Facilitating Rural E-Commerce

What is the issue?

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- The level of digital adoption being witnessed draws attention to the untapped potential of rural e-commerce.
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- It calls for concerted measures to enable effective internet penetration and success.
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What is the emerging scenario?

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- The next wave of internet users that are coming online are in rural areas.
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- From the current 18% penetration in rural areas, it is expected that, by 2021, internet penetration will be as high as 45%.
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- These enablers mean a much higher growth rate for rural e-commerce than urban.
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- It is estimated that this market is likely to be a $10-12 billion opportunity in the next four years.
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What are the needed measures?

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- **Language** - As much as 88% of the Indian population is non-English speaking.
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- It is anticipated that 85-90% of the 300-million-plus new internet users that

will get added by 2021 will be local language users.
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- Therefore, customising applications to interact with rural customers in their own vernacular language is crucial.
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- This applies across different touch-points such as mobile apps, service and call centres.
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- **Logistics & distribution** - Models that leverage existing infrastructure, and assets to lower costs and de-risk asset ownership and investments are essential.
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- India Post has been leveraged by some players, given the cost and coverage it has. It is an effective way to reach the last mile in rural areas.
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- Effective supply chain planning helps to address cost of logistics.
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- E.g. having multiple procurement points, especially for unbranded products closer to distribution areas
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- Alternate delivery models such as use of crowdsourcing platforms to connect business to non-professional couriers who can deliver goods instantly can be developed.
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- This “uberisation” model likely suits rural markets, which lack logistics network.
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- Distributed logistics including using a pool of local people as delivery agents is an effective access and cost management strategy.
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- **Assisted commerce** - Mobile-first is a good strategy, given the proliferation of smartphones in rural areas.
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- But it cannot be the only strategy to serve rural markets where lack of trust and knowledge are the biggest challenges for transacting online.
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- An appropriate omni-channel strategy would be required depending upon the product categories.
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- High capital requirements and sparsely populated geographies make physical stores in rural India unfeasible for many companies.
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- So generating orders though use of digital catalogues and samples can be taken up.

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- These orders can be fulfilled through kirana stores, cooperative banks, telco offices, etc, serving as enablers for assisted commerce.
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- Also, the offline-to-online model would help alleviate challenges of low digital literacy and lack of trust on the digital platform.
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- **Products** - Given the lower disposable incomes, price plays a major role in product choices of rural customers.
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- So maintaining the right mix between unbranded products and branded products is critical.
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- Players need to run continuous analytics and curate a product catalogue based on the past buying behaviour.
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- It can also address the issue of poor internet connectivity by displaying limited items on the applications that can load easily.
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- **Technology** - Technology will be an important lever but it is important to keep the digital literacy of the segment in mind.
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- Technology that provides operational effectiveness (data analytics, buying aids, recommendations) is important.
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- Also, that which build trust and transparency (blockchain, IoT, payments) require more attention in the short term.
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Source: Financial Express

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