

E-COMMERCE



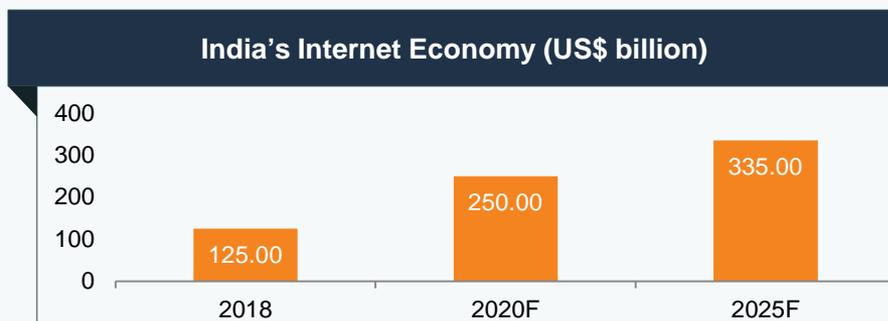
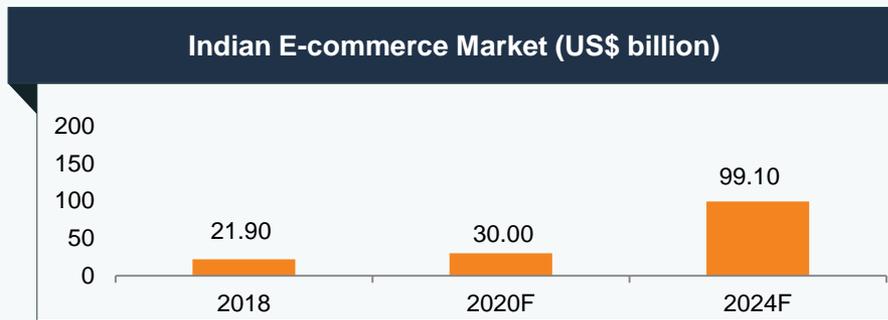
January 2021

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Executive summary

- India e-commerce will reach US\$ 99 billion by 2024, growing at a 27% CAGR over 2019-24, with grocery and fashion/apparel likely to be the key drivers of incremental growth.
- According to Forrester Research, Indian e-commerce sales rose by ~7-8% in 2020.
- Online penetration of retail is expected to reach 10.7% by 2024, versus 4.7% in 2019.
- Online shoppers in India are expected to reach 220 million by 2025.
- India's digital sector is expected to increase by two-fold and reach US\$ 335 billion by 2025.
- Through its 'Digital India' campaign, the Government of India is aiming to create a trillion-dollar online economy by 2025.
- The Indian online grocery market is estimated to exceed sales of about Rs. 22,500 crore (US\$ 3.19 billion) in 2020, a significant jump of 76% jump over the previous year.
- In festive season CY20, the Indian e-commerce GMV was recorded at US\$ 8.3 billion, a significant jump of 66% over the previous festive season.
- In festive season CY20, the Indian e-commerce market recorded ~88 million users, a significant jump of 87% over the previous festive season.



Note: GMV - Gross Merchandise Value, CY – Calendar Year

Source: Media sources, Global Internet: e-commerce's steepening curve' published by Goldman Sachs, Forrester Research.



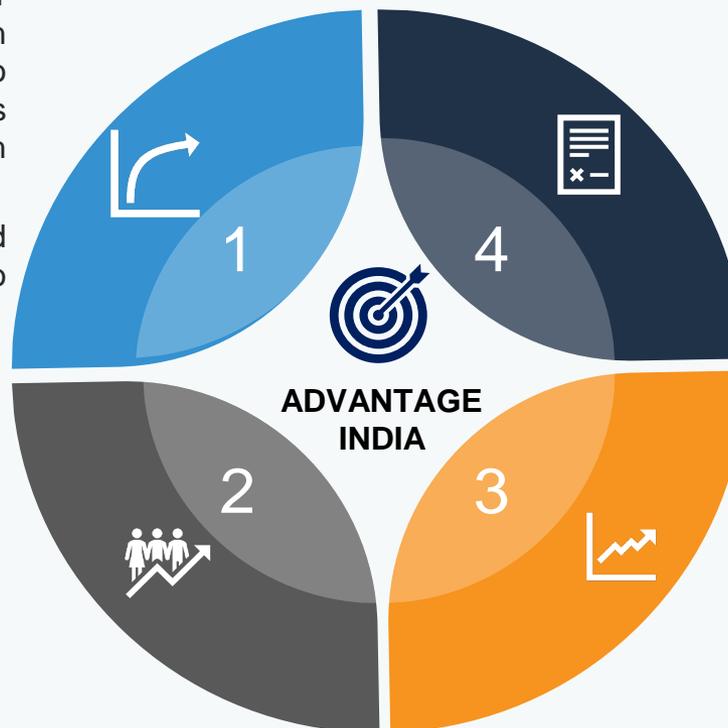
Advantage India

1. Attractive Opportunities

- ▶ Despite depressed consumer spending, economic slowdown and uncertainty created due to COVID-19, e-commerce players are expecting strong sales growth in 2021.
- ▶ Online grocery, e-pharmacy and social commerce are expected to see a bulk of the action in 2021.

2. Growing demand

- ▶ E-commerce companies reported sales worth US\$ 4.1 billion across platforms in the festive week of October 2020 (October 15-21), driven by increased demand for smartphones. Of the total sales, 55% share was generated from Tier-II cities such as Asansol, Ludhiana, Dhanbad and Rajkot.



4. Policy Support

- ▶ In India, 100% FDI is permitted in the B2B E-commerce.
- ▶ As per the new guidelines on FDI in E-commerce, 100% FDI under automatic route is permitted in the marketplace model of E-commerce.
- ▶ Heavy investment made by the Government of India in rolling out fiber network for 5G will help boost E-commerce in India.

3. Increasing Investment

- ▶ The recent rise in digital literacy has led to an influx of investment in E-commerce firms, levelling the market for new players to set up their base, while churning out innovative patterns to disrupt old functioning.

Note: FDI - Foreign Direct Investment

Source: Media sources

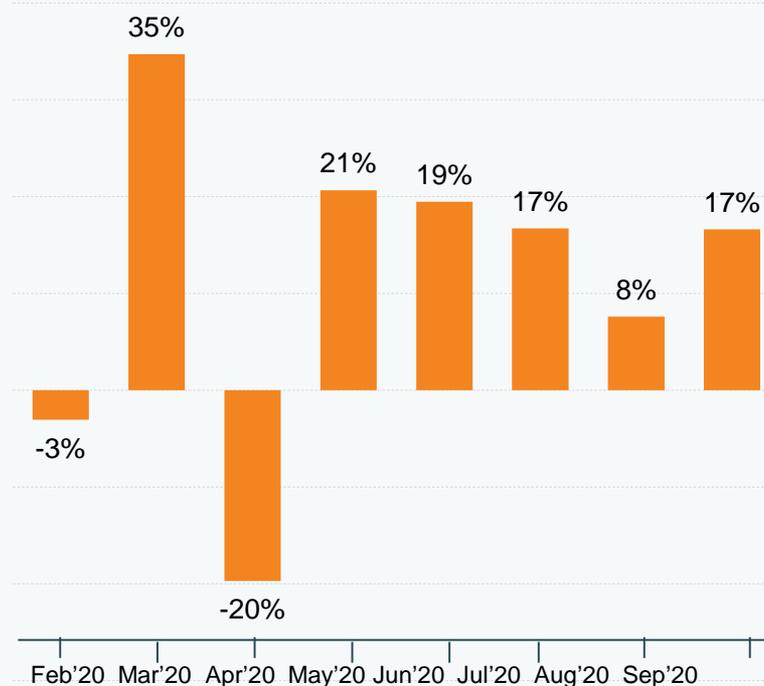
Market Overview



Growth of e-commerce in India

- India's e-commerce festive sale season from October 15 to November 15 (2020) recorded gross sales worth Rs. 58,000 crore (US\$ 8.3 billion) for brands and sellers, up 65% from Rs. 35,000 crore (US\$ 5 billion) last year.
- The Indian e-commerce sector is ranked 9th in cross-border growth in the world, according to Payoneer report.
- Indian e-commerce is projected to increase from 4% of the total food and grocery, apparel and consumer electronics retail trade in 2020 to 8% by 2025.
- As most Indians have started shopping online rather than stepping outside their houses, the Indian e-commerce sector witnessed an increase.
- Huge investments from global players—such as Facebook, which is investing in Reliance Jio—are being recorded in the e-commerce market. Google also reported its first investment worth US\$ 4.5 billion in Jio Platforms. This deal was followed by the purchase of Future Group by Reliance Retail, expanding the presence of the Ambani Group in the e-commerce space.
- In October 2020, Minister of Commerce and Industry, Mr. Piyush Goyal invited start-ups to register at public procurement portal, GeM, and offer goods and services to government organisations and PSUs.

India spending on online commerce, (%) (Jan 2020–Sep 2020)



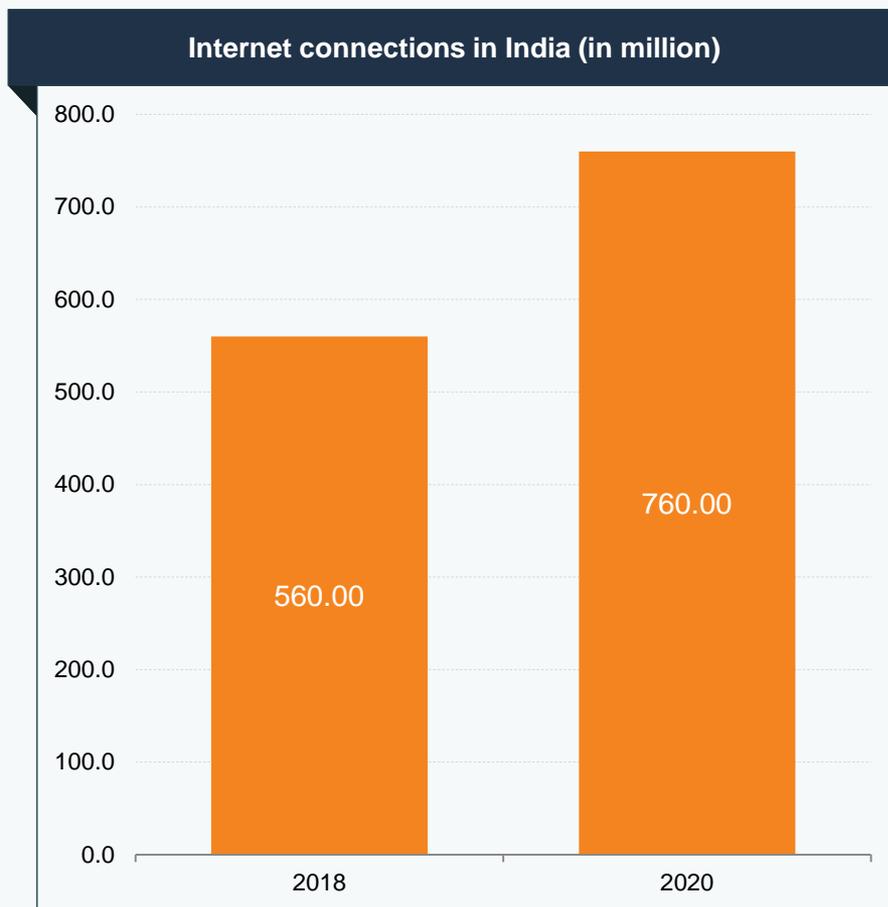
How much has India spent on online commerce?

Notes: *Estimated, F - Forecast, PSUs - Public Sector Undertakings

Source: Media sources, Global Internet: e-commerce's steepening curve' published by Goldman Sachs

Rising internet users in India

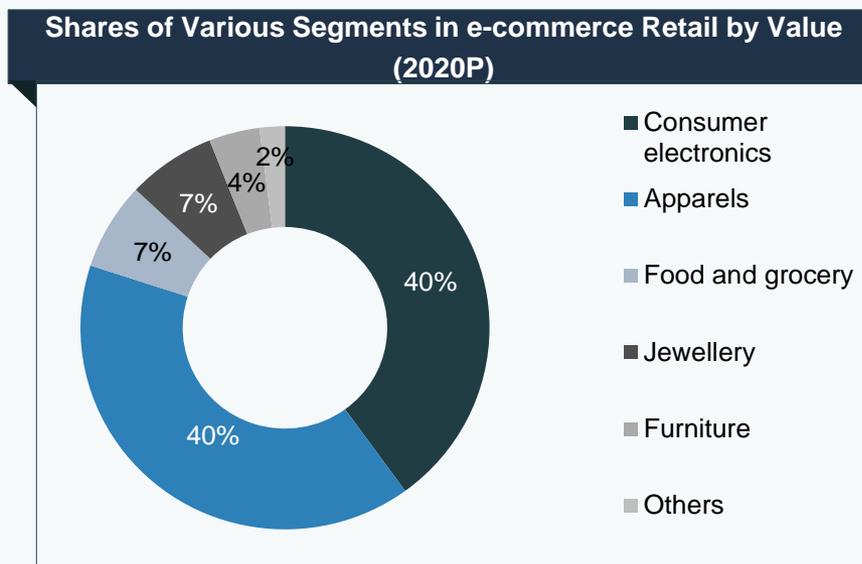
- As of August 2020, the number of internet connections in India significantly increased to ~760 million, driven by the 'Digital India' programme. Out of the total internet connections, ~61% connections were in urban areas, of which 97% connections were wireless.
- Internet penetration in rural India is expected to grow at a rate of 45% by 2021 compared to the current rate of 22% .
- Number of active internet users in the country is the second-highest globally and is also one of the largest data consumers globally. It has the highest data usage per smartphone at an average of 10.40 GB per month.
- According to Bain & Company report, India's social commerce gross merchandise value (GMV) stood at ~US\$ 2 billion in 2020. By 2025, it is expected to reach US\$ 20 billion, with a potentially monumental jump to US\$ 70 billion by 2030, owing to high mobile usage.



Note: Internet penetration - number of internet subscribers per 100 population

Source: Economic Times, Live Mint, Department of Telecommunications, Bain & Company - Unlocking Digital for Bharat

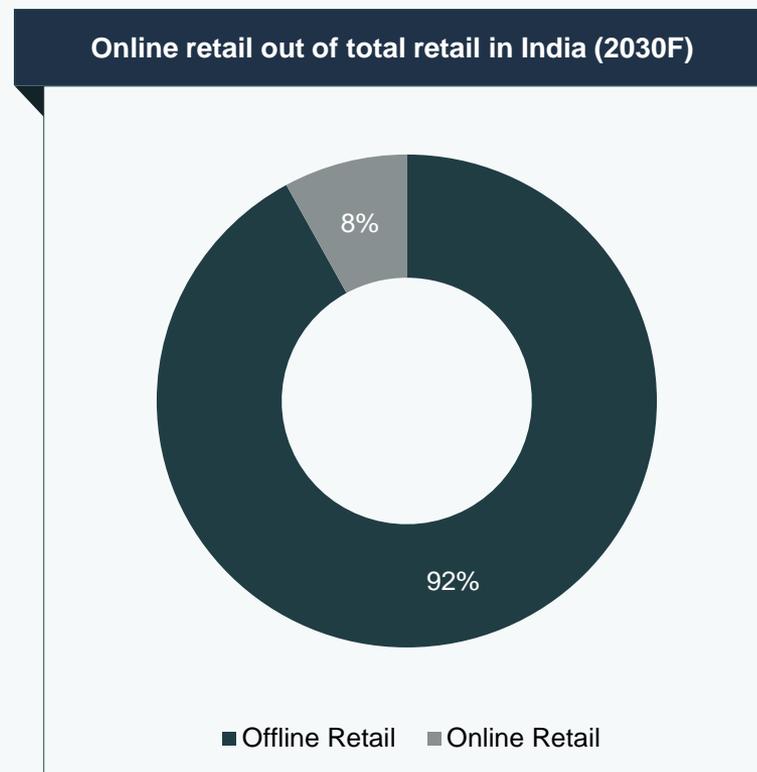
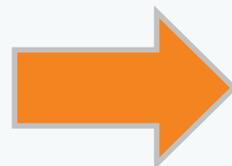
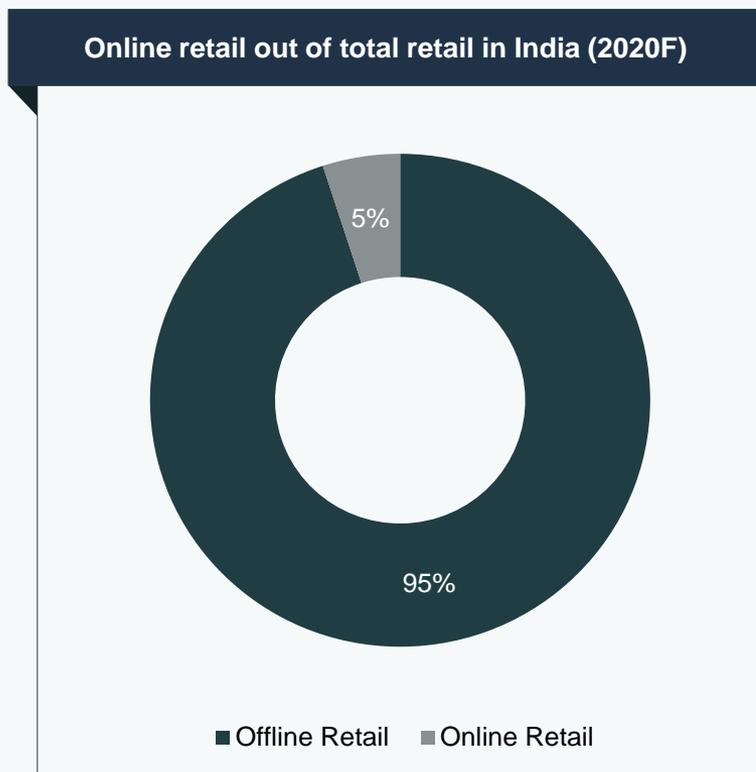
Online retail market



- The online retail market in India is estimated to be 25% of the total organized retail market and is expected to reach 37% by 2030.
- E-retail market is expected to continue its strong growth and will nearly be Rs. 1.8 trillion (US\$ 25.75 billion) by FY20.
- Over the next five years, the Indian e-retail industry is projected to exceed ~300-350 million shoppers, propelling the online Gross Merchandise Value (GMV) to US\$ 100-120 billion by 2025.
- Driven by lower data rates and investments to enhance customer experience, the Indian e-retail witnessed a rapid increase in shopper penetration, as online platforms are innovating to onboard the next billion of shoppers.

Source: Report by eMarketer, Kalaari Capital - Imagining Trillion Dollar India, ATKearney

Online retail vs total retail in India

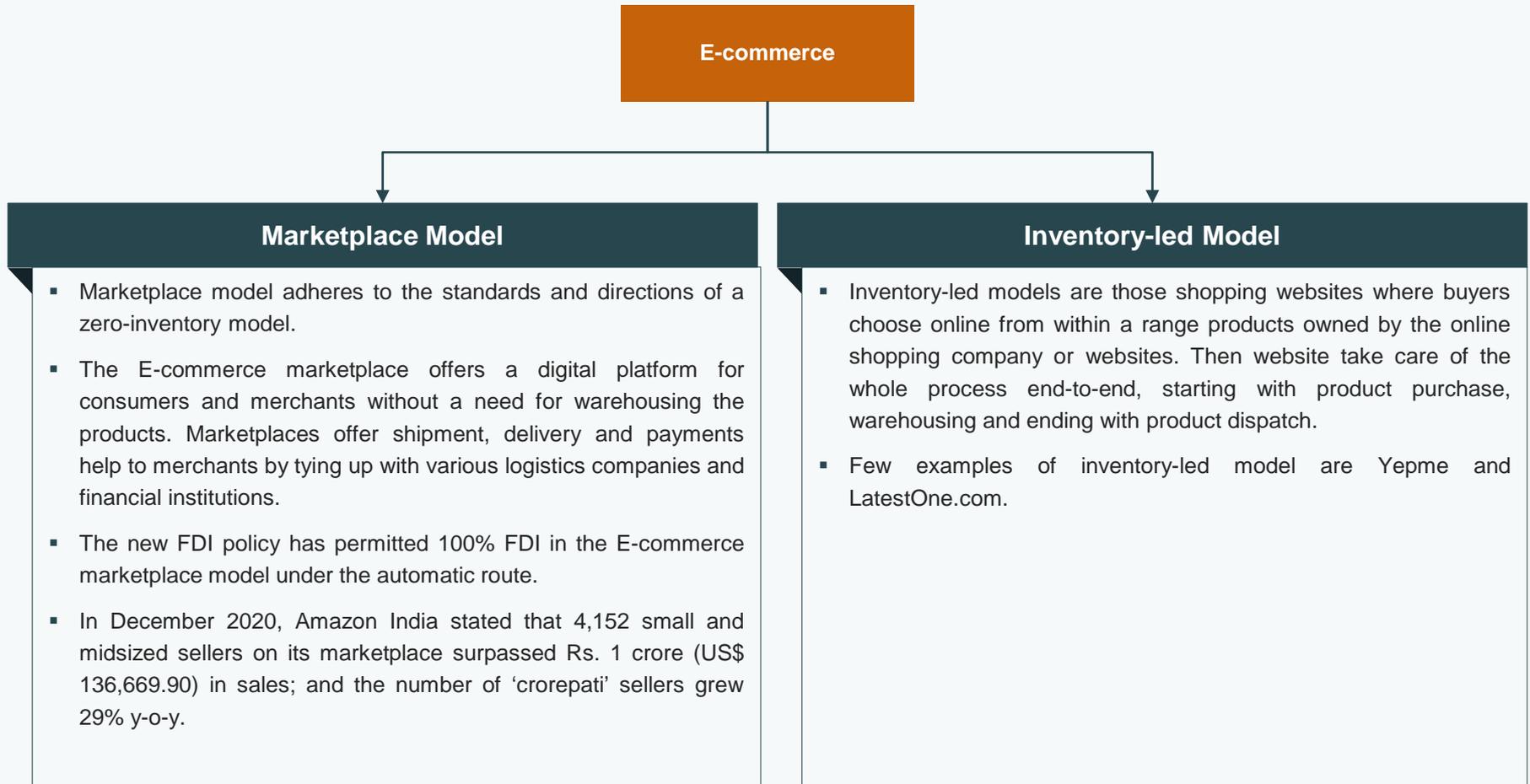


- There are lot of opportunities for E-retailers in India to capitalize upon with the gradually growing internet penetration in India.

Note: F- Forecasted

Source: Redseer, Crisil, Report by eMarketer

E-tailing market by business model



Source: PWC

Key players in e-tailing market



Recent Trends and Strategies



Policy and initiatives give a boost to the industry... (1/3)

1

ANCILLARY SERVICES

- In October 2020, Walmart introduced training to support and grow microbusinesses SMB in India.
- In November 2020, Amazon India has opened 'Made in India' toy store, in line with the government's 'Atmanirbhar Bharat' vision. The store will allow thousands of manufacturers and vendors to sell toys driven by the Indian culture, folk tales and toys that promote creative thinking and are locally crafted & manufactured.
- In October 2020, Amazon India collaborated with the Indian Railway Catering and Tourism Corporation (IRCTC) to enable users to book and reserve train tickets on Amazon.
- In January 2021, Flipkart introduced SuperCoin Pay to strengthen its SuperCoin rewards programme by allowing customers to pay through SuperCoins at >5,000 retail outlets across the country.

2

EXPANSION

- In January 2021, according to a Mint report, Reliance has set a plan to embed its e-commerce app, JioMart, into WhatsApp within six months.
- In January 2021, The Khadi and Village Industries Commission (KVIC) unveiled eKhadiIndia.com, an e-commerce portal, which will comprise >50,000 products, ranging from apparel to home décor.

3

MERGER & ACQUISITION

- In November 2020, Reliance Retail Ventures Ltd. (RRVL), a subsidiary of Reliance Industries (RIL), acquired a minority stake of Urban Ladder Home Decor Solutions Pvt. Ltd. for Rs. 182.12 crore (US\$ 24.67 million).
- In November 2020, Flipkart acquired Scapic, an Augmented Reality (AR) firm, to boost user experience.
- In December 2020, according to Forbes India, Tata Group is likely to buy a controlling stake of 51% in BigBasket.

Policy and initiatives give a boost to the industry... (2/3)

4

PERSONALISED EXPERIENCE

- Site visitors demand one-of-a-kind experience that cater to their needs and interests. Technology is available even to smaller players to capture individual shoppers' interests and preferences to generate a targeted shopping experience.
- Many E-commerce websites provide personalised experience to customers to cater to their needs and interests depending upon their location, choices, products they like or buy, and websites they visit.
- To give a more personalized experience, E-commerce companies have adopted voice search technology. Myntra is the first to adopt it.
- PhonePe, to give a more holistic experience to its customers and merchants, introduced a stores tab on its app and launched a separate merchant app.

5

ASSISTED COMMERCE

- To expand their reach, brands are tying up with assisted E-commerce organisations which provide local merchants with a platform to place their orders. Under this, customer get help in placing order online through a merchant shop and the product gets delivered either to the shop or to customer's address directly.
- Eshopbox, a tech-enabled third-party logistics (3PL) provider, is expected to redefine the ecosystem of new-age e-commerce by helping retailers unlock their e-commerce potential. Businesses of all sizes can use Eshopbox to streamline their e-commerce operations, from start-ups such as Oziva, Meraki and Plum to businesses such as Clarks, Blackberrys and Raymonds.

6

SUBSCRIPTION FOR E-COMMERCE

- E-commerce companies are increasingly adopting subscription model to provide extra benefits and tailored services to customers to suit their needs.
- Amazon, which introduced Amazon Prime in 2016, saw its Amazon Prime subscribers reach ~10 million as of February 2020.
- Swiggy, Zomato and Myntra keep on offering benefits through their subscription models to attract consumers.

Policy and initiatives give a boost to the industry... (2/3)

7

PRODUCT CATEGORIES

- Brands are adapting to the change in consumption habits towards essentials, electronics, home furnishing and other comfort-related product categories. This shift has happened since the pandemic and is forecast to stay in the near future. Inventory stocking of fashion and accessories has recorded an all-time low this year.

8

DIGITAL MARKETING

- 2020 has witnessed a shift in the consumer basket towards essentials and a drastic change in shopping modality towards e-commerce platforms. Brands and companies are adapting to this consumer behaviour change by increasing their marketing spends on digital media to acquire market share and tap target audiences.
- As per the report, 34% business respondents have increased digital media budgets while 23% have focused more on eCommerce selling.

9

GEOGRAPHIC FOCUS

- Companies are increasingly focusing their sights on Tier II and Tier III cities this year, as the demographic landscape and pocket spends of these cities are evolving. The revenue share of Tier II+ cities has been growing and digital marketing efforts can be targeted directly to these potential customers. This year's festive season recorded 88% customer growth from last year, which was driven by about 40 million shoppers from Tier II+ cities.

10

FUND RAISING

- In January 2021, the B2B e-commerce platform, Udaan raised US\$ 280 million (~Rs. 2,048 crore) in additional financing from new investors—Octahedron Capital and Moonstone Capital. Prior to this, in October 2019, the company raised US\$ 585 million (~Rs. 4,280 crore) from Tencent, Altimeter, Footpath Ventures, Hillhouse, GGV Capital and Citi Ventures. It is likely to deploy the latest fund towards continued market creation of B2B e-commerce in India and digitise more small businesses across the country.



Growth drivers for e-commerce



GOVERNMENT INITIATIVES

- Government initiatives like Digital India is constantly introducing people to online modes of commerce.
- Favourable FDI policy is attracting key players.
- The Government has proposed “National E-commerce Policy” and has set up a lawful agenda on cross-border data flow where no data will be shared with a foreign Government agency without prior authorization from the Indian Government.



INCREASING AWARENESS

- As the awareness of using internet is increasing, more and more people are getting drawn to E-commerce.
- Whether it's sellers, buyers, users or investors, more and more people are adapting to the use doing commerce online.



INVESTMENT

- India is the land of occasions and Increasing FDI inflow, domestic investment, and support from key industrial players is helping the growth of E-commerce.

Convenience of E-commerce

Online retailers now deliver to 15,000-20,000 pin codes out of nearly 100,000 pin codes in the country.

With logistics and warehouses attracting an estimated investment of nearly US\$ 2 billion by 2020, the reach of online retailers to remote locations is set to increase.

In July 2020, Amazon's India unit announced its plans to open 10 new warehouses in the country.

In October 2020, Flipkart acquired a 140-acre land at Rs. 432 crore (US\$ 58.87 million) to establish their largest fulfilling centre in Asia, in Manesar, Gurgaon, in a bid to scale their fulfilment infrastructure to cater to increased demand post COVID-19.



Millennials are the most active

Although shoppers between 25 and 34 years of age have been the most active on E-commerce portals, a surprising number of older people have increasingly started to shop online.

However, the age group of 15-34 years are the major consumers of E-commerce.

The popularity of web series among millennials is growing immensely.

Tier II and tier III cities provide major sales

Metro cities like Bengaluru, Mumbai and Delhi has accounted for most of the online shopping in absolute numbers.

Less densely populated regions have generated a larger proportion of online sales.

E-commerce companies in India reported a 55% increase in sales at US\$ 4.1 billion (Rs. 29,000 crore) across platforms in the first week of festive sales in October 2020 (October 15-21), driven by increased demand for smartphones and rise in demand from Tier-II cities.

Source: Economic Times, Media sources

Factors driving e-commerce growth

1. Growth of logistics and warehouses

Online retailers now deliver to 15,000-20,000 pin codes out of nearly 100,000 pin codes in the country.

With logistics and warehouses attracting an estimated investment of nearly US\$ 2 billion by 2020, the reach of online retailers to remote locations is set to increase.

2. Internet content in local languages

Online retailers see this segment as the new growth driver with significant influx of mobile subscribers, who are now comfortable with languages other than English.

Indian language users on the internet are expected to reach 540 million by 2021.

3. Mobile commerce

Online retailers' growing reach in town and cities beyond metros is driven by an increased usage of mobile internet. Increased ownership of smartphones is helping more Indians access shopping websites easily.

Number of smartphone users in India is expected to reach 859 million by 2022.



6. Payments modernisation

In terms of the real-time digital payment infrastructure, backed by UPI and 24x7 NEFT, India has been ahead of the curve.

The COVID-19 pandemic has led to a further rise in digital, contactless payments as customer behaviour has shifted from cash to card.

5. Consumer spending

In India, ~66.6 billion transactions worth US\$ 270.7 billion are projected to shift from cash transactions to card and digital payments by 2023 and rise to US\$ 856.6 billion by 2030.

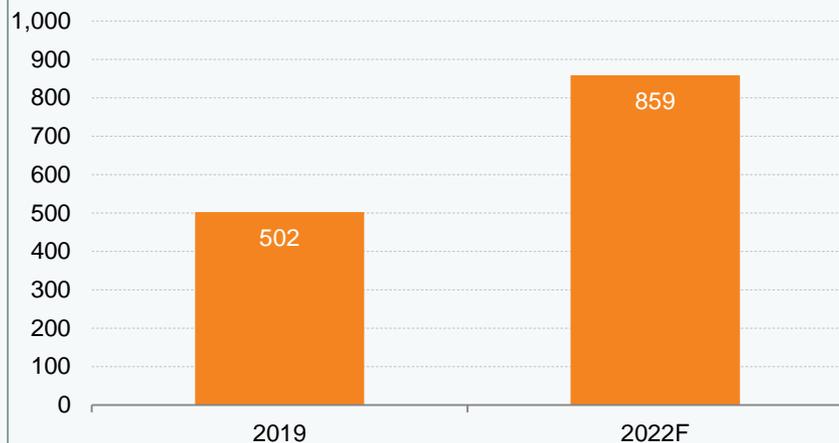
4. Increasing investment

In October 2020, Amazon India invested over Rs. 700 crore (US\$ 95.40 million) into its payment unit, Amazon Pay.

Source: Media sources, KPMG Report - E-commerce Retail Logistics India **Notes:** CAGR - Compound Annual Growth Rate

Increase in smartphones driving e-commerce growth

Smartphone User Base in India (million)



India's Smartphone Shipments (million)



- The proliferation of mobile devices combined with internet access via affordable broadband solutions and mobile data is a key factor driving the tremendous growth in India's E-commerce sector.
- Smartphone users in India is expected to reach at 859 million by 2022.
- Smartphone shipments in India increased by~8% y-o-y to reach 50.0 million units in the first-quarter of 2020, driven by positive shipments of all smartphone vendors in the market. Samsung led the Indian smartphone market with 24% shipping share, followed by Xiaomi at 23%.
- The Indian government is emphasising on increasing the local value-addition on the manufacturing front. As the government's schemes—such as Production Related Incentive (PLI) progress to impact the overall electronic manufacturing ecosystem—mobile phone production is expected to increase in the coming years. Brands such as Micromax and Lava are expected to take advantage of the 'Atmanirbhar Bharat' initiative and schedule their comeback.

Source: IMF, World Bank, International Data Corporation (IDC), Counterpoint Research, Media Sources

1

Bharat Net and Digital India

- In the Union Budget of 2020-21, the Government has allocated Rs. 8,000 crore (US\$ 1.24 billion) to BharatNet Project to provide broadband services to 150,000-gram panchayats.
- The project has a target to connect 250,000 gram panchayats by March 2020. The Government has also planned to set up 500,000 Wi-Fi hotspots for providing broadband service to 50 million rural citizens.
- Under the Digital India movement, Government launched various initiatives like Umang, Start-up India Portal, Bharat Interface for Money (BHIM) etc. to boost digitisation.

2

E-commerce draft policy

- The Government of India's Draft National e-Commerce Policy encourages FDI in the marketplace model of E-commerce. Further, it states that the FDI policy for E-commerce sector has been developed to ensure a level playing field for all participants.
- According to the draft, a registered entity is needed for the E-commerce sites and apps to operate in India.
- The telecom provider offered free high-speed internet access to users for first seven months.

3

Permanent account numbers (PAN) mandated

- In October 2020, amending the equalisation levy rules of 2016, the government mandated foreign companies operating e-commerce platforms in India to have permanent account numbers (PAN). It imposed a 2% tax in the FY21 budget on the sale of goods or delivery of services through a non-resident ecommerce operator.

4

Udaan

- Udaan is a B2B online trade platform to connect small and medium size manufacturers and wholesalers with online retailers. It also provide them logistics, payments and technology support.
- The platform has sellers in over 80 cities of India and delivers to over 500 cities.

Source: Bain & Company - Unlocking Digital for India, Union Budget 2019-20, Media Sources

5

Open Network for Digital Commerce (ONDC)

- The Indian government has formed a new steering committee that will look after the development of a government-based e-commerce platform. The new committee, set up by the Commerce Ministry, will provide oversight on the policy for Open Network for Digital Commerce (ONDC), which is an e-commerce platform being developed with the government's backing. The ONDC will serve as the infrastructure for setting up the final storefront, which will be something similar to Flipkart and Amazon.

6

Ecommerce Ecosystem

- In a bid to systematise onboarding of retailers on e-commerce platforms, the Department for Promotion of Industry and Internal Trade (DPIIT) is reportedly planning to utilise the Open Network for Digital Commerce (ONDC) to set protocols for cataloguing, vendor discovery and price discovery. Their aim is to provide equal opportunities to all marketplace players to make optimum use of the ecommerce ecosystem in the larger interest of the country and its people.

7

National Retail Policy

- The government had identified five areas in its proposed national retail policy—ease of doing business, rationalisation of the licence process, digitisation of retail, focus on reforms and an open network for digital commerce—stating that offline retail and e-commerce need to be administered in an integral manner.

8

Consumer Protection Rules

- The Consumer Protection (E-Commerce) Rules, 2020, notified by the Consumer Affairs Ministry in July direct e-commerce companies to display the country of origin alongside product listings. In addition, they will also have to reveal the parameters that go behind determining product listings on their platforms.

Source: Bain & Company - Unlocking Digital for India, Union Budget 2019-20, Media Sources

Key Industry Contacts



Key industry Contacts

	Agency	Contact Information
	<p>E-commerce Association of India</p>	<p>Address: 122, 1st Floor, Devika Tower Corporate Business District, Nehru Place New Delhi -110 019 Phone: +91 011 41582722 Fax : +91 011 41582722 Email: info@ecai.co.in Website: www.ecai.co.in/</p>
	<p>Retailers Association of India (RAI)</p>	<p>111/112, Ascot Centre, Next to Hotel Le Royal Meridien, Sahar Road, Sahar, Andheri (E), Mumbai-400099. Tel: 91-22-28269527—28 Fax: 91-22-28269536 E-mail: info@rai.net.in Website: www.rai.net.in</p>



Glossary

- CAGR: Compound Annual Growth Rate
- GMV: Gross Merchandise Value
- FDI: Foreign Direct Investment
- FY: Indian Financial Year (April to March)
- GOI: Government of India
- Rs: Indian Rupee
- US\$: US Dollar
- Numbers have been rounded off to the nearest whole number, wherever applicable.

Exchange rates

Exchange Rates (Fiscal Year)

Year	Rs. Equivalent of one US\$
2004-05	44.95
2005-06	44.28
2006-07	45.29
2007-08	40.24
2008-09	45.91
2009-10	47.42
2010-11	45.58
2011-12	47.95
2012-13	54.45
2013-14	60.50
2014-15	61.15
2015-16	65.46
2016-17	67.09
2017-18	64.45
2018-19	69.89
2019-20	70.49
2020-21	73.51

Exchange Rates (Calendar Year)

Year	Rs. Equivalent of one US\$
2005	44.11
2006	45.33
2007	41.29
2008	43.42
2009	48.35
2010	45.74
2011	46.67
2012	53.49
2013	58.63
2014	61.03
2015	64.15
2016	67.21
2017	65.12
2018	68.36
2019	69.89
2020	74.18
2021*	73.25

Note: As of January 2021

Source: Reserve Bank of India, Average for the year

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