

Steep discounts by e-commerce platforms adversely affect sales by direct sellers: IDSA

The Delhi HC had ruled earlier week that e-commerce platforms including Amazon, Flipkart and Snapdeal cannot sell products owned by direct selling companies online without authorisation of the companies.

NEW DELHI: Steep discounts offered by e-commerce platforms adversely affect actual sales by direct sellers making a significant dent to their businesses, the Indian Direct Selling Association (IDSA), which represents Amway, Oriflame and Modicare among other companies, and contributes over 90% of the direct selling industry's turnover, said.

The Delhi High Court had ruled earlier week that e-commerce platforms including Amazon, Flipkart and Snapdeal cannot sell products owned by direct selling companies online without authorisation of the companies.

"The HC's judgement is expected to provide a level-playing field to direct sellers. It also clarifies that neither e-commerce platforms nor sellers can claim rights on products," IDSA chairman Vivek Katoch said.

Industry leader Amway said products sold through "unauthorised channels create an unnecessary risk" for consumers. "The court through its order for the interim has sought to protect the irreparable injury that would be caused to Amway, its business and all those who depend on our business such as employees, distributors and consumers," an Amway India official said in an email.

Late last year, Amway had dragged Flipkart to the Delhi High Court, accusing the Walmart-owned company of "unauthorised" selling on the e-commerce platform. Following the same, Amway, in addition to Oriflame and Modicare had moved the court against the unauthorised sale of their products on e-commerce.

"In other countries, there is more awareness about the 30-day money back guarantee offered by direct selling companies, and so consumers refrain from purchasing through e-commerce. This reduces the menace," said direct selling consulting agency Strategy India's chief strategist Pranjal Daniel.

An Amazon India spokesperson said in an email revert that the e-commerce platform was reviewing the court's decision. "We have utmost respect for the judgment of the Delhi High Court. Our lawyers are studying the judgment and we reserve our comments till we have reviewed the entire judgment and understood the details of the Court's decision."

An email query sent to Flipkart seeking comments on the matter elicited no response till press time.

"Use of direct selling entities' names, logos and images leads to misrepresentation that products are being sold by the companies themselves, which is not the case," Katoch added.

The High Court judgement has stated that unauthorised sale of direct selling products amounts to misrepresentation and loss of goodwill, as well as erosion of the economic value of direct selling entities' trademarks.

The companies have contended that some products have been sold with tampered bar codes and seals, which compromises quality and puts brand reputation at risk.

The Parliamentary Standing Committee on Finance had recommended a regulatory framework for the direct selling business to distinguish between legitimate companies and pyramid schemes.

The court further said e-commerce platforms, which have penetrated all forms of business, have the obligation to maintain the sanctity of contracts and should not encourage or induce a breach.

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