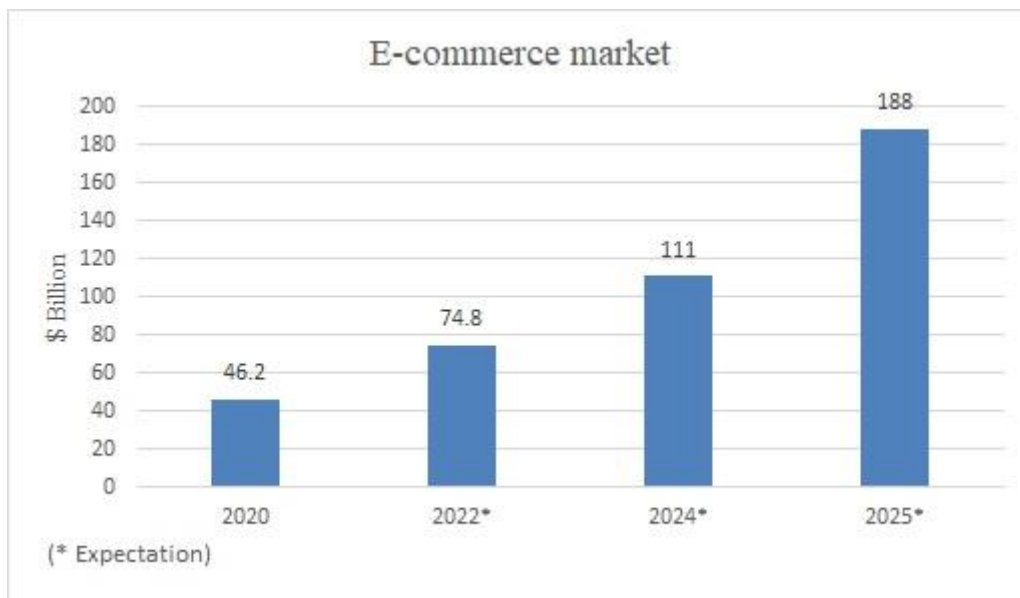


Indian E-commerce Industry Analysis

E-commerce is India's fastest growing and most exciting channel for commercial transactions. E-commerce in India can be broadly categorized as: domestic and cross-border, B2B and B2C, marketplace and inventory based. Technology enabled innovations such as digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements have enabled the e-commerce industry in India to grow at a much faster rate. E-commerce has transformed the way business is done in India. With attractive and convenient shopping options at the core of the consumer facing business, the e-commerce industry offers the power to create innovative, sustainable, consistent and seamless shopping experience across all channels. Over the last few years, e-commerce in India has witnessed unprecedented growth and there has been a boom in the number of websites launched that sell everything from books and appliances to baby care, household furniture, gourmet food and even flight tickets. With social media at the helm, e-commerce is set to be a humongous revolution in marketing and sales. E-commerce in recent times has been growing rapidly across the world. It is a type of business model, or segment of a larger business model, that enables a firm or individual to conduct business over an electronic network, typically the internet.

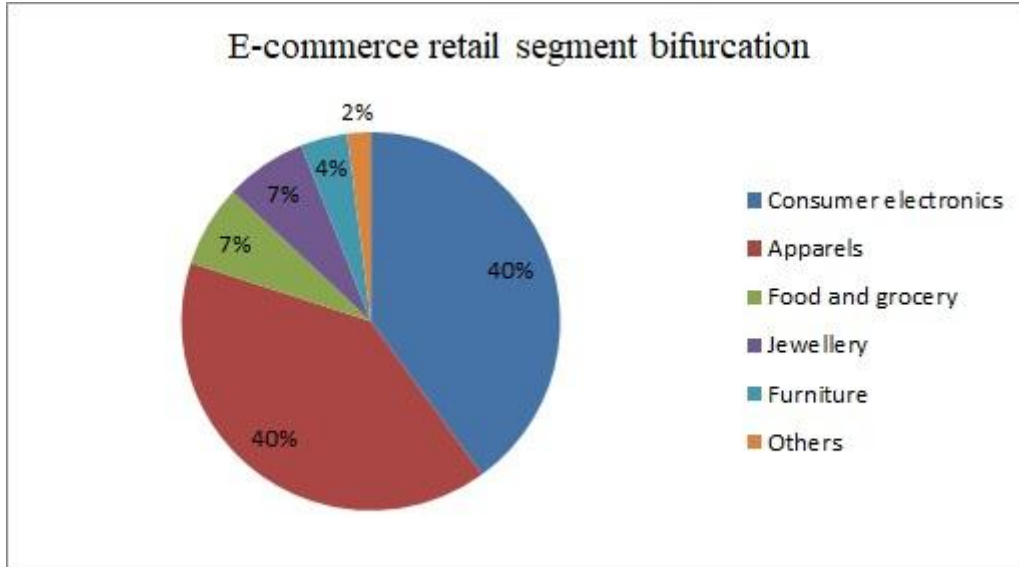
Indian e-commerce market

There is expectation that India's e-commerce market will reach \$74.8 billion in 2022 from \$46.2 billion in 2020. Further, India's e-commerce market is expected to reach \$111 billion by 2024 and \$188 billion by 2025, with grocery and fashion/ app are likely to be the key drivers of incremental growth. Much of the growth for the industry has been triggered by an increase in internet and smartphone penetration. The number of internet connections in 2021 increased significantly to around 830 million, driven by the 'Digital India' programme. Out of the total internet connections, 55 percent of connections were in urban areas, of which 97 percent connections were wireless.



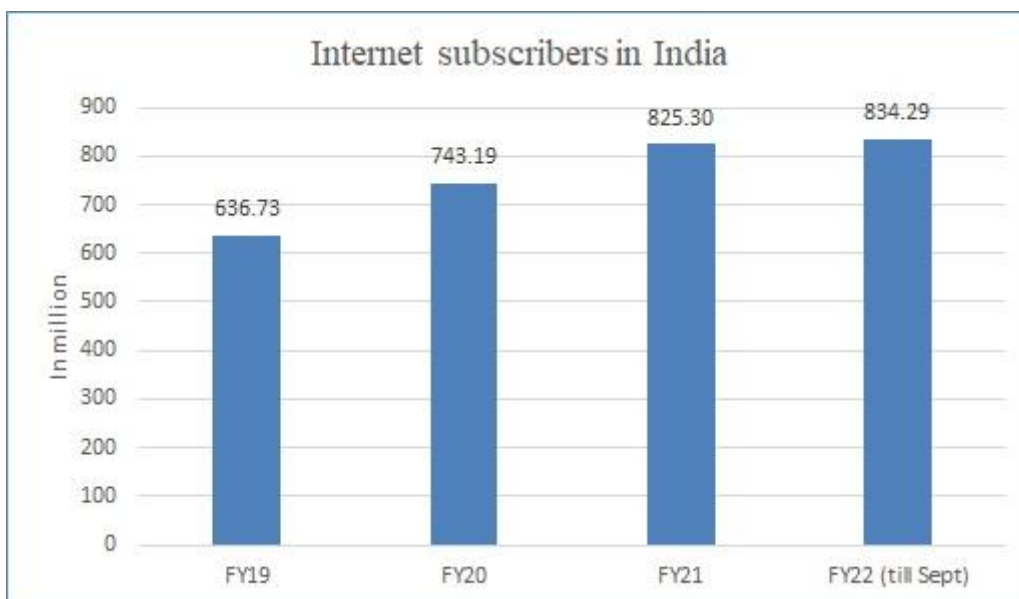
Shares of Various Segments in e-commerce Retail by Value (2020)

The consumer electronics and apparel segments of the Indian e-commerce retail market represented about 40 percent each of the total market share in 2020. All other segments had a volume share of less than ten percent. India had the third-largest online shopper base of 140 million after China and the US in 2020. Over the coming years, the Indian e-retail industry is expected to exceed 300-350 million shoppers. Driven by lower data rates and investments to enhance customer experience, the Indian e-retail witnessed an increase in shopper penetration, as online platforms are innovating to on board the next billion of shoppers.



Rising internet subscribers in India

The Internet has changed the way people buy and sell goods and services. E-commerce industry has been registering growth during the last few years owing to increasing internet penetration and growing consumers' preferences for online. Total number of Internet subscribers increased from 833.71 million at the end of Jun-21 to 834.29 million at the end of Sep-21, registering a quarterly growth rate of 0.07 percent. Out of 834.29 million internet subscribers, number of Wired Internet subscribers were 24.47 million and number of Wireless Internet subscribers were 809.82 million. The Internet subscriber base is comprised of Broadband Internet subscriber base of 794.88 million and Narrowband Internet subscriber base of 39.41 million. The broadband Internet subscriber base increased by 0.27 percent from 792.78 million at the end of Jun-21 to 794.88 million at the end of Sep-21. However, the narrowband Internet subscriber base declined by 3.72 percent from 40.93 million at the end of Jun-21 to 39.41 million at the end of Sep-21. Besides, there has been an increase in Internet subscribers (both broadband and narrowband put together) from 795.18 million in December, 2020 to 825.30 million in March, 2021, registering a quarterly growth of 3.79 percent.



E-commerce platforms likely to offer around \$8 billion market for digital ads in India



E-commerce platforms in India are currently the fastest growing medium for digital ads, with a around \$6-8 billion opportunity by 2030. There is expectation that the growth in product e-commerce user base will be faster than search and social media platforms, with 300-350 million new online shoppers from tier 2 markets expected by 2030. India's digital ads market is expected to touch \$35 billion in the same time-period and e-commerce platforms will be one of the biggest contributors enabling this upward spiral. The total advertising market in India stood at around \$11 billion in 2021, out of which 37 percent comprised the digital ads market. A drastic increase in digital consumption as well as digital penetration in Tier-2 cities are the primary growth drivers responsible for the spike in India's digital advertising ecosystem. Additionally, an increase in GDP per capita and the rise of D2C (direct to consumer) challenger brands are the other key enablers of this growth.

Impact of advanced technology in growth of e-commerce industry in Indian market

India's e-commerce market is expected to continue to expand in coming future. The paradigm shift to online marketplaces has been possible due to easy digital payment ecosystems, powered by UPI (Unified Payment Interface) model and BHIM (Bharat Interface for Money) mobile wallet applications. They have made online shopping faster, easier, and more convenient. Thanks to Digital India, that has caused the virtualization and digitization of marketplaces and payment methods enabling services like contactless cards, tap-&-go, and QR code scanning methods that have got the fancy of customers over recent year. Artificial Intelligence (AI) makes use of customer analytics, furnishing personalized and targeted offers to customers by making use of their searched products, previous purchases, and browsing habits thereby, expanding virtual retail businesses. Customer care and grievance redressal mechanisms have been made simpler with the use of chat bots and NLP (Natural Language Processing) applications' technology that understands and interprets voice. AI has made warehouse management easier as well as the operation of the brick-and-mortar stores. Be it logistics, or management of orders, dispatch, return, exchange, or payments, all procedures have been revolutionized by the use of AI robots. Whether it be running analytics on business campaigns, email campaigns, advertising, or social media campaigns, all are executed by artificial intelligence. Supply chains in e-commerce are easily managed by artificial intelligence, making decisions related to vendors, buyers, market requirements, dispatch, and delivery seamless. Customer experience has been enriched and made better consistently reducing the gap between in-store experience and the virtual experience through on-screen mode.

Block chain is another great advancement in technology that e-commerce platforms are intensively making use of. Block chain is a technique that records transactions on databases that are encrypted and distributed over many computer networks, very similar to physical ledgers, but digitally. It is used to develop a decentralized business model for buying and selling on e-commerce platforms. It has benefits over cloud computing concerning multi-party authentication, and also concerning data anti-theft. It saves a lot of the system's overhead expenses. The e-commerce and e-retail industries were facing many hurdles such as transparency, efficiency, security, and trust issues. Block chain technology solves almost all of these matters, bettering payment mechanisms, security supply chains, and automation of work.

India's online fashion market likely to reach \$30 billion in five years

There is expectation that the size of the fashion e-commerce market in India will around \$30 billion in the next five year from currently around \$8-10 billion. This means almost one-third of fashion in India in next five years may be sold online or through digital platforms. The Indian e-commerce industry is going through a 'transformational' growth phase, with millennials, Gen Z driving consumption in future. India is expected to have one billion internet users by 2030 and, importantly, 50 percent of its population is under 25 years. This means that there are a lot of young consumers as potential customers.

Government initiatives

GST registration exemption for online seller with low turnover to boost e-commerce-: The government's decision to exempt suppliers on an e-commerce having less than Rs 40 lakh turnover will boost online sales of goods. The GST

Council has decided to ease the process for intra-state supplies made through e-commerce portals. Now such suppliers will not have to obtain GST registration, if their turnover is lower than Rs 40 lakh and Rs 20 lakh for goods and services, respectively. This would come into effect from January 1, 2023. The decision will encourage and provide a boost to the digital India agenda of the country besides helping these small businesses grow and prosper. This will reduce the compliance burden for small businesses especially, artisans, weavers, handicraft makers, artists, and homemakers to access markets through e-commerce and smoothen their on-boarding on these digital platforms. With an estimated 5 crore MSMEs currently unable to sell online due to compulsory GST requirements, this game-changing measure can be an enabler for millions of small units including artisans, boutiques, and mom-and-pop stores. While MSMEs will benefit from a much larger addressable market, increased efficiencies, and easier access to capital, the move will spur the Indian economy and unlock massive tax revenues for state governments.

Centre to develop framework to check fake reviews on e-commerce websites:- The government has said it will develop a framework to keep a check on fake reviews posted on e-commerce websites to protect consumer interest. Fake reviews mislead consumers into buying online products and services. The Department of Consumer Affairs (DoCA) will develop these frameworks after studying the present mechanism being followed by the e-commerce entities in India and best practices available globally.

India launches pilot phase of open e-commerce network:- India has launched the pilot phase of open network for digital commerce (ONDC), a UPI-type protocol, in five cities with an aim to democratise fast growing e-commerce sector, help small retailers and reduce dominance of online retail giants. After UPI, another game changing idea to democratise commerce - ONDC soft launch to select consumers, sellers and logistics providers. Get ready for a world of choice, convenience and transparency. The initiative is also aimed at curbing the dominance of two large multinational e-commerce players, which control more than half of the country's e-commerce trading, limit access to the market, and give preferential treatment to certain sellers and squeeze supplier margins. The ONDC is a set of standards for voluntary adoption by sellers or logistics providers or payment gateways. As many as 80 firms are currently working with the ONDC and they are at different stages of integration. These companies are making their apps for sellers or buyers or logistics or payment gateways. At the pilot phase, the target is to on board 150 retailers in five cities - Delhi NCR, Bengaluru, Bhopal, Shilling and Coimbatore. In the pilot phase, the ONDC has roped in eSamudaay, ERP Player Go frugal, digital marketing outfit Growth Falcon, and automation and data insights outfit Sellerapp to work with sellers. Going forward the target of the ONDC is to on board 3 crore sellers and one crore retail merchants online.

Finance Ministry issues draft SoP for e-commerce jewellery exports through courier route:- The finance ministry has come out with draft the Standard Operating Procedure (SoP) for facilitating e-commerce jewellery exports through courier route, as it looks to provide a simplified regulatory framework for manufacturers and traders who want to export jewellery.

Outlook

Indian e-commerce industry is expected to continue to grow and develop in coming times owing to increasing internet penetration, growing consumers' preferences for online and online retailers continue to pop up etc. Technology enabled innovations such as digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements have enabled the e-commerce industry in India to grow at a much faster rate. Further, major initiatives taken by government will also provide support to industry in coming futures. The government's decision to exempt suppliers on an e-commerce having less than Rs 40 lakh turnover will boost online sales of goods.