

E-COMMERCE

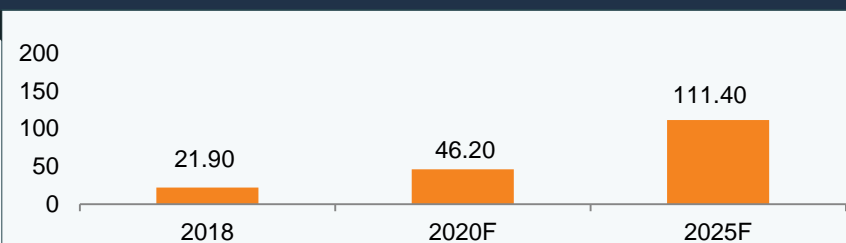


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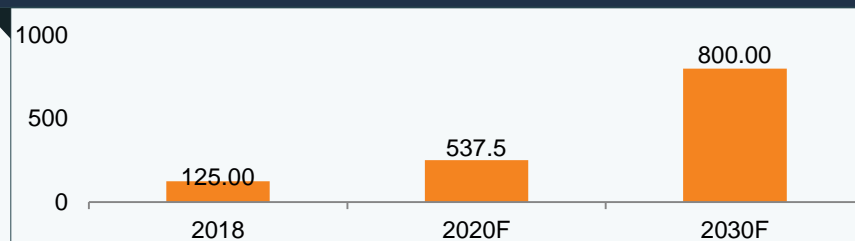
Executive summary

- 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 GlobalData, e-commerce sales is expected to increase at a CAGR of 18.2% between 2021 and 2025 to reach Rs. 8.8 trillion (\$120.1 billion).
- 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 multi-fold and reach US\$ 800 billion by 2030.
- 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 reach US\$ 18.2 billion in 2024 from US \$1.9 billion in 2019, expanding at a CAGR of 57%.
- E-commerce sales in India were estimated to increase by only 7-8% in 2020, compared with 20% in China and the US
- In festive season 2020, 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 2020, the Indian e-commerce market recorded ~88 million users, a significant jump of 87% over the previous festive season.

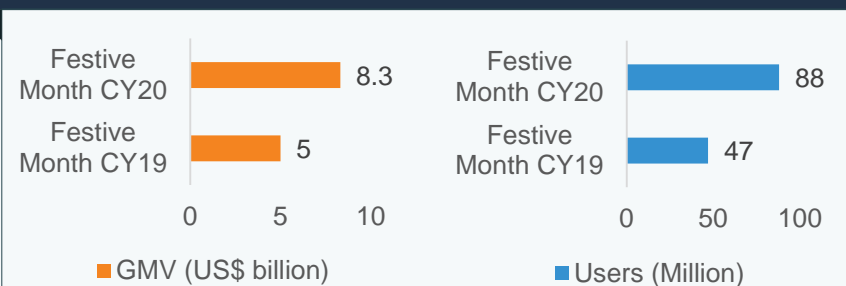
Indian E-commerce Market (US\$ billion)



India's Internet Economy (US\$ billion)



India's E-commerce Festive Statistics



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

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



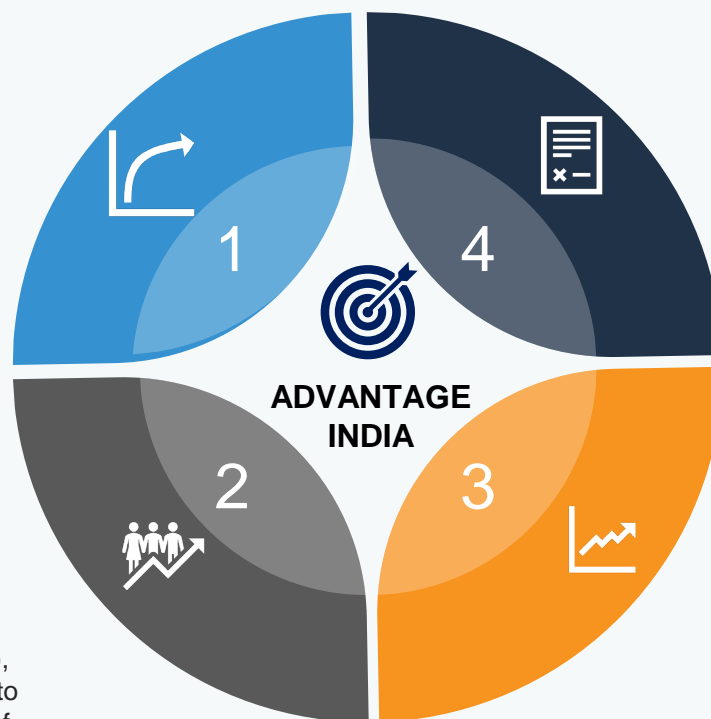
Advantage India

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

- ▶ India's e-commerce order volume increased by 36% in the last quarter of 2020, with the personal care, beauty & wellness (PCB&W) segment being the largest beneficiary.
- ▶ Driven by beauty and personal care (BPC), India's live commerce market is expected to reach a gross merchandise value (GMV) of US\$ 4-5 billion by 2025.
- ▶ Due to a surge in e-commerce, annual warehousing transactions in the top eight Indian cities will increase to 76.2 million sq. ft. by March 2026, up from 31.7 million sq. ft. in 2021.



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.
- ▶ Flipkart announced in July 2021 that it has raised US\$ 3.6 billion in new funding from various sources including sovereign funds, private equities and Walmart (parent company).

Note: FDI - Foreign Direct Investment

Source: Media sources

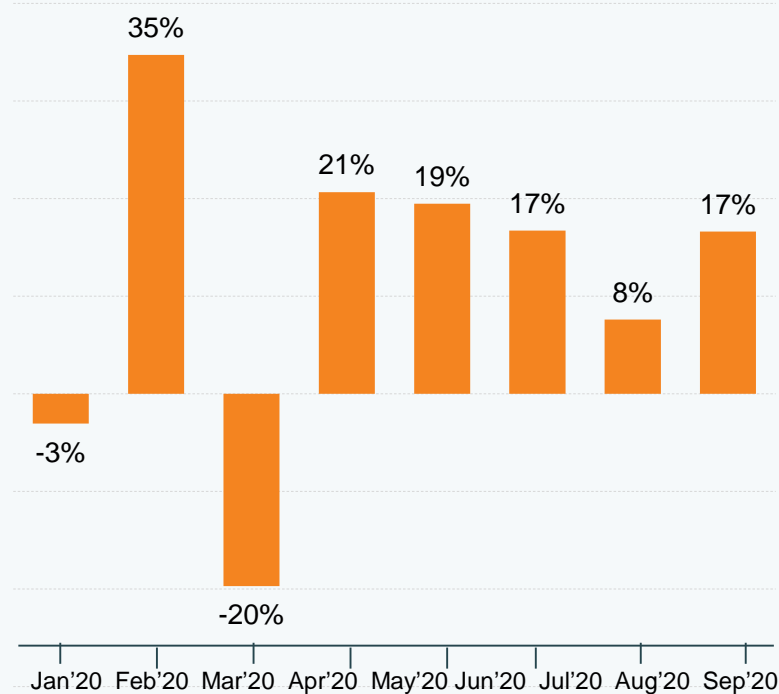
Market Overview



Growth of e-commerce in India

- India's e-commerce orders volume increased by 36% in the last quarter of 2020, with the personal care, beauty and wellness (PCB&W) segment being the largest beneficiary.
- 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 of July 20, 2021, the Government e-Marketplace (GeM) portal served 7 million orders worth Rs122,405 crore (US\$ 16.48 billion) from 2.2 million registered sellers and service providers for 53,193 government buyers.
- India's consumer digital economy is expected to become a US\$ 800 billion market by 2030, growing from US\$ 85-90 billion in 2020, driven by strong adoption of online services such as e-commerce and edtech in the country.
- The e-commerce market is expected to touch the US\$ 99-billion mark by 2024 owing to consumers increasingly developing a preference for online shopping, fuelled by cheaper data and higher mobile penetration across the country.
- According to GlobalData, e-commerce sales is expected to increase at a CAGR of 18.2% between 2021 and 2025 to reach Rs 8.8 trillion (\$120.1 billion).

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



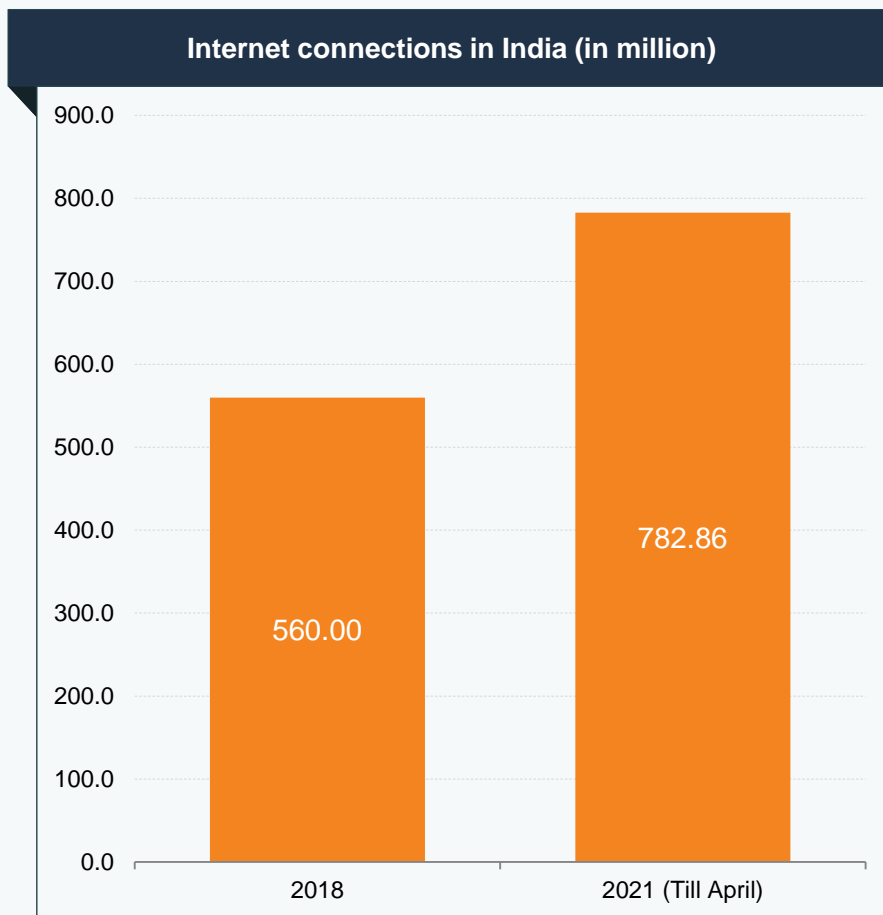
How much has India spent on online commerce?

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

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

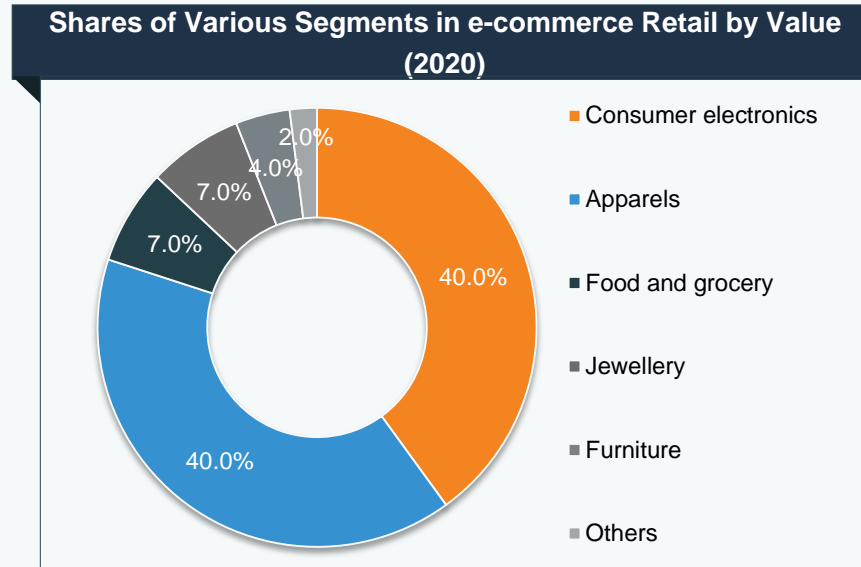
Rising internet users in India

- In 2020, the number of internet connections in India significantly increased to 747.41 million, driven by the 'Digital India' programme. Out of the total internet connections, ~97% connections were wireless.
- Internet penetration in India has increased from 4% in 2007 to 45% in 2021.
- 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.
- According to a report published by IAMA and Kantar Research, India internet users are expected to reach 900 million by 2025 from ~622 million internet users in 2020, increasing at a CAGR of 45% until 2025.



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

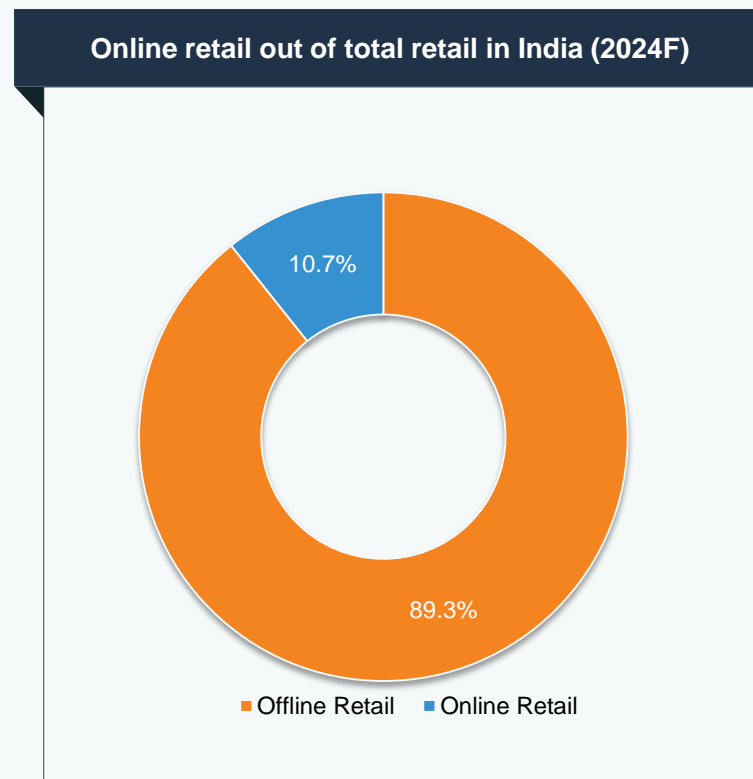
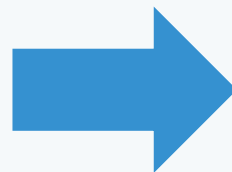
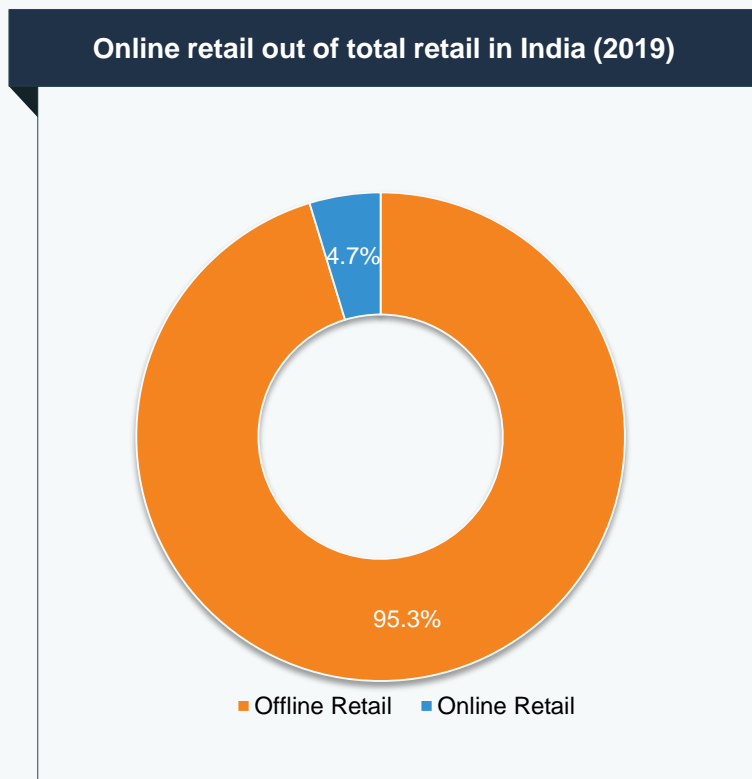
Source: TRAI, Economic Times, Live Mint, Department of Telecommunications, Bain & Company - Unlocking Digital for Bharat



- 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.
- Over the next decade (2021-30), India's e-commerce business will rise 7x to US\$ 300 billion. According to JP Morgan analysts, the next phase of expansion will be led by e-grocery and smaller communities.

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

Online retail vs total retail in India

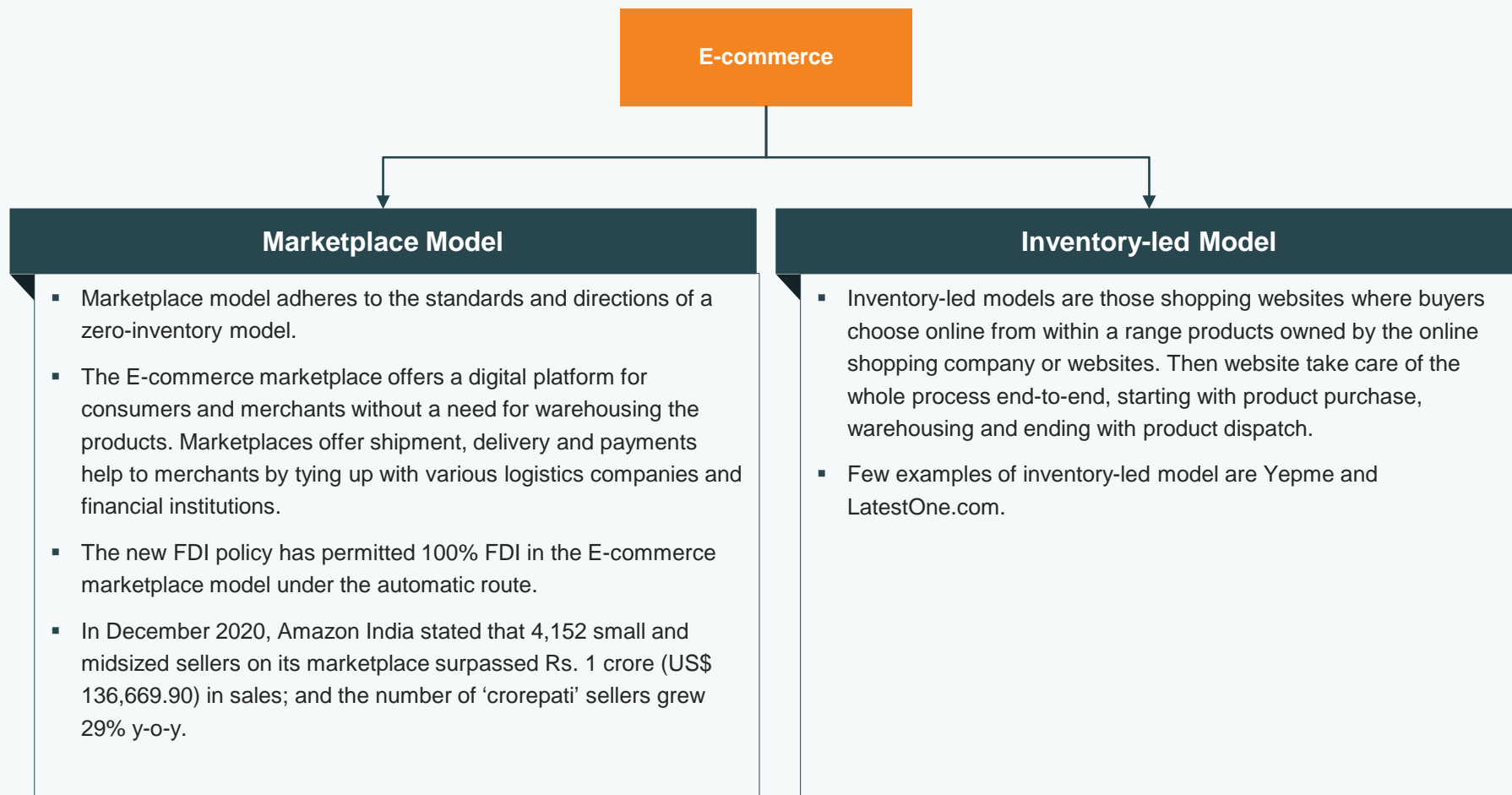


- There are lot of opportunities for E-retailers in India to capitalize upon with the gradually growing internet penetration in India.
- Online penetration of retail is expected to reach 10.7% by 2024 compared with 4.7% in 2019. Moreover, online shoppers in India are expected to reach 220 million by 2025.

Note: F- Forecasted

Source: Redseer, Crisil, Report by EY, Indian Private Equity and Venture Capital Association

E-tailing market by business model



Source: PwC, News Articles

Key players in e-tailing market



Recent Trends and Strategies



Policy and initiatives give a boost to the industry... (1/4)

1

ANCILLARY SERVICES

- In July 2021, e-commerce conglomerate Amazon opened its first Digital Kendra in Surat, Gujarat. Amazon's Digital Kendras are physical resource centres for micro, small and medium-sized businesses (MSMEs) to learn about the advantages of e-commerce.
- In June 2021, Amazon India launched the ML Summer School—an integrated learning experience for students to learn applied machine learning (ML) skills.
- In May 2021, Amazon introduced a video streaming service within its shopping app called MiniTV for users in India. MiniTV features web series, comedy shows and content on tech news, food, beauty and fashion.

2

AGREEMENT & PARTNERSHIP

- In June 2021, Flipkart announced its partnership with the Telangana government to deploy drones to deliver medical supplies in remote areas amid the COVID-19 pandemic.
- In June 2021, Flipkart wholesale joined forces with Ace Turtle, an omnichannel enablement platform, to secure licensing rights for Toys“R”Us and Babies“R”Us.

3

EXPANSION

- In June 2021, Instamojo, a digital services provider, launched its e-commerce stack to help small and medium enterprises (SMEs) and direct-to-consumer (DTC) brands to come online.
- In May 2021, Flipkart strengthened its grocery infrastructure to cater to customer safety and demand across India. In this quarter, it is planning to further expand its fulfilment center capacity for grocery by over 8 lakh square feet across Delhi, Kolkata, Chennai, Coimbatore and Hyderabad.

4

MERGER & ACQUISITION

- In April 2021, Flipkart announced to acquire Cleartrip, an online travel technology firm. Flipkart announced to purchase 100% shareholding of Cleartrip as the company expands its investments to broaden its digital commerce offerings for customers.
- In March 2021, Amazon acquired Bengaluru-based retail tech start-up Perpule for Rs. 107.6 crore (US\$ 14.5 million).

Policy and initiatives give a boost to the industry... (2/4)

5

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.
- In June 2021, Amazon India launched seller registration and account management services in Gujarati. The launch was in Gujarati and followed by the recent launch of these services in Hindi, Tamil, Kannada and Marathi; this led to registrations of 100,000 new Amazon sellers on the Amazon.in marketplace in a language of their convenience.

6

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.

7

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... (3/4)

8

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.

9

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.

10

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.

11

FUND RAISING

- In June 2021, Grofers, the grocery delivery start-up, reportedly entered the unicorn club, after raising US\$ 120 million from Zomato, the food delivery platform.
- In June 2021, Mastercard invested an undisclosed amount in Instamojo, a payments firm, to help digitise online stores and process their payments more seamlessly.

12

NEW E-COMMERCE PORTAL

- In March 2021, the Confederation of All India Traders (CAIT), which represents 80 million traders and 40,000 trader associations, announced the launch of a mobile app for its e-commerce portal, 'Bharat E-market'. The association aims to get more small traders to sell online easily through smartphones.



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 June 2021, Flipkart added a new fulfilment centre (FC) in Dankuni, West Bengal. The FC is spread over 2.2 lakh sq. ft. and has a potential to create ~3,500 direct jobs.

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. Payment's 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

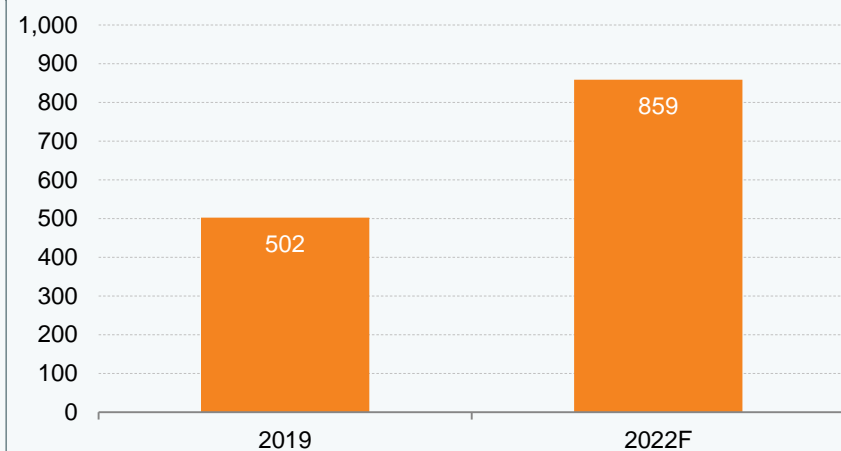
- In October 2020, Amazon India invested over Rs. 700 crore (US\$ 95.40 million) into its payment unit, Amazon Pay.

Notes: CAGR - Compound Annual Growth Rate

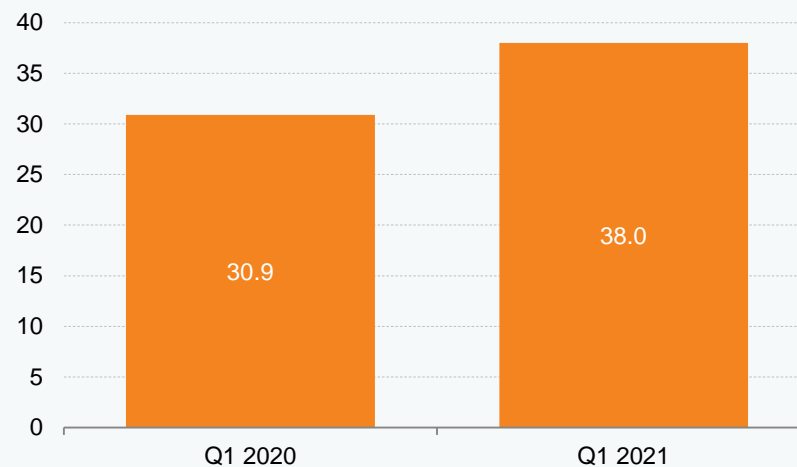
Source: Media sources, KPMG Report - E-commerce Retail Logistics India

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.
- Indian consumers are increasingly adopting 5G smartphones even before roll out of the next-gen mobile broadband technology in the country. Smartphone shipments reached 150 million units and 5G smartphone shipments crossed 4 million in 2020, driven by high consumer demand post-lockdown.
- Smartphone shipments in India increased by ~23% YoY to reach 38 million units in the first quarter of 2021, driven by new product launches and delayed demand from 2020. Xiaomi led the Indian smartphone market with 26% shipping, followed by Samsung (20%).
- 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.

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	73.20

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*	74.88

Note: As of June 2021

Source: Reserve Bank of India, Average for the year

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