

Ecommerce in India: Booming growth and low market penetration mean big potential

Article

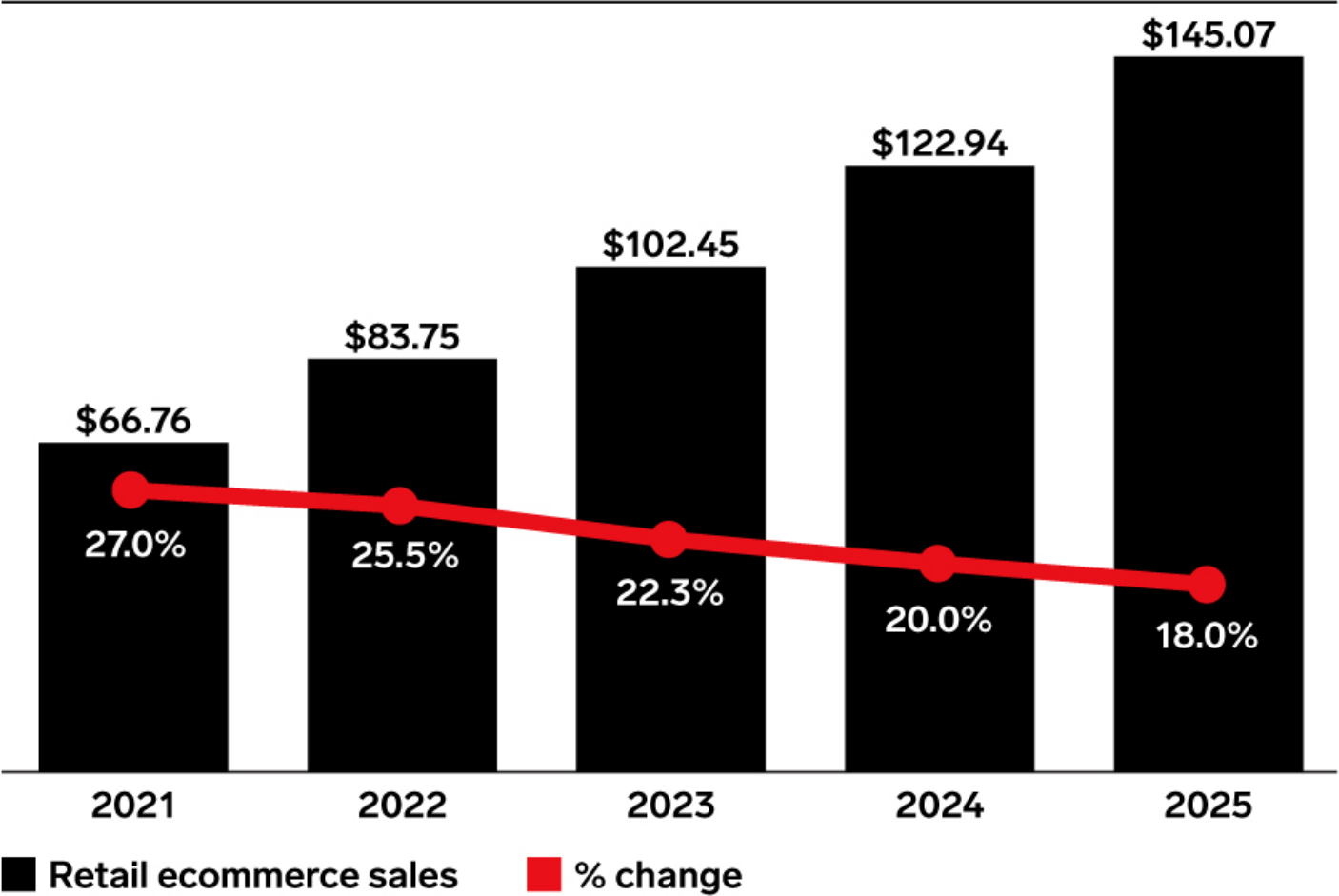
The pandemic was a shot of adrenaline for global ecommerce. eMarketer projects that COVID-19 accelerated India's ecommerce adoption by several years: **Sales on the**

subcontinent will soar 25% this year to top \$80 billion and will more than double from 2021 to 2025, hitting the \$100 billion mark for the first time in 2023.

India's gangbusters ecommerce growth is fueled by mcommerce, a steady increase in the number of digital buyers in the region, and new initiatives from key players.

Retail Ecommerce Sales in India, 2021-2025

billions and % change



Note: includes products or services ordered using the internet via any device, 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 good sales
Source: eMarketer, Dec 2021

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India will be the **second-fastest-growing economy** in Asia-Pacific based on ecommerce sales this year behind the Philippines. Steady double-digit growth will continue through 2025.

- It will hold onto fourth place in Asia-Pacific in terms of retail ecommerce sales this year, **behind** China (\$2,784.74 billion), Japan (\$168.70 billion), and South Korea (\$142.92 billion). Ecommerce growth in India stems in part from increased adoption in smaller cities, which account for a growing share of ecommerce sales.
- But ecommerce is still a small fraction of total retail sales in India. This year, it will amount to just **7.8%** of the total \$1.072 trillion. This share is much lower than in China (46.3%), South Korea (32.2%), or Indonesia (20.2 %). India will reach a milestone in 2025, however, when we expect ecommerce will **surpass 10% of total retail sales in India**.

Mcommerce is a massive growth driver

More than 80% of retail ecommerce dollars will be spent via a mobile device this year in India, rising to almost 84% in 2025. Within the entire Asia-Pacific region, only China has a higher mcommerce share. Overall, **retail mcommerce sales in India will reach \$68.09 billion** this year, making it the fourth-largest market in Asia-Pacific behind China, Japan, and South Korea.

India's robust mcommerce share reflects the **importance of using mobile devices to access the internet** in a country where a majority of the population lives in rural areas that often lack the infrastructure for reliable broadband. eMarketer **estimates** more than 95% of internet users in India will use mobile internet at least once per month this year.

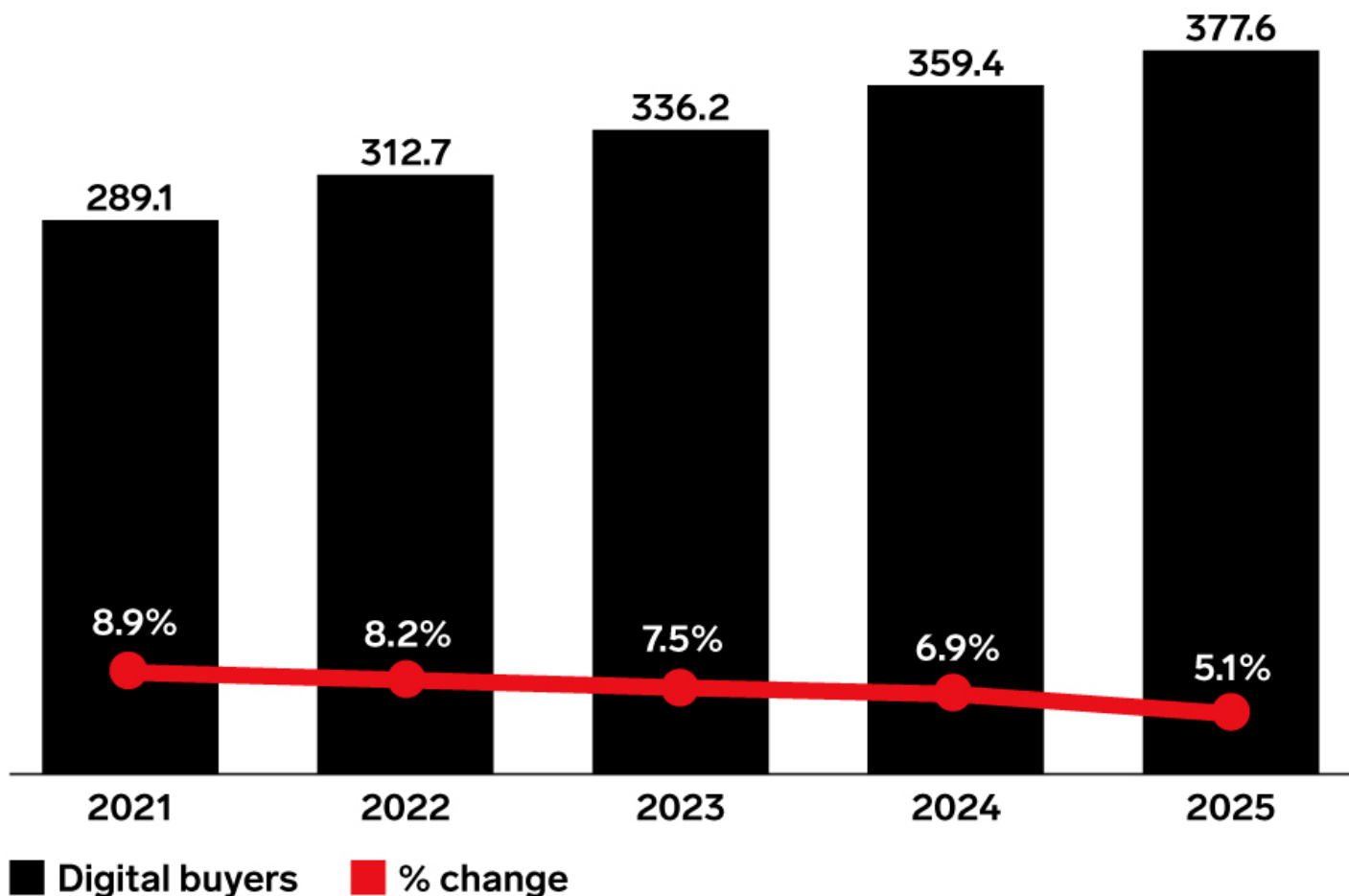
More digital buyers are fueling demand

There will be **312.7 million digital buyers** in India this year, up 47 million from 2020. Between 2022 and 2025, the country is expected to add close to 65 million more digital buyers.

More than one-tenth (12.2%) of the world's digital buyers will live in India this year. For comparison, the US will be home to 8.4%.

Digital Buyers in India, 2021-2025

millions and % change



Note: ages 14+; internet users who have made at least one purchase via any digital channel during the calendar year, including desktop/laptop, mobile, and tablet purchases
Source: eMarketer, Dec 2021

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India has such a large number of digital buyers due to its size: **All told, they make up just 30.3% of the total population**, more than 15 percentage points lower than the Asia-Pacific average. But there are also over 100 million more digital shoppers in India (consumers who browse, research, and compare products digitally, but don't make a purchase) than digital buyers this year. That leaves plenty of room for growth, especially among smaller cities and

more rural areas—provided internet connections improve and retailers find more ways to adapt to local shopping preferences.

Ecommerce companies are ramping up efforts to draw in buyers

Here's how major ecommerce players are contributing to India's ecommerce boom:

- **Walmart-owned Flipkart is carving out a competitive edge in apparel, fashion, and electronics.** It's been consolidating the market, acquiring firms like electronics recommerce platform **Yaantra** and fashion platform **Myntra**. Flipkart also began ramping up its digital grocery offerings to compete with other big players like Amazon. Despite losing 5% of its market share, Flipkart still far outstripped Amazon, **taking in more than 60% of GMV** during last year's Diwali holiday sales, according to PGA Labs. Amazon locked up 32% of GMV.
- **Local firms are driving grocery ecommerce growth.** Despite Amazon's and Flipkart's digital grocery strength, local player **Jiomart** still dominates the Indian market. It's expected to secure **more than 50% of the market** by 2025, according to Goldman Sachs. Amazon will hold on to about 31%.
- **Snapdeal, another fashion and lifestyle ecommerce platform, is heightening its focus on rural customers.** Nearly 87% of its sales come from outside of metro areas, per Bloomberg Quint. But its revenues fell by 44% last year due to competition from Amazon and Flipkart, per Bloomberg. Snapdeal plans to expand among neighborhood stores and sell lower-priced items.
- **Amazon is adapting to local market preferences as well.** Amazon India launched its "Local Shops on Amazon" program in 2020, an initiative that lets local offline stores register on Amazon. Customers can place orders from neighborhood stores and get same- or next-day deliveries. This program was expanded in 2021 and now includes **more than 100,000 local shops in 450 cities**. Amazon wants to increase the number of participating stores to 1 million by 2025.