

India Online Retail Market Assessment, By Product [Food, Beverages & Grocery, Fashion & Lifestyle, Furniture and Home Decor, Electronics and Appliances, Health and Wellness, Industrial & Automotive, Others], By Region, Opportunities and Forecast, FY2017-FY2031F

<https://marketpublishers.com/r/I031E7978751EN.html>

Date: February 2025

Pages: 108

Price: US\$ 3,300.00 (Single User License)

ID: I031E7978751EN

Abstracts

India online retail market size was valued at USD 135.6 billion in FY2023, which is expected to reach USD 340.6 billion in FY2031, with a CAGR of 12.2% for the forecast period between FY2024 and FY2031. In recent years, the Indian retail landscape has witnessed a dramatic transformation, with the online retail market emerging as a challenging force. The market is witnessing robust growth due to increasing internet penetration, evolving consumer preferences, and digital revolution. India is the world's second-largest internet market, boasting over 800 million users and approximately 62 billion UPI transactions in 2022.

Factors such as evolving demographic characteristics, rising disposable incomes, and logistic advancements also contributed to shaping the market's growth. E-commerce stands to gain advantages from government efforts to enhance rural broadband accessibility under the Digital India initiative. One such program is BharatNet, which has a budget of approximately INR 61,000 Crores, focused on providing broadband connectivity to 250,000 Gram Panchayats across India.

Furthermore, owing to broader product selection, utmost convenience, competitive pricing, and the ease of comparison shopping, the Indian consumer is increasingly turning to online platforms. In the year 2021, there were approximately 1.2 million daily e-commerce transactions recorded. It is anticipated that the number of online shoppers

in India will surge to around 500 million by 2030, a significant increase from the already substantial 150 million recorded in 2020. Furthermore, the e-commerce market is poised for remarkable growth, expecting to achieve a Gross Merchandise Value (GMV) of USD 350 billion by 2030.

Tech-Driven Retail Revolution to Drive the Market

Brands spanning various sectors now focus on expanding their online presence and promoting direct sales, responding to customers increasingly favoring online shopping. Retailers are rushing to embrace advanced technology to cater to the tech-savvy Gen-Z and millennial consumers. For example, Lenskart provides a virtual try-on service called 3D face modeling, enabling customers to virtually test eyeglass frames. Additionally, in August 2023, the company introduced a fresh range of glasses inspired by Korean fashion for its Lenskart Studio brand. Employing AI, the company has crafted an imaginary K-Pop band to endorse the 'K-Pop Collection' to engage with Generation Z and targeted customers. Notably, global investment in AR and VR is expected to reach USD 72.8 billion by 2024. Additionally, consumers are increasingly adopting conversational commerce, driving the growth of the chatbot industry, projected to exceed USD 102 billion by 2026, with a CAGR below 35%.

Government's Vital Role

Various government initiatives, such as Digital India and Make in India, have supported the growth of e-commerce in the country. These initiatives aim to boost digital infrastructure, promote entrepreneurship, and facilitate a favorable environment for online businesses. The government has endorsed technologies like UPI, RuPay, DigiLocker, and eKYC, which boosted digital transactions, expanding their adoption in smaller cities, and stimulated innovation in this domain. In the 2023-24 Budget, it was announced that digital payments witnessed a 76% surge in transactions and a 91% increase in value in 2022. In addition, the central government now permits 100% FDI in online retail via the automatic route.

Furthermore, in 2022, the government introduced Open Network for Digital Commerce (ONDC), which aspires to establish equitable opportunities for MSMEs in the digital commerce sphere, democratizing the e-commerce landscape. In 2022, India's e-commerce and consumer internet sectors attracted a remarkable USD 15.4 billion in PE/VC funding, doubling the USD 8.2 billion raised in 2020.

Diverse Sector Transform, from Grocery to Fashion

The Indian online retail market is undergoing significant changes across various sectors. Notably, the online grocery segment is experiencing rapid growth, and the entry of industry giants such as Reliance and Tata led to increased competition in this domain. Additionally, the e-pharmacy sector's development has been closely linked to the COVID-19 pandemic and is expected to maintain its momentum as consumer buying behaviors continue to evolve, reflecting a growing preference for online pharmaceutical retail. Moreover, the Indian online fashion industry made substantial strides in 2021, boasting a remarkable 51% growth.

Rapid Growth of E-Commerce in Tier-2 and Tier-3 Cities

In 2022, India witnessed a surge in online retail, particularly in urban cities, which accounted for over 60 percent of all orders. Notably, tier-2 and tier-3 cities showed impressive growth, with tier-3 cities registering a remarkable 65% increase in order volume and tier-2 cities observing a substantial 50% growth. The shift is attributed to several factors, including increased internet usage in tier-2 cities, simplified processes for starting online businesses, government support and initiatives, convenience, personalized shopping experiences, and easy payment options. These trends are expected to reshape India's retail landscape, making it more accessible and appealing to a broader consumer base. Additionally, the convenience of ordering and returning products, backed by a robust logistics network covering over 19,000 pin codes, has played a pivotal role in driving online retail growth.

Impact of COVID-19

With the onset of the COVID-19 pandemic, India online retail market experienced a surge in first-time online shoppers, as individuals initially hesitant about e-commerce embraced it for its safety and convenience. Notably, during the festival period 2020, despite pandemic challenges, Amazon, Flipkart, and other online players achieved an impressive USD 9 billion through sales.

The pandemic catalyzed the growth of e-commerce of essential goods, particularly in groceries, healthcare products, and daily necessities, as consumers sought contactless shopping options. Furthermore, there was a substantial increase in digital payment adoption as people shifted from physical currency, favoring cashless transactions for safety. Mobile wallets and digital payment platforms became integral to the online shopping experience. During the lockdown, online grocery sales surged by 70%, significantly favoring digital payments over cash-on-delivery.

In the current landscape, numerous brands fiercely compete for consumer spending in the grocery sector. Concurrently, small and medium-sized Kirana stores are forging partnerships with local delivery platforms to remain competitive in this evolving retail environment.

Key Players Landscape and Outlook

Companies operating in the India online retail market employ a variety of strategies to thrive in the dynamic and competitive landscape. Many companies focus on innovation and launches, catering to diverse consumer preferences. For instance, Tata CLiQ Luxury, India's leading luxury lifestyle platform, introduced 'Indi Finds,' an online store designed to keep fashion enthusiasts updated with the latest trends during the festive season. The initiative aims to boost the presence of Indian labels and homegrown fashion brands on the platform, offering consumers a chance to discover the richness of Indian craftsmanship.

Another prominent strategy involves collaborating with famous personalities and launching exclusive collections. In September 2023, Lenskart, the eyewear brand, introduced an advertisement featuring an Indian cricketer. The advertisement is a testament to the brand's core values and commitment to captivating storytelling.

Furthermore, pricing strategies, including discounts and promotions, are commonly used to attract price-conscious Indian consumers. Some companies are exploring omni-channel approaches, integrating offline and online retail for a seamless shopping experience. For example, Firstcry, the e-commerce platform of children clothing brand Pine Kids has inaugurated its exclusive brand store in Kanpur, Uttar Pradesh. This opening signifies the brand's traditional market entry strategy in India's retail sector, showcasing its collection of both Western and ethnic children's clothing.

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*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work

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