AA<sub>Ixy</sub>)*.<sup>55</sup>

AA<sub>Ixy</sub> = Average Score of Agreement Responses by all Respondents for an Indicator

For example: AA<sub>I11</sub> = (A<sub>I11</sub><sup>1</sup> + A<sub>I11</sub><sup>2</sup> + ... + A<sub>I11</sub><sup>n</sup> + ... + A<sub>I11</sub><sup>2246</sup>) / No. of Respondents

<sup>54</sup> A table to better understand the nomenclature and methodology to calculate these scores has been presented in the Annexure 2.

<sup>55</sup> Indicator I<sub>xy</sub>: x represents the parameter and y represents the indicator. [Example, I<sub>12</sub> represents Discount and Offers under the Cost-Effectiveness]. In I<sub>11</sub><sup>n</sup>: n represents the n<sup>th</sup> respondent. Similarly Parameter P<sub>x</sub>: x represents the parameter. [Example: P<sub>1</sub> represents Cost-Effectiveness]. In P<sub>1</sub><sup>n</sup>, n represents the n<sup>th</sup> respondent.

### 3.2.2 Average Agreement Parameter Score (AA<sub>Px</sub>)

Agreement Parameter Score for each respondent is represented as  $A_{P_x}^n$ . Further, *Average Agreement Parameter Score (AA<sub>Px</sub>)* is calculated by taking an average of all *Average Agreement Indicator Scores (AA<sub>I</sub>)* for that particular Parameter.

$$AA_{P_x} = \text{Average of } AA_{I_{xy}} \text{ of all the Indicators for a Parameter (P}_x\text{)}$$

$$\text{For example: } AA_{P_1} = (AA_{I_{11}} + \dots + AA_{I_{1n}}) / \text{No. of Indicators}$$

### 3.2.3 Average Importance Indicator Score (AM<sub>I</sub>)

Similar to Agreement Scores, Importance Scores are also calculated.

$$AM_{I_{xy}} = \text{Average Score of Importance Responses by all Respondents for an Indicator}$$

$$\text{For example: } AM_{I_{11}} = (A_{M_{11}}^1 + \dots + A_{M_{11}}^n + \dots + A_{M_{11}}^{2246}) / \text{No. of Respondents}$$

### 3.2.4 Average Importance Parameter Score (AM<sub>P</sub>)

$$AM_{P_x} = \text{Average of } AM_{I_{xy}} \text{ of all the Indicators for a Parameter (P}_x\text{)}$$

$$\text{For example: } AM_{P_1} = (AM_{I_{11}} + AM_{I_{12}} + \dots + AM_{I_{1n}}) / \text{No. of Indicators}$$

### 3.2.5 Stated Consumer Welfare: Total Consumer Welfare (TCW) & Average Stated Total Consumer Welfare (ASTCW)

Consumers have rated the level of *Total Consumer Welfare (TCW)* received from e-commerce in terms of benefits and satisfactions. This is their *Stated Total Consumer Welfare*. The *Average Stated Total Consumer Welfare (ASTCW)* is calculated by taking the average of all *TCW* scores.

$$ASTCW = (TCW^1 + TCW^2 + \dots + TCW^{2246}) / \text{Total Number of Respondents}$$

### 3.2.6 Revealed Consumer Welfare: Attained Consumer Welfare (ACW) & Average Attained Consumer Welfare (AACW)

As per Paul Samuelson's Revealed Preference Theory,<sup>56</sup> consumer behaviour needs to be judged based upon the choices made rather than what is stated. Extrapolating the theory to this study, the consumers may not be showcasing their actual choices or behaviour while providing a rating to the Stated Consumer Welfare question. They may be understating the welfare received by them in terms of overall benefits and satisfaction. Such a bias may be due to psychological underpinnings or may be a result of inconsistent human behaviour.<sup>57</sup>

<sup>56</sup> 'A Note on the Pure Theory of Consumer's Behaviour'. Available at <https://www.jstor.org/stable/2548836>

<sup>57</sup> 'Stated versus revealed preferences: An approach to reduce bias'. Available at <https://onlinelibrary.wiley.com/doi/full/10.1002/hec.4246>

In addition, they may also be considering other parameters while stating their consumer welfare. As indicated earlier, the list of indicators utilised in the study is not exhaustive, in order to ensure brevity in questionnaire. Nonetheless, there may emerge a difference in the stated and revealed consumer welfare scores.<sup>58</sup> Thus, it is prudent to calculate the real attained consumer welfare, which would be the revealed consumer welfare score. While TCW has been stated by the consumers, their *Revealed Consumer Welfare* in the form of attained consumer welfare from their responses on the level of agreement for each indicator is calculated. This *Attained Consumer Welfare (ACW)* for each respondent is arrived at by taking the summation of all Agreement Parameter Scores for each respondent.

$$ACW^n = A\_P_1^n + A\_P_2^n + A\_P_3^n + A\_P_4^n + A\_P_5^n$$

The *Average Attained Consumer Welfare (AACW)* is calculated by averaging the ACW of all respondents.

$$AACW = (ACW^1 + ACW^2 + \dots + ACW^{2246}) / \text{Total Number of Respondents}$$

Alternatively, AACW can be calculated by AA\_P<sub>1</sub> using the following formula to arrive at the same result:

$$AACW = (AA\_P_1 + AA\_P_2 + AA\_P_3 + AA\_P_4 + AA\_P_5)$$

**Note:** Here, n in TCW<sup>n</sup> represents TCW for the n<sup>th</sup> respondent. Similarly, n in ACW<sup>n</sup> represents ACW for the n<sup>th</sup> respondent.

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<sup>58</sup> See Section 6.2.

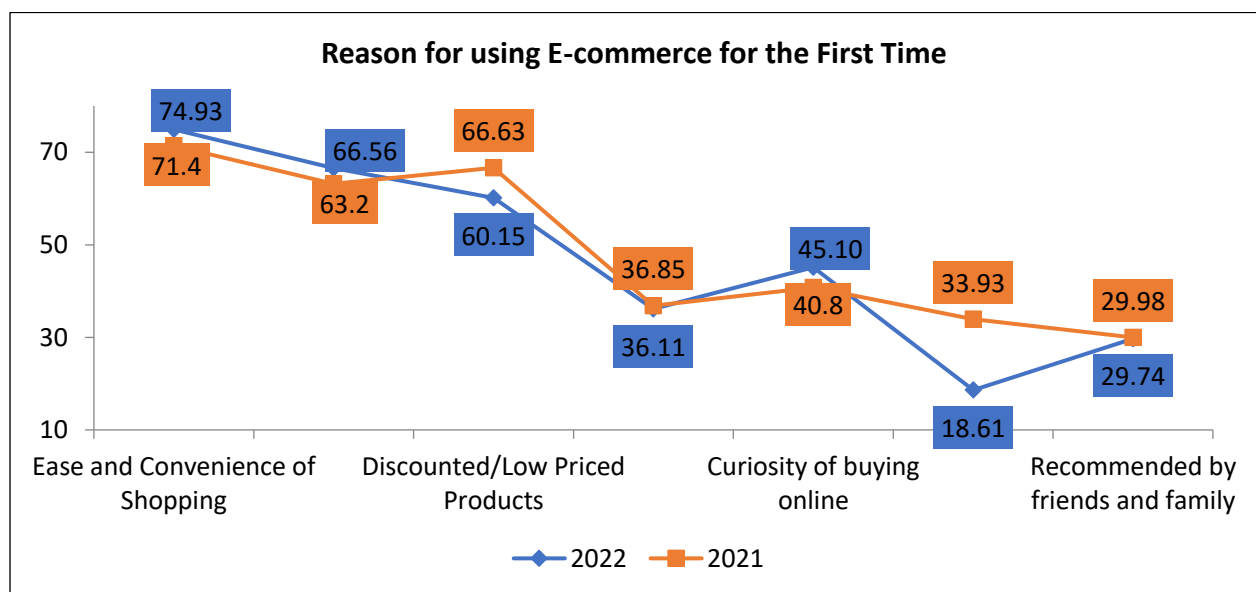


## 4. Consumer Preferences & Perceptions

Based upon the responses given by the consumers, the consumer preference and perceptions have been determined on several aspects such as reasons for using e-commerce for the first time, the preferred mode of shopping as well as the ability of e-commerce saving time and costs and proving to be safer for shopping.

### 4.1 Reasons for using E-Commerce for the First Time

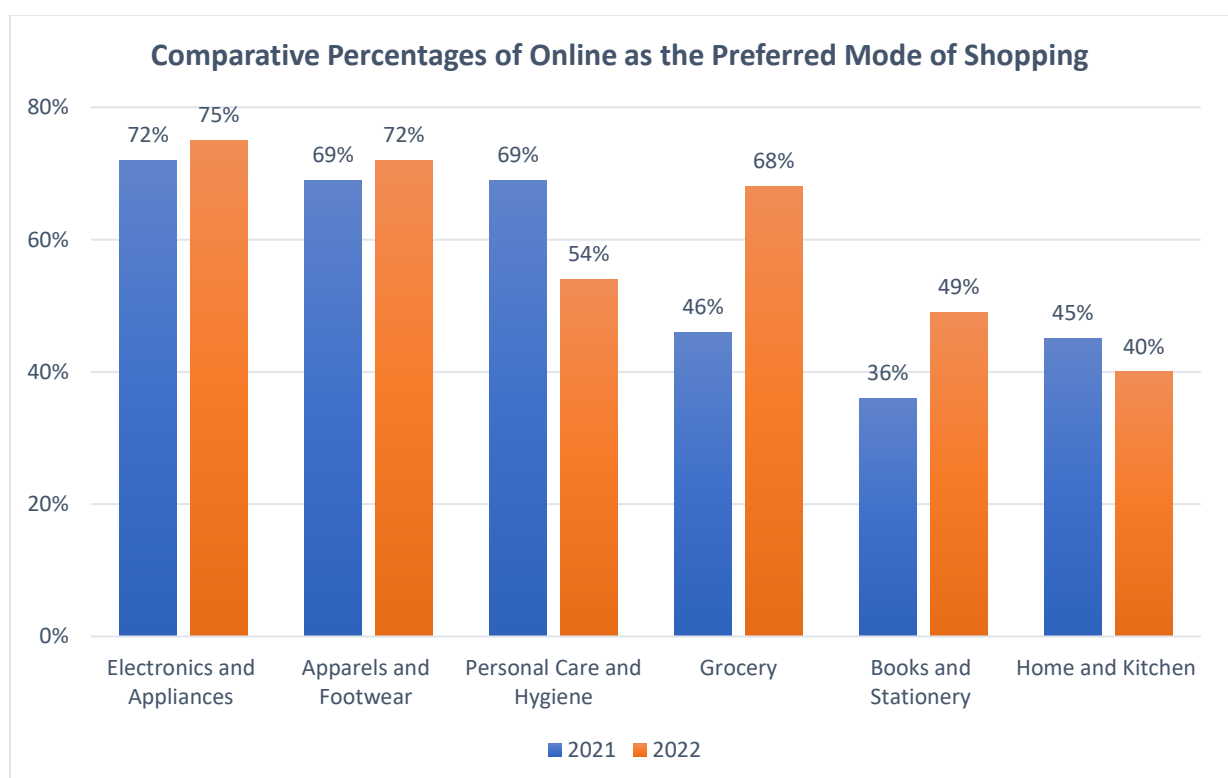
Except for a drastic reduction in the percentage of respondents stating that they used e-commerce for the first time due to the Covid-19 pandemic, the findings for both years, that is, 2021 and 2022 remain almost consistent. In both the years, more than 70 per cent of consumers have specified that the reason for choosing e-commerce platforms is ease and convenience as compared to offline shopping. While discounted/low priced products have become a lesser popular choice for using e-commerce for the first time, the curiosity to buy online has gained slight popularity among consumers.



*Question Asked: Why did you decide to use e-commerce platforms for the first time? \*This was a multiple choice question, i.e., respondents were free to choose more than one reason for using e-commerce platforms for the first time.*

## 4.2 Preferred Mode of Shopping for Consumers

The percentages of consumers who prefer online shopping in categories like 'Personal Care and Hygiene' and 'Home and Kitchen' have gone down from 2021. In all other categories, the percentage of people stating their preference to buy online has gone up, especially in the 'Grocery' category. During the pandemic, online grocery shopping became popular among consumers and this may be one of the reasons for sharp growth in the grocery segment.<sup>59</sup> Further, the 'Books and Stationeries' category has also seen a rise in popularity among consumers. The popularity of online purchasing of 'Electronics & Appliances' as well as 'Apparels & Footwear' has also slightly increased by 3 per cent each.



*Question Asked: Which mode of shopping (online or offline) do you prefer for the following product categories?*

## 4.3 Perceived Benefits of using E-Commerce for Consumers

The findings have remained almost consistent for years 2021 and 2022. In 2022, approximately 82 per cent consumers believe that online shopping is time saving and 81 per cent consumers believe that has proved to be a boon during the pandemic because of better hygiene in the

<sup>59</sup> 'Quality, Value for Money': Covid Restrictions May be Gone, But Habit of Buying Groceries Online Here to Stay'. Available at <https://www.news18.com/news/india/quality-value-for-money-covid-restrictions-may-be-gone-but-habit-of-buying-groceries-online-here-to-stay-6782701.html>

supply chain. Further, 69 per cent consumers also believe that online shopping leads to savings in monthly shopping expenses.

	2021	2022
<b>Time Saving</b>	82%	82%
<b>Cost Saving</b>	63%	69%
<b>Safer</b>	85%	81%

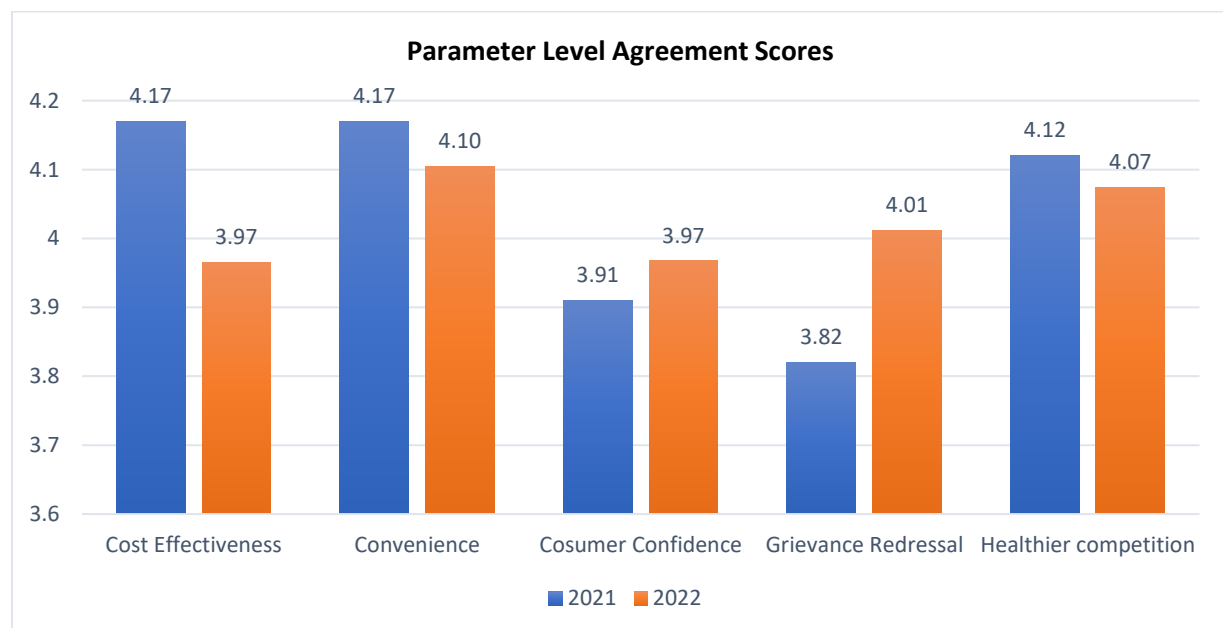
*Questions Asked: Do you think online shopping is more time saving compared to other modes of shopping? Do you think online shopping is more cost saving compared to other modes of shopping? Do you think online shopping is safer as compared to other modes of shopping?*

## 5. Consumer Welfare from E-Commerce

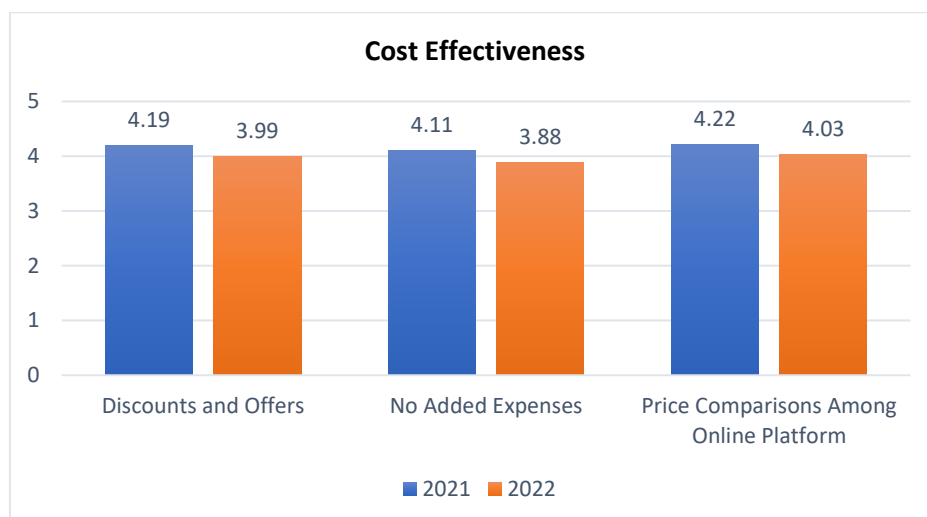
While the consumer perception and preferences were presented in the previous section, as indicated earlier, the study has taken a comparative perspective to evaluate the changes that have occurred over the course of two years like 2021 and 2022. Consumers were asked to state their level of agreement in terms of any particular indicator positively impacting their welfare.

### 5.1 Parameter Level Agreement Scores

As consumers have rated their level of agreement about the indicators positively impacting consumer welfare, the **Average Agreement Parameter Scores** and the **Average Agreement Indicator Scores** are utilised and compared to evaluate the consumer welfare emanating from e-commerce. When compared to 2021, in 2022, while Consumer Confidence and Grievance Redressal have improved, consumer welfare on other parameters has reduced. Deeper analysis for each of the parameters, including at indicator level is done in subsequent sub-sections.



## 5.2 Cost-Effectiveness



While 69 per cent consumers stated e-commerce to be cost saving in 2022, as compared to 63 per cent in 2021, cost-effectiveness emanating from e-commerce, as per the survey, has decreased **from 4.17 to 3.97** for consumers, as they have lowered their ratings for all indicators. The fall in rating is the sharpest for cost-effectiveness. This shows that consumers expect more from the e-commerce platforms on cost-effectiveness in terms of discounts and offers, no added expenses and price comparisons among online platforms.

Cost-effectiveness can be achieved when consumers use discounts and coupons or receive offers. The rating for “discounts and offers” has decreased **from 4.19 to 3.99**, indicating that lesser discounts are being offered. This may be an effect of attempted policy intervention of putting a blanket ban on ‘flash sales’.

Flash sales provide consumers with access to significant discounts on popular products. In addition, flash sales create excitement and a sense of urgency, as consumers try to act quickly to take advantage of the limited-time discounts. This can increase the likelihood of consumers making a purchase, as they feel a sense of urgency to buy before the sale ends. Perhaps, consumers see sales as a cost-effective way to purchase products that they may not have otherwise considered. Thus, such flash sales may be viewed by consumers as helping in increasing their options and further helping them find the best deals.

Accordingly, any blanket ban on ‘flash sales’, such as the one proposed in 2021 seeking amendments to the Consumer Protection (E-Commerce) Rules, 2020, must be guarded against. The definition of ‘flash sales’ in the proposed amendments were also ambiguous. Thus the Parliamentary Standing Committee on Commerce’s Report on Promotion and Regulation of E-Commerce, 2022 recommended that clarity on the scope of prohibition on flash sales

needed to be provided in the draft amendment rules.<sup>60</sup> Majority of consumers believe the government should not restrict e-commerce platforms from offering heavy discounts or sales.<sup>61</sup>

However, the CCI e-commerce market study has revealed that few e-marketplaces engage in distorting prices by offering additional discounts on top of what the sellers of a product or service have set. This leads to a loss of control over the final price of the product for the business user because customers prefer to purchase the service at a cheaper rate.<sup>62</sup>

There is also a need to address concerns related to unethical practices like discounts being offered on inflated prices. For instance, many vendors are known to hike prices and then offer these items on sale. In the process, they create artificial discounts.<sup>63</sup> The Parliamentary Standing Committee on Finance in its report 'Anti-competitive practices by Big Tech companies' has also underlined that practices such as "dynamic pricing," which involves increasing prices when demand is high, as well as misleading sales and discounts, which involves inflating prices and then offering a discount.<sup>64</sup>

There have also been accusations made by Indian retailers that e-commerce platforms indulge in 'deep discounting'. There needs to be clear definitions of certain generally used terms such as 'deep discounting' and how it is different from 'predatory pricing' as defined under the Competition Act. Similarly, the proposed amendment to the E-Commerce Rules, 2020 contained a very confusing definition of 'e-commerce entity', deviating from the existing definitions.<sup>65</sup> Such ambiguities in definitions or using undefined terms can be counter-productive to consumer welfare.

Cost-effectiveness also consists of 'no added expenses' and 'price comparison among online platforms' while shopping. According to survey results, consumers believe that not only has

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<sup>60</sup> Parliamentary Standing Committee on Commerce, Promotion and Regulation of E-Commerce in India, One Hundred Seventh Report. Available at [https://rajyasabha.nic.in/rsnew/Committee\\_site/Committee\\_File/ReportFile/13/159/172\\_2022\\_6\\_14.pdf](https://rajyasabha.nic.in/rsnew/Committee_site/Committee_File/ReportFile/13/159/172_2022_6_14.pdf)

<sup>61</sup> 'Draft ecommerce rules seek end to flash sales but consumers don't: Survey'. Available at [https://www.business-standard.com/article/economy-policy/draft-ecommerce-rules-seek-end-to-flash-sales-but-consumers-don-t-survey-121072100423\\_1.html](https://www.business-standard.com/article/economy-policy/draft-ecommerce-rules-seek-end-to-flash-sales-but-consumers-don-t-survey-121072100423_1.html)

<sup>62</sup> CCI E-commerce Market Study, pages 26-27, Available at <https://www.cci.gov.in/images/marketstudie/en/market-study-on-e-commerce-in-india-key-findings-and-observations1653547672.pdf>

<sup>63</sup> 'Are discounts, coupons and sales really saving you money?'. Available at <https://economictimes.indiatimes.com/wealth/spend/are-discounts-coupons-and-sales-really-saving-you-money/articleshow/59710509.cms>

<sup>64</sup> 17th Lok Sabha Standing Committee on Finance, 2022, 'Anti-competitive practices by Big Tech companies, Fifty Third Report, Available at [https://loksabhadocs.nic.in/lsscommittee/Finance/17\\_Finance\\_53.pdf](https://loksabhadocs.nic.in/lsscommittee/Finance/17_Finance_53.pdf)

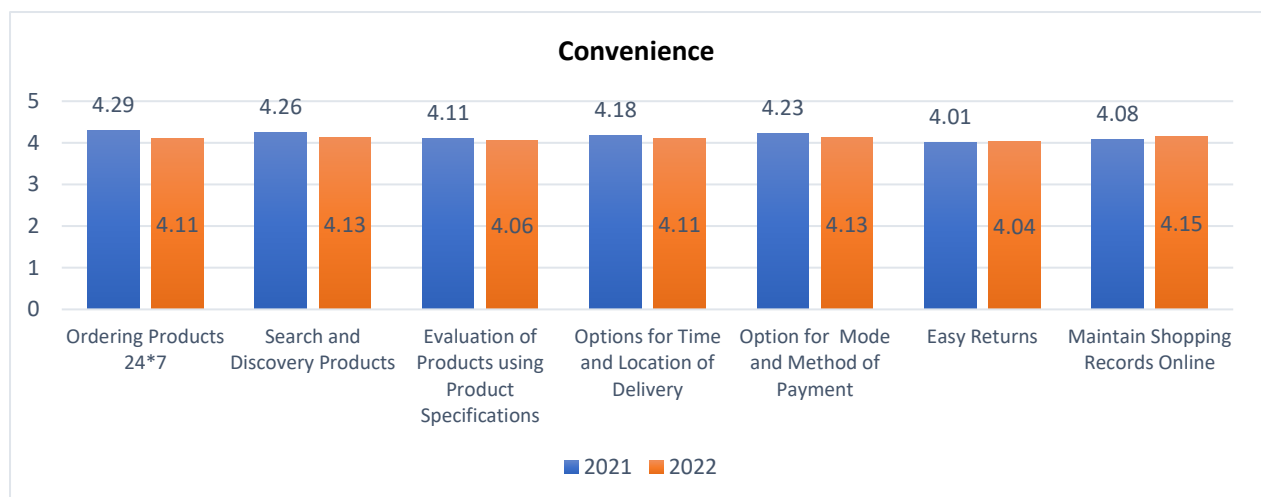
<sup>65</sup> 'Consumer Protection (E-Commerce) Rules, 2020'. Available at [https://consumeraffairs.nic.in/sites/default/files/file-uploads/latestnews/Comments\\_eCommerce\\_Rules2020.pdf](https://consumeraffairs.nic.in/sites/default/files/file-uploads/latestnews/Comments_eCommerce_Rules2020.pdf)

the extra cost for shopping online increased but they also find comparison among online platforms harder than the previous year. **The rating for 'no added expense' has decreased from 4.11 to 3.88 and for 'price comparison among online platforms' has decreased from 4.22 to 4.03.**

It may be because consumers perceive that additional expenses such as delivery charges, return shipping cost, taxes, inflated prices, and subscription fee have increased, negatively impacting their experience while shopping on e-commerce platforms.<sup>66</sup> For instance, some e-commerce platforms offer subscription-based services, and consumers have to pay for the monthly or annual fees associated with these services. Additionally, perceived experience of price comparison among different platforms such as availability of products on multiple platforms, variations in products, product description has also been negatively impacting the consumers experience on e-commerce platforms as compared to previous year. For instance, availability of the product on different online platforms affects the price comparison. If a product is not available on all platforms, it becomes difficult for consumers to compare prices. In addition to these, there are informational elements in the cost-effectiveness as well.

The survey findings show (in the graph) that perceived consumer satisfaction in terms of comparing prices among online platforms has declined. It can be explained in terms of effects created by the communication of direct or inferential knowledge derived from exposure to price discounts. The process of choosing the best bargains and prices is exciting for consumers, they feel smart or lucky when they find a deal, leading to a sense of accomplishment when they pay a reduced price.

### 5.3 Convenience



<sup>66</sup> 'Influence Of Delivery Charges And Time On Online Purchase Decision'. Available at <https://acadpubl.eu/jsi/2018-118-18/articles/18e/34.pdf>



Convenience rating has reduced **from 4.17 to 4.10**. This is contrary to the dominant perception that in the post-pandemic era, consumers will find e-commerce to be more convenient and useful. While convenience has become slightly better in terms of "returning products" and "maintaining shopping records online", convenience on all other indicators has reduced. "Easy return" is a critical component of e-commerce convenience. Improvement in this indicator suggests that e-commerce platforms have put some effort into making returns more reliable such as providing easy-to-use tracking tools, keeping customers informed about the status of their returns and offering flexible return policies.

Notably, researches have shown that Indian consumers prefer cash on delivery payment methods for online shopping which has also declined from **4.23 to 4.13**.<sup>67</sup> Further, the sharpest reduction has happened on "ordering products 24\*7" followed by "search and discovery of products" and "option for mode and method of payment". Both these indicators have declined from **4.29 to 4.11** and from **4.26 to 4.13** respectively.

The Standing Committee on Finance in its report 'Anti-competitive practices by Big Tech companies', noted that platforms bias due to exclusive tie-ups often results in negative experience in terms of "search and ranking preferencing".<sup>68</sup> The report noted that when a search for a specific keyword on a search engine presents sponsored products or those fulfilled by the marketplace on a platform, rather than the highest-rated results, it suggests that the e-commerce platforms are biased towards promoting those favoured products.

Furthermore, one of the key factors that contribute to the convenience for consumers is the design and functionality of websites and mobile apps.<sup>69</sup> As e-commerce started to penetrate in rural pockets of India, consumer convenience will be heavily dependent on languages, websites and user-friendly interfaces that make it easy to find what consumers are looking for.<sup>70</sup>

According to a study by Bain & Company, in 2021, approximately 40-50 million new consumers were added, and it is predicted that the number of online consumers will reach 400-450 million in the next five years. The majority of these new shoppers, around 60 per cent, are from tier-3 or smaller cities. Another report by Nasscom shows that out of the 400 million internet users

<sup>67</sup> 'Online Shopping: Cash on Delivery Most Preferred Payment Method, UPI Transactions on the Rise'. Available at <https://www.news18.com/news/business/online-shopping-cash-on-delivery-most-preferred-payment-method-upi-transactions-on-the-rise-5964265.html>

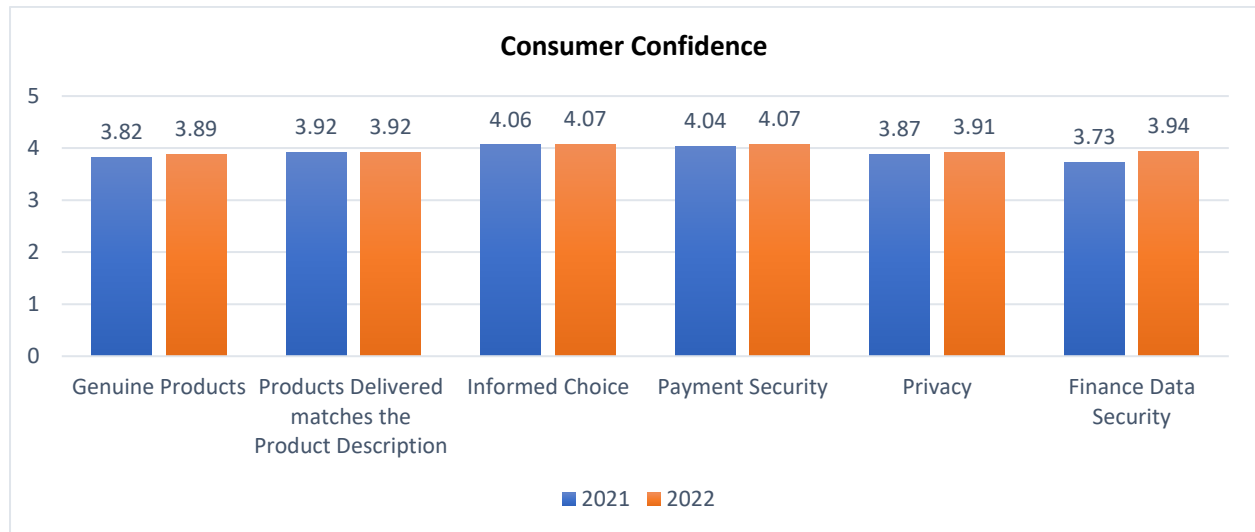
<sup>68</sup> 17th Lok Sabha Standing Committee on Finance, 2022, 'Anti-competitive practices by Big Tech companies, Fifty Third Report, Available at [https://loksabhadocs.nic.in/lsscommittee/Finance/17\\_Finance\\_53.pdf](https://loksabhadocs.nic.in/lsscommittee/Finance/17_Finance_53.pdf)

<sup>69</sup> 'A Study on Barriers to E-Commerce in India'. Available at <http://ijiet.com/wp-content/uploads/2016/12/1150.pdf>

<sup>70</sup> 'The Linguistic Divide Is Bigger Than the Digital Divide'. Available at <https://www.entrepreneur.com/en-in/technology/the-linguistic-divide-is-bigger-than-the-digital-divide/356243>

in India, 300 million prefer local languages, and monetisable vernacular internet users have three times the total spending power of monetisable English internet users.<sup>71</sup> The *1Bridge* survey also demonstrated that lack of access to information and long waiting time for deliveries were the major areas of concern for the rural consumers.<sup>72</sup>

## 5.4 Consumer Confidence



Consumer Confidence has improved **from 3.91 to 3.97**, and most indicators have seemed to contribute to it. Though the ratings remain almost similar in both years, it is notable that this parameter is among the lowest rated for the year 2022. There may be critical concerns related to consumer confidence, which need examination.

Consumers can now get almost anything from almost anywhere, and comparison shopping is more convenient than ever. It has even changed the way businesses perceive loyalty. Customer loyalty is no longer an automatic feature in business, especially in the digital age. Businesses must be more adaptable to changing needs to remain competitive and relevant.<sup>73</sup> According to the UNCTAD Report, consumer trust is a fundamental pillar of e-commerce, on which digital societies and economies rely to function properly. It is also well known that the impersonality

<sup>71</sup> 'How e-commerce is bridging the vernacular gap and enabling multiple benefits for customers, brands, and sellers across 'Bharat''. Available at <https://timesofindia.indiatimes.com/blogs/voices/how-e-commerce-is-bridging-the-vernacular-gap-and-enabling-multiple-benefits-for-customers-brands-and-sellers-across-bharat/>

<sup>72</sup> 'eCommerce penetration in rural India – Challenges, barriers, and solutions'. Available at <https://timesofindia.indiatimes.com/blogs/voices/ecommerce-penetration-in-rural-india-challenges-barriers-and-solutions/>

<sup>73</sup> McKinsey & Company, The recovery will be digital, Available at <https://www.mckinsey.com/~media/mckinsey/business%20functions/mckinsey%20digital/our%20insights/how%20six%20companies%20are%20using%20technology%20and%20data%20to%20transform%20themselves/the-next-normal-the-recovery-will-be-digital.pdf>

of e-commerce weakens the relationship between providers and consumers, increasing consumer vulnerability.<sup>74</sup>

One of the biggest concerns for consumers while shopping online is the authenticity of the products being sold. Many consumers are drawn to e-commerce platforms because of the convenience they offer. However, fake and counterfeit products can make shopping online a frustrating and disappointing experience for consumers. Another important factor that influences consumer confidence on e-commerce platforms is the accuracy of product descriptions. Consumers expect that the product they receive is exactly what they expected and matches the description provided on the website. Both these indicators have been lowest under the consumer confidence parameter, which should be a concern for e-commerce platforms.

E-commerce is more susceptible to deception or fraud.<sup>75</sup> In the offline environment, consumers have the opportunity to check possible purchases and get a clear picture of whether the seller is trustworthy or not. In internet dealing, consumers have little option but to proceed with an unknown vendor or with very limited information about the seller.<sup>76</sup>

Further, to counter the problem of counterfeit products, few steps were suggested in the draft National E-commerce Policy, 2019 that provided specific guidelines for brand owners and e-commerce companies. The policy required all sellers' information to be listed on a marketplace website for every product, and sellers must also provide an assurance of their product's authenticity to the platforms.<sup>77</sup> In April 2022, the Delhi High Court ordered several e-commerce platforms to take down counterfeit products after noticing in a number of cases that e-commerce platforms are being used for selling counterfeit and knockoff products.<sup>78</sup>

There was also an attempt via the proposed amendments to the E-Commerce Rules, 2020, to introduce the concept of 'Fall Back Liability', whereby marketplace e-commerce entities were to be held liable when any seller fails to deliver due to negligent conduct. It can open a Pandora's box, and Fall Back Liability may extend to cases where sellers on platform supply

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<sup>74</sup> UNCTAD, Trade and Development, 2017, Available at [https://unctad.org/system/files/official-document/tdr2017\\_en.pdf](https://unctad.org/system/files/official-document/tdr2017_en.pdf)

<sup>75</sup> Dilshad Shaik1\*, Ms.V. Poojasree, Consumer Protection in E-Commerce: A Legal and Compliance Framework in the Digital Market, Available at [https://www.researchgate.net/publication/351809404\\_Consumer\\_Protection\\_in\\_E-Commerce\\_A\\_Legal\\_and\\_Compliance\\_Framework\\_in\\_the\\_Digital\\_Market](https://www.researchgate.net/publication/351809404_Consumer_Protection_in_E-Commerce_A_Legal_and_Compliance_Framework_in_the_Digital_Market)

<sup>76</sup> Pavan Krishna Reddy & Sri Lakshmi Lekha, E-Commerce and Consumer Rights – In the Perspective of Consumer Protection Act, 1986, Available at <https://thelawbrigade.com/wp-content/uploads/2019/05/Pavan-Lakshmi.pdf>

<sup>77</sup> 'Draft National e-Commerce Policy'. Available at [https://dpiit.gov.in/sites/default/files/DraftNational\\_e-commerce\\_Policy\\_23February2019.pdf](https://dpiit.gov.in/sites/default/files/DraftNational_e-commerce_Policy_23February2019.pdf)

<sup>78</sup> 'Delhi HC Asks Amazon, Meesho & Snapdeal To Take Down Counterfeit Products'. Available at <https://inc42.com/buzz/delhi-hc-asks-amazon-meesho-snapdeal-to-take-down-counterfeit-products/>

fake products, as was demanded by certain quarters. This concept not only goes against the fundamental legal principle to hold such entities accountable for conducts of third parties, but also takes away entities' 'safe harbour' exemption from being mere 'intermediaries'. Technically sellers on e-commerce platforms are not their agents, but they operate on a principal-to-principal basis.

The Standing Committee on Commerce has also shown deep concern related to prevalence of fake products. In its report published in June 2022, the committee noted, "the unhindered presence of such products (fake/counterfeit products) negatively impacts the revenue of genuine manufacturers and the absence of protection to the trademark and copyright products may also act as a deterrent to innovation".<sup>79</sup>

The Standing Committee on Commerce has also suggested that e-commerce companies should be mandatorily registered with the Department for Promotion of Industry & Internal Trade (DPIIT), while arguing that this step can increase consumer confidence in e-commerce platforms.<sup>80</sup> However, as highlighted in the CUTS study on the Ease of Doing Digital Business, this step may adversely impact smaller start-ups as it may result in unnecessary compliance burden.<sup>81</sup> Thus, caution needs to be taken before implementing such a step.

Further, the Committee has suggested putting responsibility on e-commerce platforms to act as intermediary between consumers and sellers with respect to substandard and counterfeit products.<sup>82</sup> The committee noted, "safe harbour provisions available to marketplace e-commerce entities (as intermediaries) are not usually upheld by consumer courts due to intermingling of roles and responsibilities of various players in case of e-commerce transactions."

However, such provisions go against the fundamental legal principle of safe harbour protection against third-party conduct, given that 'marketplace e-commerce entities' are mere 'intermediaries' and have no control over the products sold by sellers on its platform. Implementing Fall Back Liability will be particularly troublesome with respect to transactions via Open Network Digital Commerce (ONDC). The government is yet to take a final decision

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<sup>79</sup> Parliamentary Standing Committee On Commerce, Promotion and Regulation of E-Commerce in India, One Hundred Seventh Report, Available at

[https://rajyasabha.nic.in/rsnew/Committee\\_site/Committee\\_File/ReportFile/13/159/172\\_2022\\_6\\_14.pdf](https://rajyasabha.nic.in/rsnew/Committee_site/Committee_File/ReportFile/13/159/172_2022_6_14.pdf)

<sup>80</sup> Parliamentary Standing Committee On Commerce, Promotion and Regulation of E-Commerce in India, One Hundred Seventh Report, Available at

[https://rajyasabha.nic.in/rsnew/Committee\\_site/Committee\\_File/ReportFile/13/159/172\\_2022\\_6\\_14.pdf](https://rajyasabha.nic.in/rsnew/Committee_site/Committee_File/ReportFile/13/159/172_2022_6_14.pdf)

<sup>81</sup> <https://cuts-ccier.org/pdf/dp-on-impact-of-unnecessary-compliances-ease-of-doing-digital-business-in-india.pdf>

<sup>82</sup> Parliamentary Standing Committee On Commerce, Promotion and Regulation of E-Commerce in India, One Hundred Seventh Report, Available at

[https://rajyasabha.nic.in/rsnew/Committee\\_site/Committee\\_File/ReportFile/13/159/172\\_2022\\_6\\_14.pdf](https://rajyasabha.nic.in/rsnew/Committee_site/Committee_File/ReportFile/13/159/172_2022_6_14.pdf)

on Fall Back Liability. Be that as it may, platforms need to take up some responsibility in dealing with fake and counterfeit products.

In addition, fake reviews and misleading advertisements are also cause of consumer concerns in the e-commerce space. Government has made a new standard to prevent fake product reviews, which distort consumer perception about the product. The new standard titled "IS 19000:2022" under the Bureau of Indian Standards (BIS) mandates platforms to have review administrators to filter biased or fraudulent reviews.<sup>83</sup> As per the new rule, if any website or application is found to have carried fake reviews, it can be penalised for unfair trading practices.<sup>84</sup>

Furthermore, though the rating is still significantly low, improvement has been observed in the Financial Data Security. This may be a result of increased consumer awareness campaigns taken by regulators such as the Reserve Bank of India<sup>85</sup> and improved grievance redressal mechanisms, as the rating for grievance redressal has also improved.<sup>86</sup> To mitigate the risks related to financial data security, it seems e-commerce platforms have strengthened security measures such as payment gateways and multi-factor authentication to enhance payment security and protect financial data during transactions.

In this regard, measures like the Reserve Bank of India's guidelines on Card-on-File-Tokenization can improve payment security as well as financial data security. Financial and data security is an important concern for consumers while considering e-commerce as a shopping option. A study in the United States of America found that 87 per cent of consumers would not do business with a company if they had concerns about its security practices. Similarly, 71 per cent said they would stop doing business with a company if it gave away sensitive data without permission.<sup>87</sup>

There are other issues, which need to be considered such as privacy and data protection of consumers. The Standing Committee on Finance in its report 'Anti-competitive practices by Big Tech companies' also stressed that businesses in the digital trade industry including e-

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<sup>83</sup> India issues guidelines to curb fake reviews on e-commerce platforms, available at <https://techcrunch.com/2022/11/21/india-fake-reviews-ecommerce-guidelines/>

<sup>84</sup> 'Fake online reviews: New guidelines and how will they benefit consumers'. Available at [https://retail.economictimes.indiatimes.com/news/e-commerce/fake-online-reviews-new-guidelines-and-how-will-they-benefit-consumers/95799794?action=profile\\_completion&utm\\_source=Mailer&utm\\_medium=newsletter&utm\\_campaign=etretail\\_news\\_2022-11-28&dt=2022-11-28&em=ZGVsaGlAY3V0cy5vcmc](https://retail.economictimes.indiatimes.com/news/e-commerce/fake-online-reviews-new-guidelines-and-how-will-they-benefit-consumers/95799794?action=profile_completion&utm_source=Mailer&utm_medium=newsletter&utm_campaign=etretail_news_2022-11-28&dt=2022-11-28&em=ZGVsaGlAY3V0cy5vcmc)

<sup>85</sup> 'Consumer Awareness - Cyber Threats and Frauds'. Available at <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR163037E920A47573411FBC7D79B058FED34A.PDF>

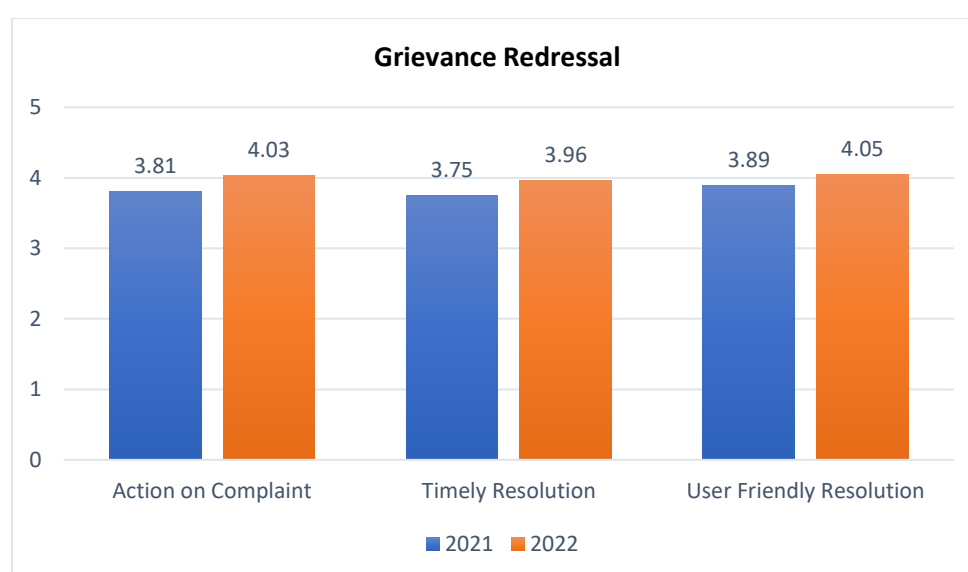
<sup>86</sup> See sub-section 5.5.

<sup>87</sup> 'The consumer-data opportunity and the privacy imperative'. Available at <https://www.mckinsey.com/capabilities/risk-and-resilience/our-insights/the-consumer-data-opportunity-and-the-privacy-imperative>

commerce platforms can use data collection and processing to dominate the market or gain a competitive edge by engaging in practices like detailed tracking and profiling of consumers.<sup>88</sup> This raises concerns about data privacy for users. There is an urgent need to enact the Digital Personal Data Protection Bill, after conducting due stakeholder consultation and addressing any concerns.<sup>89</sup>

If India continues to operate without robust data protection laws, issues related to data processing and ownership may dent consumers' confidence on e-commerce, as corroborated by the survey findings. Confidence is the focal point of online consumers' decision-making and has a favourable impact on their repurchasing intentions.

## 5.5 Grievance Redressal



Consumers expect the grievance redressal process on e-commerce platforms in India should be easily accessible, including through clear information and simple navigation and various channels such as online forms, email, or phone. Grievance Redressal was the lowest rated parameter in the 2021 survey. CUTS had recommended that improving grievance redressal mechanisms should be a priority for e-commerce platforms. Since 2021, it has improved from **3.82 in 2021 to 4.01 in 2022**. These improvements are a mere ~4 per cent and may seem considerably low, but are in the right direction as grievance redressal has a critical role to play in fostering growth of the e-commerce ecosystem in India.

<sup>88</sup> 17th Lok Sabha Standing Committee on Finance, 2022, 'Anti-competitive practices by Big Tech companies, Fifty Third Report, Available at [https://loksabhadocs.nic.in/lsscommittee/Finance/17\\_Finance\\_53.pdf](https://loksabhadocs.nic.in/lsscommittee/Finance/17_Finance_53.pdf)

<sup>89</sup> 'CUTS Comments on the draft Digital Personal Data Protection Bill, 2022'. Available at [https://cuts-ccier.org/pdf/cuts\\_comments\\_on\\_the\\_digital\\_personal\\_data\\_protection\\_bill-2022.pdf](https://cuts-ccier.org/pdf/cuts_comments_on_the_digital_personal_data_protection_bill-2022.pdf)

Additionally, through multiple forums, CUTS has continuously raised the growing need of making grievance redressal accessible, trustworthy, and user friendly. For instance, CUTS study shows that many consumers, who experienced a personal data breach or a privacy violation, did not complain about it, since they were unaware of avenues of registering their grievances.<sup>90</sup> The grievance redressal process on e-commerce platforms can often be complex and confusing, making it difficult for consumers to navigate and understand the process. Thus, e-commerce platforms should continue to improve their grievance redressal mechanisms.

The Government has also shown intent to address the concerns of consumers by implementing regulations and guidelines for e-commerce companies. The Consumer Protection (E-Commerce) Rules, 2020, for example, establish standards for e-commerce companies regarding the sale of goods and services, delivery, returns, and refunds.<sup>91</sup> The rules mandate every e-commerce platform appoint a nodal officer to guarantee the implementation of an effective grievance redressal procedure. The rules also require e-commerce companies to establish grievance redressal mechanisms to address complaints from consumers. Under these rules, e-commerce companies are required to provide clear information to consumers regarding their grievance redressal mechanisms, including the timeframes for resolution and the contact information for customer service representatives. Moreover, companies must respond to complaints within 48 hours and resolve them within one month.

The said rules, however, do not explicitly specify customer service providers' roles and responsibilities, as well as what constitutes an acceptable grievance redressal procedure, providing a standard grievance redressal mechanism to be followed throughout.<sup>92</sup>

The Department of Consumer Affairs, India has been continuously improving the consumer grievance redressal to bring it up to international standards.<sup>93</sup> A key initiative is the National Consumer Helpline (NCH), which also features a call-back request facility through SMS, and an automated feedback mechanism to monitor user experience. The helpline is operational in 20 languages. Improving upon this, the government has recently introduced a chatbot for filing consumer complaints. Partnering with WhatsApp and Gupsup, the 24x7 chatbot is available in English and Hindi. Now consumers can quickly and easily register complaints, check complaint status and read FAQs, all in WhatsApp. Consumers can also scan the QR code on NCH website

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<sup>90</sup> 'Users' Perspectives on Privacy And Data Protection'. Available at [https://cuts-ccier.org/pdf/survey\\_analysis-dataprivacy.pdf](https://cuts-ccier.org/pdf/survey_analysis-dataprivacy.pdf)

<sup>91</sup> Consumer Protection (E-Commerce) Rules, 2020, Available at <https://consumeraffairs.nic.in/sites/default/files/E%20commerce%20rules.pdf>

<sup>92</sup> Rajya Sabha , 245<sup>th</sup> Report on The Consumer Protection (E-Commerce) Rules, 2020, Available at [https://rajyasabha.nic.in/rsnew/Committee\\_site/Committee\\_File/ReportFile/12/131/245\\_2021\\_3\\_17.pdf](https://rajyasabha.nic.in/rsnew/Committee_site/Committee_File/ReportFile/12/131/245_2021_3_17.pdf)

<sup>93</sup> Norms for celebrity endorsements carry the weight of law: Rohit Kumar Singh, Available at [https://www.business-standard.com/article/economy-policy/focusing-on-initiatives-to-improve-consumer-protection-rohit-kumar-singh-123021601169\\_1.html](https://www.business-standard.com/article/economy-policy/focusing-on-initiatives-to-improve-consumer-protection-rohit-kumar-singh-123021601169_1.html)

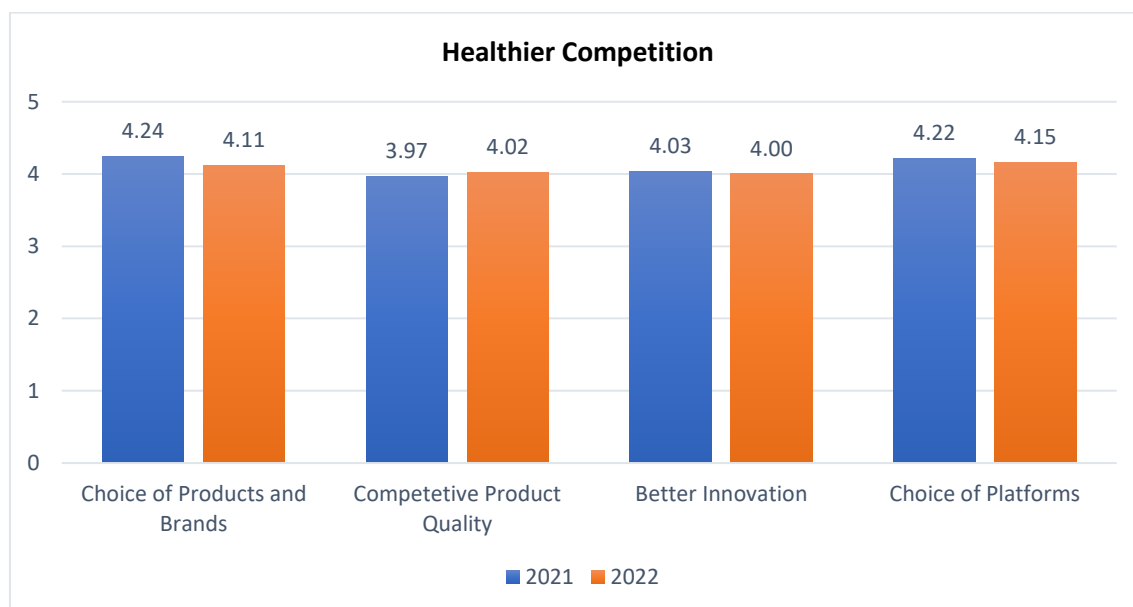


to enter the WhatsApp chat.<sup>94</sup> Apart from the Consumer Protection regime, the Information Technology (Intermediary Guidelines) Rules, 2021 (IT Rules, 2021) in force, also mandate setting up a grievance redressal system and appointment of officers.

Similarly, the draft Digital Personal Data Protection Bill, 2022, which is likely to be introduced in Parliament in mid-2023, also proposes a grievance redressal mechanism. The intent of the government in this regard, seems to be at the right place and CUTS has made suggestions to make grievance redressal effective, trustworthy and user friendly.

However, awareness of increased compliance cost, which tends to discourage start-ups and smaller players, should be taken into consideration as it may impact them, resulting into their withdrawal from the market. Further, it is critical to devise a proper synergy between these multiple grievance redressal mechanisms so that there is no overlapping jurisdiction and misuse thereof. For this purpose, the Department of Consumer Affairs can take an active step.

## 5.6 Healthier Competition



Healthier competition in e-commerce can result in a greater “choice of products and brands”, more “competitive product quality”, “better innovation”, and more “choice of platforms”. Consumers have rated that the overall Healthier Competition has slightly reduced **from 4.12 to 4.07**. This trend is concerning as e-commerce in India has led to a significant increase in the number of brands and products available to consumers.<sup>95</sup> The e-commerce has helped to

<sup>94</sup> ‘Ministry of Consumer Affairs launches chatbot for filing consumer complaints’. Available at <https://www.thehindubusinessline.com/news/ministry-of-consumer-affairs-launches-chatbot-for-filing-consumer-complaints/article66630572.ece>

<sup>95</sup> ‘E-Commerce Industry in India’. Available at <https://www.ibef.org/industry/ecommerce>

reduce the market power of large firms, as smaller firms are now able to reach a wider audience through online platforms. A drop in competition can lead to adverse outcomes for both smaller firms as well as consumers.

One of the main ways, in which competition in e-commerce can benefit consumers is by offering them a greater choice of products and brands. The rating for this has increased from **4.11 to 4.24**. With more and more sellers on-boarding various e-commerce platforms, consumers can choose from a wide range of products and brands offered by them.

Another way, in which competition in e-commerce can benefit consumers is by e-commerce platforms competing to offer better product quality. The rating for this indicator has also increased slightly **from 3.97 to 4.02**. With multiple platforms offering similar products, e-commerce companies are under pressure to offer high-quality products and services in order to attract and retain consumers. This competition can drive companies to invest more in research and development, improve their supply chain management, and focus on improving the quality of their products and services. A study conducted by the Confederation of Indian Industry found that increased competition in e-commerce has resulted in a greater emphasis on product quality by companies. The study found that companies are investing more in quality control processes, and are focusing on improving the durability, safety, and usability of their products.<sup>96</sup>

In addition, healthier competition in e-commerce can drive better innovation. The rating for this indicator has remained almost the same as last year. With multiple platforms competing for market share, e-commerce companies are incentivised to develop new and innovative products and services to differentiate themselves from their competitors. This can lead to a greater variety of products and services being offered to consumers, as well as more affordable pricing. A real competition in e-commerce can drive innovation in a variety of ways.<sup>97</sup> For instance, e-commerce platforms can encourage firms to develop new products or services, improve their supply chain management, and adopt more efficient business practices.

Healthier competition in e-commerce can also benefit consumers by providing them with more choice of platforms. However, this indicator has shown a slight decline **from 4.22 to 4.15**. With multiple e-commerce platforms available in India, consumers are able to choose the platform that best suits their needs and preferences. This can include factors such as pricing, product selection, ease of use, and customer service. A study conducted by the Reserve

<sup>96</sup> 'Impact of E-commerce on SMEs in India'. Available at <https://assets.kpmg.com/content/dam/kpmg/pdf/2015/10/Snapdeal-Report-Impact-of-e-Commerce-on-Indian-SMEs.pdf>

<sup>97</sup> 'E-Commerce, Competition & ASEAN Economic Integration.' Available at <https://bookshop.iseas.edu.sg/publication/2407>

Bank of India found that competition in e-commerce has led to greater choice and convenience for consumers. The study found that e-commerce platforms are now offering more payment options, better delivery services, and more user-friendly interfaces to attract and retain customers.

However, the Parliamentary Standing Committee on Finance in its report 'Anti-competitive practices by Big Tech companies' flagged how companies involved in digital trade and commerce can use data collection and processing to dominate the market or gain a competitive edge.<sup>98</sup> The abundance of consumer and business data accessible by big tech firms, including e-commerce platforms, enables them in the position of advantage in the market, making it difficult for new players to enter the market, subsequently, negatively impacting competition in the marketplace and consumer welfare. Some of the anti-competitive practices highlighted in the report includes, self preferencing/platform neutrality, bundling and tying, deep discounting, exclusive tie-ups, search and ranking preferencing..

As a solution to these competition concerns, the Standing Committees on Finance has suggested implementing an ex-ante regulatory framework in the form of a Digital Competition Act. The Government of India has set up a panel to explore the possibilities of a digital competition law and address the growing demand of ex-ante regulation.<sup>99</sup> It is recommended that India should be cautious in emulating existing ex-ante regulation, such as EU's Digital Markets Act, and it should decide on this issue after considering its own local realities, and available technological interventions. Any policy decision on this should be taken after hearing all stakeholders, including consumers.

As far as technological intervention to make digital markets more inclusive and to promote competition are concerned, the recently introduced Open Network for Digital Commerce (ONDC) can be cited as a good example. Inspired by the success of UPI (Unified Payment Interface), ONDC is likely to promote competition by checking the abuse of market power. Also, it can aid competition in the e-commerce space by promoting greater transparency, facilitating a more level playing field, and reducing barriers to entry for new and smaller players in the market.

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<sup>98</sup> 17th Lok Sabha Standing Committee on Finance, 2022, 'Anti-competitive practices by Big Tech companies, Fifty Third Report, Available at [https://loksabhadocs.nic.in/lssccommittee/Finance/17\\_Finance\\_53.pdf](https://loksabhadocs.nic.in/lssccommittee/Finance/17_Finance_53.pdf)

<sup>99</sup> 'Government Sets Up Panel On Digital Competition Law.' Available at <https://www.bqprime.com/business/government-sets-up-panel-on-digital-competition-law>

## 6. Consumer Welfare Scorecard

### 6.1 Consumer Welfare Scorecard: 2022

The table shows the agreement and importance scores given by consumers for all indicators. The consumers have also rated their expectation for improvement required in all parameters.

S. No.	Parameters & Indicators	Agreement Score	Importance Score
<b>1</b>	<b>Cost-Effectiveness</b>	<b>3.97</b>	<b>4.08</b>
1.1	Discounts & Offers	3.99	4.14
1.2	No Added Expenses	3.88	4.02
1.3	Price Comparison	4.03	4.08
	Expectation for Improvement	3.33	
<b>2</b>	<b>Convenience</b>	<b>4.1</b>	<b>4.17</b>
2.1	Order Products 24x7	4.11	4.22
2.2	Product Search & Discovery	4.13	4.21
2.3	Product Evaluation	4.06	4.1
2.4	Flexible Delivery Time & Location	4.11	4.16
2.5	Multiple Payment Methods	4.13	4.19
2.6	Easy Returns	4.04	4.19
2.7	Maintain Shopping Records	4.15	4.15
	Expectation for Improvement	3.33	
<b>3</b>	<b>Consumer Confidence</b>	<b>3.97</b>	<b>4.12</b>
3.1	Genuine Products	3.89	4.19
3.2	Products Match their Description	3.92	4.16
3.3	Helpful Ratings & Reviews	4.07	4.13
3.4	Safe Payments	4.07	4.14
3.5	Safe Personal Data Sharing	3.91	4.08
3.6	Safe to Save Financial Data	3.94	4.03
	Expectation for Improvement	3.63	
<b>4</b>	<b>Grievance Redress</b>	<b>4.01</b>	<b>4.13</b>
4.1	Satisfactory Complaint Resolution	4.03	4.20

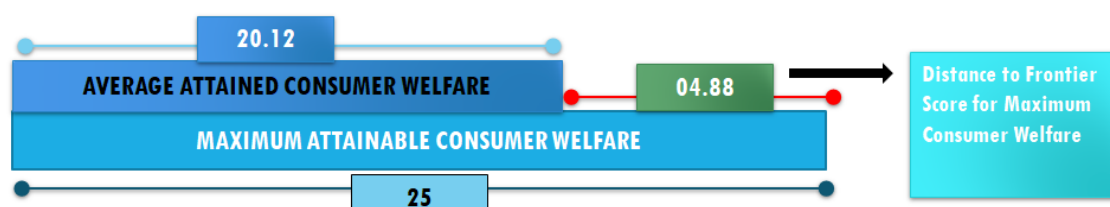
S. No.	Parameters & Indicators	Agreement Score	Importance Score
4.2	Timely Complaint Resolution	3.96	4.13
4.3	Easy Complaint Resolution Process	4.05	4.07
	Expectation for Improvement	3.33	
5	Healthier Competition	4.07	4.15
5.1	Sufficient Choice of Products & Brands	4.11	4.23
5.2	Satisfactory Quality of Products	4.02	4.17
5.3	More Innovation	4	4.09
5.4	Sufficient No. of E-commerce Platforms	4.15	4.11
	Expectation for Improvement	3.47	
* Scores mentioned above are average respondent scores out of a maximum of 5.			

Utilising the above-mentioned agreement scores, a consumer welfare scorecard is constructed to understand the overall level of consumer welfare received by consumers. This is represented by the Average Attained Consumer Welfare (AACW) (also called the Revealed Consumer Welfare).<sup>100</sup> The AACW is **20.12**.

Now, the Distance to Frontier Score for maximum Consumer Welfare through E-commerce is calculated. This score indicates how far consumer welfare is from reaching the maximum attainable score. The below diagram showcases this:

**Distance to Frontier Score = Maximum Attainable Consumer Welfare – Average Attained Consumer Welfare**

- Maximum ACW possible through E-commerce: 25
- Average Attained Consumer Welfare (AACW): 20.12
- Distance to Frontier Score: 4.88



<sup>100</sup> See Subsection 3.2 .6.

## 6.2 Comparison of Revealed Consumer Welfare Score: 2021 vs. 2022

For the year 2022, the *Average Attained Consumer Welfare (AACW)* through all the 5 identified parameters is 20.12 (80.48 percent). For the year 2021, AACW was 20.19. Thus, the AACW has reduced by 0.07. Consequently, the Distance to Frontier Score has reduced by 0.07, which is 0.28 per cent. Thus, there is a marginal decline in consumer welfare scores from 2021 to 2022.

## 6.3 Stated v/s Revealed Consumer Welfare - Year 2022

The Average Stated Total Consumer Welfare (ASTCW) given by consumers is 7.3 out of 10, which is 73 per cent, whereas, the Average Attained Consumer Welfare (AACW) (or the Revealed Consumer Welfare) is 80.48 per cent. To examine the difference between these two scores, certain statistical measures have been utilised.

### 6.3.1 Correlation between TCW & AACW

Correlation<sup>101</sup> between stated *Total Consumer Welfare (TCW)*, which is *Stated CW* and the AACW which is the *Revealed CW* is **0.405**. This suggested that there is a huge difference between stated and revealed consumer welfare scores.

### 6.3.2 Paired T Test between TCW and AACW

Paired T-test<sup>102</sup> explains if there exists a significant difference between two variables of the same subject. Using paired t-test, at 95 per cent confidence level, the alternate hypothesis of mean difference being greater than 0 is accepted. Thus, we conclude that there exists a statistically significant difference between Stated and Revealed Consumer Welfare scores.

```
. ttest acwl==tcw
```

```
Paired t test
```

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Interval]	
acwl	2,246	8.048944	.0282179	1.337303	7.993608	8.10428
tcw	2,246	7.303206	.0436076	2.066653	7.21769	7.388721
diff	2,246	.7457384	.0412257	1.953767	.664894	.8265829

```

mean(diff) = mean(acwl - tcw)                                t = 18.0892
Ho: mean(diff) = 0                                           degrees of freedom = 2245

Ha: mean(diff) < 0      Ha: mean(diff) != 0      Ha: mean(diff) > 0
Pr(T < t) = 1.0000      Pr(|T| > |t|) = 0.0000      Pr(T > t) = 0.0000

```

<sup>101</sup> Correlation. Available at <https://stats.oarc.ucla.edu/stata/output/correlation/>

<sup>102</sup> T-test. Available at <https://stats.oarc.ucla.edu/stata/output/t-test/>

To further explore this, analysis by calculating Mean Difference<sup>103</sup> for various groups on the basis of age, education, gender and location is done in Section 7.

### 6.3.3 Estimating Consumer Welfare: Regression Analysis

To estimate the impact of each parameter on consumer welfare, multiple linear regression analysis is done. The dependent variable is *Total Consumer Welfare (TCW)*. *Agreement Parameter Scores (A\_P)* of all Parameters [A\_P<sub>1</sub>, A\_P<sub>2</sub>, A\_P<sub>3</sub>, A\_P<sub>4</sub> & A\_P<sub>5</sub>] are taken as independent variables. The model is presented below:

$$TCW = \beta_0 + \beta_1 * A\_P_1 + \beta_2 * A\_P_2 + \beta_3 * A\_P_3 + \beta_4 * A\_P_4 + \beta_5 * A\_P_5 + u^{\wedge}$$

Here,  $\beta_0$  is constant and  $\beta_1, \beta_2, \beta_3, \beta_4$  and  $\beta_5$  are coefficients of the independent variables.

```
. reg SCW A_P1 A_P2 A_P3 A_P4 A_P5, vce(robust)
```

Linear regression

```
Number of obs =    2246
F(   5,   2240) =   63.73
Prob > F       =   0.0000
R-squared      =   0.1683
Root MSE      =   1.8869
```

SCW	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
A_P1	.1260197	.0694178	1.82	0.070	-.0101103	.2621497
A_P2	.1222522	.130367	0.94	0.348	-.1334007	.377905
A_P3	.3724912	.0946013	3.94	0.000	.1869758	.5580066
A_P4	.310254	.0771444	4.02	0.000	.1589719	.461536
A_P5	.3243863	.1104996	2.94	0.003	.107694	.5410786
_cons	2.257904	.304505	7.41	0.000	1.660763	2.855046

Regression model output is presented. It shows that Cost-Effectiveness and Convenience are insignificant and thus do not explain the Stated Consumer Welfare. Consumer Confidence, Grievance Redressal and Healthier Competition are significant. Interpretation is given below:

<sup>103</sup> Mean Difference. Available at <https://www.statisticshowto.com/probability-and-statistics/hypothesis-testing/mean-difference/>



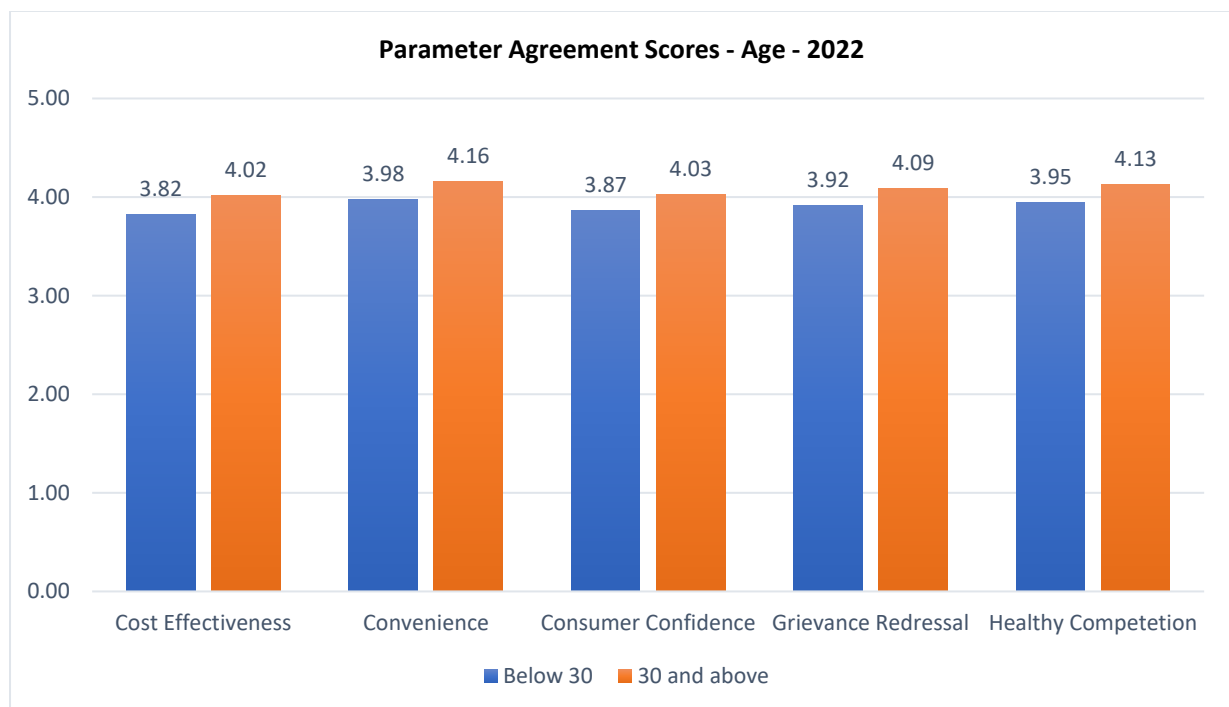
Constant/Parameter	Parameter Coefficient	Interpretation
Constant	2.25	If consumers don't benefit from any parameters, the total consumer welfare is 2.25.
Consumer Confidence (A_P <sub>3</sub> )	0.372	Keeping all other parameters constant, Consumer Confidence in e-commerce significantly contributes towards the Stated Consumer Welfare and increases consumer welfare by 0.372 units.
Grievance Redressal (A_P <sub>4</sub> )	0.31	Keeping all other parameters constant, Grievance Redressal in e-commerce significantly contributes towards the Stated Consumer Welfare and increases consumer welfare by 0.31 units.
Healthier Competition (A_P <sub>5</sub> )	0.324	Keeping all other parameters constant, Healthier Competition significantly contributes towards the Stated Consumer Welfare and increases consumer welfare by 0.324 units.

Since  $\beta_5$  is 0.372, improvement in **Consumer Confidence** will improve the Stated Consumer Welfare more as compared to improvement in other parameters. However, improvement in other significant parameters, that is, Consumer Confidence and Grievance Redressal also improves consumer welfare substantially.

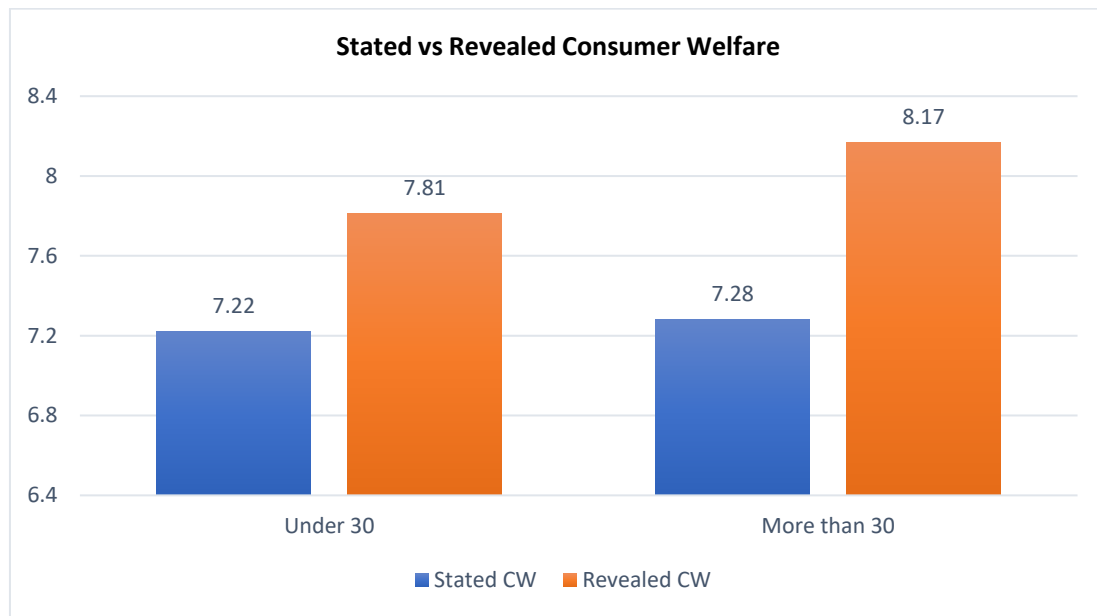
## 7. Perspective of Diverse of Consumers

### 7.1 Age: Consumer Welfare for Different Age Groups

Respondents aged above 30 years (higher aged) have given higher scores on all parameters of consumer welfare, thereby signifying greater satisfaction with e-commerce, than those aged under 30 years (lower aged), as shown in the graph.



Further, there is a stark difference between the Stated Consumer Welfare and Revealed Consumer Welfare for both age groups. However, the difference is lesser for low aged respondents (**0.59**) as compared to high aged respondents (**0.89**).

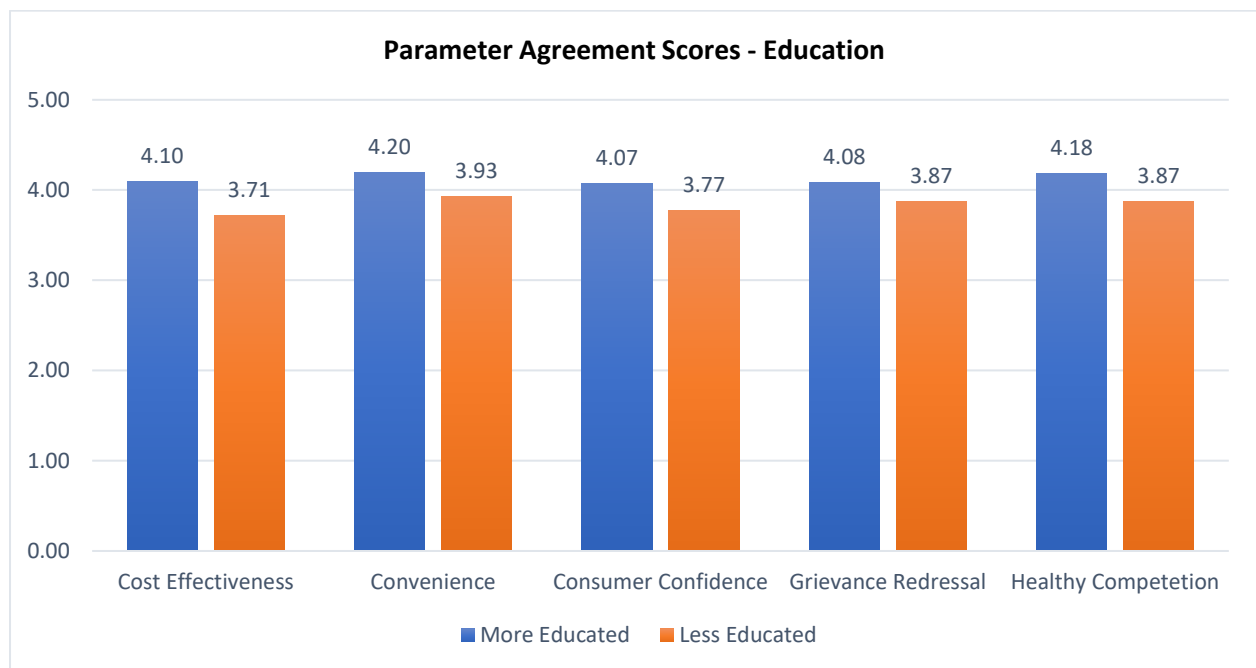


Higher aged respondents have given more **importance to** various parameters, when compared to lower aged respondents. They further expect lesser **improvement** in most parameters, when compared to lower aged respondents.

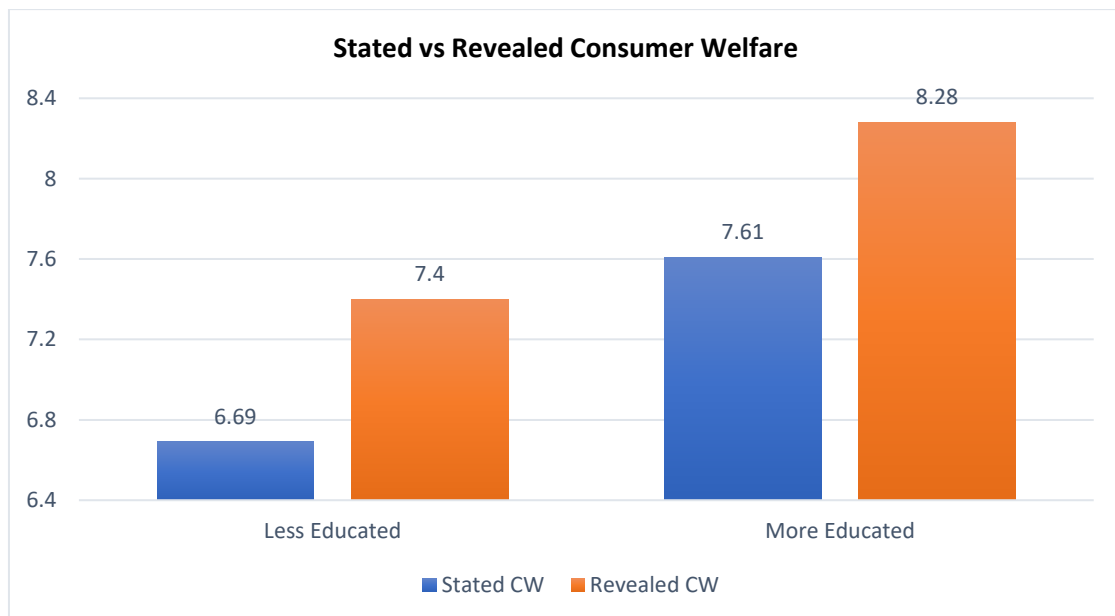
Parameter	Importance		Improvement	
	More than 30	Under 30	More than 30	Under 30
<b>Cost-Effectiveness</b>	4.18	3.93	3.36	3.32
<b>Convenience</b>	4.25	4.01	3.27	3.42
<b>Consumer Confidence</b>	4.23	3.96	3.60	3.64
<b>Grievance Redress</b>	4.19	4.01	3.30	3.40
<b>Healthier Competition</b>	4.23	4.03	3.46	3.51

## 7.2 Education: Consumer Welfare for Different Educational Groups

More educated (beyond schooling) respondents have given higher scores on all parameters of consumer welfare, thereby signifying greater satisfaction with e-commerce, than less educated (up to schooling) respondents. This has been given in the adjoining graph.



Further, there is a stark difference between the Stated Consumer Welfare and Revealed Consumer Welfare by both groups. However, the difference for less educated (**0.71**) and more educated (**0.67**) groups remains almost similar.

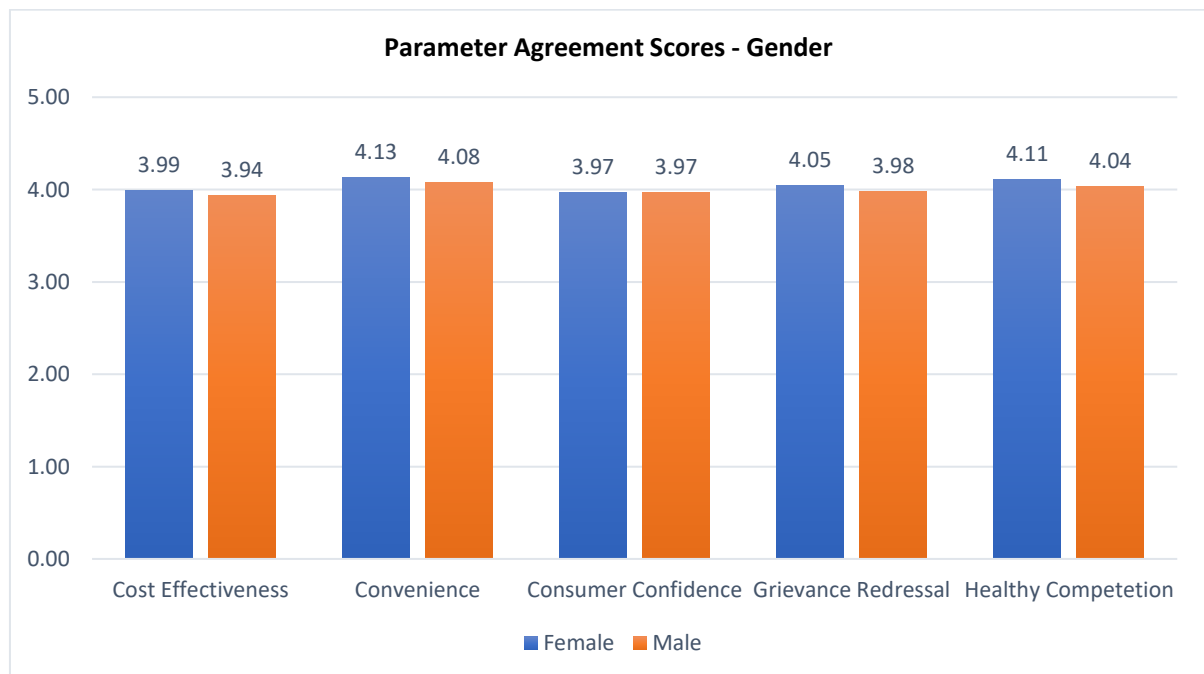


More educated respondents have given more **importance** to all parameters, when compared to less educated ones. Correspondingly, more educated respondents expect more **improvement** than lower aged respondents in parameters like Cost-Effectiveness and Healthier Competition. However, converse is true for Convenience and Consumer Confidence.

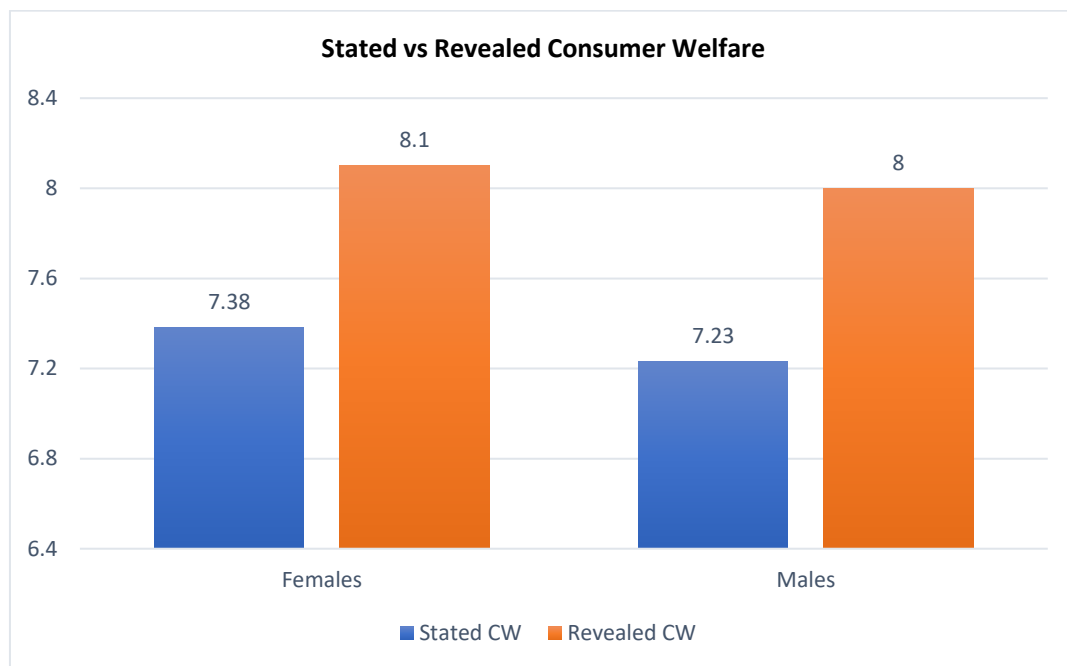
Parameter	Importance		Improvement	
	More Educated	Less Educated	More Educated	Less Educated
Cost-Effectiveness	4.17	3.95	3.42	3.02
Convenience	4.25	4.09	3.28	3.33
Consumer Confidence	4.25	3.73	3.53	3.62
Grievance Redress	4.23	3.99	3.33	3.34
Healthier Competition	4.23	4.08	3.46	3.38

### 7.3 Gender: Consumer Welfare for Different Gender Groups

Females have given higher scores on all parameters of consumer welfare, thereby signifying their greater satisfaction with e-commerce, than males. Adjoining graph shows this.



Further, there is a stark difference between the Stated Consumer Welfare and Revealed Consumer Welfare by both groups. The difference for females (**0.72**) and males (**0.77**) remains almost similar, but is greater for the transgender (**0.97**) group.

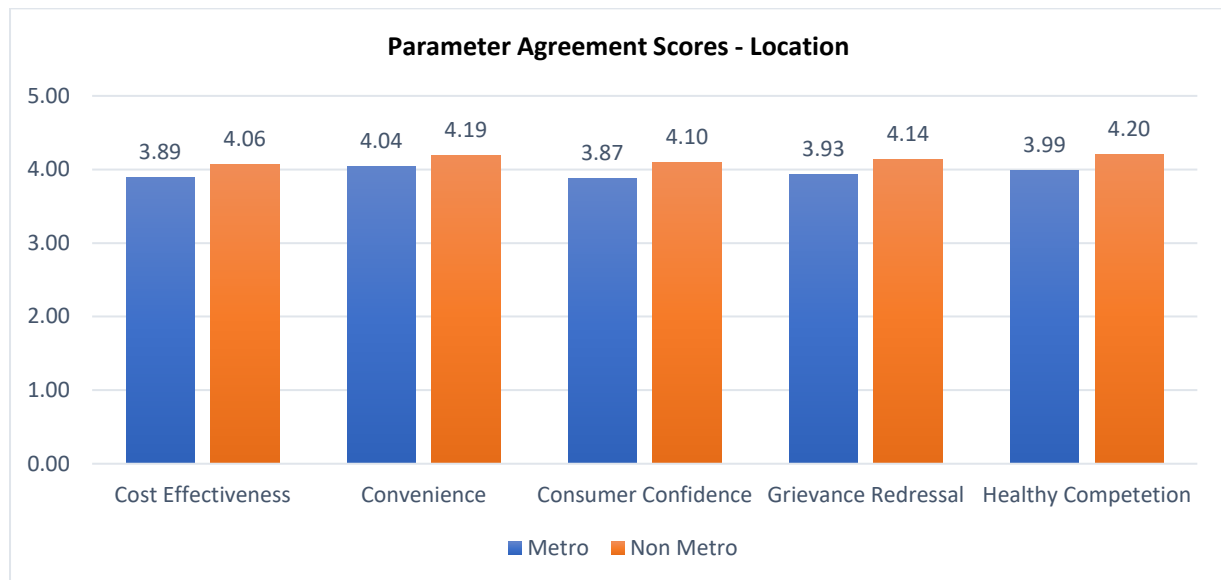


Females tend to give more **importance** to all parameters, when compared to males. Further, Females expect more **improvement** than males in Convenience. However, an almost equal amount of importance is given by both groups on other parameters.

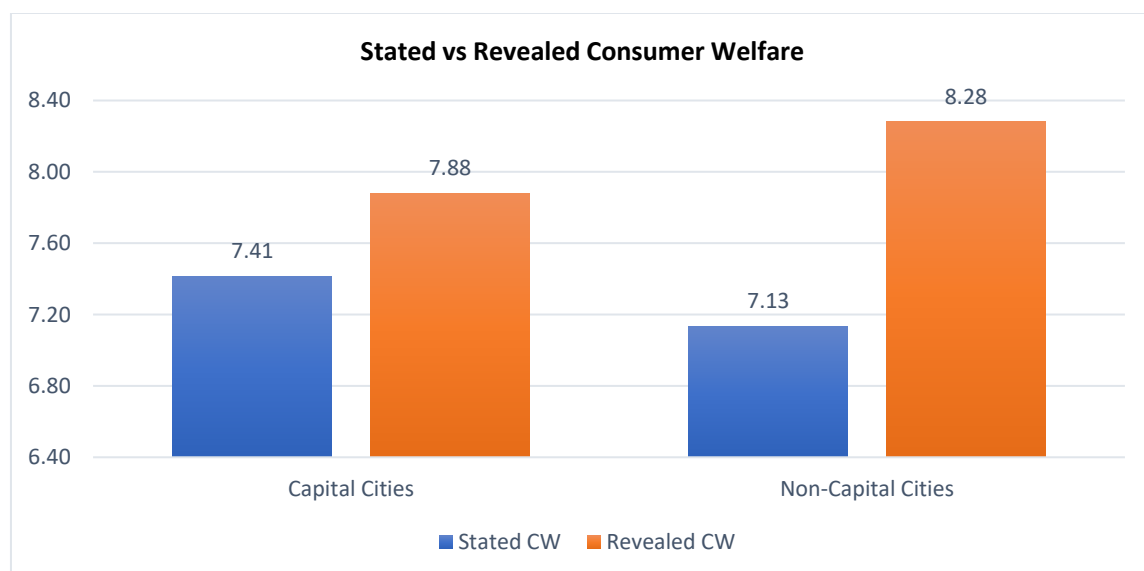
Parameter	Importance		Improvement	
	Females	Males	Females	Males
<b>Cost-Effectiveness</b>	4.10	4.06	3.33	3.34
<b>Convenience</b>	4.19	4.16	3.35	3.30
<b>Consumer Confidence</b>	4.13	4.12	3.63	3.62
<b>Grievance Redress</b>	4.15	4.11	3.33	3.34
<b>Healthier Competition</b>	4.17	4.14	3.46	3.48

## 7.4 Location: Consumer Welfare for Different Location-based Groups

Respondents from non-capital cities have given higher agreement scores on all parameters of consumer welfare, thereby signifying greater satisfaction, than respondents from Capital Cities.<sup>104</sup> The adjoining graph shows this.



The difference between Stated Consumer Welfare (CW) and Revealed CW for respondents from Capital Cities **(0.47)** is lesser as compared to those from Non-capital Cities **(1.15)**.



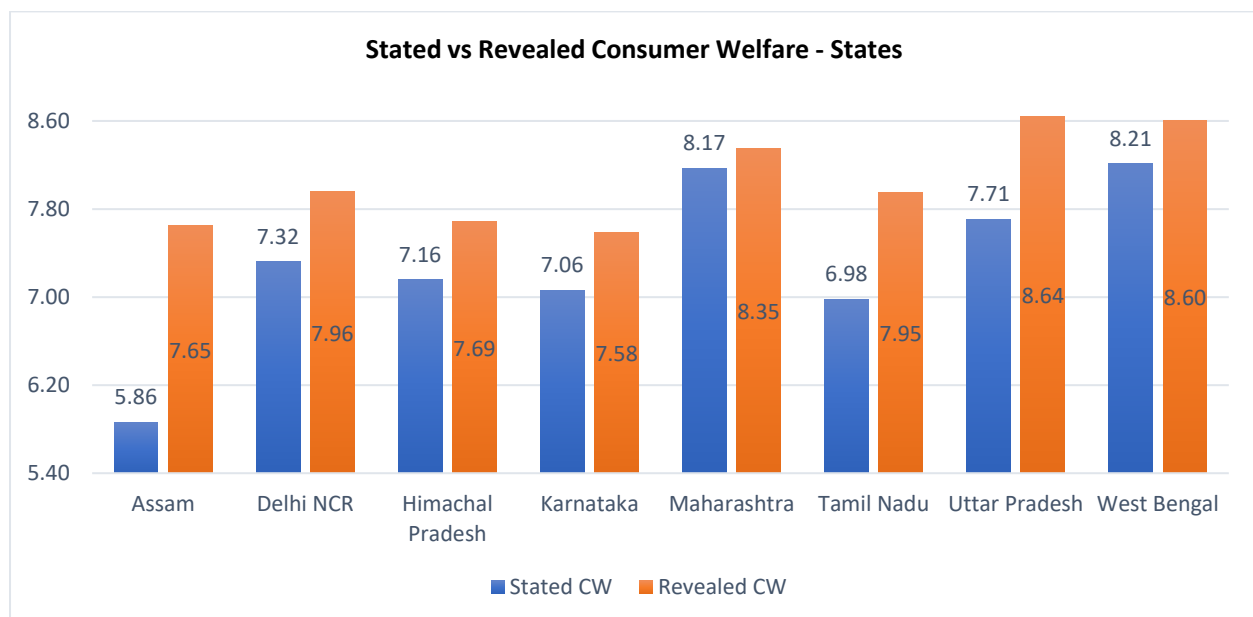
<sup>104</sup> Here, Capital Cities and Metro Cities mean the same. Non-capital Cities and Non-Metro Cities mean the same.



Respondents living in non-capital cities tend to give more **importance** to all parameters except cost-effectiveness, when compared to those living in capital cities. Further, respondents living in capital cities expect more improvement as compared to respondents living in non-capital cities.

Parameter	Importance		Improvement	
	Non-capital Cities	Capital Cities	Non-capital Cities	Capital Cities
<b>Cost-Effectiveness</b>	4.08	4.09	3.20	3.51
<b>Convenience</b>	4.21	4.16	3.14	3.61
<b>Consumer Confidence</b>	4.19	4.08	3.49	3.83
<b>Grievance Redress</b>	4.16	4.12	3.28	3.29
<b>Healthier Competition</b>	4.20	4.13	3.36	3.63

Further, state-wise analysis is done to understand the difference between Stated CW and Revealed CW. The difference between Stated CW and Revealed CW is greatest for respondents from Assam (**1.79**), followed by Tamil Nadu (**0.97**) and Uttar Pradesh (**0.93**). The difference is lowest for the state of Maharashtra (**0.18**). Herein, the Stated CW is lowest for respondents from Assam. The findings are presented in the graph below.



## 8. Recommendations and the Way Forward

### 8.1 Maintaining Cost-Effectiveness

- Based on the findings and analysis presented in this report, the government exercises caution and avoids implementing a blanket ban on 'flash sales' in the e-commerce sector. While concerns have been raised regarding the impact of flash sales on consumer welfare, it is important to consider the potential benefits and the diverse consumer preferences in this matter. Instead of outright bans, the government should focus on strengthening consumer protection measures and ensuring a level playing field for all market participants.
- E-commerce platforms should refrain from imposing additional discount burdens on sellers and instead ensure that sellers have control over setting the final price of their products. To promote a fair and sustainable e-commerce ecosystem, it is crucial that sellers have the autonomy to determine the pricing of their products. Imposing extra discount burdens on sellers can lead to financial strain, erode their profit margins, and undermine their ability to offer competitive prices.
- Unethical practices like discounts being offered on inflated prices must be curbed. It is essential for the government and relevant regulatory bodies to take immediate action to curb unethical practices such as offering discounts on inflated prices in the e-commerce sector. This practice deceives consumers by creating a false perception of savings while actually charging higher prices.
- Care needs to be taken to define terms unambiguously in rules and regulations to avoid uncertainty. In order to ensure clarity and effective implementation of rules and regulations, it is recommended that precise and unambiguous definitions be provided for key terms. Ambiguity in the interpretation of terms can lead to confusion, inconsistent enforcement and potential loopholes that could undermine the intended objectives of the regulations.
- Clarification is needed to differentiate between 'deep discounting' and 'predatory pricing'. At present, both terms are often used interchangeably, which can lead to confusion and incorrect categorisation of pricing practices in the e-commerce

sector. It is crucial for policymakers, regulators, and industry stakeholders to establish clear definitions and guidelines that distinguish between these two concepts.

## **8.2 Increasing Convenience**

- E-commerce platforms should avoid self-preferencing in terms of 'search and ranking' of products/sellers and maintain 'platform neutrality'. It is crucial for e-commerce platforms to prioritise platform neutrality and ensure fair and unbiased search and ranking mechanisms. To uphold consumer welfare and promote a level playing field for all sellers, it is recommended that e-commerce platforms refrain from engaging in such practices.
- To enhance the user experience and cater to the diverse linguistic and cultural backgrounds of consumers, it is recommended that e-commerce platforms consider incorporating local languages and user-friendly interfaces. By offering content and interfaces in regional languages, platforms can effectively reach and engage with a larger segment of the population, especially those who may have limited proficiency in English or prefer to browse and shop in their native language.
- To improve the convenience and overall experience of rural consumers in accessing e-commerce services, it is recommended to prioritise and invest in speedier product delivery mechanisms. Rural areas often face logistical challenges, including limited transportation infrastructure and longer delivery times, which can deter consumers from fully embracing e-commerce. By addressing these challenges and ensuring faster product delivery, the government and relevant stakeholders can bridge the urban-rural divide and provide equal opportunities for rural consumers to enjoy the benefits of online shopping.

## **8.3 Enhancing Consumer Confidence and Trust**

- Strengthen policing and law enforcement to combat counterfeiting and piracy throughout the supply chain. Ensure new regulations strike the right balance, deterring counterfeit sales without burdening small players or granting excessive power to e-commerce platforms. Encourage proactive engagement of e-commerce platforms, brands, and law enforcement in the fight against counterfeits. Implement robust seller verification and vetting mechanisms, employing technologies like AI and machine learning. Invest in search engine optimization to

promote genuine products, aiding consumers in identifying them based on features and pricing. <sup>105</sup>

- Guard against extending the concept of "Fall Back Liability" upon e-commerce platforms when a seller supplies counterfeit or fake products. Most extra responsibilities can be bestowed upon platforms, such as providing evidence, informing brand owners and black-listing the seller.
- Governments and platforms should launch consumer awareness campaigns highlighting the risks of counterfeit products and empowering consumers to combat such practices. Online sellers must refrain from unethical practices such as selling counterfeit goods and providing inaccurate product information. Ensuring the delivery of products that match the provided information is crucial for maintaining consumer trust and satisfaction.
- E-commerce platforms should adhere to the new guidelines/standard on checking fake and deceptive reviews (IS 19000:2022), including the use of technology to prevent, detect, and block fake reviews.
- Government should fast track the enactment of the Digital Personal Data Protection Bill, 2022 and also overhaul the present cyber security regime. A cyber safe digital market is the need of the hour. Additionally, platforms should adhere to 'privacy-by-design' and 'security-by-design' principles.

## 8.4 Improving Grievance Redressal Mechanism

- The Department of Consumer Affairs should establish a comprehensive online dispute resolution mechanism as a Digital Public Infrastructure to bridge the gap in consumer awareness and facilitate efficient grievance redressal. This mechanism should leverage existing resources like the National Consumer Helpline and incorporate mediation and conciliation processes. In cases where mediation fails, it should seamlessly transition to the judicial process. Additionally, consumer organisations under the Consumer Coordination Councils should be trained and involved as service providers for mediation in consumer disputes, ensuring a streamlined and accessible single window for consumer grievance redressal across multiple legislations.

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<sup>105</sup> 'Leveraging technology to curb counterfeiting'. Available at <https://www2.deloitte.com/in/en/pages/finance/articles/leveraging-technology-to-curb-counterfeiting.html>

- E-commerce platforms must comply with the E-Commerce Rules, 2020 by prominently displaying the names, emails, and phone numbers of grievance officers on their websites/apps. Additionally, the industry should explore the establishment of an Ombudsman to efficiently handle consumer grievances. The grievance redressal approach should focus on minimising disputes, including improving the effectiveness of the online dispute resolution system.

## **8.5 Promoting Healthier Competition**

- To curb anti-competitive practices in e-commerce, measures such as self-preferencing, bundling and tying, deep discounting, exclusive tie-ups, and search and ranking preferencing should be addressed. While adopting an ex ante approach, India can consider implementing soft law guidelines instead of replicating the EU's Digital Markets Act. Additionally, e-commerce entities should embrace self-regulation, as suggested by the Competition Commission of India in its e-commerce market study. These steps will foster fair competition and ensure a level playing field in the e-commerce sector.
- The proposal of establishing a Digital Market Unit within CCI is a positive development but it requires adequate financial and human resources from the Government. To ensure effective coordination and avoid jurisdictional conflicts, mechanisms for better collaboration between CCI and other regulators should be established. Additionally, technological interventions like ONDC should be further strengthened and expanded geographically to maximise their impact.

## **8.6 Way Forward**

- This two-year study serves as a catalyst for ongoing discussions and efforts to enhance consumer welfare in the realm of e-commerce. By capturing the perceptions of consumers in both years, the study highlights notable changes in consumer ratings for various parameters. While the shifts may be marginal and not immediately attention-grabbing, they signify important trends over a year that should be of concern to policymakers, regulators, and e-commerce platforms. It is imperative to analyse these trends in-depth, identify the underlying factors, and take necessary actions to address any areas of decline and further improve consumer welfare. Continued collaboration and proactive measures by all stakeholders are crucial in maximising the benefits for consumers who rely on e-commerce platforms.
- The evaluation of consumer welfare resulting from e-commerce usage, although the year-on-year change may be marginal, is crucial. This study marks the beginning of a

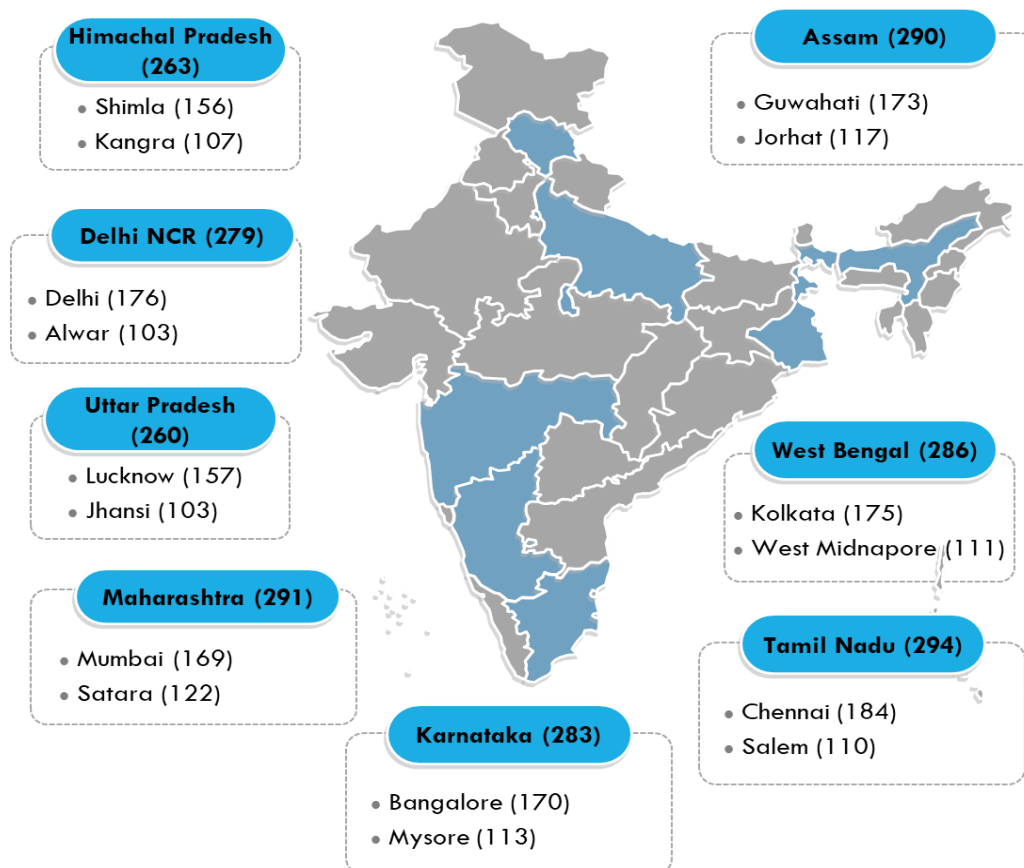
continuous effort to gain a nuanced understanding of consumer welfare and track trends on each identified parameter over time, including the development of a robust consumer welfare index in India. Such continuity is essential for maximising consumer welfare, optimising governance, and protecting the interests of all stakeholders, including consumers.

## Annexure 1: Respondent profile

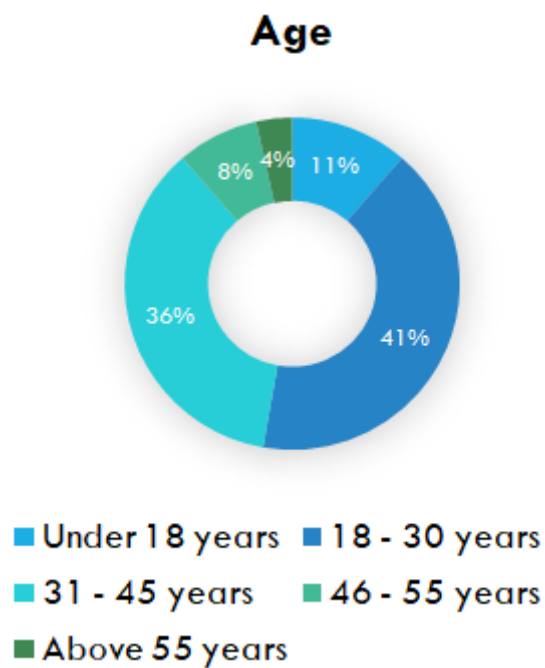
After data cleaning, analysis for a total of 2,246 respondents was conducted. 1,140 respondents were surveyed through online questionnaires, in light of the ongoing Covid-19 pandemic. Another 1,106 respondents were surveyed through on-ground in-person interviews. A structured questionnaire was prepared in English, for conducting the surveys. The same was translated in regional languages as well (Hindi, Marathi, Bengali and Tamil), for convenient administration.

A purposive random sampling methodology was adopted for identifying the survey respondents. However, conscious efforts were made to ensure a healthy mix of respondents from different age groups and educational levels. Attempt to maintain a neutral gender ratio was made. Almost equal numbers of male and female respondents were surveyed. A few transgenders were also surveyed. [males: 1,156; females: 1,066 and transgender: 24]

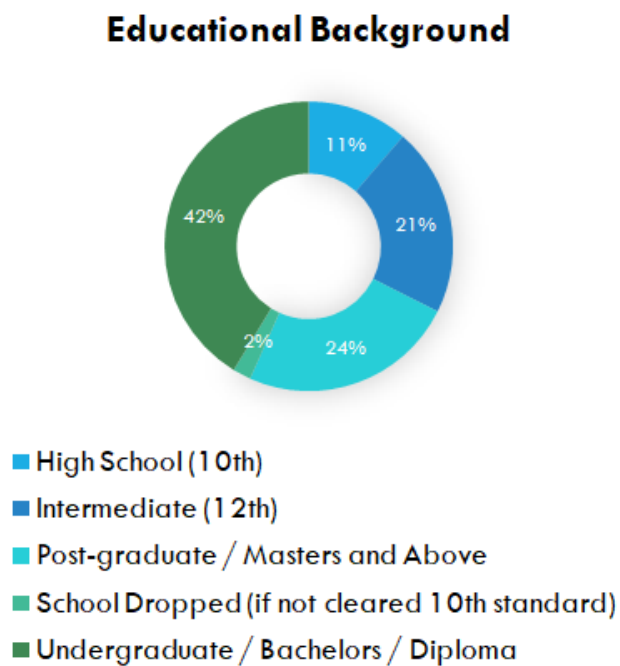
### • Location



- **Age of Respondents**



- **Educational Background of Respondents**





## Annexure 2: Nomenclature and Formula Sheet

Variable Name	Name	Parameter Agreement Score	Parameter Importance Score	Indicator Agreement Score	Indicator Importance Score
<b>P1</b>	<b>Cost-Effectiveness</b>	<b>A<sub>P1</sub></b>	<b>M<sub>P1</sub></b>		
I11	Discounts and Offers			A <sub>I11</sub>	M <sub>I11</sub>
I12	No Added Expenses			A <sub>I12</sub>	M <sub>I12</sub>
I13	Price Comparisons Among Online Platform			A <sub>I13</sub>	M <sub>I13</sub>
<b>P2</b>	<b>Convenience</b>	<b>A<sub>P2</sub></b>	<b>M<sub>P2</sub></b>		
I21	Ordering Products 24*7			A <sub>I21</sub>	M <sub>I21</sub>
I22	Search and Discovery Products			A <sub>I22</sub>	M <sub>I22</sub>
I23	Evaluation of Products using Product Specifications			A <sub>I23</sub>	M <sub>I23</sub>
I24	Options for Time and Location of Delivery			A <sub>I24</sub>	M <sub>I24</sub>
I25	Option for Mode and Method of Payment			A <sub>I25</sub>	M <sub>I25</sub>
I26	Easy Returns			A <sub>I26</sub>	M <sub>I26</sub>
I27	Maintain Shopping Records Online			A <sub>I27</sub>	M <sub>I27</sub>
<b>P3</b>	<b>Consumer Confidence</b>	<b>A<sub>P3</sub></b>	<b>M<sub>P3</sub></b>		
I31	Genuine Products			A <sub>I31</sub>	M <sub>I31</sub>
I32	Products Delivered matches the Product Description			A <sub>I32</sub>	M <sub>I32</sub>
I33	Informed Choice			A <sub>I33</sub>	M <sub>I33</sub>
I34	Payment Security			A <sub>I34</sub>	M <sub>I34</sub>
I35	Privacy			A <sub>I35</sub>	M <sub>I35</sub>
I36	Finance Data Security			A <sub>I36</sub>	M <sub>I36</sub>
<b>P4</b>	<b>Grievance Redressal</b>	<b>A<sub>P4</sub></b>	<b>M<sub>P4</sub></b>		
I41	Action on Complaint			A <sub>I41</sub>	M <sub>I41</sub>
I42	Timely Resolution			A <sub>I42</sub>	M <sub>I42</sub>
I43	User Friendly Resolution			A <sub>I43</sub>	M <sub>I43</sub>
<b>P5</b>	<b>Healthier Competition</b>	<b>A<sub>P5</sub></b>	<b>M<sub>P5</sub></b>		
I51	Choice of Products and Brands			A <sub>I51</sub>	M <sub>I51</sub>
I52	Competitive Product Quality			A <sub>I52</sub>	M <sub>I52</sub>
I53	Better Innovation			A <sub>I53</sub>	M <sub>I53</sub>
I54	Choice of Platforms			A <sub>I54</sub>	M <sub>I54</sub>

# Annexure 3: Survey Questionnaire

## About the Survey Questionnaire

Consumer Unity & Trust Society (CUTS), Jaipur ([cuts-international.org](http://cuts-international.org)) is a global, independent, non-profit consumer organisation.

This survey being conducted by CUTS endeavours to engage with Indian e-consumers (consumers who use e-commerce platforms), to understand their perspective on online shopping using e-commerce platforms (such as Amazon, Flipkart, JioMart, Myntra, etc.). The survey results will be used to design a Consumer Welfare Index Scorecard vis-à-vis e-commerce.

The data/information shared by you for the survey will be kept confidential and will not be shared with third parties or used for any other purposes by CUTS.

For more information, please feel free to contact Mr Asheef Iqubbal ([aql@cuts.org](mailto:aql@cuts.org)) at 0141-2282821.

## Survey Questionnaire

1. Since when have you been using e-commerce platforms (such as Amazon, Flipkart, JioMart, Myntra, etc.) to shop online? (If selected '1' Don't ask further question)
  - ☐ I do not shop online.
  - ☐ Less than 1 year
  - ☐ 1 to 3 years
  - ☐ 3 to 5 years
  - ☐ More than 5 years

### Section A: Demographic Profile

2. Name: \_\_\_\_\_
3. Email ID: \_\_\_\_\_ (If don't want to tell write (Don't want to share- DS, Don't Know-DK, Not Available-NA))

4. Phone Number: \_\_\_\_\_ (if don't want to tell 9999999999)
5. Gender
- ☐ Male
  - ☐ Female
  - ☐ Other
6. Age: \_\_\_\_\_
7. Individual Monthly Income (Rs.)
- ☐ Do not earn.
  - ☐ Below 20,000
  - ☐ 20,000 to 40,000
  - ☐ 40,001 to 80,000
  - ☐ 80,001 to 1,40,000
  - ☐ Above 1,40,000
  - ☐ Prefer Not to say
8. Education Qualification
- ☐ High School (10th)
  - ☐ Intermediate (12th)
  - ☐ Undergraduate / Bachelors / Diploma
  - ☐ Post-graduate / Masters and Above
9. Current Location
- ☐ City/Town/Village: \_\_\_\_\_
  - ☐ District: \_\_\_\_\_
  - ☐ State: \_\_\_\_\_

### Section B: Consumer Perception

10. Why did you decide to use e-commerce platforms for the **first time**? Please choose all that apply.
- ☐ Ease and convenience of shopping
  - ☐ Greater variety of products and brands
  - ☐ Discounted or low-priced products
  - ☐ Product unavailable in nearby places
  - ☐ Curiosity of buying online

- ☐ Due to the covid-19 pandemic
- ☐ Recommended by friends and family
- ☐ Others, please specify: \_\_\_\_\_

11. Do you think online shopping is more time saving compared to other modes of shopping?

- ☐ Yes
- ☐ No
- ☐ Not Sure

Why? Please give reasons. (Don't ask if 'not sure')

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12. Do you think online shopping has helped you save on your monthly shopping expenses?

- ☐ Yes
- ☐ No
- ☐ Not Sure

How? Please give reasons. (Don't ask if 'not sure')

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13. Do you think online shopping made it safe for you to buy products even during the covid-19 pandemic?

- ☐ Yes
- ☐ No
- ☐ I did not shop online during the pandemic.

14. During the pandemic, which of the following products were 'essential' for you? Choose all that apply.

- ☐ Personal Care and Hygiene
- ☐ Grocery
- ☐ Medicines and Medical Equipment
- ☐ Apparels
- ☐ Electronics and Appliances
- ☐ Others, please specify: \_\_\_\_\_

15. Which mode of shopping (online or offline) do you prefer for the following product categories? Please choose only one mode of shopping for each product category.

S. No.	Product Category	Online	Offline
15.1.	Apparels and Footwear		
15.2.	Electronics and Appliances (e.g.: mobiles, computers/laptops, speakers, cameras, AC, refrigerator, washing machine, mixer grinder, juicer, toasters, etc.)		
15.3.	Grocery		
15.4.	Personal Care and Hygiene (e.g.: make up, perfumes, bathing products, home care, sanitizers, masks, disinfectants, etc.)		
15.5.	Books and Stationery		
15.6.	Home and Kitchen (e.g.: furniture, garden, kitchen storage and containers, crockery, etc.)		

16. Please rate your level of agreement with the following statements, on a scale of 1 to 5 (1: Strongly Disagree, 2: Somewhat Disagree, 3: Neutral, 4: Somewhat Agree, 5: Strongly Agree).

Please also rate the importance of the parameters listed below when opting to shop online, on a scale of 1 to 5 (1: Not at all Important, 2: Less Important, 3: Somewhat Important, 4: Important, 5: Very Important).

S. No.	Statement	Level of Agreement	Importance
<b>16.1. Cost-effectiveness</b>			
16.1.1	There are several discounts and offers available when shopping online. (Discount and offers)		
16.1.2.	There are no added expenses (e.g.: fuel, parking, etc.) when shopping online. (No Added Expenses)		
16.1.3.	Price comparison of products among different online platforms (e.g.: Amazon, Flipkart, JioMart, etc.) helps in buying the best priced products. (Price Comparisons Among online Platforms)		

S. No.	Statement	Level of Agreement	Importance
<b>16.2. Convenience</b>			
16.2.1.	The option of ordering products 24*7 increases ease of shopping online. ( <i>Ordering Products 24*7</i> )		
16.2.2.	It is easy to search and discover products online. ( <i>Search and Discovery of Products</i> )		
16.2.3.	It is easy to evaluate products using product specifications when shopping online. ( <i>Evaluation of Products Using Product Specifications</i> )		
16.2.4.	The varied options of time and location of delivery of products increases ease of shopping online. ( <i>Options for Time and Location of Delivery</i> )		
16.2.5.	The multiple options regarding mode and method of payment (e.g.: debit/credit card, UPI, cash on delivery, EMI, no-cost EMI, etc.) increases ease of shopping online. ( <i>Option for Mode and Method of Payment</i> )		
16.2.6.	It is easy to return products when shopping online. ( <i>Easy Return</i> )		
16.2.7.	It is easy to maintain shopping records online such as purchase history, invoices, receipts, warranty cards, etc. ( <i>Maintain Shopping Records Online</i> )		
<b>16.3. Consumer Confidence</b>			
16.3.1.	The products available online are genuine and not fake. ( <i>Genuine Products</i> )		
16.3.2.	The products delivered match the product description given online. ( <i>Product Delivered Matches the Product Description</i> )		
16.3.3.	The user rating and review of products help in making an informed purchase when shopping online. ( <i>Informed Choice</i> )		

S. No.	Statement	Level of Agreement	Importance
16.3.4.	It is secure to pay online. ( <i>Payment Security</i> )		
16.3.5.	It is safe to share personal data (e.g.: name, contact details, address, etc.) when shopping online. ( <i>Privacy</i> )		
16.3.6.	It is safe to save financial data (e.g.: credit/debit card, bank account, UPI, etc.) when shopping online. ( <i>Financial Data Security</i> )		
<b>16.4. Grievance Redressal</b>			
16.4.1.	The complaints related to online shopping are usually resolved (e.g.: refund, exchange, replace, installation and demonstration of products, late deliveries, etc.). ( <i>Action on Complaint</i> )		
16.4.2.	The complaints related to online shopping are resolved in a timely manner. ( <i>Timely Resolution</i> )		
16.4.3.	The process of complaint resolution in online shopping is user-friendly. ( <i>User-friendly Resolution</i> )		
<b>16.5. Healthier Competition</b>			
16.5.1.	There is sufficient choice of products and brands when shopping online. ( <i>Choice of Products and Brands</i> )		
16.5.2.	The quality of the products bought online is satisfactory. ( <i>Competitive Product Quality</i> )		
16.5.3.	There is more innovation and usage of technology (e.g.: voice search, chatbots, 3D viewing of products, etc.) when shopping online. ( <i>Better Innovations</i> )		
16.5.4.	There are a sufficient number of platforms to choose from when shopping online. ( <i>Choice of Platforms</i> )		

17. Please rate the level of improvement required for each parameter basis your experience of shopping online, on a scale of 1 to 5 (1: No Improvement Required to 5: Most Improvement Required).

S. No.	Parameter	Improvement
18.1.	Cost-effectiveness	
18.2.	Convenience	
18.3.	Consumer Confidence	
18.4.	Grievance Redressal	
18.5.	Healthier Competition	

18. On the basis of your experience of shopping online, please rate the level of consumer welfare received in terms of benefits and satisfactions on a scale of 0 to 10 (0: No Consumer Welfare Received, 10: Maximum Consumer Welfare Received).

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19. What are the main challenges you face when shopping online?

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20. How can your overall experience of shopping online be improved?

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