Centre for Digital Transformation
INDIAN INSTITUTE of MANAGEMENT AHMEDABAD
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Digital Retail Channels and Consumers: The Indian Perspective

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Foreword

Over the past three decades, India has led the way in population-scale digital transformation. Starting in the mid-90s, when India embarked on the digital transformation of its capital markets, to its current global leadership today at the forefront of building digital public infrastructure.

The digital transformation of India is an inflexion point in its history, reshaping the country, its economy, and the everyday life and decisions of its citizens and businesses alike. Not too long ago, sending an email or having a website for a business was considered a mark of being tech-savvy, while today, it is considered entirely mundane.

As we go forward India looks to have the world's largest digital population, along with the efforts of building Digital Public Infrastructure and Goods like UPI, ONDC and many others, India's way of buying and selling products and services will see a fundamental shift, as having your businesses' digital footprint and catalogue widely accessible is not going to be a rarity, but a mundane necessity.

Digital journeys will interweave the every day of doing business, expressing interest and preferences, of micro-decisions and of innovation and imagination which is the hum of an emerging digital India.

With the emergence of open networks in commerce and trade, we are at the inflexion point of innovation through digital transformation of value chains and consumer engagement.

It is therefore crucial for business leaders to think deeply and understand consumer preferences, behaviours, and patterns in a digital India. At the same time, it is crucial to keep in mind that India and its people are incredibly diverse, unique from the world and indeed from each other. The digital behaviours and journeys of India therefore are crucial to understand in the context of their diversity and evolution.

Thus, this report by the Centre for Digital Transformation becomes both crucial and timely for every business leader thinking about a fast-evolving digital India and its impact on business to contemplate, especially given the wide scope of the underlying survey uncovering the pulse of India.

I appreciate and convey my sincere gratitude to all stakeholders who have come together to bring out this publication. I am sure that readers will find this publication valuable and informative. I am sanguine that you'll find this attempt to understand the Indian Perspective meaningful, and join us in this evolving conversation.

T Koshy,
MD & CEO, ONDC

Foreword

Rapid technological advancements, driven by Artificial Intelligence (AI), are revolutionizing the retail supply-chain. India is at the forefront of this remarkable inflexion point, enthusiastically embracing digital innovation, and leveraging technology, while redefining its retail landscape. In this dynamic context, I am pleased to introduce this insightful study on the evolving realm of digital retail channels and consumer behaviour in Indian context.

The strides taken in recent years towards digital transformation of the India's retail sector are remarkable. With a keen focus on enhancing digital infrastructure, streamlining services, and encouraging widespread adoption, the nation has witnessed a paradigm shift in the way businesses operate, and consumers engage with the e-market. From automating supply chains to optimizing field operations, technology is enabling efficiency and effectiveness in retail, offering tangible benefits to both consumers and retailers.

Yet, amidst this ongoing transformation, it is evident that digital retail in India is taking baby steps to come out of its nascent stage, brimming with untapped potential, and boundless opportunities for innovation. As firms continue to push the boundaries of technology and expand the reach of digital channels, the stage is set for a new era of growth and prosperity in the retail landscape.

The report is based on the invaluable insights gleaned from the Pan-India Consumer Survey, that sheds light on the intricacies of consumer behaviour and preferences in the digital age. With data gathered from 35,869 consumers, this survey offers a comprehensive understanding of the diverse dynamics at play, from gender and age disparities to income levels and regional variations. Such insights not only empower retail channels and firms to refine their strategies but also provide a rich nuanced findings for academic researchers to explore and validate their hypotheses.

Being the principal partner of Retail-tech consortium (RTC) at the Centre for Digital Transformation (CDT) at IIM Ahmedabad, I extend my heartfelt gratitude to the whole team of contributors, and stakeholders on release of this report. It is my sincere hope that this report serves as a catalyst for dialogue, innovation, and collaboration, propelling India's digital retail landscape.

Sincerely

Jeyandran Venugopal

Chief Product and Technology Officer (CPTO)

Flipkart

Preface

In the last few years, India has been undergoing rapid digital transformation, making progress in building its digital infrastructure, digitizing services, and promoting widespread population adoption. This transformation is especially transforming the retail sector. Digital channels are automating supply chains and operations, increasing the efficiency and effectiveness of retail activities. These digital channels are benefitting both consumers and retailers. However, the digital transformation of retail is still in the nascent stages in the country. There is a great scope for firms to innovate digitally, expanding their geographical outreach through digital channels and promoting widespread consumer use.

This report on digital channels and consumers unravels the ongoing evolution of digital retail (e-commerce) in the country. It presents a comprehensive discussion on the use of technologies and channels by firms and consumers. Increasing competition in digital retail has compelled firms to innovate and upgrade their technologies and business models. This report presents an overview of a few recent technology and business strategies that platform firms, technology developers, engineering, and analytics firms, have adopted to digitize retail.

The key highlight of this report is the findings from the Pan-India Consumer Survey of around 35,000 consumers conducted by IIMA. The survey uses the consumers' last online shopping transactions to assess their behaviours and views about online shopping. The survey data offers rich insights into consumer behaviour and its variations by gender, age, income, and resident cities of consumers. Retailers can use these findings to improve their business strategies, and academic researchers can use the findings and data to validate their research and generate new hypotheses or research models.

I hope this report will add value and enhance the understanding of E-commerce in the country. The report is the result of contributions from several firms and individuals. I would like to thank Flipkart for funding this study as the principal partner of the retail tech consortium. The development of this report was greatly facilitated by industry partners of Retail Tech Consortium (RTC) at IIMA – Croma, Fabindia, Flipkart, ONDC, StarQuik, OYO, Patanjali, Kotak Mahindra Bank, Nykaa, P&G, Snapdeal, and Unilever - who provided valuable inputs through consultations. Thanks are due to my project team members, comprising Prof Swanand Deodhar and Ujjwal Dadhich. Also, I am thankful to all consumers who gave their valuable time and participated in the survey.

Prof. Pankaj Setia
Faculty Lead and Project Director
The Institute Chair Professor,
Professor, Information Systems and Strategy
Chairperson, Centre for Digital Transformation
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Executive Summary and Key Findings

This report focuses on the use of digital retail channels by consumers and retailers. Both consumers and retailers are the core drivers of the retail landscape and digital retail channels. Consumers have been using these retail channels to shop conveniently, and retailers have used them to expand their businesses. In the case of India, with the ongoing improvements in digital infrastructure and increasing use of smartphones and internet services by the country's population, the future of the digital retail landscape (E-commerce) looks promising.

However, this growth of digital retail will be more meaningful only if it can meet the needs of diverse consumer groups in an affordable manner. For this, understanding consumer behavior and retailers' operations is important, and this report presents a few aspects of that. The findings presented in this report are based on the pan-India consumer survey and a pilot enterprise survey undertaken by IIMA.

- **The pan-India Consumer Survey:** The survey is the first of its kind in the country, which recorded the details of consumers' last online shopping transactions and their views on the benefits of online shopping. A total of 35,869 consumers residing across 25 States of the country were surveyed from May to September 2022. This report presents the findings from the survey and examines diversity in consumer behavior by presenting findings by gender, income, age group of consumers, and tiers of cities[2]. These segregations have generated some interesting trends worth noticing. Some of the findings presented in the report are obvious and have been frequently reported by several recent studies, and some of the findings are interesting and show nuanced differences between consumer groups.

- **The pilot enterprise survey**: This survey explored the views of enterprise representatives in doing online business using digital retail channels. The survey was a mix of open- and closed-ended questions, and data was collected from 68 enterprise representatives. The survey was conducted in January 2023, and most of the surveyed enterprises were in and around Ahmedabad, Gujarat.

The key findings of the two surveys and their recommendations are presented below. The consumer survey findings are classified into four thematic areas – broader findings, browsing behavior, consumer spending, and perceived benefits.

[2] For the findings on the means, percentages, and other statistics presented in the report, we have not conducted any tests for statistical significance, and we do not attempt to generalize the findings beyond the sample of the survey.

Broader findings

1. **Increasing use of digital retail channels by consumers in the last 1 to 3 years:** Nearly 72% of consumers started shopping online in the previous 1 to 3 years, indicating a surge in the use of digital retail channels during the COVID-19 pandemic. This new consumer cohort is in the majority across all cities, income, and age groups. Retaining these consumers and ensuring their active involvement is therefore essential for E-commerce's growth.

   Recommendation 1: Digital retail channels can adopt targeted strategies that can ensure that the new cohorts of consumers remain active users in doing online shopping.

2. **Using digital retail channels, consumers may develop their cognitive and physical abilities:** More than 70% of the surveyed consumers reported that using digital retail channels has enabled them to improve their information and knowledge related to products, thereby enhancing their cognitive skills to shop. Using these channels, they can better search for products and gain more information through product images, specifications, videos, and reviews. These features help consumers to better evaluate products and select the ones that suit their needs and preferences.

   In addition, consumers reported that by using these channels, they overcome their physical and geographical constraints to shop. Consumers can shop anytime on these channels, get product delivery at their doorstep, track product delivery, etc. These features save time and provide consumers with an alternative to physical shopping. Also, these channels enable consumers to shop for products that are not easily available in their vicinity.

3. **Browsing online is gradually becoming a favorite pastime habit among consumers:** Nearly one-third of consumers reported visiting digital retail channels every 2 to 3 days. More commonly, consumers have reported visiting digital retail channels at least once in 15 days.

4. **Consumers prefer digital retail channels because of the convenience related to access, transaction, post-purchase, and value for money:** More than 70% of consumers reported that digital retail channels have provided 24x7 market access to consumers, enabling them to order products from anywhere to their desired location. In addition, making payments through the channel platforms is easy, and they facilitate easy returns and refunds/replacements. In the survey, most consumers reported benefiting from these conveniences and referred to value-for-money deals as a motivating factor for online shopping.

5. **Fashion, clothing, and electronics items are the major product categories in which consumers shopped in their last online shopping:** This trend is in line with the common trend of digital retail, wherein consumers usually buy clothing and electronic products. In their last online shopping transaction (which consumers did between May and September 2022), consumers spent an average of INR 1,587 on the total shopping basket with fashion and clothing, and INR 3,250 on electronic products. Also, more than 90% of consumers spent less than INR 10,000, indicating that most consumers did not buy high-end items in their last online shopping transaction.

6. **Majority of consumers have shopped products exclusively from a single product category in their last online shopping transaction:** Nearly 65% of the surveyed consumers shopped products of only one product category (exclusive shopping basket) in their last online shopping transaction. Additionally, around 35% of consumers bought products of different categories together (mixed shopping basket).

   Shopping exclusively, consumers spent a per capita spending of INR 965 on fashion and clothing products, INR 4,309 on electronic products, and INR 1,848 on utility payments.

Findings on browsing behavior

7. **Consumers visit multiple channels to make a purchase:** Consumers usually visit multiple retail channels (retail websites) before making their final purchase. This behavior is mainly observed while buying fashion, clothing, and electronic products. Visiting different channels, consumers look for the best value-for-money deals, platform interface, return and refunds, payment security, and expected delivery time. However, these consumer priorities vary by gender and age group, as mentioned below

   - **By gender:** Between female and male consumers, it is observed that a higher proportion of female consumers visit different channels/websites to explore fashion and clothing products, and male consumers tend to look for electronic products. In visiting different websites, female consumers examine delivery time, return, and refund policies and expect a better interface experience on retail channels. Male consumers, on the other hand, look for quality standards and EMI options and take recommendations from social media.

   - **By age groups:** Consumers less than 35 years old tend to visit multiple channels and appear to be more influenced by online recommendations and social media. On the other hand, consumers in the older age groups reported being more influenced by family and friends, and those over 60 years visited mostly a single digital retail channel during their last online transaction.

   Recommendation 2: As browsing behavior varies by gender, retail channels may employ different digital strategies even for similar product categories.

   Recommendation 3: Based on the browsing behavior, retail channels can prioritize search-based strategies for the younger generation, and more personal word-of-mouth/referral strategies may be adopted for older consumers.

Findings on spending behavior

8. **Overall, consumers of smaller cities have spent more than those of Tier 1 cities in their last online shopping, but this trend varies in different product categories:** Consumers of Tier 1 cities spent nearly INR 1,551 on their total shopping basket in their last online transaction. Consumers of smaller cities reported spending around 16% to 77% more than this, particularly in buying fashion and clothing products, electronic products, and making utility payments.

   Further, consumers in smaller cities are using digital payment systems to pay their utility bills, indicating the increasing penetration and use of such systems in smaller geographies.

   Recommendation 4: Based on the variation in consumer preferences and spending, digital strategies may be differentiated based on city types.

9. **Overall, male consumers have spent more in their last online shopping transaction. However, the spending behavior varies by product category:** Male consumers spent an average of nearly INR 2,484 on their shopping basket in online shopping transactions, almost 36% more than that of INR 1,830 by female consumers. While this spending pattern needs further examination, it aligns with the gender gap in economic participation and opportunity in the country, wherein females lag behind males[3]. With increasing financial inclusion, literacy levels, technology adoption, and financial empowerment, it is expected that the spending by female consumers will be at par with male consumers soon.

   Interestingly, the spending behavior of male and female consumers varies across product categories. A higher proportion of female consumers bought fashion and clothing products, while a higher proportion of male consumers bought electronic products. However, even in both cases, the per capita spending of male consumers exceeds that of female consumers.

10. **Consumers with higher incomes have spent more in their last online shopping transaction and have higher monthly online spending:** This is in line with the consumers' purchasing power, which usually increases with increasing income. However, it is seen that more consumers of lower and higher income groups shopped exclusively for fashion and clothing products paid utility bills, and more middle-income consumers bought electronic products.

    Recommendation 5: As preferences of different income segments for online shopping vary, a different combination of omnichannel strategies may be explored for different income segments.

11. **Consumer spending shows an increasing trend by age group:** Financial stability and increasing purchasing power are a few reasons that enable consumers over 25 years to spend more. Interestingly, the median spending (of INR 1,500) is more by consumers over 50 years

[3] The World Economic Forum. (2022). *The Global Gender Gap Report 2022*. Geneva: The World Economic Forum.

old, indicating that older age groups are also active in shopping online. However, those up to 35 years old spend more than other age groups; this cohort also has a higher proportion of consumers spending over INR 10,000 in their last online shopping transaction.

12. **Cash-on-delivery remains the preferred payment mode for consumers:** Nearly 65% of consumers used cash to make payments in their last online transactions. In particular, consumers use cash more to buy fashion and clothing products exclusively. Cash is also the preferred payment mode for consumers from low-income groups having annual household income less than INR 3.6 lakhs.

Findings on perceived convenience and satisfaction

13. **Overall, consumers reported an average score of >= 5 out of 7 points on convenience features for shopping on digital retail channels:** implying that consumers positively perceive the conveniences related to access, transaction, post-purchase, and evaluation features offered by digital retail channels and are also satisfied with their overall shopping experience.

14. **Consumers of Tier 1 cities reported having slightly higher convenience and satisfaction scores than consumers of smaller cities:** This can be due to the greater variety of services and a wider range of products offered by digital retail channels in Tier 1 cities. In smaller cities, digital retail channels are still expanding their operations. Consumers in smaller cities, therefore, have a limited array of products and services that can be bought and availed online. In addition, supply chain optimization is also more effective in Tier 1 cities. Consumers residing in these cities can get product delivery in a few hours, whereas consumers in smaller cities might have to wait for a few days to get product delivery.

    Recommendation 6: Digital strategies can be devised to focus on consumer satisfaction in smaller cities.

15. **Female consumers have reported realizing slightly higher convenience than male consumers:** This indicates that digital retail channels have benefitted female consumers, as they now have to put in less physical effort and time into making purchases for themselves and their households, for which they had to earlier go to the market and often visit multiple stores.

16. **Consumers of lower income groups have reported slightly higher convenience and satisfaction scores:** indicating that by using digital retail channels, they can conveniently buy a range of affordable products and services.

17. **Consumers younger than 24 years and older than 60 years have reported slightly higher convenience and satisfaction scores than consumers of other age groups**: Digital retail channels have enabled younger generations to be updated on different trends and utilize these channels for various educational purposes. For older consumers, these channels have provided the convenience of ordering essentials and other products with little physical effort.

Key findings from the pilot enterprise survey

1. **Microscale of business and mode of doing business**: Most enterprise representatives reported an annual turnover of less than INR 5 crores and were engaged in online and offline business, thus following an omnichannel strategy.

2. **Using multiple channels to reach out to consumers:** While doing business online, enterprises reported using multiple channels to reach out to consumers and increase sales. This included using multiple retail platforms, social media, own websites, etc.

3. **Retailers incur a significant fee in doing business with digital retail channels:** The majority of enterprise representatives reported paying a substantial component of fees to retail channels, covering commission on sales, shipping fees, and transaction fees, among others.

4. **Increased sales through digital retail channels:** More than half of the enterprise representatives reported that registering on online retail channels had led to increased sales and additional income.

5. **Improvements in business management skills by doing business online:** Around half of the enterprise representatives reported using better technology and business management skills by doing business online – these included learning better techniques for inventory management, tracking orders, and maintaining digital records of debit and credit.

6. **Improvements in business strategies:** Doing business online helped enterprise representatives learn different business strategies, such as improving social media strategy, creating a personalized consumer experience, etc., and expanding consumer outreach and supply chain activities.

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List of Abbreviations

AI	Artificial Intelligence
B2B	Business to Business
BCG	Boston Consulting Group
BNPL	Buy Now and Pay Later
BRC	Bank Realization Certificate
CAC	Consumer Acquisition Cost
CoD	Cash on Delivery
CPC	Central Procurement Centre
CPPIB	Canada Pension Plan Investment Board
D2C	Direct to Consumers
DPIIT	Department for Promotion of Industry and Internal Trade
E-commerce	Electronic Commerce
EDPMS	Export Data Processing and Monitoring System
EMI	Equated Monthly Instalment
FMCG	Fast-moving Consumer Goods
GB	Giga Byte
GDP	Gross Domestic Product
GNI	Gross National Income
HH	Households
IBEF	India Brand Equity Foundation
INR	Indian Rupee
IT	Information Technology
FDI	Foreign Direct Investment
FPI	Foreign Portfolio Investor
FVCI	Foreign Venture Capital Investor
LLP	Limited Liability Partnership
MRP	Maximum Retail Price
MRUC	Media Research Users Council
MSME	Micro, Small and Medium Enterprises
NASSCOM	National Association of Software and Service Companies
NI	National Income
OBD	Open Box Delivery
ONDC	Open Network for Digital Commerce
PBE	Postal Bill of Exports
PFCE	Private Final Consumption Expenditure
RAI	Retailers Association of India
RMA	Return Merchandise Authorization
SEBI	Securities and Exchange Board of India
SEC	Socio-economic categorization
SGoS	Standing Group of Secretaries on E-commerce
TM	Trademark
UPI	Unified Payment Interface
USD	United States Dollar
WT	Wholesale Trading

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Chapter 1
Introduction

Chapter 1 Introduction

1.1 Background to the Report

Digital retail channels have substantially transformed the functioning of the global retail sector. Broadly, these channels have automated several retail activities, benefiting consumers and retailers.

Using these digital (online) retail channels, consumers can shop for products at any time, from any place, and receive product(s) delivery at their chosen location. These conveniences have enabled consumers to order products that are not easily available in their vicinity. Similarly, these channels have increased the geographical outreach for retailers as well. Retailers use these channels to connect with new suppliers and consumers from different locations, expanding their business activities on both the supply and demand sides. This expansion has also benefited consumers as they now have a more extensive range of products and suppliers to choose from.

In addition, the key feature of these channels is the interactivity of their platforms. The ever-evolving technological landscape has enabled channel firms to devise large interactive platform ecosystems for consumer shopping. The interactive features of the platforms allow consumers to navigate across it easily, explore relevant products from different product categories, view product images, examine product specifications, compare prices, etc. These platforms also use data from consumers' previous searches and recommend similar and popular products that consumers can buy. All these features help consumers to select products in an informed manner. Alongside this, digital channels increasingly offer flexible payment options by which consumers can easily pay over an extended time[4].

Given these breakthroughs, the revenue from online retail in India has seen steady growth. For example, in 2014-15, the revenue from online retail in India was around USD 13 billion, which increased to USD 55 billion in 2020-21 (IBEF, 2018; 2022). The ongoing digital revolution and improvements in infrastructure in India have played a crucial role in supporting the growth of online shopping by consumers and delivery by retailers. These mainly include increasing use of smartphones, affordable internet services, financial inclusion, increasing uptake of digital payment systems across the country, etc.

In addition to these push factors, COVID-19 also spurred the growth of online retail in the country. The limited access to physical stores during the pandemic and the convenience of doorstep delivery encouraged more and more consumers to opt for online shopping. As a result, online retail transactions grew by over 77% during 2020-21 (IBEF, 2022), and overall, the pandemic fast-tracked the sector's growth by almost three to four years (BCG, 2022).

Underlying this growth of online retail shopping is the diverse group of consumers across the country. Consumer diversity occurs due to differences in age, gender, location, and socio-economic conditions. Because of these differences, there are also differences in consumer tastes, preferences, and constraints that guide their purchase decisions. These nuances in consumer

[4] **Improving the operational efficiency of retailers and facilitating newer business models:** Apart from enhancing the downstream shopping experience of consumers, digital retail channels have also enhanced the business management capacity of retailers. The AI-based algorithms enable retailers to keep track of their sales, consumer demand in different segments, inventory status, browsing activities of individual consumers, purchase history, etc. These features have enabled retailers to better maintain and manage information on their business and supply chain activities and make informed decisions when required. Using these channels retailers have been improving their operational efficiency and building newer business models involving sales from retailer to retailer, retailer to corporate(s), sales on credit, etc., and have provided greater scope for increasing revenue.

behavior can be observed through consumer reactions to price, brand, product quality, delivery time, seller profile, discounts, online recommendations, reviews, festive sales, etc.

Academics and industry have extensively examined consumer needs and behavior facets[5]. However, despite several studies, there is still a dearth of large-scale consumer-centric studies in India. This is a significant gap as India is poised to become one of the largest online global retail markets in the coming years, and consumers are the core drivers of this progression. This report addresses this gap by presenting findings from a pan-India consumer survey of more than 35,000 consumers. In addition, the report also discusses the recent developments in the Indian E-commerce sector and presents findings from a pilot enterprise survey. The subsections below give an overview of the broad objectives of this report and outline the approach and methodology.

1.2 Purpose and Objectives of the Report

The purpose of this report is to present a comprehensive discussion on the E-commerce sector in India and its perceived benefits both by consumers and retailers. Based on this purpose, this report has three broad objectives as outlined below.

Figure 1.1: Objectives of this Report and Key Questions

1. To examine consumer behaviour while shopping online

How do consumers shop online and what benefits do they perceive from using digital retail channels?

2. To discuss a few of the recent developments in the E-commerce sector

What are some of the recent trends, issues, and policy measures in the Indian E-commerce sector?

3. To examine the perceptions of enterprises for digital retail channels

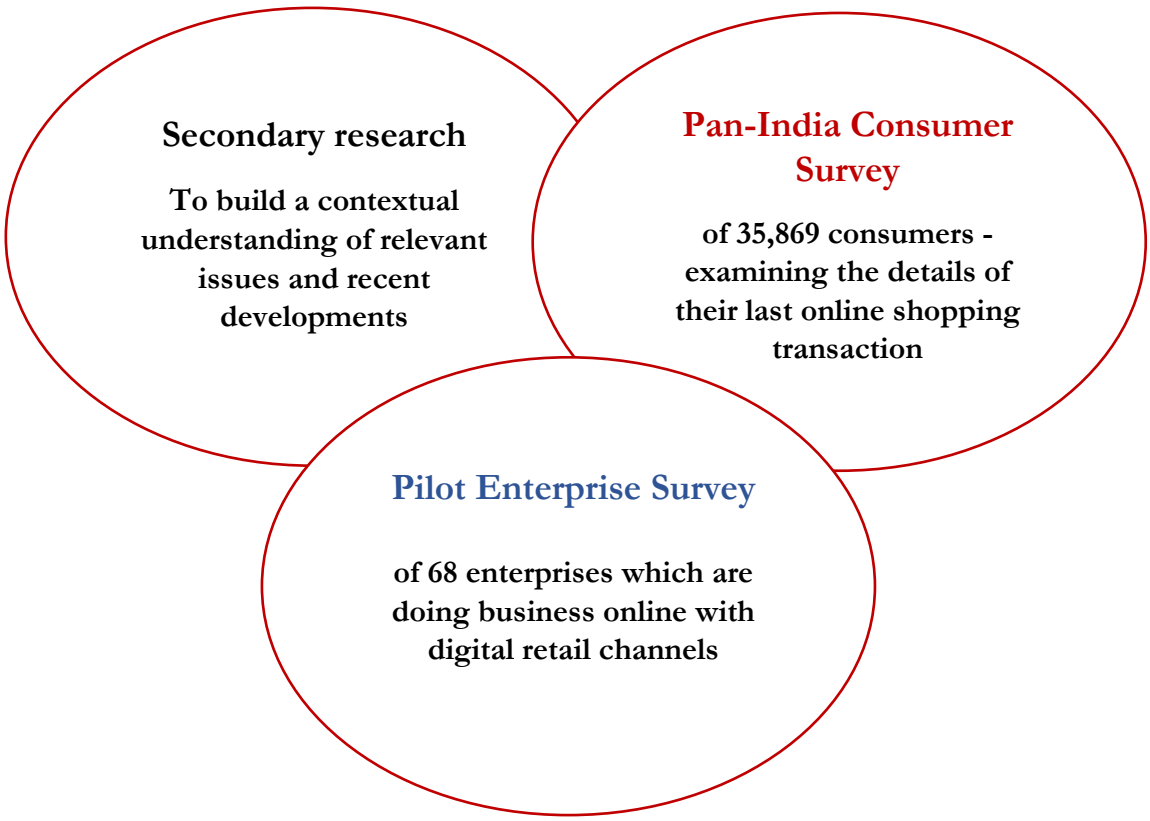
How do enterprise representatives perceive the benefits of digital retail channels for doing online business?

[5] **Seminal academic works on consumer behaviour and technology adoption:** mainly include the works of Reasoned Actions (Fishbein, 1979), Normative Decision Making (Kassouf, 1970), Buyer Behaviour (Howard & Sheth,1969), Technology Adoption Models (Davis, 1989), Planned Behaviour (Ajzen, 2011) and Unified Theory of acceptance and the use of Technology (Venkatesh et al., 2003), etc. Theoretical foundations and models of these works have been further applied and extended by researchers in various social and economic settings.

1.3 Approach – Secondary Research and Quantitative Surveys

Based on the scope of work outlined by the objectives, this report uses a mix of secondary and primary research.

Figure 1.2: Approach to this report – secondary + primary research



- **Primary research** was done with two surveys – a pan-India consumer survey and a pilot enterprise survey. These surveys aimed to collect credible data and gather ground insights on the relevant issues as outlined in the objectives. Table 1.1 and Table 1.2 below provide an overview of the two surveys.
- **Secondary research** was done by referring to reports, articles, data, etc., from various sources, including the Government of India, consulting agencies, periodicals, etc. This helped build a contextual understanding of the relevant issues, including recent developments, organizational landscape, policy and regulatory mechanisms, opportunities, constraints, prospects of E-commerce, etc. The list of all these reviewed documents has been provided in the References section and is cited at the appropriate places in the report.

Table 1.1: Overview of the pan-India Consumer Survey

Consumer Survey	**Pan-India survey of 35,869 consumers from 25 States**
Objective	**To document how consumers shop online and how they perceive the benefits of using digital retail channels**
Gender	**52.2% of surveyed consumers are Male** **47.8% of surveyed consumers are Female**
Urban-Rural	**72.7% of surveyed consumers are from cities** **27.3% of surveyed consumers are from peripheral rural areas**
Tier of Cities	**The distribution of the urban sample is as follows* -** **9.4% of surveyed consumers are from Tier 1 cities** **38.4% of surveyed consumers are from Tier 2 cities** **12.0% of surveyed consumers are from Tier 3 cities** **13.0% of surveyed consumers are from Tier 4 cities**
Age Group	**53% of consumers are up to 35 years of age**
Income Group	**78.6% of consumers reported an annual household income of less than INR 3.6 lakhs**[6]

Note 1: The distribution of surveyed consumers by age and income groups is presented in Chapter 3, Table 3.1
*__Note 2:__ rounded off to one decimal place

Enterprise Survey	**A pilot survey of 68 enterprises that are doing business online**
Objective	**To document the benefits of digital retail channels as perceived by enterprise representatives for doing online business**
Focus on micro-enterprises	**78% of surveyed enterprises reported an annual turnover of less than or equal to INR 5 crores**

Note 2: The distribution of surveyed enterprises by annual revenue and products is presented in Chapter 4, Table 4.1, and Table 4.2

[6] 1 crore = 10 million
10 lakhs = 1 million

1.4 Organisation of the Report

Based on the scope of work and objectives, the report has seven chapters, including the Introduction. Through these chapters, the report aims to present a comprehensive overview of the functioning of digital retail and its perceived benefits by consumers and retailers. Broadly, the contents of the chapters are as follows:

Table 1.3: Outline of Chapters

Chapters in addition to the Introduction
Chapter 2: Indian Retail and Recent Developments provides a short overview of retail formats and discusses a few cases showcasing recent developments in the sector
Chapter 3: Findings from the Consumer Survey presents the significant findings from the pan-India consumer survey conducted by IIMA
Chapter 4: Findings from the Pilot Enterprise Survey presents the significant findings from the pilot enterprise survey undertaken by IIMA
Chapter 5: Complexities in E-commerce and Recent Developments discusses a few issues in the E-commerce sector and presents a few of the recent initiatives that firms have taken to overcome these challenges
Chapter 6: Retail Policy and Regulatory Environment presents an overview of the major policies and regulatory measures relevant to E-commerce
Chapter 7: Digital Ecosystems discusses a few of the applications that have optimized the performance of retail channels

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Chapter 2
Indian Retail and Recent Developments

Chapter 2 Indian Retail and Recent Developments

2.1 Introduction

India's population of over 1.4 billion gives the country a strong consumer base, making it one of the largest retail markets globally. In 2020, the total sales of the Indian retail market were valued at around USD 670-690 billion and are expected to be around USD 1.32 trillion by 2032 (BCG & RAI, 2022). This growth is being propelled by India's economic growth, which has increased the income of individuals and enabled them to purchase and consume more products (Table 2.1).

Table 2.1: India – Economic and Demographic Indicators

Economic Indicators	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Gross National Income (GNI) (₹ '000 crore) *	12,164	12,999	13,840	14,374	13,368	14,501
Annual Growth Rates GNI (in %)	8.3	6.9	6.5	3.9	-7.0	8.5
Per capita net national income (₹) *	83,003	87,586	92,133	94,270	85,110	91,481
Annual growth rates per capita NI (in %)	6.9	5.5	5.2	2.3	-9.7	7.5
Gross Domestic Product (₹ '000 crore)	15,392	17,090	18,899	20,075	19,801	23,665
PFCE (₹ '000 crore)	9,127	10,036	11,205	12,237	12,032	14,095
Gross Domestic Savings – HH (₹ '000 crore)[7]	2,787	3,297	3,844	3,929	4,390	---
Gross Domestic Savings – % of GDP**	18.1	19.3	20.3	19.6	22.2	---
Population (in Billion)	1.34	1.35	1.37	1.38	1.40	1.41

* Data is at constant prices, 2011-12 series. The estimates from 2018-19, 2019-20 and 20120-21 are based on 3rd, 2nd and 1st revised estimates and the estimate for 2021-22 is provincial.
PFCE: Private Final Consumption Expenditure
**As a percent of GDP at the current market prices
Source: Ministry of Finance, Government of India, 2023

Along with income, the evolution of internet-based technologies and expansion in the operations of digital retail channels are also contributing to the growth of the retail sector. Using these, consumers and retailers are making informed decisions to purchase products and managing supply chains in better ways. Similarly, the use of the internet and the latest technologies have enabled firms to rapidly improve their existing products and create new ones. This growth on the supply side has increased competition between firms in the market, and the retail market is inundated with several products, giving consumers more buying choices. The increasing competition has now compelled firms to continuously innovate their products and business strategies to stay ahead of others.

Despite the market developments in the retail sector, the organized retail sector is still nascent in India. It constituted only 6% of the retail sector in 2019 (IBEF, 2022), and the proportion of E-commerce was even lower at around 3% (*ibid*), thus providing a good scope for expansion. Penetration into smaller cities and rural areas, efficient management of supply chains, affordable quality products, etc., are a few aspects that can augment the growth of E-commerce in the country.

In light of the above discussion, this chapter gives an overview of a few of the recent developments in the retail sector. There are two sections in this chapter in addition to the introduction. Section 2.2 gives an overview of the growth of the retail sector in India and the preferred product

[7] At current prices, the 2011-12 series

categories by consumers. Section 2.3 discusses retail formats and some of the recent technological developments in it.

2.2 Growth of the Indian Retail Sector and Changing Consumer Behaviour

The Indian retail sector contributes to around 10% of the gross domestic product (GDP) and employs nearly 35 million individuals (around 8% of the country's labor) (NASSCOM, 2021; IBEF, 2022). Like other economic activities, the growth of this sector was also impeded by the pandemic, but the sector is now recovering gradually with steady growth[8] (refer to Table 2.2). Restoration of global supply chains, increase in consumer spending, and foreign investment in retail and technology enterprises are a few factors that have renewed the sector's growth after the pandemic.

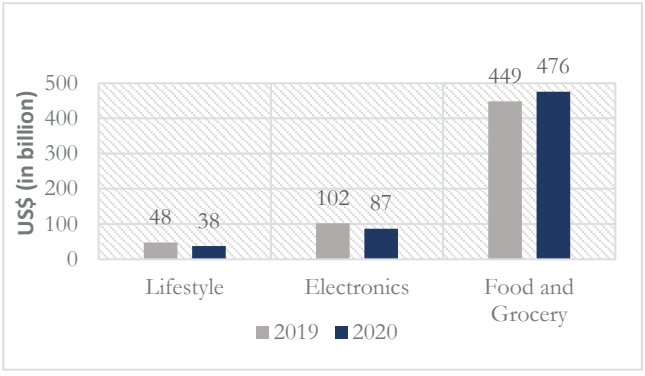
Table 2.2: Market Size and Growth Rate of the Retail Sector

Market size and growth in retail	2010	2019	2020	2021
Market size (US$ in billion)	250	650-700	610-630	670-690
Growth Rate of Market Size (annual %)	---	+12%	-7%	+10%
Private Household Consumption (in INR trillion)*	35-45	115-125	110-120	130-140
Growth Rate in Consumer Spending (annual %)	---	+10-12%	-(3 -5%)	+15-17%

Source: BCG & RAI, 2022. *The Private Household Consumption is in nominal value

In recovering from the pandemic, the retail sector grew 10% from 2020 to 2021 (Table 2.2). Consumer spending has also seen double-digit growth and is gradually increasing. Among the product categories, food and grocery are the most frequently purchased products as they serve the daily requirements of consumers (Figure 2.1). Other than these, consumers spend primarily on lifestyle and electronic products.

Figure 2.1: Retail Market by Product Categories



Source: IBEF, 2022

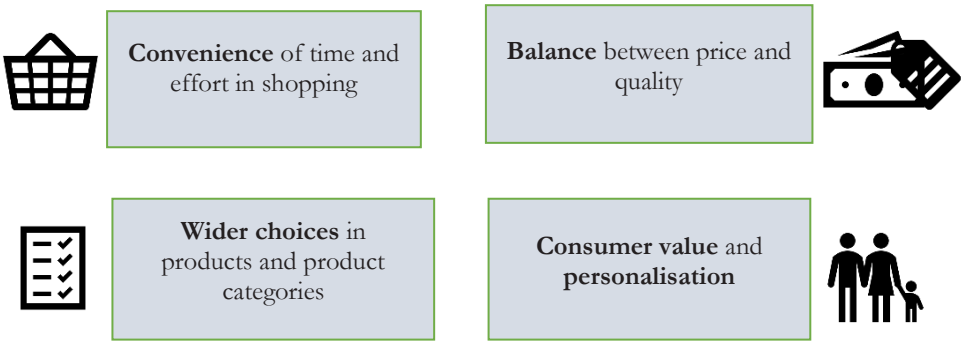
The spending behavior of consumers in the above product categories is conventional. However, consumer preferences for products and how consumers shop have changed over time. For instance, with increasing income levels, consumers, especially millennials and Generation Z, are spending more on personal care, clothing, entertainment, and are looking to buy premium

[8] **Impact of COVID-19 on retail:** The pandemic was one of the worst periods that affected millions of individuals' health globally. It also compelled governments worldwide to impose nationwide lockdowns for a brief period. Global value chains were severely affected due to this lockdown. As the focus of households was on health and likely health expenses, consumers were wary of making purchases other than essential items. Because of weak demand, sales of several consumer products declined, and firms reported poor financial performance. The decline in wages, closure of enterprises, unemployment, and mass exodus of migrant workers were a few of the observed effects during the peak pandemic period. All these events negatively impacted the functioning of the retail sector.

products in these categories[9] (Deloitte & RAI, 2019; McKinsey & Company, 2022). Similarly, COVID-19 has made individuals more health-conscious, and consumers spend more on products from cognate spaces such as health care, fitness, and sports (McKinsey & Company, 2022).

In addition to this, the increasing use of these channels has enabled consumers to explore product information, product trends, reviews, and compare prices listed by retailers. With this information, consumers are now more aware than ever and are clearer in their shopping expectations. Figure 2.2 below lists a few of the key expectations that consumers now look for while shopping.

Figure 2.2: Key Expectations of Consumers in Doing Shopping



Source: Authors' inference based on secondary research of different studies, including Setia, 2019; Deloitte & RAI, 2019; McKinsey & Company, 2022

Given these expectations, consumers prefer to buy products from those retailers who fulfill their expectations and make them feel valued. In doing so, consumers do not rely on a single retailer or a specific way of shopping. Instead, consumers are now actively using multichannel shopping (i.e., a combination of in-store, telephonic, and online shopping) to buy products based on their needs and preferences. Different retail formats have empowered consumers to shop on their terms. The sub-section below gives an overview of these retail formats and related recent developments in the retail sector.

[9] **Premium products and flexible repayment mechanisms:** Flexible repayment mechanisms are also responsible for motivating consumers to buy premium products. With flexible repayment mechanisms such as equated monthly instalments (EMIs), credit cards, etc., consumers can now pay for their purchases within a stipulated time. Thus, they are not burdened with heavy one-time transaction costs and do not hesitate to buy premium/expensive products.

2.3 Retail Formats and Recent Developments in the Indian retail sector

India's sizeable retail market is operated through a variety of retailers. Broadly, these retailers can be classified on several criteria, such as a) license and registration as organized and unorganized, and c) business model of operation, which can be in-store, online, and omnichannel. Box 2.1 below gives an overview of a few retailer types and discusses some recent developments in the sector with examples.

Box 2.1: Overview of Retail Formats in India

Retail formats

1 Licenced and Registered retailers (Organised) and Unorganised

- **Organized retailers** are licensed retailers registered with the government and liable to pay taxes. As registered enterprises, these retailers have a registered office from where they operate.
- **Unorganized retailers** are low-cost retail enterprises not registered with the government. These enterprises usually operate from homes, streets, small shops, etc. Examples of unorganized retailers include local grocery shops, street vendors, vendors with carts, home-based shops, corner shops, etc.

In 2019, unorganized retail accounted for 88% of the sales in the Indian retail market, followed by 9% of sales through the organized retail market and only 3% through E-commerce (IBEF, 2022).

2 Business Models of Operation

Traditional In-store business models

- **Mom-and-pop, aka Kirana stores**, are small, multi-utility stores selling everyday items. These include groceries, beauty, personal care, cosmetic products, footwear, stationery, and bakery products, etc. There is no precise estimate on the number of Kirana stores in India, but recent studies suggest that **around 12-15 million Kirana stores are operating in the country** (The Economic Times 2019; The Financial Express 2020). These stores account for **75-78%** of consumer product sales in the retail sector. Usually, these stores are operated with or without licenses and are managed by one or two individuals and/or are family enterprises.

  - **Low investment and ubiquitous presence of Kirana stores:** The only significant investment in Kirana stores is for physical premises and inventory. The store's location, the variety of items, and the retailer's behavior then determine the success of these stores. Usually, stores are rented, and the inventory is taken on credit from wholesalers. As the total investment amount is low, anyone can open these stores, and as such, *Kirana* stores can be seen everywhere in India.

  - **Worst affected by COVID-19:** COVID-19 substantially impacted the business of *Kirana* stores. Around the lockdown, these stores were closed for a brief time bracket, and after the lockdown, they were allowed to operate only for limited hours. This prompted consumers to buy products online, leading to a substantial decline in their business. Apart from downstream challenges, *Kirana* stores also struggled with upstream issues during the pandemic. Due to supply chain disruptions and weak demand, wholesalers were

reluctant to give items on credit. Lack of working capital and weakening business led to the closure of around 0.7 million *Kirana* stores since the lockdown in 2020 (The Economic Times, 2020).

- **Evolving direct-to-consumer (D2C) model by Kirana Stores:** The challenges posed during COVID-19 compelled *Kirana* store owners to innovate their business models. The store owners modified their traditional business model of selling to consumers in-store and started offering home delivery services. To this end, store owners started building relationships in their outreach areas. These efforts included contacting regular consumers via messaging apps and phone calls and conducting household visits. Networking with regular consumers enabled these *Kirana* stores to reach out to new consumers nearby. In doing so, the D2C approach as a business model gained strength. The salient facets of this D2C model included instant delivery at the consumer's doorstep, quick complaint redressal, quality products, personalized consumer treatment, etc. Giving these services helped store owners to sustain their businesses during the pandemic.

- **Adoption of digital payment systems:** Traditionally, *Kirana* stores have been functioning through cash payments by consumers. COVID-19 prompted store owners to use digital payment systems, and around 1 million *Kirana* store owners started using digital payment systems in 2020 (Business Today, 2021). The adoption rate of digital payment systems has increased since then. Furthermore, recent innovations like *voice assistance* have also enabled store owners to easily use digital payment systems, irrespective of their familiarity with mobile technologies and literacy levels.

- **Resolving supply chain issues and the start-up apps for Kiranas-wholesalers – evolving business-to-business (B2B) model:** A timely and cost-effective supply of inventory is an essential prerequisite for the *Kirana* store business. Traditionally, *Kirana* store owners have been dependent on wholesalers for inventory. In this business relationship, wholesalers used to have the upper hand. They could quote prices at will and deliver orders based on the availability of stock and their preference for specific consumers. Usually, wholesalers would hire independent agents for delivery, sometimes leading to delays in delivery and damaged goods being delivered. The struggle of the *Kirana* owners did not end there. To resolve quality issues, store owners would have to engage in lengthy discussions with wholesalers, and the return process was not easy.

  To tackle these challenges, several start-ups *like Kirana Club, Jumbotail, Shop Kirana, Udaan, IndiaMART, etc.*, started operating in the *Kirana* store-wholesale business. These firms operated through mobile apps and connected *Kirana* store operators with several listed wholesalers. Using these apps, store owners could now compare prices offered by different wholesalers and receive quality products within 24-48 hours after placing the order. These activities enabled retailers to get inventory at the best price and convenience. Store owners could also take items on credit on these apps and easily return items if necessary. These developments gave Kirana stores a wider choice of suppliers and value deals on their orders. Since their inception, these apps have received a good response from the retailer and wholesaler communities. For instance, the Kirana Club app, started in 2021, has been downloaded by over 0.8 million *Kirana* store owners, and operates in

more than 4,100 towns and cities of the country (Kirana Club, 2022). Jumbotail, another *Kirana*-wholesaler connecting app (B2B), started in 2016 and provides services to around 13,000 *Kirana* stores in and around Bengaluru (Jumbotail, n.d.). While many B2B apps have focussed on metropolitan areas and Tier 1 cities, the *Shop Kirana* app operates in Tier 2 cities. It started in 2015 and since then has benefitted 0.1 million *Kirana* stores across 30 cities of the country (ShopKirana, n.d.).

- **Consolidation of Kirana stores by digital retail channels and evolving online-offline business model**: Like the evolving B2B model of Kirana Stores-Wholesalers, large digital retail channels like **Flipkart, Amazon, Reliance**, and **Tata (via Bigbasket)** are now partnering with *Kirana* stores. In this partnership, these online retail channels list *Kirana* stores as local partners and enable consumers to get the ordered products delivered from the nearest stores. Flipkart started its program *Kirana Connect* in 2019. As part of this business strategy, Flipkart ensures the wide availability of shipments from the partnered *Kirana* stores and helps generate additional income for store owners (Team Flipkart Stories, 2021). Reliance JioMart has recently partnered with WhatsApp to ensure easy ordering of products by consumers and delivery by the nearest local *Kirana* stores. In 2021, Jio Mart has partnered with more than 60,000 stores across 30 cities in the country (JioMart, 2020). Along similar lines, Amazon, with its *Local Shops business* strategy, which started in April 2020, has partnered with 50,000 *Kirana* stores from over 450 cities (Amazon Staff, 2021). Through these channels, *Kirana* stores have increased outreach to more consumers in their vicinity, and consumers are able to get faster delivery of products[10].

- **Supermarkets** are larger stores with a diversified range of food and non-food items. Usually, supermarkets have fast-moving consumer goods (FMCG) related to the kitchen and have products for beauty, personal care, toiletries, and other household items. In addition, these stores also have dairy, vegetables, meat products, etc. Compared to *Kirana* Stores, supermarkets contain more products and provide convenience for consumers to shop independently. Supermarkets can be operated both by individual(s) or corporate retailers. *Reliance Fresh*, *More* (from Aditya Birla Retail Limited), *Nilgiris*, and *Safal (from Mother Dairy)* are a few of the supermarket chains that pioneered supermarket retail growth in the country.

- **Intello track – a smart app for assessing the quality of food, fruits, and vegetables, and its pilot by Reliance Fresh:** Wastage of food and grocery items is one of the common issues in supermarkets. Traditionally, suppliers were responsible for supplying quality products, which were then sorted by the supermarket staff. This manual process was tedious, and due to poor sales and improper storage measures, there was a lot of wastage over time. Apps like the **Intello Track** have automated this manual process of checking the quality of products and helped store owners make better decisions about the storage of items. By using machine learning (ML) techniques, this

[10] **Promotion of local commerce by The Open Network for Digital Commerce (ONDC):** Recently, ONDC – A Government of India promoted initiative has initiated the open commerce on digital channels. Using open-source open protocols, ONDC offers interoperability to users and unbundling of supply chain activities while connecting buyers to their nearest local retailers. These features promote local commerce, giving smaller retailers a fair level ground to compete with larger retailers. An overview of ONDC is presented in Section 6.2.3 of Chapter 6.

app analyses the scanned images of products (Intello Labs, 2021) and estimates quality based on the parameters of size, shape, cracks, shriveled spots, etc. Based on the quality, the app also recommends whether the product is fit for use or not. However, the utility of this app is not restricted to just quality assessment. In going one step further, the app's algorithms also help estimate product quality changes across different aspects of the value chain. Using this analysis, store owners can track the processes during which maximum deterioration of the product occurs. Appropriate measures about storage, logistics, shelves, and movement from farm to market can then be undertaken (*ibid*). Additionally, the findings from the app also help store owners/staff to prioritize which of the product lots can be placed on the shelf, which can be stored as inventory depending on their life cycle, and which products on the shelves need to be replaced. The app was introduced around 2017 at the Reliance Fresh Central Procurement Centre (CPC) and was used to monitor the quality of products received at the CPC (Your Story, 2020). The app's success has motivated the Intello Track team to develop assessment apps for fruit sorting, grading, and packaging as well.

- **Tracking in-store consumer data to estimate product demand and inventory management:** Like digital retail channels, supermarkets also keep track of consumer purchases in different product categories. Using the mobile contact numbers and demography details provided during billing, these stores can keep track of the consumer purchase history and changes in consumer preferences for products and brands. Such tracking helps supermarkets monitor the variation in consumer demand by products, prices, seasons, festivals, etc.

- **Department stores** are larger stores that have diversified products, ranging from clothing and fashion (like Shoppers Stop, Westside, and Pantaloons, Lifestyle, Reliance Trendz, etc.), electronics (like Croma, Reliance Digital, etc.), home furnishing, general merchandise, etc. Usually, these stores have separate sections/departments for different product categories, and each section is further subdivided into sub-sections of other brands.

- **Going online, operating omnichannel business models, and competing with large digital retail channels like Flipkart and Amazon:** Realising the business potential from online retail, corporate department stores have also started their online retail platforms and are now increasingly using the ***omnichannel*** business model. As a result, these stores have been able to expand their geographical and consumer outreach and scale up their sales. By adopting this strategy, department stores are now competing directly with larger online retailers like Flipkart and Amazon, as well as with each other. To have an edge over competitors, several of these department stores are now partnering with information technology (IT) firms in different segments. For instance, Shoppers Stop has partnered with Accenture to optimize its online retail platform (Accenture, 2021; The Hindu Businessline, 2021; Business Standard, 2021). Similarly, Aditya Birla Fashion and Retail Ltd. (operating Pantaloons, Louis Phillipe, Van Heusen, Peter England) has recently partnered with *Algonomy* (a Bengaluru-based Algorithmic Decisioning Platform) to ensure a seamless online shopping experience for consumers (Retail Insight Network, 2022; Fashion Network, 2022). Through these partnerships, stores are now better equipped to aggregate and analyze data and offer hyper-personal

shopping experiences to consumers. For example, a data-analytics firm, *Decisive Analytics System*, scans the consumer profile with around 95 data points, including gender, age, occupation, location, etc., and displays the product details, price, and discount in a way that fits with the needs of the individual consumers. In addition, the IT firms are also able to divert consumer traffic to the store's platforms. Through all these advances, retail platforms are striving to make online shopping as personal as the in-store experience.

- **Expansion in Tier 2 and Tier 3 cities:** Due to high operating costs (high rent/lease, labor cost, maintenance, etc.), stiff competition, and market saturation in metropolitan cities, department stores are now expanding rapidly in Tier 2 and Tier 3 cities. In addition, the income levels in smaller cities have also seen a rise, and consumer behaviour for brands and trendy products is changing. These developments have provided an excellent scope for department stores to expand their business in smaller cities. For example, Shoppers Stop plans to open 12 to 13 stores in tier 2 and tier 3 cities in 2022-23 (Financial Express, 2022). Similar is the case with other department chains like Reliance Retail, Pantaloons, etc., which are planning to open stores in smaller cities.

- **Smart trial rooms and smart management of shelves and inventory:** The quest for a rich consumer experience and operational efficiency has also given rise to innovative technologies in department stores. A few such innovations, for instance, include smart trial rooms, shelves, virtual tours of products, and inventory management. Firms like *Textronics* have devised smart trial mirrors where individuals can virtually try out different clothing in the store (Textronics, 2016). Using these smart mirrors is easy. Individuals just have to stand in front of the smart mirrors and wave their hands, and the smart mirror then superimposes the available clothing on the mirror image of the individual. Similarly, engineering and technology firms like *Leafio* and *Capgemini Engineering* have made smart sensor-based shelf management processes (Capgemini, 2022; Leafio, 2022). Based on the weight of the items on the shelf, these sensors detect the displayed inventory and then generate an instant planogram directing the staff to fill the shelves with appropriate products. Several automobile firms and digital channels have also added virtual tour facilities for different products. Using these, consumers can now examine product features and get a distant feel of the products.

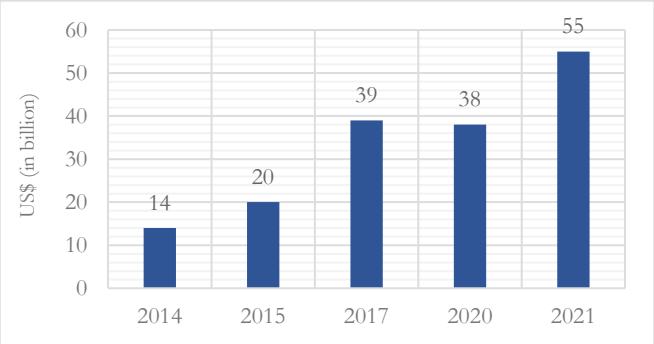
- **E-commerce** refers to the buying and selling of goods and services over the Internet. With improvements in internet services, AI algorithms, and IT systems, there has been a substantial transformation in E-commerce activities in the country in the last 20 years or so, and today, almost every product or service can be bought and sold online. Various business models and retail channels have facilitated this buying and selling between consumers and retailers, consumers and consumers, and retailers and retailers. With evolving business models and increasing use of Internet services (Table 2.3), sales from E-commerce channels have been growing over the years (Figure 2.3). Apparel and consumer electronics are the two product categories in which consumers do more online shopping (Figure 2.4). Furthermore, the conventional distinction between in-store and online shopping is diminishing as the Internet is now used in almost every aspect of the supply chain, even in stores. The subsections below discuss a few recent developments in the country's E-commerce sector.

Table 2.3: Mobile, Internet Subscribers, and Mobile Data Usage in India

Internet Subscribers and Data Usage in India	2016	2017	2018	2019	2020	2021*
Mobile subscribers in India (in million)	1034.1	1170.6	1189.0	1161.7	1157.7	1180.6
Internet subscribers in India (in million)	342.7	422.2	494.0	636.7	743.2	825.3
Wireless Data Usage per subscriber per month	1.14	4.11	7.6	9.85	11	12.33
Telecom Wireless Data Usage (in million GB per year)	4,642	20,092	46,404	76,319	10,3522	27,799

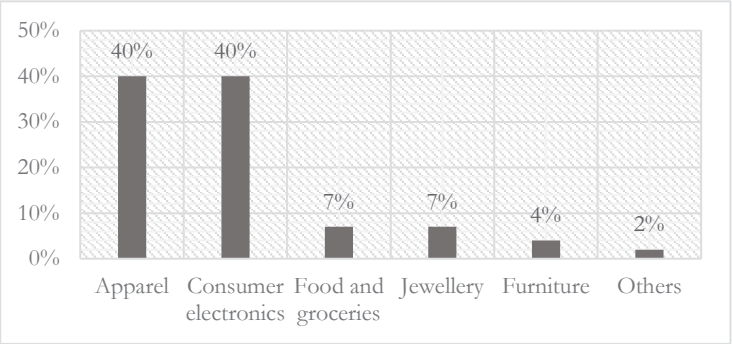
Note: 2021* indicates that figures for 2021 are for the quarter ending March 2021. Figures for all other years are for the respective calendar year. Source: Ministry of Communications, 2021

Figure 2.3: Revenue from Online Retail in India



Source: IBEF, 2018; 2022

Figure 2.4: Share of Product Categories in E-Commerce in India, 2020



Source: IBEF, 2022

- **Increasing investment in E-Commerce sectors:** The increasing use of the internet in India and the anticipated gains from E-commerce have attracted investments in several internet-driven economic activities. For instance, around USD 38 billion was invested in Indian E-commerce and consumer internet companies firms in 2020-21 (Table 2.4). This is 363% more than the USD 8.2 billion invested in 2019-20. FinTech, B2C, Edtech, and social platforms are the main sectors in which private players and venture capital funds have invested the most (refer to Table 2.5). In addition, Agritech, logistics, and gaming have also been attracting good investments[11].

- **EdTech:** The pandemic outbreak and mobility restrictions promoted the growth of online education. Primary and secondary education, test preparation, certification courses, and casual learning were the key categories in which online learning activities increased. The growth in online education has also spurred the growth of the start-up culture in the sector, and currently, more than 6,950 start-ups are operating in the sector (Ernst and Young, 2022). The Government of India has also started several initiatives to promote online education. With these developments, it is estimated that the size of the EdTech market in India will be around USD 10.4 billion by 2025. In 2021, *Byjus (received around USD 1,000 million in investment), Eruduts (USD 650 million),* and *Sorting Hat (USD 440 million)* were the top firms that received investments from overseas investors such as UBS, Blackstone, Tiger Global Investment, CPP Investment Board, Soft Bank, etc.

[11] For more details on investments, acquisitions, and mergers in E-Commerce in 2021, please refer to Ernst and Young, 2022

- **FinTech:** Like EdTech, the FinTech sector also surged during COVID-19 and has been more widely used by the population since 2020. Unified Payment Interface (UPI), Internet banking, and lending are a few internet-based applications that are increasingly being used. In fact, India is currently the third largest fintech ecosystem globally. It is estimated that the fintech market in the country was around USD 31 billion in 2021, and it is estimated that it will expand to USD 150 billion in 2025 (*ibid*). In 2021, around USD 9,016 million was invested in this sector. Pay U made the highest investment of USD 4,700 million in IndiaIdeas.com. Tencent, Walmart, and Tiger Global invested USD 350 million in Phone Pe (*ibid*).
- **B2C and B2B**: The increasing use of internet services has driven growth in the B2C and B2B sectors. Increasing sales of B2C, D2C, and omnichannel platforms, particularly in Tier 2 and Tier 3 cities, have driven growth and attracted investments in the sector. In 2021, a total of around USD 5.8 billion was invested in around 62 deals. Of all the firms, *Flipkart* attracted the maximum investment. The Qatar Investment Authority, SoftBank Vision Fund 2, Tiger Global Management, Tencent Holdings, Walmart, etc., invested around USD 3.6 billion in Flipkart in 2021 (*ibid*). The second significant investment in the sector has been made in *Nykaa,* where The Canada Pension Plan Investment Board (CPPIB), Blackrock, etc., invested around USD 324 million. In addition, there were also some significant acquisitions in the sector in 2021. Tata Digital acquired Big Basket for USD 1.3 billion, and Zomato and Tiger Global acquired Grofers for USD 120 million.

While all the above and other E-commerce activities are now witnessing growth, the sector with the maximum growth is B2B. Firms, producers, and retailers now use E-commerce to connect and operate with a smooth, automated supply chain. Around USD 2.4 billion was invested in 2021 in the sector. Industrial supplies and machinery, building and construction, electronics and electrical goods, healthcare, and life sciences are prominent sectors in which B2B business is increasing. Most investments in the sector are to enhance the digitization of channels and for the use of artificial intelligence and big data analytics.

Table 2.4: Private Equity Funds/Venture Capital Investments in E-commerce Activities by Sectors

Sector		Private Equity Funds/Venture Capital Funds Investment (in USD million)					
		2018	2019	2020	2021	YOY 20-21	CAGR 2018-21
1	FinTech	348	1,391	982	9,015	818%	196%
2	B2C (Horizontal & Vertical)	1,002	1,241	360	5,801	1511%	80%
3	Edtech	742	325	1,833	3,641	99%	70%
4	Social	200	481	565	3,428	507%	158%
5	Wallets/Payments	564	1,275	334	2,471	640%	64%
6	B2B	540	923	138	2,339	1595%	63%
7	Hyperlocal	1,637	617	1,642	2,274	38%	12%
8	Online Classifieds and Services	236	426	417	1,828	338%	98%
9	Health Tech	260	537	236	1,724	631%	88%
10	Mobility	387	883	252	1,610	539%	61%
11	Logistics Tech	78	984	463	1,451	213%	165%
12	Travel and Hospitality	1,026	1,152	131	1,170	793%	4%

Sector		Private Equity Funds/Venture Capital Funds Investment (in USD million)					
		2018	2019	2020	2021	YOY 20-21	CAGR 2018-21
13	Gaming	104	114	346	914	164%	106%
14	Agritech	41	156	49	869	1673%	177%
15	Others	229	163	435	318	-27%	12%
Total		**7,394**	**10,668**	**8,183**	**38,853**	**375%**	**74%**

Source: Ernst and Young, 2022

Table 2.5: Number of Deals by E-commerce Sectors

Sector		Number of Deals by Years			
		2018	2019	2020	2021
1	FinTech	23	68	63	122
2	B2C (Horizontal & Vertical)	18	28	59	75
3	Edtech	32	45	36	62
4	Social	22	31	34	59
5	Wallets/Payments	14	41	53	56
6	B2B	16	22	22	44
7	Hyperlocal	1	14	17	42
8	Online Classifieds and Services	10	24	23	34
9	Health Tech	11	34	18	27
10	Mobility	8	15	21	25
11	Logistics Tech	15	23	30	23
12	Travel and Hospitality	16	35	20	21
13	Gaming	16	20	28	21
14	Agritech	4	10	10	18
15	Others	8	19	10	12
Total		**214**	**429**	**444**	**641**

Source: Ernst and Young, 2022

Social commerce refers to buying and selling products and services on online social media platforms like YouTube, Facebook, Instagram, and WhatsApp, etc. Using these platforms, firms and consumers are getting connected in socially interactive settings. Firms can now post images and short videos of their products and connect directly with customers. This is a little different from traditional marketing, as using these social media platforms, consumers can post comments about the product, vote by liking/disliking it, and also ask for customization in the product as per their requirements. In addition, social media platforms enable users to promote the products to other individuals in their social media circle. The user-seller interaction on these platforms also benefits the seller as it helps to further improve the product with feedback from consumers. In 2022, there were around 228 million social commerce shoppers, 45% more than the 157 million shoppers in 2021 (WAT Consult, 2022). Millennials and Generation Z are particularly active consumers of these social media platforms. Moreover, around 55% of users are from Tier 2 and 3 cities (Ernst and Young, 2022). The promising scope of business in social commerce has also attracted overseas investments of nearly USD 3,428 million in 2021 (*ibid*). Of this, a significant portion of over USD 800 million was made in *Meesho (a reseller market platform)* by Prosus Ventures, Facebook, SoftBank, etc., and around USD 800 million in *Mohalla Tech* (short video and social network) by Alkeon Capital Management, LLC, India Quotient Fund II, Lightspeed India Partners, etc.

Chapter 3
Findings from the Consumer Survey

Chapter 3 Findings from the pan-India Consumer Survey

3.1 Introduction

This chapter presents the findings from the pan-India Consumer Survey undertaken by IIMA between May 1 and September 30, 2022. In this survey, around 35,000 consumers from 25 States of the country were interviewed. The main objective of the survey was to collect information on how consumers shop online and what benefits consumers perceive from shopping online. For this, the survey collected data on consumers' latest online purchases and recorded their views on the benefits of online shopping.

There are four sections in this chapter, including the introduction. Section 3.2 gives information on the sample of surveyed respondents and presents its distribution along social-economic-geographical indicators. Section 3.3 presents the details of the latest online shopping transactions done by consumers, and Section 3.4 discusses a few of the benefits consumers seek to derive from online retail shopping.

3.2 About the Respondents

3.2.1 Distribution of Respondents by Gender, Urban-Rural, and Tiers of Cities

As presented in Chapter 1, a total of 35,869 respondents were surveyed in the pan-India Consumer Survey, 2022. Of these, 47.8% are female, and 52.2% of surveyed consumers are male (Figure 3.1).[12]

The urban-rural proportion of surveyed consumers is 70:30, respectively. This proportion was decided by considering the number of internet users and delivery outreach by digital retail channels. There are around 743 million internet users in India, of which 63% reside in urban areas and 38% live in rural areas (Department of Telecommunications, 2020). While affordable internet services have enabled users to search for products online, product delivery services in rural areas are still limited and will improve with time. Therefore, the survey was conducted only in those peripheral rural areas, around Tier 1 and Tier 2 cities, where digital retail channels deliver products.

Across the urban areas, higher proportions of the sample have been allocated to Tier 2, 3, and 4 cities, which are smaller cities compared to Tier 1 cities (Figure 3.1). This sample distribution is due to the increasing online retail sales and business prospects in smaller cities in recent years.

[12] For the findings on the means, percentages, and other statistics presented in the report, we have not conducted any tests for statistical significance, and we do not attempt to generalize the findings beyond the sample of the survey.

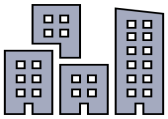
Figure 3.1: Distribution of Respondents by Gender and Geography

Gender

52.2% of consumers are Male
47.8% of consumers are Female

Urban-Rural

73% of consumers are Urban residents
27% of consumers are Rural residents



Urban sample by tier of cities

9.4% of consumers are from Tier 1 cities
38.4% of consumers are from Tier 2 cities
12.0% of consumers are from Tier 3 cities
13.0% of consumers are from Tier 4 cities

Total 73% of the total sample
(The remaining 27% constitutes the rural sample)

Source: IIMA Consumer Survey 2022.
Note: For absolute numbers of samples and their distribution, refer to **Annex 1**

3.2.2 Age Groups and Annual Household Income of Respondents

The consumer survey design was random in nature, but it was conducted in a manner that adequately represented respondents from all age groups and income levels. Table 3.1 below represents the age group and income levels of respondents and their households.

Between age groups, the maximum number of surveyed respondents belong to the 25 to 30 age group (21.9% of the sample), followed by those in the 36 to 40 age group (20.3% of the sample). In the other age groups (excluding respondents 15 to 17 years), the respondent coverage is between 8% and 19% of the total sample. By income, the maximum proportion of households reported having an annual income of less than INR 3.6 lakhs.[13]

[13] **Reported income levels & socio-economic (SEC) categorization:** In addition to the income, the survey also collected data on assets owned by households and classified households based on the SEC classification method devised by Media Research Users Council, India (MRUC, 2017). This system uses the combination of consumer deliverables and the education level of the chief wage earner to determine the socio-economic level of the household. It is observed that most of the respondent consumers belonged to high-consumption households from B1 to A1 categories. This indicates that although most respondents have reported low-income levels for their households, they own essential assets required to sustain a quality life. The asset ownership can be due to several reasons which include regular savings and purchase of assets over time, taking loans, contributions by household members, etc. The SEC criteria presents a good insight into the well-being of households but for analysis, income figures are more useful as it indicates the purchasing power of households as reported by consumers. The SEC distribution of consumer households can be referred from **Annex 2.**

Table 3.1: Distribution of Respondents by Age and Income Groups

Product categories		Consumers	
		Sample	% of the sample
1	*Age Groups*		
1.1	>18 years	755	2.1%
1.2	18-24 years	6,009	16.8%
1.3	25-30 years	7,840	21.9%
1.4	31-35 years	4,081	11.4%
1.5	36-40 years	7,286	20.3%
1.6	41-45 years	3,070	8.6%
1.7	45+ years	6,828	19.0%
Total		**35,869**	**100.0%**
2	*Income Groups*		
2.1	< ₹3.6 lakhs	28,201	78.6%
2.2	₹3.61 to ₹7.2 lakhs	5,841	16.3%
2.3	₹7.21 lakhs to ₹10 lakhs	1,006	2.8%
2.5	>₹10 lakhs	821	2.3%
Total		**35,869**	**100.0%**

Source: IIMA Consumer Survey 2022

3.2.3 Frequency of Online Shopping and Timeline of Last Online Shopping Transaction

The consumer survey explored details of the last online shopping transaction made by consumers. Around 51% of consumers reported shopping online within the previous 15 days, and the majority of consumers, around 86.4%, mentioned doing so within the last 1 to 2 months. While shopping online, consumers reported spending nearly 20 minutes of median time and visited websites frequently within 2 to 3 days, as shown in Figure 3.2 below.

Interestingly, around 52% of surveyed consumers reported that they had started shopping online in the last one to two years. This indicates that online shopping activities in the country surged, particularly during COVID-19. Only 28% of consumers reported shopping online for more than three years.

The surge in E-commerce during COVID-19 has been a global phenomenon. Nationwide lockdown, health concerns, limited functioning of physical stores, and the convenience of doorstep delivery prompted consumers to shop online during the peak pandemic period (refer to Chapter 2 for a short discussion on E-commerce in COVID times and recent developments). Seeing the increasing consumer demand, digital retail firms also increased warehouse capacities and extended delivery services to even newer geographies. The use of digital payment systems further eased the payment modalities and enabled consumers to shop online in an easy and hassle-free manner. It is estimated that around 80 million consumers used digital payment systems for the first time during the pandemic period (The World Bank, 2022). Because of these developments, E-commerce sales in India increased by around 40% to 45% during 2020-21 and recorded sales of approximately USD 55 billion in 2021 (IBEF, 2022).

Figure 3.2: Timeline since the Last Online Shopping Transaction

51% of consumers reported shopping online in the last 15 days

86.4% of consumers reported shopping online in the last 1-2 months

17.3% of consumers started shopping online in the last 1 year

72.1% of consumers have been shopping online for the last 1-3 years indicating a surge in online shopping during peak COVID times

33.3% of consumers visit online shopping websites within 2-3 days

69.2% of consumers visit online shopping websites within 15 days

≈20 minutes median time spent on websites while shopping online

≈34.7 minutes average time spent on websites while shopping online

Source: IIMA Consumer Survey 2022

Note 1: Annex 3 and Annex 4 give further details on the timeline of the last online shopping transaction and frequency of online shopping by rural-urban areas (in different tiers of cities), income groups, gender, and age groups.

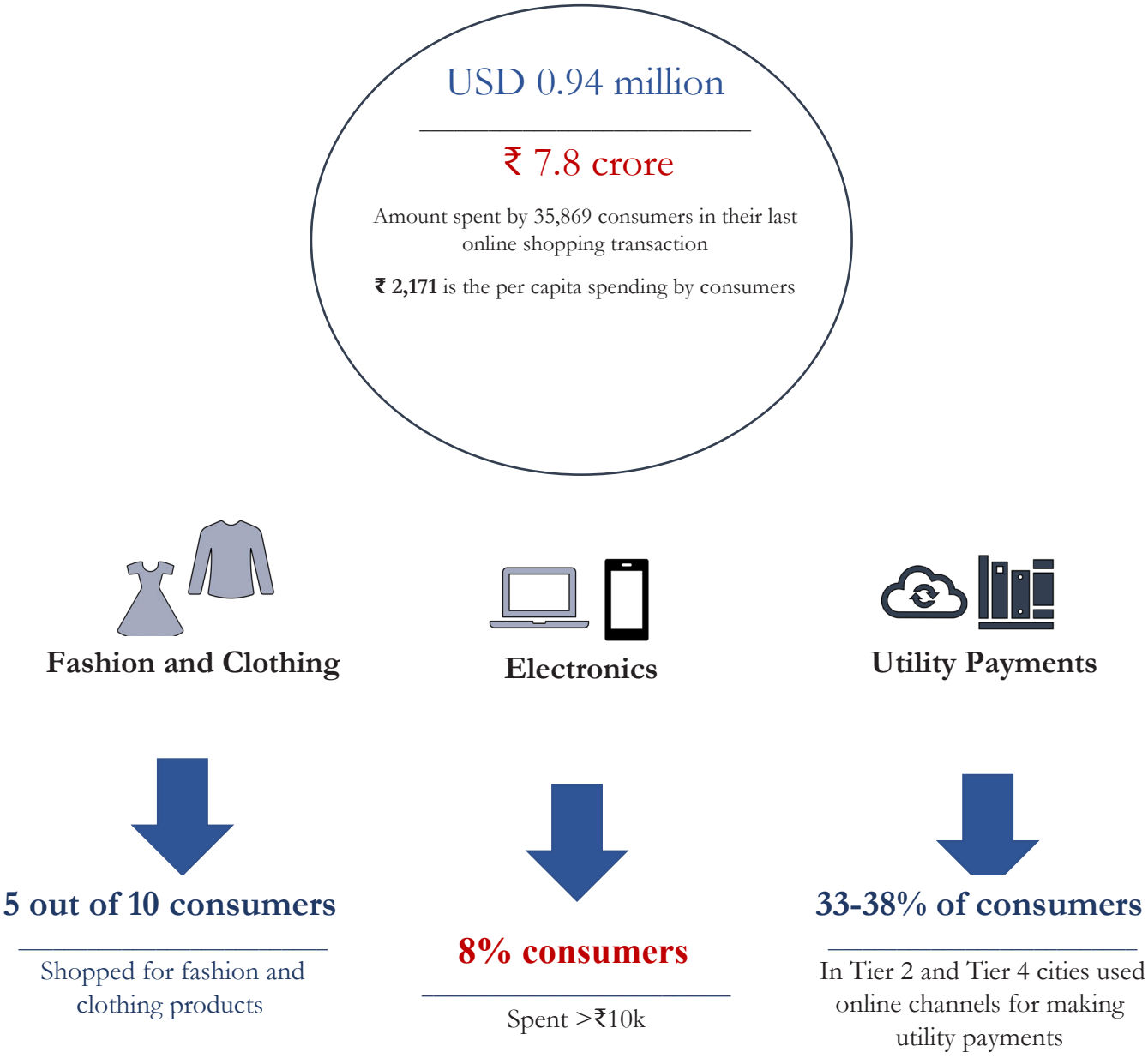
For the last online shopping transaction, it is observed that a slightly higher proportion of consumers in smaller cities[14] (Tier 2, Tier 3, and Tier 4 cities) shopped online in the previous 15 days compared to consumers in Tier 1 cities and rural areas (refer to Annex 3).

In the realm of the online shopping experience, it is observed that residents of Tier 1 cities, consumers with an annual household income >INR 7.2 lakhs, and those above 25 years of age have reported shopping online for more than three years (refer to **Annex 5** for details). This suggests that consumers within these segments had a slightly earlier exposure in using digital retail channels.

[14] **Smaller cities:** When used in relation to Tier 1 cities, smaller cities in this report collectively refers to Tier 2, Tier 3, and Tier 4 cities together

3.3 Details of the Last Online Shopping Transaction

Figure 3.3: Aggregate Consumer Spending and Trends for the Last Online Shopping



Source: IIMA Consumer Survey 2022

Overview of shopping behavior: In their last online shopping transaction, around 65% of the sample consumers shopped for products of only one product category, forming an exclusive category-based shopping basket, and around 35% of consumers purchased products of different categories, constituting a mixed shopping basket (Figure 3.4). Fashion, clothing, and electronics were the main product categories in which most consumers made their purchases either exclusively or with other product categories (Table 3.2). Overall, around 52% of surveyed consumers reported buying fashion and clothing items, and 20% of consumers had bought electronic items. In addition, because of the convenience, saving of time, and physical effort, consumers use payment apps/digital retail channels to make payments for utilities such as electricity, water, and gas bills, mobile and broadband recharge, etc.

Figure 3.4: Overview of Consumer Spending

Note: Shopping basket value refers to the aggregate value of goods and services shopped by consumers in their last online shopping transaction.

Source: IIMA Consumer Survey 2022

Shopping basket and spending by product categories: Table 3.2 below gives an overview of the distribution of consumers by product categories, accompanied by the per capita and median amount spent on each product category. An interesting feature in this table is the basket value for aggregate transactions and for transactions with products of one single category. By listing these values, we draw attention to consumer spending levels when products of a specific category make up the shopping basket either partially or entirely.

Table 3.2: Consumer Spending on Total and Exclusive Shopping Baskets

Product categories		Statistics on Total Shopping Basket Value			Statistics on Product Categories Shopped Exclusively		
		% consumers (N= 35,869)	Per capita	Median	% consumers (N=35,869)	Per capita	Median
1	Fashion and Clothing	52.1%	₹1,587	₹650	29%	₹965	₹500
2	Utility Payment	32.5%	₹2,333	₹700	14%	₹1848	₹400
3	Electronic items	19.7%	₹3,250	₹1,200	5%	₹4309	₹1,200
4	Grocery, Vegetables, and fruits	12.7%	₹2,171	₹670	3%	₹3761	₹1000
5	Health and well-being products	12.2%	₹2,314	₹719	4%	₹1492	₹680
6	Cooked/Ready-to-eat food	11.2%	₹2,050	₹666	3%	₹1540	₹500
7	Travel related transactions	8.9%	₹2,062	₹700	2%	₹3439	₹2,000
8	Home decor products	8.6%	₹2,309	₹775	2%	₹2298	₹550
9	Financial investments	4.5%	₹1,946	₹699	1%	₹5739	₹3,000
10	Parenting and baby products	3.1%	₹1,887	₹650	1%	₹1109	₹600
11	Education related products	0.6%	₹2,244	₹600	2%	₹3757	₹2,000
	Total		₹2171	₹700	65%	₹1,868	₹550

Note: Total Shopping Basket – Per Capita here indicates the per capita value of consumer shopping baskets that include products of two or more categories purchased together
Note: Exclusive Shopping Basket – Per Capita here indicates the per capita value of consumer shopping basket that include products of a single category

Fashion and electronics are the major product categories consumers shopped exclusively and with other product categories

Table 3.3: Consumer Spending on Mixed Shopping Baskets for Select Product Categories

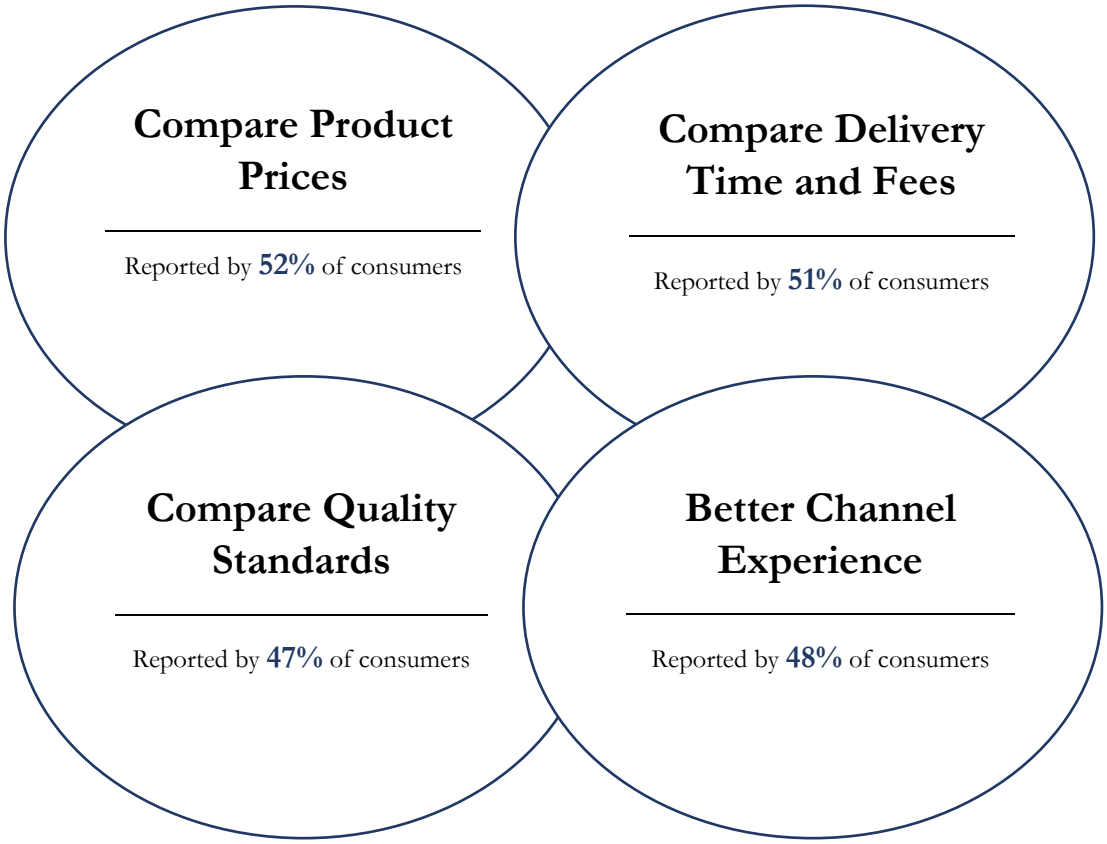
Product categories		% consumers (N= 35,869)	Basket Value*	
			Per capita	Median
1	Fashion and Clothing	23%	2,355	1,000
2	Utility Payment	18%	2,674	1,000
3	Electronics	15%	2,693	1,200

***Note:** The basket value for mixed shopping baskets represents the total spending on the basket comprising products of two or more product categories. It's important to note that for mixed shopping baskets, we have not presented the per capita and median values for specific product categories. This is because, in the Consumer Survey, we only asked for aggregate spending on the last online shopping transaction, and spending details were not captured for specific product categories

Source: IIMA Consumer Survey 2022

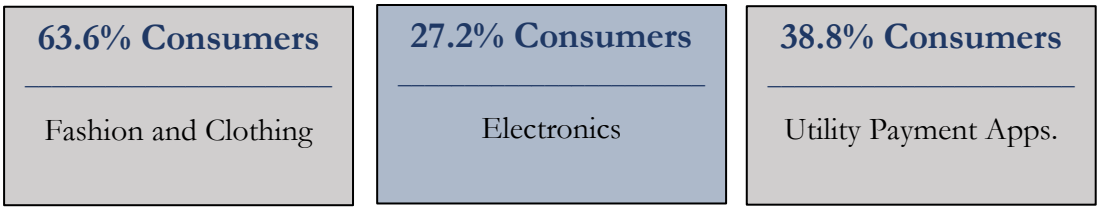
Searching and buying products on digital retail channels: Before making the final purchase on digital retail channels, consumers tend to visit multiple retail channels mainly to check the price of products, compare delivery time and delivery fees, and look for a better experience on the retail channel website.

Figure 3.5: Key Considerations for Consumers in Visiting Multiple Retail Channels



Maximum consumers reported visiting multiple digital retail channels for buying fashion and clothing products

Figure 3.6: Proportion of Consumers Visiting Multiple Retail channels by Product Categories



Note: For other product categories, the proportion of consumers reported visiting multiple websites is: Cooked /Ready-to-eat food (22.6%), shopping E-tailer (20.2%), Education (31.7%), Home (14.3%), and Travel (1.7%).

Source: IIMA Consumer Survey 2022

Spending bracket of consumers: More than 90% of consumers spent less than INR 10,000 in their last online shopping transaction. The spending patterns of the consumers can be attributed to a variety of factors, including the timeline of the survey, which is between May and September 2022. It has been observed that online spending by consumers is usually high during the festive season in India, which is between October and December every year.

Figure 3.7: Spending Bracket of Consumers in the Last Online Shopping Transaction

Spending bracket and proportion of consumers		
<₹2k	₹2-10k	>₹10k
76% of consumers	16% of consumers	8% of consumers

Table 3.4: Range of Spending by Product Categories

	Product categories	% in total sample (N=35,869) (A)	% of consumers in total shopping basket (B)*			% of consumers by spending in the exclusive shopping basket (C)**			
			<₹2k	₹2-10k	>₹10k	% in the total sample	<₹2k	₹2-10k	>₹10k
1	Fashion and Clothing	52.1%	82%	16%	2%	29%	92%	8%	1%
2	Utility Payment	32.5%	73%	23%	4%	14%	86%	10%	4%
3	Electronic items	19.7%	64%	29%	8%	5%	62%	22%	15%
4	Grocery, Vegetables, and fruits	12.7%	78%	18%	3%	3%	67%	28%	5%
5	Health and well-being products	12.2%	78%	19%	3%	4%	76%	23%	1%
6	Cooked Food	11.2%	79%	18%	3%	3%	82%	16%	2%
7	Travel related transactions	8.9%	74%	22%	4%	2%	53%	43%	4%
8	Home decor products	8.6%	75%	22%	4%	2%	77%	20%	3%
9	Financial investments	4.5%	77%	20%	3%	1%	37%	55%	9%
10	Parenting and baby products	3.1%	78%	20%	2%	1%	83%	17%	0%
11	Education related products	0.6%	77%	20%	3%	2%	52%	43%	4%

*Note: The proportion of consumers within each bracket of a product category is determined by the number of consumers in that specific bracket divided by the total number of consumers listed in Column A.
**Note: The proportion of consumers within each spending bracket of the exclusive shopping basket is calculated as the ratio of the number of consumers in that specific bracket to the total number of consumers who exclusively shopped products within that category

Source: IIMA Consumer Survey 2022

3.3.1 Details of Last Online Transaction – by Tier of Cities

Consumers of smaller cities have spent more in their last online shopping transaction than consumers of Tier 1 cities

Figure 3.8: Consumer Spending on Total and Exclusive Shopping Baskets by Tiers of Cities

Spending	% difference in spending between Tier 1 and smaller cities			
	Tier 2 – Tier 1	Tier 3-Tier 1	Tier 4-Tier 1	Rural-Tier 1
Total Shopping Basket				
Per capita	+61%	+16%	+77%	+17%
Median	+70%	+20%	+58%	+20%
Exclusive Shopping Basket				
% of consumers	62%	72%	59%	67%
Per capita	+59%	+19%	+79%	+31%
Median	+30%	+10	+10%	+0.2%

Note: The median amount spent by consumers of Tier 1 cities is ₹500 on the total shopping basket, and ₹499 in exclusively buying the products of a specific category. Around 74% consumers surveyed in Tier 1 cities exclusively shopped products of a single product category

Figure 3.9: Overview of Consumer Trends by Product Categories & Tiers of Cities

Fashion and Clothing	Electronic Products	Utility Payments
Higher proportion of consumers purchasing fashion and clothing products are from Tier 3 cities	Around 2 out of 10 consumers shopped electronic products – minimum consumers are from Tier 3	Smaller city consumers are increasingly using digital payment apps, indicating its growing adoption

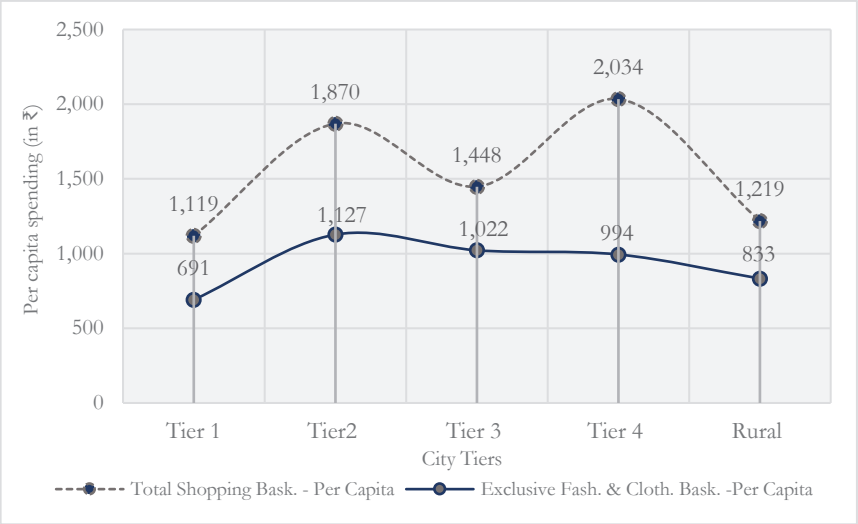
In their last online shopping transaction, around **69% of consumers experienced a desire to purchase items beyond their initial shopping goal**, displaying an impulse to buy additional items not originally in their list before commencing their online shopping session

Source: IIMA Consumer Survey 2022

3.3.1A Fashion and clothing products

Consumers of smaller cities **have spent more on fashion and clothing products than the consumers of Tier 1 cities**. Notably, the total basket value involving fashion and clothing and the basket value for exclusive fashion and clothing products is higher in smaller cities

Figure 3.10: Consumer Spending on Fashion & Clothing Products by Tiers of Cities



Transaction type	The proportion of consumers in cities				
	Tier 1	Tier 2	Tier 3	Tier 4	Rural
Total shop. basket	52%	50%	56%	53%	53%
Exclusive shop. basket	33%	25%	37%	28%	30%

What consumers visiting multiple websites when they are buying fashion and clothing*?

55.1% of consumers reported comparing prices of products

51.9% of consumers reported comparing delivery time and delivery fees on websites

47.8% of consumers reported looking for a better experience

Spending	% difference in spending bet. Tier 1 and smaller cities			
	Tier 2 – Tier 1	Tier 3-Tier 1	Tier 4-Tier 1	Rural-Tier 1
Total shopping basket				
Per capita	+67%	+29%	+82%	+9%
Median	+60%	+20%	+40%	+20%
Exclusive Fashion and Clothing Shopping Basket				
Per capita	+63%	+48%	44%	21%
Median	+23%	+6%	+4%	+4%

37.04 minutes
Average time spent

25 minutes of the median time spent by consumers in exclusively buying fashion and clothing

Note: Median spending in Tier 1 cities: The median spending by consumers of Tier 1 cities is ₹500 for total shopping baskets which include fashion and clothing products along with items from other categories. In case of exclusive shopping baskets with only fashion and clothing products, the median spending is ₹480

- In doing exclusive shopping for fashion and clothing products, consumers in Tier 2 cities have the highest per capita spending. However, a higher proportion of consumers engaging in exclusive shopping are from Tier 3 and Tier 1 cities
- Around 63% of consumers shared that while shopping online they have an urge to buy fashion and clothing items outside their shopping preferences

Payment method

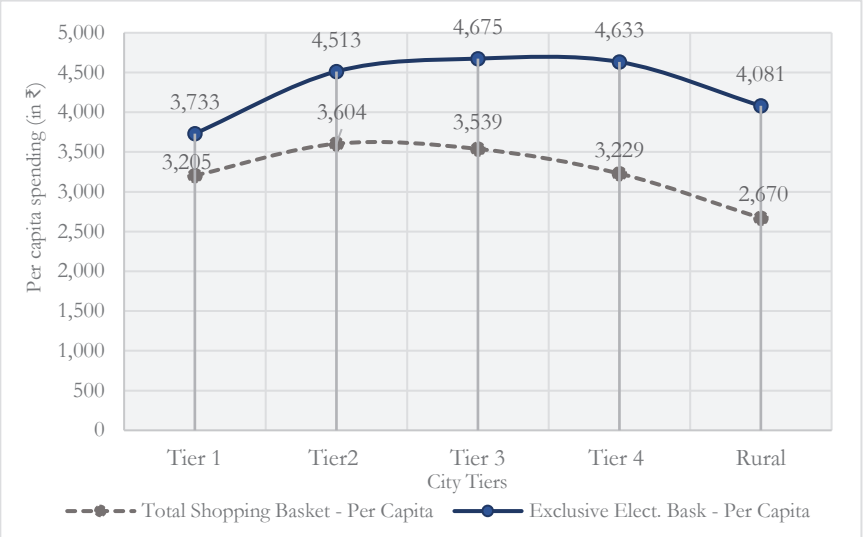
87% consumers used CoD for exclusively buying fashion and clothing products

***Note:** The proportions of consumers visiting multiple websites for varied preferences relate to those who exclusively shopped for fashion and clothing products in their last online shopping transaction. Source: IIMA Consumer Survey 2022

3.3.1B Electronics

The per capita spending on electronics for exclusive shopping is higher in Tier 3 and Tier 4 cities, whereas the total shopping basket value, which includes electronic products and other categories, is greater in Tier 2 and Tier 3 cities

Figure 3.11: Consumer Spending on Electronic Products by Tiers of Cities



What triggers consumers visiting multiple websites for electronic items?

56% of consumers compare the prices

50% of consumer shop from a retailer offering coupons, discounts cashback

47% of consumers compare quality standards

38% of consumers compare warranty, guarantee, protection plans

Transaction type	The proportion of consumers in cities				
	Tier 1	Tier 2	Tier 3	Tier 4	Rural
Total shop. basket	20%	21%	14%	21%	20%
Exclusive shop. basket	8%	5%	5%	4%	5%

Spending	% difference in spending bet. Tier 1 and smaller cities			
	Tier 2 – Tier 1	Tier 3-Tier 1	Tier 4-Tier 1	Rural-Tier 1
Total Shopping Basket				
Per capita	+12%	+10%	+1%	-17%
Median	+65%	+56%	+75%	+25%
Exclusive Electronics Shopping Basket				
Per capita	21%	25%	24%	9%
Median	56%	88%	25%	50%

Note: Median spending in Tier 1 cities: The median spending by consumers in Tier 1 cities is ₹800 for both total shopping baskets, which include electronic products with items from other categories, and exclusive basket with only electronic products

37.28 minutes
Average time spent

25 min. median time spent by consumers in exclusively buying electronic products

- At an overall level, consumers have spent a low amount (<INR10k) on the electronic products, suggesting that consumers did not buy high-end items like mobiles, refrigerators, televisions etc.
- A relatively higher proportion of consumers from Tier 1 cities exclusively purchased electronic products in their last transaction
- In smaller cities, per capita spending on exclusive electronic product transactions is approximately 20% to 25% higher than that of consumers in Tier 1 cities
- For electronic items, around 62% of consumers shared that they felt the desire to shop for more products., other than the planned ones

Payment method

75% of consumers used CoD

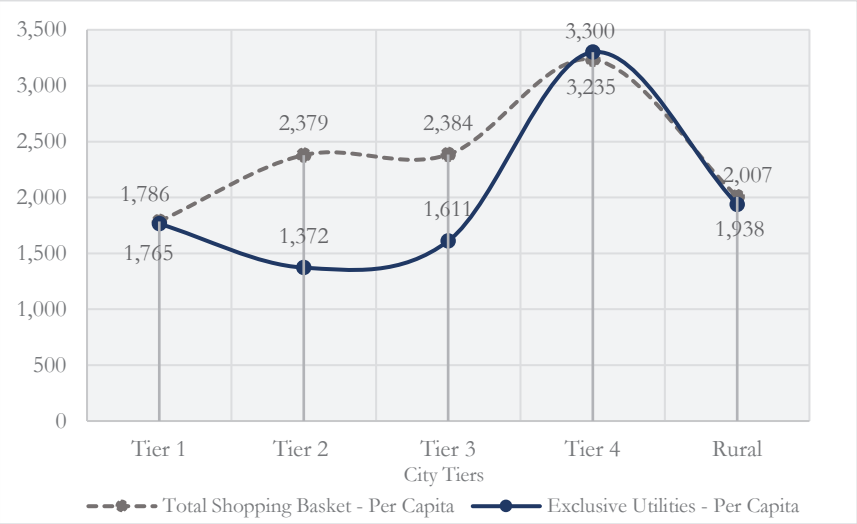
14% used UPI for exclusively buying electronic products

***Note:** The proportions of consumers visiting multiple websites for varied preferences relate to those who exclusively shopped electronic products in their last online shopping transaction. Source: IIMA Consumer Survey 2022

3.3.1C Utility Payments

While per capita spending on utility bills for Tier 4 cities exhibit significantly higher per capita spending, a more realistic trend emerges in median spending, which is higher in Tier 1 cities.

Figure 3.12: Consumer Spending on Utility Payments by Tiers of Cities



Transaction type	The proportion of consumers in cities				
	Tier 1	Tier 2	Tier 3	Tier 4	Rural
Total shop. basket	24%	34%	23%	33%	38%
Excl. utility payments	13%	13%	11%	13%	19%

Spending	% difference in spending bet. Tier 1 and smaller cities			
	Tier 2 – Tier 1	Tier 3-Tier 1	Tier 4-Tier 1	Rural-Tier 1
Total Shopping Basket				
Per capita	+33%	+33%	+81%	+12%
Median	+34%	+13%	+68%	+1%
Exclusive Utility Payments				
Per capita	-22%	-9%	+87%	+10%
Median	-12%	-9%	+0.2%	-31%

What triggers consumers visiting to use a particular channel for utility payments?

52% of consumers reported looking for coupons, deals, discounts, cashback, and prices

49% reported preferring app/website that offers secure payment gateways to do the transaction

47% of consumers reported looking for transaction time

24% of consumers looked for registration process

Note: Median spending in Tier 1 cities: The median spending by consumers in Tier 1 cities is ₹595 for total shopping baskets, inclusive of utility payments along with items from other categories. Additionally, the median spending on exclusively on utility payments is ₹499.

- The per capita spending on utility bills paid exclusively is higher in Tier 4 cities while the median spending of Tier 4 cities is at par with that of Tier 1 cities.
- Around 84% of consumers paid utility bills <₹2k and Around 4% of consumers paid utility bills >₹10k

Payment method

30% used UPI to pay utility bills

***Note:** The proportions of consumers using a particular channel pertain to those who exclusively made utility payments in their last online transaction. Source: IIMA Consumer Survey 2022

3.3.2 Details of last online transaction – by gender

Overall, **males spent more than females** in their last online shopping transaction

₹2,484

Male per capita spending - Total shopping basket

₹799 median spending

>

₹1,830

Female per capita spending - Total shopping basket

₹600 median spending

Gender	The proportion of consumers buying products of select product categories in total shopping basket		
	Fashion	Electronics	Utilities
Male (N=18,719)	47%	23%	37%
Female (N=17,150)	58%	16%	28%

More proportion of male consumers shopped electronic products and paid utility bills in their last online shopping transaction

More proportion of female consumers **shopped fashion clothing products** in their last online shopping transaction

34.40 minutes – male and 34.95 minutes – female

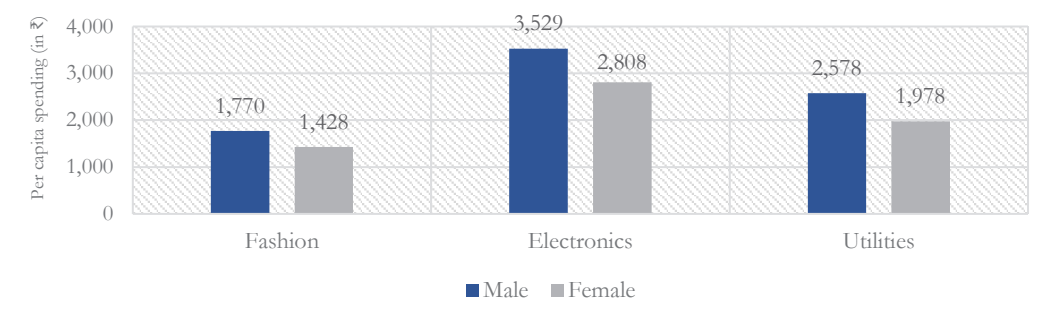
Average time spent

Not much difference is observed in the average time spent by male and female consumers in their last online shopping transaction

Source: IIMA Consumer Survey 2022

Figure 3.13: Consumer Spending by Gender of Consumers

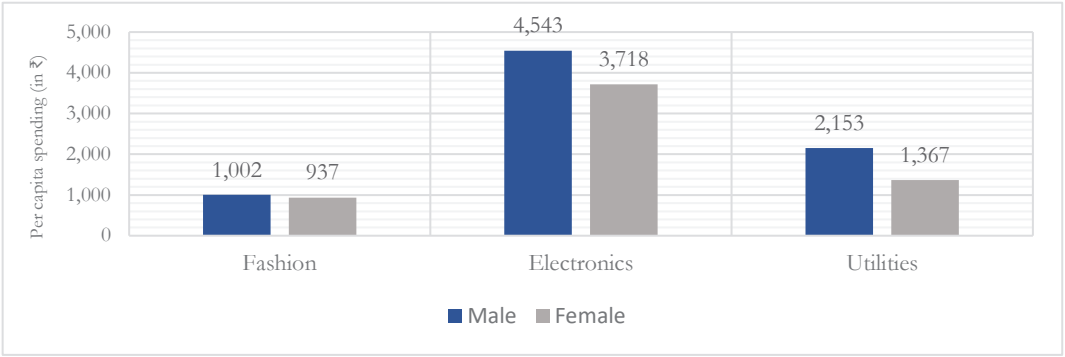
Figure 3.13A: Per capita Spending on Total Shopping Baskets



Spending	% difference in spending between males and females		
	Fashion	Electronics	Utilities
% diff. Per capita	+24%	+26%	+30%
Median Male (in ₹)	750	1,200	750
Median Female (in ₹)	600	1,000	650
% diff. in median	+25%	+20%	+15%

The total shopping basket size for male consumers exceeds that of females. Moreover, male consumers have higher spending in buying exclusive products of fashion & clothing, electronics and making utility payments

Figure 3.13B: Per capita Spending on Exclusive Shopping Baskets



Spending	% difference in spending between male and female consumers who bought products of a single category – excl. shopping basket		
	Fashion	Electronics	Utilities
% consumers – male	25%	7%	317%
% consumers – female	34%	3%	12%
% diff. Per capita	+7%	+22%	+57%
Median Male (in ₹)	550	1,200	499
Median Female (in ₹)	500	1,000	300
% diff. in median	+10%	+20%	+66%

Source: IIMA Consumer Survey 2022

Details of last online transaction – by gender and tier of cities

Figure 3.14: Per Capita Spending by Product Categories, Tier of Cities and Gender

Figure 3.14A1: Per Capita Spending on Total Shopping Basket with Fashion & Clothing Products

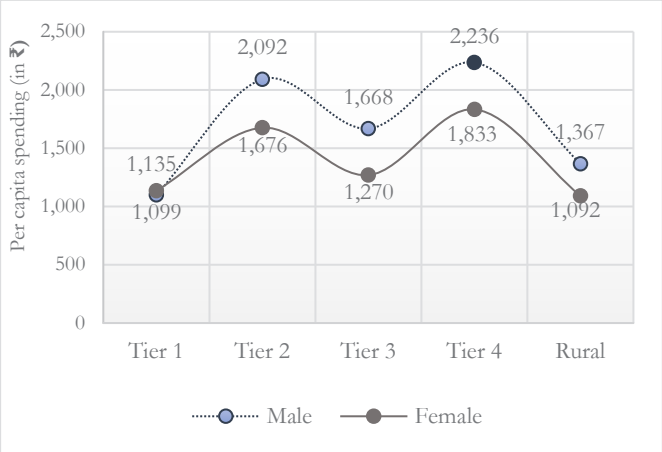


Figure 3.14B1: Per Capita Spending on Total Shopping Basket with Electronic Products

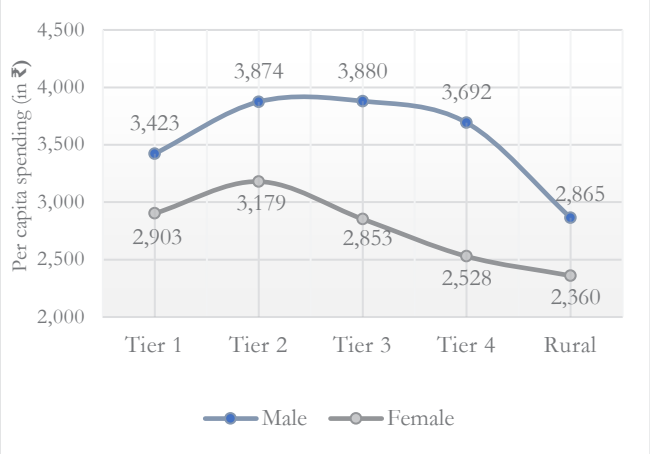


Figure 3.14A2: Per Capita Spending on Fashion & Clothing Products Shopped Exclusively

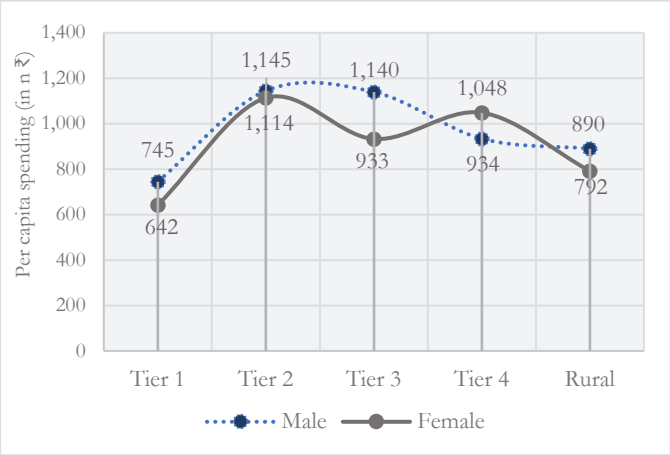
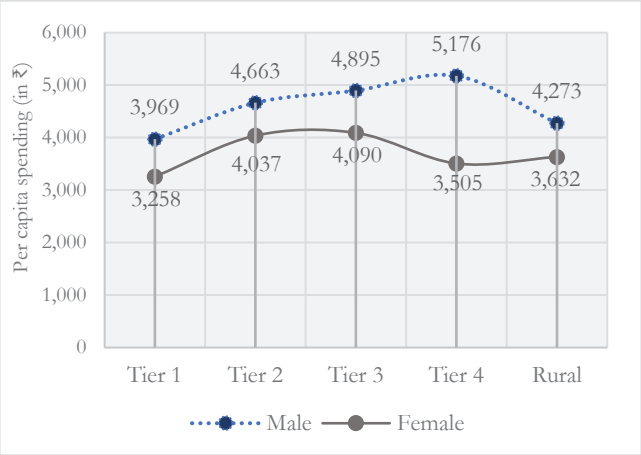


Figure 3.14B2: Per Capita Spending on Electronic Products Shopped Exclusively



The exclusive spending on fashion and clothing products shows a mixed trend wherein female consumers of Tier 4 cities have spent more than the male consumers

In case of electronic products, the exclusive spending by male consumers exceeds that of female consumers in all cities

Source: IIMA Consumer Survey 2022

Figure 3.14C1: Per Capita Spending of Total Shopping Basket with Utility Payments

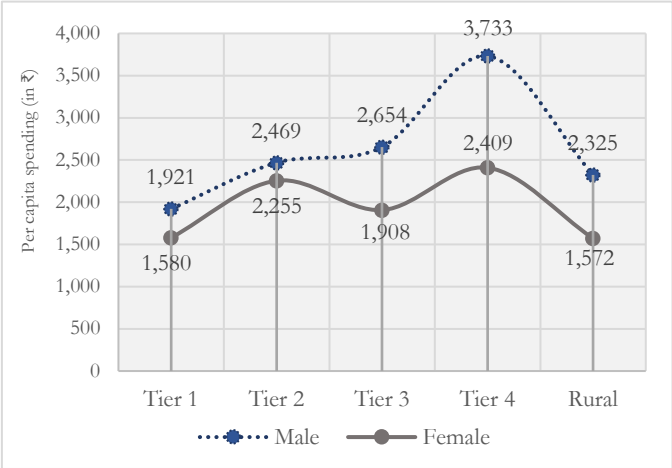
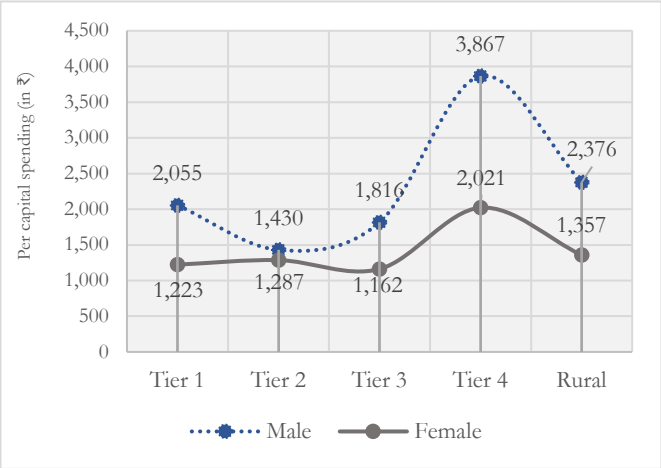


Figure 3.14C2: Per Capita Spending on Utility Payments Done Exclusively



The spending on utility payments, both in case of exclusive payments and as part of the total shopping basket, is more by male consumers across all tiers of cities

Source: IIMA Consumer Survey 2022

3.3.3 Details of last online transaction – by income groups

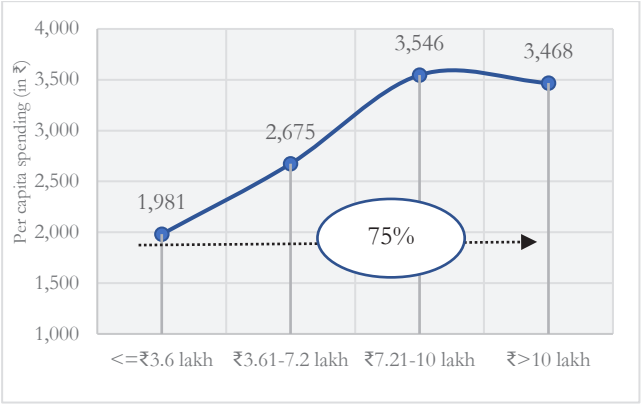
Overall, **consumers of higher income have spent more in their last online shopping transaction** and have reported higher amount of monthly online spending

Spending	% difference in spending between consumers earning <=INR3.6 lakh and consumers of other income groups		
	₹3.61-7.2 lakhs	₹7.21-10.0 lakhs	>10 lakhs
Per capita – Total Shop. Basket	35%	79%	75%
Median – Total Shop. Basket	67%	317%	150%
Per capita - Monthly Online Exp.	60%	161%	217%
Median – Monthly Online Exp.	100%	233%	300%

Note: For consumers earning <₹3.6 lakhs, the per capita and median spending on total shopping basket is ₹1981 and ₹600 respectively. Also, the consumers of this income group have reported the per capita and median spending of ₹2,941 and ₹1,500 respectively on monthly online shopping

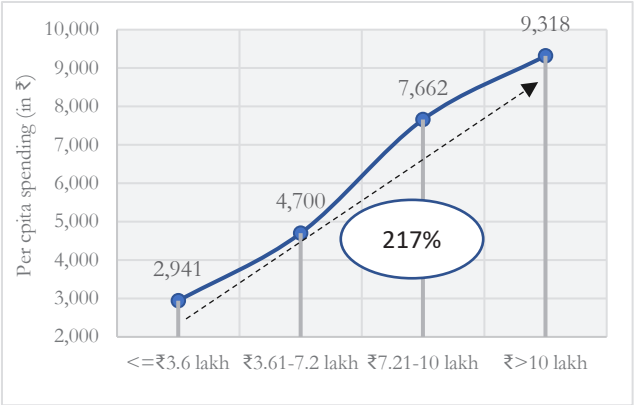
Figure 3.15: Per Capita Spending by Income Groups

Figure 3.15A: Total Shopping Basket



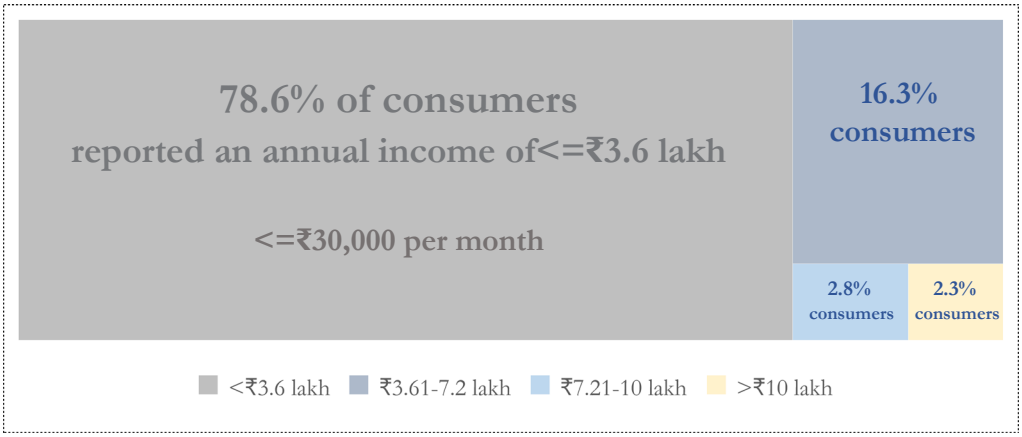
Consumers earning INR7.2-10 lakhs have reported maximum spending on total shopping basket in their last online shopping transaction

Figure 3.15B: Monthly Online Shopping Expenditure



Monthly online spending increases with higher income, with consumers earning >INR 10 lakhs reporting the highest expenditure

Figure 3.16: The Proportion of Consumers by Income Groups



Source: IIMA Consumer Survey 2022

Figure 3.17: Consumer Spending by Product Categories and Income Groups of Consumers

More consumers at the ends of income brackets, i.e., >INR 10 lakhs and <INR 3.6 lakhs, shopped fashion and clothing products in their total shopping basket

Consumers earning INR 7.2 to 10 lakhs spent more on exclusive purchases of fashion and clothing products and notably of electronic products

Figure 3.17A: Per Capita Spending on Fashion & Clothing Products

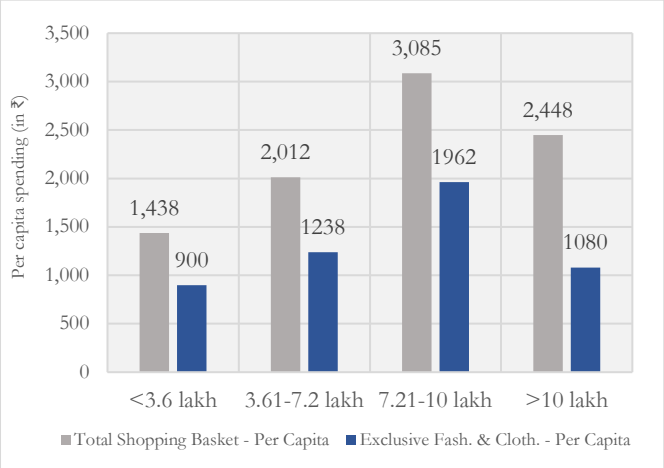
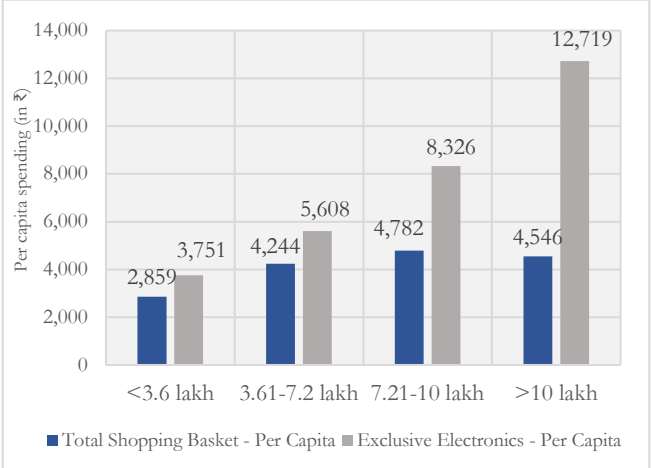


Figure 3.17B: Per Capita Spending on Electronic Products



Basket Type	% of consumers in each income group			
	₹3.6 lakhs	₹3.6-₹7.2 lakhs	₹7.21-₹10 lakhs	>₹10 lakhs
Fashion and Clothing				
Total Shopping Basket	53%	47%	45%	55%
Exclusive Shopping Basket	31%	26%	13%	18%
Electronic Products				
Total Shopping Basket	19%	22%	32%	26%
Exclusive Shopping Basket	5%	6%	3%	2%

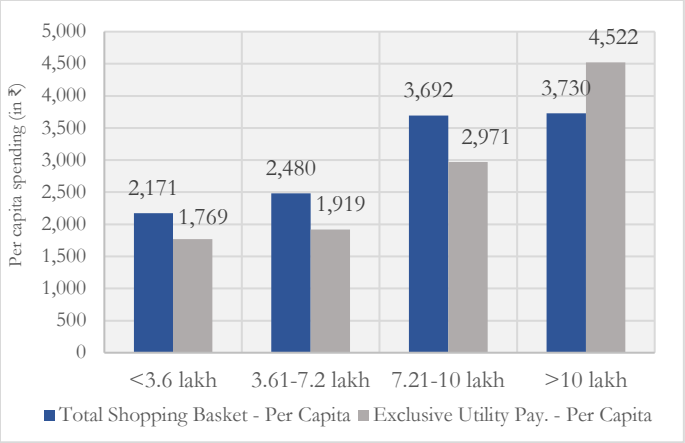
Spending	% difference in spending relative to consumers earning <₹3.6 lakh		
	₹3.6-7.2 lakhs	₹ 7.21-10 lakhs	>=₹10 lakhs
Total Shopping Basket with fashion and clothing prod.			
Per capita	40%	115%	70%
Median	58%	233%	100%
Exclusive Fashion and Clothing Basket			
Per capita	+38%	+118%	+20%
Median	+24%	+100%	0%

Note: The median spending by consumers earning <₹3.6 lakh is ₹600 for total shopping baskets, inclusive of fashion and clothing products along with items from other categories. Additionally, the median spending exclusively on fashion and clothing products within the total basket is ₹500.

Spending	% difference in spending relative to consumers earning <₹3.6 lakh		
	₹3.6-7.2 lakhs	₹7.21-10 lakhs	>=₹10 lakhs
Total Shopping Basket with electronic products			
Per capita	+48%	+67%	+59%
Median	+130%	+150%	+150%
Exclusive Electronic Basket			
Per capita	+49%	+122%	+239%
Median	+60%	+210%	+440%

Note: The median spending by consumers earning <₹3.6 lakh is ₹1,000 for both total shopping baskets, inclusive of electronic products and in case of baskets with exclusive electronic products

Figure 3.17C: Per Capita Spending on Utility Payments



Overall, the spending on utility payments increases with increasing income

On exclusive side, more consumers of low-income groups made utility payments

Spending	% difference in spending relative to consumers earning <₹3.6 lakh		
	₹3.6-7.2 lakhs	₹7.21-10 lakhs	>=₹10 lakhs
Total Shopping Basket			
Per capita	+14%	+70%	+72%
Median	+58%	+317%	+233%
Exclusive Utility Payments			
Per capita	+8%	+68%	+156%
Median	+25%	+401%	+273%

Basket Type	% of consumers in each income group			
	₹3.6 lakhs	₹3.6-₹7.2 lakhs	₹7.21-₹10 lakhs	>₹10 lakhs
Total Shop. Bask.	31%	34%	46%	45%
Excl. Utility Pay.	15%	14%	8%	8%

Note: The median spending by consumers earning <₹3.6 lakh is ₹600 for total shopping baskets, inclusive of utility payments along with items from other categories. Additionally, the median spending exclusively on utility payments is ₹399.

Table 3.5: Key Insights on Consumer Behaviour by Income Groups with Reference to the Last Online Shopping Transaction

Consumers earning <₹3.6 lakhs

- 54% of consumers visited multiple websites to compare prices
- 34% of consumers visited multiple websites to compare EMI and payment options
- 32% of consumers explored return and refund policies before purchasing the products

Consumers earning ₹3.6 to 7.2 lakhs

- 50% of consumers visited multiple websites to compare quality standards
- 42% of consumers visited multiple websites to compare EMI and payment options
- 47% of consumers examine the cost of shipping to buy product(s) from online retailers

Consumers earning >₹7.2 lakhs

- 49% of consumers visited multiple websites to compare warranty/damage protection plans of products
- 47% of consumers preferred secured payment gateways to buy product(s) from online retailers
- 57% of consumers explored the expected delivery time to buy product(s) from online retailers

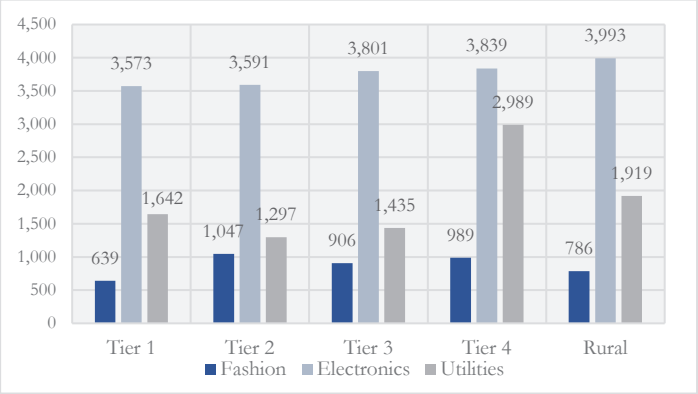
Note: The reported proportion of consumers are for the total survey sample of N=35,869 comprising consumers of different income groups. Source: IIMA Consumer Survey 2022

Relationship between geography and consumer spending by income groups

Among consumers earning up to ₹10 lakhs, **consumers of smaller cities have spent more than consumers of Tier 1 cities** in their last online transaction

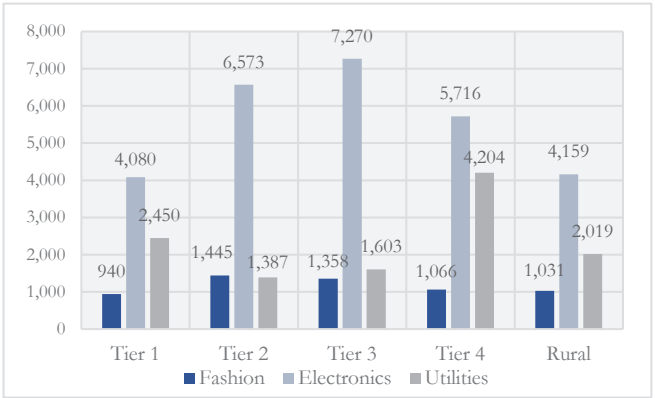
Figure 3.18: Consumer Spending on Exclusive Shopping by Tiers of Cities and Income Groups

Figure 3.18A: Consumers Earning <₹3.6 lakhs



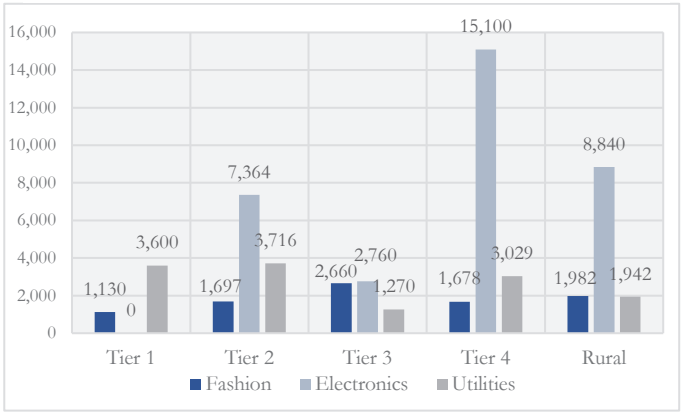
Median	Income groups of Consumers				
	Tier 1	Tier 2	Tier 3	Tier 4	Rural
Fash. & Cloth.	450	550	500	500	500
Electronics	742	1,000	1,300	800	1200
Utilities	479	400	400	500	300

Figure 3.18B: Consumers Earning ₹3.6 to ₹7.2 lakhs



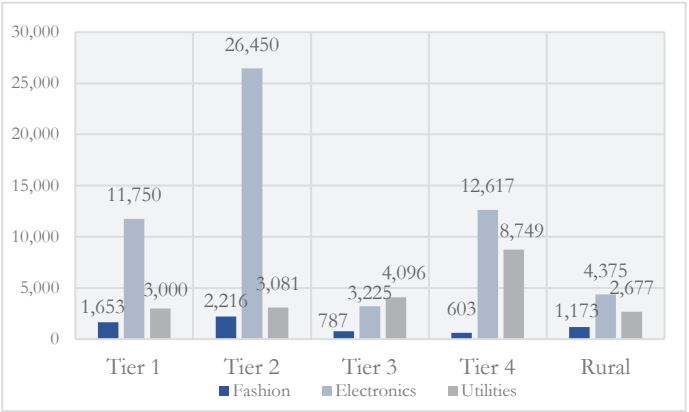
Median	Income groups of Consumers				
	Tier 1	Tier 2	Tier 3	Tier 4	Rural
Fash. & Cloth.	940	1,445	1,358	1,066	1,031
Electronics	4,080	6,573	7,270	5,716	4,159
Utilities	2,450	1,387	1,603	4,204	2,019

Figure 3.18C: Consumers Earning ₹7.2 to ₹10 lakhs



Median	Income groups of Consumers				
	Tier 1	Tier 2	Tier 3	Tier 4	Rural
Fash. & Cloth.	700	1,000	1,250	1,600	900
Electronics	---	3,050	1,000	6,000	3,000
Utilities	3000	800	1,025	2,500	1,860

Figure 3.18D: Consumers Earning >₹10 lakhs



Median	Income groups of Consumers				
	Tier 1	Tier 2	Tier 3	Tier 4	Rural
Fash. & Cloth.	1,760	1,500	500	388	500
Electronics	1,1750	1,5250	3,225	3,650	2,675
Utilities	3,000	2,750	325	5,900	2,000

Source: IIMA Consumer Survey 2022

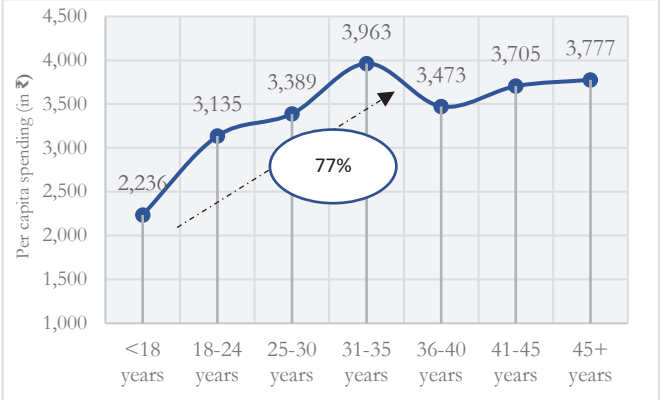
3.3.4 Details of last online transaction – by age groups

By age groups, **online spending by consumers is higher for consumers who are over 24 years old** – financial stability and increasing purchasing power are a few of the reasons which enable older consumers to spend more

Figure 3.19: Per Capita Spending by Age Groups

Figure 3.19A: Total Shopping Basket

Figure 3.19B: Monthly Online Shopping Expenditure



Per capita	% difference in spending relative to consumers of the age group 18-24 years					
	15-18 yrs.	25-30 yrs.	31-35 yrs.	36-40 yrs.	41-45 yrs.	45+ yrs.
Total Shop. Basket	-35%	+27%	+43%	+22%	+33%	+29%
Monthly online exp.	-29%	+8%	+26%	+11%	+18%	+20%

Median	Age Groups of Consumers						
	15-18 yrs.	18-24 yrs.	25-30 yrs.	31-35 yrs.	36-40 yrs.	41-45 yrs.	45+ yrs.
Total Shop. Basket	499	600	700	800	700	800	700
Monthly online exp.	1,000	1,500	2,000	2,500	1,999	2,000	2,000

Source: IIMA Consumer Survey 2022

Overall, consumers in the 31 to 35-year age group
spent most in their last online transaction &
reported higher monthly online shopping expenditure

Figure 3.20: Consumer Spending by Product Categories and Age Groups of Consumers

Figure 3.20A: Per Capita Spending on Total and Exclusive Shopping Baskets with Fashion & Clothing Products

Consumers aged 31 to 35 years exhibit higher spending on fashion & clothing products in their last online transaction

Consumers up to 40 years of age have higher proportion of consumers who shopped fashion & clothing products in their last online shopping transaction

Basket Difference	Spending	% diff. in spending relative to consumers of the age group 18-24 years					
		15-18 yrs.	25-30 yrs.	31-35 yrs.	36-40 yrs.	41-45 yrs.	45+ yrs.
Total Shop. Basket	Per Capita	-20%	+38%	+63%	+27%	+35%	+29%
	Median	-15%	+19%	+36%	+19%	+19%	+19%
Exclusive Shopping	Per Capita	-32%	+17%	+32%	+11%	+37%	+18%
	Median	-10%	+0%	+10%	+3%	+10%	+0%

Note: The per capita and median spending by consumers of 18 to 24 years of age group for the total shopping is ₹588 respectively and for the exclusive shopping basket, the median spending is ₹500

Basket Type	Proportion of consumers in each age group						
	<18 yrs.	18-24 yrs.	25-30 yrs.	31-35 yrs.	36-40 yrs.	41-45 yrs.	45+ yrs.
Total Shopping Basket	61%	56%	55%	53%	52%	49%	46%
Exclusive Shopping Basket	40%	32%	30%	26%	30%	27%	26%

Figure 3.20B: Per Capita Spending on Total and Exclusive Shopping Baskets with Electronic Products

Consumer spending on electronic products increases with age, with higher expenditures observed in the 45+ and 31 to 35 years age

The proportion of consumers purchasing electronic products in each age group ranges from 19 to 21%, remaining stable up to the age of 45 years

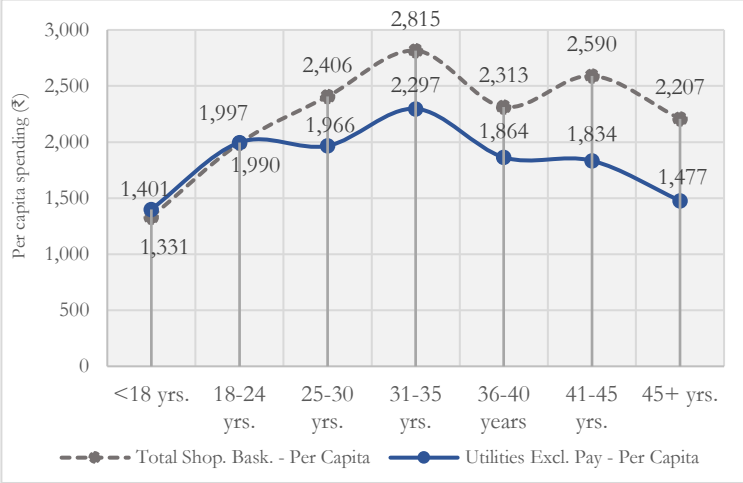
Source: IIMA Consumer Survey 2022

Basket Difference	Spending	% diff. in spending relative to consumers of the age group 18-24 years					
		15-18 yrs.	25-30 yrs.	31-35 yrs.	36-40 yrs.	41-45 yrs.	45+ yrs.
Total Shop. Basket	Per Capita	-35%	+26%	+37%	+38%	+26%	+54%
	Median	-39%	+33%	+39%	+33%	+56%	+44%
Exclusive Shopping	Per Capita	-39%	+41%	+49%	+20%	+27%	+81%
	Median	-52%	+20%	+50%	+20%	+50%	+50%

Note: The median spending by consumers of 18 to 24 years of age groups for the total shopping basket is ₹900 respectively, and for exclusive shopping basket, the median is ₹999

Basket Type	Proportion of consumers in each age group						
	<18 yrs.	18-24 yrs.	25-30 yrs.	31-35 yrs.	36-40 yrs.	41-45 yrs.	45+ yrs.
Total Shopping Basket	20%	21%	21%	21%	20%	19%	17%
Exclusive Shopping Basket	10%	6%	5%	5%	5%	5%	4%

Figure 3.20C: Per Capita Spending on Total and Exclusive Shopping Baskets with Utility Payments



Consumer spending on utilities varies by age groups. Exclusive utility payments are higher for consumers aged 31 to 35 years

The proportion of consumers making utility payments is higher for consumer age groups over 25 years

Basket Difference	Spending	% diff. in spending relative to consumers of the age group 18-24 years					
		15-18 yrs.	25-30 yrs.	31-35 yrs.	36-40 yrs.	41-45 yrs.	45+ yrs.
Total Shop. Basket	Per Capita	-33%	+21%	+41%	+16%	+30%	+11%
	Median	-24%	+27%	+67%	+17%	+50%	+14%
Exclusive Shopping	Per Capita	-17%	+43%	+63%	+40%	+76%	+64%
	Median	-10%	+61%	+86%	+55%	+90%	+75%

Note: The median spending by consumers of 18 to 24 years of age groups for the total shopping basket is ₹600 respectively, and for exclusive shopping basket, the median is ₹399

Basket Type	Proportion of consumers in each age group						
	<18 yrs.	18-24 yrs.	25-30 yrs.	31-35 yrs.	36-40 yrs.	41-45 yrs.	45+ yrs.
Total Shopping Basket	23%	29%	32%	34%	33%	34%	34%
Exclusive Shopping Basket	13%	13%	13%	14%	15%	14%	18%

Source: IIMA Consumer Survey 2022

Table 3.6: Key Insights on Consumer Behaviour by Age Groups – based on Secondary Research

Consumers between 18-24 years of age

- More aware of upcoming trends in fashion, clothing, and grooming products
- Look for unique items that set them apart from other individuals
- Also explore details about the company, its operations, and sustainability
- Get influenced by influencers and individuals in their social circle, and also influence the buying behaviour of family members

Consumers between 25-35 years of age

- Are tech-savvy and being in the working-age population, are financially stable
- Like to explore premium products and seek more personalization, and are more interested in personal care and beauty products
- Like to make financial investments, insurance, and buy products related to home and furnishing
- Do not hesitate to go beyond budget

Consumers between 36-45 years of age

- Have the maximum proportion of online shoppers who spend higher than other age groups while shopping online
- Are interested more in apparel and footwear
- Take recommendations from peers and social circles into account
- Emphasizes quality of the product, reviews product specifications and

Consumers of 45+ years of age

- Interested in purchasing products related to household goods, medicines, and healthcare products
- Seek a simple and hassle-free interface and shopping experience, usually go with a preferred online retailer(s)

Source: Authors' inference based on secondary research of different studies including Deloitte & RAI, 2019; KPMG, 2017; McKinsey & Company, 2017, Dentsu Marketing, 2021; IBM, 2022

Table 3.7: Key Insights on Consumer Behaviour by Age Groups – based on Survey Findings

Consumers between 18-24 years of age	Consumers between 25-35 years of age	Consumers between 36-45 years of age
• 21% of consumers feel that they are influenced by online recommendations in making purchases on online retail channels • 68% of consumers visit multiple websites to buy fashion and clothing products • 29% of consumers visit multiple websites for purchasing electronic products • 56% of consumers visit multiple websites to compare prices • 51% of consumers visit multiple websites to explore the better experience • For 49.6% of consumers, coupons, deals, and cashback trigger them to buy products from particular online retailers	• Around 32% of consumers feel that they are influenced by social media and television in making purchases • Around 54% of consumers visit multiple websites to compare the quality standards of products • Around 37% of consumers compare EMI and payment options on multiple websites • For 31% of consumers, product images and video quality trigger them to buy products from online retailers	• Around 20% of consumers reported that they follow suggestions and recommendations from family and friends • 34% of consumers visit multiple websites to compare return and refund policies • Around 15% of consumers visit multiple websites to buy home-related products • 51% of consumers visit multiple websites to compare delivery speed and fees

Consumers of 45+ years of age
• 60% of consumers visited only one website for their last online shopping transaction • Around 56% of consumers feel somewhat hesitant using technology

Note: The reported proportion of consumers are for the total survey sample of N=35,869 comprising consumers of different age groups. Source: IIMA Consumer Survey 2022

3.4 Perception of consumers towards online shopping

The consumer survey also documented the emotions felt by consumers while shopping online. For this purpose, four standardized scales (refer to Figure 3.25 below) have been used, and these scales measure consumer emotions on 7 points.

A score of 7 points on the scale conveys that the consumer very strongly and positively felt emotion while shopping online. Conversely, a score of 1 implied that consumers had an unpleasant experience while shopping online and strongly disagreed with the positive narration of the emotion on the scale.

Overall, consumers reported an average score of more than 5 out of 7 points on scales, implying a positive emotion for the online shopping

Figure 3.21: Description of Scales Used to Measure Consumer Emotions

1 Convenience scale: Prompts consumers to compare the convenience features of online shopping with their generic experience of in-store physical shopping

Source of scale: Jiang et al. ,2013

2 Value scale: Records the extent of financial, quality, and emotional values that consumers felt they attained from their last online shopping transaction

Source of scale: Sweeney & Soutar, 2001

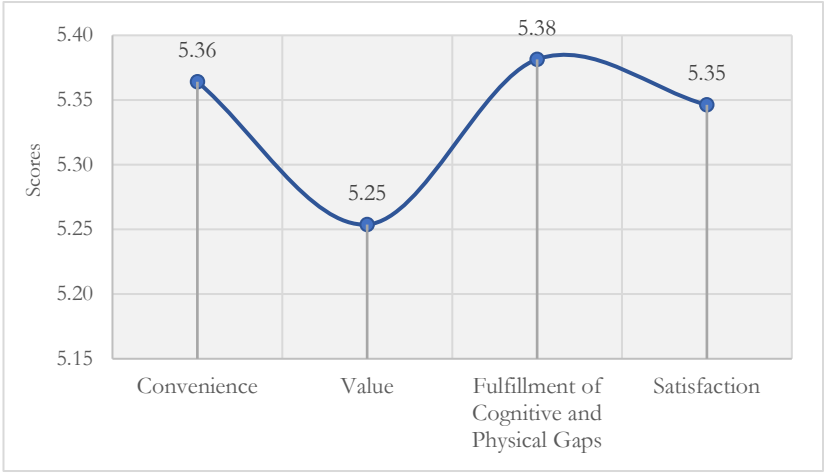
3 Fulfilment of Cognitive and Physical Capabilities: Measures the extent to which digital retail channels have enabled consumers to shop while bridging their knowledge, information, financial, and geographical constraints

Source of scale: Setia, 2019

4 Satisfaction: Measures the extent of consumers' overall satisfaction in their last online shopping transaction

Source of scale: Seiders, et al., 2007

Figure 3.22: Mean Scores for Emotions on 7-points Scales



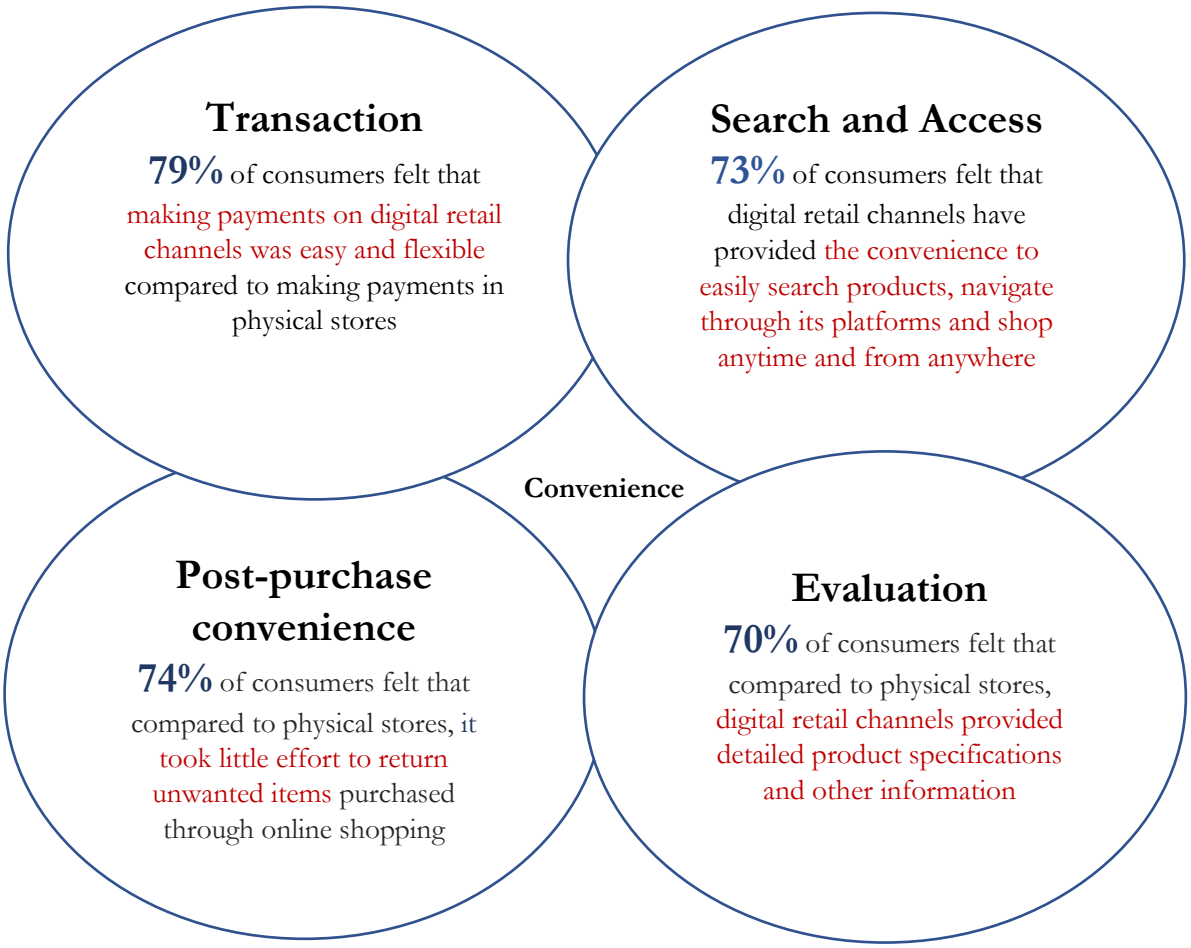
Note: The reported scores in the figure are for the total survey sample of N=35,869

Source: IIMA Consumer Survey 2022

3.4.1 Convenience

Top responses of consumers on why they find online shopping convenient – transaction, search and access, easy return, and evaluation

Figure 3.23: Convenience Features of Online Shopping as Reported by Consumers



Note: The percentage of consumers presented above are the average of the proportion of consumers who reported a score of >=5 on the 7-points scale for the entire sample of N=35,869

Source: IIMA Consumer Survey 2022

3.4.1A Distribution of convenience features by tier of cities

Tier 1 cities

Consumers of Tier 1 cities have reported **maximum conveniences scores**

Tier 4 cities

Consumers of Tier 4 cities have reported **minimum convenience scores**

The decline in scores across city tiers can be attributed to the varying degrees of scale and adoption of digital retail channels – Tier 1 cities exhibit the highest penetration and variety of services, and in Tier 4 cities the operations and adoption of digital retail channels are relatively low and still evolving

Figure 3.24: Mean Scores for Conveniences by Tiers of Cities

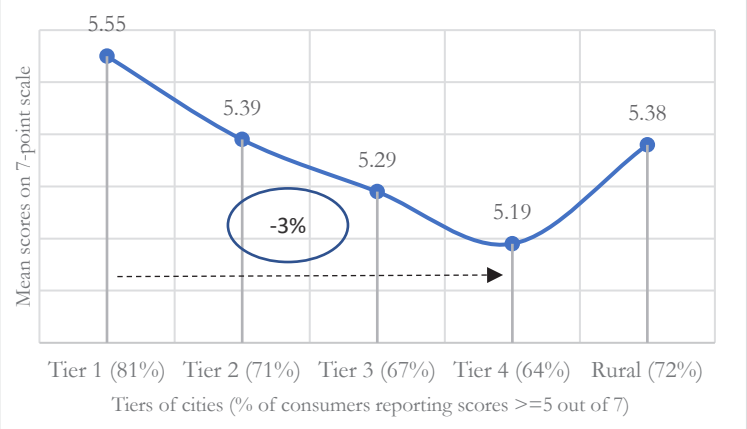


Figure 3.25: Mean Scores for Convenience Features by Tiers of Cities

Figure 3.25A: Mean Scores for Access Convenience by Tiers of Cities

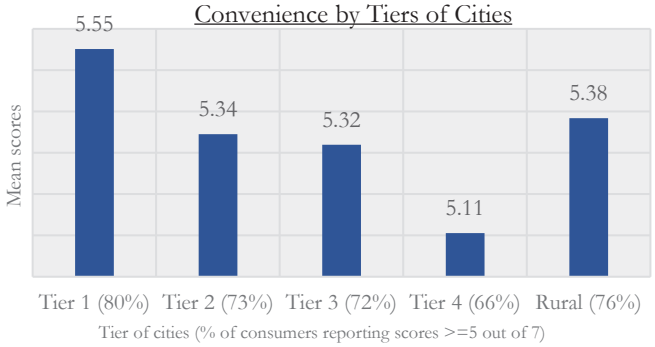


Figure 3.25B: Mean Scores for Transaction Convenience by Tiers of Cities

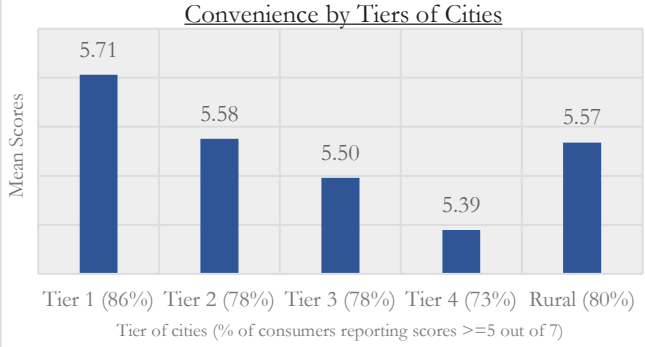


Figure 3.25C: Mean Scores for Post-purchase Convenience by Tiers of Cities

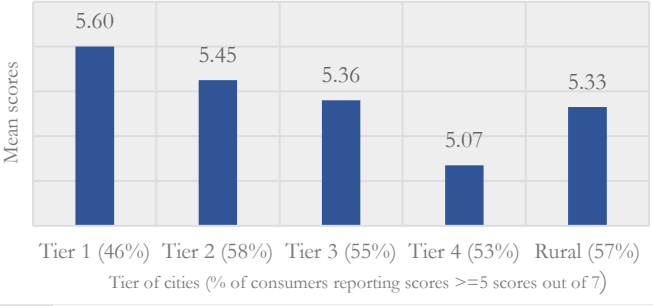
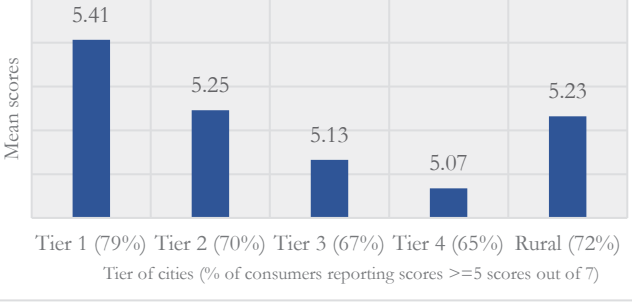


Figure 3.25D: Mean Scores for Evaluation Convenience by Tiers of Cities



Note: The reported scores in the figure are for the total survey sample of N=35,869, including consumers residing in different tiers of cities: IIMA Consumer Survey 2022

3.4.1B Distribution of convenience features by gender

70% of male consumers

Reported score of >=5 out of 7

<

72% of female consumers

Reported score of >=5 out of 7

Figure 3.26: Mean Scores for Convenience Features by Gender

Figure 3.26A: Mean Scores of Convenience Features by Male Consumers

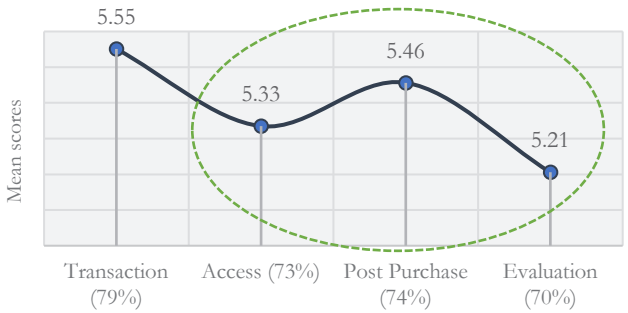
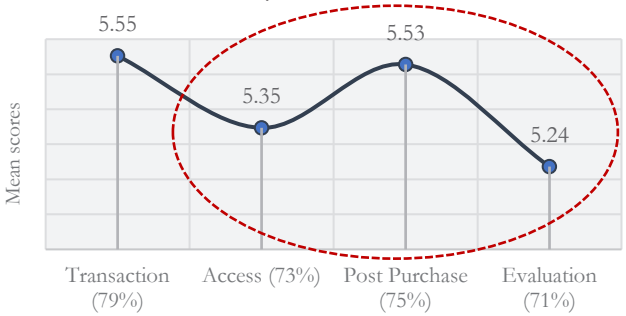


Figure 3.26B: Mean Scores of Convenience Features by Female Consumers



Source: IIMA Consumer Survey 2022

The convenience scores for different features show a similar trend – female consumers have reported realizing slightly higher scores than male consumers for access, post-purchase (returns and refunds), and evaluation features.

This suggests that females perceive greater convenience from digital retail channels. **Easy access, transactions, comparisons, returns, and refunds have notably reduced the physical effort and time traditionally required for women when shopping for themselves and household necessities, often requiring visits to multiple stores**. To delve deeper into these nuances, conducting in-depth qualitative discussions in the future could provide valuable insights

Note: The reported scores in the above figures are for the total survey sample of N=35,869, comprising 52.2% male respondents and 47.8% of female respondents

Source: IIMA Consumer Survey 2022

Gender and Geography

Similar to the findings based on city tiers, male and female consumers residing in Tier 1 cities have reported higher convenience scores compared to those in smaller cities

Figure 3.27: Mean Scores for Convenience by Gender and Tiers of Cities

Figure 3.27A: Mean Convenience Scores by Male Consumers

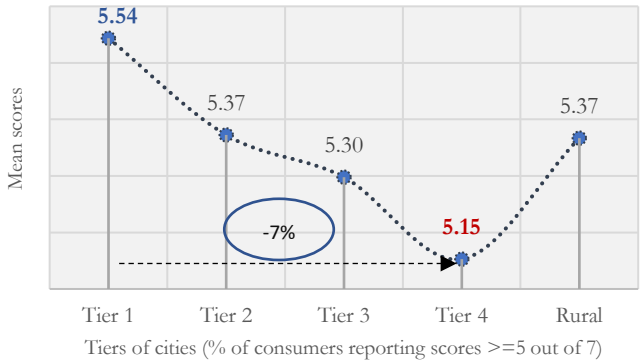
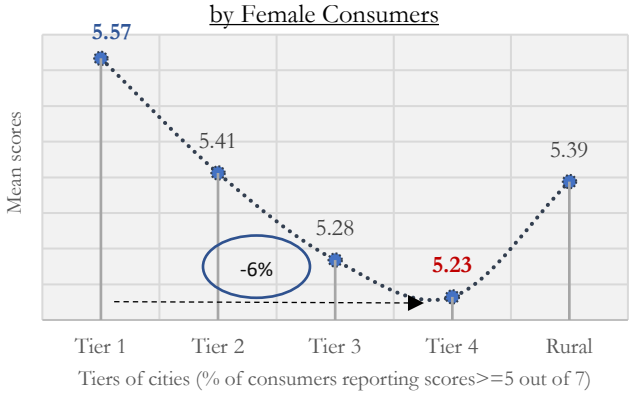


Figure 3.27B: Mean Convenience Scores by Female Consumers

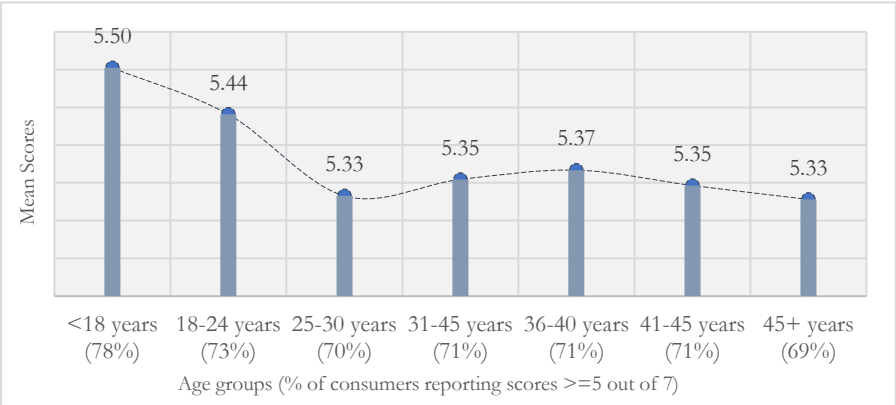


Source: IIMA Consumer Survey 2022

3.4.1C Distribution of convenience features by age groups

Younger age groups, up to 24 years of age, have reported realising convenience features to a greater extent from digital retail channels

Figure 3.28: Mean Scores for Convenience by Age Groups



Note: The reported scores in the figure are for the total survey sample of N=35,869, comprising consumers of different age groups. Source: IIMA Consumer Survey 2022

Figure 3.28A: Mean Scores for Transaction Convenience by Age Groups

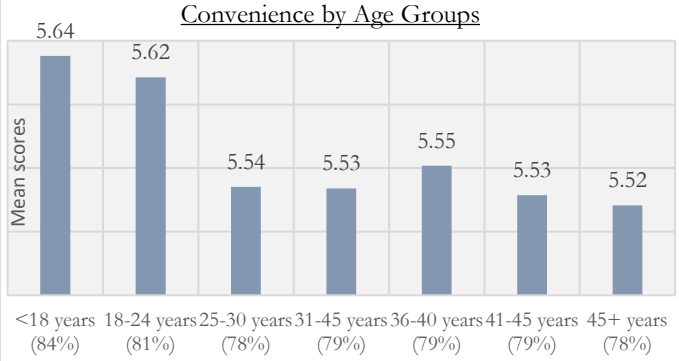


Figure 3.28B: Mean Scores for Access Convenience by Age Groups

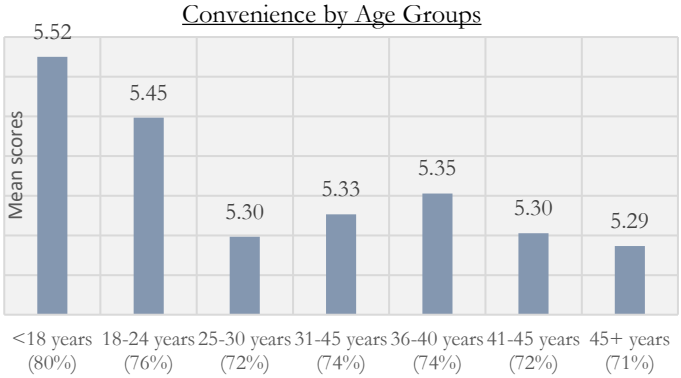


Figure 3.28C: Mean Scores for Post purchase Convenience by Age Groups

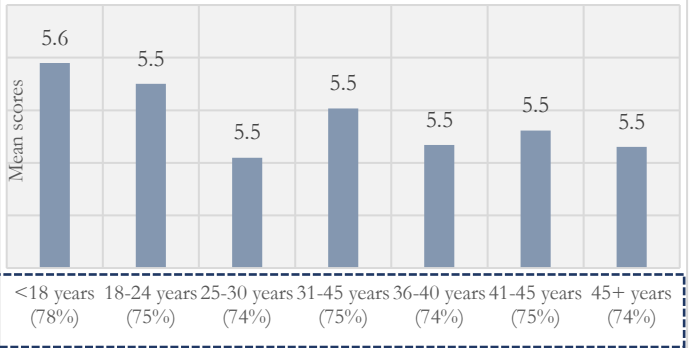
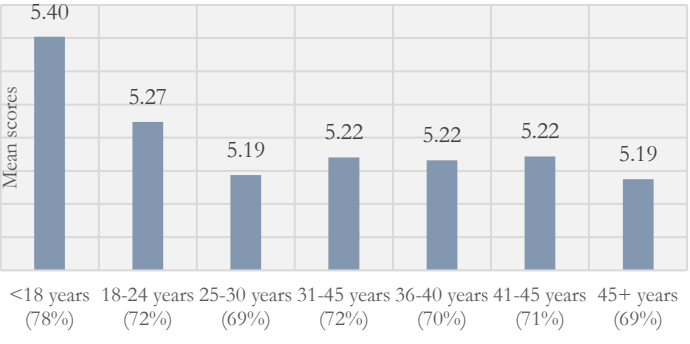


Figure 3.28D: Mean Scores for Evaluation Convenience by Age Groups



The scores and proportion of consumers reporting scores of >=5 for post-purchase convenience is similar across age groups **suggesting that easy returns and refunds, offered by digital retail channels, are useful convenience features and are realized similarly by consumers of all age groups**

Source: IIMA Consumer Survey 2022

3.4.1D Distribution of convenience features by income groups

Consumers earning<=₹7.2 lakhs

Reported maximum mean value score of 5.35 out of 7

This suggests that digital retail channels provide affordable products and/or affordable payment options to purchase products

Note – Consumers earning ₹7.2 to ₹10 lakhs reported a mean value score of 4.89 out of 7. Further exploration is needed to understand the reasons behind these relatively low scores. This finding is particularly interesting considering that consumers in this income group spent the highest per capita amount of ₹3,546 in their last online shopping transaction, relative to other income groups.

Figure 3.29: Mean Scores for Convenience by Income Groups

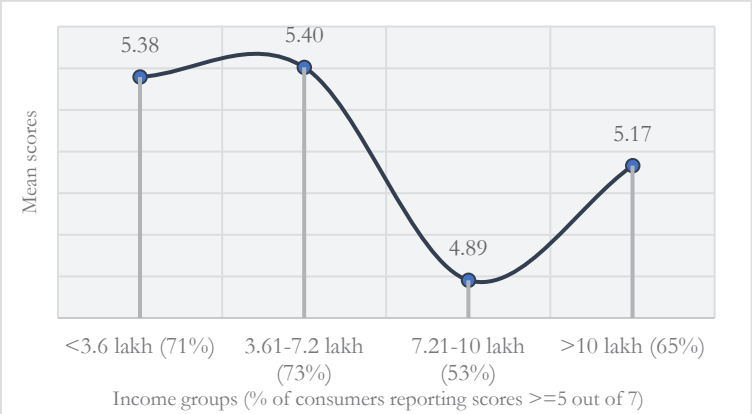


Figure 3.29A: Mean Scores for Transaction Conevnience by Income Groups

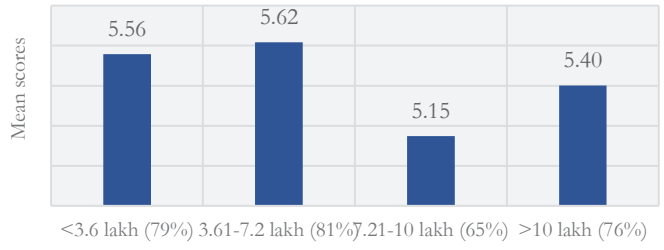


Figure 3.29B: Mean Scores for Access Convenience by Income Groups

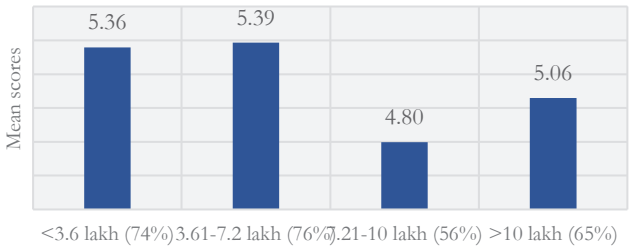


Figure 3.29C: Mean Scores for Post-purchase Convenience by Income Groups

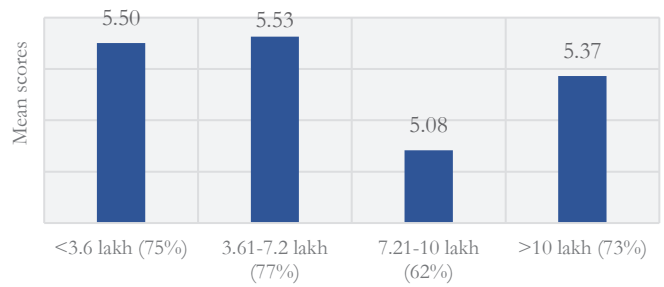
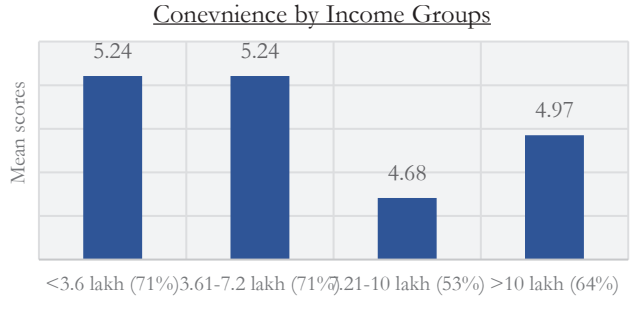


Figure 3.29D: Mean Scores for Evaluation Conevnience by Income Groups



Source: IIMA Consumer Survey 2022

3.4.2 Value

Top responses of consumers on the values they feel they derive from online shopping – price, easy and pleasurable experience, and social value

Figure 3.30: Value Features of Online Shopping as Reported by Consumers

- **Price: is the most preferred aspect that consumers seek to derive from online shopping**. Consumers look for reasonably priced products on digital retail channels and search for discounts, cashback, and other offers.

- **Quality: Around 69% of consumers reported a score of >=5 in agreement that digital retail channels deliver acceptable and standard quality products.** This proportion of consumers is slightly lower than that of consumers for other values that consumers have reported deriving from online shopping. Also, it implies that more than 30% of consumers did not find products of appropriate quality from online shopping. **This quality aspect for digital retail channels, therefore, needs further exploration.** A few of the aspects which were shared by consumers in informal qualitative discussions include – trust issues, fake products, poor services, delays in refunds, etc.

Source: IIMA Consumer Survey 2022

3.4.2A Distribution of value features by tier of cities

In line with the scores for convenience, the mean value scores for cities decrease with the tier of cities, i.e., the score for value is maximum for Tier 1 cities and minimum for Tier 4 cities

The differences in scores, as discussed, are primarily attributed to the varying extent of online retail services across cities. Additionally, consumers in Tier 1 cities are more accustomed to utilizing digital retail channels for a variety of services compared to those in smaller cities. However, with the expansion of digital retail channels to smaller cities, it can be anticipated that consumers in these areas may realize increased value from such services

Figure 3.31: Mean Scores for Perceived Values by Tiers of Cities

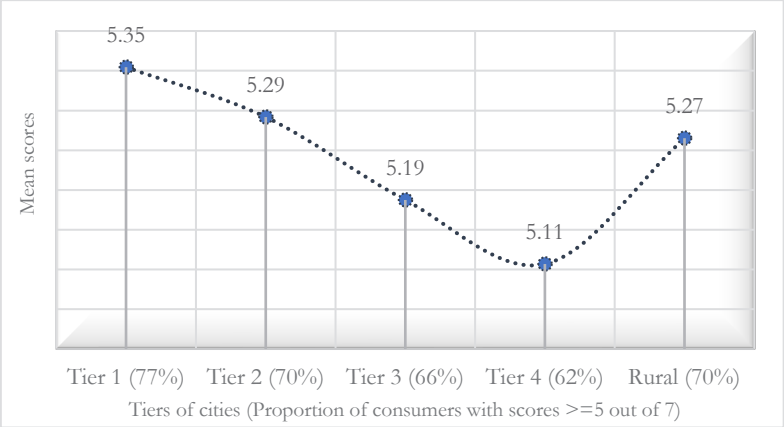


Figure 3.31A: Mean Scores for Price Value by Tiers of Cities

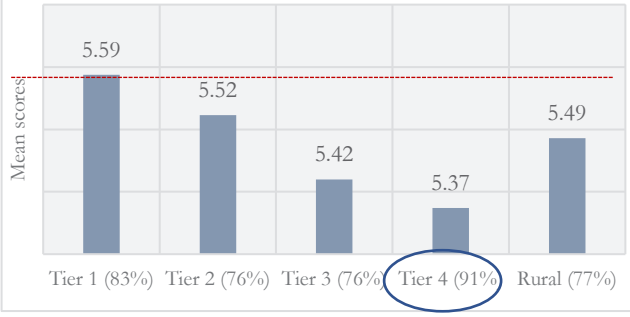
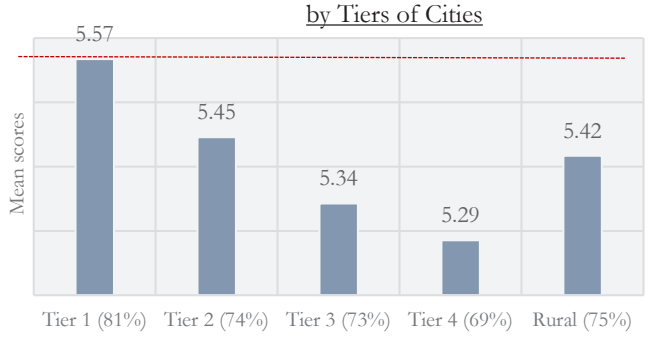


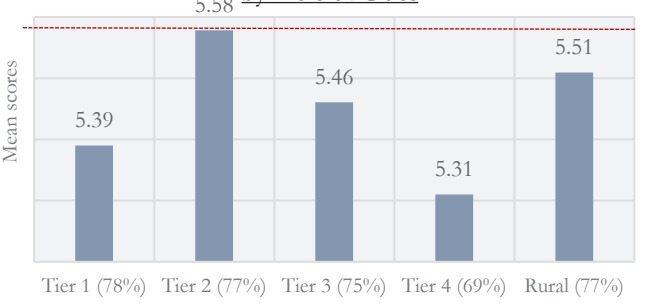
Figure 3.31B: Mean Scores for Social Value by Tiers of Cities



A higher proportion of consumers in Tier 4 cities have reported scores greater than 5 for price value, indicating that consumers in these cities are able to secure better price deals using digital retail channels.

However, how consumers of larger and smaller cities perceive social and emotional value differently, needs further exploration

Figure 3.31C: Mean Scores for Emotion Value by Tiers of Cities



Source: IIMA Consumer Survey 2022

Note: The reported scores in the figure represent the total survey sample of N=35,869, which includes consumers residing in different tiers of cities

3.4.2B Distribution of value features by gender

Mean Value Score of 5.26

70% of male consumers reported value score of >=5 out of 7

>

Mean Value Score of 5.24

69% of female consumers reported value score of >=5 out of 7

While the mean score values between male and female consumers show little difference, even this small variance holds significance given the large sample size.

Also, it is interesting to notice that the **mean value of price emotion is almost the same for male and female consumers but there is a little difference in the mean values of social and emotional values** that male and female consumers have reported. **This indicates that gender differences do play an important role in the ways male and female consumers seek to derive value from online shopping.**

Figure 3.32: Mean Scores for Perceived Values by Gender

Figure 3.32A: Mean Value Score by Male Consumers

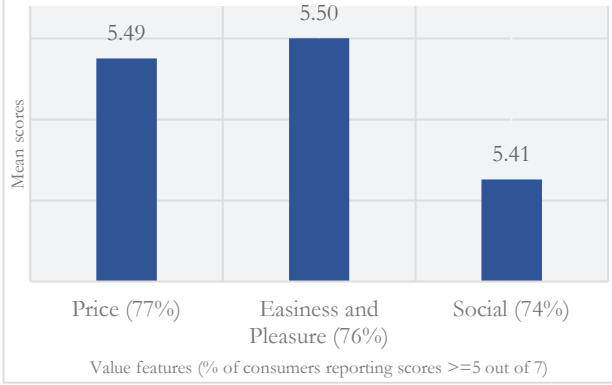
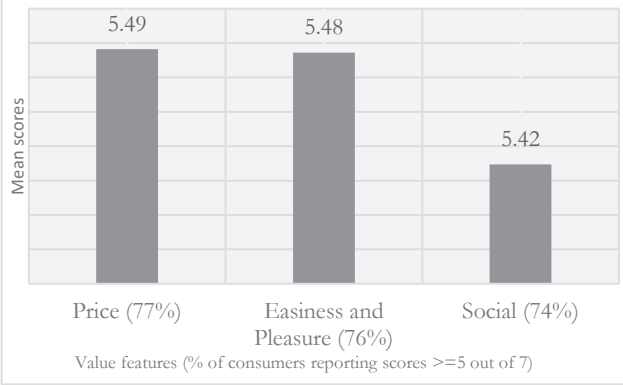


Figure 3.32B: Mean Value Score by Female Consumers



Note: The reported scores in the figure are for the total survey sample of N=35,869, comprising 52.2% male respondents and 47.8% of female respondents. Also, the proportion of consumers is rounded off and has therefore resulted in same figures for both male and female consumers, which otherwise differ by decimals.

Source: IIMA Consumer Survey 2022

Overall, **the price value felt by male and female consumers is almost equal. However, within the product categories**, this value shows variation, as presented in Table 3.8 below.

Table 3.8: Mean Score for Price Values by Select Product Categories and Gender

Gender	Mean Scores and % of consumers who reported a score of >=5 out of 7					
	Fashion		Electronics		Utilities	
	Mean Score	% of consumers	Mean Score	% of consumers	Mean Score	% of consumers
Price Value						
Male	5.45	78%	5.54	81%	5.68	81%
Female	5.51	80%	5.59	82%	5.70	79%
Social Value						
Male	5.38	75%	5.34	78%	5.47	82%
Female	5.45	77%	5.34	78%	5.53	83%

Note: The scores of price value and proportions of consumers pertain to those who exclusively shopped for the respective product categories

In exclusive shopping, female consumers have reported realizing greater price and social value across various product categories, including fashion & clothing, electronics, and even utility payments

3.4.2C Distribution of value features by product categories

Product category: The mean value score is higher for utility payments, followed by electronics and then by fashion, and clothing products

By spending in last online shopping transaction: Higher mean value scores have been reported by consumers who have spent <= ₹2,000 in their last online shopping transaction suggesting that consumers are able to find low-cost, value for money products in different product categories on digital retail channels.

Figure 3.33: Mean Score for Perceived Values by Product Categories and Spending Levels

Figure 3.33A: Mean Score by Product Categories.

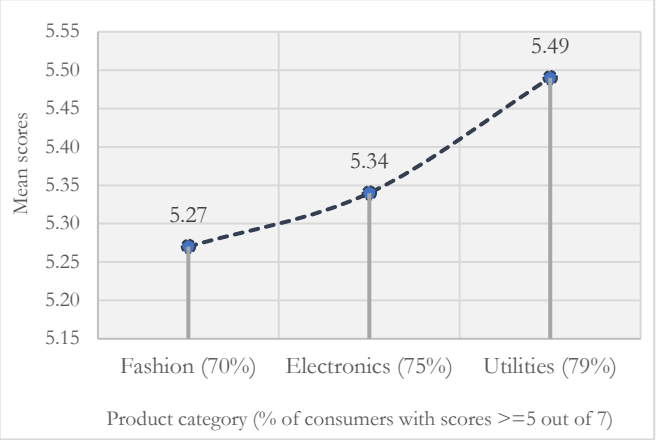
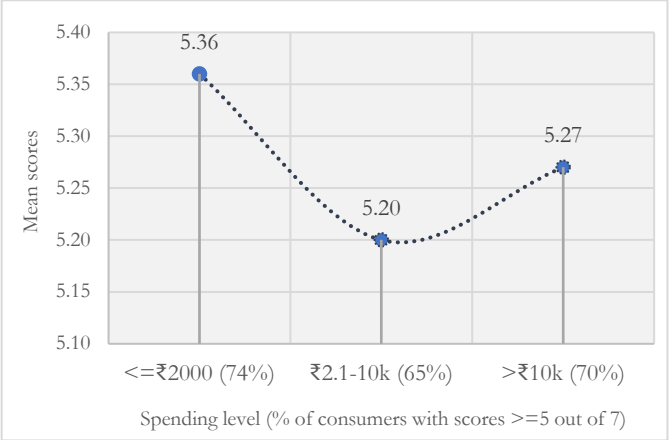


Figure 3.33B: Mean Score by Spending Levels



Note: The scores of values and proportions of consumers in the above figures pertain to those who exclusively shopped for the respective product categories.

Source: IIMA Consumer Survey 2022

3.4.2D Distribution of value features by age groups

Younger consumers (up to 24 years of age) and older consumers (over 60 years) have reported experiencing more value than those in other age groups

While younger and older generations may have distinct product preferences, digital retail channels empower consumers in these age groups to easily order desired products according to their needs. For younger age groups, online shopping is perceived as an easy and enjoyable activity with social recognition. For older consumers, online shopping offers the convenience of doorstep services, thereby reducing the effort required to visit physical markets

Figure 3.34: Mean Score for Perceived Values by Age Groups

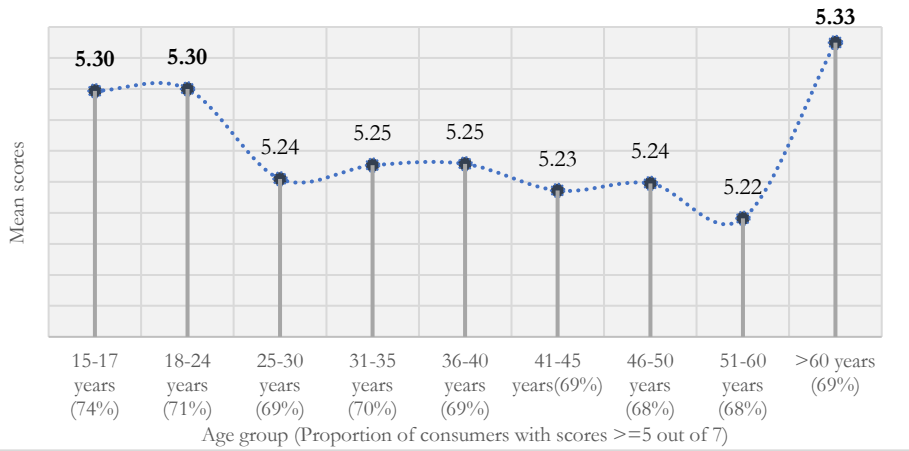


Figure 3.34A: Mean Score for Price Value by Age Groups

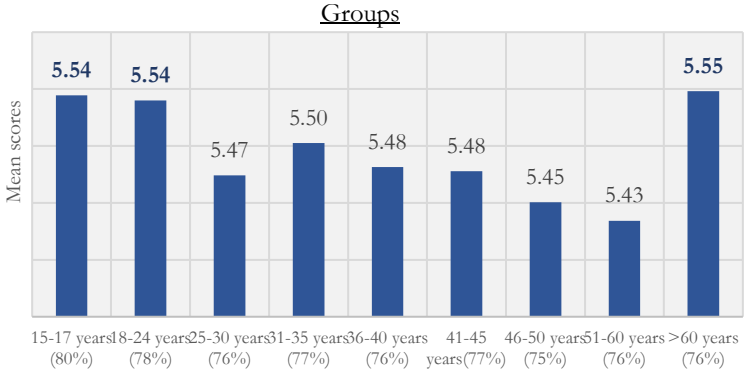


Figure 3.34B: Mean Score for Social Value by Age Groups

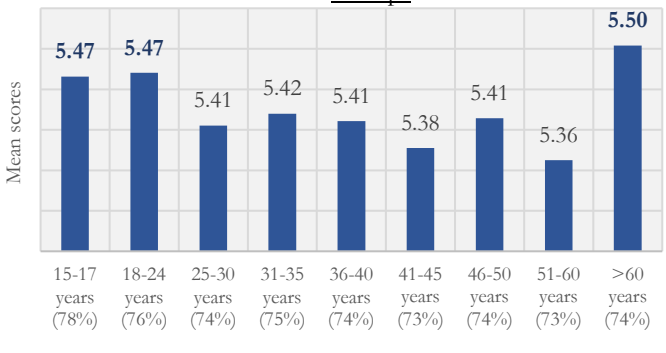
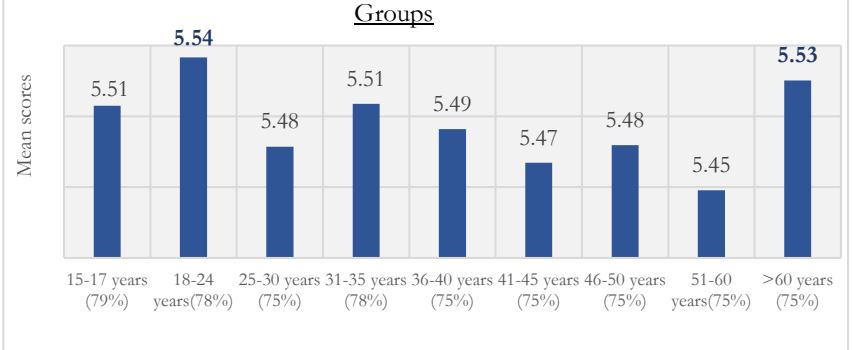


Figure 3.34C: Mean Score for Emotional Value by Age Groups

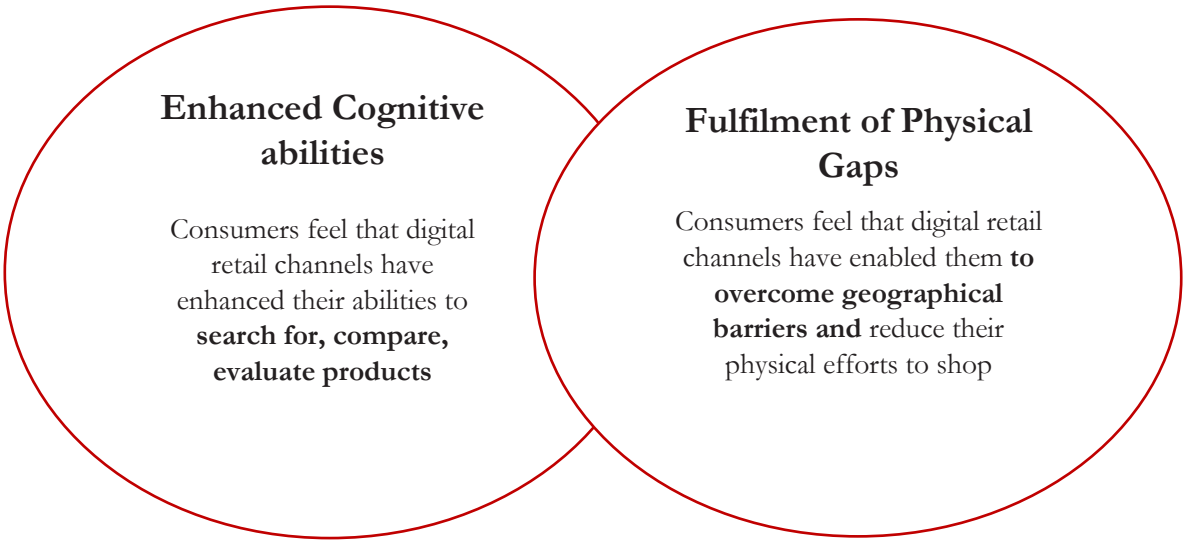


Note: The scores and proportion of consumers in the above figures are for the total sample survey of N=35,869 consumers, comprising consumers of different age groups

3.4.3 Fulfilment of Cognitive and Physical Gaps

71% of consumers believe that utilizing digital retail channels enhances their cognitive abilities and assists in overcoming physical limitations associated with shopping

Figure 3.35: Fulfilment of Cognitive and Physical Gaps by Digital Retail Channels



Enhanced Cognitive Abilities: Nearly 80% of consumers reported that using digital retail channels has enhanced their cognitive abilities to – search product availabilities and characteristics, evaluate the product fit with my needs, assess the trustworthiness of the retailer or their offerings

Fulfilment of Physical Gaps: Nearly 80% of consumers reported that using digital retail channels has helped to fulfil physical gaps by allowing to – receive real-time updates of product delivery and its timely delivery, desired customer service in real-time and initiating hassle free returns and refunds

Source: IIMA Consumer Survey 2022

Differences in the fulfillment of cognitive and physical gaps by social-geographical factors

By Gender

Mean score of 5.37 out of 7

Around 70.9% of male consumers reported score of >=5 out of 7

<

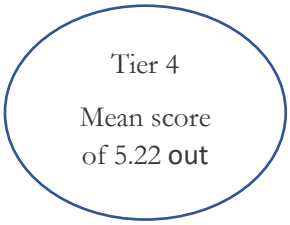
Mean score of 5.40 out of 7

Around 71.4% of female consumers reported score of >=5 out of 7

The mean score for fulfilment of cognitive and physical gaps is slightly higher for females than for male consumers.

By Tiers of Cities

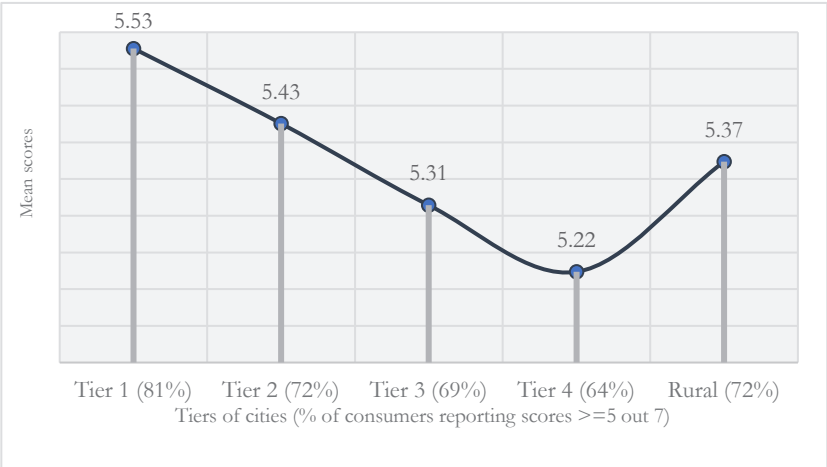
Maximum score



Minimum Score

The differences in the score as already discussed are primarily because of the varying extent and scale of online retail services in cities.

Figure 3.36: Mean Score for Fulfilment of Cognitive and Physical Gaps by Tiers of Cities



Note: The reported scores in the figure are for the total survey sample of N=35,869, comprising consumers residing in different tiers of cities. Source: IIMA Consumer Survey 2022

3.4.4 Satisfaction

Mean score of satisfaction 5.35

Around 73% of consumers reported a score of >=5 out of 7 points

The scores for satisfaction mostly show a similar pattern like convenience, value, cognitive and physical fulfilment as discussed in the preceding sections

Figure 3.37: Trends for Satisfaction Scores

By tier of cities

The satisfaction score as reported by consumers decreases from Tier 1 to Tier 4 cities

More than 67% of consumers in all cities reported satisfaction scores >5 out of 7

By gender

Male consumers have reported higher satisfaction scores than female consumers

In line with city findings, both male and female consumers in Tier 1 cities have reported a higher mean satisfaction score

By age groups

Consumers, up to 24 years of age and >60 years, particularly male consumers, have reported maximum satisfaction scores

Note: The reported scores in the figures are for the total survey sample of N=35,869
Source: IIMA Consumer Survey 2022

By income groups

Consumers earning income <=₹7.2 lakhs have reported higher satisfaction scores

The mean satisfaction scores show some variation by income and by tiers of cities.

For consumers earning **up to** ₹10 lakhs ----> maximum score is reported by consumers residing in Tier 1 cities

For consumers earning > ₹10 lakhs----> maximum score is reported by consumers residing in Tier 3 cities

Source: IIMA Consumer Survey 2022

Other Supporting Figures for Satisfaction Score

Figure 3.38: Mean Scores for Satisfactions by Tier of Cities

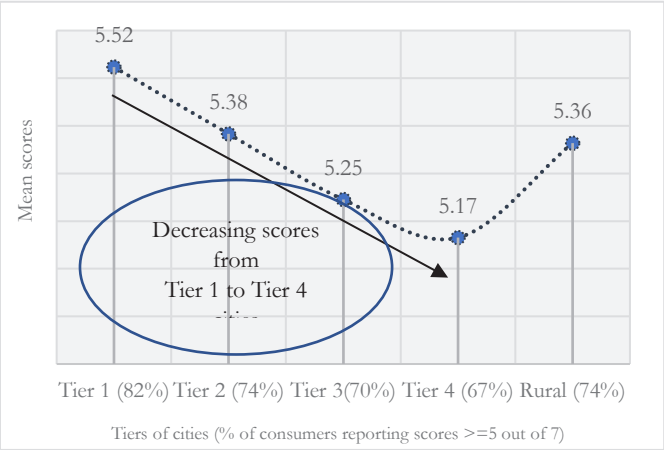


Figure 3.39: Mean Scores for Satisfaction by Gender

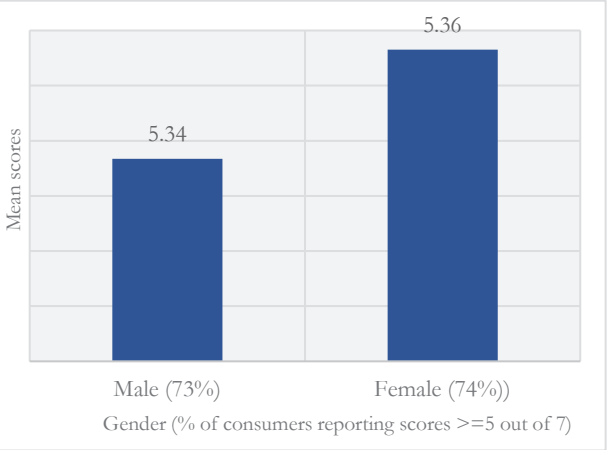


Figure 3.40: Mean scores for Satisfaction by Gender and Tiers of Cities

Figure 3.40A: Mean Scores for Satisfaction by Male Consumers

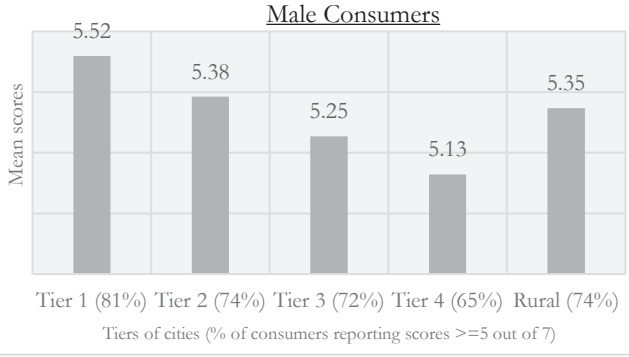
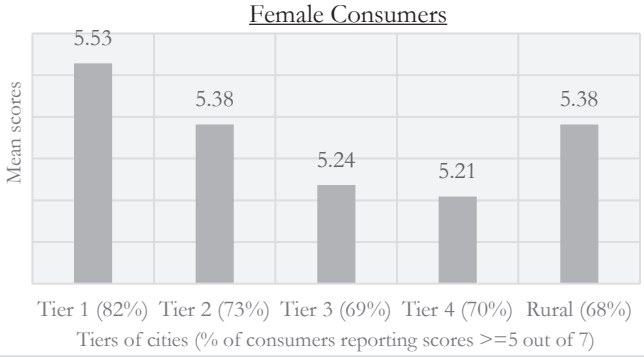


Figure 3.40B: Mean Scores for Satisfaction by Female Consumers



Note: The reported scores in the figures are for the total survey sample of N=35,869, which includes consumers residing in different tiers of cities. Source: IIMA Consumer Survey 2022

Figure 3.41: Mean Scores for Satisfaction by Income Groups

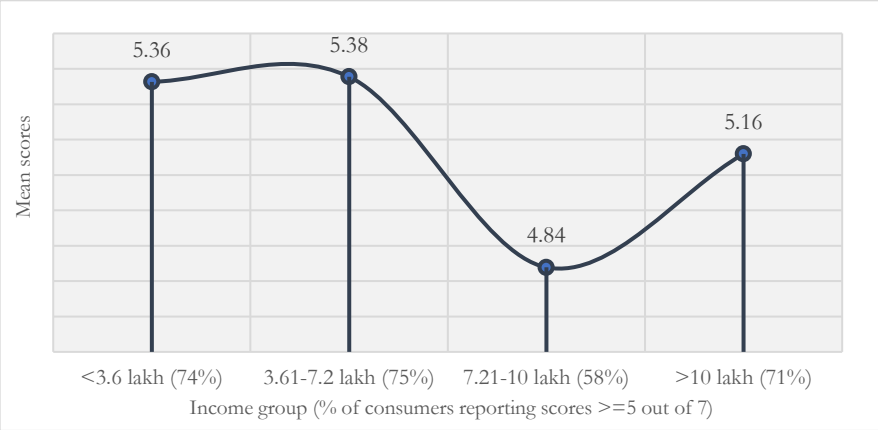


Figure 3.41A: Mean Satisfaction Scores by Consumers Earning < ₹3.6 lakh

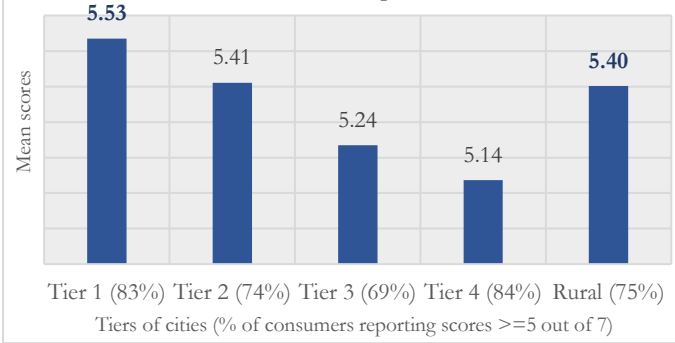


Figure 3.41B: Mean Satisfaction Scores by Consumers Earning between ₹3.6 to ₹7.2 lakhs

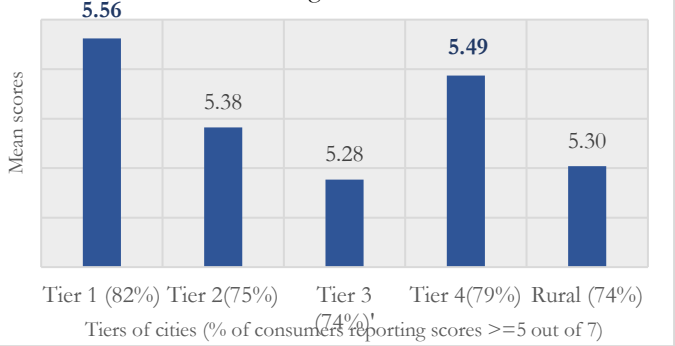


Figure 3.41C: Mean Satisfaction Scores by Consumers Earning between ₹7.21 to ₹10 lakhs

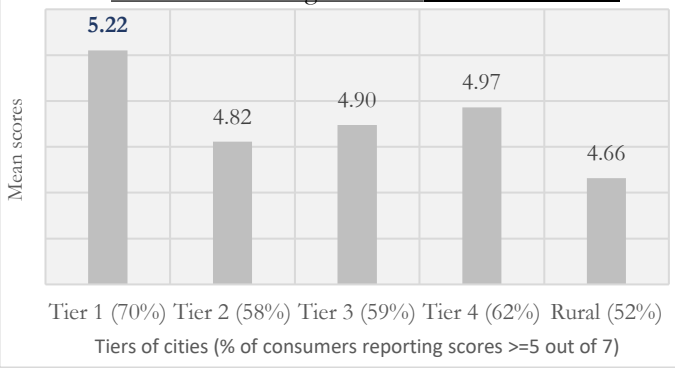
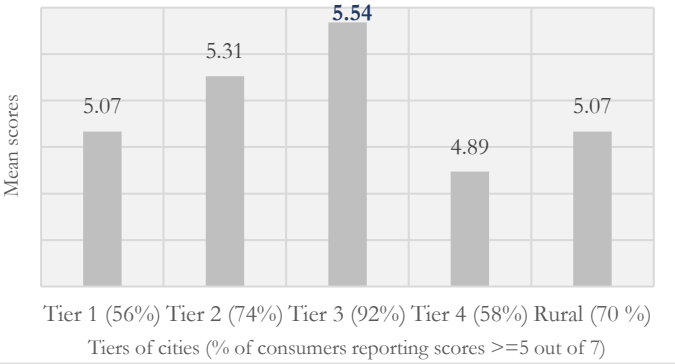


Figure 3.41D: Mean Satisfaction Scores by Consumers Earning >₹10 lakhs



Note: The reported scores in the figures from 3.49 to 3.50 are for the total survey sample of N=35,869, comprising consumers of different income groups. Source: IIMA Consumer Survey 2022

Figure 3.42: Mean Scores for Satisfaction by Product Categories and Income Groups

Figure 3.42A: Mean Scores for Fash. & Cloth. Products

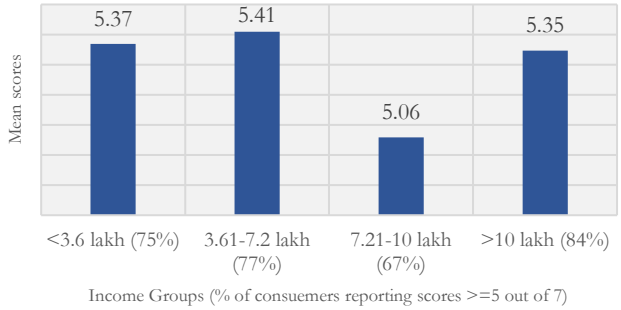
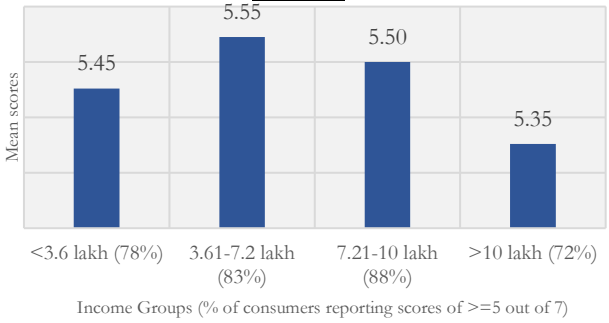


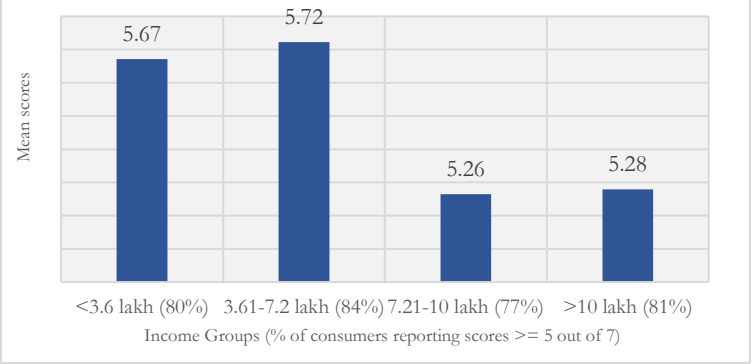
Figure 3.42B: Mean Scores for Electronic Products



In case of fashion and clothing products and utility payments, satisfaction scores are relatively higher for consumers earning up to INR 7.2 lakhs

In case of electronic products, the satisfaction scores are higher for consumers earning between INR 3.6 to INR 10 lakhs

Figure 3.42C: Mean Scores for Utility Payments



Note: The satisfaction scores and proportions of consumers in the above figures pertain to those who exclusively shopped for the respective product categories in different income groups.
Source: IIMA Consumer Survey 2022

Figure 3.43: Mean Scores for Satisfaction by Product Categories

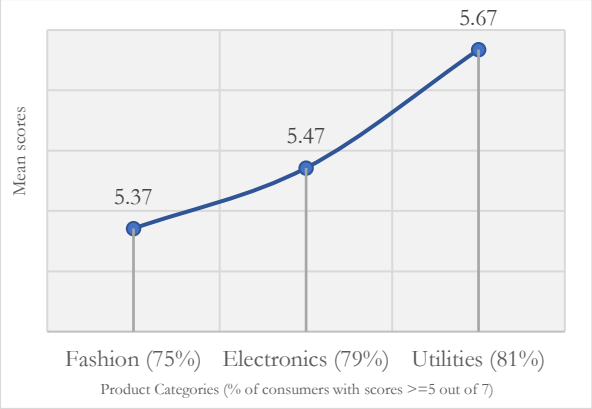
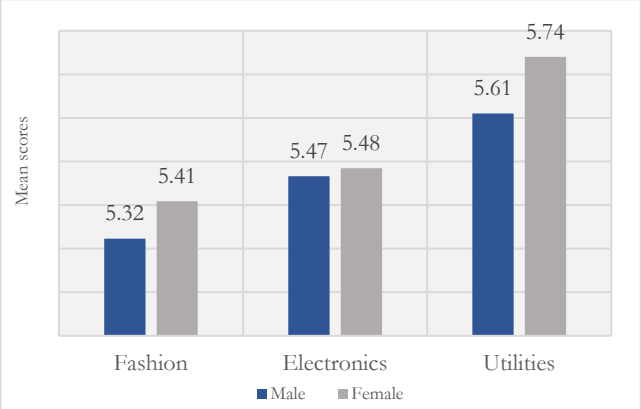


Figure 3.44: Mean Scores for Satisfaction by Product Categories and Gender



Note: The scores of values and proportions of consumers in the above figures pertain to those who exclusively shopped for the respective product categories.

Figure 3.45: Mean Scores for Satisfaction by Age Groups

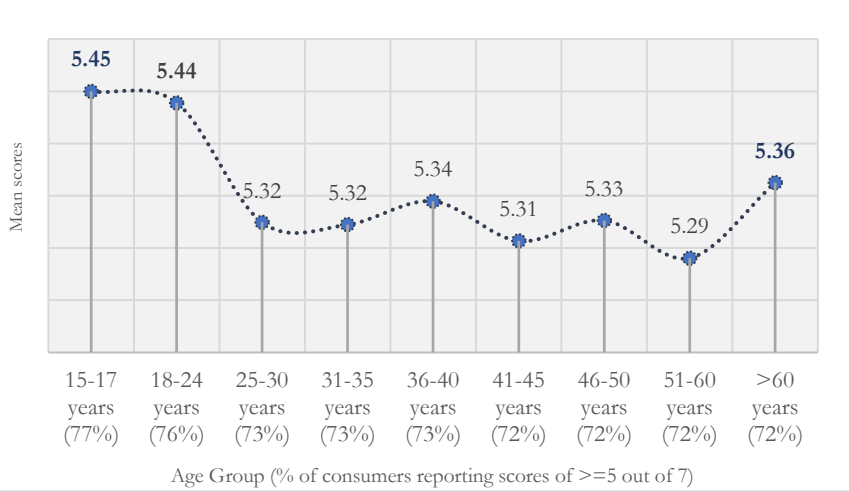


Figure 3.46: Mean Scores for Satisfactions by Age Groups and Gender

Figure 3.46A: Mean Scores of Satisfaction by Males of Different Age Groups

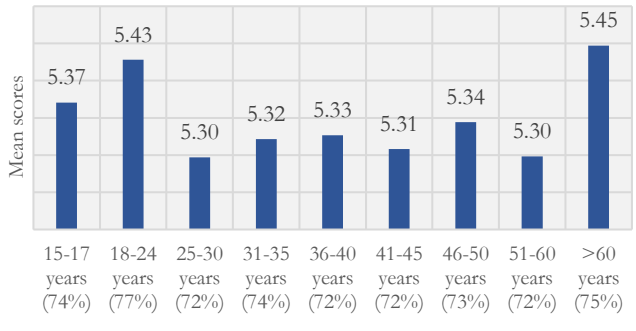
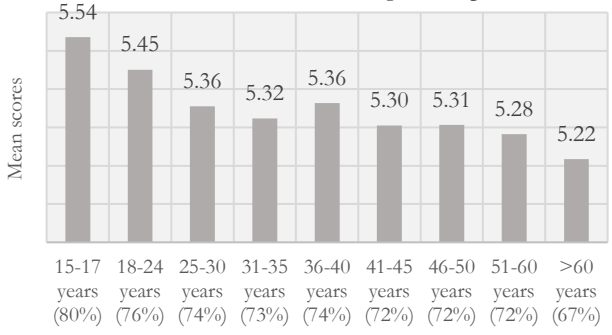


Figure 3.46B: Mean Scores of Satisfaction by Females of Different Age Groups



Note: The reported scores in the figures from 3.49 to 3.50 are for the total survey sample of N=35,869, comprising consumers of different age groups. Source: IIMA Consumer Survey 2022

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Chapter 4
Findings from The Pilot Enterprise Survey

Chapter 4 Findings from the Pilot Enterprise Survey

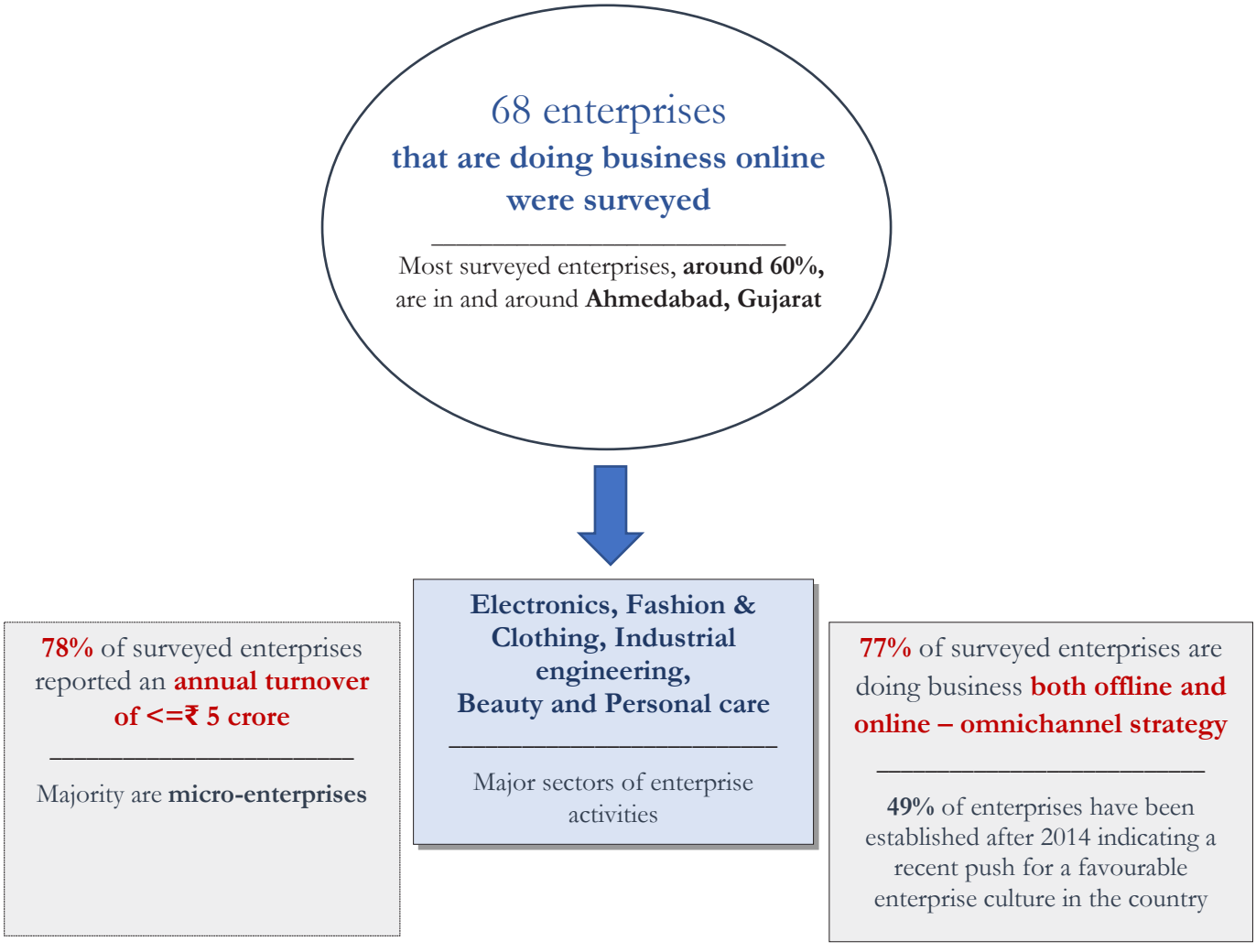
4.1 Introduction

In addition to the consumer survey, this study also conducted a pilot enterprise survey. The objective of this survey was to explore how enterprises do business online, what benefits they perceive from it, and what issues they face in doing business online. For this, around 68 enterprises were surveyed, and information related to their business was collected.

There are three sections in this chapter in addition to the Introduction. Section 4.2 details the surveyed enterprises by annual turnover and products. Section 4.3 gives an overview of the modes by which enterprises do online business and its overall impact on their business. Section 4.4 lists the support provided to small enterprises by digital retail channels and presents a few business learnings that enterprise representatives reported learning by doing business online.

4.2 About the Pilot Enterprise Survey

Figure 4.1: Overview of the enterprise survey



Source: IIMA Pilot Enterprise Survey 2023

4.2.1 Overview of the Enterprises

As presented in Figure 4.1, **around 78% of the enterprises** reported an annual turnover of <= INR 5 crores, much in the micro-enterprise scale. Tables 4.1 and 4.2 below present enterprises' segregation by turnover and economic activities.

Table 4.1: Surveyed Enterprises by Annual Turnover

Enterprise type (Annual turnover in ₹ crore)		Number of enterprises	Proportion of enterprises
1	Micro (<₹5 crores)	53	77.9%
2	Small (₹5-₹50 crore)	6	8.8%
3	Medium (₹51-₹100 crore)	9	13.2%
Total		**68**	100.0%

Source: IIMA Pilot Enterprise Survey 2023

Table 4.2: Surveyed Enterprises by Product Categories and Annual Turnover

Product categories		% of enterprises	Number of enterprises	Annual turnover (in ₹ crore)		
				<5	5-50	51-100
1	Electronics	16.2%	11	17%	----	[2]
2	Fashion & Clothing	13.2%	9	13%	[1]	[1]
3	Industrial Engineering	11.8%	8	11%	[1]	----
4	Beauty & Personal Care	10.3%	7	11%	[1]	[1]
5	Services*	10.3%	7	11%	[1]	---
6	Information technology	8.8%	6	8%	---	---
7	Education	5.9%	4	8%	---	---
8	FMCG	5.4%	4	6%	---	---
9	Home Furnishing	4.4%	3	4%	---	---
10	Printing and Stationary	4.4%	3	4%	[1]	[3]
11	Agriculture	2.9%	2	4%	---	[1]
12	Banking Finance	2.9%	2	2%	[1]	---
13	Food	1.5%	1	2%	---	---
14	Heavy Metal and retail	1.5%	1	---	---	[1]
Total		100.0%	**68**	**78%**	**9%**	**13%**

***Note:** Service-based enterprises include cleaning, advertising, gardening, real estate, consulting, etc.
Source: IIMA Pilot Enterprise Survey 2023

Figure 4.2: Enterprise Representatives by Gender

15% of enterprises are managed/headed by females

85% of enterprises are managed/headed by males

Source: IIMA Pilot Enterprise Survey 2023

4.2.2 Product Categories and Business Models of Enterprises

65% of enterprises
are retail/trading/wholesale enterprises

Table 4.3: Enterprises by Seller Types

Product/service categories		Enterprise type			Total	% out of N=68
		Producer/ manufacturer	Retail/ wholesale	Both producer and retail		
1	Electronics	----	10	1	11	16%
2	Fashion & Clothing	---	6	3	9	13%
3	Industrial Engineering	2	1	5	8	12%
4	Beauty & Personal Care	2	4	1	7	10%
5	Others	5	23	5	33	49%
Total		9	44	15	68	100%
% out of N=68		13%	65%	22%	100%	----

Source: IIMA Pilot Enterprise Survey 2023

43% of enterprises are selling to both consumers and businesses (D2C & B2B)

31% of enterprises are selling to businesses only (B2B)

Implying demand by both consumers and business

Table 4.4: Enterprises by Business Model of Sales

Product/service categories		Direct to consumers (D2C)	Business to Business (B2B)	D2C + B2B	Total
1	Electronics	1	3	7	11
2	Fashion & Clothing	4	---	5	9
3	Industrial Engineering	2	2	4	8
4	Beauty & Personal Care	1	2	4	7
5	Others	10	14	9	33
Total		18	21	29	68
Total % (N=68)		26%	31%	43%	100%

Source: IIMA Pilot Enterprise Survey 2023

4.3 Doing Business – Online or Both Online and Offline

Table 4.5 Enterprises by Modes of Doing Business – Online/Online-Offline Both

Enterprise type by products and scale of business		Modes of doing business	
		Online only	Online & offline
1	Electronics (N=11)	18%	82%
2	Fashion & Clothing (N=9)	33%	67%
3	Industrial Engineering (N=8)	---	100%
4	Beauty & Personal Care (N=7)	43%	57%
5	Others (N=33)	24%	76%
	Total (N=68)	24%	76%
1	Micro (N=53)	26%	74%
2	Small (N=6)	---	100%
3	Medium (N=9)	22%	78%
	Total (N=68)	24%	76%

Table 4.6: Views of Enterprise Representatives on Modes of Doing Business – Online/Offline-Online

Views of an entrepreneur on selling online only

"…I sell sarees and dress materials from my home. My business is not that large and at this point, I cannot afford to rent or buy a shop for my business. It's more profitable to run like this. Buyers and I connect through phone, WhatsApp and social media. I have also registered myself on different websites. With these online apps, I am able to reach out to consumers beyond my city and State, and have healthy sales. But I also know many people who can afford shops and premises but they operate their businesses online only from their house or from small storage warehouse because of good prospects of online sales …"

-Fashion and clothing entrepreneur, Ahmedabad

Views of an entrepreneurs on selling both online and offline

"…Our firm is around 24 years old. Everyone in the market knows us. We make clothes, have stores and now to boost sales we now also sell online. We have registered on online retail platforms, have also made our own website, and sell to both consumers and businesses on orders …"

- Fashion and clothing entrepreneur, Ahmedabad

Views of an entrepreneur on factors enabling online/offline sale

"…A person these days can sell products online or offline or a combination of both. The choice to follow depends on several factors, such as the product/service offered, scalability potential of the business, available location within city, working capital etc…"

- Industrial engineering entrepreneur, Bhilwara, Rajasthan

Source: IIMA Pilot Enterprise Survey 2023

4.3.1 Ways of Doing Business Online

Enterprises use multiple channels to do business online –
to reach out to new consumers and increase sales

Figure 4.3: Ways of Doing Online Business by Enterprises

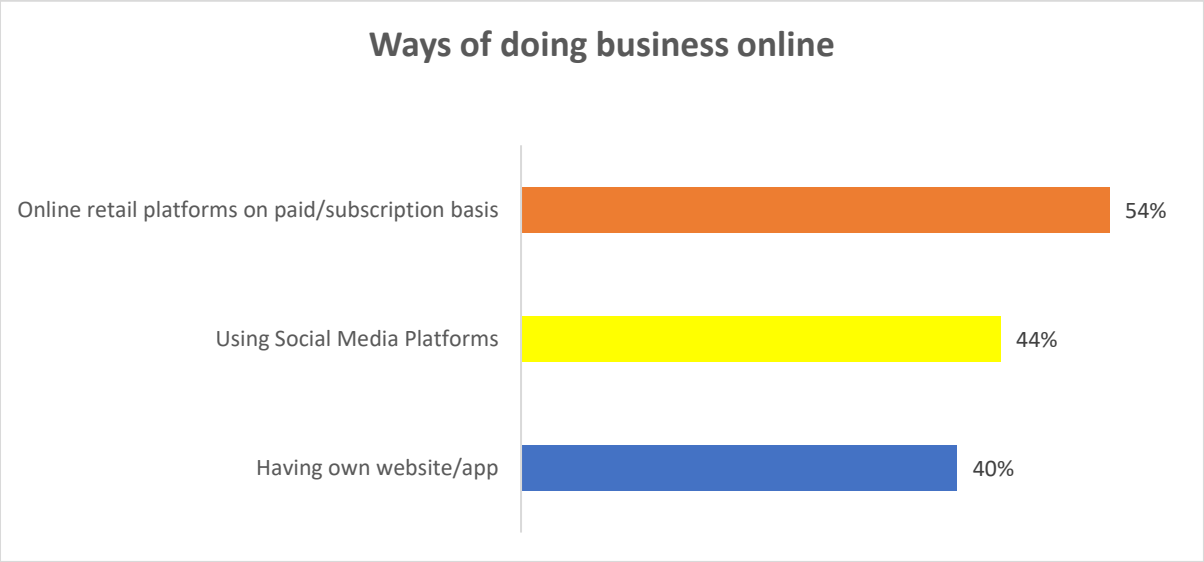


Table 4.7: Views of Enterprise Representatives on Doing Business Online

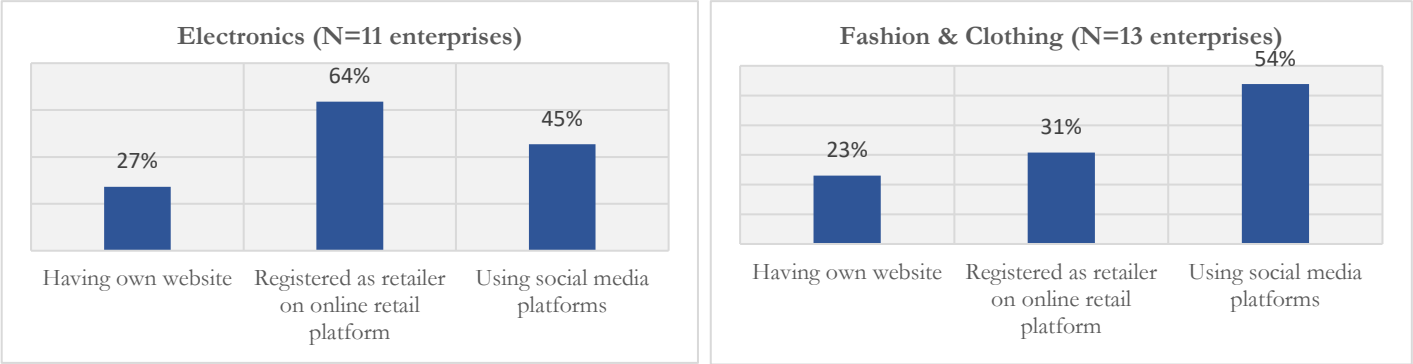
Views of an entrepreneur on creating own website "…Creating a website gives confidence to the clients and in ourselves also. Although we are registered on different retail platforms, still it is like building trust with clients, particularly B2B. We have provided videos, detailed brochures, and specifications of our products, and it has I believe enabled more businesses to reach us…" - Beauty and personal care entrepreneur, Ahmedabad	**Views of an entrepreneur on using social media platforms** "…Social media platforms like Facebook, and Instagram are very powerful in reaching out to wider audiences and mostly these are free of cost. Myself and wife regularly upload 1–2-minute videos and we receive many likes which lead to enquiries. My brother runs an electronics shop. He sells products of different companies but regularly updates offers, discounts and new products on WhatsApp etc …" - Beauty and personal care entrepreneur, Ahmedabad
View of an entrepreneur on registering on multiple retail platforms for D2C and B2B sales "…The needs of individual consumers and business consumers are different. One is looking for a single purchase and the other for a bulk purchase that can translate to profit. People, therefore, register on different platforms for D2C and B2B sales…" -Industrial engineering entrepreneur, Ahmedabad	**Views of an entrepreneur on content of social media platforms** "…Gone are the days when social media was all about stars, big shots, and influencers. These days consumers are looking for content and utility. In recent times, most successful social marketing on social media platforms showcases the utility of the products without focussing much on the speaker. Of course, the content of these videos differs by the product categories but utility and value for money is the focus …" - Electronics entrepreneur, Ahmedabad

Source: IIMA Pilot Enterprise Survey 2023

Own website: Retailers/producers are now creating their own websites for doing business. For this, retailers/producers usually outsource their work to vendors/firms which develop the websites as per their requirement.

Affordable charges have enabled website development: Compared to the 1990s and earlier, website development is now an affordable investment. Progress in information technology and growth in the number of website developers/coders has made website development an affordable activity that even small retailers/traders can invest in. However, differences can be seen in their interface and the way they function. Basically, algorithms and optimisation techniques create these differences and larger firms are investing heavily in their platforms to stay ahead of others.

Figure 4.4 Ways of Doing Business Online by Product Categories



Using social media platforms: is now a popular way to promote products/services. Even in the pilot sample, retailers/producers reported using social media platforms to promote their products/services.

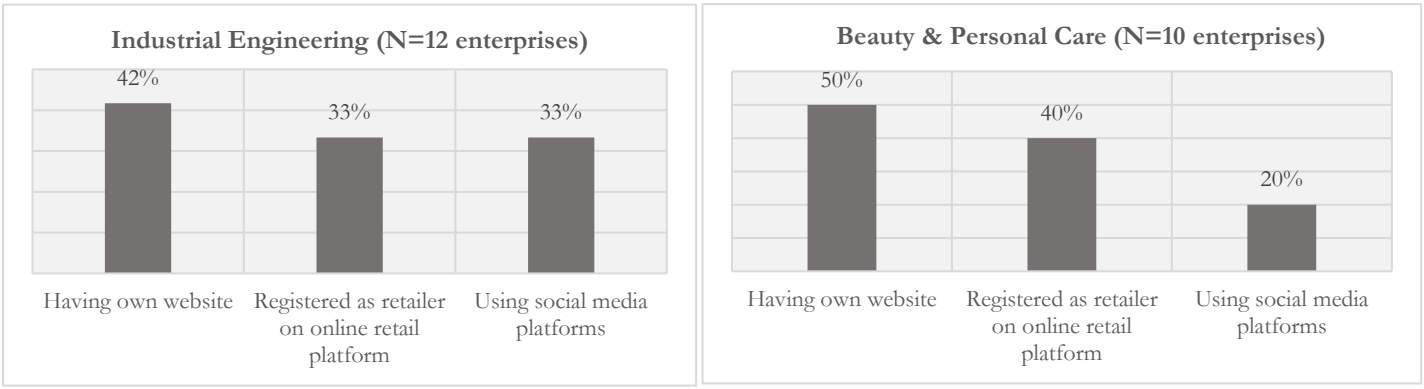
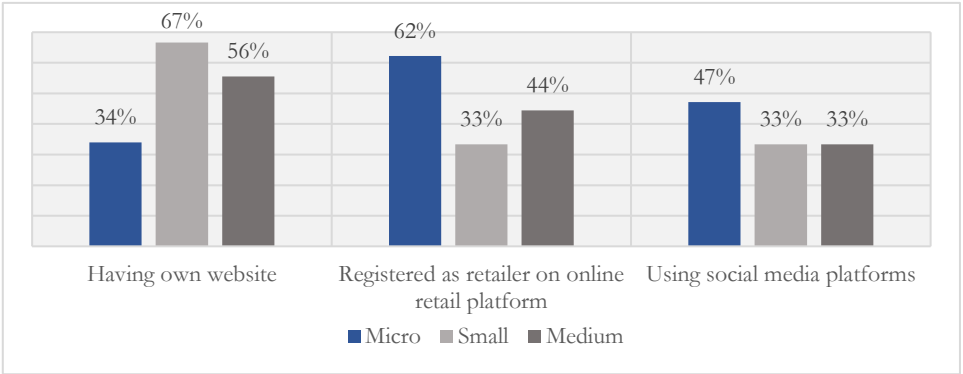


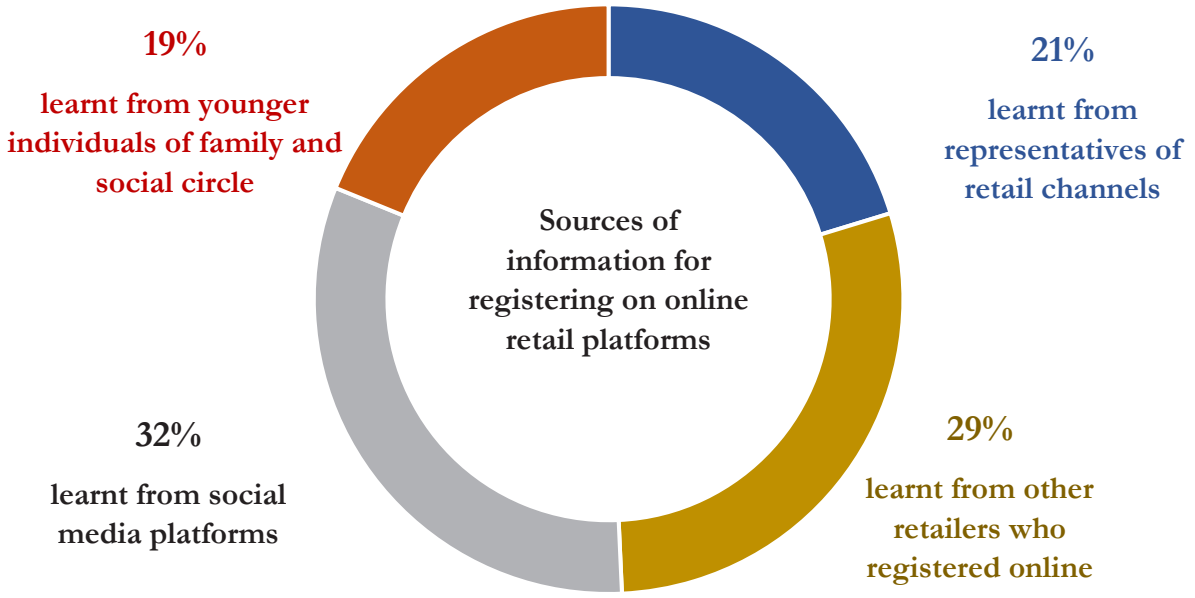
Figure 4.5 Ways of Doing Online Business by Enterprise Type



Source: IIMA Pilot Enterprise Survey 2023

4.3.2 Sources of Information for Registering on Digital Retail Channels

Figure 4.6: Sources of Information for Registering on Digital Retail Channels



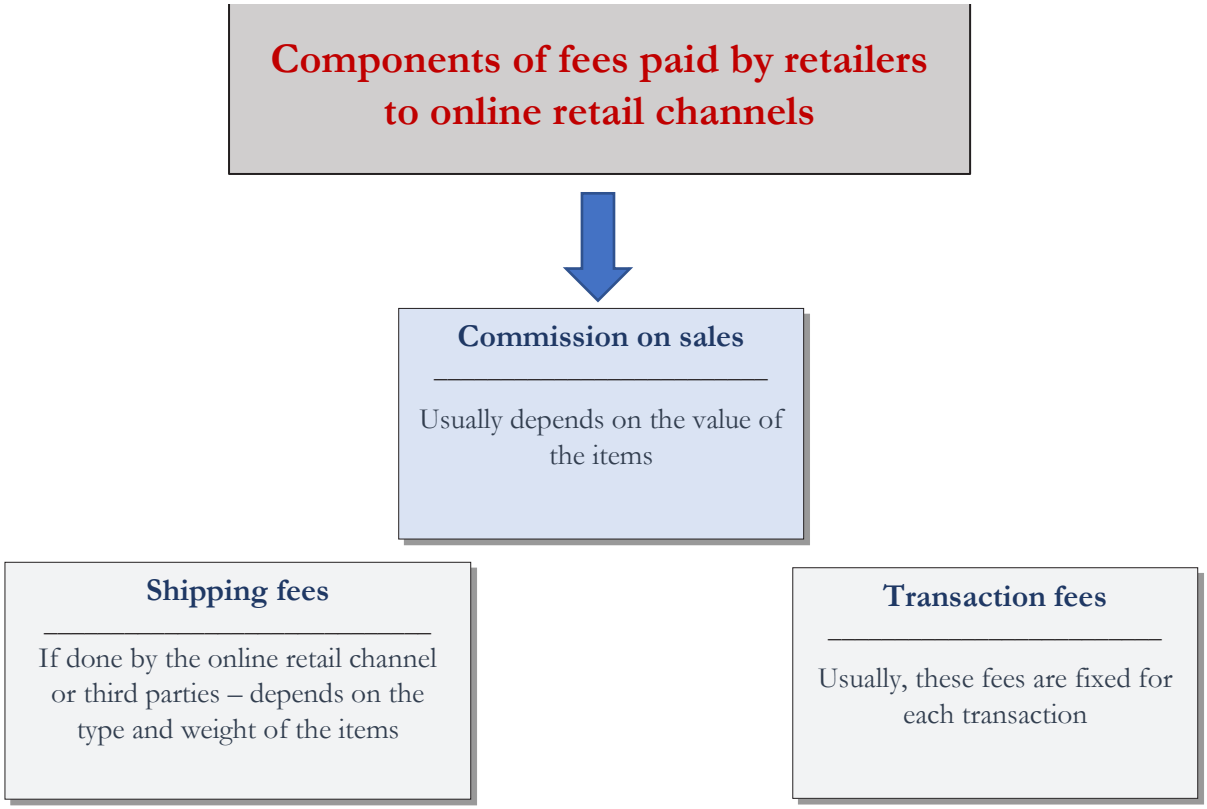
Source: IIMA Pilot Enterprise Survey 2023
Responses rounded off to nearest decimal places

While several sources of information are available (as presented in Figure 4.6 above), yet sustained efforts are required by online retail platforms to physically reach out to retailers and increase their awareness in doing business online. Such awareness efforts are particularly useful for retailers above 45 years of age, who are less active online and have apprehensions about the terms and conditions of doing business online. In addition, some capacity building of elderly retailers is also required to make them comfortable in using online retail channels and platforms.

4.3.3 Fees Paid by Retailers while Doing Business Online

Retailers registering on digital retail channels reported paying the undermentioned charges for doing business.

Figure 4.7: Fees Paid by Retailers to Online Retail Channels



Note and Source: The above are the broad components of fees paid by retailers, but there can be some additional components also. The above listing is authors' inference based on the review of Amazon.in, 2021 & Flipkart, 2023

Table 4.8: Views of Entrepreneurs on Fees Paid to Digital Retail Channels

Views of an entrepreneur on commission in sales	Views of an entrepreneur on shipping
"…Online retail channels have enabled increasing sales but, on every sale, we have to share our margin with retail. Also, there is immense competition between sellers. This has substantially affected our margins and even in-store consumers want the same discounted price. In addition, the payment for the delivered items comes after 7-8 days, this affects our money circulation also.…" - Fashion and clothing entrepreneur, Ahmedabad	"…Packaging and shipping is a problem for me. If I do it by myself my family members have to put in the effort and if we do it via retail channels, we have to give a price. Also, I am registered with 3 channels and it's difficult to manage packaging and deliver the goods …" - Beauty and personal care entrepreneur, Ahmedabad

Source: IIMA Pilot Enterprise Survey 2023

Table 4.9: Suggestions Given by Enterprise Representatives

1

Reduce turnaround time for payments to enterprises

Once the order is delivered and consumers confirm the order receipt without any prospect for returning the item, digital retail channels may immediately release payment to enterprises which in in present may take up to 7 to 8 days

2

Display the nearest enterprises in the vicinity of consumers

Once the consumer selects a product, the retail platform may display the nearest sellers – this will give an advantage to the nearest smaller sellers in the vicinity, also optimizing the logistics and delivery. It will also promote sales by smaller sellers

3

Minimise the loss of seller enterprises due to returns

The enterprise owners suggested devising some measures which can reduce the losses due to returns. These, for instance, may include – sharing charges for returns between sellers and digital retail channels, etc.

4

Prepare consumer profiles and give enterprises the feature to cancel orders

Like sellers, there can be ratings/scores for consumers also. These ratings can be based on the total items ordered within the last few months, and items returned – while not displaying the details of the orders. Based on such details, sellers can accept and cancel the orders within an hour of its placement. Such a move may reduce the consumers' return rate

5

Recognition of enterprises and relationship building

At present, the relationship between online retail platforms and enterprises seems to be only for business purposes. Enterprise representatives suggested that online retail platforms should also take up some relationship-building measures. These, for instance, can involve:

a) recognizing best-performing micro-enterprises based on consumer reviews, sales, and return rate. The seller profile can then be displayed for some days to consumers logging in from similar geographies

b) providing gifts/coupons to enterprise owners on festivals, birthdays and even organizing some social gatherings/feasts for enterprise owners at the regional level

6 **Special incentives for microenterprises owned by women/specially-abled persons**

The retail platforms may consider providing some concessions to microenterprises owned by women/especially abled persons and to micro-enterprises selling affordable healthcare products for women and specially-abled persons

7 **Take regular feedback from enterprises**

Digital retail channels should take regular feedback from enterprises through phone calls and random visits. This may help to further improve business functioning and build relationships.

Note: Majority of the suggestions are given by representatives of micro-enterprises

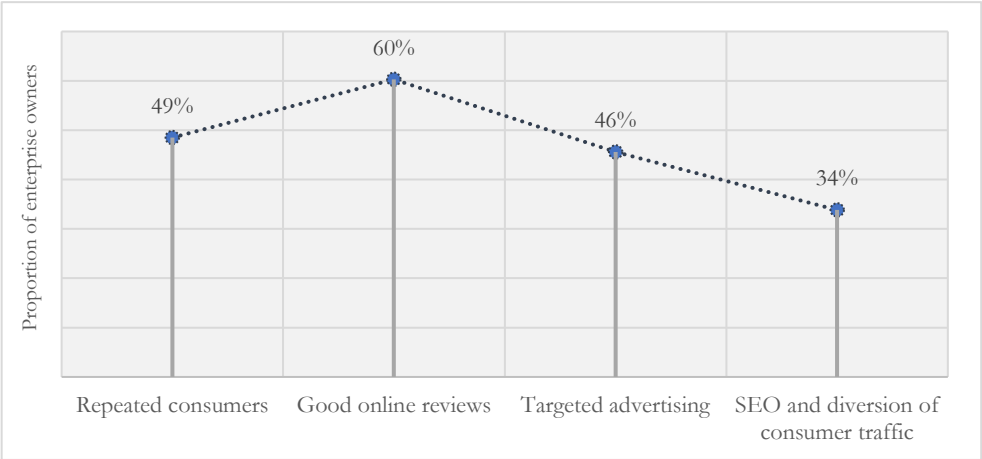
Source: IIMA Pilot Enterprise Survey 2023

4.3.4 Impact of Doing Business on Digital Retail Channels

Figure 4.8: Impact of Online Business on Overall Sales and Enabling Factors

Source: IIMA Pilot Enterprise Survey 2023

Figure 4.9 Factors Enabling an Increase in Sales on Digital Retail Channels



Source: IIMA Pilot Enterprise Survey 2022

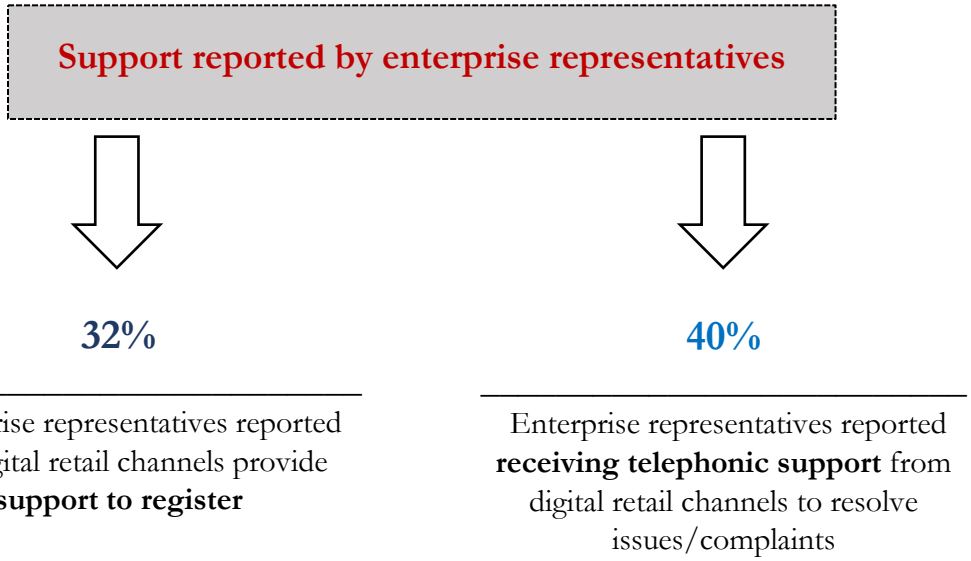
Table 4.10: Views of Entrepreneurs on Online Reviews and Repeated Consumers

Views of an entrepreneur on good online reviews	Views of an entrepreneur on repeated consumers
"…Good reviews play an important role in deciding the sale of products. There are many sellers selling the same product but then reviews about the seller help consumers to decide the purchase. I am not sure whether these reviews are genuine or posted by sellers themselves but then retail platforms should keep a check on it.…" - FMCG entrepreneur, Ahmedabad	"…My good quality sarees and dress materials have made consumers reach out to me for repeat orders even from other states. These consumers have now ordered 3-5 times and I see it as success in this competition. Such repeat orders also lead to publicity by word of mouth and increase in sales sometimes.…" - Fashion and clothing entrepreneur, Ahmedabad

Source: IIMA Pilot Enterprise Survey 2023

4.4 Support Provided by Digital Retail Channels

Figure 4.10: Support Enterprise Representatives Reported Receiving from Digital Retail Channels



The enterprise representatives reported receiving support from digital retail channels for registration, resolving issues, and mitigating operational challenges. **However, the proportion of enterprises acknowledging this support is less in the pilot – perhaps there are some gaps in the provided support that need further exploration.**

32%

Enterprise representatives reported receiving **guidance on marketing the products and setting up digital payment systems**

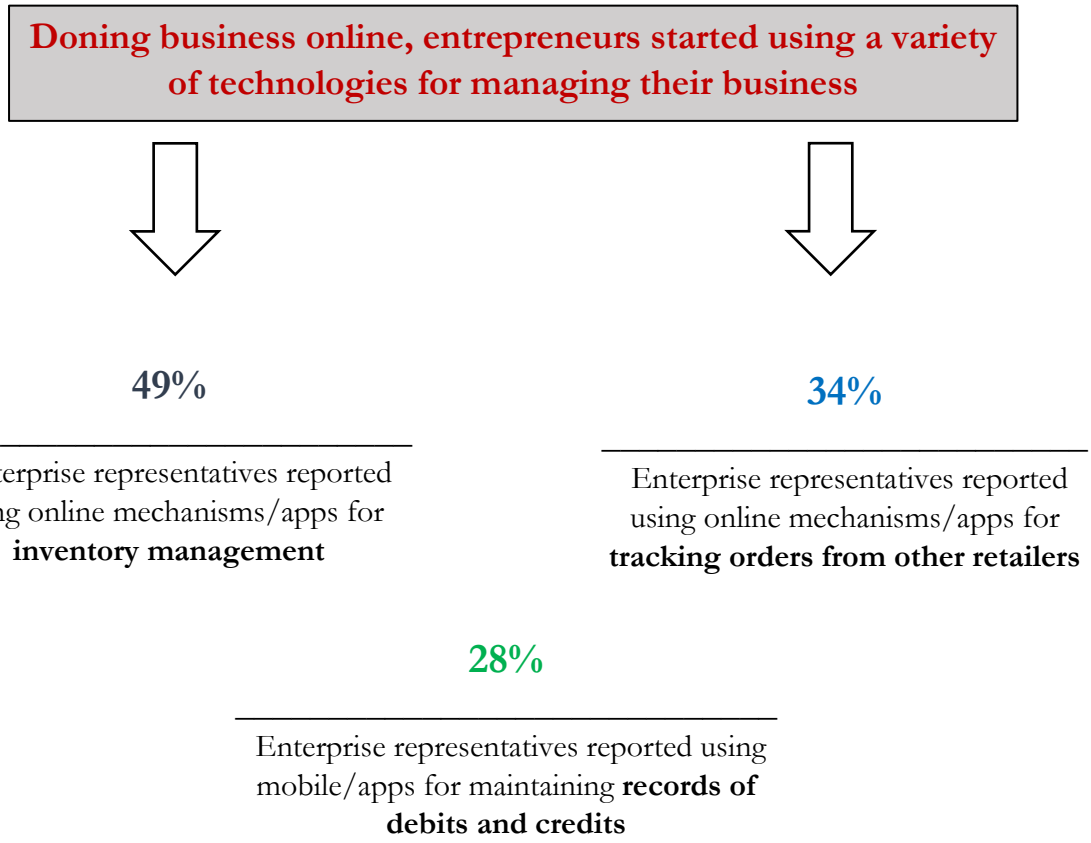
Source: IIMA Pilot Enterprise Survey 2023

Table 4.11: Views of Entrepreneurs on the Support Provided by Digital Retail Channels

Views of an entrepreneur on registration support	Views of an entrepreneur on business support
"…I was trying to register and got a call from seller support services, the very next day. The representative guided me through the registration process, told me that they will also do GST registration if my firm is not registered, and sent me all the documents required on WhatsApp. As they, like us, want to expand their business, the support was very active…" - Stationary entrepreneur, Ahmedabad	"…Everything is good till one registers. I have been registered with one of the largest digital retail channel and there are many things. First of all it's not easy to run a business online and most importantly it takes a lot of effort and learning to be profitable online. There is competition and returns, its cost is borne by us, poor logistical support, and a number of charges which are to be given by the seller to online retail players. It's not right in my view and there should be some genuine support to do profitable business by smaller sellers like me …." - Fashion and clothing entrepreneur, Ahmedabad

4.5 Learnings from Digital Retail Channels

Figure 4.11: Technologies Used by Entrepreneurs while Doing Business Online

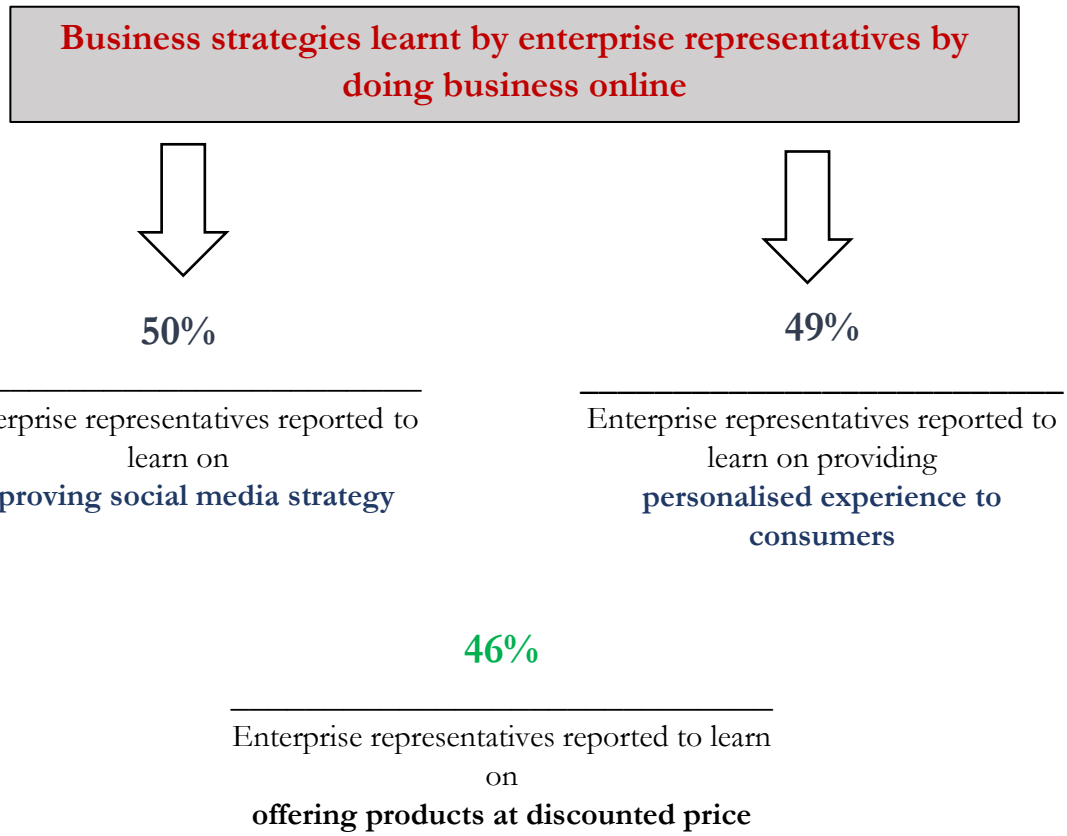


Source: IIMA Pilot Enterprise Survey 2023

Table 4.12: Views of Entrepreneurs on Learnings from Doing Business Online

Views of an entrepreneur on using online retail platforms for business management	**Views of an entrepreneur on managing business accounts online business**
"…Since I started the online business 2-3 years ago, I have learned many things. These platforms also give the software to manage stock, sales, etc. I found that useful. That software is operated by my son but I can just see orders received and delivered, it's easy. I have started using a laptop and simpler software in my mobile. It is useful …" - Industrial Engineering entrepreneur, Ahmedabad	"….Online business has improved the use of technologies in several ways. This was not the case 10 years ago. Now we are able to track orders to consumers, automate the recording of debit, credit, returns and refunds, and commission on sales. All this has increased the efficiency of managing businesses as it increases with scale. However, I still feel these technologies are for the younger generation. I am 50 years old, not that old but still …" - FMCG entrepreneur, Ahmedabad

Figure 4.12: Business Strategies Learnt by Entrepreneurs while Doing Business Online



Source: IIMA Pilot Enterprise Survey 2023

Chapter 5
Complexities in E-commerce and Recent Developments

Chapter 5 Complexities in E-commerce and Recent Developments

5.1 Introduction

The success of E-commerce depends on how well the digital retail channels and retailers can manage the supply chain and field operation activities. Several factors, such as market competition, rising operating costs, shrinking margins, fluctuating consumer demand, etc, constrain the functioning of these activities. While these issues impede operations, they also compel firms to innovate. This chapter presents a few issues in E-commerce and lists some initiatives taken by firms to overcome them.

5.2 Complexities in Retail and Recent Developments

With an increasing consumer base, expanding operations to newer geographies, and increasing market competition, E-commerce firms are streamlining their operations rapidly. In doing so, the firms are taking measures that are effective and efficient for operations and, in all, increase firms' revenue and consumer satisfaction by services. Box 5.1 below lists a few operational issues and measures taken by E-commerce firms.

Box 5.1: Select Complexities in E-commerce and Initiatives taken by E-commerce Firms

Select complexities in E-commerce.

1 **Warehouse management:** Warehouses enable retail firms to systematically manage inventory and ensure timely delivery of products. Conventionally, companies relied on large central warehouses to store all their product inventories. However, centralized warehouses require huge investments and incur greater shipping costs to far-off regions. Taking this into account, retail firms are increasingly adopting a hybrid model with a combination of centralized and distributed warehouses. Compared to centralized warehouses, distributed warehouses are small, offer storage capacity to fulfill the neighborhood demand, and are easy to operate. Using these, retailers can shorten the logistic cost and duration of the delivery. The sub-sections below present a few of the recent developments in warehouse management

- **Warehousing increase in COVID times**: The surge in online shopping during COVID-19 was to the extent that E-commerce firms had to book marriage halls, shopping malls, and auditoriums for storage. However, as the pandemic effect decreased gradually and physical markets opened at pre-pandemic levels, the sales from E-commerce also decreased. This led to decreasing use of warehouses by E-commerce firms, and in the first half of 2022, the E-commerce companies contributed only to 4% of the total warehousing leasing in the country (The Economic Times, 2022). Overall, in 2022, the warehouse leasing taken by E-commerce firms decreased by around 23% compared to COVID times. However, it is also expected that as E-commerce sales accelerate in 2023, warehouse leasing taken by E-commerce will increase.

- **Using outsourcing services for warehouses:** Given the cost and maintenance aspects, retail firms are increasingly using the services of 3rd-party logistics suppliers to use their storage facilities and inventory management expertise. The outsourcing services by logistic partners include picking, packing, and delivering the order. All these activities save the

capital and efforts of retail firms to build warehouses and coordinate deliveries of shipments. Ship Rocket, Gati, Mahindra Logistics, TVS supply chains, Welspun One Logistics Park, etc., are a few of the major players offering services for outsourced warehousing.

- **Amazon's "I Have Space Programme"**: Amazon India, in 2015, introduced the "*I have space program"* for taking vacant space in local mom-and-pop (aka Kirana stores). As part of the program, Amazon India collaborates with local stores and takes up their vacant space for storing inventory. It then diverts local orders to these stores, which are within 2 to 4 kilometers of the store location. Through this initiative, Amazon utilizes the extra space in the partner stores to put up inventory and uses the store services for delivery. The store partners also benefit from additional orders and, on average, deliver around 20 to 30 local deliveries in a single day. By 2017, Amazon connected with around 13,000 local stores across 65 different cities in the country.

2 Automating shipment of products from warehouses: E-commerce firms deliver thousands of products daily. Therefore, picking up the right product from warehouses and shipping it to the consumers is an important operational activity. The centralized warehouses are spread over millions of square ft of area. As picking the right product from these large storehouses can take time and may have errors due to manual picking, E-commerce firms are automating this process. The automated process is enabled by an integrated supply chain management that involves the automatic sorting of products, conveyor belts to transport the product in and out of the warehouse, packaging arms, and computerized retrieval mechanisms. Using these mechanisms, retail firms can ship products with minimal error and save around 25 to 40% of their operations time.

- **Spot-check during delivery to consumers:** Despite taking care during shipment, E-commerce firms are often cited to deliver wrong and damaged products. This is distressful, particularly when consumers order high-value products and product shipment has taken time to get delivered. Taking this into account, E-commerce firms like Flipkart, Amazon, and others have started the Open Box Delivery (OBD) initiative. In OBD, the delivery person opens the delivery box in front of the consumer. This allows consumers to check if the delivered product is new, as per the order, undamaged, and has all the brand packaging and warranty details as specified on the retail channel platform (Amazon, 2023; Flipkart, 2023). If the product or any other accessory is found to be damaged or not as per specifications, consumers can return the product to the delivery person. If consumers have ordered the product by cash on delivery, then in case of a return, the delivery person will refund the amount on the spot. In the case of pre-paid orders, the amount will be refunded as per the terms and conditions specified on the channel's platform (*ibid*). As of now, the OBD facility is free but is available for select products and in select cities only. Overall, such spot checks enable consumers to verify their orders and inspect them before use.

- **Delivery message and delivery code for verification:** Once the order has been placed by a consumer on the E-commerce channel, the consumer then receives automated messages on their mobile numbers about the details of shipment and delivery. These messages save time for consumers, who otherwise use tracking links to view the order updates. In addition, on the day of delivery, several E-commerce firms now also send messages with unique delivery codes to consumers on their mobiles, which they have

to share with the delivery person. These measures ensure that consumers remain updated about their orders and that the product is delivered to the right person while also ensuring the privacy aspect of the order.

3 **Returns of products by consumers:** Product returns are an issue for retailers as they bear the cost of shipping. The rate of returning the products is maximum in fashion and clothing, where consumers often have issues related to quality, size, fit, color, etc. The rate of returning products is higher in the festive season. During this period, consumers do the maximum amount of online shopping in India, and the rate of return is nearly 20 to 30% (mint 2021; Dopson 2021). Several consumers even buy clothing products only to wear them for some time and then return them.

To minimize the returns, E-commerce firms are taking several steps. These include uploading clear specifications of the product and its high-definition images and videos. For clothing products, retail firms also display size guides based on a few measurements of the human body. This helps consumers order products according to their body fit. In addition minimizing returns, retail channels are fast-tracking the return process by automating it. Using the return merchandise authorization (RMA) system, the retail channels enable consumers to initiate the return, select a convenient time for pick-up, get updates on the validation of the return by the retail channel, and choose the payment method by which consumers can get the refund. While automated return gives a hassle-free experience, collecting the return package involves on-ground work. Taking the cost and time into account, most E-commerce firms have outsourced the return collection to the same or another delivery agency. Ecom Express, Bluedart, Delhivery, Shadowfax, etc, are a few firms specializing in reverse logistics.

- **3-D mobile body scanning for clothing:** To measure body dimensions more accurately and minimize the returns for clothing, there are now apps like **Mirror Size,** which scan the body and record its measurements via a mobile camera. Using these apps is easy as consumers just need to stand in front of the camera and let the mobile camera scan the body while standing in a straight and sideways position (Mirrorsize, 2023). The app sensors, using AI-based algorithms, then measure body dimensions on several parameters, including chest, waist, arm length, neck girth, etc. E-commerce firms and even brick-and-mortar firms can use these apps to recommend clothing sizes as per the body dimensions.

4 **Shrinking margins of E-commerce players:** While E-commerce sales are increasing, immense competition and overhead costs of logistics, warehouses, returns, advertising, etc, are shrinking the profit margins of retailers. For these reasons, most e-commerce firms have posted net losses over the years. Taking cognizance of the issues, E-commerce firms are devising new business strategies, a few of which are listed below

- **Private label brands by E-commerce players:** Realizing the potential of greater profitability from one's own manufactured products, several E-commerce firms, including Flipkart, Amazon, Croma, Reliance, etc, have launched their own brands of products. To manufacture the products, E-commerce firms give orders on contract to manufacturers and then sell them by their own brand names. This contract manufacturing is beneficial for local MSMEs as they get orders. However, such brands

pose a threat to local manufacturers as they usually cannot compete with private label brands on machine-aided finishing and price.

- **Increasing consumer acquisition cost (CAC):** Increasing competition and demand for digital advertising have increased the cost of digital marketing and customer acquisition costs by around 40 to 50% in the last 5 years (mint 2022). Over the last 3 to 4 years, particularly since the pandemic, online shopping by consumers has increased. This has prompted firms to increase their spending on digital marketing. However, with increasing demand and competition, search engines and platforms have also increased charges for marketing and traffic diversion. The increase in charges is also because of increasing regulations on consumer tracking and sharing of data. While large firms are able to afford these high charges of digital marketing, smaller firms find it difficult to afford, and hence, their visibility to consumers is limited. This has an overall impact on sales and, thereby, revenue of the firms.

- **Evolution of channels to multi-service channels:** Large E-commerce firms and payment apps in India are increasingly offering multiple services to consumers. These, for instance, include travel booking, utility payments, subscription services to digital media, e-library, etc, in addition to buying products. This availability of multiple services is beneficial to consumers as only one app resolves their several requirements. It increases consumer engagement on channels and retains them for a longer time. Apart from this, firms on these multi-utility channels give offers in combination with different products and services. This further keeps consumers active in visiting these channels and making purchases from time to time.

  Apart from business, an integrated channel/platform is also useful to firms on the operational side. It enables firms to reach out to a larger consumer base, translating to a larger database, allows harmonization of operations between divisions, gives better analysis for business strategies, etc. With these advantages, firms can better analyze consumer trends and can streamline their operations strategically.

- **Loans by E-commerce channels and payment apps:** In addition to flexible payment mechanisms such as buy now and pay later (BNPL), equated monthly installments (EMI), and purchases through credit cards, E-commerce firms and payment apps like Flipkart, Amazon, Paytm, etc have started offering loans to consumers and sellers. While Flipkart has started offering loans to individual consumers (The Economic Times, 2023; Business Today, 2023), Amazon offers loans to sellers (Business Standard, 2023). In doing so, these firms have partnered with financial institutions and are offering loans up to INR 5 lakhs for individual consumers and up to INR 5 crores for sellers. The loans on the consumers' side will increase their purchasing power and boost channel sales, and loans for sellers will provide them with the required working capital and streamline their business functioning.

5 **Cash on Delivery (CoD):** For Indian consumers, CoD is the most preferred payment method for online shopping. It provides consumers the convenience to pay when the correct order is received. Initially, CoD was started to encourage online shopping and gain the trust of consumers in E-commerce. With time, several payment methods, including digital payment systems, have evolved, but consumers still prefer CoD for online shopping. However, for retail channels, CoD is

not as efficient as the logistic partners handle the transactions. In this process, the retail firms receive the payment a little later compared to other payment methods. For the CoD-based return, the process is even more complicated. At the time of initiating a return, consumers have to fill out the return form and share their bank details. Once the refund team validates the credentials and approves the refund status, the refund is transferred to the bank account. This entire process takes around 5 to 7 days to complete. As the turnaround time for CoD is longer, E-commerce firms usually promote other payment methods by giving discounts and cashback offers to consumers.

6 Counterfeiting products on E-commerce channels: The sale of counterfeit products is a frequently reported issue (ET Retail.com 2022; Inc42 2022; ASPA 2021; Businessline 2020). Fragrances, perfumes, electronics, fashion, and clothing are the major product categories in which fake products are sold frequently by retailers (Local Circles, 2023). Low prices and heavy discounts lure consumers to buy these products, and moreover, most consumers do not have the knowledge to verify the authenticity of these products and/or they are unaware of the issue at all. The sale of counterfeiting products results in a loss for both the original manufacturers of the product and consumers. While original manufacturers suffer economic loss, consumers purchasing the product do not get value for their money. The draft E-Commerce Policy 2019, discussed in the next chapter, lists measures to control the sale of counterfeit products. E-commerce firms have also taken a few measures to ensure the authenticity of products. These, for instance, include authenticating the quality and genuineness of products through multiple checks and then badging the products as genuine. In addition, firms like Amazon have also started giving codes to the shipment after verifying it. When consumers receive the products, they can scan them and check their authenticity.

With developments in AI, firms are also innovating technological measures to validate product genuineness. This includes apps like *Alitheon's FeaturePrint,* which scans images of the product and notifies whether the product is genuine or not. For this, the app identifies unique product features and creates a digital serial number that firms can use to track and authenticate products (Alitheon 2023). This technology eliminates the use of any code, hologram, or marker, which are usual means for authenticating the products.

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Chapter 6
Retail Policy and Regulatory Environment

Chapter 6 Retail Policy and Regulatory Environment

6.1 Introduction

This chapter presents an overview of key policies and initiatives related to E-commerce in India. The government of India has recently introduced a draft E-commerce policy to regulate the functioning of the sector in the country, and a finalized policy can be expected soon. Before this, the regulation of the e-commerce sector was guided by several policies, and different aspects of the sector are under the ambit of different government institutions, making the sector regulation quite complex. It is expected that the e-commerce policy will be referred to as the single reference policy for sector regulation and will facilitate coherence between the relevant government institutions.

This chapter presents the analysis of five major policies and initiatives promoting the functioning of the sector. This includes Draft E-commerce Policy, 2019, Consumer Protection (E-Commerce) Rules, 2020, Open Network for Digital Commerce (ONDC), Consumer Protection (E-Commerce) Rules, 2020, FDI regulations, and Digital India.

6.2 Policies and Initiatives Related to E-commerce

6.2.1 Draft E-commerce Policy 2019

The draft National E-commerce Policy 2019 aims to create a regulatory framework for the growth of the country's E-commerce sector. The policy discusses issues related to six thematic areas – data, an E-commerce marketplace, infrastructure development, digital economy, and exports and gives guidelines for promoting growth and inclusivity, particularly for consumers and domestic entrepreneurs. Table 6.1 below gives an overview of the policy focus areas, and Box 6.1 discusses some of the policy's major highlights.

Table 6.1 Key Features of the Draft E-commerce Policy, 2019

Features	Description
Exclusive E-commerce Policy	The policy draft has been prepared exclusively for E-commerce and is the first of its kind in the country.
Objective	The objective of the policy is to create an enabling framework for the growth of E-commerce in the country.
Focus areas	Inclusivity, promotion of domestic enterprises, and protection of consumer interests are the major focus areas of the policy.
Thematic areas	The policy discusses issues related to six thematic areas of data: an E-commerce marketplace, infrastructure development, promotion of the digital economy, and exports from E-commerce.

Source: Draft E-commerce Policy, 2019

Box 6.1 Major Highlights of the Draft E-commerce Policy, 2019

1 **Policy highlights related to data:** The draft policy recognizes data as a key enabler for the growth of E-commerce and the country's digital economy. In the case of India, the pace of data generation is increasing as a greater proportion of the population is now using smartphones and internet services. With increasing data generation, data-based business models are also flourishing. However, there is still a lack of regulation on this front. The policy takes cognizance of the issues related to ownership of data and its use for business and lists below guidelines for its regulation.

- **Recognizing data as a valuable resource and digital capital:** The draft policy recognizes data as the basis for doing successful E-commerce business. Using data, firms can target consumers appropriately and generate useful predictions for marketing, demand, and the sale of products. Having data is, therefore, like owning an asset, valuable resource, or digital capital that firms can use to benefit their business.
- **Ownership of data and its use by firms:** The draft policy clearly states that the data belongs to the individual. That is, an individual has the ownership right over her/his data. However, most individuals do not even know what type of data they are generating, where it is getting stored, who is processing it, and for what purpose it is being used. To regulate this, the draft policy has mandated that firms will need to have an individual's consent to use the data.

  Apart from individual consent and ownership, the draft states that data is a collective resource and a national asset. Data aggregated from the population allows firms to analyze findings across different consumer groups. As per policy, the group members are, therefore, collective owners of the data. Likewise, data collected from the country's population is a national asset and India has the sovereign right over the data generated from the citizens residing in the country. All this data, as per the draft, should be equitably accessible to all citizens, and firms can use the data after being permitted by the government.

- **Restricting the cross-border flow of data:** The policy states that the data collected in India can be stored and processed by firms abroad. Also, firms abroad can share this data with each other and use it for a variety of purposes. Taking cognizant of these risks, this draft policy aims to restrict the cross-border flow of data from India to abroad on a few fronts.

  The policy restricts the cross-border flow of data that has been a) collected by IoT devices installed in public places in India and b) generated by users on E-commerce platforms, social media, search engines, etc. The policy also directs that business entities that are storing data outside India cannot share the data of Indian users with other business entities even after having the consent of users. However, if the two business entities (one of which is in India) have a contract, then firms can share the B2B data. The policy also prohibits overseas firms from sharing any data with any other country's government. In case of violation of any of these restrictions, the firms are liable to face strict actions.

2 Infrastructure development: The policy stresses building infrastructure such as data centers with improvements in power supply, connectivity, domestic cloud services, etc, to support the ongoing digital transformation in the country. Through this, the policy aims to augment the data-storage capacity and connect remote, unconnected areas with internet services. Before starting the physical building activities, the policy has suggested conducting an assessment that can help identify gaps in existing infrastructure. Also, as the infrastructure activities will require financing, the draft has suggested harmonization between different government institutions and encourages investments from the private sector.

3 E-commerce marketplaces: The draft policy identifies E-commerce as buying, selling, marketing, and distributing products and services through an electronic network. Given the large population and ongoing digitization of the Indian economy, it is expected that e-commerce will soon play a lead role in India's retail sector. The policy recognizes this growth potential of E-commerce and lists regulations on six aspects as presented below.

- **Encouraging foreign direct investment (FDI):** The draft policy asserts the need to promote foreign investment in India's E-commerce sector. In doing so, the draft also wants to ensure that the interests of domestic firms, particularly small retailers, are protected and are not threatened by enterprises backed by foreign investments. For this, the draft allows foreign investment only in the marketplace business model of E-commerce and restricts any overseas investment in the inventory-based model in the sector.

- **Non-discriminatory and fair ground for all sellers on E-commerce channels:** The draft policy stresses creating a fair and non-discriminatory ground for all retailers and start-ups in E-commerce. Creating this equal ground is essential as E-commerce presently operates on a marketing-based model. As such, sellers who spend more on marketing are promoted on channels/platforms. They are usually given top positions in seller listings and are even able to avail of consumer traffic diversion. Because of this preferential treatment, such sellers can generate more sales. Smaller sellers and start-ups, on the other hand, find it difficult to afford these marketing charges. These sellers are listed passively on channels and are not promoted much, which affects their sales.

- **Information to be displayed on the product:** The policy directs all E-commerce websites/apps to display crucial information such as the maximum retail price (MRP) on the packaged products, country of origin in case of imported products, and dimensions.

- **Anti-counterfeiting measures:** The draft policy considers selling counterfeit products as worrisome and lists several steps related to sellers and trademark owners to prohibit its sale. For example, the policy directs all the retail channels to have an undertaking from the sellers that the products they sell on the channel are genuine, authentic, and are not impaired in any manner. Sellers who fail to give such undertakings, as per the draft policy, are not to be listed on the channels.

  To validate the genuineness of products further, the draft policy suggests giving trademark (TM) owners the option to register on channels. Once registered, TM owners can authenticate products being sold by sellers and facilitate resolving any issues related to

product genuineness. Also, if any seller fails to provide evidence for product genuineness, the seller can be blacklisted from the E-commerce channel for a specified period. These guidelines also provide relief for consumers, as they can return products of concern, get refunds, and file complaints related to any concern about product genuineness.

- **Anti-piracy measures:** In addition to products, the draft policy barres the distribution of copyrighted digital content without owners' permission. In case a website or E-commerce channel is found to be selling, distributing, and providing access to copyrighted content, then such websites and channels are directed to disable access to the content immediately. The policy also suggests forming a group of stakeholders to identify websites that host pirated content. Appropriate steps can then be taken by internet service providers and search engines, which may disable access to such websites.
- **Posting authentic ratings and reviews:** The draft policy directs E-commerce firms to publish reviews only by registered consumers and suggests devising mechanisms that can prevent the posting of fake reviews by sellers and their affiliates.

4 Regulatory issues: Regulating E-commerce is a complex task as its functioning comes under the purview of different policies and government departments. The draft policy recognizes this complexity and suggests several measures to streamline the sector's regulation. For example, the draft policy, while referring to Schedule VII of the Constitution, allocates the regulation of the E-commerce sector to the Central Government and designates the Department for Promotion of Industry and Internal Trade (DPIIT) as the nodal ministry for the sector. This Centralized regulation is logical as E-commerce involves buying and selling products between States, and regulating it by different State laws and policies will be quite difficult. The draft also recommends the formation of The Standing Group of Secretaries on E-commerce (SGoS), which will coordinate with different departments and resolve related issues more effectively.

Apart from the institutional regulation, the draft suggests regulating advertising charges on E-commerce channels, expresses concerns over the illicit use of data, and prescribes E-commerce channels to protect the interests of consumers and devise an efficient complaint redressal system. A few of these concerns and suggested measures are listed below.

- **High rates of online advertising and the need for its regulation**: E-commerce firms, social media platforms, and search engines have a large consumer base. Capitalizing on this, these firms charge high rates of online advertising. Small firms and start-ups, however, cannot easily afford these high advertising charges. Consequently, these firms either do not spend much on advertising and/or, even if they advertise, they manage the advertising funding from other aspects of the business. The draft policy views these high advertising charges as barriers, particularly for small firms and start-ups, and suggests its regulation.

- **Leveraging data and considerations for small enterprises:** The policy notes that enterprises are increasingly leveraging data and first-mover advantages in the market. Leveraging these, large enterprises can generate business to an extent that even selling products at losses has become sustainable for them. Therefore, it is essential to examine how E-commerce firms are utilizing data and if there is any compromise being done with consumer interest and their security. Based on the examination, the policy suggests devising regulatory measures that can enable a balance between consumers' security,

their interests, and commercial interests, particularly of smaller retailers. The draft policy also suggests giving smaller and start-up enterprises the status of infant industry with access to relevant data for doing online business. This will help these enterprises overcome financial barriers for advertising and consumer outreach and give them an initial push for better business.

- **Imposing custom duties on electronic transmission:** Presently, there are no customs duties imposed on electronic transmissions. In the wake of the increasing digital transmissions, the draft policy views custom duties as an important source of revenue and suggests imposing custom duties.

5 Stimulating the domestic digital economy: The draft policy identifies a few key factors on the population and operations side for stimulating the country's digital economy.

On the population side, the draft observes that two out of three people in India do not have access to the technology needed for doing trade and E-commerce activities. In addition, much of the rural population is not digitally literate. The policy, therefore, suggests improving the uptake of technology by the country's population and improving its digital literacy. On the operations side, the policy suggests the need for standardization of smart devices, automation of logistics sector operations, including that of India Post, and integration of the government database.

6 Considerations for the Promotion of Exports by E-commerce: The draft policy views E-commerce as a prospective medium to increase the country's exports. E-commerce, as already discussed in preceding chapters, provides several advantages to firms. Among these include easy outreach to consumers, better product value without intermediaries, instant payment, etc. Despite all the advantages, e-commerce exports from the country have not yet reached their full potential. Several economic, market, regulatory, administrative, and political reasons can be attributed to this limited growth. The policy identifies a few of these factors and suggests some reforms, as listed below.

- **Reduce documentation and administrative costs:** Firms exporting products through E-commerce receive payments via bank transfer. For this, firms fill out the Postal Bill of Exports (PBE), attach invoice(s), and enter information on products, inventory status, transaction details, etc. As such, receiving overseas payments is a tedious activity that can be eased. In addition, firms must pay a charge of INR 100 per shipping to process the Bank Realization Certificate (BRC). The draft policy has suggested that instead of using this certificate, the data from the Export Data Processing and Monitoring System (EDPMS) can be used. On a similar note, the policy has suggested using electronic data interchange at courier terminals. This will reduce the time taken to track and dispatch the courier shipments.
- **Lowering cargo charges for high-value shipments:** In the case of exports, shipments of value less than INR 25,000 are shipped by courier services, and shipments of value greater than INR 25,000 are shipped by cargo. Cost-wise, the shipping cost of cargo shipment is usually more than that of courier shipment. The cargo shipments are also scrutinized in more detail and take more time to get cleared. Due to these reasons, the transaction costs and delivery time of cargo shipments are higher than those of courier shipments. To make the services of Indian E-commerce exports more attractive,

the draft policy suggests promoting courier shipments and increasing the limit of courier shipments value beyond INR 25,000. Shipments by courier services will decrease both transaction cost and delivery time, benefitting both retailers and consumers.

Source: Draft E-commerce Policy, 2019

6.2.2 Consumer Protection (E-Commerce) Rules, 2020

As the name suggests, the Consumer Protection (E-commerce) Rules, 2020, are a set of guidelines listed by the Department of Consumer Affairs for protecting consumer interests. These rules direct the code of conduct of E-commerce firms and sellers, which they must abide by while doing business on digital retail channels. These rules, for instance, include displaying relevant information to consumers, prohibiting unfair practices, offering genuine products, offering hassle-free returns of products, refunds, supportive grievance redressal mechanisms, etc. Most of these guidelines are also included in the draft E-commerce policy. Table 6.2 below presents the major highlights of these rules.

Table 6.2 Overview of the Consumer Protection (E-commerce) Rules, 2020

Features	Description
Scope of rules	• These rules are applicable to all goods and services, E-commerce firms, and sellers engaged in selling goods and services through inventory or marketplace models of business in India.
Duties and liabilities of E-commerce firms	• **Seller details:** E-commerce firms are required to display clear details of sellers – name, address, registration status, rating based on consumer feedback, contact number, email, etc. • **No unjustified pricing of products:** The E-commerce firms are prohibited from manipulating the prices of products to gain unreasonable profits than the prevailing market conditions • **No cancellation charges to consumers:** E-commerce firms cannot levy any cancellation charges to consumers on the return of the product(s) – provided E-commerce firms also bear similar charges when they cancel the purchase order to the consumers • **Refund processing:** E-commerce firms are directed to process refund requests per the guidelines of the Reserve Bank of India and any other competent authority under law in a reasonable time • **Consumer equality:** All consumers are to be treated equally by the E-commerce firms • **Information on transactions and other processes,** including returns, refunds, exchanges, warranties, guarantees, delivery, shipment, etc, to be clearly displayed by the E-commerce firms • **Information for imported products:** The E-commerce firms are required to display the name and details of the importer from

	whom the product has been purchased or the seller who is selling the products • **Information on parameters for ranking of goods and sellers:** The E-commerce firms are required to explain the individual and collective parameters used to rank products and sellers on their channels
Information for grievance redressal	• **Contact and grievance person:** Clear details of the E-commerce entity – legal name, headquarters address, contact numbers, including the details of the grievance officer – are to be displayed on the channels • **Ticket number for complaints:** For every complaint, consumers will be given a unique ticket number to track the status of the complaint
Information by sellers	• **Advertised products have actual characteristics of the product:** Sellers should ensure that the advertised products have characteristics of actual products – and the images and videos should correspond to the actual product. • **Prohibited from posting fake reviews:** The sellers are prohibited from posting any fake reviews while representing themselves as consumers and misrepresenting any feature/quality of the products. • **Have to take returns of purchased goods:** Every seller is obliged to take returns of goods purchased by consumers. • **Give an undertaking to E-commerce firms** for the products and their prices, registration, office address, contact numbers, etc.
Use of simple and clear language	• In displaying the above-mentioned information, the rules direct E-commerce firms to use clear, simple, and unstable language for consumers.

Source**:** Consumer Protection (E-commerce) Rules, 2020

6.2.3 Open Network for Digital Commerce (ONDC)

The Open Network for Digital Commerce (ONDC) is one of the first initiatives promoting open commerce on digital retail channels. Using open-source protocols, ONDC offers interoperability to users and unbundling of supply chain activities (ONDC 2022; ONDC and McKinsey & Company 2023). Through these features and its open architecture, ONDC is enabling a structural shift from an operator-driven centralized platform model to a decentralized platform, which is more inclusive and profitable, particularly for smaller retailers. Box 6.2 below gives an overview of these ONDC features.

Promoted by commercial banks and other financial institutions, ONDC was incorporated as a Section 8 company in December 2021, with the Quality Council of India and Protean eGov Technologies Limited as Founding Members. It aims to transform the present model of marketing-based internet to a transaction-led internet economy where all players, irrespective of the scale of their business, have equal chances to participate. Before the launch, ONDC was piloted in five Indian cities: New Delhi, Bengaluru, Bhopal, Meerut, and Coimbatore (ONDC and McKinsey & Company, 2023). As of May 2023, the network was operational in 236 cities nationwide (The Economic Times, 2023). The launch of ONDC has further intensified competition between e-commerce for the Indian market, which is on the path to becoming the largest globally. However, being a recent innovation, the market response of ONDC is yet to be studied, and there is also a dearth of large-scale scientific studies on it. The key features of ONDC are discussed below.

Box 6.2 Overview of Features of ONDC

1 Interoperability: ONDC offers interoperability, which enables transactions between consumers and sellers registered on different retail channels. This feature increases the visibility of sellers and buyers to consumers, who otherwise can engage only with the registered users of a particular channel.

Additionally, interoperability enables sellers to move from one channel to another without compromising their business credentials. This is important because the moment sellers decide to end their association with one retail channel, they also lose business credentials and their identity built on the channel and its platform. In this way, a particular channel acts as an exclusive holder of the seller's business identity and credentials. The interoperable feature enables sellers to carry their business profile with them to another channel(s). This is a vital component for a seller's business as it presents the details on the number of orders served by sellers, feedback and comments by consumers, ratings, etc. Using the ONDC network, the seller profile will be updated with transactions, and there will be no negative impact on this profile as the seller moves from one channel to the other.

2 Promotion of local commerce and small sellers: The hallmark feature of ONDC is the promotion of location-aware commerce. As the buyer searches for a particular product, the ONDC network connects the buyer to the local sellers selling the desired products. This networking with local sellers benefits both buyer and seller. Buyers can get faster product delivery, and local small sellers can increase their sales with increasing orders. This participation of local sellers is, however, unequal in platform-based models. Centralized platforms are based on a marketing-driven model wherein sellers who pay for marketing and traffic diversion are given priority in listings. Smaller sellers are not able to pay such additional charges and struggle to generate sales. The location-aware

basis gives equal visibility to small sellers and benefits consumers with value-for-money deals and reduced delivery time.
3 Unbundling of delivery activities: For boosting the participation of local partners, the ONDC network localizes the delivery activity. Once the product has been selected by buyers for ordering, the network then displays delivery partners with their prices and estimated time of delivery. Buyers can then select the delivery partner as per their preferences. In the case of centralized platforms, the operator controls the delivery partners. Through these innovations, ONDC is encouraging innovation and participation of local delivery partners.

Source: ONDC 2022; ONDC and McKinsey & Company 2023

6.2.4 Regulations for Foreign Direct Investment in Retail

With globalization, foreign direct investment (FDI) has become a major source of industrial and enterprise financing. In the case of India, FDI has grown consistently, indicating a healthy economy and increasing confidence of investors (refer to **Table 2.5**). This increase in the FDI is an outcome of several reforms taken by the Government over time. Broadly, these reforms include the opening of economic sectors for the FDI and giving relaxations in eligibility conditions of investees, changes in the routes for investments, increasing the cap on investments, and fast-tracking of government approvals. In implementing these relaxations, the Government of India has also been cautious in protecting the interests of domestic firms. Table 6.3 gives an overview of institutions and basic regulations governing FDI in India.

Table 6.3 Overview of the Basics of FDI

Features	Description
Competent authority	• The Department for Promotion of Industry and Internal Trade is the competent authority to grant FDI approval on behalf of the government.
Routes for investing	There are two routes for investing by overseas firms and individuals – the **automatic route and the government route.** • In the automatic route, overseas firms and individuals do not require prior approval from the government. This can be the case for firms that already have government approval for their earlier investment in the firm(s) • In the government route, overseas firms and individuals require prior approval from the government before investing. This can be the case with firms that are being established with foreign investment and are not owned or controlled by a resident Indian entity.
Forms of investment	Overseas firms and individuals can invest in Indian companies through • equity shares, • fully, compulsorily, and mandatorily convertible debentures • compulsorily and mandatorily convertible preference shares

Features	Description
Which firms can receive FDI? *	• An Indian company which can issue capital against the FDI • Partnership firms/Proprietary concerns which are not engaged in agricultural, plantation, real estate, and print media • Trusts – only those trusts that are registered in venture capital funds and are regulated by SEBI and investment vehicles • Limited Liability Partnerships (LLPs) • Investment vehicles governed by SEBI regulations and start-ups
Eligible investors	• Non-resident Indians, company, trust, and partnership firms owned by NRIs • Registered foreign portfolio investors (FRIs) and foreign venture capital investors (FVCIs) as per the regulations of Foreign Exchange Management Rules, 2019

*__Note:__ For details on the FDI eligibility of firms, please refer to Chapter 3 on General Conditions on FDI of the Consolidated FDI Policy Circular of 2020

In the retail sector, the FDI regulations differ by trading activities and business models. In some of the retail activities), the government has allowed 100% FDI, whereas in others, the government has maintained some cap on FDI investment (refer to Table 6.3 below). In doing so, the government has also put-up clauses asking the enterprises with FDIs to procure from local industries in sizeable value and thereby contribute to promoting the country's MSMEs.

Table 6.4: Overview of FDI in Retail by Business Models

Business Model	Description
Cash and Carry Wholesale Trading **(Including sourcing from MSEs)**	• **% of Equity/FDI cap permitted:** 100% • **FDI route for investing:** Automatic • **Year of induction:** 1997
	• **Definition of cash and carry wholesale trading:** The sales of a wholesale trading (WT) firm will be considered cash and carry if it sells its products to businesses, trading firms, retailers, and other institutions. This also includes business-to-business (B2B) E-commerce and includes firms that sell reused, recycled, and processed goods as well. Individual consumers are, however, not direct customers under cash and carry WT. • **WT allowed between companies of the same group:** The FDI Policy Circular permits WT between the companies of the same group. However, it is also prescribed that WT to group companies should not exceed 25% of the annual turnover of the individual WT firm. • **WT firms can provide goods on credit:** While doing cash and carry business, WT firms, like other firms, can also give goods on credit. • **WT firms can perform retail trading as well.** However, the firms are prescribed to maintain separate book records for the two

Business Model	Description
	business activities. Also, separate auditing is required for the two businesses. • **Examples of WT firms in India** include Metro AG, which is a German international wholesale food seller. It started its operations around 2003 in India and was recently acquired by Reliance Retail Ventures in 2023 (PTI 2023). Other WT firms include Booker Wholesale, which is a subsidiary of Trent Limited, and Walmart Cash and Carry stores.
E-commerce	• **% of Equity/FDI cap permitted:** 100% • **FDI route for investing:** Automatic • **Year of induction:** 2002
	• **100% FDI permitted for marketplace model:** The FDI Policy Circular 2020 permits 100% FDI in the marketplace model of E-commerce. However, FDI has not been allowed in the inventory-based model of E-commerce. In the marketplace model, E-commerce firms provide the digital channel and facilitate trading between retailers and consumers. In the inventory-based model, E-commerce firms also own the inventory of goods and sell them directly to consumers. • **Marketplace E-commerce firms can control the inventory of the vendor** if 25% of the sales of the vendor are from the marketplace E-commerce firm or its group companies. However, marketplace e-commerce firms cannot mandate any seller to sell exclusively on their channels. • **Compulsory statutory audit report:** E-commerce firms operating on a marketplace model and having received FDI are prescribed to maintain a statutory audit report by September 30 of every year, clearly confirming its compliance with E-commerce guidelines
Single Brand Product Retail Trading	• **% of Equity/FDI cap permitted:** 100% • **FDI route for investing:** Automatic
	• **Only products of a single brand can be sold:** Under single-brand retail trading (SBRT), products to be sold can be of a single brand only. The firm should also have the same brand name if it is selling products internationally as well. Firms operating on an SBRT basis can operate through brick-and-mortar stores and/or E-commerce as well. • **Firms with more than 51% investment from overseas need to purchase 30% of the goods in value from India on an annual basis:** this can be done by purchasing goods from local MSMEs, cottage industries, and other national firms. However, firms can apply for relaxations in case local sourcing is not possible, but that will be at the discretion of a Committee under the Chairmanship of the Secretary, DPIIT, with representatives from NITI Aayog, concerned Administrative Ministry, and an independent technical expert(s).

Business Model	Description
Multi Brand Retail Trading	• **% of Equity/FDI cap permitted:** 51% • **FDI route for investing:** Government
	• **Includes investment in agricultural produce,** which can be unbranded and include fruits, vegetables, grains, flowers, pulses, poultry, fish, and meat products • **FDI should be a minimum of US$ 100 million.** Of this, around 50% of the first tranche is to be used for developing back-end infrastructure like storage, processing, logistics, manufacturing, distribution, etc., in the first three years. In the case of E-commerce, retail trading is not permitted for multi-brand retail firms with FDIs • **Around 30% of the procurement in terms of value is to be purchased from Indian MSMEs:** the procured items will include manufactured/processed agricultural products that are used by the firm for its products. However, the government will have the first right to procure any of these products.

Source: DPIIT 2020

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Annexures & References

Annexure 1 Sample Distribution

Annex 1 Table 1: Sample Distribution by Gender and Urban-Rural

Gender and urban-rural areas		Consumers	
		Sample	% in the sample
1	**Gender**		
1.1	Female	17,150	47.8%
1.2	Male	18,719	52.2%
Total		**35,869**	**100.0%**
2	**Urban-rural**		
2.1	Tier 1	3,365	9.4%
2.2	Tier 2	13,758	38.4%
2.3	Tier 3	4,289	12.0%
2.4	Tier 4	4,677	13.0%
2.5	Rural	9,780	27.3%
Total		**35,869**	**100.0%**

Source: IIMA Consumer Survey 2022

Annex 1 Table 2: Sample Distribution by States

States		Sample	Percent
1	Andhra Pradesh	1,026	2.9
2	Assam	932	2.6
3	Bihar	1,237	3.4
4	Chandigarh	269	0.7
5	Chhattisgarh	1,004	2.8
6	Daman & Diu	370	1
7	Delhi	1,347	3.8
8	Goa	410	1.1
9	Gujarat	2,280	6.4
10	Haryana	1,498	4.2
11	Himachal Pradesh	655	1.8
12	Jharkhand	750	2.1
13	Karnataka	1,859	5.2
14	Kerala	866	2.4
15	Madhya Pradesh	1,593	4.4
16	Maharashtra	3,304	9.2
17	Odisha	1,386	3.9
18	Puducherry	224	0.6
19	Punjab	1,938	5.4
20	Rajasthan	1,513	4.2
21	Tamil Nadu	3,129	8.7
22	Telangana	1,130	3.2
23	Uttar Pradesh	3,466	9.7
24	Uttarakhand	618	1.7
25	West Bengal	3,065	8.5
Total		**35,869**	**100**

Annex 1 Table 3: Sample Distribution by States and Districts

States		Districts		Sample	Percent
1	Andhra Pradesh	1.1	Chittoor	341	33.2
		1.2	Cuddapah	102	9.9
		1.3	Guntur	210	20.5
		1.4	Prakasam	51	5
		1.5	Visakhapatnam	322	31.4
			Total	1,026	100
2	Assam	2.1	Dhemaji	68	7.3
		2.2	Dhubri	302	32.4
		2.3	Kamrup	379	40.7
		2.4	Sonitpur	41	4.4
		2.5	Tinsukia	142	15.2
			Total	932	100
3	Bihar	3.1	Araria	124	10
		3.2	Bhagalpur	63	5.1
		3.3	Bhojpur	128	10.3
		3.4	Buxar	80	6.5
		3.5	Gaya	194	15.7
		3.6	Jamui	60	4.9
		3.7	Nalanda	140	11.3
		3.8	Patna	387	31.3
		3.9	Purba Champaran	61	4.9
			Total	1,237	100
4	Chandigarh	4.1	Chandigarh	269	100
5	Chhattisgarh	5.1	Bilaspur	100	10
		5.2	Durg	239	23.8
		5.3	Raigarh	125	12.5
		5.4	Raipur	340	33.9
		5.5	Rajnandgaon	200	19.9
			Total	1,004	100
6	Daman & Diu	6.1	Daman	370	100
7	Delhi	7.1	Central	87	6.5
		7.2	East	126	9.4
		7.3	New Delhi	61	4.5
		7.4	North	145	10.8
		7.5	North East	210	15.6
		7.6	North West	122	9.1
		7.7	South	167	12.4
		7.8	South West	241	17.9
		7.9	West	188	14
			Total	1,347	100
8	Goa	8.1	North Goa	269	65.6
		8.2	South Goa	141	34.4
			Total	410	100
9	Gujarat	9.1	Ahmedabad	318	13.9

States		Districts		Sample	Percent
		9.2	Jamnagar	248	10.9
		9.3	Junagadh	253	11.1
		9.4	Rajkot	527	23.1
		9.5	Surat	378	16.6
		9.6	Vadodara	436	19.1
		9.7	Valsad	120	5.3
			Total	2,280	100
10	Haryana	10.1	Ambala	120	8
		10.2	Faridabad	327	21.8
		10.3	Gurgaon	411	27.4
		10.4	Karnal	140	9.3
		10.5	Panipat	220	14.7
		10.6	Rohtak	160	10.7
		10.7	Sonipat	120	8
			Total	1,498	100
11	Himachal Pradesh	11.1	Bilaspur	97	14.8
		11.2	Kangra	193	29.5
		11.3	Kullu	100	15.3
		11.4	Shimla	265	40.5
			Total	655	100
12	Jharkhand	12.1	Bokaro	268	35.7
		12.2	Palamu	100	13.3
		12.3	Purbi Singhbhum	80	10.7
		12.4	Ranchi	242	32.3
		12.5	Sahibganj	60	8
			Total	750	100
13	Karnataka	13.1	Bengaluru	617	33.2
		13.2	Belgaum	302	16.2
		13.3	Bellary	351	18.9
		13.4	Dakshina Kannada	36	1.9
		13.5	Gulbarga	99	5.3
		13.6	Kolar	250	13.4
		13.7	Mysuru	204	11
			Total	1,859	100
14	Kerala	14.1	Ernakulam	362	41.8
		14.2	Kozhikode	51	5.9
		14.3	Thiruvananthapuram	300	34.6
		14.4	Thrissur	153	17.7
			Total	866	100
15	Madhya Pradesh	15.1	Bhopal	299	18.8
		15.2	Chhatarpur	100	6.3
		15.3	Gwalior	212	13.3
		15.4	Indore	324	20.3
		15.5	Jabalpur	398	25
		15.6	Jhabua	200	12.6

States		Districts		Sample	Percent
		15.7	Katni	60	3.8
			Total	1,593	100
16	Maharashtra	16.1	Aurangabad	252	7.6
		16.2	Chandrapur	76	2.3
		16.3	Latur	122	3.7
		16.4	Mumbai	835	25.3
		16.5	Nagpur	493	14.9
		16.6	Nashik	692	20.9
		16.7	Pune	510	15.4
		16.8	Thane	231	7
		16.9	Yavatmal	93	2.8
			Total	3,304	100
17	Odisha	17.1	Cuttack	320	23.1
		17.2	Kalahandi	80	5.8
		17.3	Khordha	301	21.7
		17.4	Koraput	67	4.8
		17.5	Puri	180	13
		17.6	Sambalpur	140	10.1
		17.7	Sundargarh	298	21.5
			Total	1,386	100
18	Puducherry	18.1	Puducherry	224	100
19	Punjab	19.1	Amritsar	792	40.9
		19.2	Bathinda	178	9.2
		19.3	Jalandhar	255	13.2
		19.4	Ludhiana	455	23.5
		19.5	Patiala	258	13.3
			Total	1,938	100
20	Rajasthan	20.1	Ajmer	143	9.5
		20.2	Churu	152	10
		20.3	Jaipur	612	40.4
		20.4	Jodhpur	269	17.8
		20.5	Kota	94	6.2
		20.6	Udaipur	243	16.1
			Total	1,513	100
21	Tamil Nadu	21.1	Chennai	447	14.3
		21.2	Coimbatore	769	24.6
		21.3	Erode	14	0.4
		21.4	Kancheepuram	158	5
		21.5	Madurai	529	16.9
		21.6	Nagapattinam	140	4.5
		21.7	Perambalur	139	4.4
		21.8	Pudukkottai	60	1.9
		21.9	Thiruvarur	141	4.5
		21.10	Tiruchirappalli	286	9.1
		21.11	Vellore	316	10.1

States		Districts		Sample	Percent
		21.12	Viluppuram	130	4.2
			Total	3,129	100
22	Telangana	22.1	Hyderabad	574	50.8
		22.2	Mahbubnagar	133	11.8
		22.3	Medak	37	3.3
		22.4	Nizamabad	338	29.9
		22.5	Warangal	48	4.2
			Total	1,130	100
23	Uttar Pradesh	23.1	Agra	358	10.3
		23.2	Allahabad	483	13.9
		23.3	Bijnor	80	2.3
		23.4	Chitrakoot	79	2.3
		23.5	Faizabad	90	2.6
		23.6	Gautam Buddh Nagar	140	4
		23.7	Ghaziabad	200	5.8
		23.8	Kanpur Nagar	372	10.7
		23.9	Lucknow	563	16.2
		23.10	Meerut	419	12.1
		23.11	Moradabad	158	4.6
		23.12	Muzaffarnagar	100	2.9
		23.13	Saharanpur	99	2.9
		23.14	Varanasi	325	9.4
			Total	3,466	100
24	Uttarakhand	24.1	Dehradun	322	52.1
		24.2	Haridwar	296	47.9
			Total	618	100
25	West Bengal	25.1	Barddhaman	359	11.7
		25.2	Dakshin Dinajpur	108	3.5
		25.3	Darjeeling	168	5.5
		25.4	Koch Bihar	113	3.7
		25.5	Kolkata	1,263	41.2
		25.6	Maldah	605	19.7
		25.7	Nadia	122	4
		25.8	Purulia	221	7.2
		25.9	South 24-Parganas	106	3.5
			Total	3,065	100

Annexure 2 Socio-economic Classification of Sample

The socio-economic classification system (SEC) uses the combination of consumer deliverables and the education level of the chief wage earner to determine the socio-economic level of households.

A total of 11 consumer items are used in this system (Annex 2 Table 1). A score of 1 is given to a household for owning each listed item. The total score of the household is then cross-tabulated with the education of the chief wage earner of the household, which determines the socio-economic status of the household. There is a total of 12 such socio-economic categories from A1 to E3 that this system uses to classify households (Annex 2 Table 2). However, in this study, a slightly modified version of SEC is used as the education level of respondent consumers is used.

Annex 2 Table 1: List of Items for Household Scoring

Consumer Items		Scores for Owning an Item		Scores for a household	
		Yes	No	Maximum	Minimum
1	Electricity Connection	1	0	1	0
2	Ceiling Fan	1	0	1	0
3	LPG Stove	1	0	1	0
4	Two-Wheeler	1	0	1	0
5	Color TV	1	0	1	0
6	Refrigerator	1	0	1	0
7	Washing Machine	1	0	1	0
8	Personal Computer/Laptops	1	0	1	0
9	Car/Jeep/Van	1	0	1	0
10	Air Conditioner	1	0	1	0
11	Agricultural Land	1	0	1	0
Total				11	0

Source: MRUC, 2017

Annex 2 Table 2: Cross-Tabulation Grid of Household Score with Education of Respondent

Household Score for items owned	Illiterate	Literate but no formal schooling/ Schooling up to 4 years	Schooling 5 to 9 years	SSC/HSC	College (incl. Diploma but not Grad.)	Graduate/ Post-Graduate General	Graduate/Post-Graduate Professional
	1	2	3	4	5	6	7
0	E3	E2	E2	E2	E2	E1	D2
1	E2	E1	E1	E1	D2	D2	D2
2	E1	E1	D2	D2	D1	D1	D1
3	D2	D2	D1	D1	C2	C2	C2
4	D1	C2	C2	C1	C1	B2	B2
5	C2	C1	C1	B2	B1	B1	B1
6	C1	B2	B2	B1	A3	A3	A3
7	C1	B1	B1	A3	A3	A2	A2
8	B1	A3	A3	A2	A2	A2	A2
9+	B1	A3	A3	A2	A3	A1	A1

Note: This study has modified SEC slightly as it has the education level of respondent consumers
Source: MRUC, 2017

Based on the above SEC system, the classes E3 to D1 represent the lower consuming class of households, C2 to B2 represent the middle consuming class of households, and B1 to A1 represent

the higher consuming class of households. It is observed that most respondent consumers belonged to high-consumption households.

Annex 2 Table 3: SEC Classification of Sample

SEC categories		Frequency	% in sample
1	E3	9	0%
2	E2	661	2%
3	E1	888	2%
4	D2	810	2%
5	D1	1,227	3%
6	C2	1,420	4%
7	C1	3,072	9%
8	B2	4,181	12%
9	B1	6,071	17%
10	A3	9,458	26%
11	A2	5,867	16%
12	A1	1,913	5%
Total		35,577	100%

Annexure 3 Timeline of Last Online Shopping Transaction

Annex 3 Table 1: Timeline of Last Online Shopping Transaction by Tiers of Cities and Gender

Timeline of last online shopping transaction	% of Consumers by Tiers of cities						% of Consumers by Gender	
	Overall	Tier 1	Tier 2	Tier 3	Tier 4	Rural	Female	Male
	N=35,869	N=3,365	N=13,758	N=4,289	N=4,677	N=9,780	N=17,150	N=18,719
In the past 7 days	19.7	17.7	21.5	20.8	18.6	17.9	18.4	20.9
In the past 15 days	31.3	27.1	33.9	30.9	31.3	29.3	30.8	31.8
In the past 1 to 2 months	35.4	34.3	32.4	34.7	38.4	39.0	36.2	34.7
More than 2 months	13.6	20.9	12.2	13.6	11.7	13.9	14.6	12.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: IIMA Consumer Survey 2022

Annex 3 Table 2: Timeline of Last Online Shopping Transaction by Age Group of Consumers

Timeline of last online shopping transaction	% of Consumers by Age Groups			
	Up to 24 years	25 to 35 years	36 to 45 years	> 45 years
	N=6,764	N=11,921	N=10,356	N=6,828
In the past 7 days	21.3	20.4	19.1	17.7
In the past 15 days	31.6	32.7	30.5	29.8
In the past 1 to 2 months	34.5	34.0	36.9	36.5
More than 2 months	12.5	12.8	13.5	16.0
Total	100.0	100.0	100.0	100.0

Source: IIMA Consumer Survey 2022

Annex 3 Table 3: Timeline of Last Online Shopping Transaction by Income Groups of Consumer Households

Timeline of last online shopping transaction	% of Consumers by Income Groups (in INR)			
	<3.6 lakhs	3.6 to 7.2 lakhs	7.21 to 10 lakhs	> 10 lakhs
	N=28,201	N=5,841	N=1,006	N=821
In the past 7 days	19.1	22.6	21.7	18.8
In the past 15 days	31.2	30.9	37.1	30.9
In the past 1 to 2 months	35.6	35.0	30.9	38.4
More than 2 months	14.1	11.5	10.3	11.9
Total	100.0	100.0	100.0	100.0

Source: IIMA Consumer Survey 2022

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Annexure 4 Frequency of Visiting Online Shopping Websites

Annex 4 Table 1: Frequency of Visiting Online Shopping Websites by Tiers of Cities & Gender

Frequency of visiting online shopping websites	% of Consumers by Tiers of cities						% of Consumers by Gender	
	Overall	Tier 1	Tier 2	Tier 3	Tier 4	Rural	Female	Male
	N=35,869	N=3,365	N=13,758	N=4,289	N=4,677	N=9,780	N=17,150	N=18,719
Everyday	12.5	9.4	15.7	13.2	9.2	10.4	11.9	13.1
Once in 2 to 3 days	20.8	22.9	20.3	22.1	22.3	19.6	20.5	21.1
Once in a week	18.8	19.1	18.2	18.6	18.9	19.6	19.2	18.5
Once in 15 days	17.1	16.1	16.1	17.8	18.5	17.8	16.9	17.2
Once in a month	17.1	14.9	16.9	14.5	18.9	18.5	17.4	16.8
Once in 6 months	4.4	2.9	4	5.6	6.1	4.2	4.4	4.5
Rarely	9.3	14.8	8.8	8.2	6.2	9.9	9.7	8.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: IIMA Consumer Survey 2022

Annex 4 Table 2: Frequency of Visiting Online Shopping Websites by Age Group of Consumers

Frequency of visiting online shopping websites	% of Consumers by Age Groups			
	Up to 24 years	25 to 35 years	36 to 45 years	> 45 years
	N=6,764	N=11,921	N=10,356	N=6,828
Everyday	16.7	12.8	11.1	10
Once in 2 to 3 days	23.3	22.4	20	16.8
Once in a week	18.2	18.9	18.9	19
Once in 15 days	15.6	16.9	17.4	18.3
Once in a month	14.4	16.7	18.3	18.9
Once in 6 months	3.7	4.5	4.7	4.6
Rarely	8.2	7.7	9.6	12.4
Total	100.0	100.0	100.0	100.0

Source: IIMA Consumer Survey 2022

Annex 4 Table 3: Frequency of Visiting Online Shopping Websites by Income Groups of Consumer Households

Frequency of visiting online shopping websites	% of Consumers by Income Groups (in INR)			
	<3.6 lakhs	3.6 to 7.2 lakhs	7.21 to 10 lakhs	> 10 lakhs
	N=28,201	N=5,841	N=1,006	N=821
Everyday	12.3	14.6	12.1	7.4
Once in 2 to 3 days	21.1	20.5	18.1	14.1
Once in a week	18.5	18.3	21.5	29.6
Once in 15 days	16.6	17.3	20	27.4
Once in a month	17.2	16.9	16.5	16.1
Once in 6 months	4.6	3.6	6.3	2.9
Rarely	9.7	8.8	5.6	2.4
Total	100.0	100.0	100.0	100.0

Source: IIMA Consumer Survey 2022

Annexure 5 Experience of Online Shopping

Annex 5 Table 1: Experience of Doing Online Shopping by Tiers of Cities and Gender

Shopping online (timeline)	% of Consumers by Tiers of cities						% of Consumers by Gender	
	Overall	Tier 1	Tier 2	Tier 3	Tier 4	Rural	Female	Male
	N=35,869	N=3,365	N=13,758	N=4,289	N=4,677	N=9,780	N=17,150	N=18,719
For the last 1 year	17.3	13.0	17.2	16.4	18.3	18.8	17.8	16.8
For the last 1 to 2 years	25.7	21.5	27.3	25.7	26.0	24.6	26.4	24.9
For the last 2 to 3 years	29.1	30.0	29.3	28.6	28.0	29.2	30.2	28.0
For the last 3 to 4 years	15.1	17.7	14.0	15.9	15.8	15.2	14.2	15.9
For the last 4 to 5 years	7	9.5	6.3	6.5	7.5	7.0	6.0	7.8
For more than 5 years	5.9	8.3	5.9	6.9	4.3	5.3	5.3	6.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: IIMA Consumer Survey 2022

Annex 5 Table 2: Experience of Online Shopping by Age Group of Consumers

Shopping online (timeline)	% of Consumers by Age Groups			
	Up to 24 years	25 to 35 years	36 to 45 years	> 45 years
	N=6,764	N=11,921	N=10,356	N=6,828
For the last 1 year	19.4	16.7	15.9	18.3
For the last 1 to 2 years	29.4	25.1	24.5	24.6
For the last 2 to 3 years	30.9	29.7	29.0	26.2
For the last 3 to 4 years	12.6	16.3	15.7	14.7
For the last 4 to 5 years	5.2	7.3	7.5	7.5
For more than 5 years	2.6	4.9	7.3	8.7
Total	100.0	100.0	100.0	100.0

Source: IIMA Consumer Survey 2022

Annex 5 Table 3: Experience of Online Shopping by Income Groups of Consumer Households

Shopping online (timeline)	% of Consumers by Income Groups (in INR)			
	<3.6 lakhs	3.6 to 7.2 lakhs	7.21 to 10 lakhs	> 10 lakhs
	N=28,201	N=5,841	N=1,006	N=821
For the last 1 year	18.5	13.2	13.9	8.5
For the last 1 to 2 years	27.1	20.6	22.1	14.9
For the last 2 to 3 years	28.3	31.2	30.4	37.9
For the last 3 to 4 years	14.1	17.8	19.4	24.8
For the last 4 to 5 years	6.2	10.5	8.1	8.2
For more than 5 years	5.7	6.8	6.2	5.7
Total	100.0	100.0	100.0	100.0

Source: IIMA Consumer Survey 2022

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About the Centre for Digital Transformation

The Centre for Digital Transformation (CDT) at the Indian Institute of Management Ahmedabad (IIMA) was inaugurated in Aug 2021 in collaboration with the Bank of America (BofA). The current Advisory Committee of the centre include Prof. Pankaj Setia (Chairperson), Mr. Aditya Bhasin (co-chairperson, CTO-BofA), Prof. Bharat Bhasker (Director, IIMA), Ms. Madhuri Deshpande (SVP, BofA), Prof. Debjit Roy (IIMA chair professor), and Prof. Ramayya Krishnan (Heinz College of Business, Carnegie Mellon University). The current council on responsible digital transformation include Prof. Ritu Agarwal (John Hopkins University), Ms. Debjani Ghosh (President, NASSCOM), Mr. Rajesh Gopinathan (ex-CEO, TCS), Mr. Nandan Nilekani (co-Founder, Infosys), Mr. Aditya Puri (Carlyle Group), and Prof. Vallabh Sambamurthy (University of Wisconsin-Madison).

The CDT envisions to become the leading centre for studying issues related to Responsible Digital Transformation through research and practice. The key activities of CDT are:

- Academic research, Case Studies, and Policy papers
- Research Reports (funded by companies or consortiums like Retail Tech Consortium (RTC))
- Organizing research webinars, panel discussions, and in-person seminars by researchers, government, and industry leaders
- Digital Immersive Events (Research and Industry) e.g. International Conference on Digital Organization (ICODO) with pre-conference doctoral workshop
- Advocacy, policy briefs, research, and influencing public and industry practices
- Public and media dissemination of works

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