How India Shops Online 2021

A post-pandemic view of online shopping

Flipkart

BAIN & COMPANY

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Acknowledgments

Executive summary

India's online shopping landscape after the pandemic

India is one of the largest consumer economies globally. The $810 billion Indian retail market is the fourth largest in the world and is quickly evolving to include a sizeable e-retail component. India is home to the third-largest online shopper base of 140 million, only behind China and the US. However, the market is still massively untapped and there is immediate potential to reach India's large Internet user base of approximately 625–675 million people.

The fiscal year ending March 2021 was one of contrasts for India's retail market. The overall retail market shrunk by 5%, along with a 7.3% contraction in GDP. However, the Indian e-retail market saw a 25% growth despite a 2-month national lockdown and multiple prolonged disruptions in regional pockets over the year.

The pandemic was a watershed moment for India's e-retail market, driving a 12-month acceleration in e-retail penetration, which was at 4.6% by end of FY21. This acceleration was even higher in the top eight metro cities, where online shopping is more common: one in three people shopped online at least once last year in the top eight metro cities.

This Covid-19 induced inflection in e-retail is a global phenomenon driven by an enhanced consumer need for safety and convenience especially during elongated stay-at-home periods. This has also played out in India wherein e-retailers have been the lifeline for both consumers and sellers— enabling access to essential commodities and hygiene products to millions of households during the lockdown, and providing business avenues to thousands of sellers. We expect the surge in penetration to sustain post stabilisation, as a similar trend has been seen globally.

E-retail categories have seen disparate growth and recovery patterns during and post the pandemic. First, select categories (e.g., mobiles, electronics, appliances) saw a massive one-time spurt that then cooled off due to longer replacement cycles and recovery of offline retail. These categories did not see as substantial a jump during the second wave over April–May 2021. Second, frequent-use categories (e.g., groceries, household, personal care) saw rapid growth and are likely to continue seeing accelerated growth post-pandemic. These habit-forming categories, which have a high share of repeat purchases online, also benefited from a concerted push to accelerate digital sales by leading brands that were not as invested in this channel pre–Covid-19. Third, discretionary and out-of-home spending categories (e.g., fashion, travel products) saw relatively slower growth during the pandemic. We expect growth rates in e-retail spending for these categories to rebound to pre-pandemic levels soon and then follow long-term growth trajectories.

e-Retail continues to benefit millions of shoppers across India, driving ubiquitous access and heightened convenience. It has democratised shopping by providing access to more than 95% of India's pin codes. It has empowered Bharat's small sellers and micro-entrepreneurs, broken go-to

market barriers for incumbent and insurgent brands, and provided employment to millions. e-Retail has particularly been a boon during the pandemic after the setbacks caused by widespread disruption (for consumers and small businesses) and loss of jobs.

In the future, the e-retail market is expected to grow to $120–140 billion by FY26, increasing at approximately 25%–30% per annum over the next 5 years. The growth will be led by smaller towns, that account for four out of five new shoppers. In addition to small towns, women and older shoppers have gained prominence in the online shopper base over the last year, and this trend is expected to continue.

Online shopping journey

A deep understanding of the consumer shopping journey—from discovery to purchase—forms the bedrock of e-retail success for leading digital brands. In addition to cross-category shopping habits, we have zeroed in on the electronics category to better understand consumer shopping behaviour. Brands must study this behaviour as they look to scale their digital presence and grab a larger share of online shopping in their categories. Key insights for brands and platforms include:

▶ **Cut through the clutter and do it fast:** An e-retail visitor spends fewer than 10 minutes per visit on a platform. Shoppers browse 10 product pages, on average, in electronics, and more than 15 in mobiles before adding any to their cart. Brands and sellers have limited time to tell their story and make an impression in the minds of the consumers. Images are key—1 in 2 visitors browse image galleries, whereas only 1 in 22 read product descriptions.

▶ **Voice and vernacular are no longer niche:** 1 in 10 platform users adopt voice search, and 1 in 3 new e-retail users visit through a vernacular platform interface. Voice and vernacular searches will increasingly become mainstream.

▶ **Category-led nuances in search patterns:** Search patterns and habits vary by product. Shoppers primarily search by brand names when buying mobiles and televisions; however, they search by product categories for items like laptops and large appliances (air conditioners, refrigerators, washing machines).

▶ **Influencers have a growing *influence*:** Approximately 40% of online shoppers made at least one purchase through social media channels (e.g., Facebook, Instagram, WhatsApp) in 2020. Content creators and influencers will play an increasingly critical role in the future of commerce.

▶ **Digital payments are gaining fast, but cash remains key:** Use of digital payments and credit has accelerated significantly, although cash purchases continue to account for approximately 45% to 50% of the e-retail gross merchandise value (GMV), even during the pandemic. The use of credit is more pronounced in the electronics category, with three times more adoption of equated monthly instalment (EMI) or credit schemes vs. other categories.

Future of online shopping

As e-retail accessibility continues to expand, a new wave of shoppers will come online. Majority of these future online shoppers are likely already in the digital funnel—watching videos and using chat and social media apps, but e-retailers will need to accelerate their transition to commerce. This involves a deep understanding of their needs and interaction patterns with brands and platforms. As firms look to out-innovate each other to win this next generation of online shoppers, we envision six mega-trends playing out in the India e-retail ecosystem:

▶ **Digital ecosystems:** The pandemic provided a strong stimulus to all digital services (e.g., payments, health tech, ed tech). Large e-retailers have started creating scale ecosystems, serving as a one-stop shop for digital and retail needs. These ecosystems use sticky offerings such as video streaming and gaming to drive consumer engagement and capture a larger share of consumer time and spending.

▶ **Voice and vernacular:** Voice and vernacular are core to attracting the next generation of consumers. Use of voice-assistant apps doubled to approximately 5–6 million monthly users in 2021 (average until May). Web pages were translated to vernacular languages approximately 50% more in 2020 compared with 2019. Use of vernacular-language apps such as ShareChat and Daily Hunt continued to accelerate through the pandemic.

▶ **Video commerce:** The video-watching user base expanded greatly during the pandemic and grew by 25% in India in the past year alone, increasing to 350–400 million users. Hundreds of thousands of creators will help propel livestreaming and video-enabled commerce significantly in the coming years. Multiple livestreaming commerce start-ups have already emerged in India and are growing rapidly. In China, livestreaming commerce accounts for 9%–10% of overall GMV.

▶ **Social commerce:** Peer and community influence will play a much more significant role for the next wave of online shoppers. Social commerce GMV (approximately $1.5–2 billion in FY20) could grow at a 55%–60% compound annual growth rate (CAGR) over FY20–25, with the potential to empower 40 million small businesses and turbocharge women entrepreneurs. This will further democratise e-retail, with three in five social shoppers coming from tier-2/smaller towns.

▶ **Direct-to-consumer (D2C):** Brands are looking for more ways to directly engage with consumers and give them a differentiated experience. Accelerated by the pandemic, there has been an explosion in D2C brands in India—both established and insurgent (nearly doubled from 2 years ago).

▶ **Omnichannel commerce:** Consumers are increasingly switching between offline and online touchpoints across their purchase journey. Offline retailers are also increasingly going online and are partnering with e-retailers to offer consumers a seamless experience.
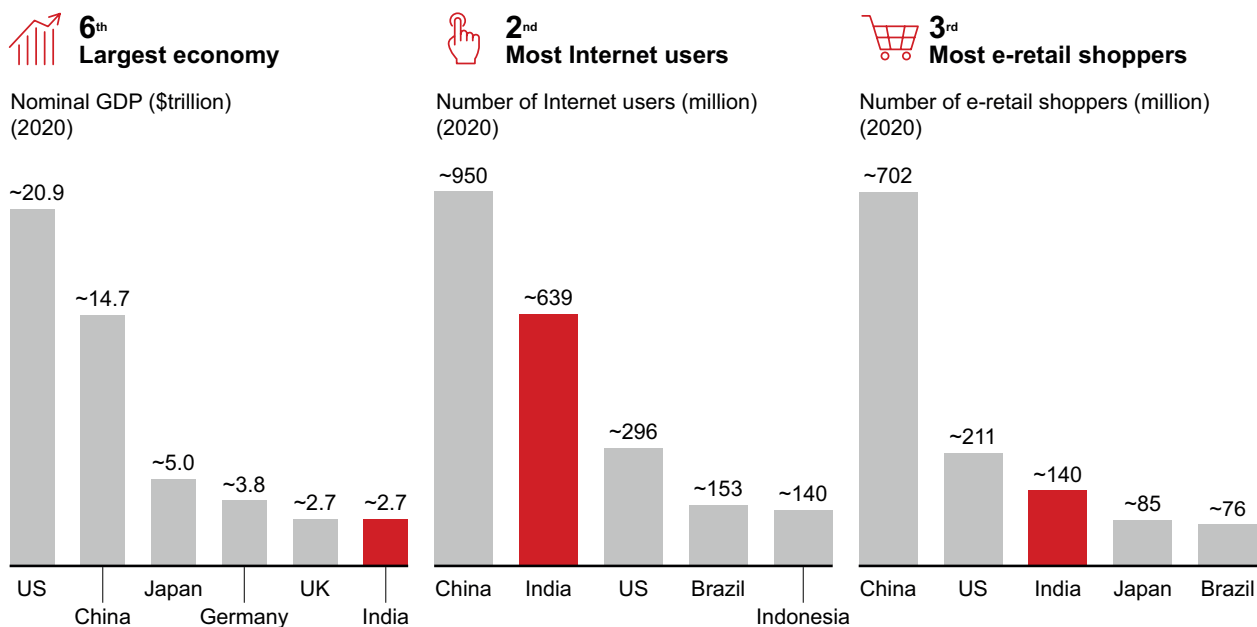
India's online shopping landscape after the pandemic

▶ India has the third-largest online shopper base globally, with 140 million e-retail shoppers in 2020, only behind China and the US.

▶ The fiscal year ending March 2021 showed contrasts in India's retail market: the overall retail market shrunk by 5% along with a 7.3% contraction in GDP due to sustained lockdowns across India. However, the e-retail market surged by 25% to reach $38 billion despite a multimonth lockdown. This was driven by Covid-19, which caused increased adoption of online channels.

▶ Covid-19 provided a massive stimulus to India's e-retail penetration, accelerating it by 12 months to reach approximately 4.6% in FY21. This increase was even greater in metro cities, as one in three people shopped online at least once across the top eight metro cities last year. Bengaluru led the way, with one in two people shopping online at least once last year. Global e-retail markets indicate that increases should remain, sustaining at levels higher than before the Covid-19 pandemic, albeit lower than peak levels.

▶ e-Retail categories have seen disparate growth and recovery patterns through the past 12–18 months of the pandemic: The mobiles and electronics categories witnessed a one-time growth spurt; frequent-use categories such as grocery, household, and personal care saw continued acceleration; and discretionary categories such as fashion and travel products saw relatively slower growth but have started rebounding in 2021.

▶ The India e-retail market is expected to grow at 25%–30% annually over the next 5 years to reach $120–140 billion by FY26, which is higher than Modern Trade. Small-town India will fuel this growth, accounting for four of every five new shoppers. During the pandemic, reverse migration from metro cities further accelerated growth in smaller towns. In addition to small towns, women and older shoppers continue to increase the e-retail base.

▶ e-Retailers played a mission-critical role in maintaining essential food and hygiene products for millions of Indian households during the lockdowns. e-Retailers were the lifeline of both consumers and sellers. Delivery across more than 95% of India's pin codes allowed consumers to shelter at home and prevent the spread of disease. Simultaneously, e-retailers helped Bharat's small sellers and brands (especially insurgents) overcome go-to-market barriers and reach consumers despite widespread disruption.

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Figure 1: India has the third-highest number of e-retail shoppers (only behind China, the US)

6th
Largest economy

Nominal GDP ($trillion)
(2020)

~20.9 US
~14.7 China
~5.0 Japan
~3.8 Germany
~2.7 UK
~2.7 India

2nd
Most Internet users

Number of Internet users (million)
(2020)

~950 China
~639 India
~296 US
~153 Brazil
~140 Indonesia

3rd
Most e-retail shoppers

Number of e-retail shoppers (million)
(2020)

~702 China
~211 US
~140 India
~85 Japan
~76 Brazil

Note: Number of e-retail shoppers includes Internet users who have made at least one purchase during the year
Sources: Bureau of Economic Analysis; China Statistical Yearbook; Federal Reserve Board; European Central Bank; IMF; International Financial Statistics; Forrester

Figure 2: India retail contracted to ~$810B in FY21 but is on track to recover and scale to ~$1.2T by FY26

India retail market ($billion)

FY17 ~690 (Other categories / Grocery)
FY18 ~780
FY19 ~815
FY20 ~850
FY21 ~810 — **-5%** — Shrinkage primarily in ex-grocery retail market
FY26 (P) 1200–1250 — **8%–9% CAGR**
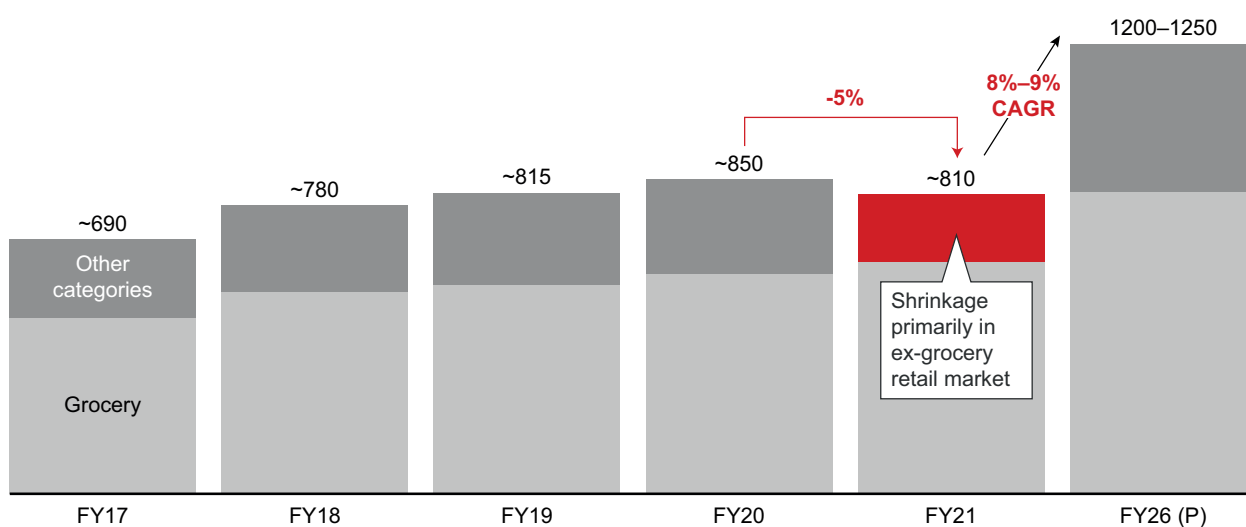
Note: Fiscal year (FY) from April to March; $1 = Indian rupee (INR) 70; CAGR: compound annual growth rate; P: projected
Sources: CRISIL; Forrester; Bain analysis

Figure 3: Covid-19 has led to a ~12-month acceleration in e-retail penetration in India

India e-retail market ($billion)

45%–50% growth for active 10-month period, excluding 2 months of lockdown

25%–30% CAGR

+25%

~23 FY19

~30 FY20

~38 FY21

120–140 FY26 (P)

~12 months

Acceleration in overall e-retail penetration

Penetration %

	FY19	FY20	FY21	FY26(P)
Overall	~2.8%	~3.5%	~4.6%	10%–11%
Ex-Grocery	~9.0%	11%–12%	19%–20%	26%–28%

Note: CAGR: compound annual growth rate; fiscal year (FY) from April to March; e-retail overall penetration denotes e-retail market as % of total retail market; ex-grocery denotes total retail market excluding grocery category; ex-grocery penetration denotes ex-grocery e-retail market as % of total ex-grocery retail market; P: projected
Sources: CRISIL; Forrester; Bain analysis

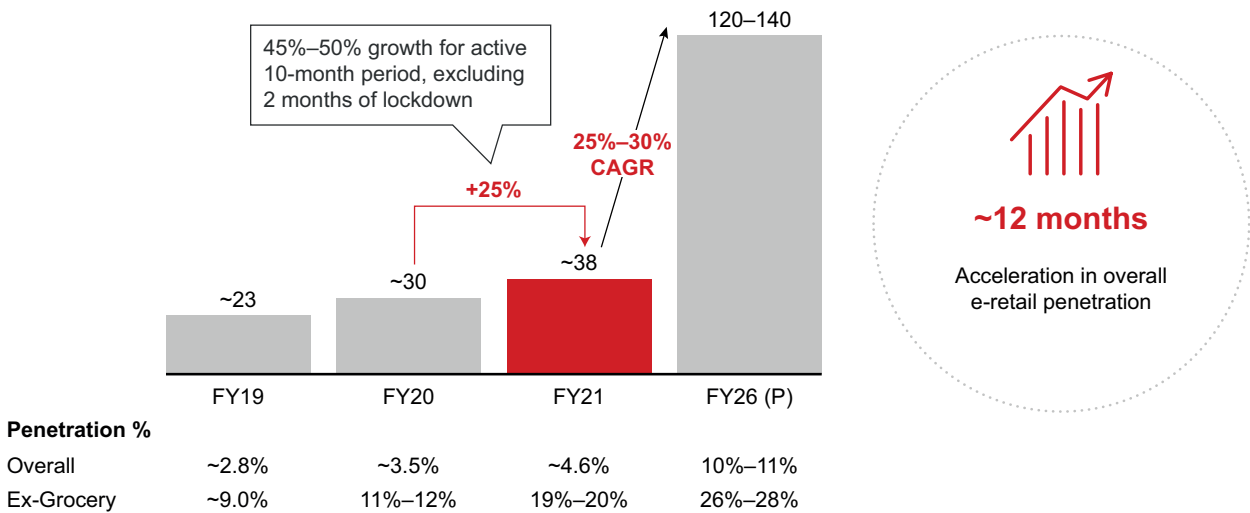**Figure 4:** As a result, we expect e-retail to outgrow Modern Trade by FY26

Modern Trade stores witnessed sharp traffic declines during both lockdowns

India overall foot traffic percentage change (indexed to base)

Lockdown–1

Lockdown–2

20%
-1%
-64%
-60%
-76%
-24% Grocery and Pharma
-25%
-63% Retail and Recreation

Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21 Mar-21 Apr-21 May-21
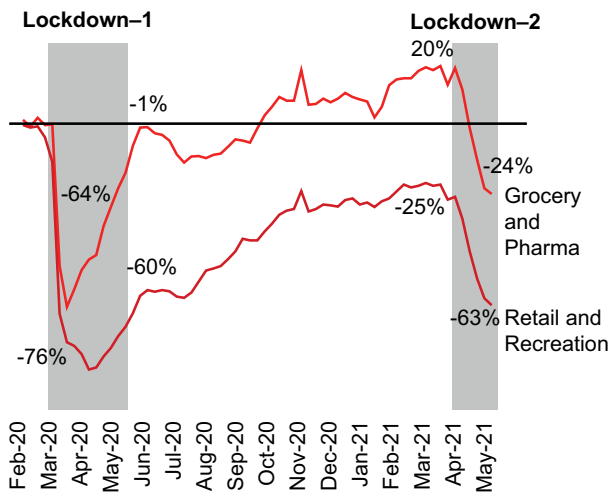
Modern Trade will bounce back, but e-retail will outgrow it by FY26

e-Retail and Modern Trade market ($billion)

CAGR FY21–26

120–140 25%–30%
105–115 16%–18%

32–34
~50
13–15
~38

FY17 FY20 FY21P FY26P

— Modern Trade — e-Retail
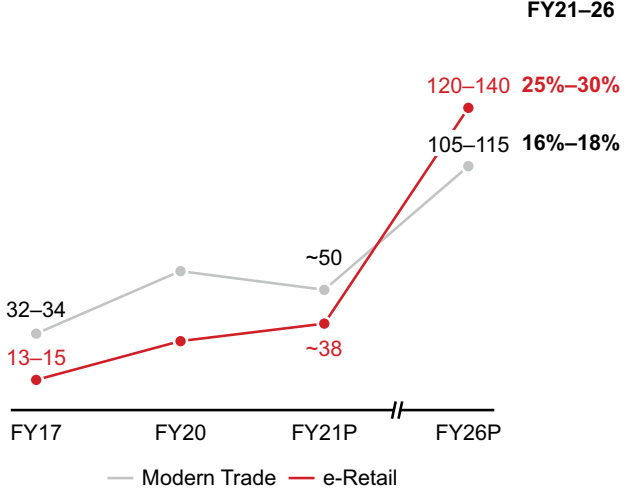
Note: Baseline for foot traffic set as median of traffic seen during 5-week period of Jan 3 to Feb 6, 2020; mobility % change shown on a weekly basis (moving average of daily change) until the week of May 13, 2021
Sources: Google mobility report May 2021; Forrester; CRISIL; Bain analysis

Figure 5: Similar Covid-19 induced e-retail surges have been observed globally

e-Retail penetration
(% of retail sales)

Increase in e-retail penetration post Covid-19

China +3–5 p.p.
South Korea +4–6 p.p.
US +4–6 p.p.
Australia +3–4 p.p.

● Pandemic hit ● Pandemic stabilised

Note: Retail sales of US exclude sales of gasoline, motor vehicles/parts; total online sales of South Korea (SK) taken as a proportion of total retail sales (excluding passenger car sales and online spending on services); online retail sales (food and nonfood) of Australia taken as proportion of total retail sales (food, households, department stores, fashion, excluding food takeaway and café services); p.p. denotes percentage points; Q: quarter
Sources: US Census Bureau; Census and Economic Information Center (China); Korean Statistical Information Service (South Korea); Australian Bureau of Statistics; Bain analysis

Figure 6: Three archetypal growth trajectories for key e-retail categories
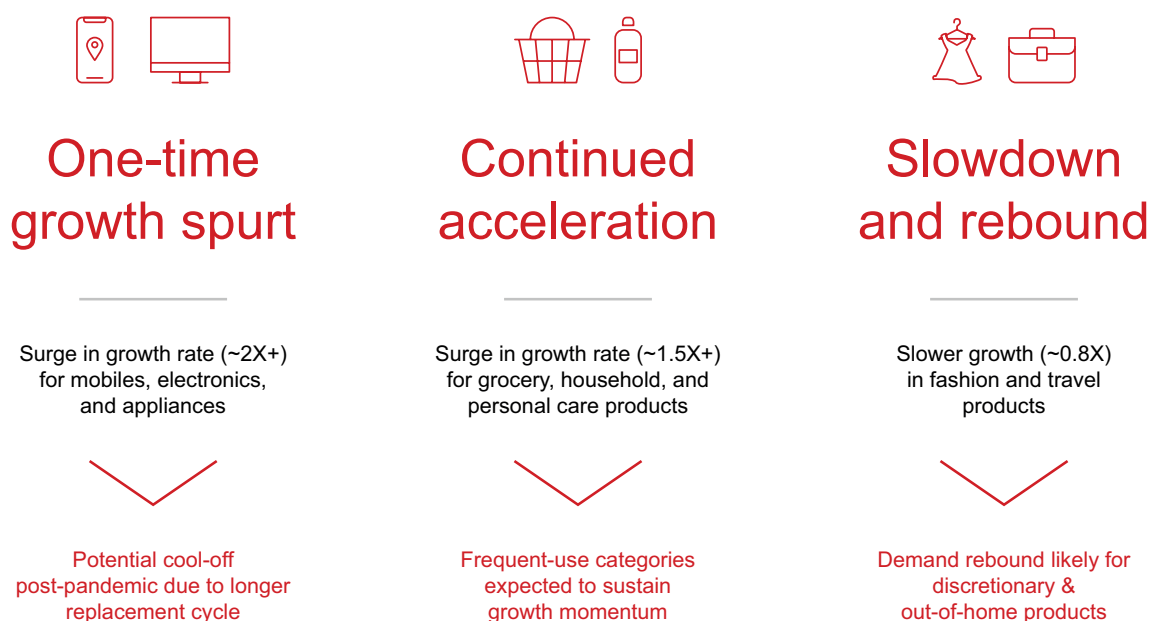
One-time growth spurt

Surge in growth rate (~2X+) for mobiles, electronics, and appliances
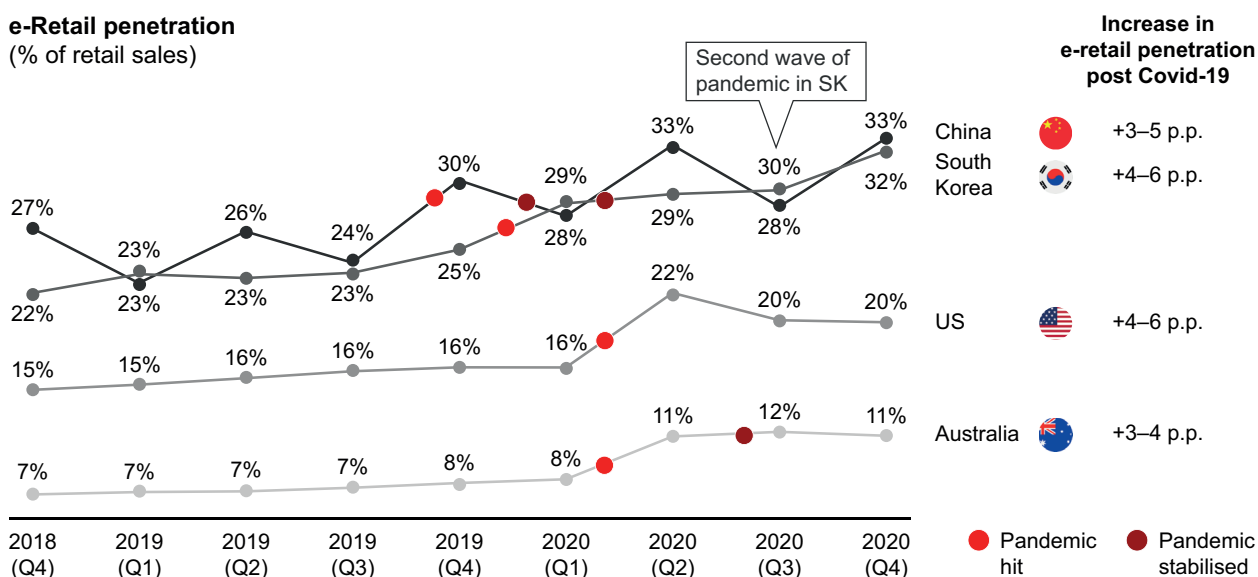
Potential cool-off post-pandemic due to longer replacement cycle

Continued acceleration

Surge in growth rate (~1.5X+) for grocery, household, and personal care products

Frequent-use categories expected to sustain growth momentum

Slowdown and rebound

Slower growth (~0.8X) in fashion and travel products

Demand rebound likely for discretionary & out-of-home products

Note: Year-on-year data for 2018, 2019, and 2020 compared for the June–Nov period
Sources: Industry participant interviews; Bain analysis

Figure 7: e-Grocery, in particular, witnessed a massive surge vs. pre–Covid-19 forecasts

e-Grocery year-on-year growth from 2019 to 2020

~34% vs. ~10%

~67% vs. ~28%

~65% vs. ~5%

~50% vs. ~20%

~80% vs. ~40%

XX% - Actual growth **XX%** - Forecasted growth (pre–Covid-19)
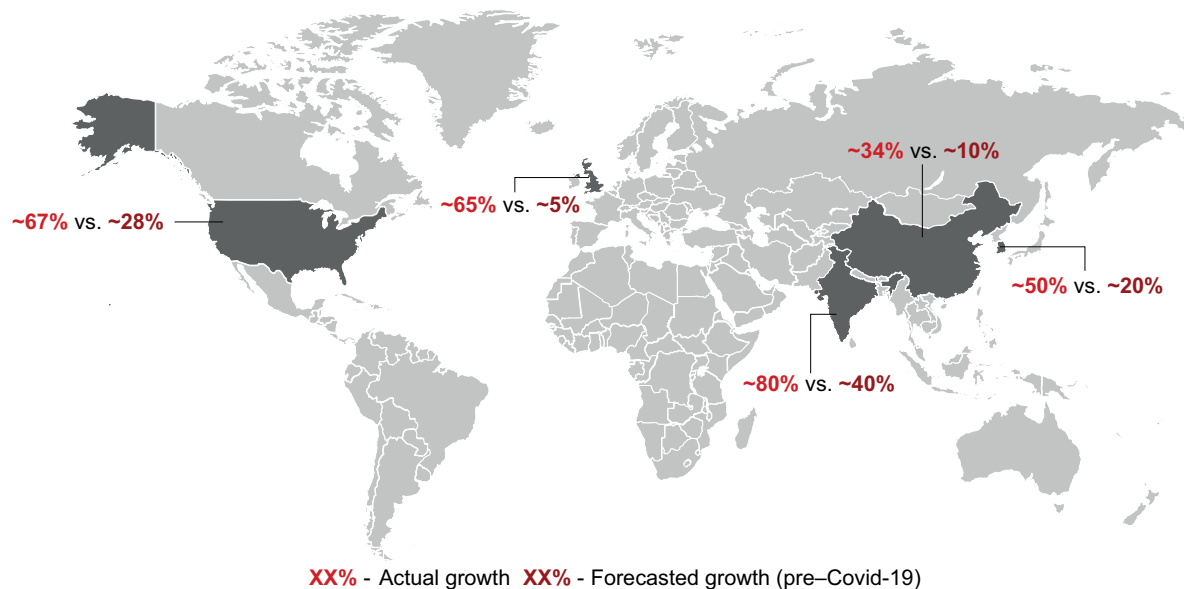
Note: e-Grocery includes food and beverage sales (excludes food services)
Sources: CRISIL; Forrester; Office for National Statistics (UK); Census and Economic Information Center (China); Korean Statistical Information Service
(South Korea); EDGE; NielsenIQ; Kantar; Industry participant interviews; Bain analysis

Figure 8: e-Retail continues to democratise shopping in India

% of pin codes from which at least one item was ordered online in the past year
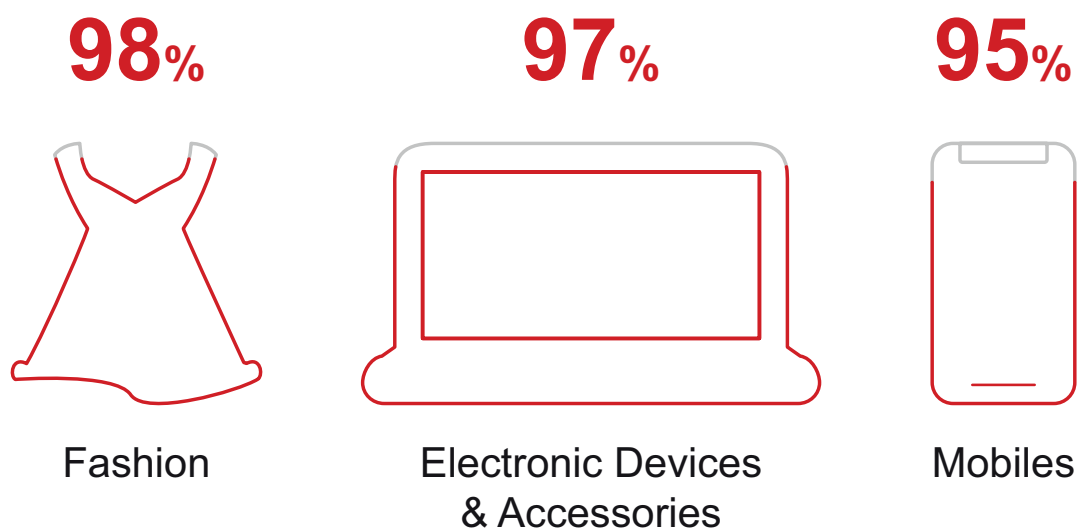
98%

97%

95%

Fashion

Electronic Devices
& Accessories

Mobiles

Sources: Industry participant interviews; Bain analysis

Figure 9: 1 in 3 people in metro cities shopped online last year, 1 in 2 in Bengaluru

1 in 3
people in metro cities
shopped online last year

Delhi NCR

Ahmedabad

Mumbai

Pune

Kolkata

Hyderabad

Bengaluru

Chennai

Online-shopper penetration
Low ▮▮▮ High

📍 Bengaluru

1 in 2
people in Bengaluru
shopped online at
least once last year

5 in 7
people aged 15–60
years in Bengaluru
shopped online at
least once last year
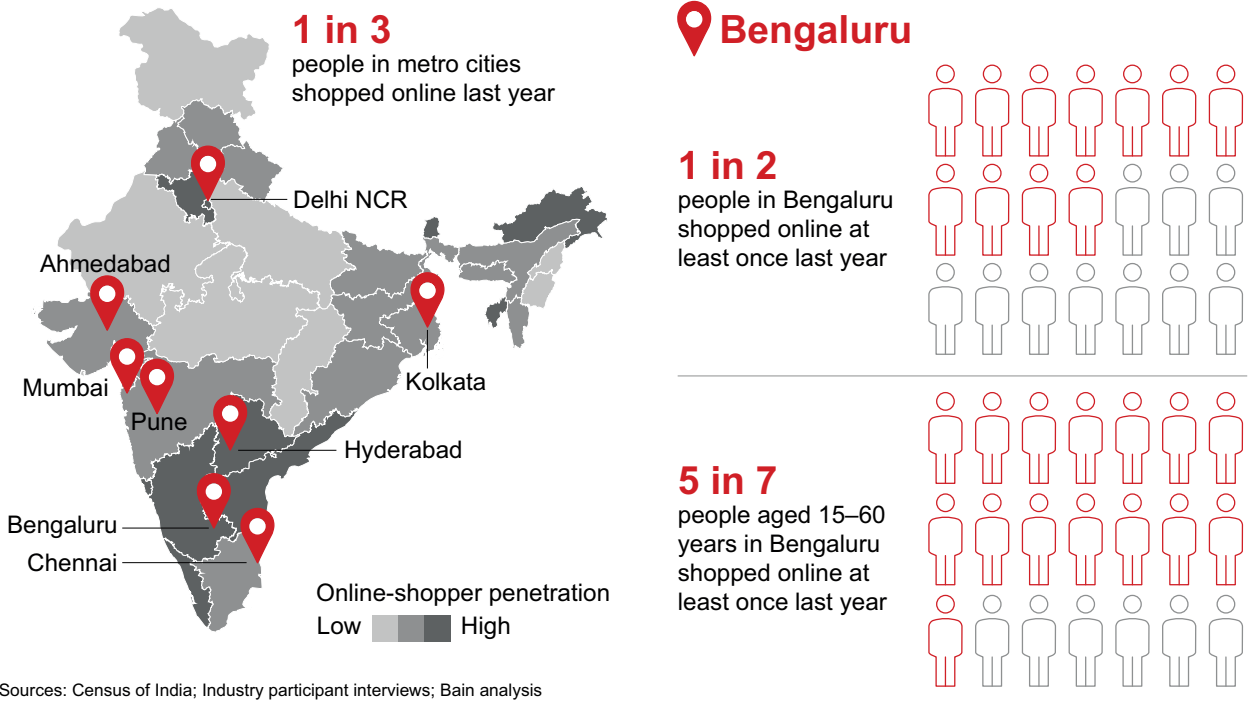
Sources: Census of India; Industry participant interviews; Bain analysis

Figure 10: Small-town India continues to turbocharge growth in India e-retail

2.5–3X
GMV growth rate for
tier-2/smaller towns
vis-à-vis metro/tier-1
cities in 2020

80+%
Share of tier-2/smaller
towns in new customer
growth in 2020
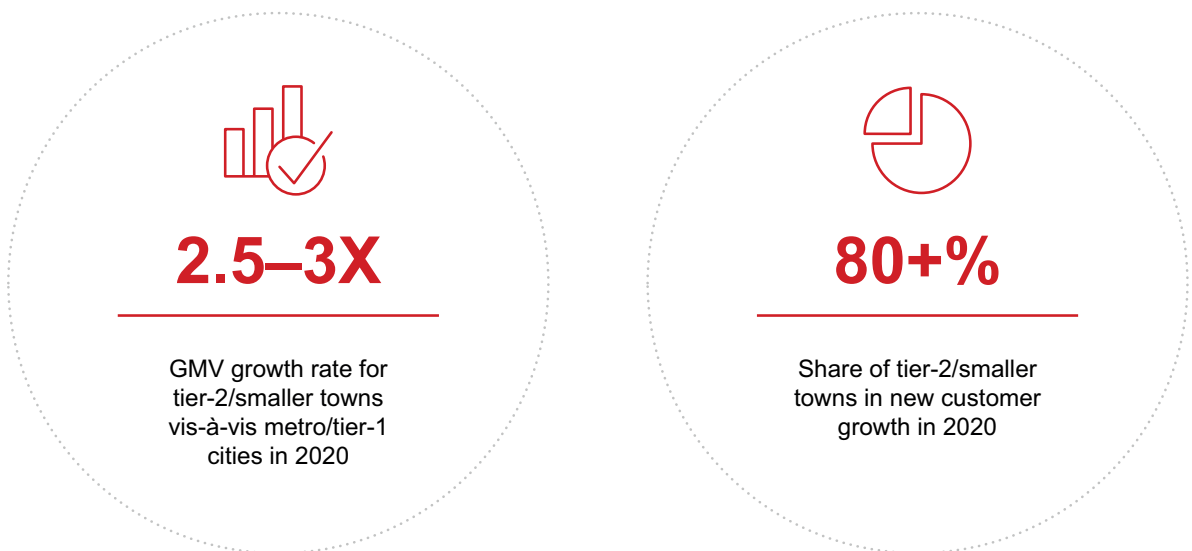
Note: Year-on-year growth for 2019 and 2020 compared for the June–Nov period; metro area/ tier-1 category covers top 50 cities based on population, rest of India is classified as tier-2/smaller towns
Sources: Industry participant interviews; Bain analysis

Figure 11: 2020 saw a shift from urbanisation to reverse migration, providing an additional fillip to small-town India

% of shopper base that moved between metro/tier-1 cities and tier-2/smaller towns*
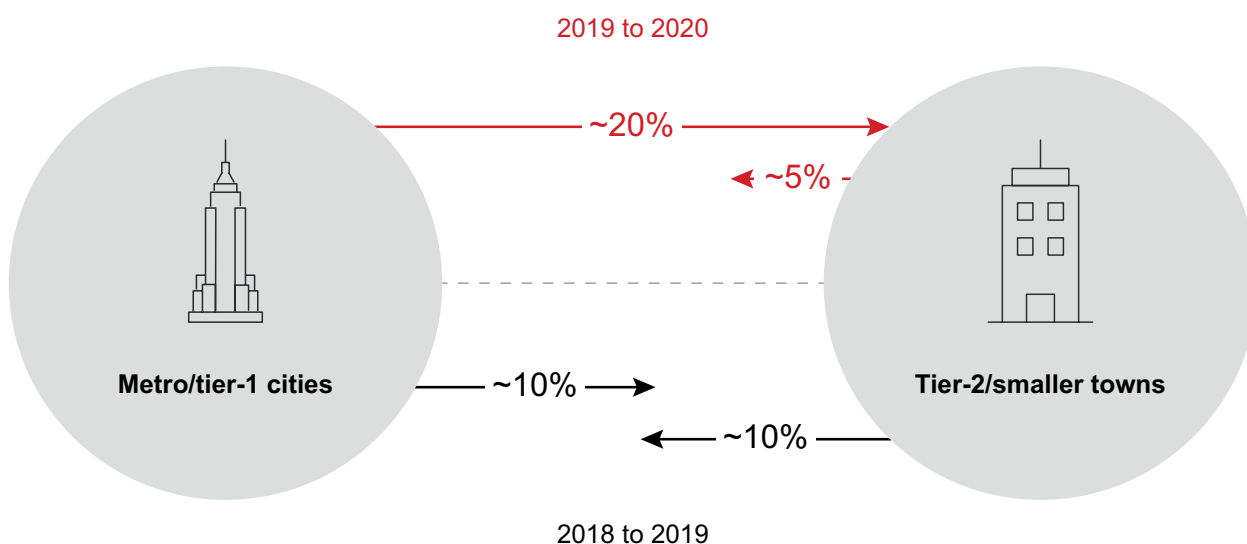
Note: Year-on-year data for 2019 and 2020 compared for the June–Nov period; *for leading e-retailer
Sources: Industry participant interviews; Bain analysis

Figure 12: Spending power in smaller towns is broadly comparable to big cities, as evidenced by selling prices across categories

Relative difference in average selling price per unit
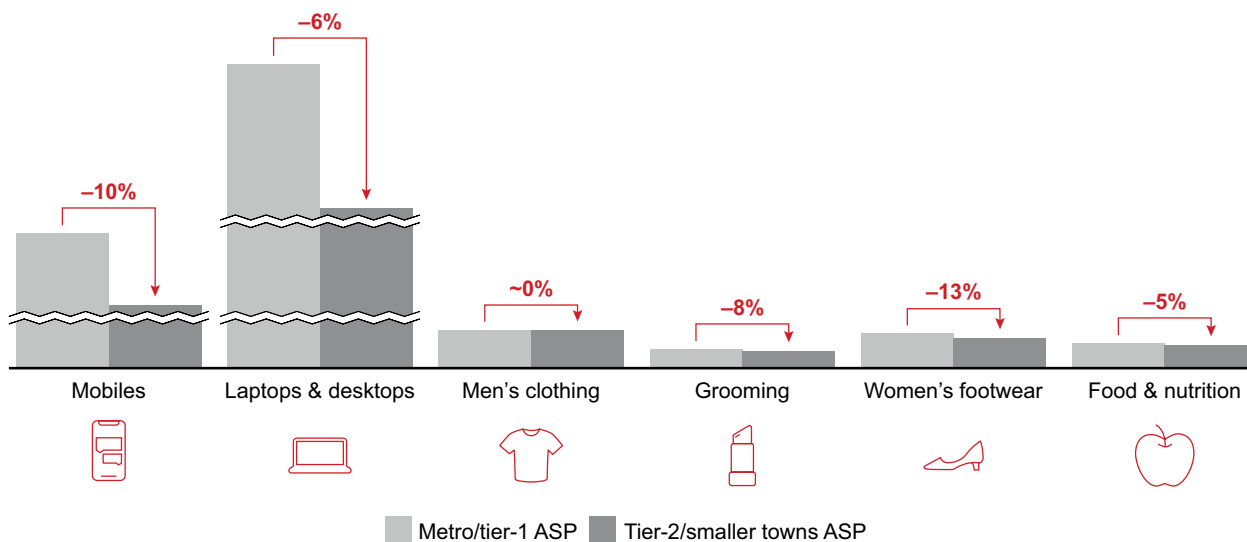
Note: Average selling price (ASP) per unit data based on the June–Nov 2020 period
Sources: Industry participant interviews; Bain analysis

Figure 13: Women and older age groups gained prominence in the shopper base

1.5–2X

Growth rate for
women shoppers
vis-à-vis men in 2020

20%

Share of people older
than 45 years among
online shoppers in
2020 (8% in 2018)

Note: Year-on-year data for 2018, 2019, and 2020 compared in the June–Nov period
Sources: Industry participant interviews; Bain analysis

Figure 14: e-Retail has helped break go-to-market barriers for digitally native brands

Beardo
- Founded in 2015 as a brand for beard-grooming products only Beardo expanded its portfolio to tap into the $700M male-grooming industry in India
- Brand built entirely on digital advertising, expanding customer outreach through performance-led and brand-building campaigns by using a leading e-retailer
- Tapped different parts of customer journey and used association with celebrities in multiple ad formats to increase recall and click-through rates

60%

Increase in sales
(Mar 2021 vs. Aug 2020)

3X

Increase in return on
marketing spend

50%

Higher conversion rate
vs. category average
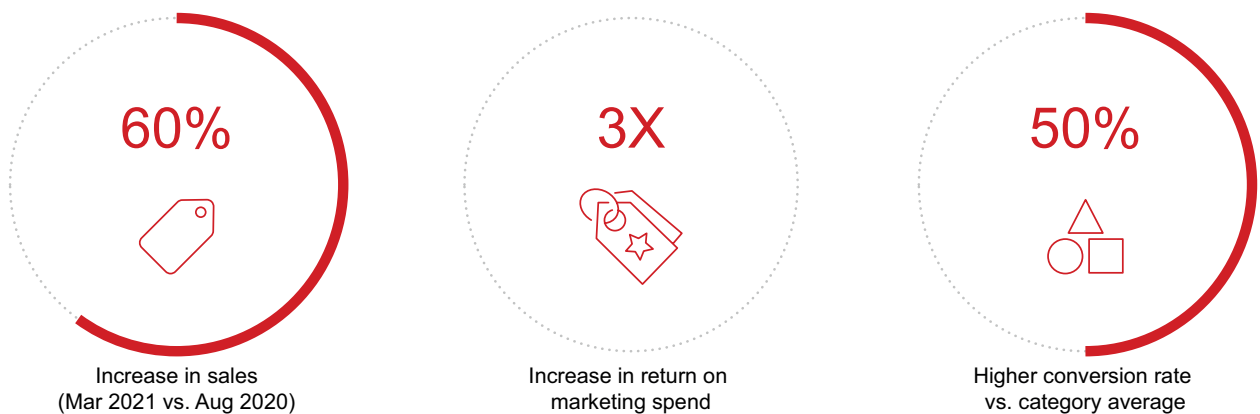
Note: Outcome metrics based on results achieved on a leading e-retail platform
Sources: Industry participant interviews; Bain analysis

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Figure 15: e-Retail has empowered Bharat's small sellers and enabled job creation for millions

Wider reach
Access to pan-India e-retail
user base; 95%+ pin-code
coverage

Brand building
Targeted ad campaigns;
dedicated mini stores

Capital support
Working capital credit;
insurance; commission waivers

Additional earning avenues
Supporting last-mile delivery;
assisted shopping for
e-retailers

Merchandising
Smart selection (based on
micro-market trends);
higher margins

Super Cute's
Retailer of baby diapers (~$0.8M annual run rate in May 2021)

35X
Growth in daily orders
(6 months from listing)

35%
Sales through
e-retail

Niine
Retailer of women's hygiene products (24K units sold in
May 2021)

2.5X
Growth in annual sales

50%
Sales through e-retail

Sources: Industry participant interviews; Bain analysis

Online shopping journey

▶ Brands and sellers have fewer than 10 minutes to win the online shopper. The shopper journey varies widely by subcategory. For example, even within electronics, shoppers browse 10 product pages, on average, before adding a product to their cart. Brand-specific search is most common for mobiles, audio, and television, but product-specific search is used most for laptops and large appliances. To increase conversion, sellers must invest in high-quality product images—1 in 2 visitors browse images vs. only 1 in 22 read detailed product descriptions.

▶ The role of voice, vernacular and social media in online shopping is expanding. Voice and vernacular are vital to attract the next generation of online shoppers—1 in 10 users have tried voice search, and 1 in 3 new users use a vernacular platform interface. Influencers and social media channels are also increasingly nudging consumers to shop online—in 2020, 40% of on-line shoppers made at least one purchase through social media channels (e.g., Facebook, Instagram, WhatsApp, etc.).

▶ Fashion, electronics, general merchandise, and mobiles continue to be key gateway categories for new online shoppers. Whereas fashion continues to lead as a first purchase (35%–40% new shoppers bought fashion in their first transaction in 2020), general merchandise increasingly attracts first-time online shoppers (15%–20% of shoppers bought general merchandise in their first transaction in 2020 vs. 10%–15% in 2018).

▶ e-Retail customers are increasingly opting for digital payments and credit to complete online purchases. However, cash continues to account for 45%–50% of e-retail GMV. Use of credit is especially pronounced in electronics, with three-times higher share of products bought on credit vs. other categories.

Figure 16: You have fewer than 10 minutes to win the online shopper

~**9.5** minutes	**1** in **2**	Only **1** in **22**
Time spent per visit	Visitors browse image gallery	Visitors read detailed product description

Sources: Industry participant interviews; Bain analysis

Figure 17: Voice and vernacular are vital to win new shoppers

1 in **10**	**1** in **10**	**1** in **3**
Users have tried voice search	Visits via vernacular platform interface	New e-retail shoppers are using vernacular platform interface
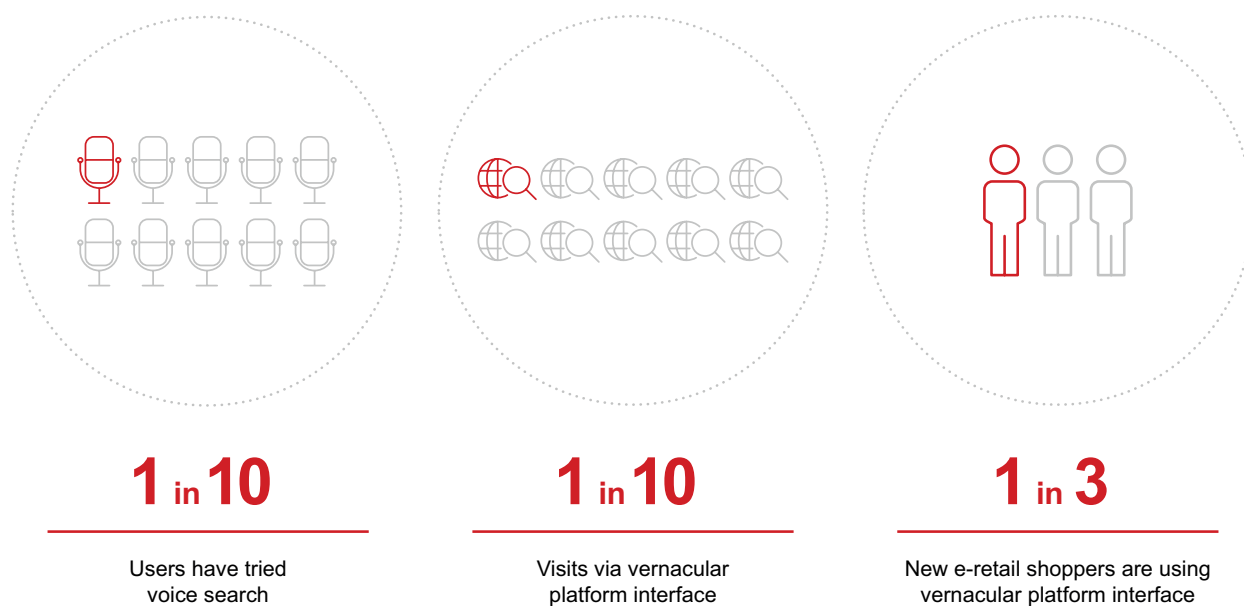
Note: Vernacular includes Indian languages (Hindi/regional): Flipkart's app can be accessed through eleven Indian languages (Hindi, Marathi, Punjabi, Malayalam, Assamese, Gujarati, Odia, Bengali, Tamil, Telugu, and Kannada); Amazon's app can be accessed through five Indian languages (Hindi, Kannada, Telugu, Tamil, Malayalam); Sources: Industry participant interviews; Bain analysis

Figure 18: Social channels are increasingly driving shoppers towards online shopping

40% Online shoppers made at least one purchase through social media in 2020

INR 500–600
Average shopper spending/month through social channels

62%
Shoppers for whom variety and ability to personalise are drivers of adoption for social commerce

50%
Social commerce shoppers are brand agnostic
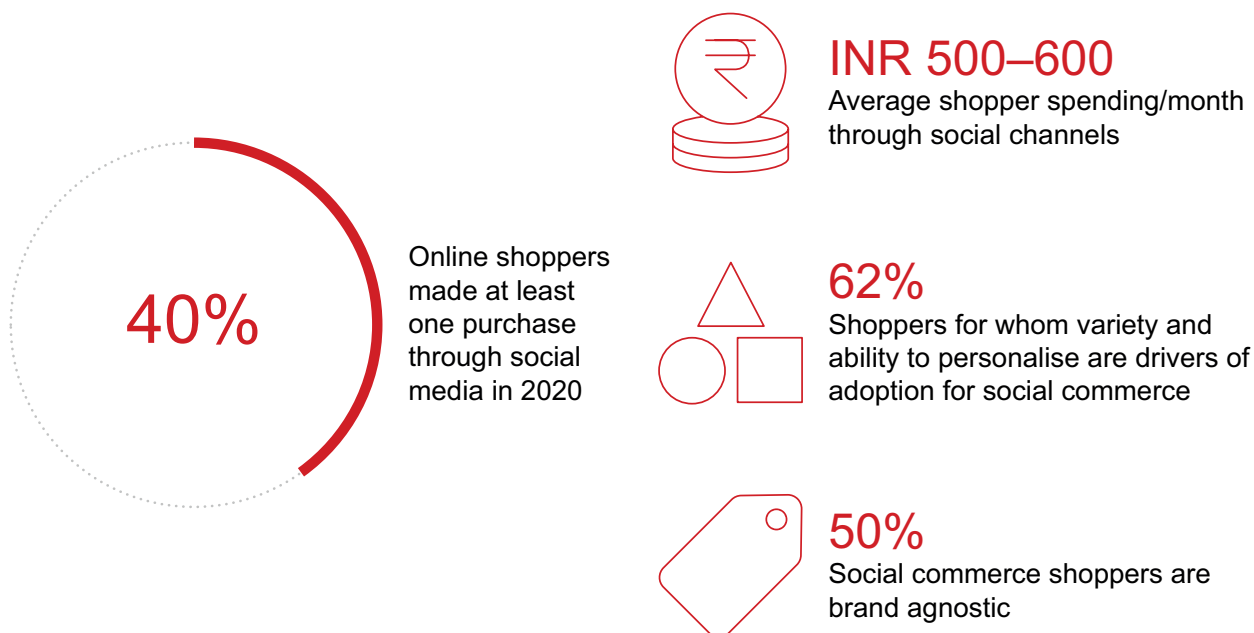
Note: Social media purchase data for mid-March to mid-September 2020 from consumer survey (n=~1000)
Sources: Future of Commerce 2021, Shopify; The Future of Commerce in India: The Rise of Social Commerce, 2020, Bain & Company

Figure 19: While fashion continues to be the most important acquisition category, general merchandise is helping onboard many first-time e-retail shoppers

% of shoppers who buy the product category in their first transaction (2020)

	Fashion	Electronic devices & accessories	General merchandise*	Mobiles
2020	35%–40%	15%–20%	15%–20%	10%–15%
2018	35%–40%	20%–25%	10%–15%	15%–20%
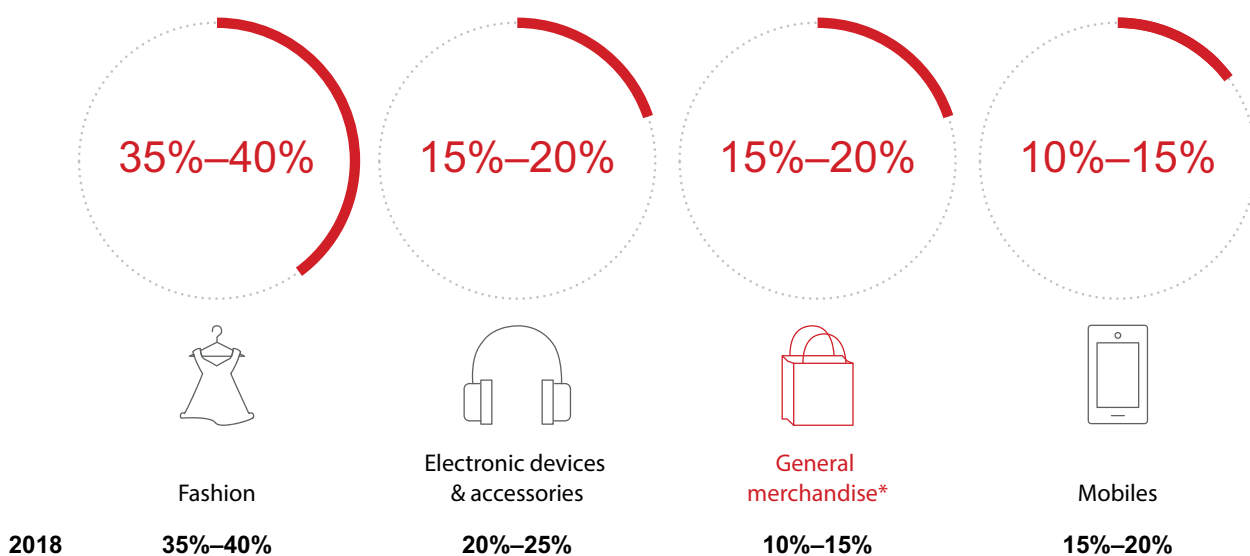
Note: *Includes personal care
Sources: Industry participant interviews; Bain analysis

Figure 20: Electronics continues to be a growth driver and has seen a massive Covid-19-driven spurt

Massive spurt in electronics products sold online by the minute

Units sold per minute

160+   3.8+   1.8+
90–110   1.8–2   1.1–1.15

Smartphones   Laptops & desktops   Tablets

■ 2020   ■ 2018, 2019 average
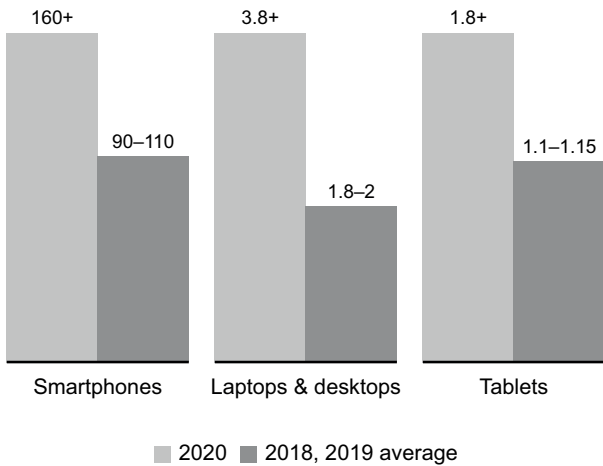
~1 in 2 smartphones are now sold online; online penetration headroom exists across other subcategories

e-Retail penetration (% of retail sales)

45%–50%   50%–55%   42%–47%
33%–35%
18%–20%
10%–12%

Smartphones   Laptops, desktops & tablets   Appliances (personal & home)

■ India 2020   ■ China 2020   — India 2018
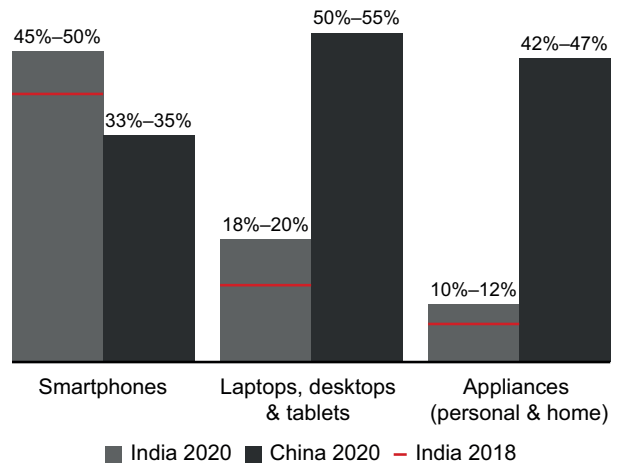
Note: Units sold per minute in 2020 calculated on pro rata basis, accounting for 2 months of lockdown
Sources: IDC; Forrester; Euromonitor; Industry participant interviews; Bain analysis

Figure 21: People search by brand for mobiles; by product type for appliances and laptops
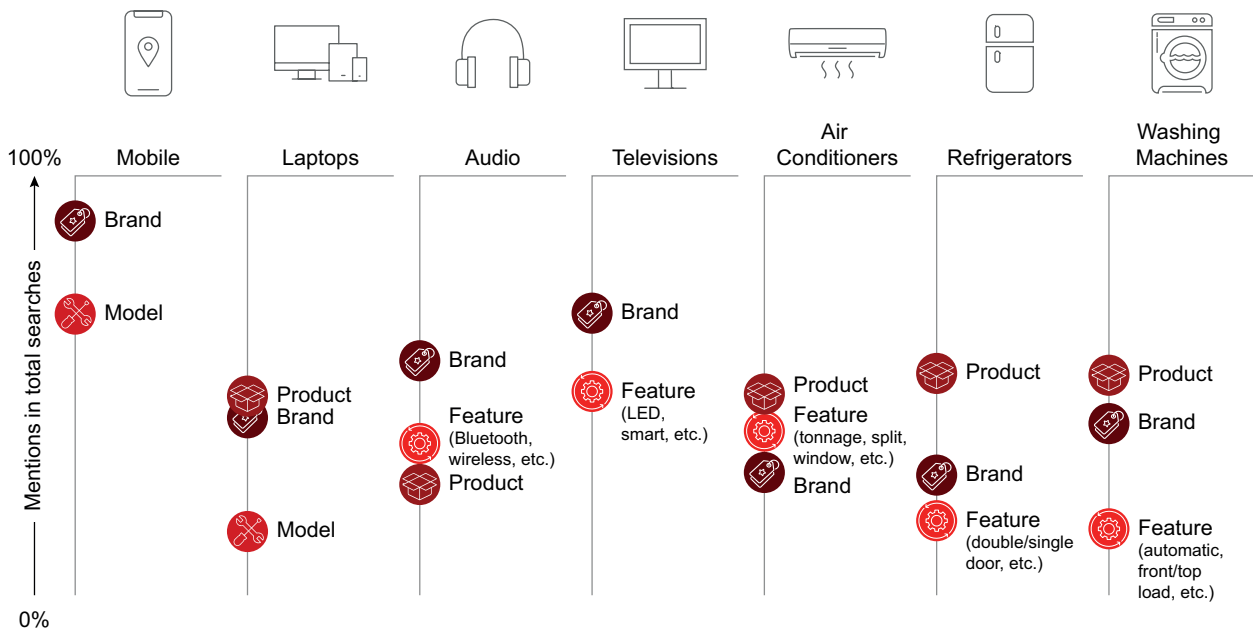
Mobile   Laptops   Audio   Televisions   Air Conditioners   Refrigerators   Washing Machines

100%

Mentions in total searches

Brand

Model

Product Brand

Brand

Feature (Bluetooth, wireless, etc.)

Product

Brand

Feature (LED, smart, etc.)

Product

Feature (tonnage, split, window, etc.)

Brand

Product

Brand

Feature (double/single door, etc.)

Product

Brand

Feature (automatic, front/top load, etc.)

Model

0%

Sources: Industry participant interviews; Bain analysis

Figure 22: Consumers browse ~10 pages for electronics before adding one item to their cart

Purchase journey
All electronics (mobiles, devices, accessories, appliances)

All searches

100%

Product page views

40%-50%

Added to cart

4%-5%
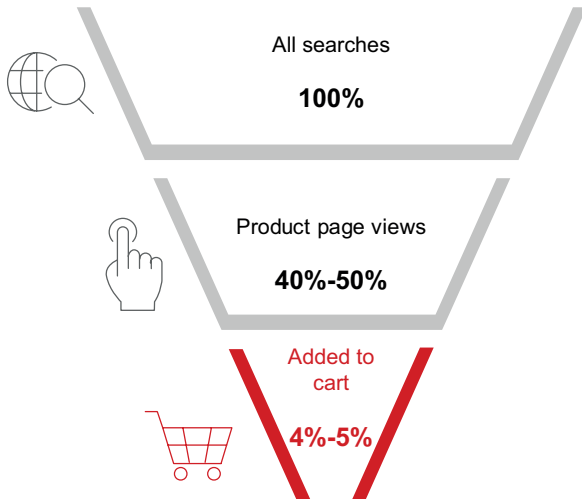
Consumers search and compare mobiles more than other electronics before adding to their shopping cart

Product page views

~50% ⬆

Added to cart

~3.5% ⬇

⬆ Higher than other electronics   ⬇ Lower than other electronics
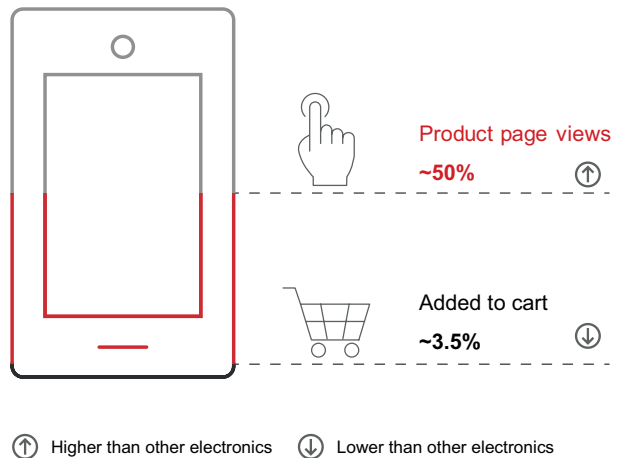
Sources: Industry participant interviews; Bain analysis

Figure 23: Digital payments are increasing rapidly, though cash remains king

45%–50%

Of e-retail GMV through cash on delivery

~2.5X

Increase in % of payments via UPI/wallets

~40%

Estimated CAGR of UPI/wallet payments over 2020–2025

~3X

% of products bought through EMI/credit schemes for electronics vs. other categories
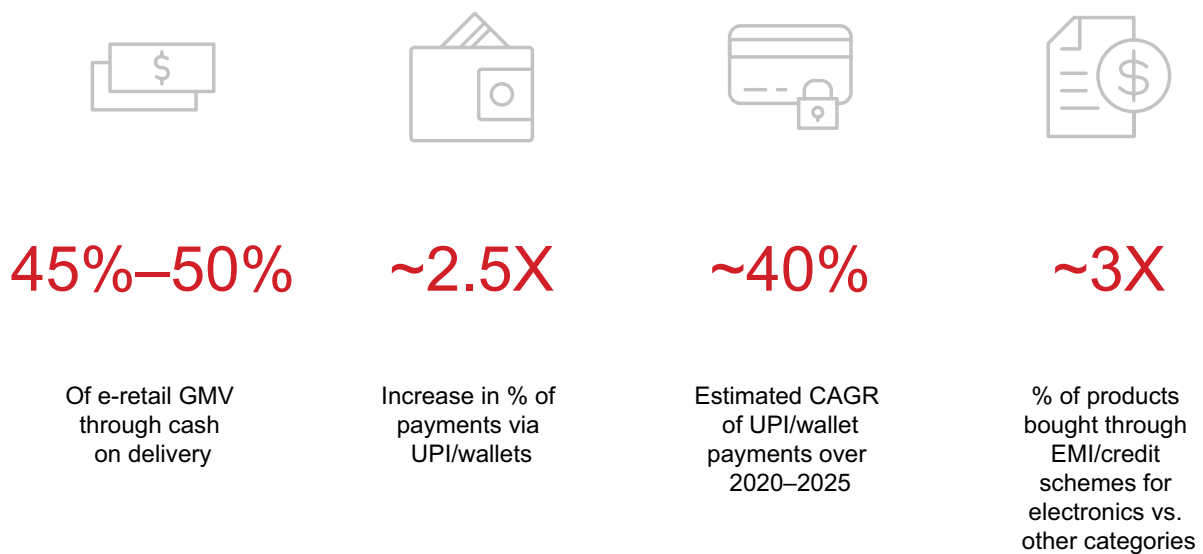
Note: UPI: Unified Payments Interface; year-on-year data for 2019 and 2020 compared for the June–Nov period
Sources: Industry participant interviews; RBI Data; Bain analysis

Future of online shopping in India

The online-shopper landscape is continuously evolving. We envision a few notable mega-trends that will shape the future of online shopping in India as e-retailers and D2C brands look to attract the next millions of shoppers:

▶ Digital ecosystems: Digital leaders are building scale ecosystems to capitalise on the rapidly growing user base across the digital funnel. Flipkart, Amazon, Reliance Jio, and Tata offer multiple digital services to capture an outsized share of consumer time and spending.

▶ Voice and vernacular: The next wave of India's Internet users prefer voice-search and vernacular-based user interfaces. The user base for voice-assistant apps approximately doubled to 5–6 million monthly users in 2021 (average until May). Webpage translation to vernacular languages increased 1.5x in 2020 (vs. 2019). Digital platforms will continue to invest in voice and vernacular capabilities to attract the next generation of online shoppers.

▶ Video commerce: Video content consumption has gained traction and has given birth to a substantial community of local creators and influencers. These creators are looking to monetise their following and are likely to drive an uptick in video commerce. Livestreaming commerce start-ups such as Bulbul and Simsim have seen 9–10x growth in user base over the last year. In China, livestreaming commerce already accounts for 9%–10% of GMV.

▶ Social commerce: Millions of smaller retailers are finding innovative ways to sell directly to consumers through many social formats. Social-led models are empowering Bharat's sellers and women entrepreneurs, and three of every five shoppers now come from tier 2/smaller towns. Social commerce is expected to increase from $1.5–2 billion in FY20 to $16–20 billion in FY25, growing at 55%–60% CAGR.

▶ Direct-to-consumer and omnichannel: Growing popularity of online shopping has pushed established and digitally native brands to opt for a D2C channel via their websites. D2C brands have nearly doubled over the last 2 years, with the pandemic further accelerating this trend. Offline retailers and e-retailers are increasingly partnering to offer a differentiated omnichannel experience to consumers.

Growing relevance of the online channel has made it a *must-play* and *must-win* frontier for brands. Winning an outsized share of online consumer spending requires a series of investments. This includes investments in visibility, supply chain, merchandising, conversion, and key capabilities (e.g., organisation).

Figure 24: Five key trends will shape the India e-retail landscape over the next 5 years
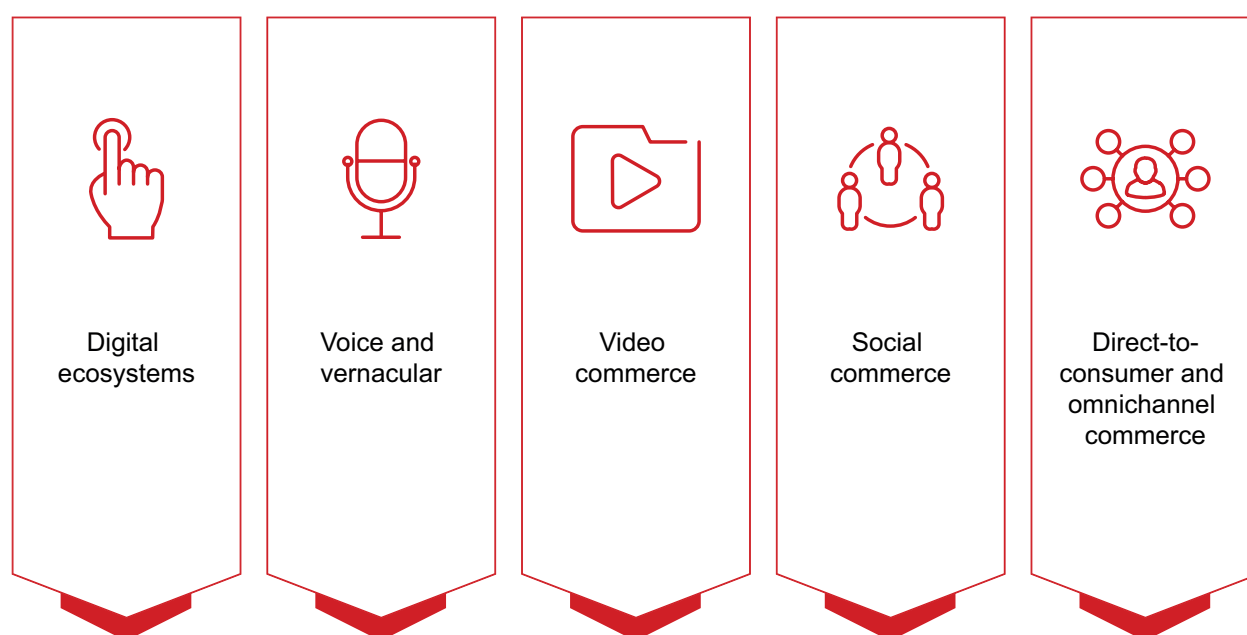
| Digital ecosystems | Voice and vernacular | Video commerce | Social commerce | Direct-to-consumer and omnichannel commerce |

Sources: Industry participant interviews; Bain analysis

Figure 25: Massive acceleration in video and product transactors in the past year

🖐 Digital ecosystems -

India Digital Funnel	Growth in user base (FY20–21)	User base (FY21)		User base (FY26P)	
Internet users	~5%	625–675M	>	850–900M	Stay-at-home restrictions triggered a significant increase in video users and product transactors
Chatting and social media	~15%	400–450M	>	725–775M	
Video content	**~25%**	350–400M	>	600–650M	Chat, video, and services user bases to expand over next 5 years. Opportunity for e-retailers to tap into these and build holistic ecosystems
Service transactors	~18%	200–250M	>	500–550M	
Product transactors	**~32%**	~140M	>	350–400M	

Sources: Forrester; Omdia; Nokia MBiT Report 2021; TRAI; SImilarWeb; Industry participant interviews; Bain analysis

Figure 26: Sharp increase in monthly user base for digital services during pandemic

🖐 Digital ecosystems -

Monthly active users (indexed to base)

	Payments	Health tech	Home services	Ed tech
Pre–Covid-19	1.0X	1.0X	1.0X	1.0X
During lockdown 1	1.5X	1.3X	1.5X	1.1X
During lockdown 2	1.7X	2.0X	2.5X	1.5X

■ Pre–Covid-19 (Jan 2020–Feb 2020)　■ During lockdown 1 (Apr 2020–May 2020)　■ During lockdown 2 (Apr 2021)
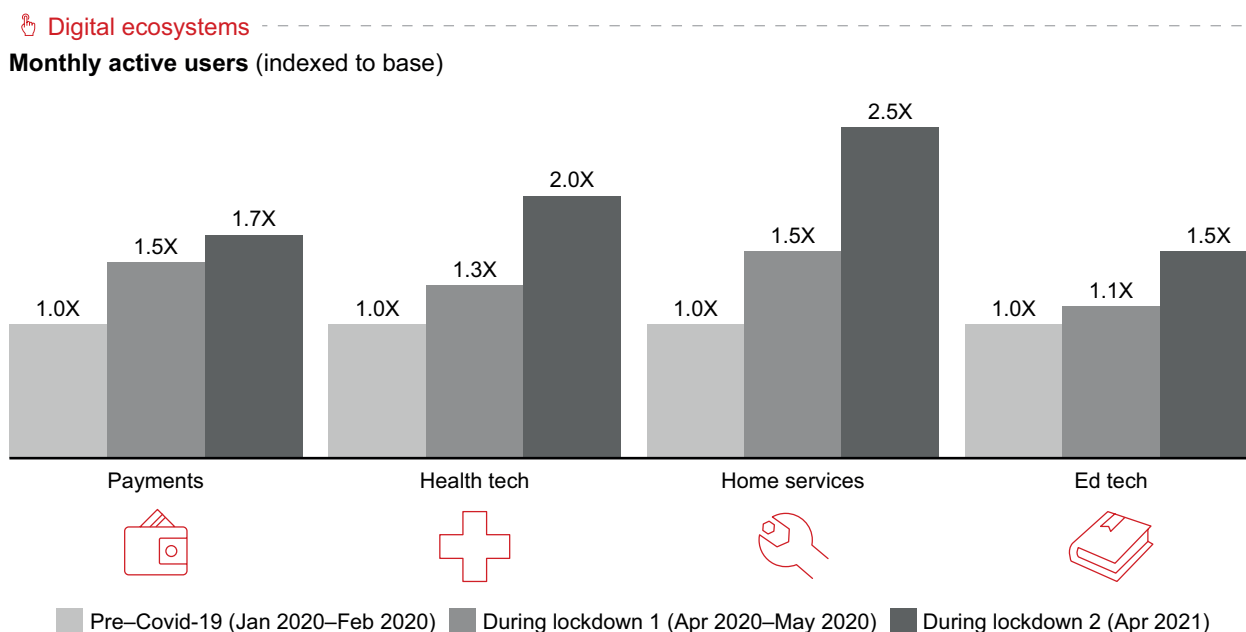
Note: Apr 2020–May 2020 and Apr 2021 monthly active users indexed to Jan 2020–Feb 2020 monthly active users (MAU)
Sources: SimilarWeb; Bain analysis

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Figure 27: This has accelerated the emergence of large digital ecosystems

👆 Digital ecosystems

Commerce/Marketplace
Flipkart, Flipkart Wholesale, Myntra, Refurbished, Shopsy

Logistics
Ekart, Flipkart Quick (Hyperlocal)

Loyalty programme
Flipkart Plus, SuperCoins

Financial services/Payment
PhonePe, Flipkart Pay Later, Axis Bank

Flipkart

Entertainment/Content
Flipkart Video, Games

Services
Cleartrip, Jeeves, F1

Analytics/Cloud
Flipkart Commerce Cloud

Ad Tech
Flipkart Ads

Commerce/Marketplace
Amazon.in, Amazon Business, Shoppers Stop, More, Future Retail, Amazon Pharmacy

Logistics
Amazon Logistics

Loyalty programme
Amazon Prime

Financial services/Payment
Amazon Pay, Capital Float, ICICI Bank, ACKO

Amazon

Entertainment/Content
Amazon Prime Video, Amazon Music, Amazon Kindle, Audible, Amazon Fire TV, Amazon Games, Amazon MiniTV

Services
Amazon Academy, Amazon Food

Analytics/Cloud
Amazon Web Services, Amazon Advertising

Commerce/Marketplace
Reliance Digital, Reliance Footprint, Trends, Fresh, Ajio, JioMart, Fynd, Hamleys, Tiffany & Co., Project Eve, Urban Ladder, Netmeds, Zivame

Logistics
Reliance Logistics, Grab

Loyalty programme
Reliance One, Jio Prime

Financial services/Payment
JioMoney, JioGST

Reliance

Entertainment
JioCinema, JioTV, Eros, Network18, Jio Music/Saavn, JioMags

Services
JioHealthHub, Jio Radisys, JioSecurity, EMBIBE

Analytics/cloud
Netradyne, JioCloud, Haptik

Social
JioChat, WhatsApp/Facebook

Commerce/Marketplace
Westside, Star Bazaar, Landmark, Zudio, ZARA, Massimo Dutti, Utsa, Croma, Starbucks, Tanishq, Titan, Tata Motors, Tata CLiQ, StarQuik, bigbasket, 1mg

Logistics
TD Logistics (B2B)

Loyalty program
Taj InnerCircle, Tata Empower, Titan Encircle, Tata Delight

Financial services/Payment
Tata Capital (including Moneyfy), Tata AIA/AIG Insurances

Tata

Telecom/Entertainment
Tata Sky, Tata Tele Broadband, TCS iON, Tata ClassEdge, Tata Sky Binge

Services
Tata Health, Qmin, Cure.fit

Analytics/Cloud
Tata iQ, TCS

Hospitality
IHCL, AirAsia India, Vistara, TajSATS

XX – Investment/Direct Play   XX – Partnership

Note: List of companies/offerings in the ecosystems is not exhaustive, includes partnerships and acquisitions. OTA: online travel aggregators.
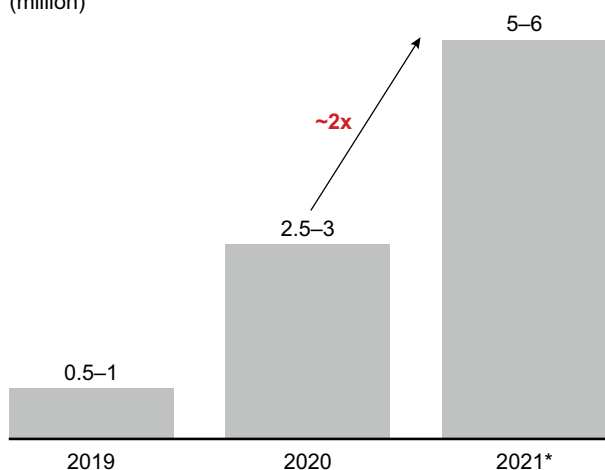Sources: Industry participant interviews; Bain analysis

Figure 28: Use of voice and vernacular online is increasing and will materially affect India's digital landscape

🎤 Voice and vernacular

Voice: User base for voice assistant apps increased ~2X to 5–6M monthly users in 2021

Monthly active users for voice assistant apps (million)

~2x

0.5–1	2.5–3	5–6
2019	2020	2021*

Note: * 2021 based on average monthly active users until May 2021
Source: Similarweb; Google Year in search 2020

Vernacular: Growth in preference for vernacular content and platforms

20+%
Growth in search for vernacular-specific content on Google in 2020

(Telugu: 30%, Hindi: 25%, Tamil 20%)

50%
Growth in number of times webpages translated to vernacular languages

84%
Online video viewers prefer vernacular content

Figure 29: Stream to sell: In China, platforms have successfully used livestream commerce to drive sales and engagement

▷ Video commerce

Livestreaming e-retail GMV in China almost trebled in 2020

China livestreaming e-retail GMV ($billion)

CAGR ~280%

2.8–3	20–22	63–65	170–175
2017	2018	2019	2020
Penetration (%) ~0%	~3%	~5%	9%–10%
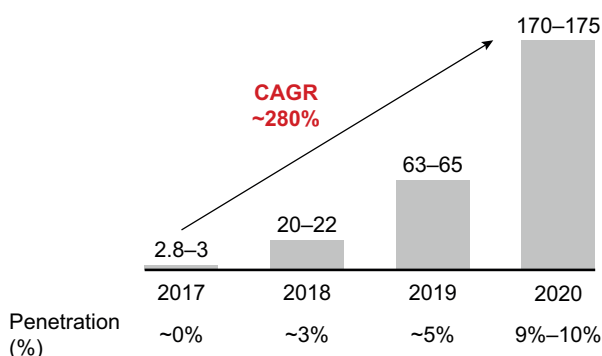
Alibaba's Taobao captures **60%–70%** of total market

30+% conversion from live stream
600k+ products broadcasted everyday

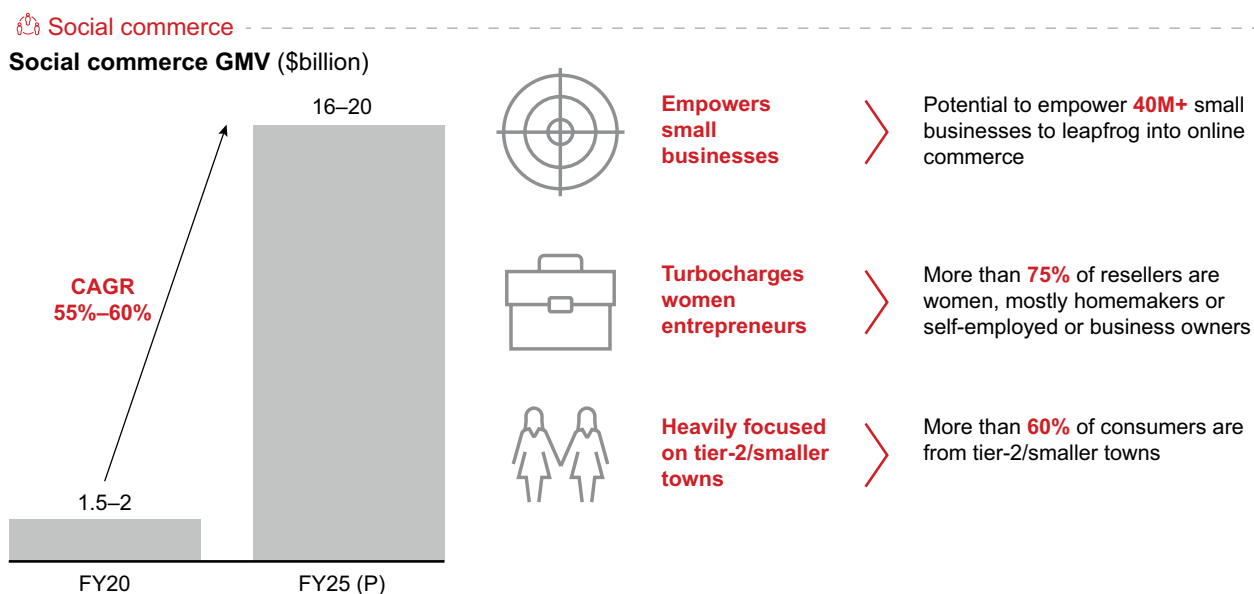**Emerging livestreaming start-ups in India also seeing significant growth**

	Key categories	Total funding	MAU (YoY growth)
Bulbul	• Electronics • Fashion • Beauty & Personal Care	$25M+	1.2M+ (~10X)
simsim	• Fashion • Beauty & Personal Care • Electronics • Home	$16M+	0.5M+ (~9X)

Although fashion is the primary category sold via video commerce, electronics is gaining traction (40%–50% of Bulbul GMV)

Note: MAU: monthly active users; YoY: year on year; penetration defined as live streaming e-retail GMV as a % of total e-retail GMV; MAU absolute value of Q3 2020 (YoY growth of Q3 2020 vs Q3 2019)
Sources: Analyst reports; SimilarWeb; Tracxn; iiMedia Research; Alizila; Alibaba annual report; Forbes; Industry participant interviews; Bain analysis
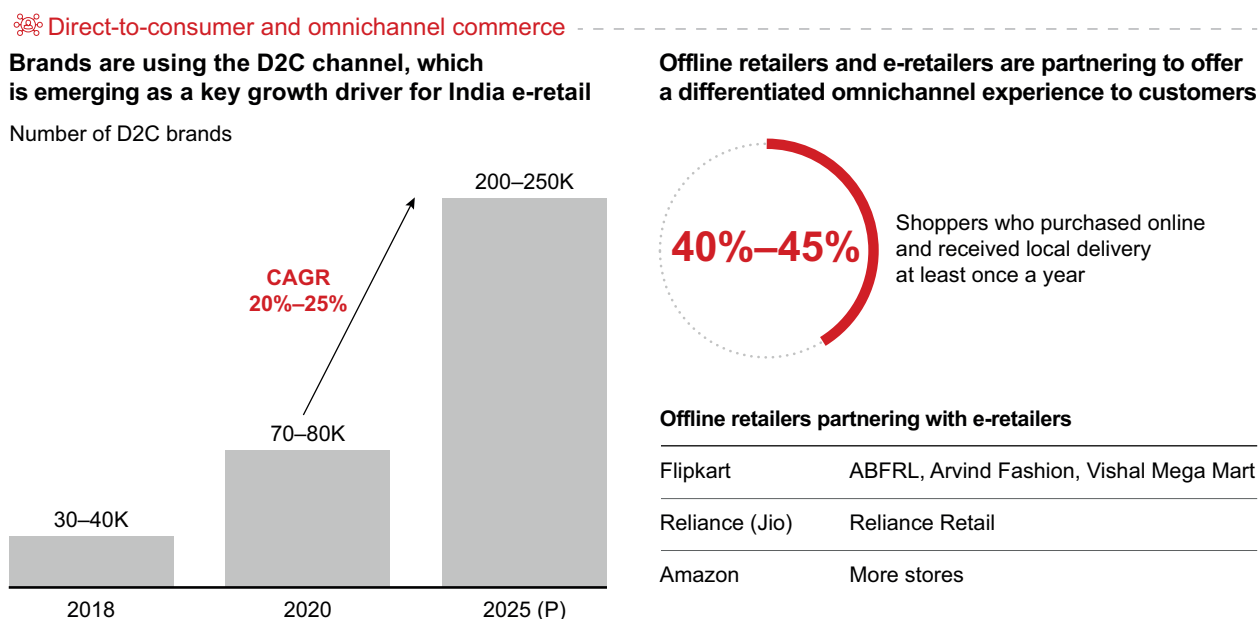
Figure 30: Social commerce is expected to grow at 55%–60% CAGR over FY20–25

⌂ Social commerce

Social commerce GMV ($billion)

16–20

**CAGR
55%–60%**

1.5–2

FY20   FY25 (P)

◎ **Empowers small businesses**	⟩	Potential to empower **40M+** small businesses to leapfrog into online commerce
💼 **Turbocharges women entrepreneurs**	⟩	More than **75%** of resellers are women, mostly homemakers or self-employed or business owners
👭 **Heavily focused on tier-2/smaller towns**	⟩	More than **60%** of consumers are from tier-2/smaller towns

Note: GMV: gross merchandise value; CAGR: compound annual growth rate; social commerce denotes the buying & selling of goods or services within a social media platform using a variety of formats (ranging from conversational commerce on chat platforms to video-led commerce to social reseller communities)
Sources: Forrester; MOSPI survey of MSMEs 2016; Bain India social commerce consumer survey; Bain India reseller survey; Industry participant interviews; Bain analysis
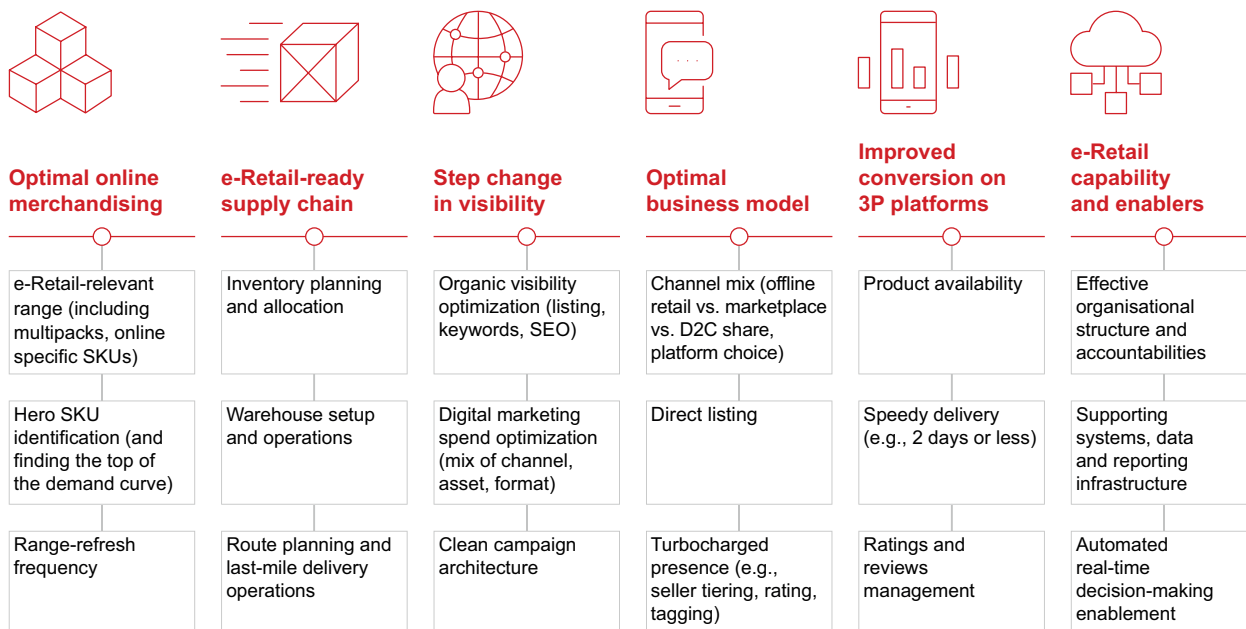
Figure 31: Brands and retailers are exploring D2C and omnichannel to engage more with customers

⊹ Direct-to-consumer and omnichannel commerce

Brands are using the D2C channel, which is emerging as a key growth driver for India e-retail

Number of D2C brands

200–250K

**CAGR
20%–25%**

70–80K

30–40K

2018   2020   2025 (P)

Offline retailers and e-retailers are partnering to offer a differentiated omnichannel experience to customers

40%–45% Shoppers who purchased online and received local delivery at least once a year

Offline retailers partnering with e-retailers

Flipkart	ABFRL, Arvind Fashion, Vishal Mega Mart
Reliance (Jio)	Reliance Retail
Amazon	More stores

Notes: CAGR: compound annual growth rate; ABFRL: Aditya Birla Fashion Retail Limited; local denotes delivery from a nearby kirana/retailer (based on consumer survey, n=~1000)
Sources: Shopify, Future of Ecommerce, 2021; Industry participant interviews; Bain analysis

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Figure 32: Brands should evaluate their readiness to win online across six key levers

Optimal online merchandising	e-Retail-ready supply chain	Step change in visibility	Optimal business model	Improved conversion on 3P platforms	e-Retail capability and enablers
e-Retail-relevant range (including multipacks, online specific SKUs)	Inventory planning and allocation	Organic visibility optimization (listing, keywords, SEO)	Channel mix (offline retail vs. marketplace vs. D2C share, platform choice)	Product availability	Effective organisational structure and accountabilities
Hero SKU identification (and finding the top of the demand curve)	Warehouse setup and operations	Digital marketing spend optimization (mix of channel, asset, format)	Direct listing	Speedy delivery (e.g., 2 days or less)	Supporting systems, data and reporting infrastructure
Range-refresh frequency	Route planning and last-mile delivery operations	Clean campaign architecture	Turbocharged presence (e.g., seller tiering, rating, tagging)	Ratings and reviews management	Automated real-time decision-making enablement

Note: SEO: search engine optimisation; SKU: stock-keeping unit; 3P: third-party
Source: Bain analysis

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Flipkart

The Flipkart Group is one of India's leading digital commerce entities and includes group companies Flipkart, Myntra, Flipkart Wholesale, and Cleartrip. The Group is also a majority shareholder in PhonePe, one of the leading Payments Apps in India.

Started in 2007, Flipkart has enabled millions of consumers, sellers, merchants, and small businesses to be a part of India's digital commerce revolution, with a registered customer base of more than 350 million, offering over 150 million products across 80+ categories. Our efforts to democratise commerce in India, drive access and affordability, delight customers, create millions of jobs in the ecosystem, and empower generations of entrepreneurs and MSMEs have inspired us to innovate on many industry firsts. Flipkart is known for pioneering services such as Cash on Delivery, No Cost EMI and easy returns – customer-centric innovations have made online shopping more accessible and affordable for millions of Indians. Together with its group companies, Flipkart is committed to transforming commerce in India through technology.

For more information, visit **www.flipkart.com**