Open Network for Digital Commerce

Why in news?

Microsoft has become the first big tech company to join the government-backed Open Network for Digital Commerce.

What is Open Network for Digital Commerce (ONDC)?

- It is an initiative aimed at promoting open networks for all aspects of exchange of goods and services over digital or electronic networks.
- ONDC is to be based on open-sourced methodology, using open specifications and open network protocols independent of any specific platform.
- It is being developed as a counter to the current duopoly in the Indian e-commerce market which is largely dictated by Amazon and Walmart-owned Flipkart.
- It aims in “democratising” digital commerce, taking it away from the clutches of a handful of deep-pocketed companies.

How does ONDC work?

- The ONDC platform lies in the middle of the interfaces hosting the buyers and the sellers.
- So far, the buyer side interface is being hosted by Paytm, whereas the seller side interface is being hosted by other players like GoFrugal, etc
- When a buyer searches for an item on the Paytm app, from where ONDC has gone live, the app will connect to the ONDC platform, which will connect it to seller side interfaces.
- On ONDC, there will be several other backend partners such as logistics service providers, enterprise resource planners, e-commerce store hosting service providers, etc.

What is the significance?

> *By 2030, the Indian e-commerce industry is anticipated to reach 400 billion dollars, increasing at a 19% Compound Annual Growth Rate (CAGR).*

- **Choice** - Providers and consumers would be able to use any compatible application of their choice for exchange of information and carrying out transactions over ONDC.
- **Beyond the traditional system**- ONDC goes beyond the current platform-centric

digital commerce model where the buyer and seller have to use the same platform or application to be digitally visible and do a business transaction.

- **Standardisation of operation**- ONDC protocols would standardize operations like cataloguing, inventory management, order management and order fulfilment.
- **Digitalization-** It would also encourage easy adoption of digital means by those currently not on digital commerce networks.
- **Inclusive**- ONDC is expected to make e-Commerce more inclusive and accessible for consumers.
- **Demand supply match**- It will enable the consumers to match demand with the nearest available supply.
- **Decentralized e-commerce**- It aims to accelerate the e-commerce industry by enabling all kinds of buyers and sellers to leverage the digitisation of commerce through its network, as it is based on the concepts of decentralisation, openness, and user utility.

What are the challenges ONDC aims to address?

- **Dominance of global players**- It has flagged the rising dominance of global players in India's e-commerce ecosystem.
- The large quantum of investment required to build competitors to the integrated solutions offered by the big players has become an entry barrier for digital marketplaces.
- **Issues with platform ecosystem**- It also flagged the inability of marketplace sellers to move out of the platform ecosystem, given that the value created by these small players is stored with the larger platforms.
- ONDC aims to transform the marketplace ecosystem from an operator-driven platform-centric model to a facilitator-driven interoperable decentralised network.

References

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