E-COMMERCE: MARKET PLACE

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Types of Commerce

- Electronic Commerce
  - Internet Commerce
    - Business Focused EC
    - Consumer Focused EC
  - Physical or traditional commerce

Overview
Definition
Classification by Transaction Nature

• **Business-to-business (B2B)**
  
  E-commerce model in which all of the participants are businesses or other organizations

• **Business-to-consumer (B2C)**
  
  E-commerce model in which businesses sell to individual buyers
Classification by Transaction Nature

• **E-tailing**
  Online retailing, usually B2C

• **Business-to-business-to-consumer (B2B2C)**
  E-commerce model in which a business provides some product or service to a client business that maintains its own customers
Classification by Transaction Nature

• **Consumer-to-business (C2B)**
  E-commerce model in which individuals use the Internet to sell products or services to organizations or individuals who seek sellers to bid on products or services they need

• **Mobile commerce (m-commerce)**
  E-commerce transactions and activities conducted on a Mobile.
Classification by Transaction Nature

• **Location-based commerce (l-commerce)**
  M-commerce transactions targeted to individuals in specific locations, at specific times

• **Intrabusiness EC**
  E-commerce category that includes all internal organizational activities that involve the exchange of goods, services, or information among various units and individuals in an organization
Classification by Transaction Nature

• **Business-to-employees (B2E)**
  E-commerce model in which an organization delivers services, information, or products to its individual employees

• **Collaborative commerce (c-commerce)**
  E-commerce model in which individuals or groups communicate or collaborate online

• **Consumer-to-consumer (C2C)**
  E-commerce model in which consumers sell directly to other consumers
• **Peer-to-peer (P2P)**
  Technology that enables networked peer computers to share data and processing with each other directly; can be used in C2C, B2B, and B2C e-commerce

• **E-learning**
  The online delivery of information for purposes of training or education

• **E-government**
  E-commerce model in which a government entity buys or provides goods, services, or information from or to businesses or individual citizens
Classification by Transaction Nature

• **Exchange**
  A public electronic market with many buyers and sellers

• **Exchange-to-exchange (E2E)**
  E-commerce model in which electronic exchanges formally connect to one another for the purpose of exchanging information
Benefits

To customers:

- Increases Choice of Suppliers.
- Enables buyers to do transaction anytime
- Increased amount of information on demand.
- Allows quick delivery.
- Facilitates competition which leads to more discounted prices.
- Increased price comparison capabilities.
- Simple method to check on order status.
- Customization of products and services.
- Creates virtual communities.
Benefits

- Enables more individuals to work remotely.
- Allows some merchandise to be sold at lower prices benefiting less affluent people.
- Enables people in rural areas to enjoy products and services which otherwise are not available to them.
- Facilitate delivery of public services
- Allows less travelling, resulting in less traffic on the roads, and lower air pollution
To organisations:

- Expand the marketplace to global markets
- Creates virtual communities.
- Decreases the cost of creating, processing, distributing, storing and retrieving paper-based information.
- Allows reduced inventories.
- Provides customization of products and services.
- Support business process reengineering efforts
- Lower telecommunication cost
Limitations

**Lack of Trust and User Resistance:**
- Customers do not trust
  - Unknown faceless sellers
  - Paperless transactions
  - Electronic money
  - Switching from a physical to a virtual store may be difficult.

**Security and Privacy:**
- The Electronic Commerce industry has a very long and difficult task of convincing customers that online transactions and privacy are secure.
Limitations

- Lack of touch and feel online
- Many unresolved legal issues
- Insufficiently large number of sellers and buyers
- Breakdown of human relationships
- Expensive and/or inconvenient accessibility to the Internet
- Different Policies
- Pricing - granularity of price (micro payment), pricing policy
E-Marketplaces
E-Marketplace

• An online market, usually B2B, in which buyers and sellers exchange goods or services;

• 3 types of e-marketplaces
  – private
  – public
  – consortia
Types of E-Marketplaces

• **Private E-Marketplaces**
  Online markets owned by a single company; may be either sell-side and/or buy-side e-marketplaces

• **Sell-side E-Marketplace**
  A private e-marketplace in which one company sells either standard and/or customized products to qualified companies

• **Buy-side E-Marketplace**
  A private e-marketplace in which one company makes purchases from invited suppliers
• **Public E-Marketplaces**

  B2B marketplaces, usually owned and/or managed by an independent third party, that include many sellers and many buyers; also known as *exchanges*
Transactions: Online Auction

• **Auction**
  A competitive process in which a seller solicits consecutive bids from buyers (forward auctions) or a buyer solicits bids from sellers (backward auctions). Prices are determined dynamically by the bids.

• **Traditional vs. Online Auctions**
  – rapid process gives potential buyers little time to make a decision
  – electronic auction (e-auction) conducted online

• **Types of Auction**
  – One buyer, one seller
  – One seller, many potential buyers
Transactions: Online Auction

• **Forward auction**
  An auction in which a seller entertains bids from buyers. Bidders increase price sequentially.

• **Reverse auction (bidding or tendering system)**
  Auction in which the buyer places an item for bid (tender) on a request for quote (RFQ) system, potential suppliers bid on the job, with the price reducing sequentially, and the lowest bid wins; primarily a B2B or G2B mechanism.

• **“name-your-own-price” model**
  Auction model in which a would-be buyer specifies the price (and other terms) he or she is willing to pay to any willing and able seller. It is a C2B model that was pioneered by Priceline.com.
Transactions: Reverse Auction Process
Competitive Factors of Online Transactions

- Lower search costs for buyers
- Speedy comparisons
- Lower prices
- Customer service
- Barriers to entry are reduced
- Virtual partnerships multiply
- Market niches abound
- Differentiation and personalization
Agricultural Market Place

• Agriculture is the largest economic sector and remains the greatest opportunity for economic growth and poverty alleviation, besides creating employment.

• Agriculture often appears to be one of the most difficult industries frequently leading to some form of market failure.

• The internet aided by e-commerce is helping boost the income of farmers and transforming the backward agricultural sector into a lucrative modern industry.
• E-Commerce (EC) has resulted in new business relationships and enabled new markets, new business, and new marketing paradigms.

• Marketplaces allow engagement, interact and trade, which was only possible by being physically present at the same place and at the same time.

• E-marketplaces have no time or space limits imposed on the business flow, so anyone, anywhere, anytime can be connected and purchase, sell or exchange whenever they wish to.
Agricultural Market Place: Benefits

• Business-to-business marketplaces bring businesses together to enable online wholesale purchases, distributions, imports, exports, and other commercial transactions.

• The advantages of B2B marketplaces for buyers are mainly focused on the increase of efficiency and the reduction on costs.

• By decreasing manual processes, cycle times between order and fulfillment, buyers can easily increase the efficiency of their procurement.
Agricultural Market Place: Benefits

• **Find and conduct new business:**
  Marketplaces bring businesses together, contributing to the meeting of new partners and the conduction of new.

• **Improve liquidity:**
  To the wide potential customer base, marketplaces include the ability for businesses to present their entire product catalogues to interested viewers, apart from dynamically responding to requests for bids and quotes, and anchor inventory.

• **Reduce costs of Procurement**
  Up to 15% of waste and supplier margin reductions are possible by using B2B e-commerce solutions, whereas search costs and price transparency become achievable goals within this environment.
Agricultural Market Place: Benefits

• **Lower transaction costs:**
  The standardization and automation of the agreement, inquiring, ordering and paying processes help reducing transaction costs.

• **Monitor spending:**
  B2B marketplace solutions enable business to gather information about their buying patterns, allowing the improvement of resources and the reduction of corporate spending.

• **Increase efficiency:**
  Automated procurement processes and workflows allow companies to increase the efficiency of their supply chain.

• **Forecast transactions:**
  Marketplaces allow business to analyse their transactions data, enabling sellers to better match their products and services, as well as the time their production schedules, to fit customers' needs.
e-National Agriculture Market (NAM)
e National Agriculture Market (eNAM)

- eNational Agriculture Market (eNAM) is a pan-India electronic trading portal which networks the existing APMC mandis to create a unified national market for agricultural commodities.

- The eNAM Portal provides a single window service for all APMC related information and services. This includes commodity arrivals & prices, buy & sell trade offers, provision to respond to trade offers, among other services. While material flow (agriculture produce) continue to happen through mandis, an online market reduces transaction costs and information asymmetry.
Agriculture marketing is administered by the States as per their agri-marketing regulations, under which, the State is divided into several market areas, each of which is administered by a separate Agricultural Produce Marketing Committee (APMC) which imposes its own marketing regulation (including fees).

This fragmentation of markets, even within the State, hinders free flow of agri commodities from one market area to another and multiple handling of agri-produce and multiple levels of mandi charges ends up escalating the prices for the consumers without commensurate benefit to the farmer.

eNAM addresses these challenges by creating a unified market through online trading platform, both, at State and National level and promotes uniformity, streamlining of procedures across the integrated markets, removes information asymmetry between buyers and sellers and promotes real time price discovery, based on actual demand and supply, promotes transparency in auction process, and access to a nationwide market for the farmer, with prices commensurate with quality of his produce and online payment and availability of better quality produce and at more reasonable prices to the consumer.
Farmers can showcase their produce online from their nearest market and traders can quote price from anywhere.

Results in increased number of traders and greater competition.

Ensures open price discovery and better returns to farmers.
Covers 400 markets by March, 2017 and 585 by March, 2018 pan-India

On launch day, first big step covers 23 commodities and 21 markets across 8 states
Objectives of NAM

- A national e-market platform for transparent sale transactions and price discovery initially in regulated markets. Willing States to accordingly enact suitable provisions in their APMC Act for promotion of e-trading by their State Agricultural Marketing Board/APMC.
- Liberal licensing of traders / buyers and commission agents by State authorities without any pre-condition of physical presence or possession of shop / premises in the market yard.
- One license for a trader valid across all markets in the State.
- Harmonisation of quality standards of agricultural produce and provision for assaying (quality testing) infrastructure in every market to enable informed bidding by buyers. Common tradable parameters have so far been developed for 25 commodities.
- Single point levy of market fees, i.e on the first wholesale purchase from the farmer.
- Provision of Soil Testing Laboratories in/ or near the selected mandi to facilitate visiting farmers to access this facility in the mandi itself. M/s. Nagarjuna Fertilizers and Chemicals Ltd. is the Strategic Partner (SP) who is responsible for development, operation and maintenance of the platform. The broad role of the Strategic Partner is comprehensive and includes writing of the software, customizing it to meet the specific requirements of the mandis in the States willing to integrate with NAM and running the platform.
A reduction in book keeping and reporting system (reports were previously prepared viz. daily minimum, maximum and modal prices and arrivals of commodities) which are now generated automatically

Better monitoring and regulation of traders and commission agents (CA’s).

Completely transparent system which eliminates any scope of intentional/un-intentional manipulation of tendering / auctioning process.

Improvement in the market fee collection by means of accounting all the transactions that are taking place in the market.

Reduction in manpower requirements as tendering / auctioning process takes place through the system.

Analysis and forecasting of the arrivals and prices.

Availability of the activities of each APMC on the website directly.
Stakeholders

Farmers
• NAM promises more options for selling produce and making competitive returns.

Traders
• NAM will provide access to larger national market for secondary trading.

Buyers, Processers & Exporters
• NAM will enable direct participation in the local mandi trade, reducing intermediation cost.
State’s Requirements for Successful Implementation

In order to facilitate both - unification of market and online trading, it is necessary for the States to undertake reforms prior to seeking assistance under the scheme in respect of

(i) a single license to be valid across the State,
(ii) single point levy of market fee and
(iii) provision for electronic auction as a mode for price discovery.

Only those States/UTs that have completed these three pre-requisites will be eligible for assistance under the scheme. The States must ensure that the reforms are carried out both in letter and spirit through appropriate and unambiguous provisions in the APMC Acts and rules. Besides the State Marketing Boards/APMCs must enable the promotion of the e-auction platform. The States will need to ensure that the mandis that are integrated with NAM makes provision for requisite online connectivity, hardware and assaying equipments.
Implementation Phases

• NAM is being deployed in selected 585 regulated wholesale markets in States/UTs desirous of joining the e-platform.

• Small Farmers’ Agribusiness Consortium (SFAC) is operating the NAM as the implementing agency with technical support from the Strategic Partner (SP).

• To facilitate assaying of commodities for trading on NAM, common tradable parameters have been developed for 25 commodities.
As of 14th April 2016, NAM was launched for trading in 21 markets in 8 States.

2 Mandis of Haryana – Shahabad and Ambala were integrated in NAM from 1st of June 2016.
Thanks!