

eCommerce In The New Bharat And It's Future

A Report By



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...Foreword...



Over the past decade, India has become a global eCommerce powerhouse, experiencing remarkable growth driven by technology, innovation, and a young, tech-savvy population. Forecasts suggest the sector will grow from \$75 billion in 2022 to an estimated \$350 billion by 2030, potentially outpacing the US and becoming the world's second-largest eCommerce market by 2034. This growth is attributed to the rapid adoption of smartphones, with over 560 million users, and accessible data plans, making the internet more available.

Government initiatives like Digital India and promoting a cashless economy have played a crucial role in encouraging digital businesses and startups in the eCommerce space. The Indian eCommerce landscape is a vibrant mix of homegrown startups and global giants aiming to tap into this lucrative market.

'eCommerce in the New Bharat and its report' delves into the Indian eCommerce ecosystem, covering its current state, market dynamics, and challenges. It provides valuable insights for understanding and navigating this rapidly changing industry.

The future of eCommerce in India is full of possibilities, with technological advancements like AI, Big Data, and IoT revolutionizing the online shopping experience. Logistics and last-mile delivery are essential for growth, and the report explores innovative solutions to address challenges effectively.

This report will serve as a guide for entrepreneurs, policymakers, and investors, offering valuable insights and success stories to shape a future-ready eCommerce ecosystem. Gratitude goes to the team behind this report and all contributors for enriching this knowledge repository.

Let's embark on this journey of discovery, innovation, and progress together. The future of Indian eCommerce awaits with open arms, and I'm excited to witness the extraordinary transformations.

Wishing you all a compelling reading experience!

Saahil Goel
CEO & Co-founder, Shiprocket



...A Word About Shiprocket...

Shiprocket is India's largest eCommerce enablement platform providing digital retailers an end-to-end customer experience platform. The platform creating an operating system for direct commerce enables shipping, fulfillment, customer communication and marketing tools as well as providers for SMEs, D2C retailers, and social commerce retailers in India. With 25+ courier partners on board, the brand permits pan-India as well as international shipping deliveries. Its shipping solutions are available across 24,000+ pin codes within India and 220+ countries and territories worldwide.

Launched in 2017, Shiprocket is on a mission to create a seamless logistics data platform that connects retailers, carriers, and consumers across national and international locations. Shiprocket provides a technology stack to help retailers integrate their shopping websites on Shopify, Magento, WooCommerce, Zoho, and others with the platform's multi-carrier API to manage orders, prints, and shipping labels. It also avails tracking information from multiple providers including managing Cash on Delivery (COD) orders and payment reconciliation. Shiprocket also offers state-of-the-art fulfillment solutions with more than 45+ warehouses located across India. The technology stack provides a robust post-purchase experience to consumers resulting in higher engagement and lower RTO (failed deliveries).

Today, Shiprocket is the platform behind more than 270K sellers who generate a GMV of more than \$3B annually. The platform delivers more than 220k shipments daily and is growing transactions 2.5-3X year on year.

...Foreword...



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The digital adoption in India has surpassed all expectations, and the retail sector stands out as a significant beneficiary, witnessing an unprecedented surge in online shoppers. Today, online shopping extends to hundreds of pin-codes, making goods and services accessible even to people in the remotest towns and villages. While acknowledging the role of internet penetration, due credit must be given to the logistics players for enabling transportation and delivery across the country.

The numbers speak volumes, as this report indicates. The Indian eCommerce space is on the verge of a substantial leap, projected to grow from \$75 billion in 2022 to an impressive \$350 billion by 2030, potentially even surpassing the US by 2034. The Open Network for Digital Commerce (ONDC) emerges as a significant contributor to Indian eCommerce, bridging connections between big and small brands and customers nationwide. Cash transactions remain popular in Tier 2 and Tier 3 cities, but digital payments are expected to surge by 88 per cent, leading to a 34 per cent decline in cash usage by 2026.

The direct-to-consumer (D2C) space is thriving in India, with the market expected to reach \$60 billion by 2027. This trend not only offers consumers a wide variety of options but also empowers entrepreneurs from small towns to pursue their dreams and venture into the world of retail.

This report delves into various aspects of the Indian eCommerce ecosystem, with a special emphasis on cross-border logistics. India's rise as a developed nation has piqued international interest in its brands, and logistics play a crucial role in connecting these brands to their global consumer base. The report highlights the challenges faced by brands in reaching their international customers and sheds light on what international customers expect when shopping from Indian websites/brands.

Our primary objective in presenting this report is to provide valuable data and insights for entrepreneurs and anyone interested in understanding the current dynamics of the Indian eCommerce landscape. The survey results presented within these pages reveal fascinating insights.

We genuinely hope that you find this report both interesting and insightful, and that you enjoy reading it as much as we did while putting it all together.

Amitabh Taneja
Editor-in-Chief, IMAGES Group

...Foreword...



ONDC
Open Network for Digital Commerce

India's eCommerce is at the cusp of a profound transformation in India's Techade. The New Bharat is an increasingly digital country, with the rise of not just digital access for citizens and businesses alike, but also acceptance of digital tools by every corner of the country.

While eCommerce in India has existed for many years, we're seeing a fundamental shift in how brands, sellers, consumers and institutions alike approach digital commerce. With the emergence of UPI and ONDC, India is breaking away from the traditional approach to eCommerce, enabling businesses of all sizes and individuals from diverse backgrounds to partake in the growing digital economy.

"eCommerce in the New Bharat and It's Future" report delves into the future of inclusive digital commerce in India and the promising opportunities that are unlocked through the Open Network for Digital Commerce (ONDC).

The report illuminates the empowering effects of ONDC, especially as operational efficiency scales both domestically and unlocks opportunities internationally. With simplified operations, businesses can now focus on what they do best – offering top-notch products and services to their customers.

As we embark on this journey towards inclusive digital commerce, this report serves as an enlightening window into the potential that digital commerce and ONDC holds for India. We hope that the insights shared herein will inspire stakeholders from all walks of life to embrace India's Digital Commerce moment, leading us towards a more inclusive, vibrant, and interconnected digital landscape.

Let us collectively seize the opportunities unlocked by ONDC and work together to empower every business, every consumer, and every citizen, ensuring that no one is left behind in the journey towards an inclusive digital future.

Warm Regards,

T Koshy
MD & CEO, ONDC

...A special dedication...



We dedicate eCommerce in the New Bharat and its future report to the countless entrepreneurs, innovators, and visionaries who have tirelessly worked to shape and elevate India's eCommerce landscape. Your relentless pursuit of excellence has not only transformed the way we shop but has also inspired a generation to dream big and embrace the boundless possibilities of the digital world.

We also dedicate this report to the resilient and enterprising Indian consumers, whose unwavering trust and support have been the driving force behind the remarkable growth of eCommerce in the country. Your evolving preferences and discerning choices constantly challenge businesses to innovate and deliver exceptional experiences.

We also express our gratitude to the Indian government for its visionary digital initiatives and policies that have created an enabling environment for eCommerce to thrive. Your commitment to fostering a digital ecosystem and promoting innovation has played a crucial role in propelling India's eCommerce industry to new heights.

Lastly, we extend our heartfelt dedication to the future generations, who will inherit the legacy of this vibrant eCommerce ecosystem. May this report serve as a guiding light, empowering them to build a sustainable, inclusive, and technologically advanced eCommerce landscape that continues to shape the future of India's digital economy.

With gratitude and admiration,
Team Shiprocket

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Key takeaways

Indian eCommerce Projection

Indian eCommerce and its future

- ▶ The Indian eCommerce industry is poised for significant growth, projected to increase from \$75 billion in 2022 to \$350 billion by 2030. By 2034, it may even surpass the US to become the second-largest eCommerce market.
- ▶ By 2026, cash transactions are expected to decrease by 34 per cent, while digital payments are anticipated to surge by 88 per cent. This rise in digital payments is primarily driven by the increasing popularity of Unified Payments Interface (UPI).
- ▶ Efficient logistics, both domestically and internationally, is currently the most significant challenge (as agreed by 38 per cent of brands surveyed) in the eCommerce sector. Timely delivery plays a crucial role in determining efficiency.
- ▶ The demand for suitable eCommerce enablers to strengthen supply chains, enhance logistics efficiency, and ensure secure payment ecosystems is on the rise. Among these enablers, SHIPROCKET ranks in the top three, as recognized by brand surveyed.
- ▶ The Indian D2C (direct-to-consumer) market is expected to experience substantial growth, increasing fivefold from \$12 billion in 2022 to \$60 billion by 2027, with an impressive growth rate of around 40 per cent.
- ▶ The Open Network for Digital Commerce (ONDC) is poised to be a pivotal game-changer in the Indian eCommerce market. Once it achieves a certain level of scale, it has the potential to trigger a price war among eCommerce players.

Consumer and brands

- ▶ In India, 76 per cent of consumers we surveyed prefer to prepay for their online orders, resorting to cash-on-delivery (COD) only when uncertain. However, for brands, the usage of COD payments has remained relatively stable over the years, showing no significant decline or surge.
- ▶ Brands have the potential to convert 88 per cent of consumers to prepay for their online orders by offering attractive discounts.
- ▶ Among the prepay options, UPI is the most favored choice for 57 per cent of consumers, closely followed by credit cards at 31 per cent.
- ▶ A considerable 80 per cent of online shoppers prefer to make their purchases from marketplaces, which also happen to be the primary sales channel for brands.
- ▶ The top three categories preferred by online shoppers are fashion and accessories (48 per cent), electronics (32 per cent), and grocery (30 per cent).
- ▶ Both Indian (43 per cent) and international (38 per cent) consumers find 'delayed delivery' to be the most frustrating online shopping experience.
- ▶ More than half of Indian consumers prioritize 'Quality' when shopping online, while international consumers (68 per cent) expect a combination of factors such as price, trust, quality, delivery, and reviews and ratings from any online shopping website.
- ▶ Surprisingly, 72 per cent of Indian brands do not sell internationally, presenting significant opportunities for expansion. However, 38 per cent of brands are uncertain about how to sell overseas, while the USA remains an appealing market for another 38 per cent of brands.
- ▶ Both Indian and international consumers show a keen interest in shopping for Indian products abroad, with over 60 per cent engaging in such purchases.
- ▶ A considerable percentage of consumers and brands (ranging from 70 to 80+) prioritize sustainability and environmental consciousness.

Consumption and retail

- ▶ The per capita consumption, projected to reach \$2,948 by 2030, will play a crucial role in propelling the Indian eCommerce market forward.
- ▶ The present Indian retail market, valued at \$930 billion in 2022, is anticipated to grow at a Compound Annual Growth Rate (CAGR) of approximately 10 percent, reaching \$1,930 billion by 2030.

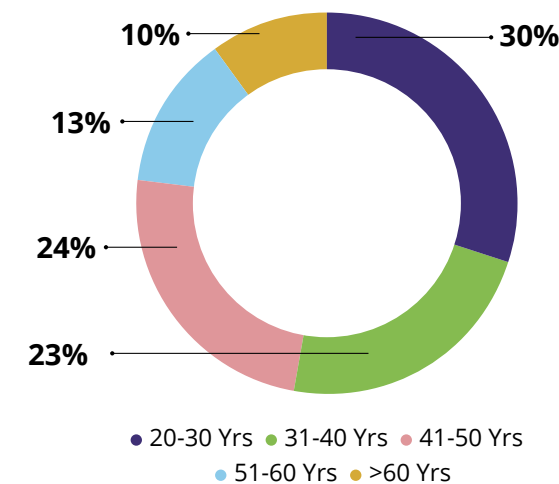
Shiprocket survey

SHIPROCKET conducted an online survey of consumers who are regular shoppers on brand sites as well as marketplaces, and brands operating in the eCommerce segment. The survey covered responses from 1,000 Indian and 500 international shoppers, as well as 500 brands across categories – beauty, lifestyle, fashion, food, FMCG, electronics and others. The idea of surveying both brands and consumers aimed at incorporating perspective of both sides – demand and supply.

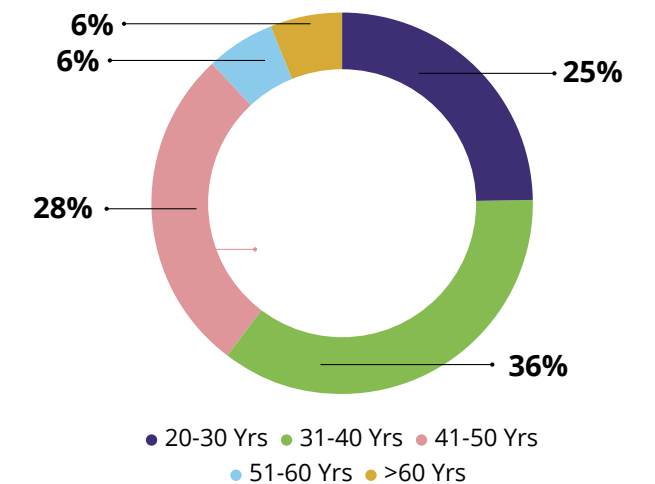
From multinationals to newly launched D2C brands, the survey has a healthy mix of respondents sharing their eCommerce journey citing challenges faced so far, and growing expectations from service providers and enablers to help their business gain a stronghold in time to come. The consumer survey results are focused on specifics of shoppers' behaviour, preferences and expectations in the new age of Indian eCommerce.

The survey findings have been judiciously encapsulated within relevant sections of this report

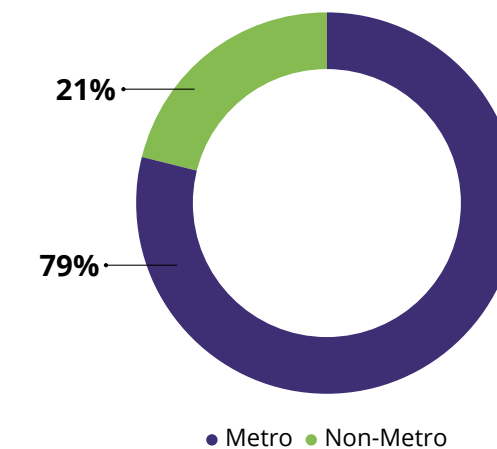
National consumer: Age profile



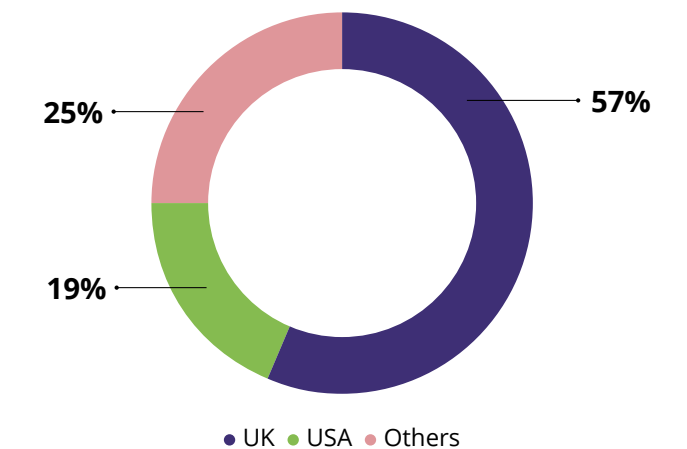
International consumer: Age profile



National consumer: By city type



International consumer: By country



CHAPTER 1

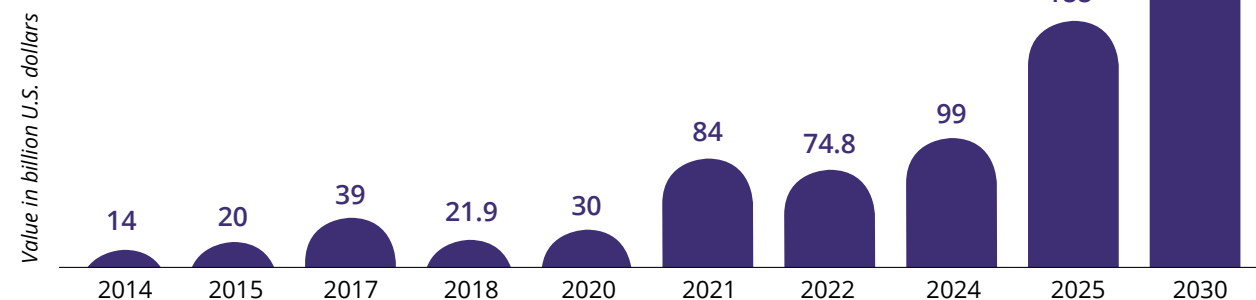
eCommerce Rollercoaster
2020-2023



Indian eCommerce: A growing sector with an edge

- ▶ The Indian eCommerce market is on a growth trajectory, with a market size of \$30 billion in 2020, growth to ~\$75 billion in 2022. Touching \$100 billion the next year, the market is expected to more than treble by 2030, reaching a size of \$350 billion. eCommerce in India is expected to surpass the US to become the second largest eCommerce market in the world by 2034.
- ▶ With over 800 million internet users, the country is currently the second largest internet market in the world and did ~62 billion UPI transactions in 2022. By the end of 2023 year, India is expected to have over 907 million internet users translating into ~64 per cent of the country's total population
- ▶ Owing to the spread of eCommerce in India, we have witnessed a major transformation in the way business is conducted. This has opened up business segments like: Business-to-Business (B2B), Direct-to-Consumer (D2C), Consumer-to-Consumer (C2C) and Consumer-to-Business (C2B). Among these, the segments such as D2C and B2B have experienced immense growth in recent years.
- ▶ It is important to note that the Indian eCommerce sector has directly impacted country's Micro, Small & Medium Enterprises (MSMEs) by providing means of financing, technology and training, and has disrupted overall market.
- ▶ The growth of MSME sector will be primarily driven by factors like growing penetration of internet, digital payments, hyper-local logistics, rise of eCommerce enablers, analytics-driven customer engagement, digital advertisements and expansion of cross-border eCommerce. Owing to the boom in eCommerce sector, the Indian e-retail industry is projected to exceed ~300-350 million shoppers by 2026^{IBEF}

Source: investindia.gov.in



Source: Statista

Growth indicators:

- ▶ Today, eCommerce adoption in India is spread close to 100 per cent pin-codes
- ▶ It is interesting to note that Tier 2 and 3 cities now make up nearly half of all shoppers and contribute three out of every five orders for leading e-retail platforms
- ▶ The average selling price (ASP) in tier 2 and smaller towns is only marginally lower than that in Tier 1 and metro cities
- ▶ Electronics and apparel make up nearly 70 per cent of the eCommerce market in transaction value
- ▶ In 2022, Indian eCommerce and consumer internet companies raised \$15.4 billion in PE/VC funding, 2x increase from \$8.2 billion in 2020

Advent of a new era in Indian eCommerce



Recent developments:

- ▶ India's eCommerce sector receiving \$15 billion of PE/VC investments in 2021 was a 5.4 times increase y-o-y, and remained the highest investment value received by any sector ever in India.

(2021)

- ▶ **January:** Walmart invited Indian sellers to join its US marketplace with an aim of exporting \$10 billion worth of goods from India each year by 2027; Flipkart announced expansion in its grocery services besides offering services to 1,800 Indian cities.
- ▶ **July:** Flipkart announced raising \$3.6 billion in new funding from various sources including sovereign funds, private equities and Walmart (parent company).
- ▶ **September:** CARS24 - India's leading used car eCommerce platform, raised \$450 million in funding that comprised a \$340 million Series F equity round and \$110 million in debt from various financial institutions; Bikayi - a mobile commerce enabler, raised \$10.8 million in a Series A funding round led by Sequoia Capital India.
- ▶ **November:** XPDEL - US-based eCommerce fulfillment and logistics service provider, announced expansion in India.

(2022)

- ▶ **June:** Amazon India signed an MoU with Manipur Handloom & Handicrafts Development Corporation Limited (MHHDC) - a Government of Manipur Enterprise, to support the growth of artisans and weavers across the state.
- ▶ **August:** SHIPROCKET entered the country's unicorn club. SHIPROCKET raised \$33.5 mn in a Series E2 round fresh funding round led by Lightrock India.

Source: IBEF

The unfortunate COVID-19 phase can be credited with opening a new chapter in the Indian eCommerce industry. It created a permanent change in the consumer behaviour with consumers inclined to purchase almost everything online.

In this new age of eCommerce, online shopping has increased significantly in Tier 2 and 3 cities due to the easy availability of internet on cheaper tariffs. This trend provided a push to the warehousing and logistics sector beyond Tier 1 cities.

As of 2020, India had emerged as the eighth largest eCommerce market. Following China and the US, India boasted the third largest online shopper community with 150 million users in FY21 - a number projected to reach 350 million by FY26.

Consequently the smartphone shipment volume reached 150 million units in 2020 and increased to 169 million units in 2021. Furthermore, the shipment of 5G smartphones saw remarkable growth, surging by 555 per cent in 2021, driven by significant consumer demand in the post-lockdown period.

Government support

- ▶ The initiatives by Government of India (GoI) such as Digital India, Make in India, Start-up India, Skill India and Innovation Fund, have been instrumental in shaping the Indian eCommerce.
- ▶ As of November 2022, the Government e-Marketplace (GeM) portal served 12.28 million orders worth ₹334,933 Crores from 5.44 million registered sellers and service providers for 62,247 buyer organisations.
- ▶ **Open Network for Digital Commerce (ONDC)** was incorporated on December 31, 2022 with initial investment from Quality Council of India (QCI) and Protean eGov Technologies Ltd. Department for Promotion of Industry and Internal Trade (DPIIT) will use ONDC to set protocols for cataloguing, vendor discovery and price discovery. The department aims 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 citizen.
- ▶ **October 2020:** Ministry of Commerce and Industry invited Startups to register at public procurement portal, GeM, and offer goods and services to government organisations and PSUs.
- ▶ In order to increase the participation of foreign players in eCommerce, Indian Government hiked the limit of FDI in eCommerce marketplace model to up to 100 per cent (in B2B models).
- ▶ Government of India (GOI) has made heavy investment in rolling out 5G fiber network which will further help boost eCommerce in India.

Source: IBEF



Ecommerce In The New Bharat And It's Future

eCommerce disruptors

Supply chain | Technology | Digital payments unleashed



Supply chain

Supply chain management (SCM) in eCommerce has evolved into a major focus area, especially when it comes to cross border delivery / trade. The trend can also be attributed to the supply chain disruptions experienced in recent times due to geopolitical hurdles. Some key trends expected to improve supply chain ecosystem would include:-

Transparency in supply chain: eCommerce SCMs are now aiming transparency to oversee the status of all the activities – supplies, warehousing, and distribution to ensure comprehensive tracking and management of all processes from procuring to shipping of ordered goods up to the end consumer. Any interruption can then be timely addressed.

Strengthened customer relationships: Effective supply chains are constantly working to improve their on-time deliveries – one of the major expectations of consumers. Its success not only strengthens the customer relationships but also aids the brands to keep an eye on customer requirements. An improved customer relationship helps businesses get feedback and requirements about their products directly from the consumers. This provides a competitive edge as timely adjustments can be made to the changing demands in the market.

Cost reduction: The much improved SCM in eCommerce which includes efficient time and inventory management measures amongst other things that have significantly reduced costs in the supply, and distribution processes, which in turn, has led to higher profits for the stakeholders.

Minimised delivery delays: Thanks to well-equipped and professional enablers as well as technology advancements, the more frequent delays which were a common occurrence pre-Covid have now been streamlined. In addition, the logistic errors in distribution channels which used to massively impact profits have been minimised too.

Scaling omnichannel practices: The well-structured supply chain in eCommerce is facilitating omnichannel engagement that ultimately leads to increased customer engagement on all major platforms.



Technology – Open AI and ChatGPT gaining traction in the field of eCommerce

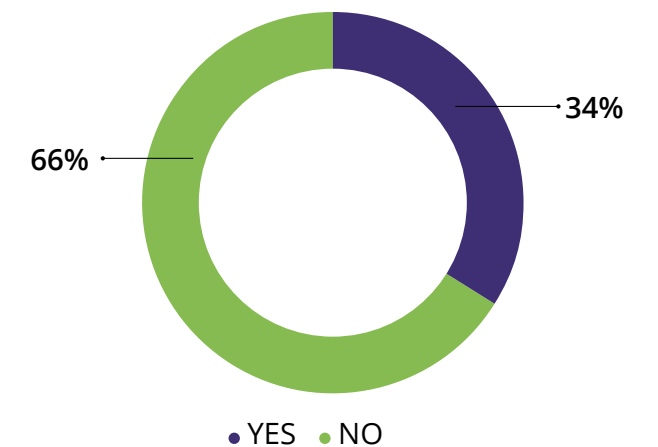
Tech development to boost eCommerce

- ▶ India offers a vast opportunity for OpenAI due to its large population and growing internet user base
- ▶ In Feb 2023, Velocity – an Indian financial technology company, launched the country's first ChatGPT integrated chatbot dubbed as "Lexi". The ChatGPT integration with the **Velocity Insights** will help the eCommerce giants by offering them AI-powered business solutions in a conversational manner
- ▶ Bhashini, a team at Ministry of Electronics and Information Technology (MEITY), is testing the WhatsApp chatbot powered by ChatGPT The Indian Express
- ▶ The Ministry of Electronics and IT have plans to integrate ChatGPT with WhatsApp to help Indian farmers understand and learn about several government schemes
- ▶ Since large datasets of the several local Indian languages need to be created to train the AI chatbot on them, OpenAI announced enhancing ChatGPT with multilingual support for Indian languages, boosting usage of ChatGPT in Indian market Startup News

Use in retail sector

- ▶ The areas of its contribution can include:-
 - Product launch support
 - Customer feedback analysis
 - Competitor analysis
 - Social media engagement
 - Upselling and cross-selling
 - Localisation and language support
 - Trend forecasting

Incorporated open AI & ChatGPT



Source: SHIPROCKET Brands survey

Two-third of brands are yet to incorporate open AI and ChatGPT who will expectantly adopt the technology sooner or later, given its need in present day eCommerce businesses.

ChatGPT rising

- ▶ ChatGPT is now being used by businesses to improve customer experience
- ▶ Some of the Indian companies using ChatGPT:-
 - SHIPROCKET
 - Air India
 - Koo
 - Shop
 - Tata Consultancy Services
 - Trendence
 - Exotel
 - Contentstack

Digital payments unleashed

Prior to demonetisation in 2016, digital payments accounted for 10 per cent of all transactions in the country. Since then the number has doubled.^{NIC} With new age eCommerce, it is bound to gain more market share. Mobile payments have largely contributed in shaping the future of digital payments. Mobile payments are becoming an increasingly popular option for consumers. This trend is expected to continue in the coming years, with projections suggesting that mobile payments will account for a significant percentage of all digital payments by 2025.

- ▶ The government-backed technologies such as UPI, RuPay, DigiLocker, eKYC are:-
 - helping promote digital transactions
 - increasing their adoption in smaller cities
 - driving innovation in this space
- ▶ In the FY22 budget, a ₹1,500 Crores scheme was proposed to financially incentivise digital payments
- ▶ eCommerce to benefit from government initiatives to boost rural broadband penetration within the ambit of Digital India
- ▶ BharatNet – one such program, with an outlay of approximately ₹61,000 Crores is aiming to bring broadband connectivity to India's 250,000 gram panchayats

Source: investindia.gov.in



FIS 2023 Global Payments Report

- ▶ Cash is expected to decline by 34 per cent in transaction value, and digital wallets are expected to rise in transaction value by 88 per cent by 2026
- ▶ The Unified Payments Interface (UPI) helped eCommerce Account-to-Account (A2A) payments grow to \$12 billion – 53 per cent up between 2021 and 2022
- ▶ By 2026, A2A transaction value is expected to grow close to 200 per cent to \$36 billion

Source: *The Hindu Business Line*



Our surveys explored the status of Cash-On-Delivery (COD) in eCommerce amidst increased usage of digital payments.

Ecommerce In The New Bharat And It's Future

CHAPTER 3

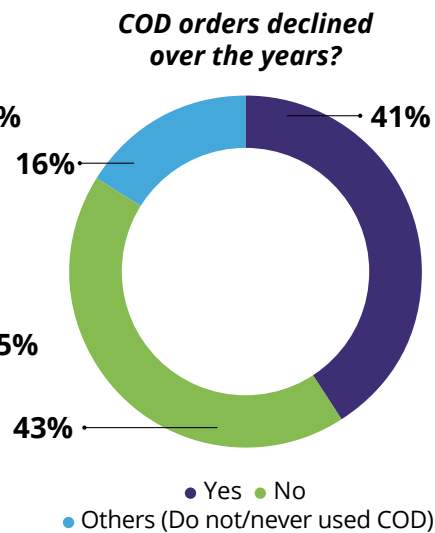
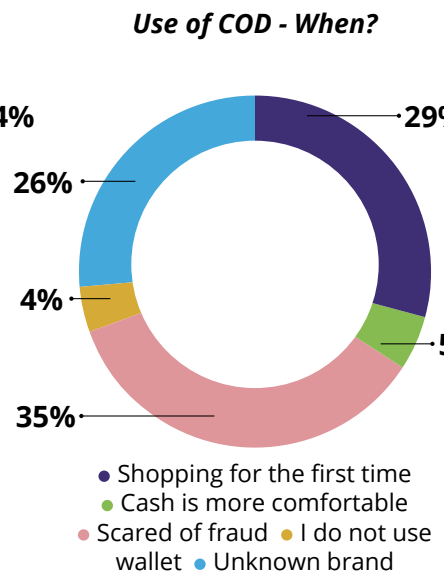
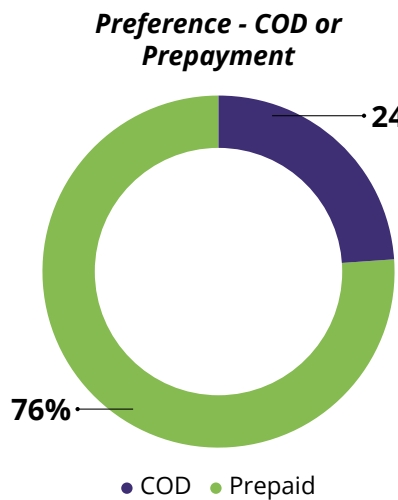
Cash-On-Delivery (COD) insights



Do you opt for prepaying for your orders or do you prefer COD?

Why / when do you prefer using COD as a mode of payment?

Have your COD orders declined over the years?



Source: SHIPROCKET Consumer survey

Source: SHIPROCKET Brands survey

3/4th of Indian consumers prefer to 'prepay' for their online orders

Top most reasons for using COD -
 1. Little over one-third cited 'fear of fraud' for using COD
 2. 29 per cent use it when shopping for the first time
 3. 26 per cent do so while buying from an unknown brand

16 per cent of brands were found not using Cash On Delivery (COD) as a payment option. Almost half of those who use it, agreed to COD orders declining for them over the years while other half disagreed

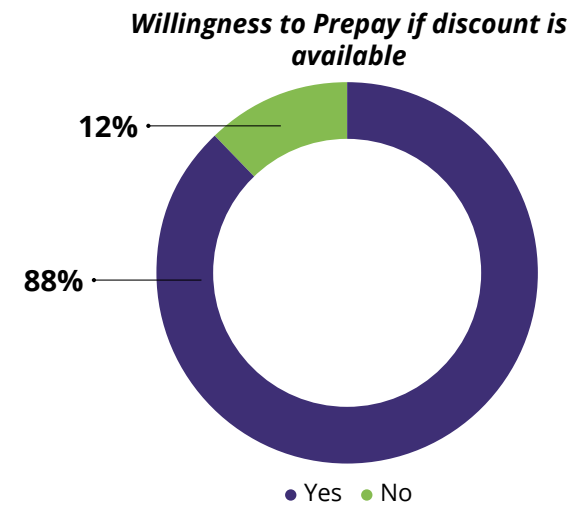
A large number of Indian consumers prepaying for their online orders reflects two key trends -
 1. Increased **Trust** in online shopping, which has become more frequent now
 2. **Non-cash payment methods finding increased usage** among online shoppers

COD is used as a mode of payment when in apprehension. The fear of fraud, first time online shopping and buying an unknown brand (buying the brand for the first time), all represent feeling of ambiguity and/or lack of trust in online shopping.

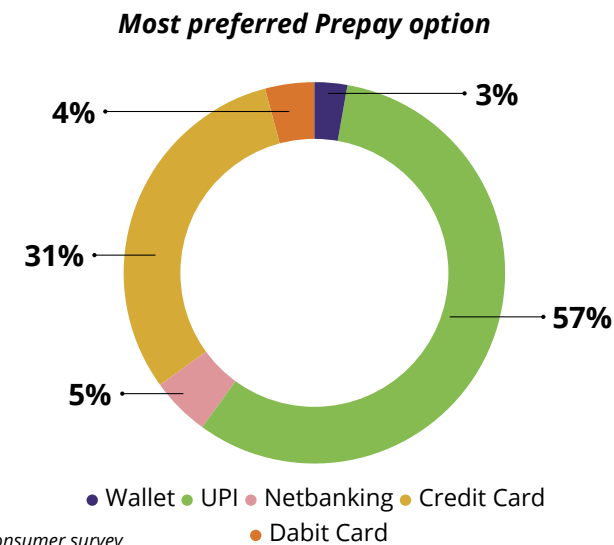
Brands are almost equally split on whether their COD orders have declined over the years or not. Declined or not declined, COD remains in use as one of the payment options.

Are you willing to use prepaid option if the brand is giving you good discounts on your order?

Under prepaid, which is your most preferred option?



Source: SHIPROCKET Consumer survey



The consumer are not averse to switching to 'Prepay' mode of payment for a good discount on their order.

Unified Payments Interface (UPI) emerged as the most preferred 'prepay' option, finding favours with 57 per cent of consumers. 31 per cent consumers prefer credit card; while wallets, netbanking and debit card together are favoured by only 12 per cent consumers



A 'good discount' can be used to convert COD consumer into a 'prepaid' consumer, if required.

We are ushering into the era of UPI.



UPI era

UPI has become one of the most widely used default payment options in India. While cash is still there, increasingly, a majority of peer-to-peer transactions are done using this platform.

UPI reportedly grew 427 per cent in transaction volume between March 2020 and August 2022. Its seamless interoperability across commercial wallets such as Google Pay, Paytm and PhonePe has helped digital wallets grow from 5 per cent POS market share in 2019 to 35 per cent in 2022.

As of January 2023, the number of banks live on UPI has increased to 385, and this number is expected to rise in the upcoming years.

Thanks to technology advancement, the success of UPI in India is changing consumers payment preferences faster than anyone could have predicted. UPI gives consumers the ability to transfer funds without any hassles any time constraints. The success of consumers opting for UPI payments indicate that they are looking for convenience and control at the checkout.

It is driving consumers away from cash and helping to drive financial inclusion all at the same time which includes India catching up on the use of digital payments at world stage.

The development of real-time payment schemes by other central banks – and, critically, the cooperation between those central banks – is also helping to fuel cross-border commerce, providing merchants with a significant opportunity for growth, moving forward.

Source: The Hindu Business Line



Year	Y-o-Y growth in UPI transactions (%)	Transaction value (in ₹)
2017	900	67 billion
2018	246	1.5 trillion
2019	67	2.9 trillion
2020	63	4.3 trillion
2021	72	5.6 trillion

Source: National Informatics Center (NIC)

- ▶ At the end of the CY2022, UPI's total transaction value stood at ₹125.95 trillion - up 1.75 X y-o-y, as per the NPCI. This amount was nearly 86 per cent of India's GDP in FY22.
- ▶ At the end of the CY2023, UPI's total transaction volume stands on ₹83.75 Billion.

NPCI: National Payment Corporation of India

Ecommerce In The New Bharat And It's Future

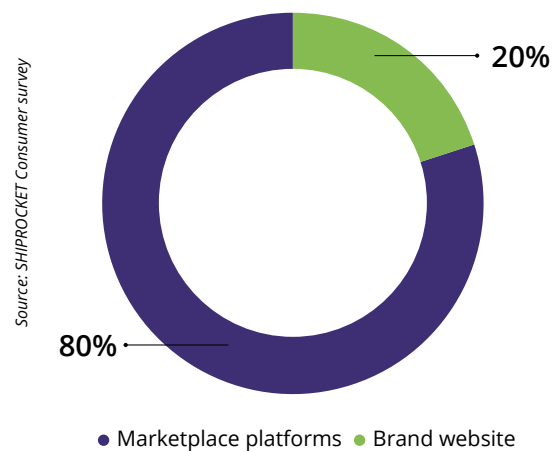
Consumer *behaviour & expectations*



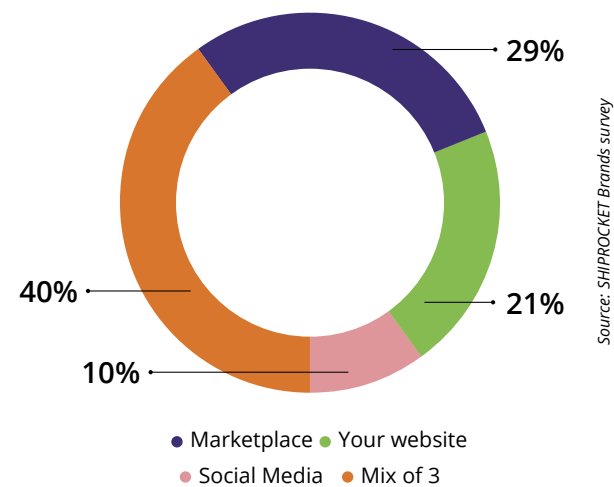
Do you prefer shopping from marketplaces or the brand websites?

What is your most prominent sales channel?

Shopping preference - marketplace v/s brand website



Most preferred sales channel for brands



Consumers shopping preference from marketplaces like Amazon, Flipkart etc. far outweighs shopping from brands' websites

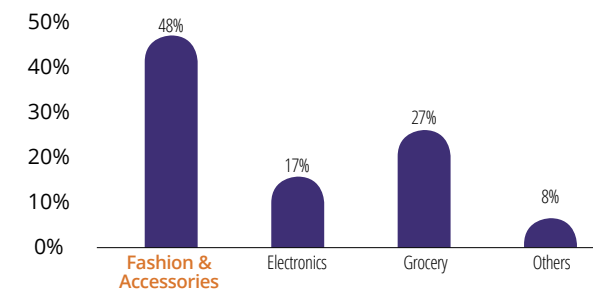
29 per cent and 21 per cent brands picked up marketplaces and their own websites respectively, as their most prominent sales channel. However, a larger share of 40 per cent brands gave thumbs up to all channels combined together.

Marketplaces emerged as the most preferred channel within eCommerce: as shopping channel for consumers to buy, and sales channel for brands to sell their products and services. Although share of responses in favour of brand websites remain similar in both cases, it is interesting to know that largest share of brands prefer mix of all available channels.

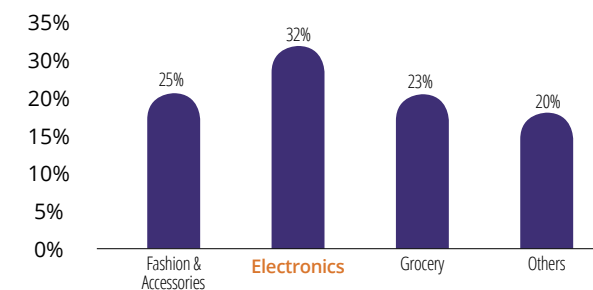


Category you shop the most online?

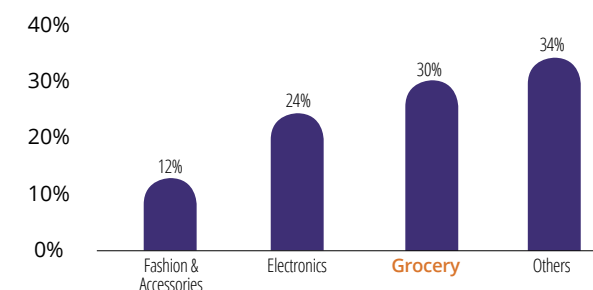
%age of national consumers who ranked these categories no. 1



%age of national consumers who ranked these categories no. 2



%age of national consumers who ranked these categories no. 3

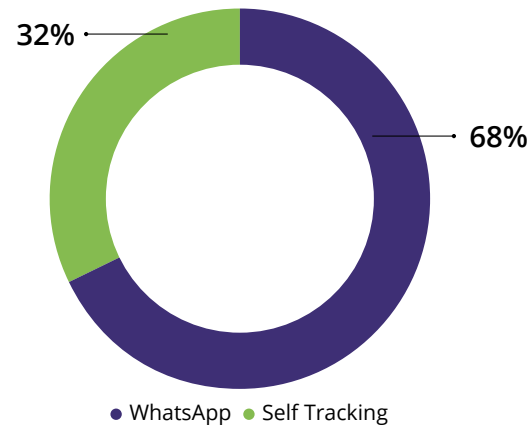


Consumers were asked to rank their most shopped category online. The top 3 ranked categories consumers picked are fashion & accessories, electronics and grocery, in the same order.

Do you prefer WhatsApp updates for your eCommerce orders or to check the status on the platform / app?

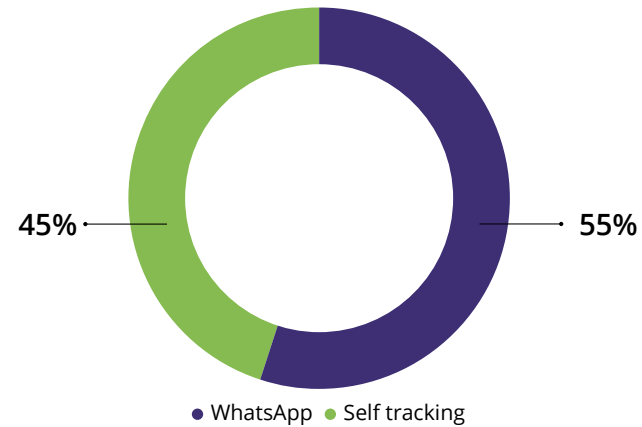
Source: SHIPROCKET Consumer survey

Preference - WhatsApp updates or self track for eCommerce orders



2/3rd of national consumers rely on WhatsApp for tracking their online order status

Preference - WhatsApp updates or self track for eCommerce orders (internationally)



55 per cent of International consumers also prefer to have WhatsApp updates on the status of their order

Both national and international consumers prefer to have an **update** rather **make-an-effort** to track the order status.

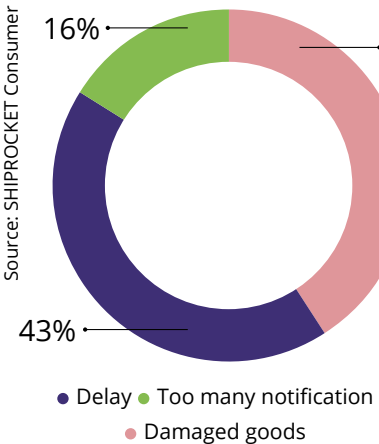


Most annoying delivery experience

Would you opt for a premium subscription for early delivery of a product?

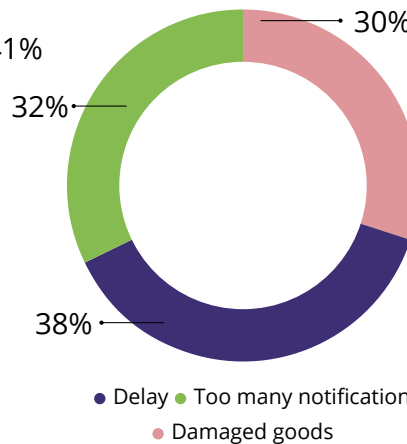
Source: SHIPROCKET Consumer survey

Most annoying delivery experience



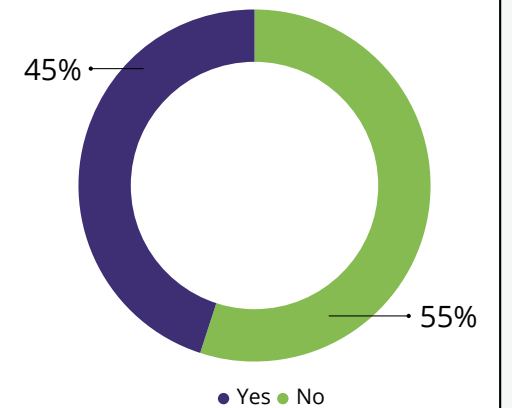
A **'delayed delivery'** annoys Indian consumer the most; almost equal number of consumers also get put off when delivered **'damaged goods'**

Most annoying delivery experience (internationally)



Second only to **'delayed delivery'** the **'too many notifications'** annoys the international consumers the most, with **'damaged goods'** following closely

Opt for premium subscription for early delivery?



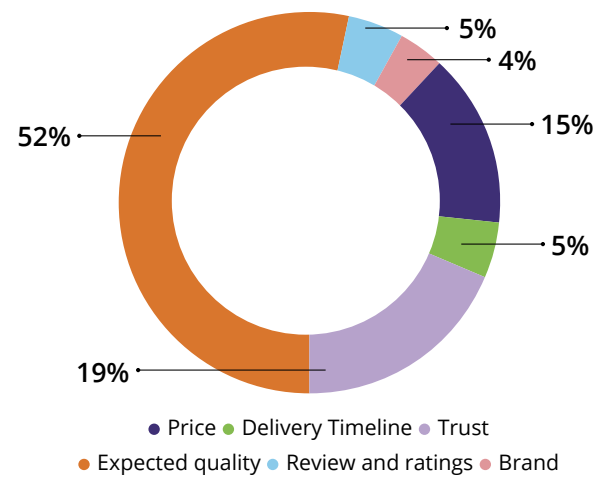
Despite confessing annoyance over **'delayed delivery'** a larger share of Indian consumers would still not pay for a early delivery, while 45 per cent consumers would

Although international consumer prefers to have an **update** on order status, the frequent, repetitive and multiple notifications via different communication (overdoing) can be an irritant to them. Brands must be judicious and reasonable in notifying the order status to its customers.

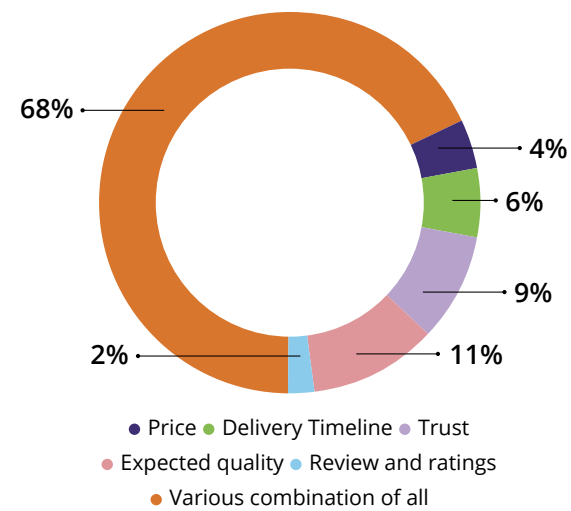
Reservation to pay extra for early delivery reflects the consumer's expectation from brands to make uncompromised **'timely delivery'** - brand's obvious service obligation, deemed as **'a given'**.

Your most basic expectation from any online shopping website?

Most basic expectation from any online shopping website



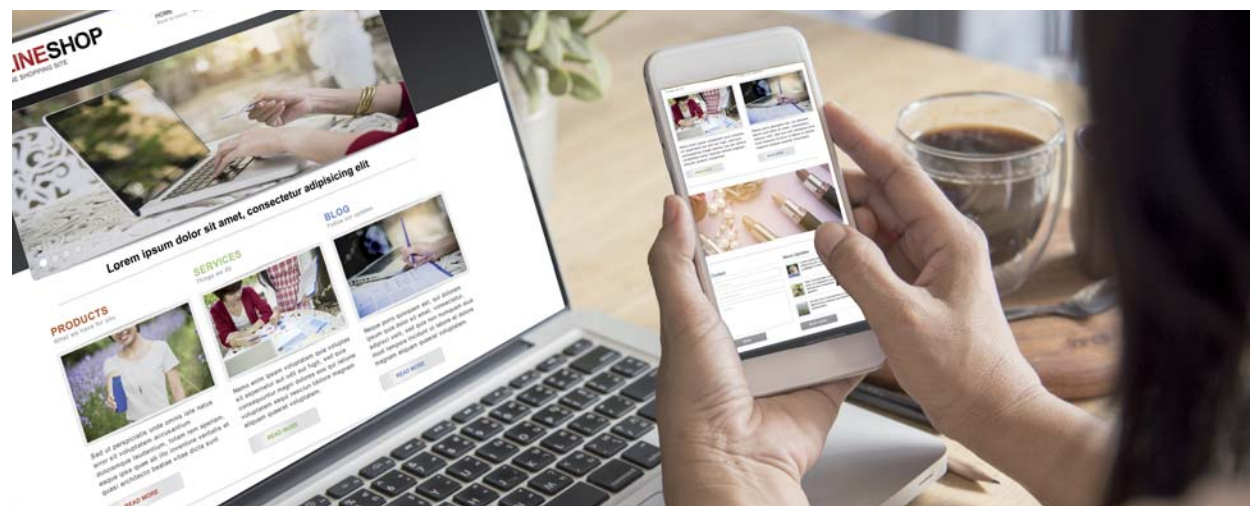
Most basic expectation from any online shopping website (Internationally)



More than half of Indian consumers surveyed cited **'expected quality'** as their most basic expectation from any online shopping site; trust and price stood second and third, respectively

International consumers' most basic expectation is majorly a combination of all the factors asked though **'expected quality' still remains the most preferred as a single choice**

Quality standards applicable to the site, products it sells, and services it provides, together comprise the 'Expected Quality' aspect. Brands must focus on these areas to cultivate consumer's trust and loyalty.



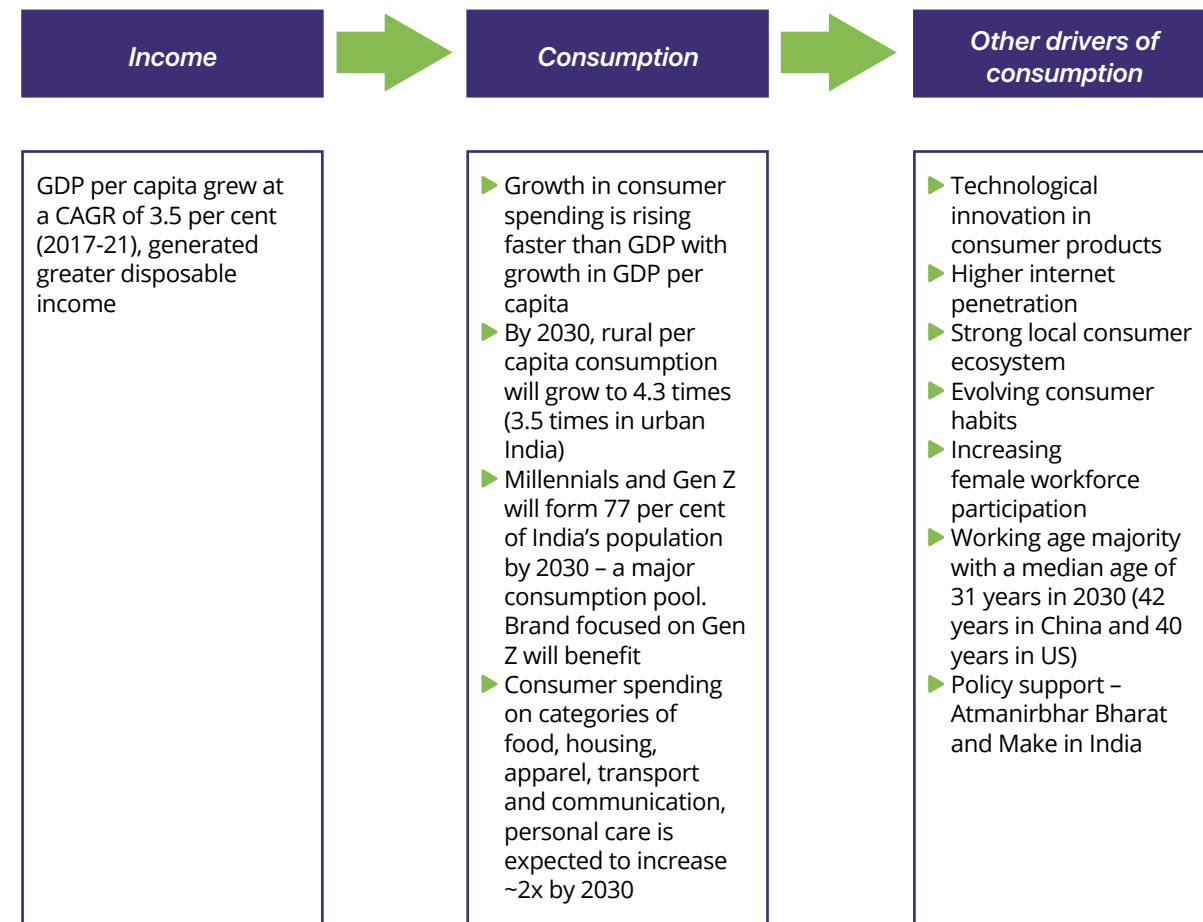
Ecommerce In The New Bharat And It's Future

Consumer *remains the King*



India's consumption power and future ahead

Consumer spending is expected to be >\$4 trillion by 2030, growing at a CAGR of ~10 per cent owing to a massive domestic consumer expenditure and consumption market



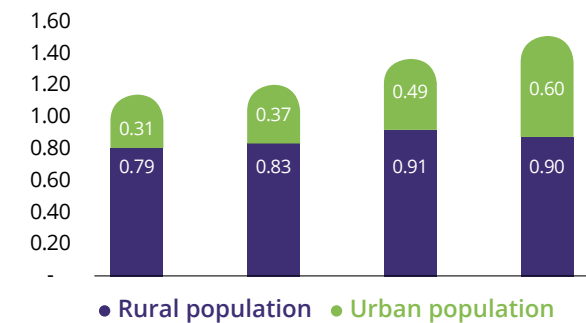
Middle class and urbanisation will drive consumption in the market

From 62 per cent in 2021 to 78 per cent in 2030, India's middle class will swell up and 40 per cent of Indian population will be urbanized – both will be the key demographic drivers of the higher domestic consumption

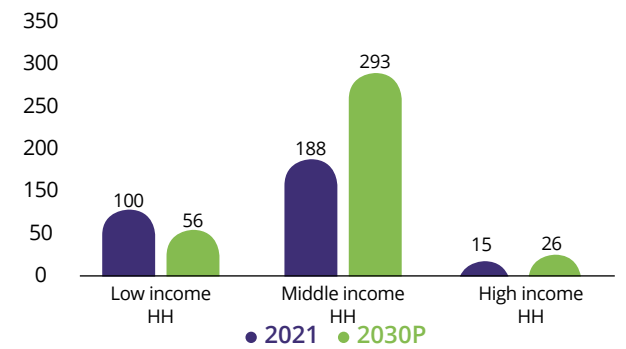
Urbanisation rate in India – 40 per cent Indians will be urban Indian by 2030

~18 per cent population will move up the income strata from low income leading to higher domestic consumption

Rural and urban population (in billion)



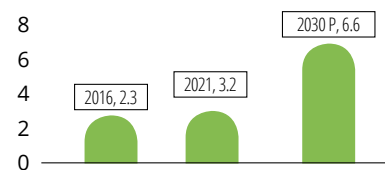
Income wise households (in million) projection



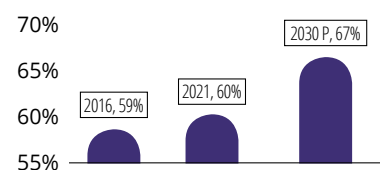
Source: SHIPROCKET | P: Projection



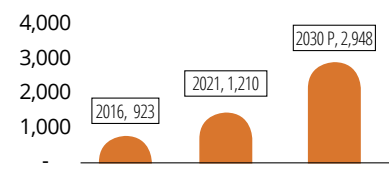
India's GDP (in \$ trillion)



Consumer spending as % of GDP



Consumer spending per capita (in \$)

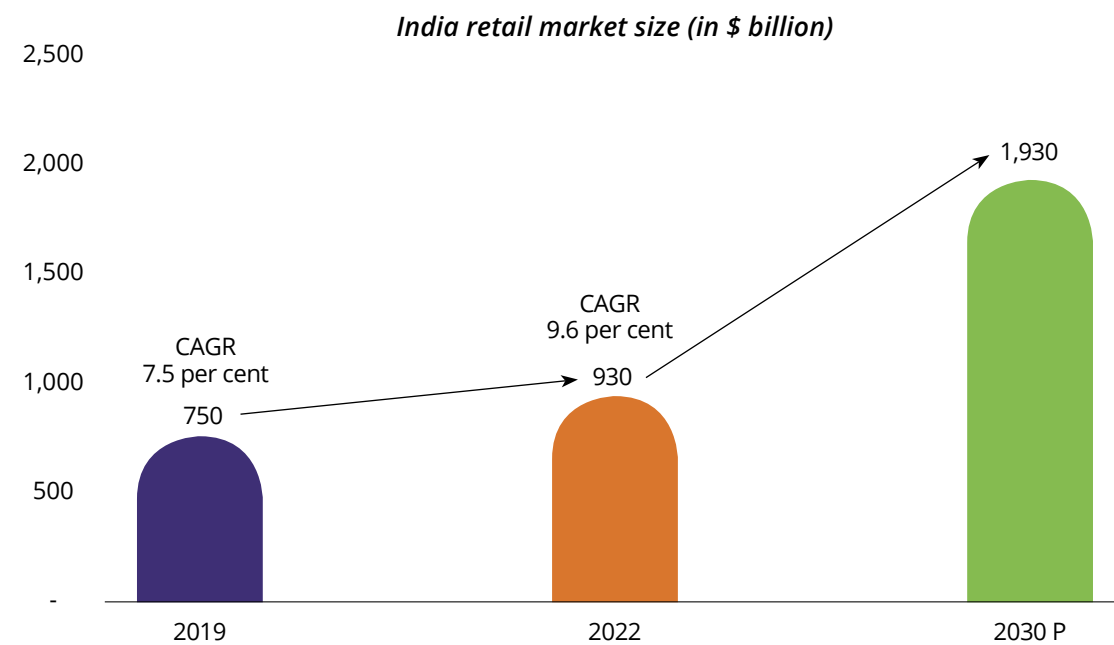


Source: SHIPROCKET | P: Projection

Indian retail market

The Indian retail industry plays a pivotal role in driving India's economy. It contributes 10 per cent to the country's GDP and generates employment for 8 per cent of the population. The retail sector has witnessed remarkable growth in recent past, propelled by factors such as increasing urbanisation, a rise in disposable income, expanding eCommerce, improved logistics, increase in product offerings, and digital accessibility for rural consumers. Presently, India is among the top five retail markets and is expected to be the world's

third largest consumer market by 2030, trailing only behind China and the US. This growth upswing demonstrates the immense potential and a promising future of the Indian retail sector. As the country continues to develop and embrace technological advancements, and make efforts to enhance infrastructure and consumer reach, the Indian retail industry is poised for further expansion, cementing its position as a key driver of economic growth.



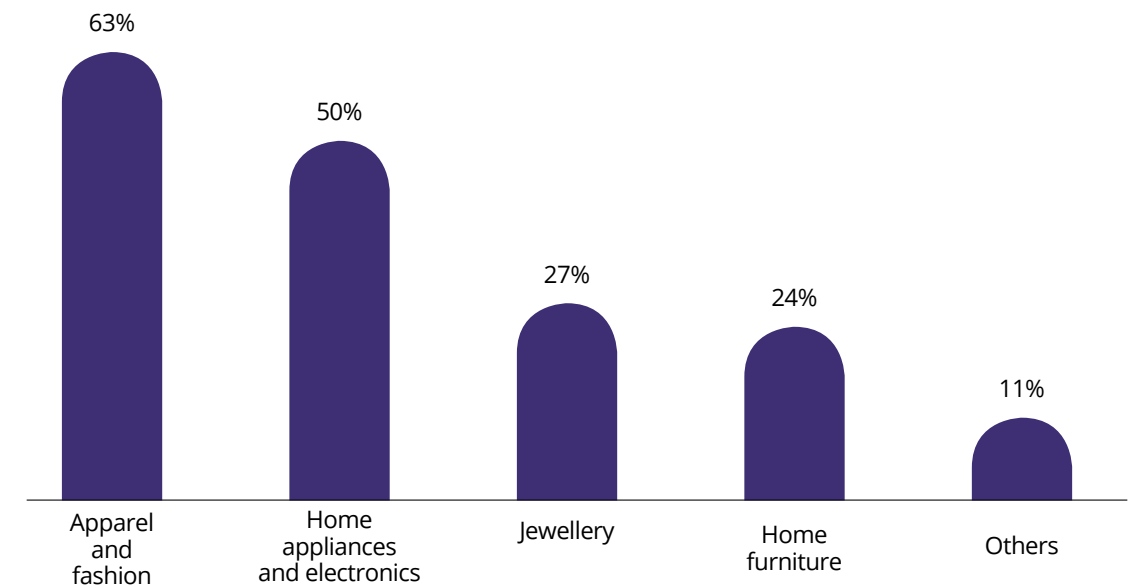
Source: SHIPROCKET | P: Projection



Societal and cultural influence on consumer

In India, societal and cultural factors significantly influence the economic and retail landscape. Festive occasions fuel consumer spending, boosting both traditional retail and e-commerce sales.

Preferred categories for festive shopping (2021)



Consumer traction and brand initiatives for festivals

- ▶ There are 700+ festivals celebrated in India and consumers consider festivals to be auspicious occasions for purchases
- ▶ Retailers/brands offer discounts/incentives during the festival season to drive higher purchases

Impact on sales

- ▶ eCommerce platforms experienced significant growth, generating a turnover of > ₹76,000 Crores (Sep 22 – Oct 22)
- ▶ The retail sector generated ₹1.25 Lakh Crores in revenue
- ▶ Q3 (Oct 22 – Dec 22) observed the highest sales for most retail brands

Tapping the potential of Cross-border logistics

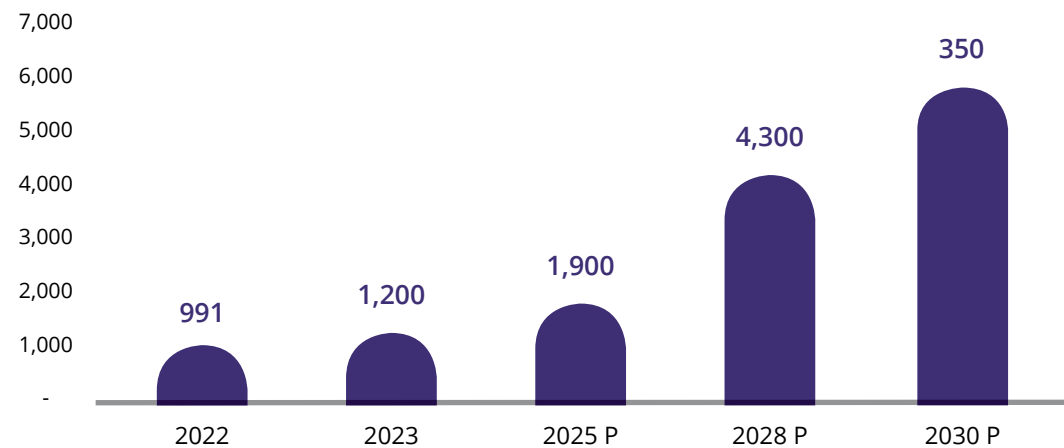


Cross-border logistics

Cross-border logistics forms an integral section of the supply chain. The primary focus is on efficient flow of products as they pass through different countries. Along with providing transportation services, the other prominent feature is to facilitate compliance with legal and tax regulations and this is important as products are shipped across international borders.

Global eCommerce overview

Projected global B2C market size (\$ billion)

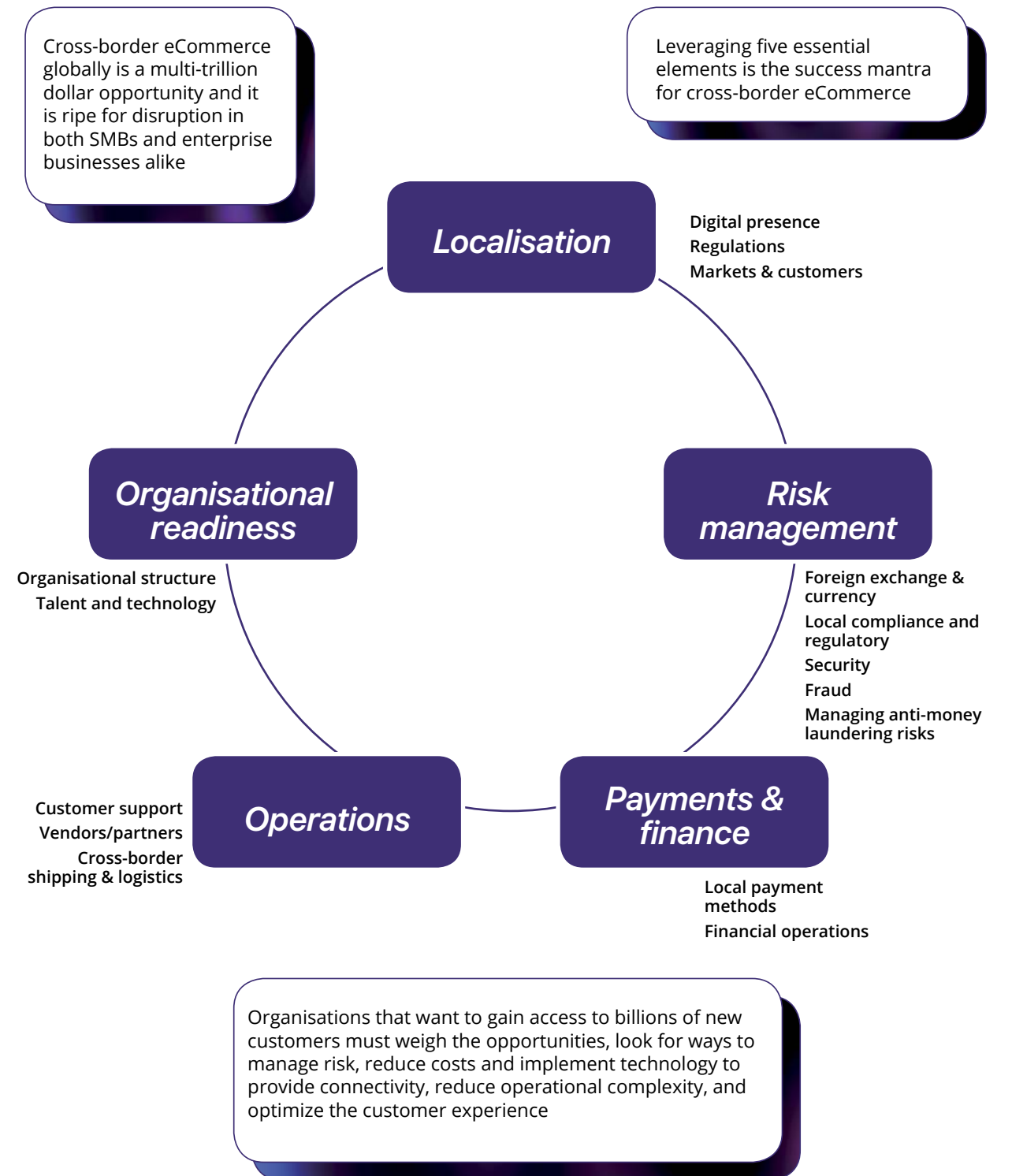


Global Market

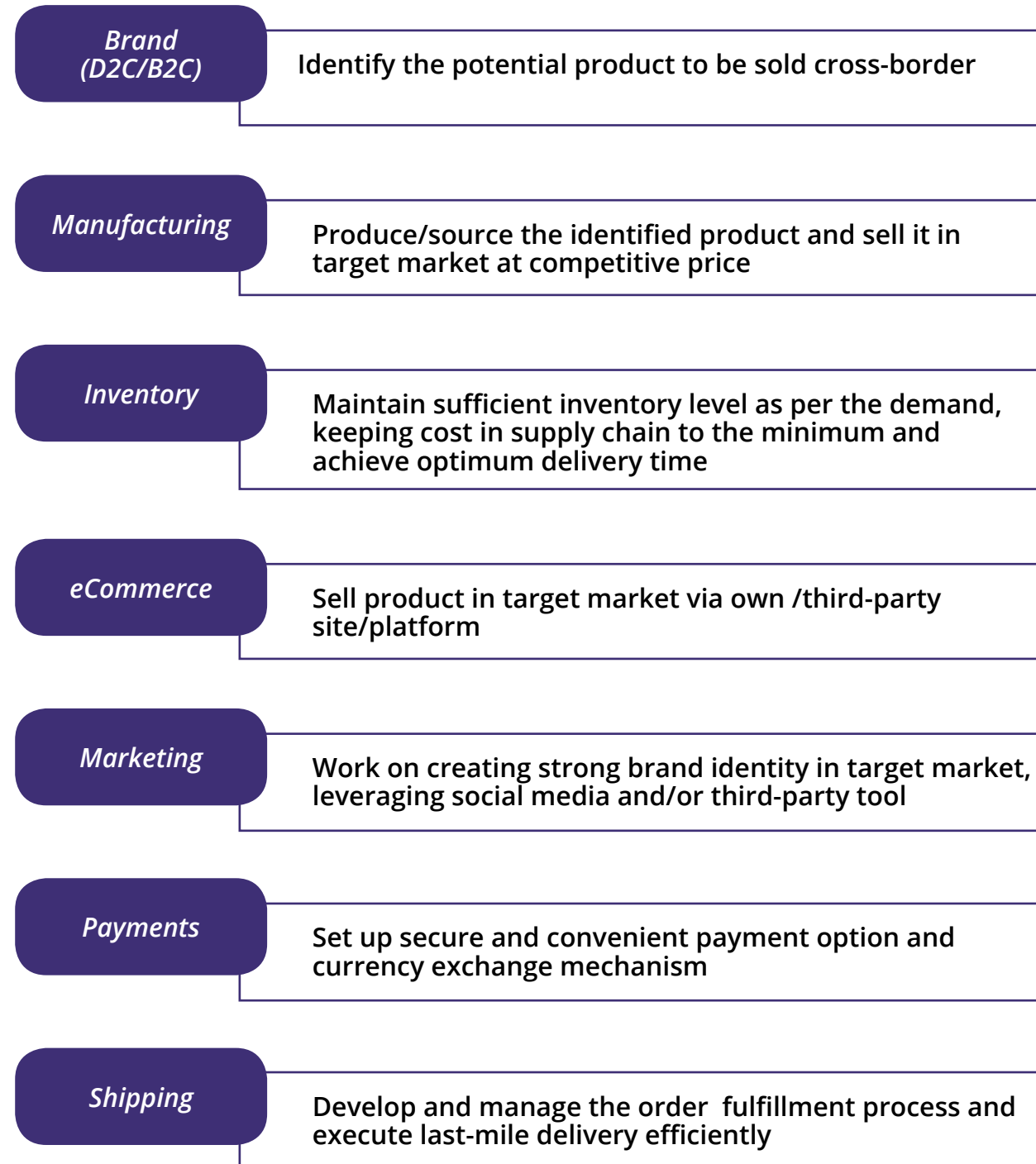
- ▶ Global B2C eCommerce market to grow to \$5.9 trillion by 2030 at a CAGR of 25 per cent (2022-30)
- ▶ Share of Cross-border eCommerce in global eCommerce market is 22 per cent



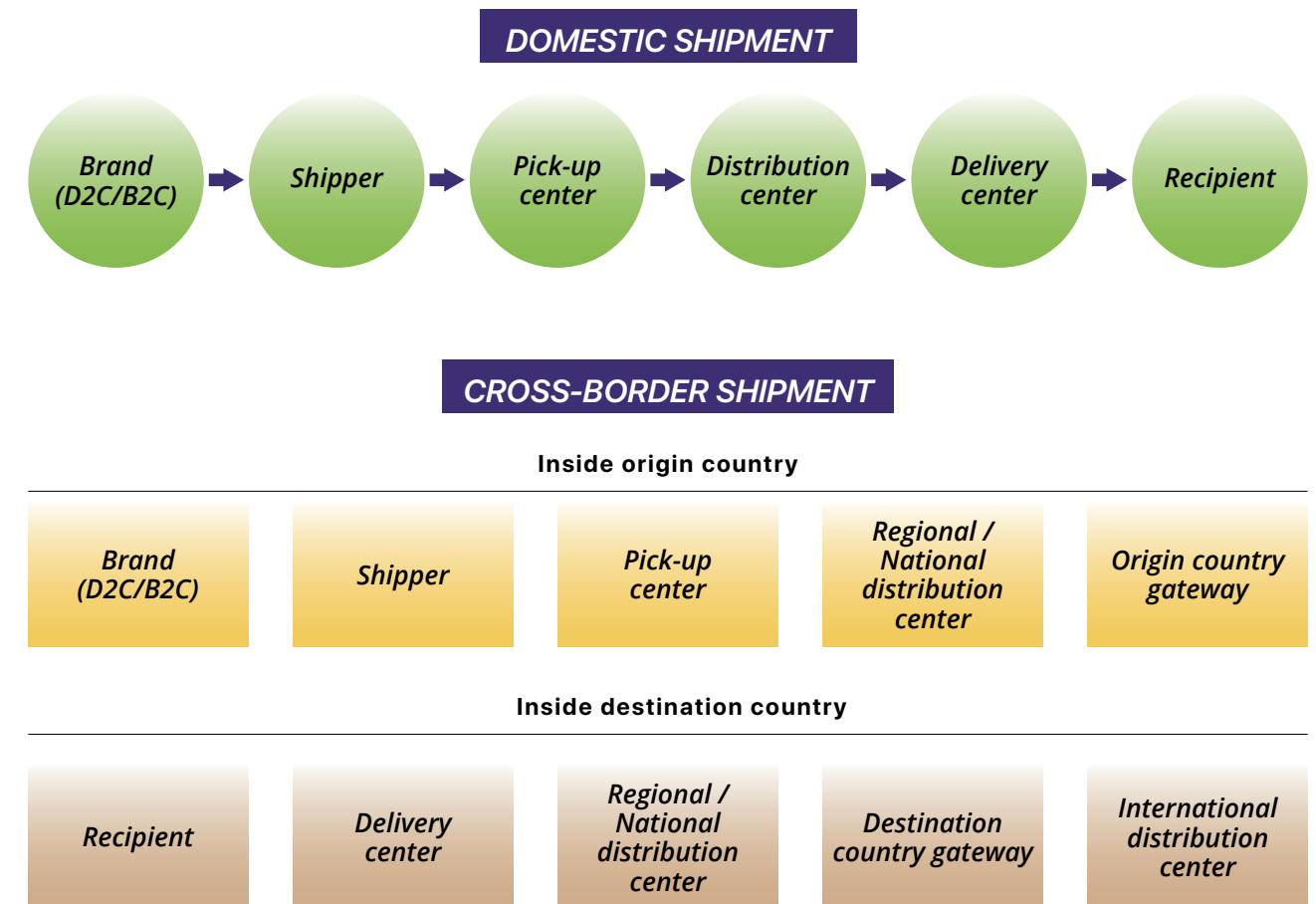
Elements of cross-border eCommerce



Cross-border eCommerce value chain



Domestic v/s cross-border shipment model

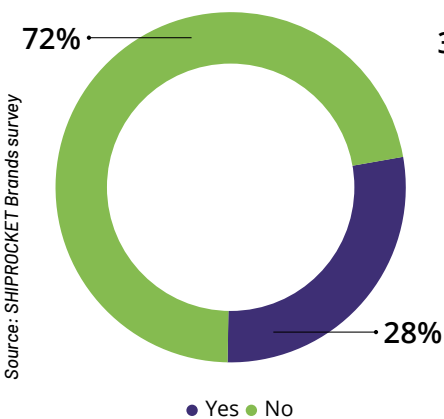


Are you selling internationally?

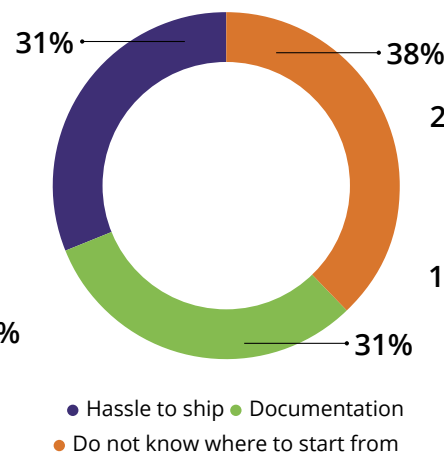
Why not selling internationally?

Which country is your right market?

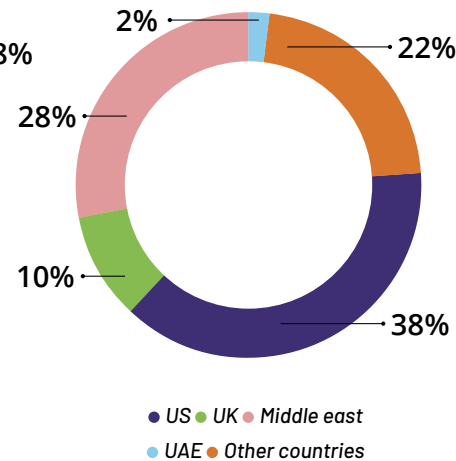
Selling internationally?



Why not selling internationally?



Right market for the brands



72 per cent of the surveyed brands do not sell internationally

On asking the reason for not going international, 38 per cent brands do not know how to go about it, while rest remained equally divided between 'hassle to ship' and 'documentation'

USA emerged as the most appropriate market for the brands to go international, followed by Middle Eastern region

Cross-border eCommerce is going to be a huge market for Indian brands and companies as large number of them are yet to cross borders

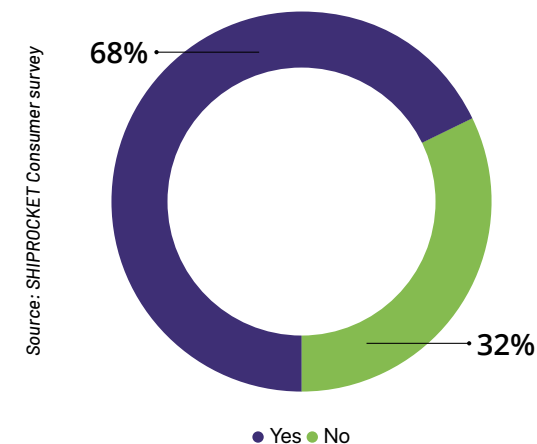
Those who do not know 'how-to-go-about-it' will require relevant consultants, and those who face shipping hassle will require services of shipping enablers - fomenting and fuelling a support system economy for eCommerce sector

USA, India's biggest trading partner, is also the most favoured international market for eCommerce brands. The improved bilateral and trading relations with global superpower will not only give boost to Indian eCommerce sector but also provide key learning on cross-border trade

Do you shop for Indian products abroad?

What is the most common and preferred medium for you to shop for Indian products abroad?

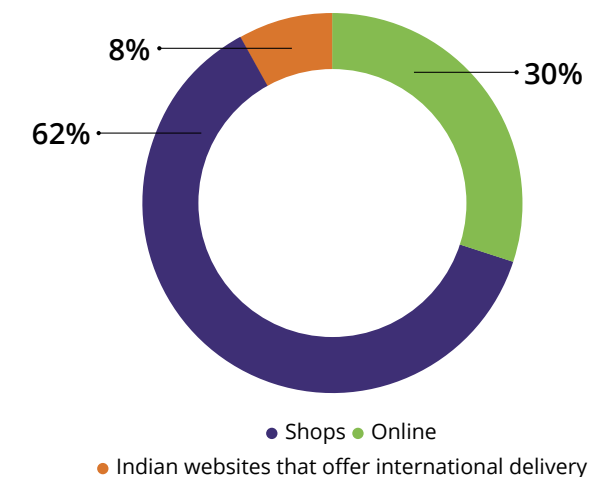
Do you shop for Indian products abroad? (Internationally)



2/3rd of international consumers shop for Indian products abroad

Indian products stay in-demand even in international market owing to large number of Indians staying abroad. With them, they also carry their Indian consumption habits and liking for Indian products to foreign land. When Indian brands start penetrating overseas markets they will have ready market for their products.

Most common & preferred medium of shopping Indian products abroad (Internationally)



62 per cent international shoppers prefer shops (offline channel) for shopping Indian products abroad. A good one-fifth of those who prefer to buy online, prefers to buy from an Indian website offering international delivery

The fact that Indian products abroad are largely being bought either from shops or Indian websites offering international delivery, indicates that international consumer prefers a trusted and authentic source for good quality Indian products. In shops, the touch and feel of Indian products can assure the consumers of their authenticity while in case of online purchase, 'Indian' website will do that.

Government initiatives to promote cross-border trade

- ▶ To achieve a target of \$2 trillion in exports by 2030, the Indian government launched a **new Foreign Trade Policy** in March 2023. The policy will enable businesses to buy and sell products internationally without domestic transactions.
- ▶ The government has also planned to establish dedicated eCommerce hubs. Additionally they have also increased the value limit of courier assignments to ₹10 lakh per assignment which was earlier restricted to the limit of ₹5 lakh.
- ▶ Canara Bank, in partnership with NPCI Bharat BillPay Ltd. (NBBL), has **launched Cross Border Inward Bill Payment** services for Indians residing in Oman (Middle East). This is the first time a public sector bank in India is offering inbound cross-border bill payments through BBPS. Similarly, the Musandam Exchange became the first exchange house in Oman to go live with cross-border inbound bill payments, providing Indians in Oman with a secure and convenient payment option for services back home.
- ▶ The **“Districts as Export Hubs”** programme, designed to boost India’s export sector by identifying products with export potential in each district of the country, aims at promoting local manufacturing and export-oriented businesses by addressing bottlenecks that hinder exports, and supporting them with necessary resources and infrastructure.
- ▶ The RBI has extended the **Interest Equalisation Scheme** for pre and post-shipment rupee credit for MSME exporters until March 2024 to enhance outbound shipments. The scheme provides subsidies to exporters for pre and post-shipment Rupee Export Credit.



Cross-border challenges and solutions

Language, currency and cultural divide

- ▶ A standalone site with plugin translation software can address the language barrier
- ▶ Upload items to a local marketplace and let that distributor localise the brand and products for the company
- ▶ A localised (or multilingual) global website customised with copy, images, product selection and a shopping cart specific to each region’s language, currency and culture

Marketing in a market one doesn’t understand

- ▶ Consider consumer drivers – climate, regional holidays and events, cultural attitudes, political sensitivities etc.
- ▶ Check out the competition’s strategy
- ▶ Collect leads, invest in creating audience segments and conduct A/B testing, and utilise social media effectively as it knows no borders

Pricing complexity

- ▶ Understand the guaranteed landing cost (including currency conversions, shipping costs, customs, taxes and other such costs) before Delivered Duty Paid (DDP)
- ▶ Take help of duty and tax-quoting technology to calculate total landed cost based on the product and destination country
- ▶ Hire a partner with product classification service, who also owns customs brokers

Customer returns

- ▶ Better personalised digital experience can help cut down goods returns as it generates customers who make sure purchases
- ▶ Use AR tools allowing customers to see products digitally before buying
- ▶ Partner with a delivery firm that is equipped and experienced for international returns

Logistics challenges in cross-border eCommerce

Multicarrier handoffs and border delays make managing logistics of cross-border eCommerce probably the biggest challenge, especially when it is required to serve three key purpose –

- Tracking orders
- Determining liabilities for in-trade goods
- Meeting promised delivery timeframes

Cross-border eCommerce businesses have two options:

Cross-border shipping or **localised fulfillment**, in order to handle international logistics complexity. **Cross-border** is shipping from an international location involving significantly more paperwork than a local shipment. The **localised fulfillment** is where inventory is stocked within regions included in the cross-border strategy, and shipped to customers domestically from those facilities. This helps to reduce international complications.

Solution

- ▶ Go for technology with **multi-carrier software platforms** that allow the companies to scale operations and achieve last-mile delivery efficiency
- ▶ Ally with a local logistics partner who can prepare the package for export, become the exporter of record and assume risks
- ▶ Benefit from partner's experience in regard to service levels and International Commercial Terms (incoterms) including Delivered Duty Paid (DDP), to minimise cart abandonment



Logistics challenges in cross-border eCommerce

Multicarrier software platforms

These platforms, often referred to as logistics control towers, offer valuable assistance to companies in selecting suitable shipping partners, planning optimal routes, and preparing parcels for export. Additionally, they transfer the responsibility of exporter of record and liability elements to third parties. Moreover, these platforms can also encompass the management of international commercial terms, such as Delivered Duty Paid (DDP), which proves beneficial in reducing basket abandonment and preventing unexpected customer charges upon delivery.

Other considerations which may assist companies in facing logistics challenges:

- ▶ Flexibility and resilience are essential characteristics for supply chains. Being able to adapt and adjust in real-time is crucial to address changes in international trade flows, navigate through new regulations, cope with the impacts of disruptions like COVID-19, manage the effects of climate change, handle trade tensions, and respond to other geopolitical movements effectively.
- ▶ The effective utilization of technology can aid in reducing operating costs. It also offers a comprehensive visibility across the entire supply chain thus unlocking localized customer experiences on a global scale.
- ▶ Capability to adapt to digital operations and drive actionable improvements from data is also important
- ▶ International logistics networks need to be highly responsive to meet the growing demands of customers. This also includes providing features like end-to-end order tracking and accommodating in-flight delivery changes.
- ▶ Leveraging collaboration and supplier partnerships proves to be a successful approach in effectively handling cross-border complexity by harnessing specialized software and expertise.



Disruptions in logistics and its impact

India's logistics market is estimated at \$435.43 billion in 2023 and predicted to reach \$650.52 billion by 2028, rising at a CAGR of 8.36 per cent - Research and Markets

India's eCommerce logistics industry expects total shipments reaching 4 billion in FY23, and will exceed 10 billion shipments by FY28 at a minimum CAGR of 20 per cent - Red Seer Strategy Consultants

Since the start of the pandemic, supply chain disruptions have been impacting consumer behaviour globally, and in India too. In 2022, India was amongst the three top countries where supply chain disruptions were found to be most prevalent among both in-store and online shoppers, Australia and the US being the other two countries.

Any disruption in supply chains directly drive inflation impacting shopping behaviour. Although consumers may not specifically identify supply chain disruption as the reason behind their shopping woes, the unpredictable flow of goods can be keenly felt.

According to a PwC consumer survey report 2023, product being out of stock and being given longer than reasonable delivery time are among the major issues faced by online shoppers in last quarter of 2022.

Over a third of the respondents (34 per cent) said to have faced significant unavailability of their favourite foods/groceries (globally 22 per cent)

Consumers may take a range of actions to overcome the supply chain woes such as:-

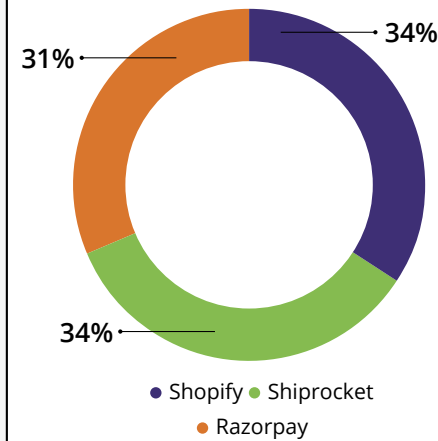
- ▶ changing the brand of product they buy
- ▶ discontinue the product they use regularly
- ▶ switching stores or sites
- ▶ spending more on alternative products
- ▶ shopping at multiple sites to meet their needs
- ▶ using comparison sites to look for availability

An able and competent logistics partner can make a difference. Partners with relevant and customised offerings for eCommerce brands are well-positioned to capture market share as well as have a stronger yield profile going forward

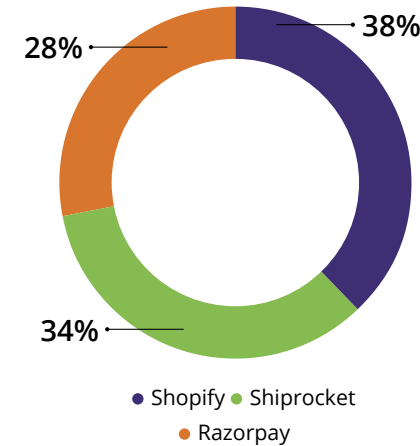
eCommerce enablers in India

An eCommerce Enabler helps the eCommerce business to go global from local

Why not selling internationally?



SHIPROCKET, as an enabler, was ranked among top three by the surveyed brands



Individually, logistics (38 per cent) and ease of customer service (34 per cent) are two key areas in which Brands want Enablers to come up with a revolutionary technology. Rest want in both

TECH ENABLER	PAYMENTS	LOGISTICS	MARKET PLACE
Shiprocket	Razorpay	Shiprocket	amazon
Vinculum™ Sell Anywhere, Faster.	paytm	Ecom Express	Alibaba
unicommerce	instamojo	DELHIVERY	ebay
zepo	MobiKwik	XPRESSBEES	Etsy
SelluSeller	Cashfree Payments	Shyplite	wish
Ezyslips.com By Shipway	airpay	iThink Logistics	Veepee
primaseller	PhonePe	Shipamax	Cnova
SCALE LABS	BharatPe	Locus	mercado libre
ASSIDUUS™	PayGlocal™	BLACKBUCK	frugo

Source: Inc42, list covers few



Logistics partners play crucial role

What makes a logistics partner a good partner?

As our world becomes increasingly global, cross-border eCommerce will increasingly become the norm for shoppers across the world.

Companies need to do their due diligence and invest in early planning.

A seamless cross-border sales strategy can broaden company's client base, increase sales and heighten global awareness of its brand.

To accomplish these goals, companies must engage a reliable shipping partner

Area of expertise

Partner's area of expertise – transportation, warehousing, distribution, shipping or receiving, must match with client's business needs

Safety measures

Equally important is partner's safety and security measures in regard to the goods shipped under his supervision; risk covered too

Speed and technology

Partner must be capable to deliver fast and on-time, and in this age of technology, must have technology-driven systems and processes

Knowledge and experience

Relevant experience of destination countries and knowledge of local factors helps the client a lot

Coverage

For cross-border logistics, the area partner covers internationally becomes of utmost importance

Cost-effective

In the end, it all boils down to the costs involved in shipping and partnership; calculate ROI



Ecommerce In The New Bharat And It's Future

New beacons of online retail

Omnichannel | Sustainability | Rise in D2C retail



Omnichannel has been a key milestone in the evolution of eCommerce

Indian phygital market opportunity will be worth \$1 trillion by 2030 with omnichannel, at its core, is projected to reach \$55 billion in 2027 from current \$11 billion^{Inc42}

The omnichannel experience entails combining all available channels into one seamless experience for consumers. As for retailers, it extends an opportunity to provide increased consumer interaction and revenue. Omnichannel further facilitates key and insightful data collection from consumers which can then be used to create customised offering. All this together culminates into an increase in customer satisfaction.

The omnichannel rise via its online component, has contributed significantly in developing retail markets in tier 2 and 3 cities in India as well.

Why Omnichannel is unique?

Criteria	Single channel	Multichannel	Omnichannel
What is it?	Sale of products and services only through a single channel	Sale of products and services through multiple channels, not integrated though	Sale of products and services happen through multiple channels which are fully integrated with each other
What options are available in the channel?	It features minimum and limited number of options in regard to purchases, communication with customer and tracking orders	Although it exhibits more options but due to non-integrated nature, it lacks consistency across channels	It offers more options, with a consistent and seamless experience across all channels –experience being the key hallmark of omnichannel
What all channels are involved?	Either store or website	Store, website, mobile app (not connected with each other)	Store, website, mobile app (all connected with each other)
How is data shared across channels?	No data sharing	Data is channel-specific	Unified data can be shared across channels for providing seamless experience
How is inventory managed?	There is only one channel to manage, hence easy	Due to involvement of multiple non-integrated channels, inventory managed becomes complex	Since channels are integrated a single centralized inventory is made available across all the channels, simplifying its management too

Major factors driving India's omnichannel growth

Omnichannel growth drivers

- ▶ Increased internet penetration in the country produced increased internet users too, and with increased usage of smart mobile phones, the online shopping got a major boost. When online channels got converged with offline channels, it made even more convenient for consumers to embrace omnichannel wholeheartedly.
- ▶ Corporate retail brands like Reliance and Tata, and many other retail brands too have been expanding their offline as well as online presence, inspiring many new entrants in end-consumer businesses to opt for a multichannel approach and eventually achieve omnichannel status.
- ▶ Earlier, online shopping was devoid of touch and feel factor especially in case of fashion and lifestyle products. The omnichannel's Buy Online Pick In-Store (BOPIS) option builds trust factor when customer can know the product, he saw online, better in-store. Similarly, product bought online can be returned in-store adding consumer's confidence in online shopping.
- ▶ Omnichannel began with selective categories but with advent of retail tech, eCommerce enablers, dark stores and varied delivery models, other categories like food delivery and groceries also got added thereby validating adoption of omnichannel across categories.
- ▶ Over last few decades Indian retail market has evolved into a more mature industry as reflected by rise of eCommerce, conceptualisation of new business and delivery models, growth in number of retail formats. This also aided innovation in retail, called omnichannel.
- ▶ Last but not the least, omnichannel is the best option for consumer-on-the-run who is not only short of time to shop in stores/malls but also wants a seamless shopping experience which is also unified across channels.



Sustainability in eCommerce

Sustainable eCommerce market is projected to surpass \$40.75 billion by 2030 at a CAGR of 15.38 per cent from 2023 to 2030. The technological innovations will help eCommerce companies bring sustainable practices in the sector GlobeNewswire

As the sustainable eCommerce market continually evolves, businesses and consumers are seen being sensitive towards sustainability. To maintain a competitive advantage amidst the emerging competition, it is crucial for businesses and investors to gain a comprehensive understanding of the industry's dynamics.

eCommerce players need to continuously work and focus on three key areas to achieve their sustainability goals

Supply chain & logistics

- ▶ Reduce carbon footprint
- ▶ Save fossil fuel and power
- ▶ Maximise use of renewable energy
- ▶ Manage goods shipping & returns sustainably
- ▶ Leverage innovative eco-friendly technologies

Product & packaging

- ▶ Increase use of biodegradable ingredients
- ▶ Explore sustainable packaging options
- ▶ Reuse and recycle packaging material
- ▶ Adopt circular economy approach

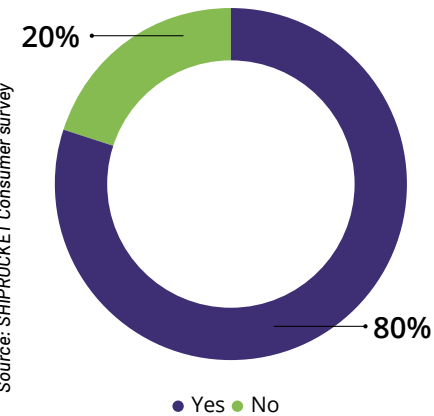
Compliance & CSR

- ▶ Regulatory framework
- ▶ Ethical business practices
- ▶ Environment-friendly operations
- ▶ Compliance to local laws
- ▶ Create consumer awareness



Does the sustainability of the product guide your purchase decision?

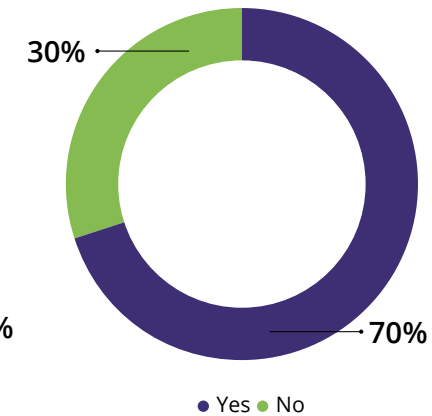
Purchase decision guided by sustainability of product?



Source: SHIPROCKET Consumer survey

Indian online consumer is largely sustainability-conscious; 80 per cent claimed so

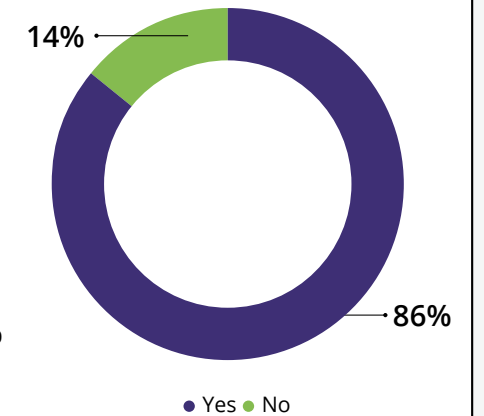
Purchase decision guided by sustainability of product (Internationally)?



70 per cent International consumers also concur with Indian consumers on Sustainability

Do you believe in sustainable packaging?

Believe in sustainable packaging?



86 per cent of brands believe in sustainable packaging, scoring even higher than consumers

One of the most sold categories online, **fashion is already switching to sustainable fashion.** The companies are taking numerous initiatives, exploring new ways and raw materials to churn out long-lasting fashion products, with **fashion consumers also embracing sustainable concepts such as quiet fashion, fluid fashion and gorpcore** to contribute to the cause in their own way.



Sustainable packaging options for eCommerce brands -

- Recyclable boxes, shopping bags, inner packaging materials, wraps, paper, twine, labels and stickers
- Biodegradable air pillows and bubble wraps
- Plantable packaging
- Mycelium (root of mushroom)-based packaging
- Compostable packaging, among others

eCommerce companies / brands using sustainable packaging - Amazon, Flipkart, Patagonia, Gucci, Pela, Allbirds, Estee Lauder, IKEA, Veja and many more

A revolution called D2C

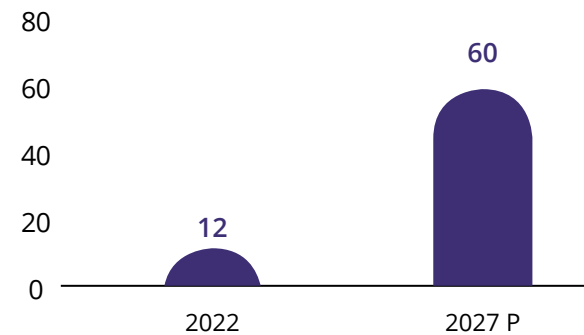
Direct-to-consumer (D2C) brands are making waves and revolutionising Indian retail, making its presence felt in eCommerce ecosystem. This has brought about a major change in how a customer buys products online. The innovations in D2C segment, seen presently, is the outcome of India's internet reaching the remotest of areas including small towns and villages, and making the customers digitally-savvy. Across the categories of food, fashion, beauty, health, electronics and even education, the D2C brands are not only emerging fast but growing too.

Indian D2C market is expected to grow 5x from \$12 billion in 2022 to \$60 billion by 2027, registering a growth rate of ~40 per cent. This market comprises seven key categories – personal care, apparel & footwear, grocery & gourmet, jewellery, electronics, health care, home décor, household supplies and garden supplies.

Indian D2C total addressable market opportunity is poised to cross \$300 billion by 2030, growing at a CAGR of 24 per cent through present decade (2021-2030)

This is an exciting time for D2C brands in India. An analysis of D2C brands spanning across 6 categories reveals that each brand took at an average 4 years to cross ₹100 Crores revenue, with brands in personal care and electronics categories taking even lesser time of 3 years.

Indian D2C market (US\$ billion)



Direct to customer implies new age brands selling products and services directly to customers without any middlemen

Opportunities for D2C brands in India

The growing Indian consumption and its eCommerce juggernaut are together creating immense opportunities for D2C brands in the country. As internet continues to penetrate deeper among 1.4 billion people, the eCommerce penetration is expected to reach approximately 15 per cent in next 4-5 years, adding 200 million plus more online shoppers during this tenure. The changing consumer behaviour is also a great catalyst in fuelling expansion of D2C channel which provides increased comfort of online shopping. As a key shift in their behaviour, the consumers are opening up more to experimentation with new brands and niche categories, and are even willing to pay a premium for in-demand and quality products. This has encouraged D2C brands to increase Stock Keeping Units (SKUs) portfolio in their common inventory so that experimentation with niche categories, which legacy brands end up ignoring, can be provided to their consumers. At the same time, increased availability of enablers encompassing website building, logistics and supply chain, payments, marketing etc. is also helping D2C segment evolve into an industry in itself.

Advantage D2C

- ▶ D2C brands, due to their direct connect with customers, are relatively better positioned to offer personalised experience to them.
- ▶ D2C businesses operate on data collection and insights on consumer preferences and behaviour. This enables them to tailor their products and services according to consumer demand, resulting in a deeper connect with them. This connect translates into increased engagement and loyalty.
- ▶ The direct connect with customers help D2C brands receive their feedback on the products. This helps them in improving formulations, packaging and overall product offering.
- ▶ D2C channel is flexible yet controls the entire journey of customer preferences – from product development to delivery.
- ▶ Business wise, by cutting out margins/commissions of middlemen D2C channel yields higher profits, which is passed on to the customers in the form of better prices.
- ▶ The brands are quick to understand online trends, making them more agile in identifying and developing new growth segments.
- ▶ Strong digital marketing capabilities, product and packaging aligned with eCommerce supply chain, and better understanding of eCommerce algorithms while positioning their products in organic searches, are few other additional edges that D2C brands command.

What non-D2C brands are missing

- ▶ Unlike D2C brands non-D2C brands lack direct connect with customers which may dilute customer experience. This can force customers to switch brands.
- ▶ Owing to same disconnect, product offering may neither be improved nor tailor-made to the needs and preferences of the consumers.
- ▶ Since non-D2C brands have to rely on intermediaries such as retailers and distributors more, they may, at times, have to compromise with their values and priorities. This can affect the brand's product quality, pricing and positioning.
- ▶ No data wealth and insights on consumer preferences of non-D2C brands mean inability to target the right consumer.



D2C startup funding

There are 346 funded D2C brands in India, of which 3 are Unicorns and 8 are Soonicorns.

During Q2, 2022, funding in D2C brands increased 195 per cent compared to Q1, 2021. The segments which raised major part of funding are FMCG, fashion, home décor and consumer electronics.

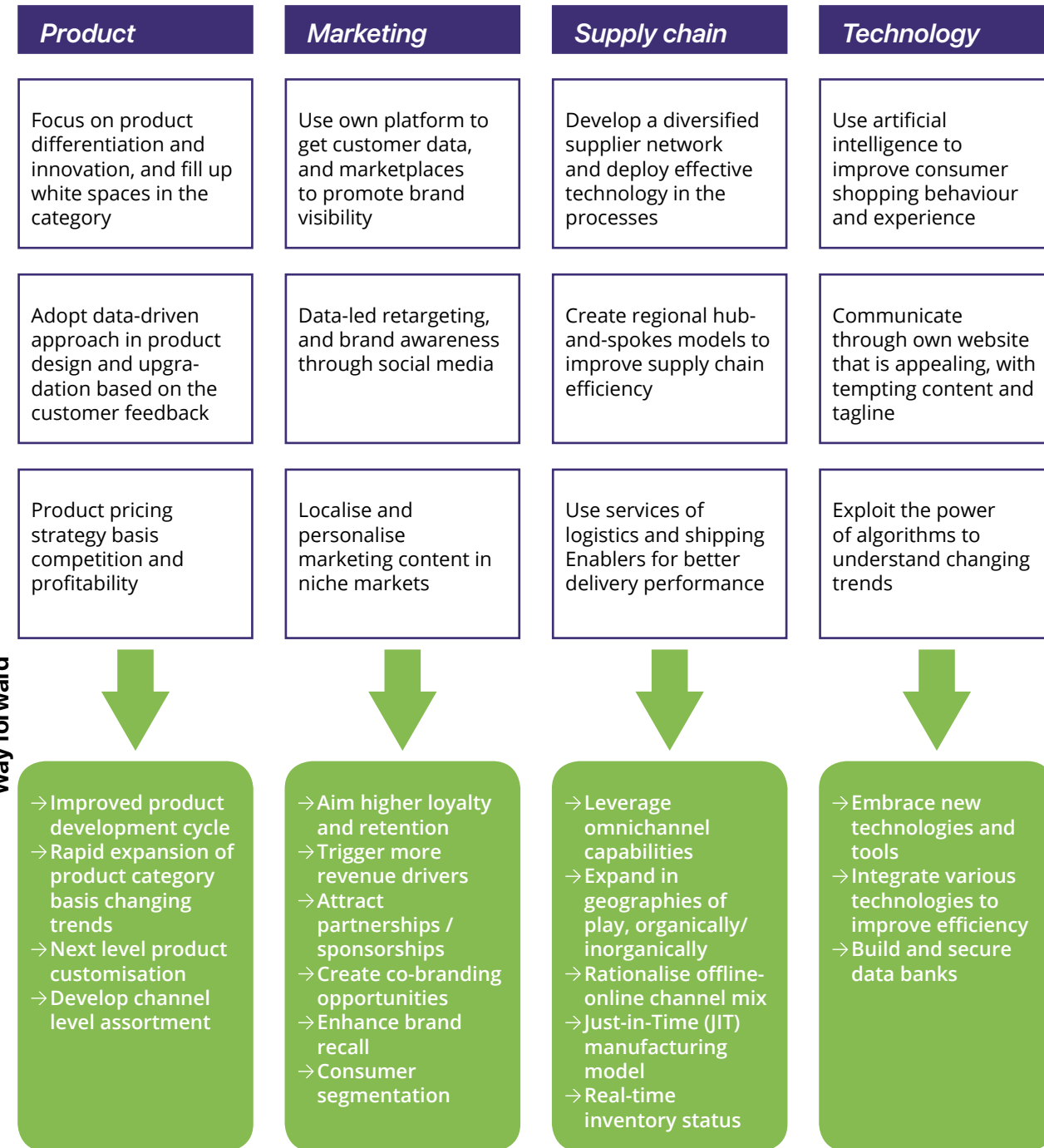
Segment	Funding	No. of Startups funded	Trends observed
FMCG	\$2.1 billion	192+	<ul style="list-style-type: none"> → Subscription & personalisation models are on rise → Natural & toxic-free product offering has increased → Brands are providing more tech-enabled buying experiences → Transparency in product offering is in demand
Fashion	\$1.5 billion	>103	<ul style="list-style-type: none"> → Brands are being increasingly endorsed by celebrities → There is a major shift toward customised offerings → Quirky & fashionable designs are in vogue
Home décor and CE	\$563 and 139 million, respectively	More than 19 and 6, respectively	<p>Home décor</p> <ul style="list-style-type: none"> → Consumers are seeking sustainable products, and preferences are shifting to health-aiding and ergonomic designs <p>CE</p> <ul style="list-style-type: none"> → Affordability to own devices has increased → Demands for electronics rising in Tier 2 and 3 markets

Barriers to growth of D2C channel

- ▶ **Legacy brands and marketplaces pose stiff competition:** Legacy brands enjoy the power of strong distribution network which penetrates deep down into the semi-urban and rural areas which D2C brands are yet to access. The price range and discounts offered on marketplaces make them another major competition for D2C brands.
- ▶ **Product differentiation and personalisation:** D2C brands have either limitation or need to put extra efforts in personalising customer experience. They are also at the risk of their product ending up being an overlooked commodity.
- ▶ **High customer acquisition cost (CAC):** Those who chose to be on marketplace for higher visibility have to pay high marketing costs and commission to eCommerce platforms, escalating their CAC.
- ▶ **Low customer retention:** Despite high CAC, the customers may still shift their loyalty in a market crowded by numerous brands.
- ▶ **Challenges in logistics:** The logistics of D2C brands becomes a complicated issue when dealing with multiple third-party partners. The situation becomes even more challenging with high Return-to-Origin (RTO) rate especially in instances of COD. Add to that, connectivity issues in non-metro cities and smaller towns with poor infrastructure also increase logistics challenges.



Best practices in the segment and way forward



Ecommerce In The New Bharat And It's Future

ONDC – *The game changer*



What is ONDC?

The Open Network for Digital Commerce (ONDC) is an initiative launched by the Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry. ONDC operates as an open protocol-based network, facilitating local commerce across various sectors like mobility, grocery, food order and delivery, hotel booking, travel etc. As an open protocol network, ONDC is accessible to any network-enabled application, promoting inclusivity. The primary goal of ONDC as a platform is to generate new opportunities and counter digital monopolies. By providing support to Micro, Small, and Medium Enterprises (MSMEs) and small traders, ONDC assists them in accessing online platforms and this has revolutionised eCommerce in India to an extent. To oversee the design and accelerate the adoption of ONDC, the government has established a nine-member advisory council, which includes prominent figures like Nandan Nilekani from Infosys and R S Sharma, the CEO of the National Health Authority.

Key features of ONDC

Open network

ONDC, a UPI of eCommerce, seeks to democratise digital or electronic commerce, moving it from a platform-centric model to an open-network. It aims at promoting open networks developed on open-sourced methodology, using open specifications and open network protocols independent of any specific platform.

Level playing field

It aims to create a level playing field for eCommerce behemoths such as Amazon, Flipkart, as well as offline traders who needs protection from unfair trade practices of large e-tailers. Through ONDC, merchants are able to save their data to build credit history and reach consumers. ONDC enables sellers and buyers to be digitally visible and transact through an open network, regardless of what platform or application they use. It also empower merchants and consumers by breaking silos to form a single network driving innovation and scale, transforming all businesses from retail goods, food to mobility.

Data confidentiality and privacy

The platform is IT Act, 2000-compliant and also designed for compliance with the emerging Personal Data Protection Bill. ONDC takes all measures to ensure confidentiality and privacy of data in the network. ONDC does not mandate sharing of any transaction-level data by participants, instead works with them to publish anonymised aggregate metrics on network performance without compromising on confidentiality and privacy.

Digitalisation

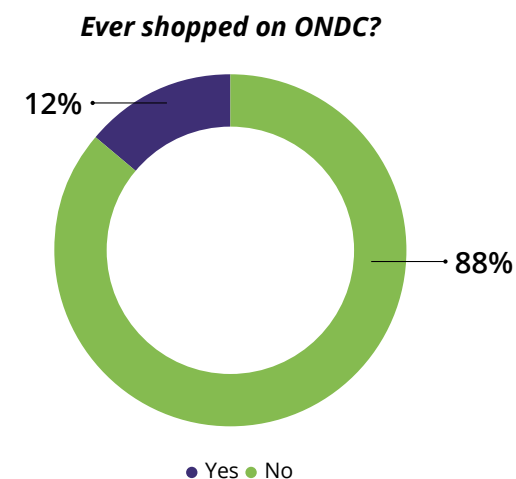
It is expected to digitise the entire value chain, standardise operations, promote inclusion of suppliers, derive efficiencies in logistics and enhance value for consumers.

ONDC juggernaut

- ▶ A Global Data report in May warned of a price war that ONDC platform may trigger once it matches the technological and service capabilities of companies like Amazon, Flipkart, Swiggy, Zomato, and others, seeing ONDC gaining critical mass with more customers and vendors signing up for the platform
- ▶ By mid-June 23 within nine weeks of its joining ONDC, hyperlocal eCommerce firm Magicpin recorded 50 per cent m-o-m growth when it crossed 30,000 daily order mark on the platform; Magicpin is also building a SaaS platform for ONDC initiative
- ▶ As of May 23, ONDC has expanded its operations into ~240 cities in the country, while adding >36,000 merchants
- ▶ ONDC has launched mobility operations in 2 south Indian cities and is in talks with cab operators to launch in at least 4 more cities
- ▶ 55,000 taxi cab owners are already in the network, and consumers using it for about 35,000 rides a day
- ▶ ONDC aims to raise eCommerce penetration in the next two years to 25 per cent of India's consumer purchases, from nearly 8 per cent now, in a country of 1.4 billion people
- ▶ The state-run Indian postal service, which has a network of nearly 160,000 post offices, will also join the ONDC network to provide logistics services to small traders across the country

Source: SHIPROCKET Consumer survey

Have you shopped on ONDC?



ONDC marketing must target end-consumers in India and engage them going forward, as 88 per cent are yet to shop on the platform

Do you understand what ONDC is?

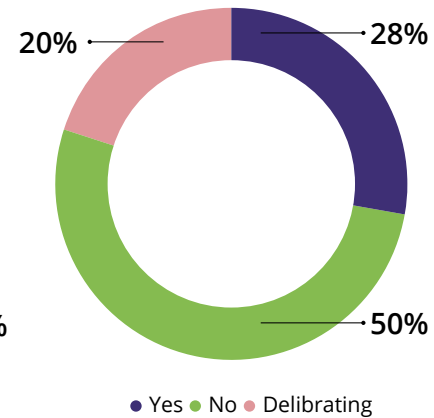
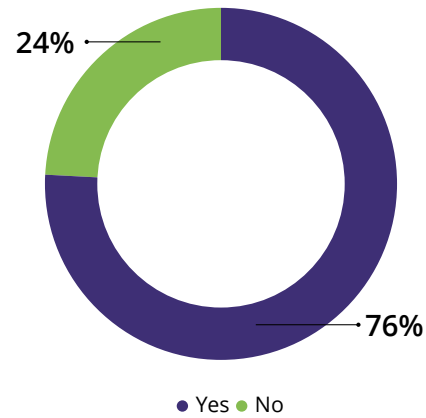
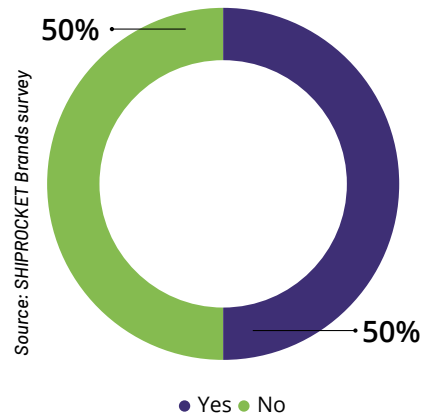
Do you believe ONDC is going to change the eCommerce sector?

Are you associated with ONDC?

Selling internationally?

ONDC will change eComm sector

Associated with ONDC



Brands stand equally divided when asked if they understand the concept of ONDC

A sizeable 76 per cent of those who understand concept of ONDC believe that it is going to change the eCommerce sector

More than half of those who are of the view that ONDC will change the eCommerce sector are, somehow, not as yet associated with it. While 28 per cent are already associated, additional 21 per cent are deliberating the association

Are there any challenges you face while on-boarding ONDC?

In response to this open-ended question, most of those associated with ONDC claimed to have faced no problem while on-boarding, though few wished if process could be faster and customer care was more responsive

ONDC must address the gap:

Most brands believe in ONDC's ability to disrupt eCommerce sector but are still not associated with it.

The addressing may start from challenges faced while on-boarding ONDC.

Ecommerce In The New Bharat And It's Future

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