

Health crisis accelerates India's ecommerce adoption by at least 3 years

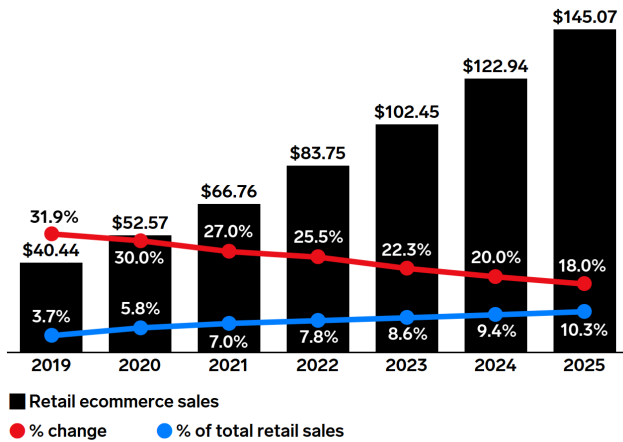
Article

India's painful and ongoing struggle with the coronavirus pandemic will lead to a second consecutive difficult year for brick-and-mortar retail sales. At the same time, the public

health anxieties constraining overall retail will continue pushing consumers toward digital solutions. We anticipate an extended boom for ecommerce in India, including 27.0% growth this year, for \$66.76 billion in sales.

Retail Ecommerce Sales in India, 2019-2025

billions, % change, and % of total retail sales



Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling, and other vice goods sales
Source: eMarketer, May 2021

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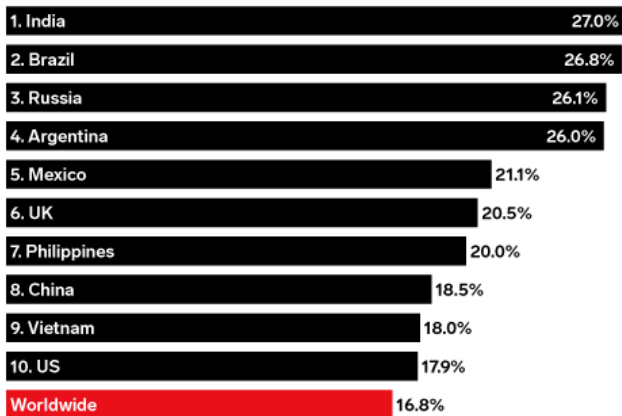
Ecommerce’s share of overall retail in India will reach 7.0% this year. Prior to the pandemic, we did not project India’s digital sales claiming this much share until 2024 at the earliest.

India's overall retail market contracted by 18.0% last year, one of the worst performances in the world and by far the worst among major economies. We initially anticipated a strong rebound for retail in 2021—a 10.0% growth rate—but as the pandemic worsened, we lowered our projection to 5.0% for this year. Given such a poor rebound off a very poor 2020, we now forecast that total retail sales in India will not reach pre-covid levels until 2023, a year later than previously expected.

Digital sales have been the beneficiary as many consumers have been reluctant to spend time shopping outside during long stretches of two consecutive calendar years. In 2020, India’s ecommerce sales increased by 30.0%, and this year India will have the fastest growing ecommerce market in the world. We previously forecast 22.0% growth for 2021, but as the public health disaster deepened, we increased our estimate to 27.0%.

Top 10 Countries, Ranked by Retail Ecommerce Sales Growth, 2021

% change



Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling, and other vice goods sales

Source: eMarketer, May 2021

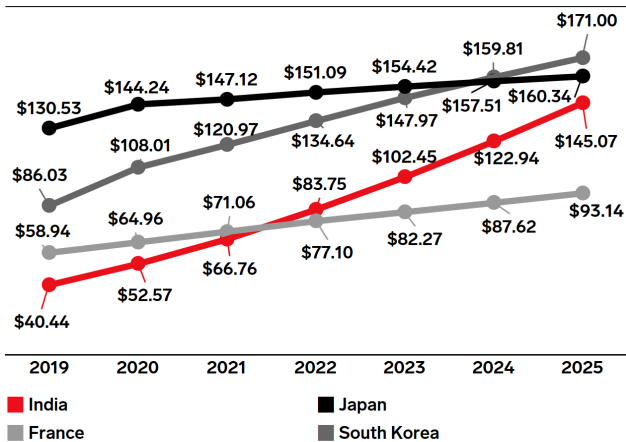
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Even as India struggles with unemployment, social unrest, and a stunted economic recovery, its emergence as a digital shopping powerhouse continues unabated. The following chart excludes China, the US, and the UK because those three are far ahead in ecommerce sales. But among the next tier of national markets, India is rising quickly.

Leading* Countries, Ranked by Retail Ecommerce Sales, 2019-2025

billions



Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling, and other vice goods sales; *selected from top 10 list

Source: eMarketer, May 2021

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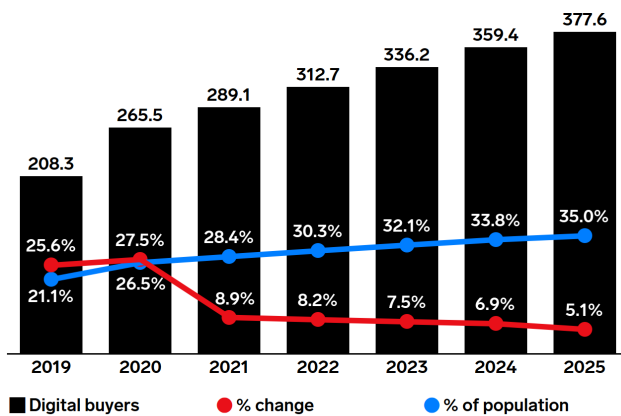
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India's ace in the hole for total ecommerce sales is, of course, its massive population. Although India trails China by a wide margin in terms of the percent of its consumers online and active ecommerce participants, India will still be second in the world in digital buyers this year with a projected 289.1 million. The US will be a distant third, with 209.6 million buyers. (China will have 824.5 million.)

Only 28.4% of India's billion possible consumers will be digital buyers, however. This is by far the lowest rate of any country we track.

Digital Buyers in India, 2019-2025

millions, % change, and % of population



Note: ages 14+; internet users who have made at least one purchase via any digital channel during the calendar year, including online, mobile, and tablet purchases

Source: eMarketer, May 2021

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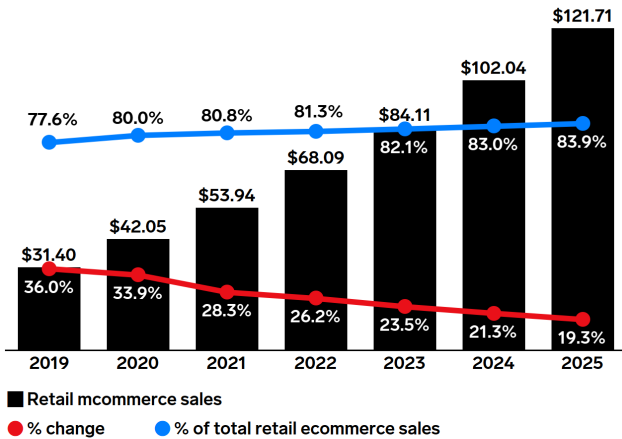
India has numerous challenges constraining its ecommerce potential. Its national logistics industries are underdeveloped, its supply chains are unstable, its regulatory regimes are burdensome, and its ecommerce providers are still evolving. And, of course, a huge swath of its population still has limited purchasing power because of widespread poverty.

But the biggest constraint is that only 45.0% of India's population is online at all, according to our latest estimates. In China, 70.4% of the population is online, and in advanced economies this number often reaches into the 80s or low 90s.

The metric to watch in India, as in many emerging economies, is the speed with which the population acquires smartphones and mobile internet access and thus gains access to mcommerce opportunities. In India, as in most of its peer economies, the vast majority of ecommerce is mcommerce (80.8% this year, we project).

Retail Mcommerce Sales in India, 2019-2025

billions, % change, and % of total retail ecommerce sales



Note: includes products or services ordered using the internet via mobile devices, regardless of the method of payment or fulfillment; includes sales on tablets; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling, and other vice goods sales

Source: eMarketer, May 2021

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In India, 474.3 million people will be smartphone users this year, or 35.4% of the total population. In China, the smartphone user rate is nearly double that, and affordable access to those devices enabled the massive ecommerce explosion seen in that country over the past five years. We project India's smartphone user base will increase by 10.1% this year, 6.2% next year, and 5.8% in 2023. If these numbers outpace our expectations, India's mcommerce, and therefore ecommerce, will accelerate more quickly as well.