

FRICITIONLESS DIGITAL COMMERCE

A series of deep dives covering the impact of
ONDC across key stakeholders



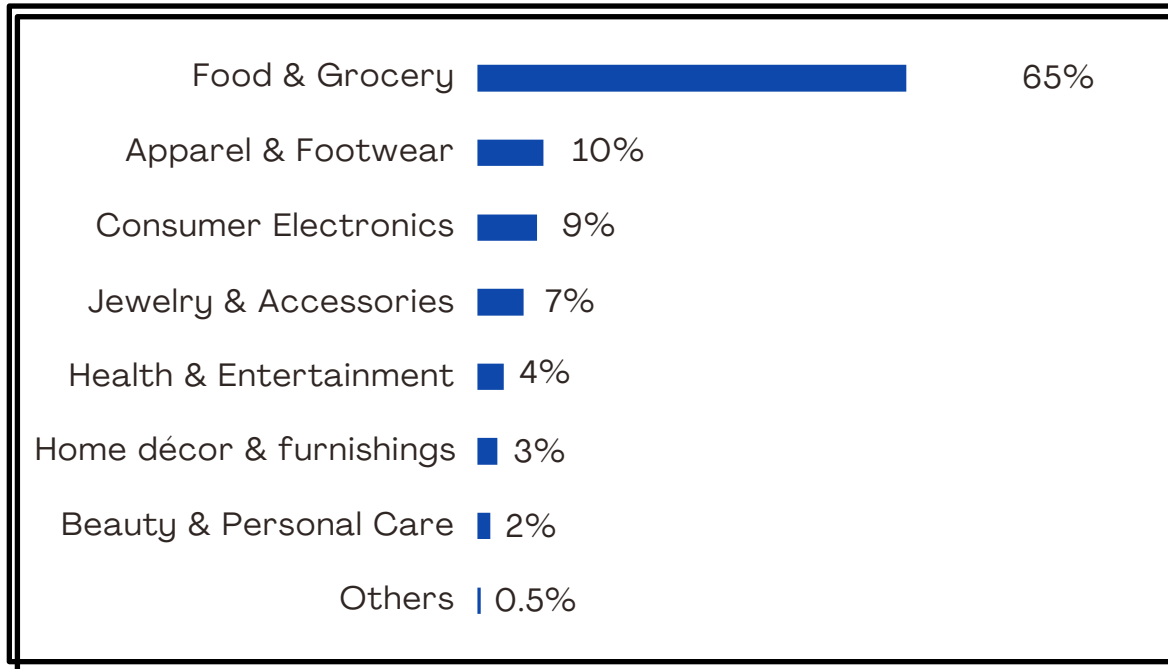


Setting the context.

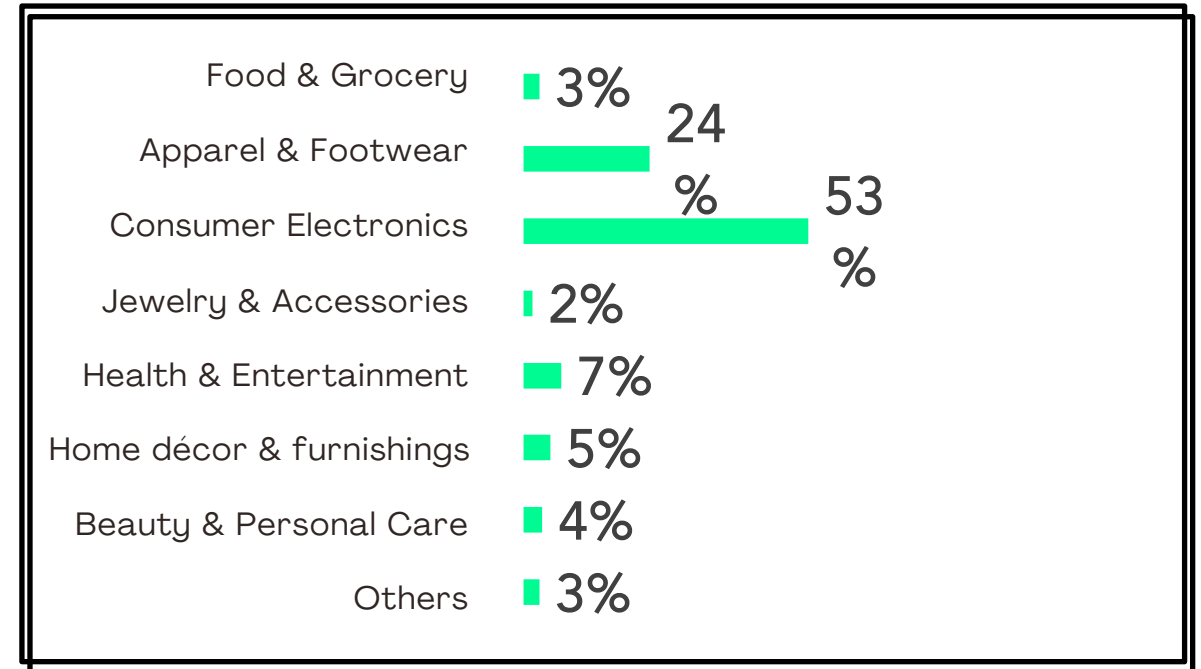
- i. E-Commerce today & it's challenges
- ii. What is ONDC
- iii. What problems does ONDC solve

Only 7% digital commerce penetration today

Split of retail market



Split of digital commerce market

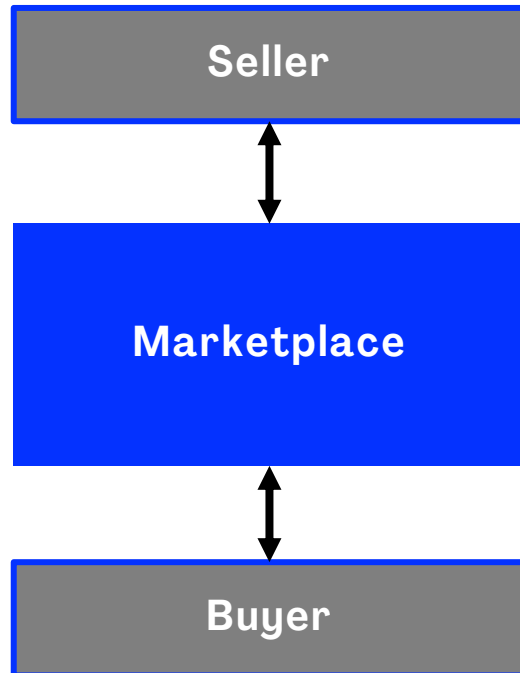


Marketplaces control ~75% of the eCommerce market in India today



Marketplaces allow sellers to build scale, but there are several challenges..

How closed platform-centric marketplaces work



Challenges with closed platform-centric marketplaces

- 01 Profitable unit economics:** Marketplace commissions along with extra investment to drive visibility means that seller margins are under pressure.
- 02 Inability to own their data:** Sellers become locked into marketplaces because of access to customers. Marketplaces eventually leverage seller data to drive their own private label strategy.
- 03 Managing multiple platforms:** Post onboarding, managing orders/inventory/payments from multiple platforms is also a time-consuming process.

ONDC is primed to change the eCommerce status-quo



ONDC is democratizing access to eCommerce..

Vision

An open network for digital commerce that will establish inclusive and competitive marketplaces online.

ONDC is established by the Department for Promotion of Industry & Internal Trade

July'21

Nov'21 to Mar'22

Apr'22

Sep'22

As of July'23

Advisory council established to discuss network protocols

Seed investment from multiple public & private entities (\$30M committed in total)

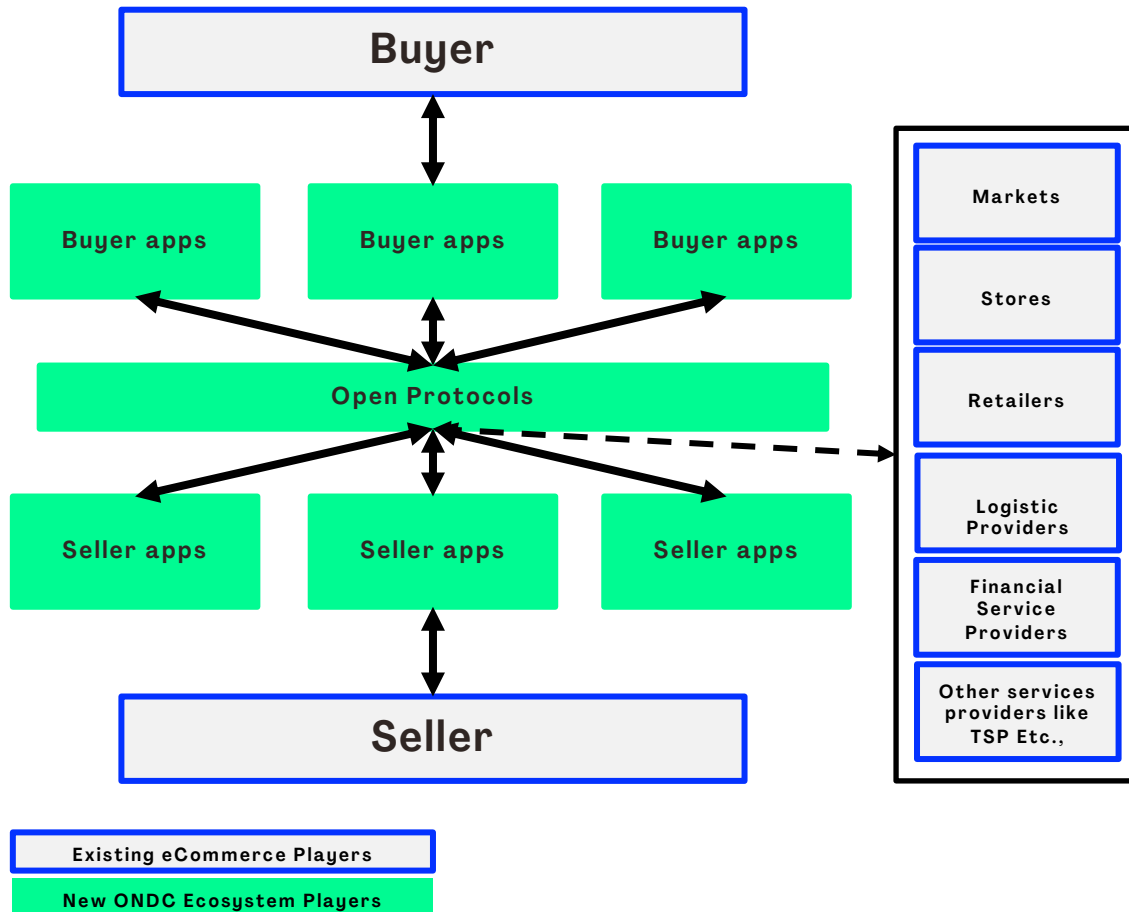
Pilot launched in 5 cities; first transaction recorded in B'lore

Public beta launched in B'lore; crosses 100 orders on first day

ONDC is processing 40K orders/day. We cover the current status of ONDC in detail later.

.. & solving challenges posed by closed models

ONDC's open network model



Benefits of an open network model

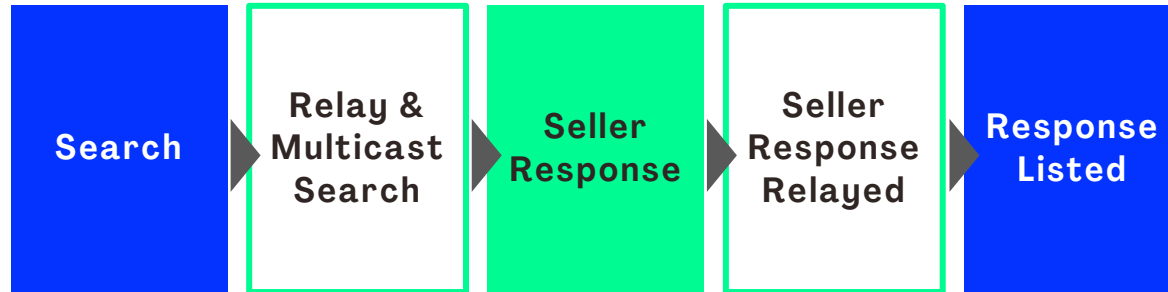
- 01 Seller margins are protected:**
ONDC will keep commissions capped even at later stages – currently hovering between 5-10%
- 02 Boosting D2C selling opportunities:**
Data availability and control over a transaction lie at both the buyer and seller ends. Sellers are in control of how their data is used.
- 03 Plug into multiple platforms:**
Instead of one middleman platform, sellers onboarded on ONDC are visible across all buyer platforms. This reduces the effort of onboarding on multiple platforms.

ONDC follows an open architecture that makes this possible



ONDC unbundles transactions to microservices

Search & Discovery Flow



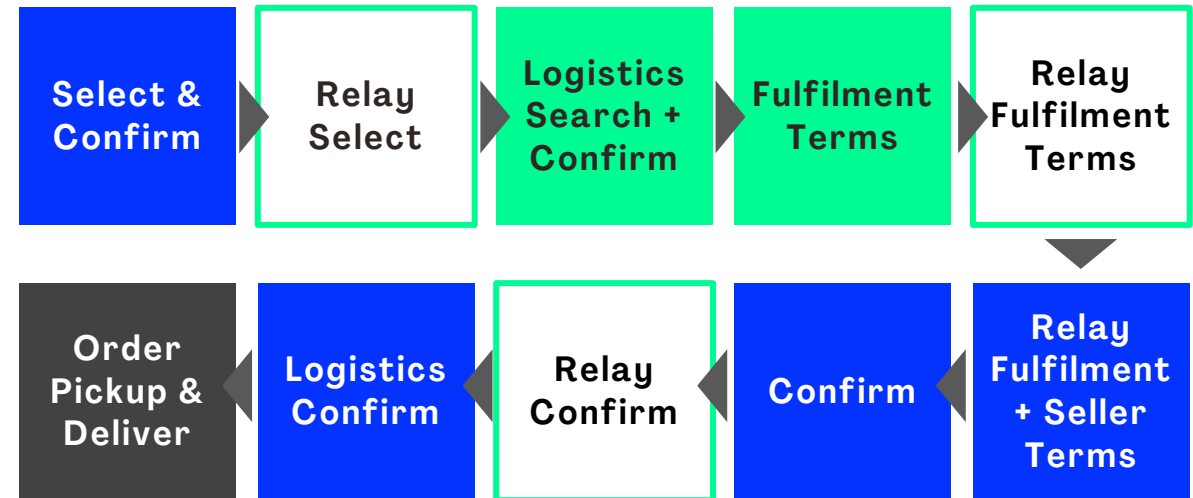
Buyer app responsibility

Seller app responsibility

Open Network

Logistics Provider responsibility

Fulfilment Flow



Sellers stand to gain immensely from the ONDC model



Frictionless Digital Commerce Series

Part 1

Sellers

1. Challenges sellers face in current models
2. Getting onboarded on ONDC
3. What unit economics on ONDC will look like

Part 2

Buyers

1. How ONDC benefits buyers
2. Emerging use-cases for buyers
3. Our take on how buyer applications will emerge & what's crucial

Part 3

Technology

1. Understanding the Beckn protocol
2. How is the network structured
3. Problems network participants face today



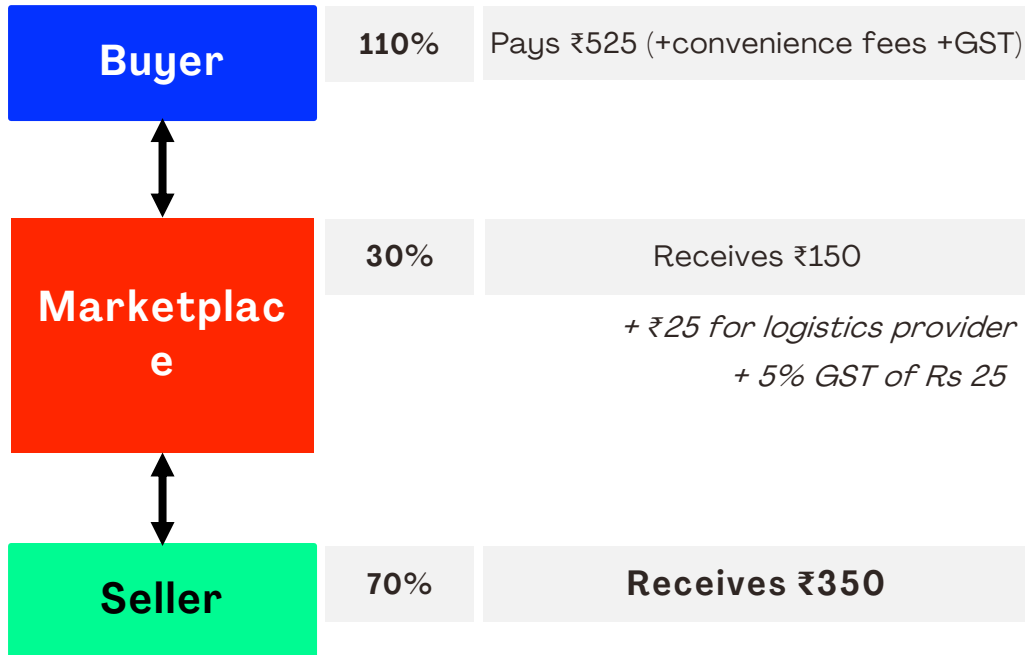
Seller Side Opportunity

- i. How ONDC benefits sellers**
- ii. How do you participate as a seller**
- iii. Current state of ONDC**

ONDC presents an opportunity for sellers to leverage positive unit economics

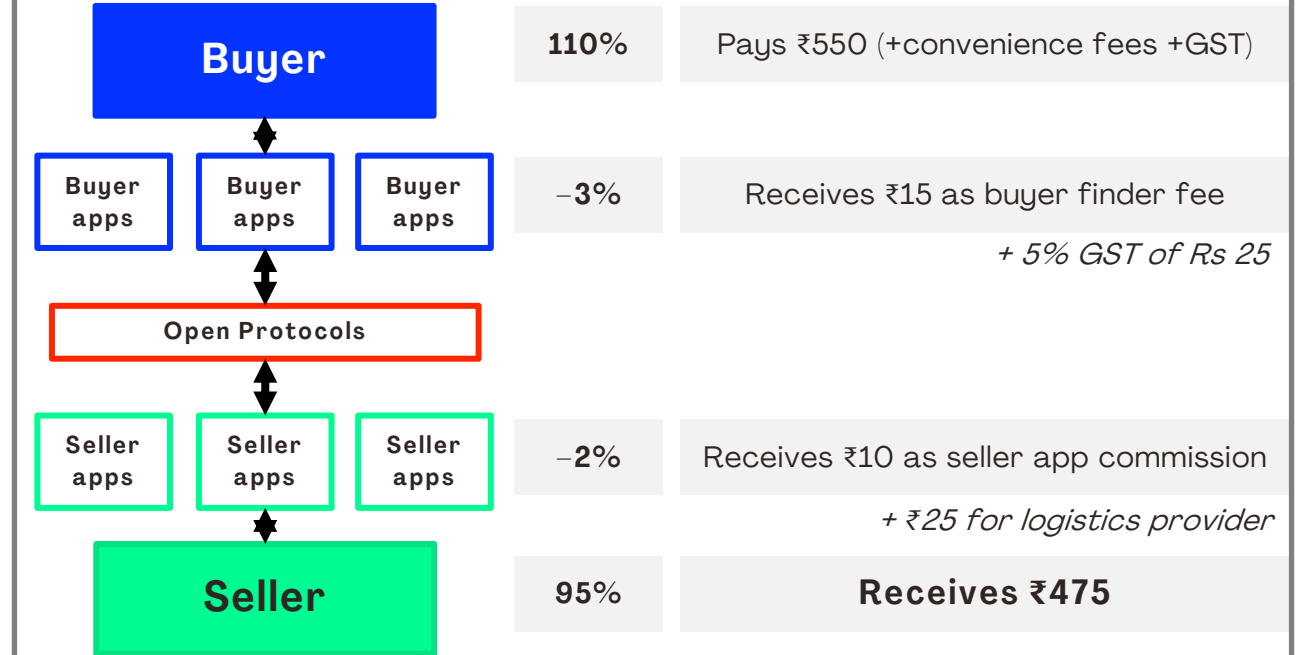
Marketplace commission rates are 15-30% depending on marketing & fulfillment costs

Assuming AOV of ₹500
% of AOV.



ONDC commission rates are 5-10% depending on marketing & fulfillment costs

Assuming AOV of ₹500
% of AOV.



How do you participate in ONDC as a seller?

Join the ONDC network through seller apps



What will you need to be onboarded?

Brand related information:

Logo, category, GST details, KYC, bank account details

01

Catalog management:

Upload product images, inventory details, migrate from existing channels (Amazon, Shopify, WooCommerce etc)

02

Decide fulfillment strategy:

You can choose to work with on network logistics participants (Delhivery, Dunzo, eKart, Shiprocket etc), or even bring your own courier based on comfort

03

Exact process may vary slightly based on specific seller app, onboarding can take

ONDC continues to blitzscale

40K
daily orders

50+
network
participants

35K
sellers
(F&B + Groceries)

230 Cities

eCommerce

Mobility

35K
daily rides

5L
users

47K
drivers

2 Cities
Kochi + Bangalore

Who's winning?

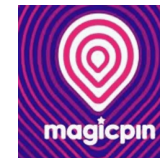
1 Customers

ONDC has capped commission rates between 5-6% currently – users are enjoying a price arbitrage when ordering from ONDC vs other marketplaces

2 SMBs

- Giving up lesser commissions while selling to marketplaces
- Control over their data – earlier threat was that marketplaces would use these insights to launch their own private labels

3 Early leaders in the buyer/seller app ecosystem



- Onboarded 25K+ restaurants to ONDC
- Fulfilling 30K+ orders/day



- 6 Lakh trips in 6 months
- 500K users, 47k drivers
- ₹100M in driver earnings

Kalaari's take: Significant opportunities for technology providers to streamline purchases

01 Seller apps playing a crucial role

Seller apps will be more relevant in the initial stages of market development as they are onboarding supply.

02 Tech providers key to reducing seller effort

Ease of integration, inventory/logistics orchestration and listing management will play a differentiating role

03 Tech providers key to improving CX

Better discovery experience, order tracking and dispute resolution to improve user trust



Buyer Side Opportunity

- i. How ONDC benefits buyers
- ii. Use-cases for buyers
- iii. Kalaari's take on the buyer opportunity

ONDC provides an opportunity to improve consumer experience across categories

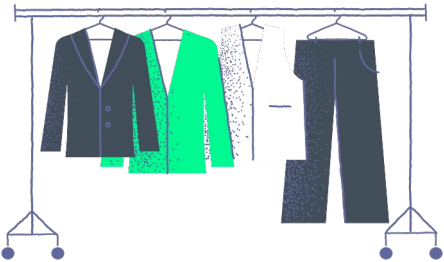
Challenges for consumers today

FMCG



- Inefficiencies in **digital discovery of sellers** creates unmet demand
- Challenges with **scope of choice available** online in existing marketplaces
- **Only way to access** hyperlocal sellers is **offline** through physical discovery, with limited home delivery options

Durable Goods



- Many customers are **discouraged by the inability to physically assess** items when shopping online, especially for high-ticket items or categories where fit is crucial but is hard to assess online, e.g., suits and trousers require personalisation

Potential for ONDC to solve these challenges

- **Universal catalogs on ONDC will create access to wider product assortment** and enhanced convenience through digital fulfilment of hyperlocal products
- ONDC apps will have an ability to **create greater personalization** for buyers than traditional marketplaces due to depth of supply
- ONDC apps will provide the convenience of discovering the nearest offline store to physically see or try on products before purchase
- Depth of sellers and supply will enable deeper layers of personalization compared to traditional marketplaces. Universal catalogs will allow **aggregation** of seller and product **ratings** across buyer apps

ONDC provides users with wider supply, an illustrative example in food delivery

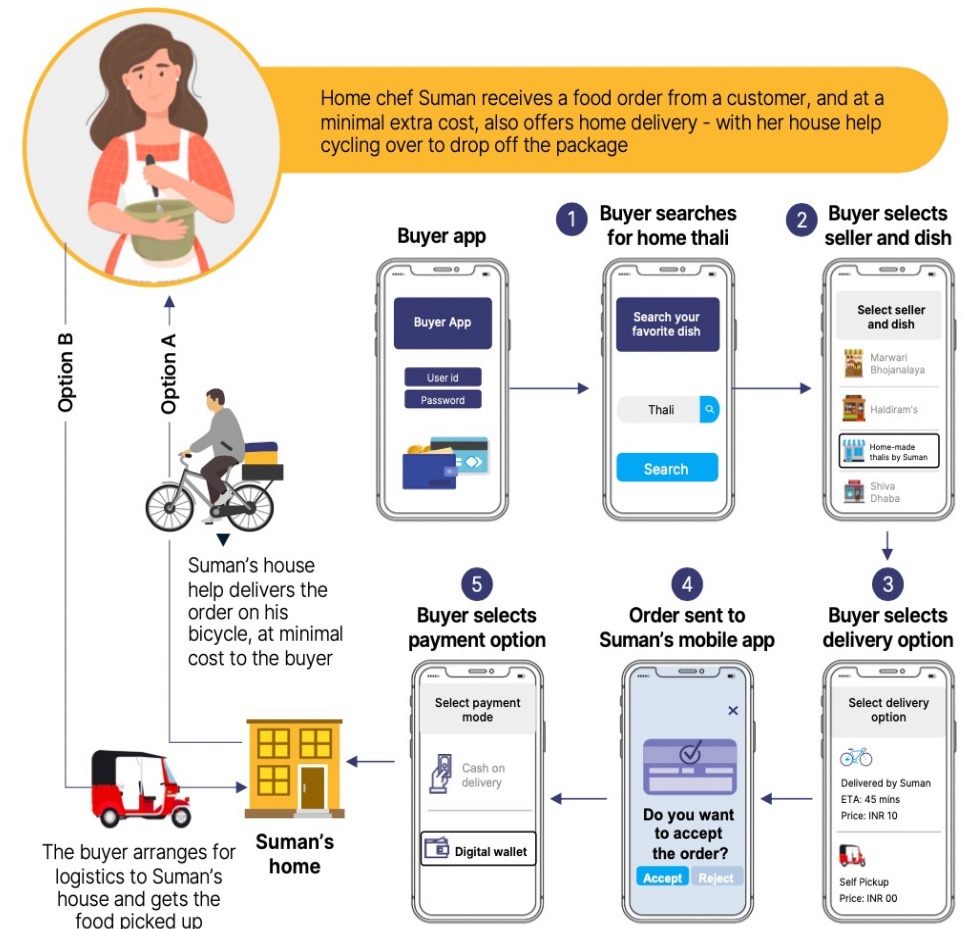
Challenges with food delivery today

- **Higher costs due to marketplace fees:** Online list prices can be 30-50% more than dine-in prices
- **Limited digital supply:** In Tier-2-3+ cities, there is a lack of variety of restaurants; not all options are on marketplaces

Potential for ONDC to solve these challenges






- **Lower performance marketing and operational costs** for the buyer app could reduce commissions, with consequently lower prices
- **Availability of a wider variety of sellers** including home chefs (individuals become sellers on the platform) could create a multitude of choices

Wider variety of sellers on the platform (including individuals who become sellers)










Initial ONDC adoption will be driven by high frequency use cases






Short-term

-  Accelerate digitalization of rides (cabs and rickshaws)
-  Ticketing and integration of public transport
-  Access to credit for consumers, manufacturers, and distributors/retailers
-  Logistics as a service
-  Branded building material marketplace
-  Accelerate digitalization of restaurants
-  Strengthen D2C channel for brand owners and manufacturers

Medium-term

-  Self-employed services (both blue and white collar)
-  Omnichannel commerce in fashion and electronics
-  Marketplace for local sellers/artisans
-  Scaling offerings beyond credit – insurance and investments products etc.,
-  Hyperlocal grocery and pharma delivery
-  On-boarding P2P home chefs
-  Direct-to-farmer sales (input and output)

Long-term

-  B2B sourcing for large companies and MSMEs
-  Digitalization of refurbished products
-  Evolution of eB2B to enhance linkage between distributors and retailers xx
-  On-boarding P2P homestays
-  Digitalization of hotels in Tier 2+ cities

Buyers participate on ONDC through buyer apps

paytm

Mystore

magicpin

Pincode

Order Do

namma yatri

Full list of buyer side applications available here:

<https://ondc.org/network-participants/>

Namma Yatri is an early win for ONDC

A Case Study



Namma Yatri is the first open network mobility application built by JusPay technologies **in partnership with Bengaluru auto driver union** to provide multi-modal service **without the involvement of any middlemen**. The app was launched in Nov 22



Concept:

The application is built on the common network standards defined by ONDC built on the Beckn Protocol (Open Source.) The common networks standards allow for interoperability for any buyer app compliant with the network standard to offer rides



Key value proposition:

Direct-to-Driver app, No commission or middle-men i.e., whatever consumer pays goes, 100% to the driver and his family



Key growth metrics:

Scaled quickly within last 3 months on the back of mostly organic promotions and collaboration by auto drivers who describe the application as “namma” (their own)



0.5M
Registered
Users

50k
Registered
Drivers

~6 Lakh
Trips

₹100M
Driver
earnings

Kalaari's take: Discovery & personalization will drive success for buyer apps

01 Superior discovery & trust will drive user adoption

All buyer applications on ONDC will have access to a universal digital catalog of sellers and fulfilment infrastructure

Buyer apps will need to differentiate on personalization algorithms for enhanced discovery, order tracking and dispute resolution to improve user trust

02 Vertical platforms will emerge

As we have seen with E-Commerce marketplaces, dedicated portals based on categories will emerge with their own nuances

Massive opportunity to build dedicated ONDC E-Commerce portals beyond horizontal use cases

03 High-frequency use cases will see fastest adoption first

Categories like mobility where ease of fulfilment is easier will see faster adoption in the short term

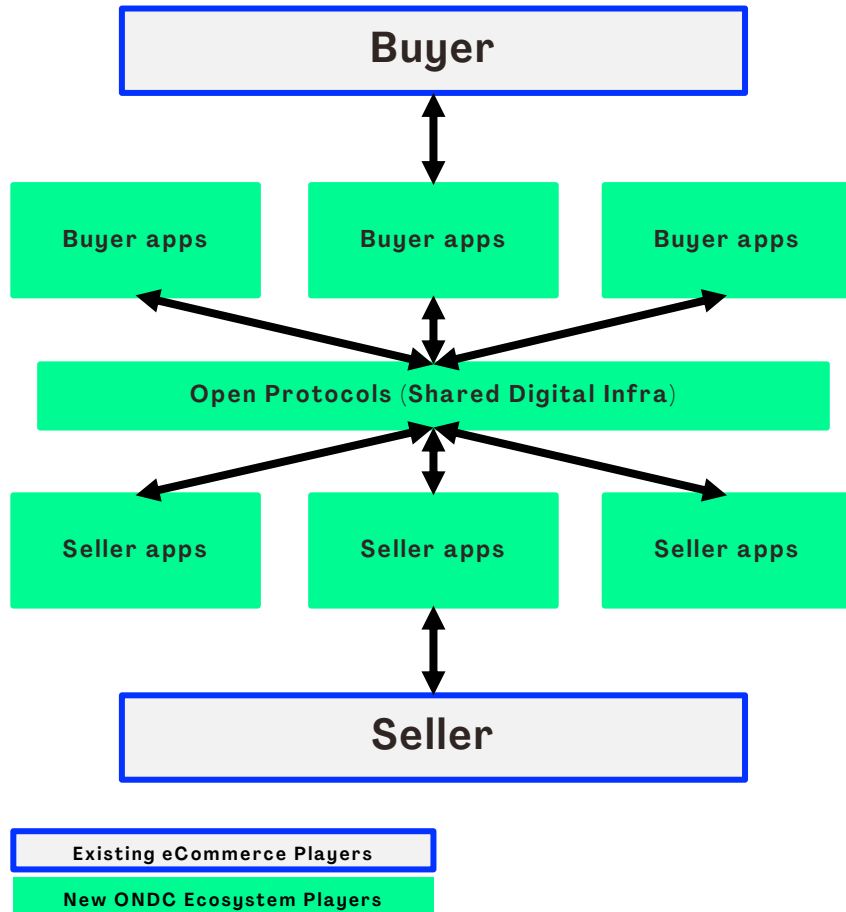
As ONDC supply-side adoption increases, several use-cases will open up for buyer applications



The ONDC Tech Layer

- i. Beckn Protocol Overview
- ii. Ecosystem Architecture
- iii. Opportunity for Participants

ONDC leverages Beckn: a set of protocols enabling decentralized commerce



beckn
Shared Digital
Infrastructure

enables **Commercial Transactions**
via Standard APIs

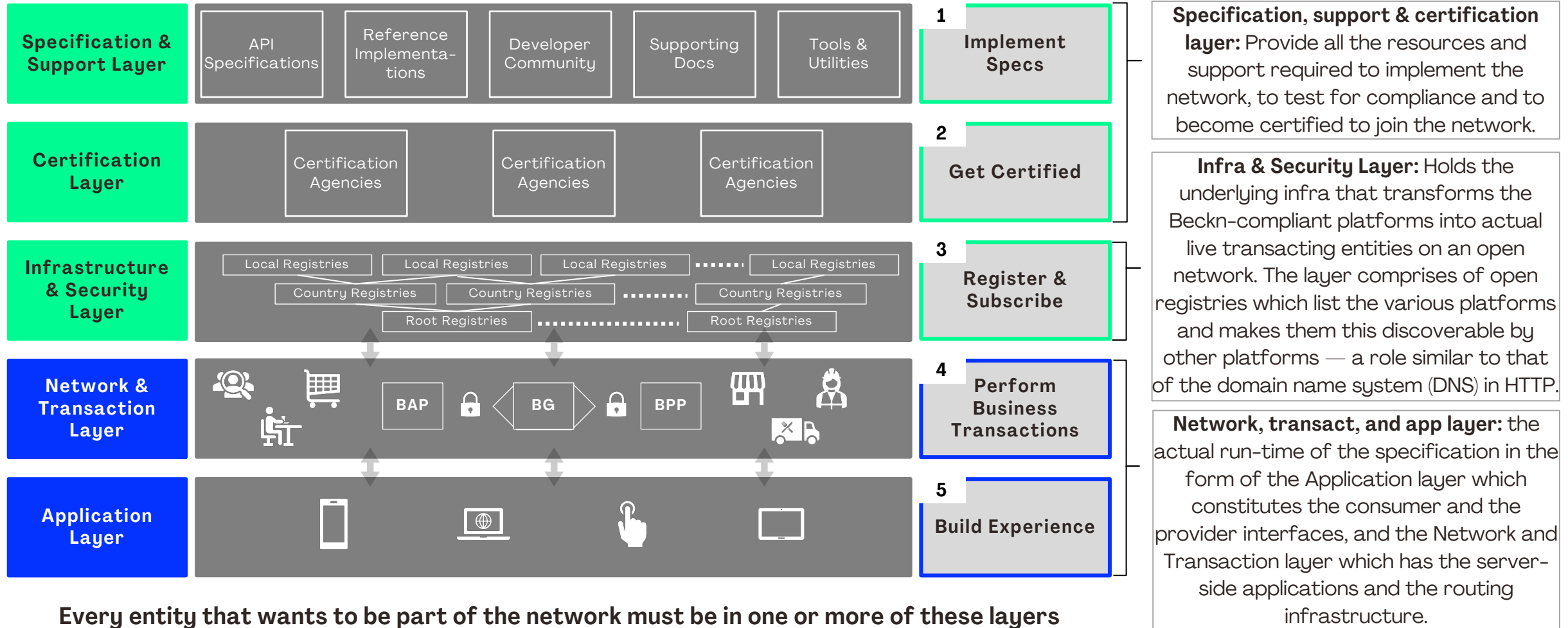
enables **Sector Interoperability**
via a Standard Schema

creates **Smart Contracts**
Via Dual Digital Signatures

performs **Platform Discovery**
Via a Registry
Infrastructure

performs **Packet Switching**
Via a Gateway
Infrastructure

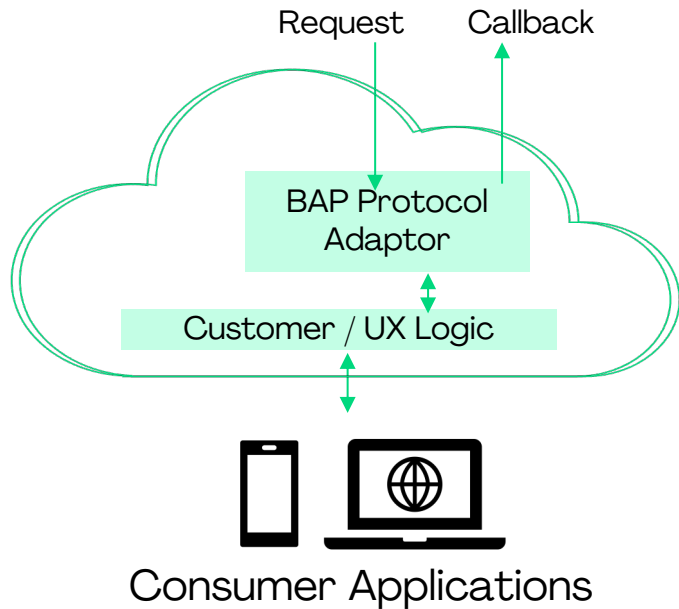
Beckn architecture prescribes multiple layers, each with clearly defined roles



Every entity that wants to be part of the network must be in one or more of these layers

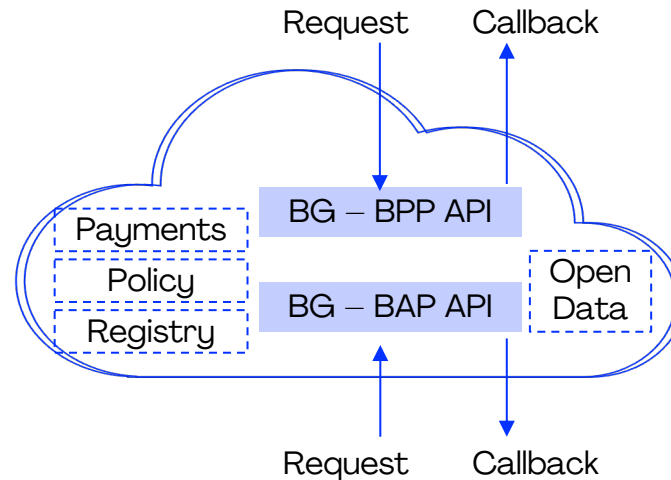
Buyer & Seller apps must exist on the Network & Transaction layer

Beckn Application Platforms (BAP)



BAP is a consumer-facing infrastructure which captures consumers' requests via its UI applications, converts them into beckn-compliant schemas and APIs at the server side, and fires them at the network

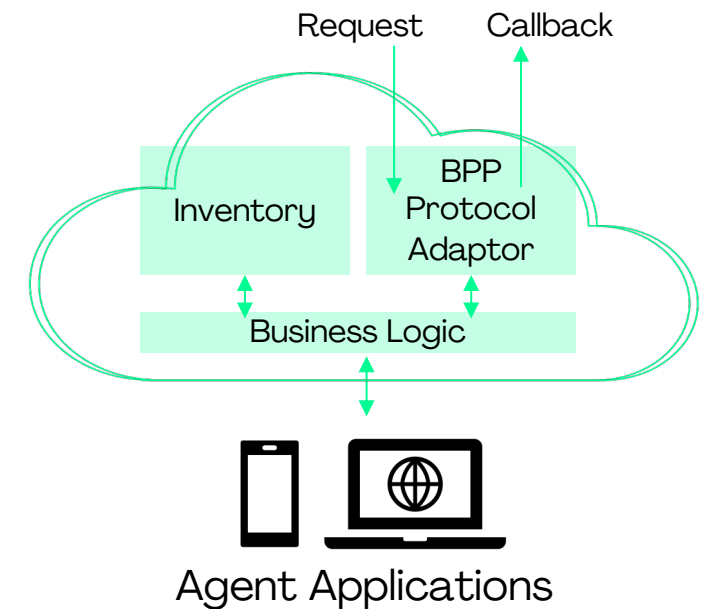
Beckn Gateways (BG)



Between BAPs and BPPs are the **Beckn Gateways**, which form the routing infrastructure of the Transaction layer.

The purpose of a BG is to also allow all BPPs on the beckn-enabled network to have a fair chance to be discovered by any BAP.

Beckn Provider Platforms (BPP)



BPPs are supply side providers that maintain an active inventory, one or more catalogs of products and services, implement the supply logic and enable fulfillment of orders

Kalaari's take: Key focus areas for technology providers

Buyer experience challenges:

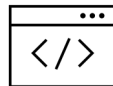
- Discoverability of the right sellers & products
- Actual execution of the order
- Timely delivery
- Genuine sellers, genuine products
- Effective Issue resolution

Seller experience challenges:

- Easy onboarding to ONDC
- Catalog visibility on the network
- Visibility of the seller and his catalog to the buyer
- Seller returns: tracking & reconciliation
- Payments reconciliation

Technology service providers offering plug-and-play solutions for both buyer & seller apps will be essential for participants to transact and achieve speed, reliability & scale

**Building in ONDC? We would love to chat –
write to us at bigideas@Kalaari.com**



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