

Anup's edit

Policy for brick-and-mortar and online must be same

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Given its trader support base, it is understandable the [BJP](#) government is not keen on allowing FDI in multi-brand retail—indeed, when the DIPP compendium of FDI rules was re-issued some months ago and contained the UPA's 51%-FDI in multi-brand retail policy, BJP leaders blandly reiterated that their party was not in favour of FDI in retail while ducking the question as to whether new multi-brand retail FDI ventures would be allowed.

The problem, however, is that there is FDI in online retail, albeit in a roundabout fashion. While the law allows only FDI in B2B e-commerce, with the marketplace classified as B2B, online retailers with large FDI equity do sell to the retail segment. Which is why a clutch of brick-and-mortar retailers approached the courts a few months ago, asking for a level playing field. While the [Delhi High Court](#) told the retailers to go to the government for this—and to approach it if there was no resolution in four months—matters have come to a head with the All India Footwear Manufacturers and Retailers Association (AIFMRA) approaching the Delhi High Court, and the court observing that there has been 'a prima facie violation' of foreign investment regulations by e-commerce companies, and asking the government to reply to its notice by October 14.

In which case, the government will need to clearly define an online marketplace and what constitutes retail and wholesale trading on these platforms. Physical retailers have all along argued that the e-commerce marketplaces are retailers since they accept payments, make deliveries, take returns, and make refunds. Also since they get funding from foreign venture capital and private equity, it helps them offer deep discounts on products they sell, which regular retailers are not in a position to offer. While online retail is quite small right now, brick-and-mortar retailers are already feeling the pinch due to online retail's heavy discounting model which is forcing them to also discount more in order to retain customers. Also, according to property consultants Knight Frank India, the share of e-commerce is likely to grow over five-fold from 2% in 2014 to 11% in 2019, largely at the expense of big brick-and-mortar retailers today. It is unfortunate that clarity in policy will have to come through a court directive, but brick-and-mortar retailers have been left with little other choice.

Can't duck retail question

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