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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.

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.

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

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.

For the ‘Holiday Season’ (Black Friday and Cyber Monday) sales on Amazon.com, >70,000 Indian exporters, who are a part of its ‘Global Selling’ scheme, are planning to showcase millions of ‘Made in India’ products; this is expected to provide visibility to and boost Indian brands.

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.

Note: FDI - Foreign Direct Investment
Source: Media sources, Grant Thornton, EY
MARKET OVERVIEW
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. Also, as per the Mckinsey report, ~96% consumers have tried a new shopping behaviour; ~60% consumers are expected to shift to online shopping in the festive season and continue shopping online beyond the COVID-19 pandemic.

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)**

- Feb’20: -3%
- Mar’20: 35%
- Apr’20: -20%
- May’20: 21%
- Jun’20: 19%
- Jul’20: 17%
- Aug’20: 8%
- Sep’20: 17%

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

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

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

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

**Marketplace Model**
- Marketplace model adheres to the standards and directions of a zero-inventory model.
- The E-commerce marketplace offers a digital platform for consumers and merchants without a need for warehousing the products. Marketplaces offer shipment, delivery and payments help to merchants by tying up with various logistics companies and financial institutions.
- The new FDI policy has permitted 100 percent FDI in the E-commerce marketplace model under the automatic route.

**Inventory-led Model**
- Inventory-led models are those shopping websites where buyers choose online from within a range products owned by the online shopping company or websites. Then website take care of the whole process end-to-end, starting with product purchase, warehousing and ending with product dispatch.
- Few examples of inventory-led model are Yepme and LatestOne.com.

*Source: PWC*
KEY PLAYERS IN E-TAILING MARKET

- flipkart.com
- myntra.com
- amazon.com
- paytm mall
- snapdeal
- shopclues.com
- nykaa.com

For updated information, please visit www.ibef.org
E-commerce

STRATEGIES
ADOPTED
### STRATEGIES ADOPTED…(1/2)

<table>
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<th>Expansion</th>
<th>Merger &amp; Acquisition</th>
<th>Ancillary services</th>
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<td>▪ In November 2020, Amazon India announced collaboration with Hindustan Petroleum Corporation Limited. Under this partnership, customers will be able to book and pay for their LPG cylinders until the delivery.</td>
<td>▪ 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). &lt;br&gt;▪ In November 2020, Flipkart acquired Scapic, an Augmented Reality (AR) firm, to boost user experience.</td>
<td>▪ In October 2020, Walmart introduced training to support and grow microbusinesses SMB in India. &lt;br&gt;▪ 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 &amp; manufactured. &lt;br&gt;▪ 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.</td>
</tr>
</tbody>
</table>

*Source: Media sources, Company websites,*
### 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, customers get help in placing orders online through a merchant shop and the product gets delivered either to the shop or to customers' addresses 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.

### Subscription for E-commerce
- E-commerce companies are increasingly adopting subscription models 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.

### Personalised experience
- Site visitors demand one-of-a-kind experiences 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 personalized experiences 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.
GROWTH DRIVERS
AND OPPORTUNITIES
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.

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

Source: TechSci Research
DEMOGRAPHIC FACTORS

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.

Convenience of E-commerce
- Discounts and EMIs, added with a comfort of sitting at home and purchasing, has become an effective driving factor of E-commerce. Availability of various websites give customers’ lot of options to choose from.
- Chatbots and personal assistance apps have made transactions seamless.
- One can get several brands and products from different sellers at one place with a comfort to buy latest international brands trending online without spending money on travel.

Source: Economic Times, Media sources
## FACTORS DRIVING E-COMMERCE GROWTH… (1/2)

| 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.  
Audible, a part of Amazon, the e-commerce giant, is planning to add more Indian languages to its ‘Suno’ service, which provides audio tales and podcasts. This move is in line with the company’s aim to further improve its position in India. |
| --- | --- |
| 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.  
More than 90% of subscribers use internet service through mobiles |
| 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.  
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. |

Source: Media sources
FACTORS DRIVING E-COMMERCE GROWTH... (2/2)

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.

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.
- In addition, market engagement and convenience are bound to improve dramatically with new players introducing their payment deals and growing acceptance of 'Buy Now Pay Later' schemes.

Increasing investment

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

Source: KPMG Report - E-commerce Retail Logistics India
Notes: CAGR - Compound Annual Growth Rate
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
## GOVERNMENT AND PRIVATE INITIATIVES INFLUENCING E-COMMERCE

| 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.  |

| 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.  |

| 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.  |

| 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*
KEY INDUSTRY ORGANISATIONS
**KEY INDUSTRY ORGANISATIONS**

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<th>Retailers Association of India (RAI)</th>
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| **Address:** 122, 1st Floor, Devika Tower<br>Corporate Business District, Nehru Place<br>New Delhi -110 019  
Phone: +91 011 41582722  
Fax : +91 011 41582722  
Email: info@ecai.co.in | **Address:** 111/112, Ascot Centre, Near Hotel ITC Maratha,<br>Sahar Road, Sahar, Andheri (E), Mumbai - 400099  
Phone: +91 22 28269527 - 29  
Fax: +91 22 28269536  
E-mail: info@rai.net.in  
Website: https://rai.net.in/ |

For updated information, please visit www.ibef.org
USEFUL INFORMATION
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)

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<td>2019-20</td>
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### Exchange Rates (Calendar Year)

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<td>2018</td>
<td>68.36</td>
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<td>2019</td>
<td>69.89</td>
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*Source: Reserve Bank of India, Average for the year*
India Brand Equity Foundation (IBEF) engaged Sutherland Global Services private Limited to prepare/update this presentation.

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