

How India Shops Online 2022



An insight into the e-retail landscape and
the emerging trends shaping the market

Authors

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Executive summary

E-retail market and shopper dynamics

The Covid-19 pandemic has been a crucible moment for online retail in India. The pandemic has induced hypergrowth and a 12-month acceleration in market penetration. India currently has the third-largest shopper base globally, with 180–190 million online shoppers in 2021. In addition, India is well poised to surpass the US to have the second-largest shopper base in the next one to two years.

India's e-retail market rose to approximately \$40 billion in 2021 and is slated to reach \$50 billion in 2022. India has robust fundamentals supporting a continued boom in e-retail. India's substantial online consumer base and retail market (third largest globally) already make it an incredibly attractive e-retail market. Massive headroom in terms of smartphone penetration (36% in India vs. 63% in China and 76% in the US) and affluence (~\$2K per capita in India vs. ~\$12K in China and ~\$69K in the US), in addition to already low data prices, provide the perfect ingredients for sustained growth.

Rising affluence will fuel consumption and increase spending per shopper. Although the current inflationary environment might prove to be a short-term headwind for the market, these structural drivers will ensure healthy growth in the medium to long term.

India's e-retail market is estimated to increase to \$150–\$170 billion by 2027. This implies 25%–30% annual growth and doubling of market penetration to 9%–10% over the next five years.

The category mix of online purchases will also evolve. Historically, categories such as mobile phones, electronics, and appliances have accounted for the lion's share of the e-retail market. This will change over the next five years. Fashion, general merchandise categories (including personal care), and grocery have the highest penetration headroom (vs. mature markets) and will therefore fuel growth. These categories will cumulatively account for as much as two-thirds of the e-retail market by 2027.

Shopper addition will continue to be at the heart of future e-retail growth. India's online shopper base is estimated to increase to 400–450 million by 2027. Most of these shoppers are already in the digital funnel—450–500 million used social media while only 180–190 million shopped online in 2021.

In 2021 alone, between 40 and 50 million new shoppers were added to the India e-retail market, which is approximately 30%–35% growth over the online shopper base in 2020. These new shoppers largely belong to tier-3 or smaller cities and include Gen Z—which will become a critical cohort in the future. They primarily purchase fashion as the first category online, and they typically start buying at entry price points.

The existing shopper base is simultaneously maturing. Overall engagement on retail platforms is increasing. The percentage of daily active users to monthly active users has risen to more than 25% in 2021, from 18% to 20% in 2019. Consumers now spend 20% more time per month on a retail platform, vs. last year.

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Sustained e-retail growth has been accompanied by tremendous growth in the supplier and logistics ecosystem. India's online seller base has grown 35% annually over the past year, with approximately 40% of new sellers coming from tier-2 or smaller cities. In addition, growth in e-retail shipments has enabled the development of a deep and efficient logistics network. Accompanied by technological advances, e-retail has seen a steady year-over-year decline in cost per shipment by 7%–9% per annum from 2018 to 2021. Reach has widened significantly—e-retail is accessible in 99% of India's pin codes.

The government is also playing a critical role in democratising e-retail for India through the creation of the Open Network for Digital Commerce (ONDC). ONDC aims to create an interoperable network for digital commerce akin to Unified Payment Interface (UPI) network for payments. Although a nascent initiative, its successful and full-scale execution could provide a fillip to the Indian e-retail ecosystem.

Future of e-retail in India

India's e-retail has evolved and matured materially over the past decade.

Before 2015 (**Phase 1.0 – Cautious early adoption**), e-retail was restricted to upper-income households from metro and tier-1 cities. Categories such as mobile phones and fashion accounted for more than 75% of gross merchandise value (GMV), led by horizontal platforms. Made-for-Bharat innovations such as cash on delivery helped build customer trust and drove e-retail adoption.

From 2015 to 2020 (**Phase 2.0 – Massification**), the e-retail market expanded and evolved immensely. Rapid growth in the number of Internet-enabled smartphone users, fueled by low-cost devices and cheaper data, was key to bringing India online. Platforms democratised e-retail. Shoppers in tier-2 or smaller cities and in middle-income households came online, and new sellers from the breadth of *Bharat* were onboarded. Phase 2.0 saw the emergence and scale-up of vertical players across categories such as fashion, grocery, pharma, beauty, etc. This period was also characterised by improvements in customer experience via faster delivery (2–4 days), loyalty programs, and the rise of digital payments.

The Covid-19 pandemic marked an inflection point in e-commerce in India, ushering in a new era of growth. This post-2020 phase (**Phase 3.0 – Massification and increasing stickiness**) will involve rapid growth in both user penetration and user spend. The shopper base will mature and transact more frequently, spending more time on platforms. Phase 3.0 introduces an era of innovation and disruption to address the needs of distinct micro-segments emerging, to innovate with new business models, and to differentiate on customer experience. We discuss each of these in more detail below.

- **Shopper micro-segments:** Multiple disparate shopper cohorts—based on geography, income, and age—are coming online. Three out of five shoppers belong to tier-2 or smaller cities, one in three shoppers belong to low-to-middle income segments, and one in three shoppers is Gen Z (younger than age 25). Each of these micro-segments exhibits distinct shopping behavior. For instance, shoppers in tier-2 or smaller cities have higher salience of voice and vernacular search, whereas low-to-middle income households rely more on image-based search.

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- ▶ **New e-retail business models:** E-retailers are experimenting with a host of alternative business models as they pursue a wider audience and address gaps in traditional commerce. These models—social-led commerce, video/live commerce, direct-to-consumer commerce, and quick commerce—are at varying levels of maturity and demonstrate tremendous potential. For example, social-led commerce is expected to grow approximately 50% annually from 2021 to 2025. Social media players are increasingly looking to leverage platform traffic to drive online sales—about 10% of Instagram users globally use “Shops” on Instagram. Video/live commerce also offers substantial potential, with more than 600 million users of short-form video platforms expected in India by 2025. However, the model is yet to gain meaningful traction beyond China and Southeast Asia (video/live commerce drives 10% of China’s e-retail revenue). Quick commerce, a recent disruption globally, has also gained interest in India, with players having raised more than \$3 billion in funding up to June 2022

However, players need to navigate challenges around scaling sustainably. For instance, quick commerce has gained significant traction, but low average order values, lack of demand density, and low or no delivery fees; in addition to thin underlying margins, impact unit economics.

- ▶ **Customer experience innovations:** Technology-led disruptions have tremendously enhanced the online shopper experience from discovery to purchase. These improvements range from innovative search mechanisms—voice, vernacular, and image-based search—to applications utilising augmented reality (AR), virtual reality (VR), and artificial intelligence (AI). Made-for-Bharat innovations such as voice- and vernacular-based search have continued to gain traction, with 5x growth in voice-search users and 3x growth in vernacular-search users over the past year. These innovations are helping make shopping easier for a new wave of users: Half of all vernacular-search shoppers are new online shoppers. Most of these vernacular shoppers (70%) belong to tier-3 or smaller cities. Simultaneously, AR/VR applications such as product try-ons and demos are gaining popularity. For instance, Flipkart’s camera feature allows users to superimpose images of furniture and large appliances on live videos of their rooms through camera scanning.

These disruptions will pave the way for the next wave of e-retail growth in India.

Accelerated scale-up of e-retail has implications for both platforms shaping e-retail in the country and for brands looking to tap this crucial channel. Platforms—both horizontal and vertical—need to focus on delivering superior customer and seller experience, leveraging traffic and data to create value and building relevant capabilities and moats. In parallel, brands will need to optimise channel mix, design a tailored assortment, drive high visibility, and build differentiated capabilities around supply chain and data.

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India currently has more than 180 million online shoppers and is well poised to surpass the US to have second-largest shopper base in the next one to two years

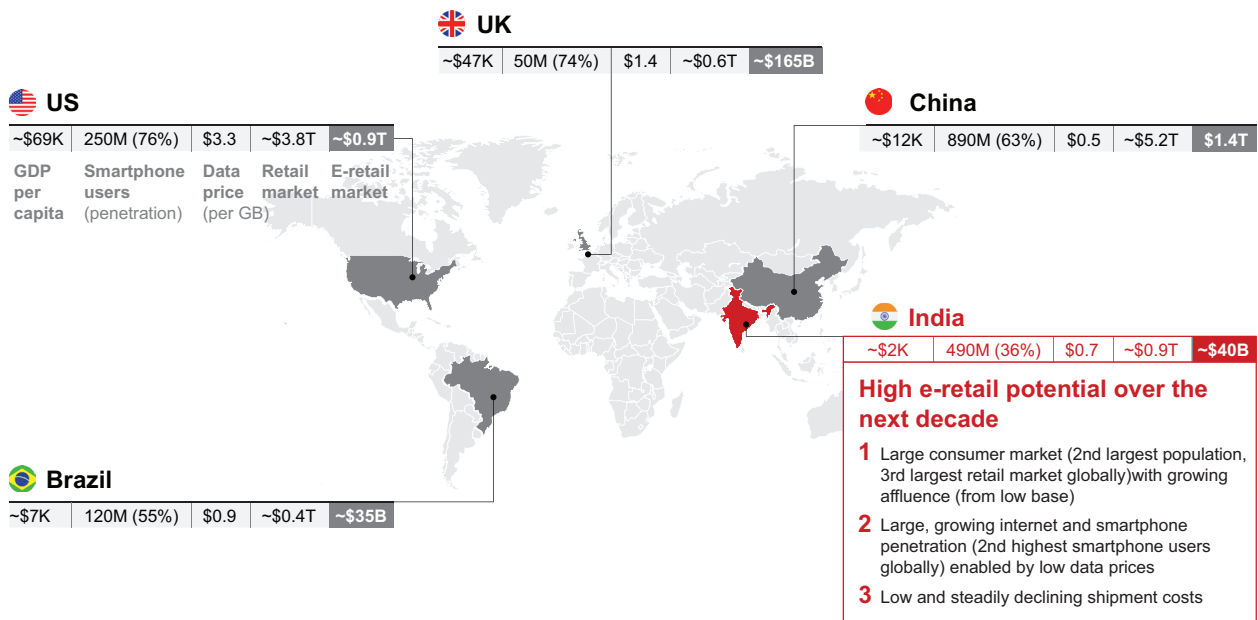


E-retail market and shopping dynamics

- ▶ India's e-retail market is estimated to be \$50 billion in 2022, growing at 25% over 2021. The market is expected to scale to \$150–\$170 billion in 2027, with up to 1 in 10 retail dollars spent online.
- ▶ This secular growth is supported by strong underlying fundamentals: a large consumer base with growing affluence, albeit from low levels currently; growing Internet and smartphone penetration (enabled by low data prices); and low shipment costs.
- ▶ The mix of categories purchased online will change. Fashion, general merchandise, and grocery, which have the highest penetration headroom vs. mature e-retail markets, will grow disproportionately and account for two-thirds of the e-retail market.
- ▶ India's e-retail shopper base scaled to 180–190 million in 2021, with 40–50 million shoppers added in 2021 alone. The majority of these shoppers (about 60%) come from tier-3 or smaller cities. A new generation of digital natives—Gen Z (18–25 years of age)—has started transacting online and will become a critical cohort in the future.
- ▶ Fashion and low-price items have been pivotal to onboard new shoppers. More than 40% of new shoppers bought fashion in their first online purchase, and the average selling price (ASP) for items bought by new shoppers was 20% lower than for existing shoppers.
- ▶ Growth in the e-retail market has been accompanied by rapid expansion in the seller base and efficient development in the logistics infrastructure. Seller growth has outpaced e-retail growth, with the number of sellers increasing at 35% annually. E-retail scale has enabled a consistent reduction in cost per shipment, which has fallen to 8% of average order value (vs. 10% in China).

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Figure 1: India has robust fundamentals to support a large and growing e-retail market

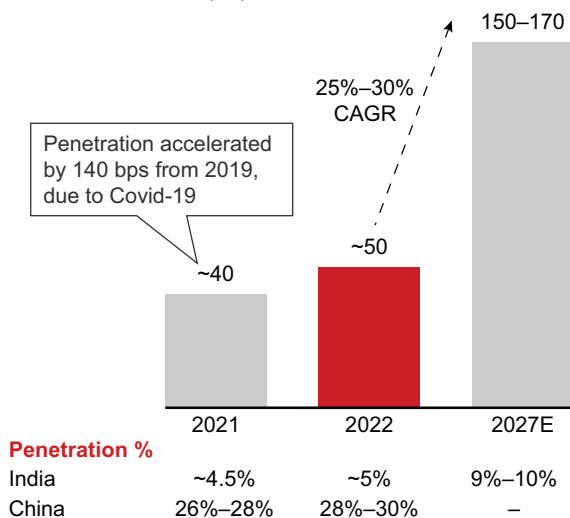


Notes: Metrics pertain to 2021; China retail/e-retail markets exclude the sale of automobiles
Sources: Forrester; International Monetary Fund; China Statistical Yearbook; eMarketer; Cable.co.uk; Bain analysis

Figure 2: Indian e-retail market is estimated to reach about \$50B in 2022 and grow at more than 25% per annum to scale to \$150–\$170B by 2027

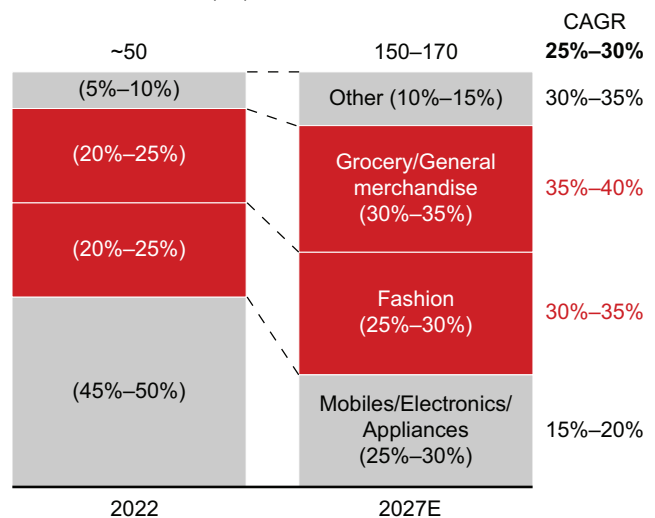
E-retail penetration to grow from ~5% to 9%–10% in 2027

India e-retail market (\$B)



Fashion, grocery, general merchandise to fuel growth and account for up to two-thirds of e-retail market by 2027

India e-retail market (\$B)

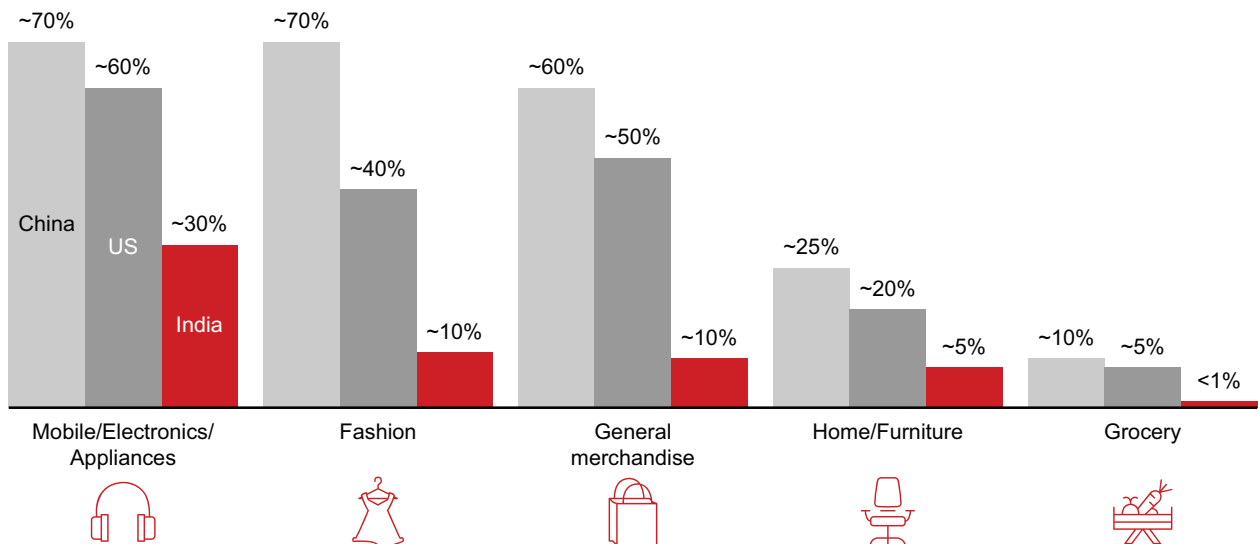


Notes: Penetration represents e-retail as a percent of total retail; "E" represents the estimated amount; Other includes home, furniture, pharma
Sources: CRISIL; Forrester; China Statistical Yearbook; Bain Analysis

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Figure 3: E-retail penetration headroom exists across categories

E-retail penetration* by category (2021)

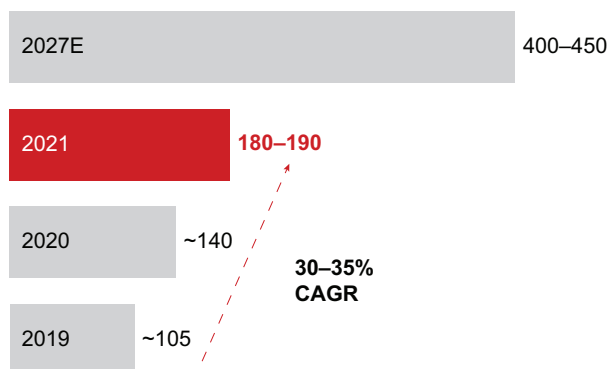


*Penetration represents e-retail as a percent of total retail
Sources: Forrester; Market participant interviews; Bain analysis

Figure 4: Shopper addition is key for growth, with 40–50M shoppers added in 2021 alone

India online shopper base will scale from 180–190M to 400–450M in 2027

Online shoppers in India (million)

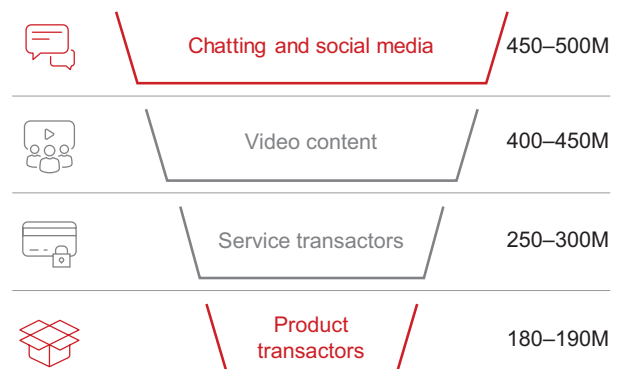


40–50M online shoppers added in 2021
3rd largest online shopper base globally (only behind China, US); potentially 2nd by 2022

Majority future e-retail shoppers are already in the digital funnel

India digital funnel (2021)

User base



60% of social-media user base did not shop online in 2021

Sources: Forrester; Similarweb; Bain analysis

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Figure 5: New e-retail shoppers are a diverse group

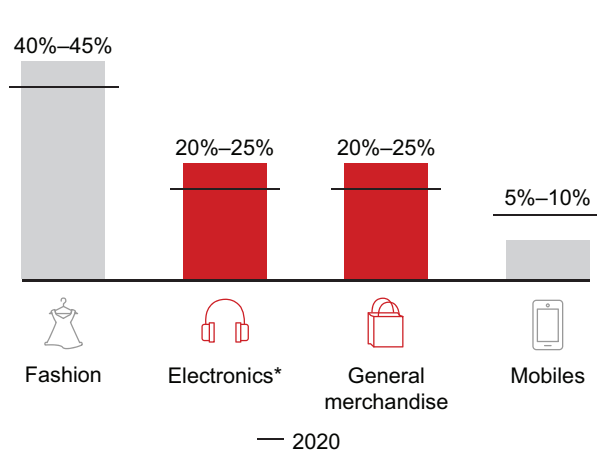


Notes: Metrics pertain to 2021; Metro area/ tier-1 category covers top 50 cities based on population, tier-2 category covers next 100 cities, and the rest of India is classified as tier-3/ smaller cities
Sources: Market participant interviews; Bain analysis

Figure 6: Fashion is a crucial category to onboard shoppers; majority initial online purchases are at entry price points

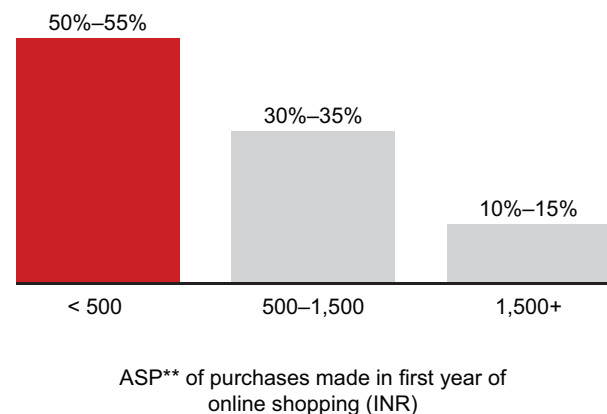
While fashion continues to be the gateway category, general merchandise, electronics have also grown

% of shoppers who buy product category in their first transaction (2021)



Initial online purchases tend to be at entry price points

% of new shoppers (2021)

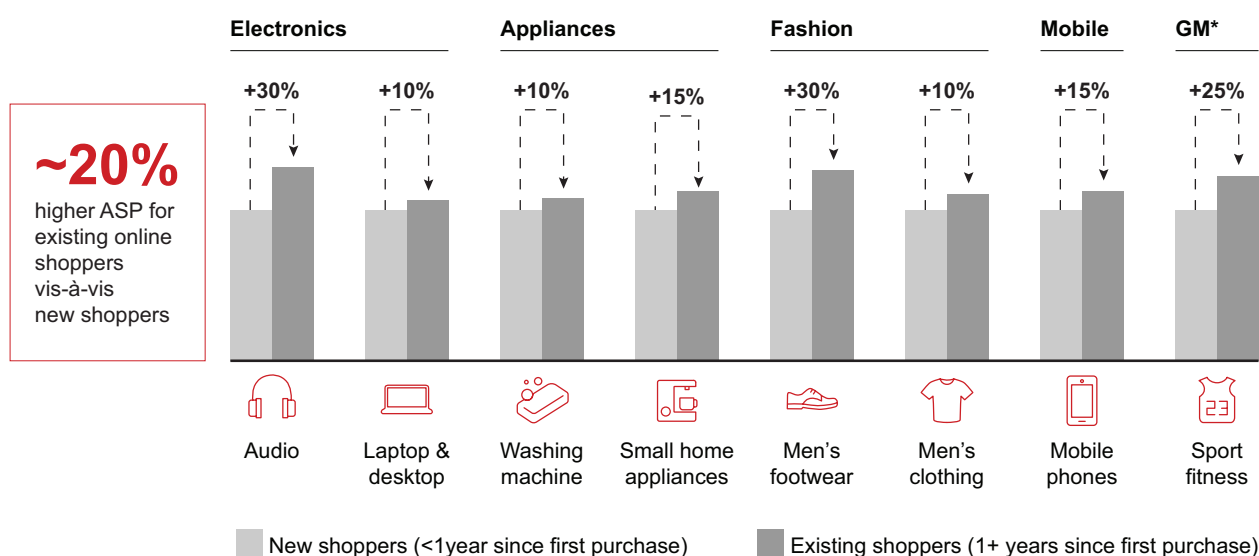


*Includes large appliances, **ASP = Average Selling Price
Note: Product category chart for new shoppers is not additive to 100% due to overlaps
Sources: Market participant interviews; Bain analysis

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Figure 7: Mature shoppers buy at higher price points across categories

ASP by product category (2021)
(Indexed to new shoppers' ASP)



*GM = General merchandise

Sources: Market participant interviews; Bain analysis

Figure 8: This growing shopper base is also much more engaged



*Refers to the ratio of average daily active users (DAU) to average monthly active users (MAU)

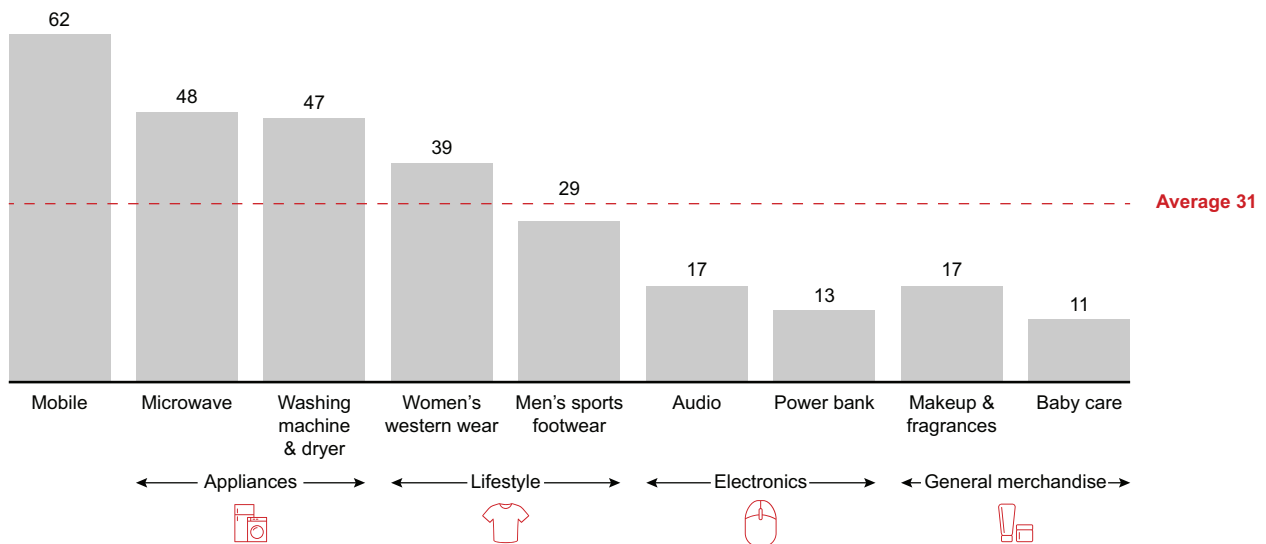
Note: Metrics pertain to 2021

Sources: Market participant interviews; Bain analysis

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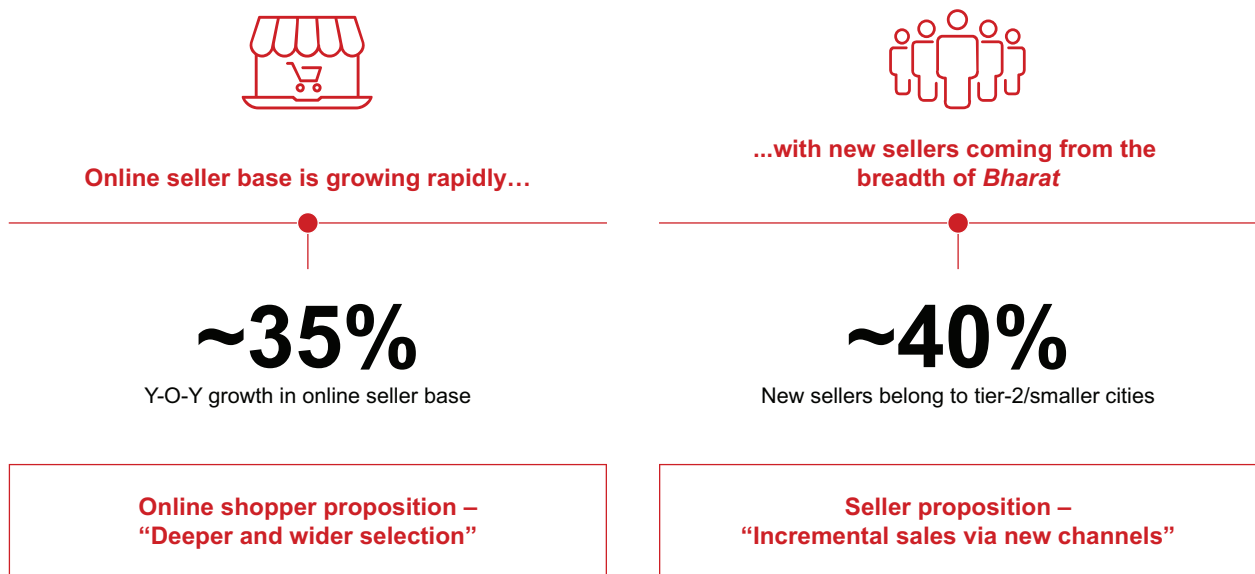
Figure 9: Shoppers browse more than 15 product pages for most categories

#product page views (PPVs) per customer before making a purchase



Notes: PPVs refer to number of product pages viewed across single or multiple visits made before a purchase by a user for a given category
Sources: Market participant interviews; Bain analysis

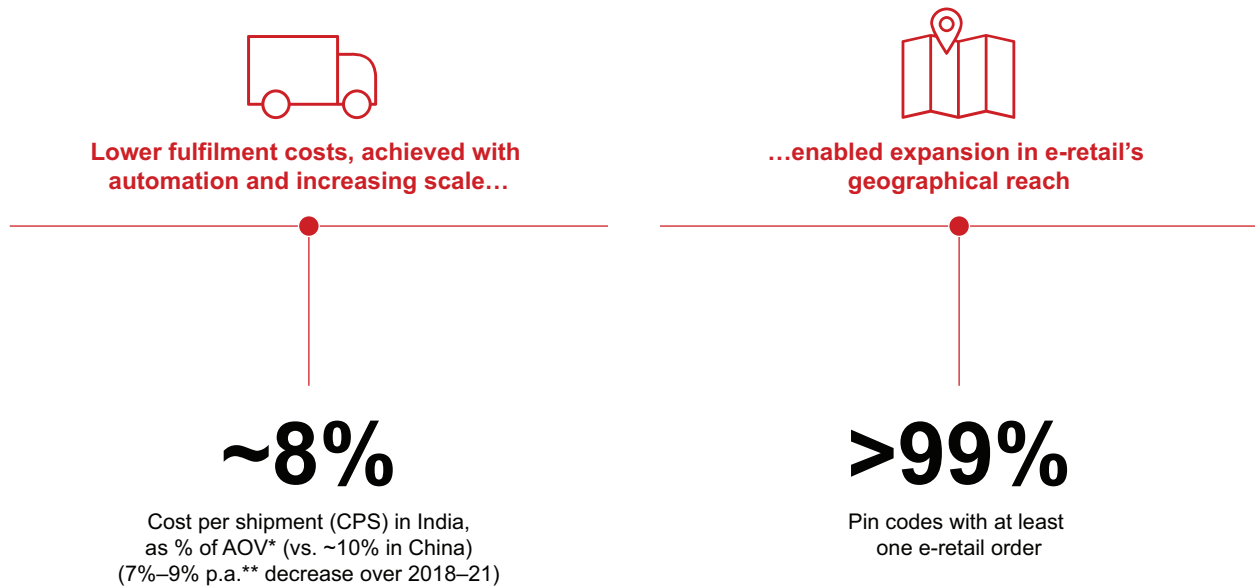
Figure 10: E-retail growth has provided sellers, especially those in small cities, access to a wider shopper base



Notes: Metrics pertain to 2021; Metro area/tier-1 category covers top 50 cities based on population, tier-2 category covers next 100 cities, and the rest of India is classified as tier-3/smaller cities
Sources: Market participant interviews; Bain analysis

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Figure 11: Deep logistics development has democratised access to e-retail for *Bharat*



*AOV = average order value; **p.a. = per annum
Note: Metrics pertain to 2021
Sources: Market participant interviews; Bain analysis

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Phase 3.0 of e-commerce evolution introduces an era of innovation to address the needs of distinct micro-segments, to innovate with new business models, and to differentiate on customer experience.



The future of e-retail—new customers, new e-retail models, CX innovations




- ▶ E-retail in India has evolved materially over the last decade. Phase 1.0 (pre 2015) can be characterised as a phase of “cautious early adoption.” The medium was restricted to select households (typically affluent, metro/tier-1) and categories (typically mobiles, fashion). Phase 2.0 (2015–20) heralded an era of growth and massification. E-retail expanded to new shoppers across tier-2 cities (enabled by a crash in data prices) and new categories (such as grocery, beauty, etc.). This was juxtaposed by a dramatic increase in ecosystem maturity with the scale-up of third-party logistics, innovative affordability constructs like buy now pay later (BNPL), low-cost equated monthly instalments (EMIs) and co-branded cards, etc.
- ▶ The Covid-19 pandemic steered India’s e-retail market into Phase 3.0 of its evolution—an era of innovation. Over the last 12–18 months, three distinct hallmarks of Phase 3.0 have emerged. These include the emergence of shopper micro-segments; the introduction of novel business models; and the use of technology to deliver a bespoke, life-like customer experience to shoppers.
- ▶ In this phase of growth (Phase 3.0), platforms will need to solve for distinct shopper micro-segments across geographies, incomes, and age groups. Three out of five shoppers belong to tier-2 or smaller cities, one in three shoppers belong to low-to-middle income segments, and one in three shoppers is Gen Z (<25 years). Each of these micro-segments exhibits distinct shopping behaviors. For instance, Gen Z shoppers frequently use wish lists to shortlist products before adding items to the cart.
- ▶ India’s e-retail market is witnessing the emergence of novel business models in Phase 3.0 of growth. These models, currently at different stages of maturity, include:
 - **Social-led commerce:** Includes three models—social-network led, reseller-led, and community buying. About 40% of shoppers using the reseller model are first-time e-retail shoppers, and two-thirds of shoppers belong to tier-3 or smaller cities.
 - **Video/live commerce:** The model is nascent and has seen limited traction beyond China and Southeast Asia. However, there is enormous potential with over 600 million users of short-video platforms expected in India by 2025.

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- **Direct to consumer (D2C) commerce:** India has witnessed a massive scale-up of online-first brands across categories. These brands have garnered more than \$2 billion in funding between fiscal years 2015 and 2021.
- **Quick commerce:** Q-commerce, a recent disruption globally, has gained interest in India. Indian Q-commerce players raised more than \$3 billion in funding up to June 2022. However, long-term sustainability of the model (especially <15-minute model) is unproven, especially in the absence of delivery and/or convenience fees.
- ▶ Tech-led innovation will take centre stage in Phase 3.0 of e-retail growth. Players are already utilising technology to deliver an upgraded customer experience to shoppers. Notable examples include voice, vernacular, and image-based search; augmented/virtual reality (AR/VR) and AI-based product demos; and virtual shop fronts. Each innovation caters to distinct customer micro-segments. For example, vernacular search is key for shoppers from smaller cities (70% of vernacular shoppers are from tier-3 or smaller cities), whereas AR-based visualisation is key for shoppers in metro areas (60% of users of Flipkart's camera feature are from metro or tier-1 cities).
- ▶ Phase 3.0 of India's e-retail evolution will have profound implications for platforms and brands alike.

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Figure 12: India's e-retail market has evolved and matured over the past decade

		1.0 (Cautious early adoption) 	2.0 (Massification) 	3.0 (Massification and increasing stickiness) 
		Pre 2015	2015–2020	2020 onward
Shoppers	Geography/affluence/age	<ul style="list-style-type: none"> Primarily metro/tier-1 cities Upper income Typically middle-aged (> 25 years old) 	<ul style="list-style-type: none"> Significant expansion into tier-2 and beyond Upper and upper-middle income Emergence of Gen Z shoppers (< 25 years old) 	<ul style="list-style-type: none"> Greater spends in metro/tier-1; deeper penetration into tier-3 and beyond Upper, upper-middle, and lower-middle income Gen Z to gain spending power with maturity
	Categories/horizontal vs. vertical reliance	<ul style="list-style-type: none"> Horizontals—limited categories (mobiles, electronics constituted >75% GMV) Emergence of vertical players in fashion, furniture, pharma (low scale) 	<ul style="list-style-type: none"> Horizontals—cross-category expansion (mobiles, electronics dropped to < 50% of GMV; general merchandise, grocery, witnessed growth in GMV) Scale-up of vertical players (especially fashion, beauty, grocery, pharma) to 10%–15% share 	<ul style="list-style-type: none"> Horizontals and scale vertical players—greater salience of high-frequency categories (grocery, general merchandise, fashion constitute 45%–50% of GMV) Expansion of ecosystems (entertainment, payments, financial services, health, etc.)
Business model	Operating model	Online marketplaces	Online marketplaces, experimentation with omnichannel by online players in select categories (e.g., fashion, grocery)	Online marketplaces and multiple new models: <ul style="list-style-type: none"> Sales: social commerce, video/creator-led commerce, online-first brands Delivery: quick commerce, hyperlocal, omnichannel
	Customer experience	Simple, search-based UI* in one language	Voice-search, vernacular platforms	Increased penetration of voice/vernacular, image search and AR/VR** -enabled UI
Enablement	Logistics	Long delivery period (>4 days); limited pin-code serviceability, wide reach for limited categories	Faster delivery (2–4 days); 90%–95% pin-code serviceability driven by scale 3PLs†, automation	Ultra-fast delivery (0–2 days, <30 mins for some cities/categories); >95% serviceability overall
	Tech architecture	Integrated back-end and front-end tech stacks	Emergence of modular, flexible tech stacks (decoupling of front-end UI layer from back end)	Modular tech stacks; rise of plug-and-play e-retail enablers (e.g., Shopify)
	Payment methods	Primarily cash on delivery, limited net banking, credit/debit cards	Scale-up of UPI, digital wallets, increased usage of credit/debit cards	Scale-up of innovative credit schemes (e.g., BNPL/EMI)

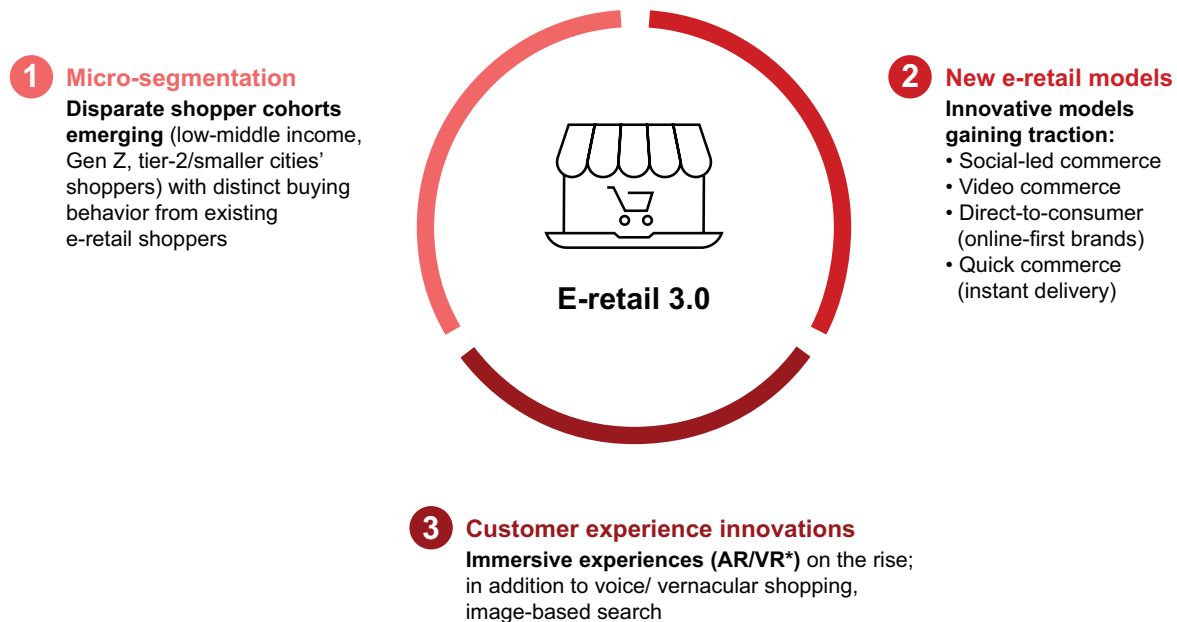
*UI = user interface; **AR = augmented reality; VR = virtual reality; †3PLs = third-party logistics players

Notes: Metro area/ tier-1 category covers top 50 cities based on population, tier-2 category covers next 100 cities, rest of India is classified as tier-3/ smaller cities

Sources: Market participant interviews; Bain analysis

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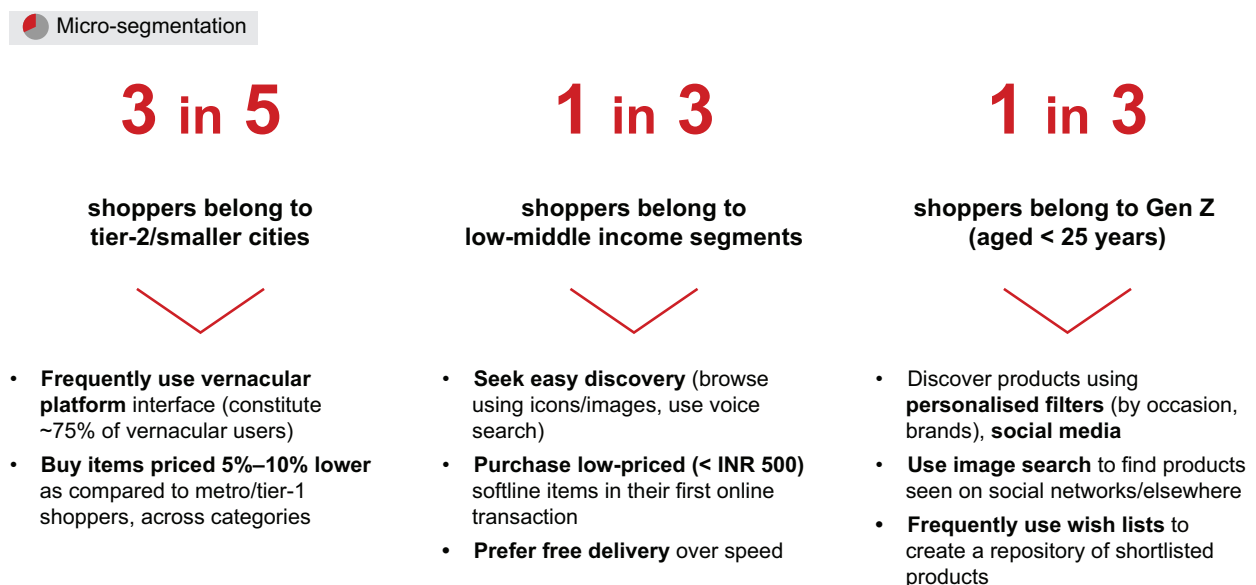
Figure 13: India's evolving e-retail market has been marked by multiple disruptions over the past 12 to 18 months



*AR = augmented reality; VR = virtual reality

Notes: Metro area/ tier-1 category covers top 50 cities based on population, tier-2 category covers next 100 cities, rest of India is classified as tier-3/ smaller cities

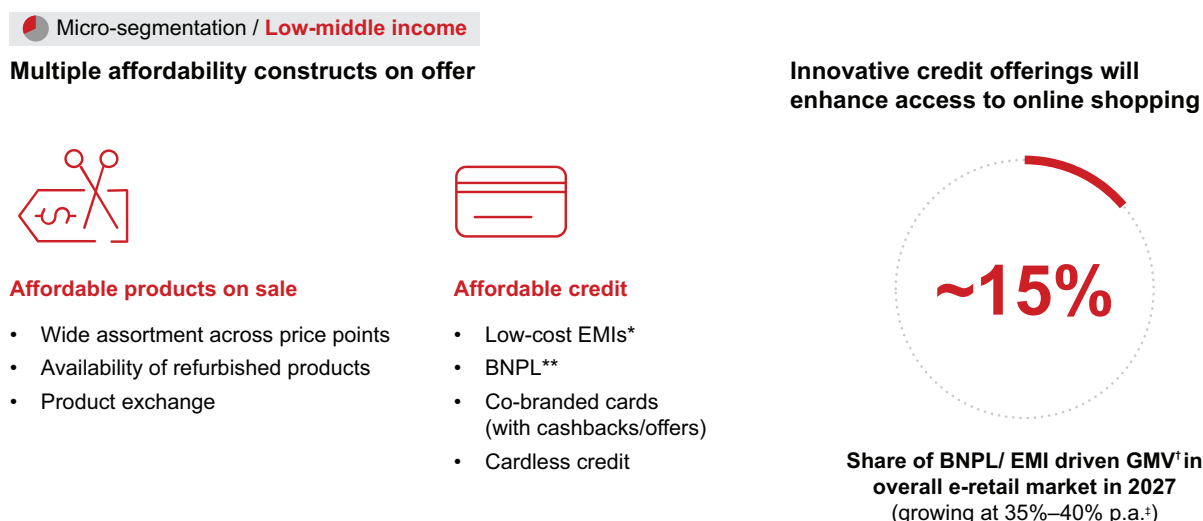
Figure 14: Disparate shopper cohorts have emerged with different shopping behavior



Notes: Metro area/tier-1 category covers top 50 cities based on population, tier-2 category covers next 100 cities, rest of India is classified as tier-3/smaller cities; Softline items include fashion, general merchandise, home, electronic accessories, etc.

Sources: Market participant interviews; Bain analysis

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Figure 15: Innovative affordability constructs have facilitated online shopping

*EMIs = equated monthly instalments; **BNPL = Buy now pay later; [†]GMV = gross merchandise value; [‡]p.a. = per annum

Notes: Metro area/tier-1 category covers top 50 cities based on population, tier-2 category covers next 100 cities, rest of India is classified as tier-3/smaller cities; An RBI circular dated June 21, 2022, disallowed all non-bank prepaid payment instrument (PPI) issuers from loading PPIs (wallets/cards, etc.) through credit lines. While this is expected to cause short-term disruption, our medium- to long-term outlook on credit enabling mechanisms stays positive.

Sources: Market participant interviews; Bain analysis

Figure 16: A slew of alternate business models at varying levels of maturity are redefining online shopping, with long-term sustainability yet to be proven

	Social-led commerce	Video/live commerce	Direct to customer	Quick commerce
Model	Intermediaries (creators, resellers, community leaders) using their social circles to drive commerce	Videos/livestreams featuring for-sale products, reviews, etc.	Online-first brands reaching customers directly (own apps/ websites), or via e-retail marketplaces	On-demand delivery (primarily for grocery) in under 30 minutes
Addressed consumer need	Trust and curation	Trust; offline browsing experience and expert guidance	Personalised, innovative products, high-quality at competitive prices	Convenience (for impulse/ urgent purchases)
Key highlights	>50% Annual GMV* growth (2021–25)	>600M Monthly short-form video viewers in India (2025)	>\$2B Funding raised by Indian online-first brands over FY15–21	>\$3B Total funding raised by Indian quick commerce players [†] (up to June '22)
Potential challenges	<ul style="list-style-type: none"> • Stagnating intermediary productivity as social circles start overlapping • Shopper migration to traditional e-retail after maturity 	<ul style="list-style-type: none"> • Nascent offering with limited traction outside of China and Southeast Asia 	<ul style="list-style-type: none"> • High CAC** on own platforms (website/app) 	<ul style="list-style-type: none"> • Unclear long-term economic sustainability due to unfavorable unit economics

*GMV = gross merchandise value; **CAC = customer acquisition cost; [†]Includes Swiggy Instamart (\$700M earmarked specifically for scaling Instamart), Blinkit, Zepto, BigBasket (BigBasket total ~\$1.3B funding included)

Sources: Inc42 D2C report, 2021; Crunchbase; Market participant interviews; Bain analysis

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Figure 17: Social-led commerce is expanding the reach of e-retail

New e-retail models / Social-led commerce

Three types of social-led commerce models are emerging

	Social-network led	Reselling	Community buying
Overview	<p>Content creators shape product discovery via engaging social media posts</p> <p>Order delivered to shopper</p> <p>Sellers → Platform → Shoppers</p> <p>Incentives → Content creators</p>	<p>Resellers* leverage their networks, curate product assortment, and sell</p> <p>Order delivered to shopper</p> <p>Sellers → Platform → Shoppers</p> <p>Resellers</p>	<p>Trusted community leaders aggregate demand and place group orders at lower costs</p> <p>Order delivered to community leaders</p> <p>Sellers → Platform → Shoppers</p> <p>Community leaders</p>
Maturity in India	<p>(Medium: leveraging wide social-network user base)</p>	<p>(Medium: helping onboard next wave of shoppers)</p>	<p>(Low: relatively nascent)</p>
Geographies/ key players	<p>Global: Facebook, Instagram</p> <p>China: Xiaohongshu (Little Red Book)</p>	<p>India: Shopsy, Meesho, Glowroad</p> <p>China: Yunji</p>	<p>China: Pinduoduo</p> <p>India: CityMall</p>

Value proposition

For buyers

- Curation from trusted intermediary

For sellers

- Expanded reach

For intermediaries

- Extra income with low working capital, platform-managed order processing (fulfilment/ logistics/ payments)

For platforms

- Penetrating new geographies/ shopper base (especially low-middle income segments)
- Low customer acquisition cost

*Resellers refer to influencers who act as intermediaries connecting shoppers with products/brands listed on e-retail platforms

Note: Glowroad was acquired by Amazon in April 2022

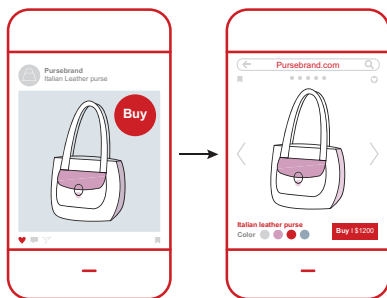
Sources: Market participant interviews; Bain analysis

Figure 18: Social networks globally are becoming new points of discovery and enabling seamless transition to online purchases

New e-retail models / Social-led commerce

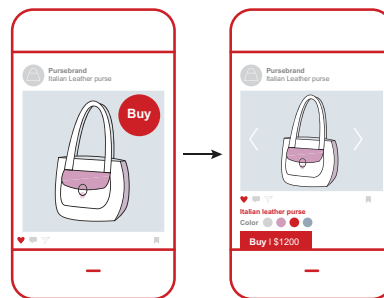
Historically, ad placements and product listings would redirect shoppers to the platform/brand websites...

For example, Instagram redirecting to brand website



...however, social networks are increasingly building end-to-end checkout experiences natively

For example, Instagram "Shops" provides in-app checkout



~10%

of monthly Instagram users* use Instagram "Shops" globally

*Refers to monthly active users

Sources: Instagram; Bain analysis

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Figure 19: The reseller model has facilitated wider e-retail reach and onboarded new shopper cohorts



Notes: Metrics pertain to the period of June 2021–April 2022; Metro area/tier-1 category covers top 50 cities based on population, tier-2 category covers next 100 cities, and the rest of India is classified as tier-3/smaller cities
Sources: Market participant interviews; Bain analysis

Figure 20: Video/live commerce models aim to manifest latent needs and recreate the offline shopping experience virtually

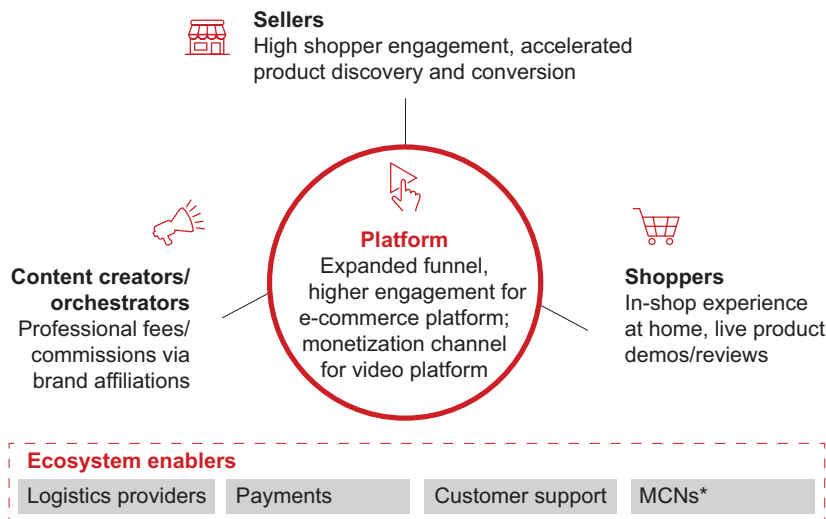


*Percent of total live-stream viewers who place orders; **Partnered with Flipkart for video commerce offering, leveraging product catalog and logistics, also acquired MX Takatak in February 2022 for \$700M
Sources: Market participant interviews; Bain analysis

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Figure 21: Video/live commerce involves a three-sided marketplace enabled by a robust tech platform

New e-retail models / Video/ live commerce



Platforms need to build three key moats to win

- 1 High quality content creators**
Engaging, best-in-class creators; strong content moderation capabilities
- 2 Differentiated targeting/ recommendations**
Through robust AI/ML** based recommendation algorithms
- 3 Commerce integration**
Build/partner for commerce execution (assortment, logistics, payments, back-end tech infrastructure)

*MCNs (multichannel networks) are third-party service providers that work with and connect content creators and brands/channels; **AI = artificial intelligence; ML = machine learning
Source: Bain analysis

Figure 22: Online-first brands have gone from strength to strength and are expanding their D2C business

New e-retail models / Direct to consumer

Online-first brands have attained scale, are maturing

>\$2B

Funding raised by >130 online-first brands (FY15–21); beauty/fashion biggest segments

>25

Brands with revenue INR>100 Cr.** (FY22)

Key levers for online-first brands to achieve full potential



Channel: Marketplaces are key to scale-up (80%+ sales contribution for brands), acquire customers at lower CAC*; own website helps brands tell their story, drive engagement, retain profits & customer data



Assortment: The endless shelf for shoppers should not be an endless range for brands; sales skew to limited curated best-seller list



Visibility: E-retail comes with strong platform flywheel effects. Kickstart through inorganic spends on ads to drive visibility for key SKUs



Supply chain: Demand gets created faster than supply—solve with demand forecasting to maintain stock buffers and decide on inventory placement



Data: Leverage data and micro-market insights for operational and growth decisions (e.g., to optimize ad-spends, adjust pricing, & plan new product launches)

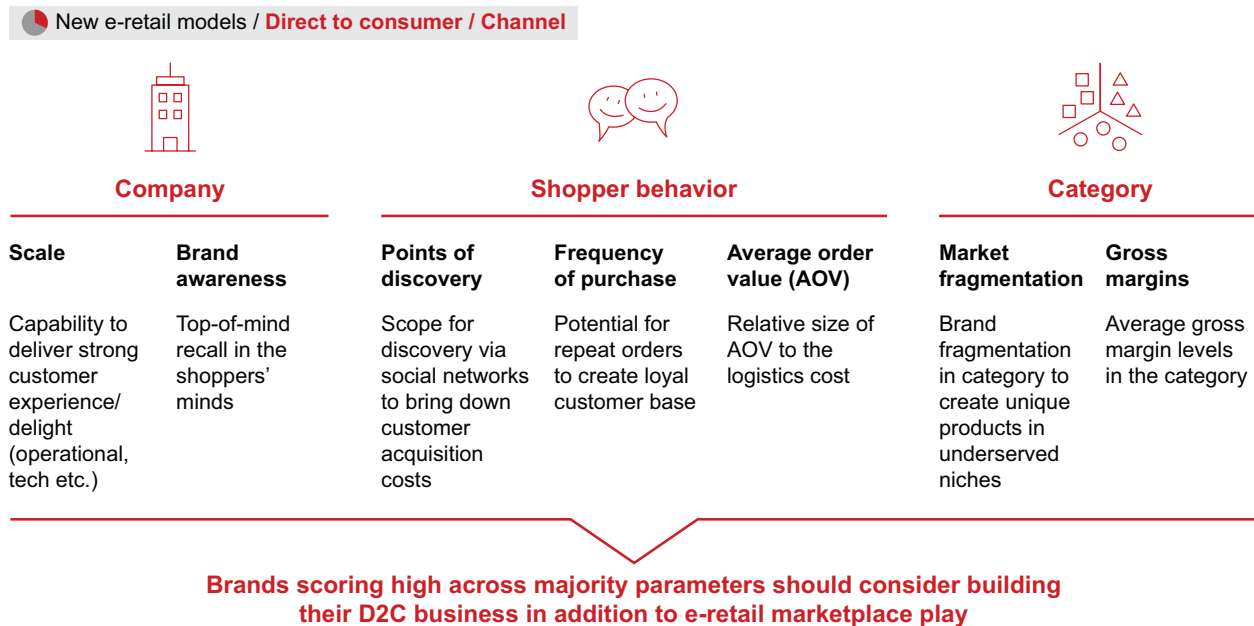
*CAC: customer acquisition cost; **equivalent to ~\$13.3M

Note: Online-first brands refer to brands as well as sellers operating either via their own websites or e-retail marketplaces

Sources: CII-Shiprocket India D2C Report, 2022; Market participant interviews; Bain analysis

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Figure 23: The channel of focus (marketplace vs. Brand.com) for online-first brands and the timing of the shift is influenced by several factors

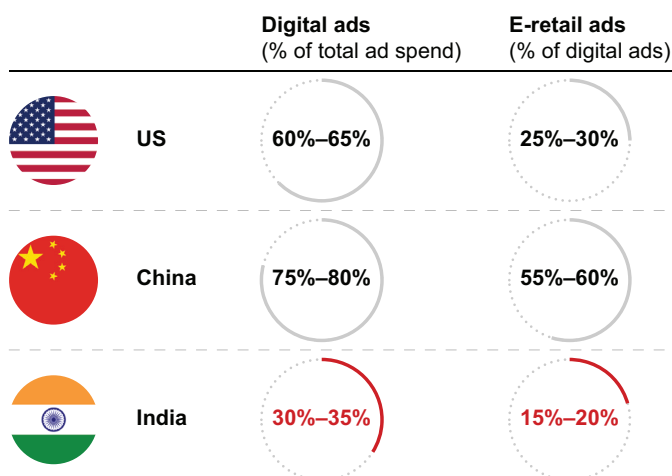


Source: Bain analysis

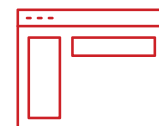
Figure 24: Digital advertising, especially on e-retail platforms is key for online-first brands to drive growth

New e-retail models / Direct to consumer / Visibility

India has headroom for growth in both digital and e-retail advertisements



E-retail ads in India are growing at a fast pace



5–10p.p.*

Increase in e-retail ads in India
(as % of digital ads) in 2021 vs. 2020

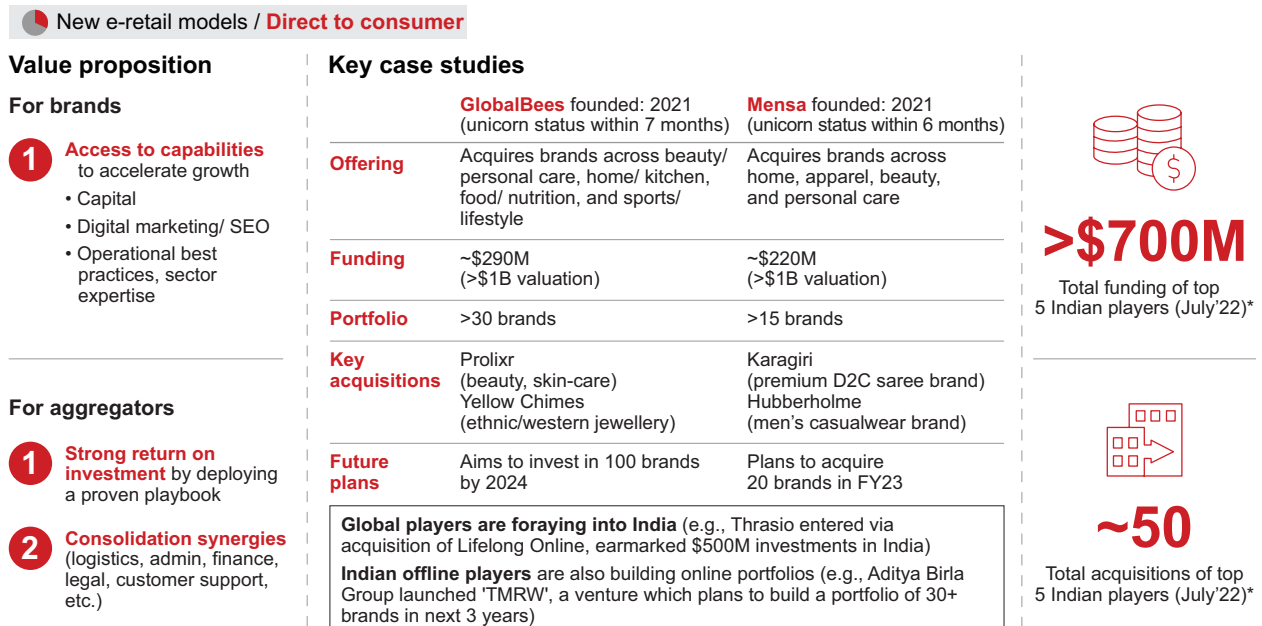
*p.p. = percentage point

Notes: Metrics pertain to 2021; Digital ads include ads on search engines, social networks, e-retail platforms, Over-the-top (OTT) players, etc.; Others (non-digital ads) include ads on TV or radio or in print

Sources: e-Marketer; Market participant interviews; Bain analysis

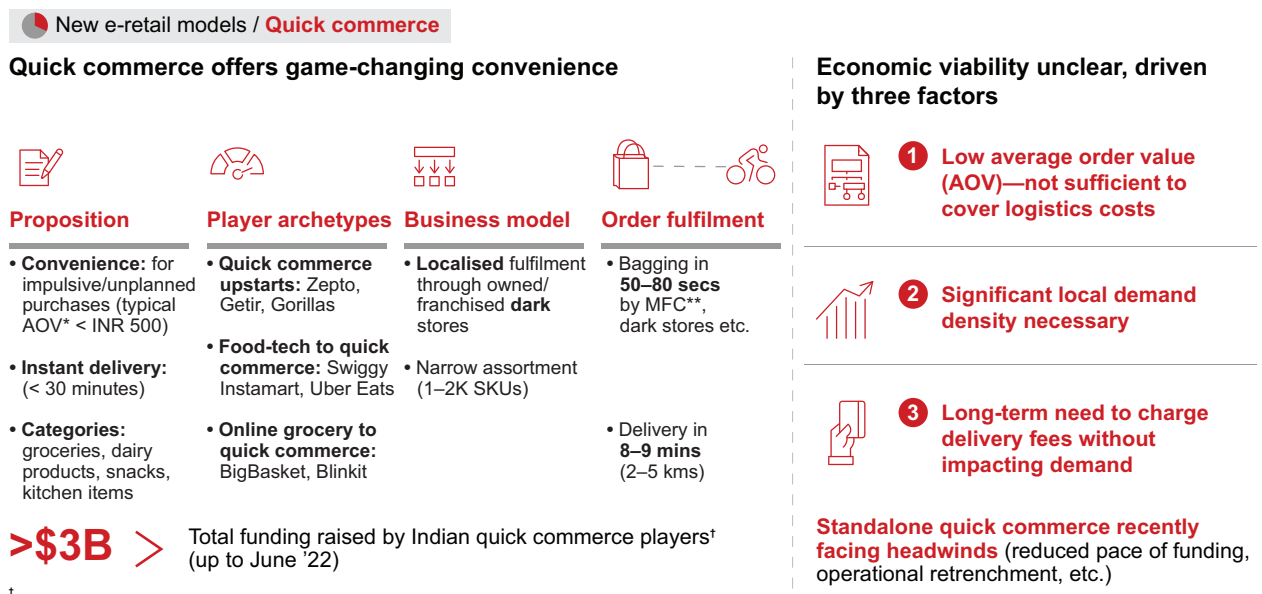
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Figure 25: Brand aggregators are helping turbocharge these brands



*Includes GlobalBees, Mensa, G.O.A.T. Brand Labs, 10Club, Upscalio
Sources: Crunchbase; Tracxn; Company websites; Bain analysis

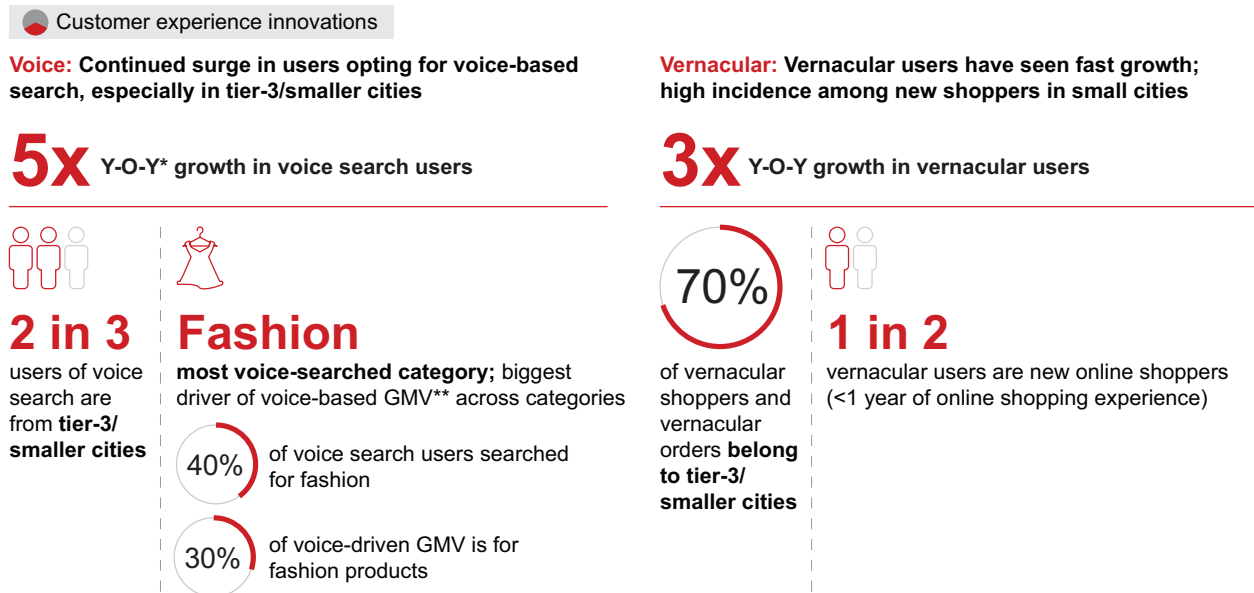
Figure 26: Quick commerce has seen massive growth and investor interest, but sustainability of the standalone model remains unproven



*AOV: average order value; **MFC = micro-fulfilment center; †Includes Swiggy Instamart, Blinkit, Zepto, BigBasket (BigBasket total ~\$1.3B funding included)
Notes: Swiggy Instamart earmarked \$700M specifically for scaling quick-commerce business; Blinkit, formerly known as Grofers before its pivot to quick commerce (Dec'21) was acquired by Zomato in June'22
Sources: Similarweb; Crunchbase; Market participant interviews; Bain analysis

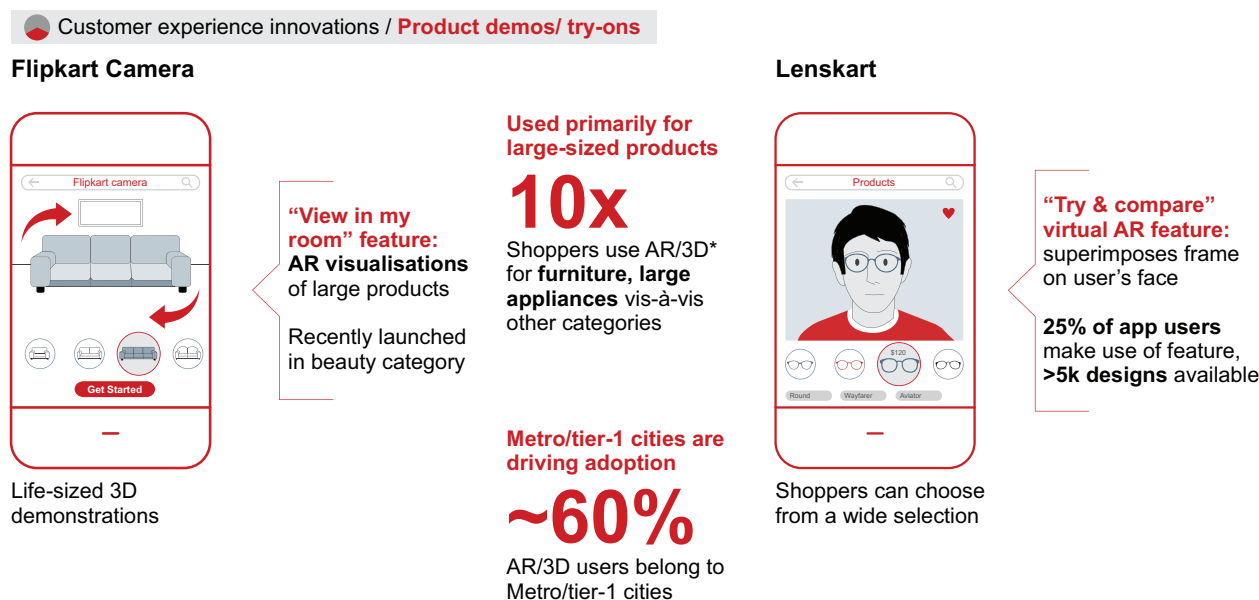
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Figure 27: Made-for-Bharat e-commerce innovations, such as search via voice and in vernacular languages, are continuing to gain traction



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Figure 29: Platforms are utilising AR to create virtual replicas of products and make shopping easier for customers



Notes: Metrics pertain to 2021; Metro area/ tier-1 category covers top 50 cities based on population, tier-2 category covers next 100 cities, and the rest of India is classified as tier-3/ smaller cities
Sources: Company websites; Market participant interviews; Bain analysis

Figure 30: E-retail platforms need to focus on 3 key themes to achieve full potential

Enhance customer and seller experience	1	Customer value proposition (Awareness, traffic, engagement, conversion, retention & repeat, NPS)				Seller value proposition (Active/total sellers, seller pareto, same-seller GTV growth, NPS)				
		Selection (1P/3P strategy, brand & category coverage, exclusives, in-stock %)	Value for money (Price perception, competitiveness, membership benefits)	Purchase experience (Inspiring content, ratings, brand store)	Post-purchase (including delivery) (Fulfillment options, delivery promise, especially for quick commerce, returns, customer service)	Customer programs (Auto-delivery, communities, e.g., families, pets, etc.)	Ease of doing business (Integration, seller support, and seller tools)	Cost of doing business (Fee structure, charges, automation)		
Leverage traffic and date to create value	2	Customer life-cycle management				Monetisation				
		Performance marketing (e.g., SEO/SEM optimisation, partnerships)	Personalisation and engagement (e.g., search relevance, recommendations, leverage resellers/ content creators, etc.)	Loyalty and subscriptions (Loyalty programs/ rewards points, delivery memberships)	Fulfilment services (Fulfilled in-house, such as Flipkart's E-kart, or via 3P)	Advertising services (Sponsored brands/ products, display, off-site)	Fintech (Payment mechanisms, BNPL/ EMIs)	New profit pools (e.g., external-isation of assets, cloud services, etc.)		
Invest in key capabilities and assets	3	Category management (Category roles, 1P vs. 3P, selection strategy)	UX/UI design (Mobile web/ app, desktop, vernacular languages, AR-based demos, voice search)	Digital marketing (Customer acquisition, CAC/ CPA efficiency)	Brand building	Advanced analytics and data (e.g., customer segmentation, lifetime value)	Logistics network (e.g., network, capacity, S&OP)	Automation (e.g., marketing, inventory/ account management)	Tech and innovation (Tech functionality, flexibility, reliability; innovation record)	Talent (Employee NPS, % attrition, capability assessment)

Notes: NPS = Net Promoter Score; GTV = gross transaction value; 1P = first party; 3P = third party; SEO = search engine optimisation; SEM = search engine marketing; UX = user experience; UI = user interface; AR = augmented reality; CAC = customer acquisition cost; CPA = cost per acquisition; S&OP = sales and operations planning; EMIs = equated monthly instalments; BNPL = buy now pay later
Source: Bain analysis



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The Flipkart Group is one of India's leading digital commerce entities and includes group companies Flipkart, Myntra, Flipkart Health+, Flipkart Wholesale, and Cleartrip. 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 400 million, offering over 150 million products across 80+ categories. Our efforts to democratise commerce in India, drive access and affordability, delight customers, create lakhs 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.

www.flipkart.com

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