

India E-Commerce Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 100 pages | Mordor Intelligence

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Report description:

The India E-Commerce Market is anticipated to grow with a CAGR of 21.5 % during the forecast period (2022- 2027). One of the primary factors driving the market's growth is rapid urbanization. Additionally, rising internet penetration and devices such as smartphones, laptops, and tablets to access e-commerce websites boost the market growth. E-commerce allows businesses to conduct business without maintaining a physical presence, saving money on infrastructure, communication, and overhead.

Key Highlights

The policies introduced by the Government of India, which includes the likes of 00 % FDI in B2B E-commerce and 100 % FDI through the automatic route in the marketplace model of B2C E-commerce, is projected to boost the sector's growth. As per the new FDI policy, online entities, through foreign investment, cannot offer the products sold by retailers in which they hold an equity stake.

According to India Brand Equity Foundation (IBEF), the Indian government's Digital India effort aims to drive it into an online economy worth trillions by 2025. It has led to the formation of a new steering group to review and analyze the development of an e-commerce platform for the government.

The Commerce Ministry has started a new committee to review the Open Network for Digital Commerce (ONDC) strategy. ONDC is an e-commerce platform that the government is supporting and aims to provide the final shop's infrastructure, which will resemble Flipkart and Amazon. Such developments are expected to drive the studied market.

Furthermore, according to IBEF, by 2024, online retail penetration will reach 10.7%, up from 4.7% in 2019. Likewise, by 2025, India's internet buyers will number 220 million. According to a Payoneer report, India's e-commerce sector is ranked 9th in the world for cross-border growth. E-commerce in India is expected to grow from 4% of total food and groceries, fashion, and consumer electronics retail sales in 2020 to 8% by 2025.

Expansion of E-commerce can raise competition in retail markets, increase consumer choice, and motivate and expedite product

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distribution innovation. However, several competition agencies' recent enforcement and advocacy work have revealed the possibility of anticompetitive behavior in the internet context. Concerns about potential market fragmentation are thus a significant concern among many organizations that have looked into the topic of e-commerce competition. The pandemic-induced lockdown and mobility restrictions represented a significant point for e-commerce in India, driving demand to new highs, bringing new shoppers and sellers into digital platforms, and offering players long-term growth. Containment efforts introduced people to the convenience of online buying and motivated seasoned online buyers to buy more, making the Indian e-commerce business one of the significant beneficiaries of the pandemic.

India E-commerce Market Trends

Internet Plays a Significant Role in Market Growth

As per IBEF, a surge in internet and smartphone usage has fueled most of the industry's expansion. Because of the 'Digital India' campaign, the number of internet connections expanded dramatically to 830 million in 2021. In metropolitan areas, 55% of internet connections were made, 97% of them being wireless.

According to TRAI, in the middle of 2021, India had over one billion wireless mobile subscribers. The majority of traffic that year came from a 4G data payload. In 2020, the country's 4G penetration rate was estimated to be at 44%. With over 410 million subscriptions as of December 2020, Reliance Jio was the top service provider.

Due to a lack of confidence and security concerns with internet payments, cash payments have traditionally been the favored payment method in India. However, digital payments are predicted to account for 80% of all transactions in India by 2025 due to a large young population with access to smartphones. The Indian market has been adopting digital eWallets quicker than the US, the UK, and China, according to ASSOCHAM (The Associated Chambers of Commerce and Industry).

Presently, 5G is one of the most invested technologies by several end-user industries in the market. 5G connectivity is further opening up various use cases in increasing the efficiency of varied sectors. With the growing proliferation of technology in smartphones, consumers are increasingly expecting digital engagement and personalized experiences overall.

Consumer Electronics is a strong contributor to the growth of the market

According to the Indian Brand Equity Foundation, in October and November 2021, e-commerce companies recorded significant-high sales of consumer electronics across platforms, owing to increased buying during the holiday season. Flipkart Group emerged as one of the prominent players with intensifying competition from Amazon throughout the festive season in the country.

Furthermore, India's refrigerator, washing machine, and air conditioner markets held a significant market share, with washing machines leading the category. According to the India Cellular & Electronics Association (ICEA), India's laptop and tablet manufacturing industry could be worth USD100 billion by 2025. Such a massive increase in the consumer electronics market may allow Indian e-commerce players to increase their online product line. It may open new online sites specific to the consumer electronic market.

In November 2021, Flipkart and the Ministry of Rural Development of the Government of India (MoRD) signed a Memorandum of Understanding (MoU) for their ambitious Deendayal Antyodaya Yojana - National Rural Livelihood Mission (DAY-NRLM) program, which aims to empower local businesses and self-help groups (SHGs) by bringing them into the e-commerce fold.

By creating an electronic components manufacturing base in India and boosting exports, IT companies focus on entering the Indian consumer electronics market. Consumer electronics companies are focusing on the smart wearables sector in India. The administration intends to invest heavily in rural electricity and low-cost housing. Electronic goods attracted USD 3.19 billion in FDI

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between April 2000 and December 2021.

India is expected to exhibit remarkable growth in the soundbar segment. Factors such as increasing disposable income, and features, such as high-definition (HD), smart TVs with built-in Wi-Fi for connectivity to Netflix, Amazon Prime, and YouTube, among other online streaming channels, play a significant role in increasing consumer spending on these devices. Such trends may drive the studied market.

India E-commerce Market Competitor Analysis

In India, the competition in the E-commerce market has increased as the customer's adoption of online sales channels has grown. This growth is aided by an increase in internet penetration. Further, brands such as Amazon, Flipkart, and many more expand their reach by providing customer-centric services that enhance customers' online shopping experience.

January 2022 - Flipkart, India's native e-commerce platform, stated that it had expanded its grocery operations to serve customers in Tier 2 and Tier 3+ cities such as Ajmer, Amritsar, Bhuj, and Bokaro Daman & Diu, Dehradun, Kanyakumari, and others. Flipkart Grocery is now accessible in 23 states throughout the country, with 1,800 cities and 10,000 PINs. Consumers in these cities will now shop for groceries from a range of more than 6,000 items.

September 2021- CARS24, India's top used automobile e-commerce site, has raised USD 450 million in capital from several financial institutions, including a USD 340 million Series F equity round and USD 110 million in debt. Amazon introduced Prime Video Channels in India in September 2021. Prime Video Channels will provide Prime members with a consistent experience and access to a wide range of popular video streaming providers.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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