



Proposal to Ban 'Flash sales' on E-commerce Sites

Why in News

The government proposed changes to the [Consumer Protection \(e-commerce\) Rules 2020](#), banning all "flash sales" in order to monitor the deep discounts offered on e-commerce websites.

CONSUMER PROTECTION (E-COMMERCE) RULES, 2020

APPLICABLE TO
E-TAILERS REGISTERED IN INDIA OR ABROAD BUT OFFERING GOODS AND SERVICES TO INDIAN CONSUMERS

PROVISIONS FOR E-COMMERCE FIRMS

- 1 Mandatory display of 'country of origin' on products
- 2 Display total price of goods & services offered for sale (+ break-up of other charges)
- 3 Mention the 'expiry date' of goods offered for sale
- 4 Specify details about return, refund, exchange, warranty and guarantee, delivery and shipment
- 5 No manipulation of prices for unreasonable profit
- 6 No cancellation charges
- 7 Provide information on available payment methods
- 8 Information about the 'sellers' offering goods and services
- 9 Violation to attract penal action under Consumer Protection Act, 2019

TPCI Trade Promotion Council of India
www.tpci.in

Key Points

▪ Rationale for Making Changes:

- **Conventional flash sales by third party sellers are not banned** on [e-commerce platforms](#) but **only the predatory ones**.
- Small businesses complain of **misuse of market dominance** and **deep discounting** by e-commerce marketplaces such as Amazon and Flipkart.
- The Ministry of Consumer Affairs has been receiving complaints against **widespread cheating and unfair trade practices** being observed in the e-commerce ecosystem.
- Certain e-commerce entities are engaging in **limiting consumer choice** by indulging in 'back to back' or 'flash' sales wherein one seller on a platform does not carry any inventory or order fulfilment capability but merely places a 'flash or back to back' order with another seller controlled by platform.

▪ Other Important Proposals:

- The e-commerce sites are also directed to ensure **appointment of Chief Compliance Officer (CCO)**, a nodal contact person for 24x7 **coordination with law enforcement**

agencies.

- These companies will also have to name a **resident grievance officer** who has to be a company employee and a citizen of India.
- To tackle growing concerns of **preferential treatment**, the new rules propose to ensure none of the related parties are allowed to use any consumer information (from the online platform) for 'unfair advantage'.
- The companies will also have to **identify goods based on their [country of origin](#)** and provide a **filter mechanism** at a pre-purchase stage for customers.
 - They will also have to **offer alternatives to these imported goods** to provide a **"fair opportunity" to domestic sellers.**
- In the event a seller fails to deliver a good or service, the final liability will fall on the e-commerce marketplace.
- E-commerce firms operating in India will also have to **register under the [Department for Promotion of Industry and Internal Trade \(DPIIT\)](#), under the **Ministry of Commerce and Industry.****

▪ **Significance of Proposals:**

- This would ensure effective compliance with the provisions of the Consumer Protection Rules, 2020 and also strengthen the grievance redressal mechanism.
- The proposal comes at a time when large e-commerce marketplaces are being investigated by the **[Competition Commission of India \(CCI\)](#)** for **alleged abuse of market dominance** and giving **preferential treatment** to sellers in which they hold indirect stakes.

E-Commerce

- Electronic commerce or e-commerce is a business model that lets firms and individuals **buy and sell things over the Internet.**
- Propelled by rising smartphone penetration, the launch of 4G networks and increasing consumer wealth, the **Indian e-commerce market is expected to grow to USD 200 billion by 2026 from USD 38.5 billion in 2017.**
- The Indian e-commerce industry has been on an upward growth trajectory and is expected to **surpass the US to become the second-largest e-commerce market in the world by 2034.**

Major Types of E-commerce

TYPE OF E-COMMERCE	EXAMPLE
B2C—Business to Consumer	Amazon.com is a general merchandiser that sells consumer products to retail consumers.
B2B—Business to Business	eSteel.com is a steel industry exchange that creates an electronic market for steel producers and users.
C2C—Consumer to Consumer	eBay.com creates a marketplace where consumers can auction or sell goods directly to other consumers.
P2P—Peer to Peer	Gnutella is a software application that permits consumers to share music with one another directly, without the intervention of a market maker as in C2C e-commerce.
M-commerce—Mobile commerce	Wireless mobile devices such as PDAs (personal digital assistants) or cell phones can be used to conduct commercial transactions.

Source:TH

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