Digital Commerce
2017
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1. Executive Summary

Due to demonetization and the digital push by the Government of India, we have seen a sharp growth in categories like utility services, online food/grocery delivery etc. which signal at a larger adoption of digital medium in day-to-day life. This report is aimed at providing an understanding of the Digital Commerce Market, 2017. Here is a summary of the key findings.

- The Digital Commerce Market grew at a CAGR of about 34%, between December 2011 and December 2017 to reach INR 2,04,385 Crores.

  A major share of spends was observed in the age group 25 to 34 years; belonging to SEC A and B; and among male shoppers.

- Online travel industry continued to maintain strong dominance with 54% share while share of online non-travel was around 46%. Domestic air ticket and railways booking continued to be among top contributors to the Online Travel spends. Bus/Cab booking witnessed a large growth of 49% over last year to reach 5,174 Crores.

- Utility services witnessed a 63% growth over 2016 to reach 10,201 Crores from 6,277 Crores.
2. Digital Shopping in India

With continued encouragement from Government of India and plethora of offerings from private players, usage of digital medium for different services and products has seen a strong growth in the country. As on December 2017, an estimated 295 million people were online in urban India. With the prices of mobile internet seeing a rapid drop, there has been a significant increase in the number of online users and the level of online activity and engagement. The growth of internet has created various online avenues and digital shopping is one such avenue where the activity and engagement levels have seen an increase.

The Indian Shopping ecosystem has been witnessing a massive disruption lately. While traditional method of shopping still continue to be strong, shopping using a digital medium is also catching up fast with Indian Shoppers.

3. Profile of Digital Shoppers in India

Spend incurred on digital shopping is higher among higher SEC segments that is A and B and Top 9 cities. Shoppers who are between 25 to 34 years, incur maximum spends. Spend among male shoppers is higher as compared to female shoppers.

KANTAR IMRB, I-Cube 2017 Estimations, Oct 2017
4. Market and Components

Digital Commerce industry increased from INR 35,142 Crores in the year 2011 to INR 2,04,385 Crores in 2017 growing at a CAGR of 34%. Online travel industry continued to maintain strong dominance with 54% share while share of online non-travel was around 46%. Spend on online non-travel segment showed a higher YoY growth of 27% between 2016 and 2017, as compared to 16% YoY growth of online travel segment. In December 2017 share of e-tail was around 36% of the total digital commerce spends. Digital Commerce spend is expected to touch INR 2,37,124 crores by December 2018.
5. Online Travel

Domestic air ticket and railways booking continued to be among top contributors to the Online Travel spends. These were the segments that were the top contributors in previous year as well. Bus/Cab Booking witnessed a substantial movement with a Y-o-Y growth of 49%, from INR 3474 crore in December 2016 to INR 5174 crore in December 2017. Domestic
Air Tickets Booking was the highest contributor in this segment with 19% Y-o-Y growth from INR 38,160 crore to INR 45,560 crore in 2017. The e-travel market is expected to reach close to INR 1,29,600 crore by December 2018.

<table>
<thead>
<tr>
<th>Component share of Online Travel (INR 1,10,590 CR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Air Ticket</td>
</tr>
<tr>
<td>Rail Booking</td>
</tr>
<tr>
<td>International Air Ticket</td>
</tr>
<tr>
<td>Hotel Booking</td>
</tr>
<tr>
<td>Bus/Cab Booking</td>
</tr>
<tr>
<td>Tour Package</td>
</tr>
<tr>
<td>Travel Insurance</td>
</tr>
</tbody>
</table>

6. E-Tail

E-Tailing maintained a strong performance with a 23% Y-o-Y growth. In the E-Tail category, Mobile Phone and Mobile Accessories continued to be the top contributor to the overall pie. The rise in ‘budget Smartphones’ from multiple brands retailing online only in India could be the explanatory factor. Other product categories that registered sharp growth are apparel and personal health care products. These two categories collectively accounted for 62% of
the overall spend in E-Tail segment. The E-Tail segment is expected to reach around INR 87,300 crores by December 2018.

<table>
<thead>
<tr>
<th>Component share of E Tail (INR 73,845 CR)</th>
<th>Value (INR Cr)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Phones + Mobile Accessories</td>
<td>31,000</td>
<td>42%</td>
</tr>
<tr>
<td>Apparel + Footwear + Personal/Healthcare</td>
<td>14,650</td>
<td>20%</td>
</tr>
<tr>
<td>Consumer Durables + Computing Devices/Accessories</td>
<td>19,250</td>
<td>26%</td>
</tr>
<tr>
<td>Jewellery + Watches</td>
<td>2,615</td>
<td>4%</td>
</tr>
<tr>
<td>Home Furnishing</td>
<td>2,244</td>
<td>3%</td>
</tr>
<tr>
<td>Other Products (Vouchers / Coupons/Toys/Gifts etc.)</td>
<td>1,837</td>
<td>2%</td>
</tr>
<tr>
<td>Books/Magazines</td>
<td>1,193</td>
<td>2%</td>
</tr>
<tr>
<td>Cameras + Camera Accessories</td>
<td>1,057</td>
<td>1%</td>
</tr>
</tbody>
</table>

7. Utility Payment (INR Cr)
Online utility payment market (e.g. payment for DTH/ Telephone Bills/ Electricity Bills etc.) registered close to 63% growth between 2016 and 2017. The market reached approximately INR 10,201 crores in terms of overall online transactions as of December 2017. Continuing at the same growth rate, the market is further expected to reach 13,000 Crore by December 2018.

8. Online Matrimony & Classified (INR Cr)
Online Matrimony & Classified market witnessed a YoY growth of 9% and to reach INR 3,689 crores. In December 2016 the market was around INR 3,370 crores. The segment is expected to grow further to reach INR 4,000 crore in December 2018.
9. Other online service (INR Cr)

Other online service market that includes online bookings done for entertainment, online grocery and online food delivery, was INR 4,170 crore in Dec’2016. In December 2017 the market reached close to INR 6,060 crores. Online grocery delivery is the top contributor within this segment with a market value of INR 2,200 crores. This overall segment is expected to reach INR 7,800 crores in Dec’2018.

10. Payment method preferred

<table>
<thead>
<tr>
<th>Component</th>
<th>Value (INR)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online entertainment</td>
<td>1,700</td>
<td>28%</td>
</tr>
<tr>
<td>Online grocery delivery</td>
<td>2,200</td>
<td>36%</td>
</tr>
<tr>
<td>Online food delivery</td>
<td>2,160</td>
<td>36%</td>
</tr>
</tbody>
</table>

KANTAR IMRB, I-Cube 2017 Estimations, Oct 2017
Cash on delivery was the most preferred mode of payment for those who shop online. Payments using credit/debit cards follow at a distance. Other modes of payment included Internet Banking and e-Wallet.

Among those who prefer a digital payment mode, paying using a debit/credit card was the top mode of payment.

### Preferred modes of digital payment

- CREDIT CARD: 19%
- DEBIT CARD: 27%
- INTERNET BANKING: 33%
- E-WALLET: 5%
- PREPAID CARD/OTHERS: 15%

11. Look for Information Users

Look for Information (LFI) shoppers has major presence in Top 9 metros. Around 67% of these shoppers belong to SEC A and B. They are also predominantly female shoppers. A majority of them fall in the 35-44 age category.
Apparel is the top most categories that are searched by LFI shoppers. 70% of the shoppers looked for information on apparels online out of which 68% confirmed a purchase offline. Jewellery, Mobile and Accessories and Books and Magazines are other top products that are searched online and are mostly purchased from offline channels.

A number of reasons stop the LFI segment from buying online. Notable among them is related to touch and feel, as about 55% of them mentioned they would “See the product before they buy them”. Other key reason includes issues around personal security. 25% felt worried that online shopping might hamper their personal security.
12. How Digital Commerce is making a difference – Benefits & Challenges.

E-commerce has been making significant gains and has pervaded virtually every sphere in Indian market. With the promises of transparency and convenience, it has provided both the residents and establishment something to be excited about. Indian government is also committed to encourage the digital adoption in the country.

Demonetization led to a higher adoption of UPI and wallet-based payment services and provided an impetus for the cashless transaction medium. While shoppers from metros may be ahead in terms of usages of digital wallet, this trend is gained popularity with shoppers from rest of Urban India. While the initial impact of demonetization may have given the push that the online payment services needed, once the effects of cash crunch were gone and the situation stabilized, a sizeable section of the population went back to using cash again as the preferred mode of transaction.

In order to take bigger strides towards becoming a digital economy, there is a need to incentivise the businesses and merchants to make digital payments as the preferred mode of transaction. Another important facet which needs to be kept in mind is the security of transaction as there is still a lot that needs to be done to ensure that the transactions are protected and covered with regulatory frameworks which can assure the Indian consumer that his transactions will not be compromised. The role of online security has become more crucial in recent times as smartphone/mobile has emerged as the key device for online activities and online transactions.
About Internet and Mobile Association of India (IAMAI)

The Internet and Mobile Association of India (IAMAI) is a young and vibrant association with ambitions of representing the entire gamut of digital businesses in India. Established in 2004 by the leading online publishers, the association in the last 14 years has come to effectively address the challenges facing the entire digital and online industry including mobile content and services, online publishing, mobile advertising, online advertising, ecommerce and mobile & digital payments among others.

Fourteen years after its establishment, the association is still the only professional industry body representing the online industry in India. The association is registered under the Societies Act and is a recognized charity in Maharashtra. With a membership of nearly 300 Indian and overseas companies, and with offices in Delhi, Mumbai, Bengaluru and Kolkata, the association is well placed to work towards charting a growth path for the digital industry in India.

Contact Details
Dr. Amitayu Sengupta – Assistant Vice President, IAMAI amitayu@iamai.in

About Kantar IMRB and IAMAI

About Kantar IMRB

Kantar IMRB is a pioneer of market research services in Asia. It partners its clients across the entire brand lifecycle through a unique mix of innovation and analytical thinking to design customized solutions that deliver maximum impact. By leveraging on its large array of syndicated services and specialist divisions, Kantar IMRB helps clients in crafting marketing and consumer strategies. With a multi-disciplinary and multi-cultural workforce, it is at the forefront of research and consulting services.

This report has been drafted by the specialized Technology division of Kantar IMRB.

Contact Details:
Biswa Priya Bhattacharjee, Executive Vice President biswapriya.bhattacharjee@imrbint.com
Sumesh Pansari, Associate Vice President Sumesh.Pansari@imrbint.com