

# From retail to e-tail, shopping frenzy booms in India

India inc. snap analysis



***E-commerce takes off as strict lockdown and Covid-19 restrictions prompt surge of online customers.***

Even though e-commerce in India has been a bright spot for years, the sector is braced for a very different mode of celebrations this year as the festive season beckons amid the raging coronavirus pandemic. According to consulting company RedSeer, festive sales in 2020 are expected to jump by 50% compared to the 2019 festive season - considerably higher than the 30% jump over the previous year - with sales likely to cross \$4 billion, the highest ever for a festive period.

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The figures not only reflect a combination of strong fundamentals and favourable market conditions in India, but also the maturity of the e-commerce sector and the traction it has gained from the Covid-19 pandemic.

## **Covid-19 enables growth**

“Covid-19 enabled massive growth in new shoppers as consumers now more than ever prefer to shop in a manner that is convenient, safe and hygienic and the e-commerce space meets these requirements,” said Mrigank Gutgutia, Director of Ecommerce at RedSeer Consulting.

According to Gutgutia, the pre-season survey has already shown signs of ecommerce dominance. With the growth of cheap mobile data packages and internet accessibility across India, online commerce suddenly became a rage among India's consumer base of more than a billion people.

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Ecommerce grew at a compound annual growth rate (CAGR) of 25% over 2016 and 2017, and a further 30% over the last two years. By the beginning of 2020, the market was worth more than \$27 billion - and then came the coronavirus. Thanks to the high penetration of internet from the metropolitan Hindi/English speaking India to the heartland of Bharat - tier two cities and rural areas that commonly speak regional languages, the spread of ecommerce is highly visible in the festive sales this year.

## Scaling wider consumer base



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Despite being a trend born more out of necessity than innovation, Indian retailers have been successful in scaling a wider consumer base thanks to skyrocketing ecommerce. That's quite an achievement emerging after weeks of lockdown and the depressed consumer sentiment, along with the fact that India's retail sector remains mostly unorganized, particularly in non-metropolitan areas, in spite of the exponential growth of digital retail stores.

While traditional brick-and-mortar retailers of non-essential goods registered steep losses during the lockdown, technology has restored the faith of consumers in e-commerce as digital stores remained available even during the peak of the pandemic and helped meet people's needs. With online sales soaring, industry forecasts have put India's retail market to grow at a compound annual growth rate (CAGR) of 10.4% between 2020-2023 to reach \$1.40 trillion in 2023.

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### Stores go 'phygital'

“Technology has transformed the small physical stores from pure brick and mortar entities to 'phygital' stores. Leading technology and retail giants have invested in transforming these stores directly or indirectly,” said Hrishabh Kashyap, Retail Analyst at GlobalData.

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### Emergence of fintech

The emergence of dynamic fintech companies has also added to the ecommerce boom, with many of them competing to transform local stores into digital concepts. In May 2020, Paytm announced a \$1 billion loyalty programme for kirana stores in India and launched online ledger services for them. Other fintech companies such as PayNearby, Phonepe, BharatPe and Mswipe have launched different services for retailers, enabling better digital payments and delivery options at these stores.

“Though mall-based large retailers, particularly grocery and other essential retailers, registered strong growth in the early days of the pandemic, driven by panic buying and hoarding, consumers have now returned to local shops for their need-based daily shopping requirements. Digital integration of local shops not only provides insightful data about consumer trends, but also helps companies understand the performance of their product, helping them strategize better. Once coined as a redundant business model, local stores, now empowered by technology and ecommerce, are serving consumers in India like never before. Personalized services, ease of payment and renewed customer trust will shape the growth of Indian retail post-COVID-19 era,” said Kashyap.