

SME

“Time for e-tailers to shift to quality offerings by enabling MSMEs, create genuine offline competition”

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Ease of Doing Business for MSMEs: There are reasons galore for the emergence of a new direct-to-customer business model in Covid times. The disrupted supply chain has created havoc for many established players rendering them incapable of meeting the pre- Covid level of demand.

Having a strong vendor network provides ample opportunity to the e-platforms to strengthen their private label programmes.

- ***By Pankaj Priya***

Ease of Doing Business for MSMEs: The recent announcement of Facebook joining hands with Jio Mart and Walmart bidding for Tik Tok, coupled with simultaneous enhancement of the number of SME vendors onboarded by [Amazon](#) has given a new push to SMEs in India. SMEs of all forms including cottage industries and Kiranas constitute the economic lifeline of India. Their revival and growth are core to the revival of the Indian economy. Though the online platforms had been onboarding SME vendors for the last few years, the scenario has changed drastically in the last three months since the first phase of unlocking. There are reasons galore for the emergence of a new direct-to-customer business model in Covid times. The disrupted supply chain has created havoc for many established players rendering them incapable of meeting the pre- Covid level of demand. This unforeseen supply-demand gap can be fulfilled by these SMEs, some of them already supplying to the established players.

With social distancing being the norms of the day, Indian consumers' purchase behaviour has transformed drastically as is evident from the rising number of cashless transactions and significantly reduced footfalls in

[Flipkart](#), and others. Those on social media may have limitations of credibility and time-bound delivery due to the absence of adequate infrastructure. This is why some vendors prefer using e-marketplaces for overcoming these limitations. Both models have their own pros and cons.

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The vendors using social media platforms alone can control their cost of distribution and hence be competitive, but it is an uphill task to create their visibility to a large audience and establish credibility as a serious player. Moreover, as delivery to the customer is entirely the vendor's responsibility, any inefficiency by the third-party logistics hampers their brand image. That is why it is observed that most of these SMEs cater to customers spread across small geography. This model may be suitable for kiranas, but would not be appealing enough for those SMEs who are in manufacturing or value addition business. Therefore, in order to scale up, these SMEs prefer to onboard any e-marketplace especially when the latter joins hands with social media players. In the latter case, the cost of distribution goes up due to the presence of the intermediary, that is, e-marketplace player, but the volumes generated by on-boarding would increase exponentially as the SMEs would get the advantage of both the platforms.

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Whatever the platform or model opted for by SMEs, the crux lies in maintaining the quality of the product and consistency in delivery. This is where the market place player's interventions would make a difference. They should invest in capacity and quality building programme of SMEs throughout India by extending credit and technical support. This investment would reap them huge benefits in the medium and long term as the higher the number of SMEs on board, the greater the options for their customers.

Moreover, having a strong vendor network provides ample opportunity to the e-platforms to strengthen their private label programmes, transforming them as a marketer beyond a mere marketplace. The business model of the e-marketplace players in India has so far been largely based on discounted price which has neither befitted them nor their competitors in brick and mortar format, a sore point for Confederation of Indian Traders. This is the time to change gears and shift to quality offerings by strengthening their SME vendors and create genuine competition for brick and mortar formats. The communication component would be effectively handled by the social media partner as people are spending a longer time on social media since the onset of the pandemic. In order to be communicable and therefore reach a large audience, it is expected that all e-platforms should be available in all the languages mentioned in the eighth schedule of the constitution. This would obviously aid the expansion of the customer base, a fact realized lately by smartphone players. The handholding of SMEs by the e-marketplace players would show their commitment towards Atmanirbhar Bharat.

The other impediments to enhancing the contribution from SMEs are the non-availability or availability of poor bandwidth for effective communication and costly smartphones. Therefore, at the macro level, support from the government is earnestly expected on two fronts: Auctioning extra band to telecom operators on a priority basis so as to accommodate increased online traffic and offering sops to handset manufacturers so that they are able to launch smartphones at price around Rs 5,000. E-platforms can become potent tools to strengthening the SMEs

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