Startups to the Rescue as Fakes Return to Bite Luxury Cos

Dealing with Fakes

15-20% Return rates faced by online marketplaces

Luxepolis Uses NFC-enabled tags and codes unique to each product

Confidential Couture Seal that has to be broken to use product

Bluestone Visual check by logistics partner, followed by quality assessment

Firms like Luxepolis, Confidential Couture & Bluestone are using innovative techniques like RFID tech, seals & visual checks

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Hyderabad: The appetite for high fashion and premium brands has seen varied businesses tapping into the online medium to sell products. But the 15-20% rate of return faced by online marketplaces is a dampener, something that these companies are seeking to overcome through technology.

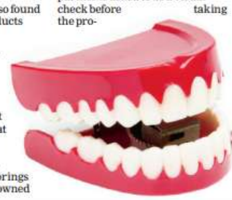
Online marketplace Luxepolis, which sells products ranging from designer apparel to high-end automobiles is getting around the problem of returns, which sometimes include fakes, with the use of radio frequency identification or RFID technology.

"We have developed a solution for solving the problem of customers gaming our system. What happens when a customer claims he or she received a fake bag when we actually shipped a genuine authentic bag? We use NFC (near-field communication) enabled tag and reader using secret codes (unique to each product) to establish the authenticity," said Vijay KG, cofounder of Luxepolis.

Some companies have also found customers returning products after using them.

"Currently we do not do refunds, only exchange of products. In order to ensure that the customer does not use the product before returning it, we have a seal on a prominent place on the product so that it cannot be used without breaking it," said Anvita Mehra, cofounder of Confidential Couture, which brings sellers and buyers of pre-owned luxury products on a common platform and currently sells 70 products on average ever month.

Arvind Singhal, chief operating officer of jewellery portal Bluestone said, "In our business returns are as low as 6% and our logistics partner is asked to do a visual check before taking the product back, following which we do quality assessment in Mumbai."



Solutions for business-to-business returns follow a different model and are easier to carry out than consumer-to-business, said Sujoy Guha, CEO of CriticaLog, which carries out transport of critical logistics solutions for high-value goods and critical spares, among others.

"For business-to-business returns, as in the case of Fossil watches, for which we carry out returns from multi-brand-outlets, we sort the products based on model number and also take down the details of damages, if any. However, C2B is tricky as what is inside the product is difficult to ascertain by the logistics partner," said Guha.

Managing returns can be a major factor in scaling up the online luxury business, said Harish HV, partner-India leadership team at Grant Thornton. "There are pincodes, localities and customers who are blacklisted by companies based on their returns history. Most of the online businesses factor in the cost of returns in their business model, and in case of high-value items it can cost the company more," he said.

> **HARISH HV**
> Partner-India leadership team, mGrant Thornton
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BENNETT, COLEMAN & CO. LTD. | BENGALURU 124 PAGES | ₹5.50 ONLY | TUESDAY, 15 MARCH 2016

EASY SOURCE OF REVENUE?

Etailers Cry Foul as States Erect Entry Tax Barrier

After Uttarakhand, Bihar & Assam, many more states planning levy on ecomm goods

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New Delhi: Ecommerce players are crying foul as several states start imposing entry tax on goods purchased online, which the industry alleges is 'discriminatory' and even 'unconstitutional'.

Uttarakhand, Bihar and Assam have already imposed an entry tax — a tax states impose on goods coming in from another state — on goods purchased online. Almost half-a-dozen other states, including Gujarat, Madhya Pradesh and Rajasthan, are considering a similar levy.

Ecommerce companies have alleged that this levy, which is imposed on the courier agent delivering the goods, leads to substantial increase in prices of goods sold online since it amounts to double taxation, and said they are mulling judicial remedy individually as well as collectively.

An industry official said entry tax is erroneously being applied on ecommerce firms and that states were looking for easy ways of garnering revenues even as the goods & services tax (GST) is being delayed. "The decision to impose such a levy without any ostensible justification seems not to be driven by clean hands. The governments seem to be catering to various retail lobbies, which failed to stop ecommerce otherwise," the official said, seeking anonymity.

Tax Trouble

Many states are planning to impose entry tax on ecommerce transactions

While Bihar, Uttarakhand & Assam have already imposed the levy, half-a-dozen more states have proposed similar tax

Over past month, 3 large states – Gujarat, MP & Rajasthan – have discussed the tax in Budget speeches

While states are looking at entry tax to increase revenue, ecommerce cos are calling it discriminatory and unconstitutional

Flipkart has already sued Uttarakhand for its decision to impose a 10% entry tax

Other cos are also evaluating individual or collective judicial remedy

Sudhanshu Gupta, vice-president (business) at Paytm, said, "What's the point of the entire 'Make in India' if you can't sell without barriers to all the people in India?"

He said these kind of levies act as a major deterrent for sellers from different parts of the country who have been traditionally supplying to showrooms in the state and are now selling directly to consumers.

Subho Ray, president of the Internet & Mobile Association of India, said, "The practice smacks of some kind of predatory tax regime which is being promoted by some states."

ET had reported on Monday that Flipkart has sued Uttarakhand for its decision to impose a 10% entry tax on goods purchased through ecommerce.

The country's top etailer, which called the levy "discriminatory", has filed the writ through its in-house logistics arm Ekart Logistics in the high court of Uttarakhand in Nainital. The matter is likely to be heard later this week. Goldman Sachs has projected that India's online retailing market, which is already one of the largest in the world, will expand to $69 billion in 2020 from $23 billion in 2016.

Over the past month or so, entry tax on ecommerce purchases found mention in the Budget speeches of Gujarat, Madhya Pradesh and Rajasthan. Madhya Pradesh Finance Minister Jayant Malaiya in his Budget speech said the government wishes to impose an entry tax of 6% on goods purchased online to compensate for the loss due to ecommerce. It is estimated that 20-30% of the state's commerce has shifted online.

Similarly, Gujarat Finance Minister Saurabh Patel proposed a levy on ecommerce transactions where goods are sourced from outside the state. "Trade of dealers of the state is affected adversely as also the state suffers loss of tax revenue due to sale of goods through supplies in the state from outside the state under ecommerce transactions. By capturing such transactions under the entry tax, the dealers of the state would get level playing field," he said in his Budget speech.

Gujarat is expected to garner around Rs 30 crore in revenues from the tax.

Rajasthan has proposed to impose 5.5% entry tax while Uttar Pradesh is also likely to impose 5% additional tax on goods sold by ecommerce companies in the state.

The ecommerce industry official quoted earlier said: "This is unconstitutional. There is inequity in taxing ecommerce transactions since the levy is not imposed on buying the same thing in a store."