



DIGITAL COMMERCE

March 2015



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Executive Summary

Digital Commerce market in India has registered an average growth of almost 35% since 2010. Total Digital Commerce market in India was valued at INR 53,301 Crores in December 2013 and grew at **53%** through 2014 and reached **INR 81,525 Crores by the end of December 2014**. The industry is estimated to grow further at a rate of 33% and cross INR one lakh crores by the end of 2015.

For the purpose of this report we have mapped the following industry segments: Travel, E-tailing, Financial Services, Matrimony & Classifieds, and Other Services.

Online travel in India, over the years has been the largest Digital Commerce segment in terms of revenue generation. However, online retail is catching up fast and is expected to match online travel in revenue by 2016.

Cash-on-delivery (COD) is one of the key growth drivers for the growth of online retail and is estimated to account nearly 50% online retail sales.

Financial Services has evolved recently and has shown an upward growth mainly owing to the increased awareness and trust on online transactions.

Classifieds & Other Services like Online Entertainment ticketing and food/grocery ordering are the earliest entrant in the Digital Commerce space in India but seem to slowly catching up pace.

Out of the total transactions done on the Internet irrespective of the device:-

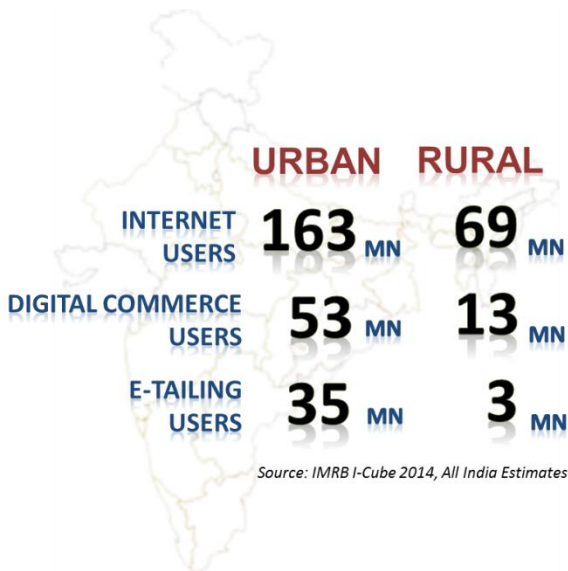
- Travel transactions have proved to be the primary fueling factor of the Digital Commerce industry. As of 2014, among Internet users, online travel leads the pack with 61% share in Digital Commerce (INR 50,050 Crores).
- Non-travel transactions contribute to the remaining 39% (INR 31,475 Crores), out of which:-
 - E-Tailing leads with nearly 76% share (INR 24,046 Crores)
 - Financial Services is next with 14% share (INR 4,508 Crores)
 - Matrimony & Classifieds segment amounts to 3% of the whole Non-Travel Industry pie (INR 896 Crores)
 - Other Services contribute to the remaining 6% (INR 2,025 Crores)

As a whole, the Non-Travel Industry segment is expected to mature and get past INR 50,000 crores mark by December 2015.



Source: IMRB I-Cube 2014, All India Estimates, December 2014

Digital Commerce Usage



There are 232 Mn Internet users in the country who access the internet at least once a month. Out of these, there are 66.7 Million Internet users who have actually bought any product/service over the Internet. Out of these, there are around 38 Mn users who have purchased products online.

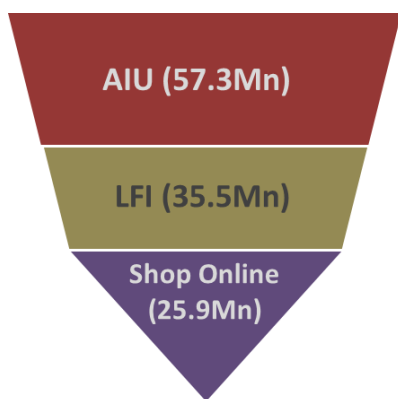
Penetration of Digital Commerce Users amongst the Active Internet Users in Urban India is 33%, whereas the penetration in Rural India is almost 20%.

DIGITAL COMMERCE PENETRATION

33%
URBAN

20%
RURAL

Rural India interestingly has shown substantial growth in the Active Internet Users since past few years. There were 69Mn Active Internet Users in Rural India as of December 2014, increased by 50% from 2013. It is estimated to reach 81Mn by June 2015.

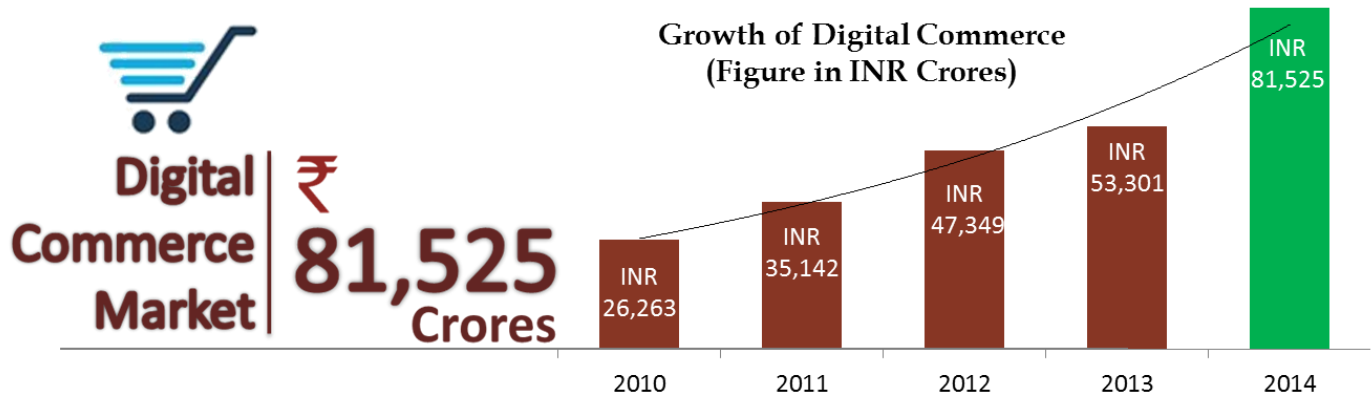


Source: IMRB I-Cube 2014, 35 Cities

Of the 35 cities surveyed for the purpose of this report, as of June 2014 there are 57.3 Million Active Internet Users (AIU) as compared to 45.4 Million in June 2013. Of these, there are 35.5 Million users who look for detailed information regarding products/services (LFI). Of these, there are 25.9 Million users who have actually bought some product/service over the Internet in the last one month.

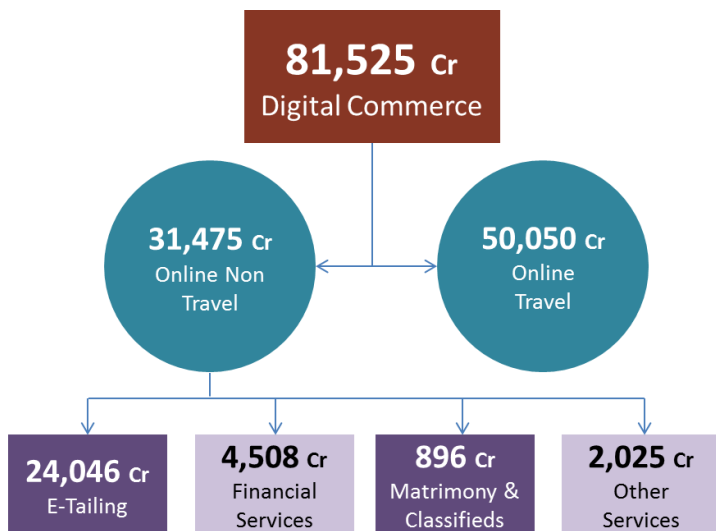
Also there are 9.6 Million Internet users who have only looked for information on products and services but have not bought anything online. This segment of users denotes the ones who research about the product on the internet but for some reason, do not purchase it online. Converting this segment of users from non-shoppers to online shoppers will increase the market size of Digital Commerce in India.

Market Size and Components



Source: IMRB I-Cube 2014, All India Estimates, December 2014

Digital Commerce industry has increased from INR 26,263 Crores in the year 2010 to INR 81,525 Crores in 2014 and has shown a growth of 53% over Dec 2013. This growth has been mainly driven by the Online Travel industry which contributes 61% to the total Digital Commerce industry in India today. Next year the market is estimated to mature and cross the 1 Lac mark.

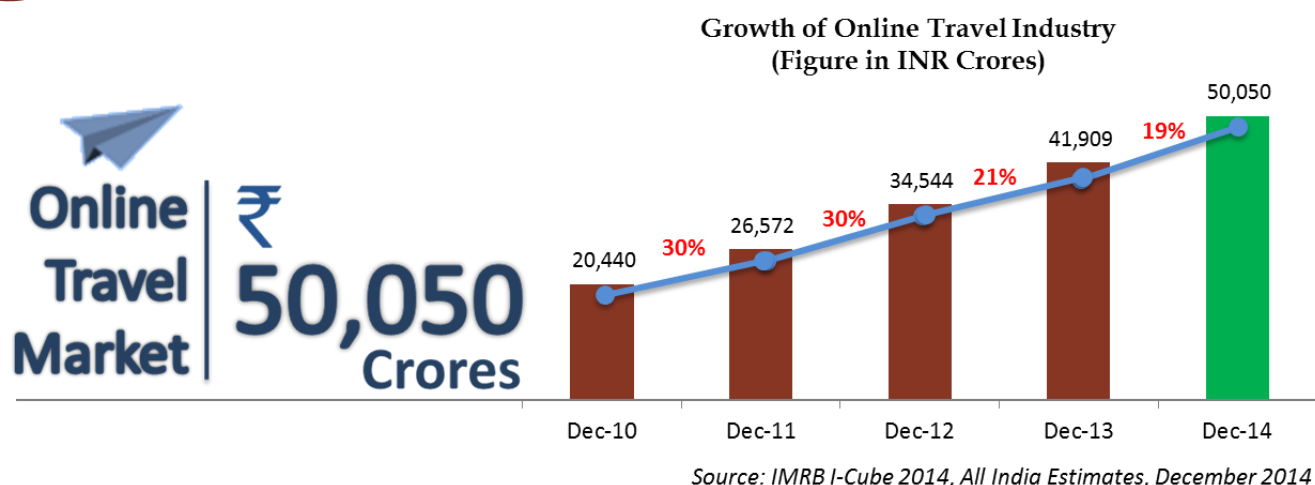


Source: IMRB I-Cube 2014, All India Estimates, December 2014

Of the market size of INR 81,525 Crores; online travel, which includes booking rail, air, bus tickets, hotel accommodations, tour packages and travel insurance comprised a major 61% of the whole Digital Commerce pie. The proportion of online travel has gone down since the previous year. E-Tailing which includes purchases of various consumer products/services such as books, apparels, footwear, jewellery and other such as home & kitchen appliances, consumer durables, electronics (mobile phones/computers/laptops), home furnishings now constitute nearly 29% of the overall share.

E-tailing has grown by around 1.4 times over 2013. Conducting financial transactions of various types like mobile and data card recharges, utility bill payments amount to 6% of the overall share. B2B and B2C Classifieds (matrimony, car, real estate etc.) now contribute to 1%, whereas other online services such as online entertainment ticketing, online commuting, online food delivery, buying discounts/deals/vouchers etc. form 2% of the overall market.

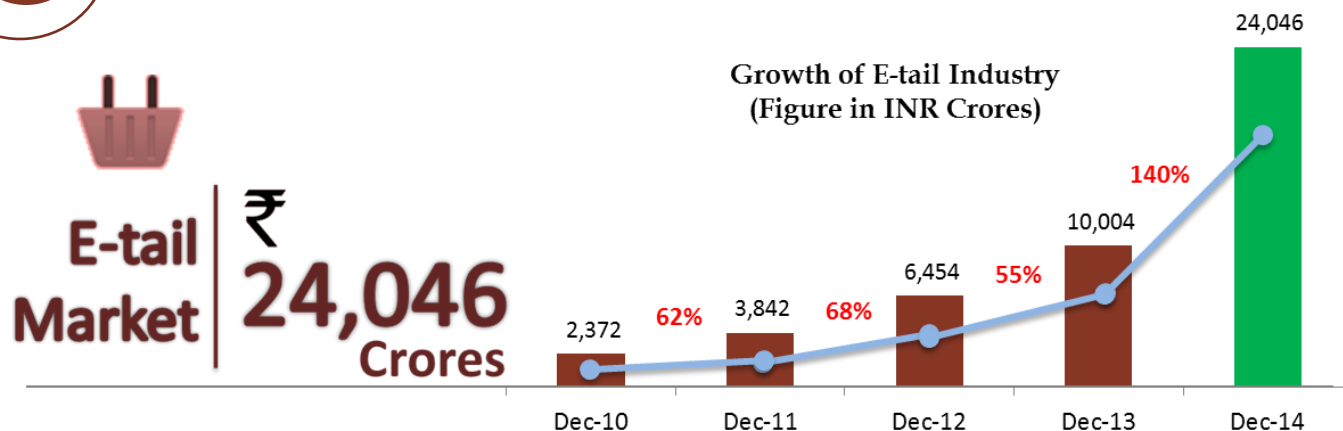
Travel



Online travel industry has on an average grown by 25%, from INR 20,440 Crores in 2010 to INR 41,909 Crores in 2013 and was estimated to have grown (by another 20%) to INR 50,050 Crores by the end of 2014. Maintaining the trend of last year, as of Dec 2014, out of total Online Travel market, domestic air tickets contributed the most, 53% i.e., INR 26,500 Crores followed by railway tickets that contributed 32% i.e. INR 16,200 Crores. Others such as international air travel (INR 3,975 Crores), Hotel bookings (INR 1,965 Crores), Bus tickets (INR 740 Crores), Tour packages & travel insurance (INR 520 Crores) contribute balance 15% to the total online travel market.

Component Share of Online Travel (Total: INR 50,050 Crores Jan-Dec 2014)		
Component	Percentage (%)	Market Size (INR in Crores)
Domestic Air Tickets	53%	26,500
Rail Booking	32%	16,200
International Air Tickets	8%	890
Hotel Bookings	4%	3,975
Bus Booking	2%	1,965
Travel Insurance	1%	120

E-tail



Source: IMRB I-Cube 2014, All India Estimates, December 2014

E-Tailing comprises of buying consumer items such as books, apparels & footwear, jewellery, mobiles, cameras, computers (desktops/laptops/net books/tablets), home & kitchen appliances, home furnishings, vouchers/coupons, flowers and toys, gifts online. This report includes only the online Digital Commerce players in the country who do not have any physical storefront. The E-Tailing category has grown manifold with a CAGR of 33% from INR 2,372 Crores in the year 2010 (Jan-Dec 2010) to INR 10,004 Crores in year 2013 (Jan-Dec 2013). It further grew by 1.4 times and reached INR 24,046 Crores in December 2014.

Mobiles & mobile phone accessories contribute the most, i.e., 41% (INR 9,936 Crores) to the E-Tailing segment followed by apparels, footwear & personal items which contribute 20 % (INR 4,699 Crores). Consumer Durables along with Kitchen Appliances contribute to another 14% (INR 3,404 Crores). Out of the remaining 25%, Laptops/Net Books/Tablets, Home Furnishings, Books contribute to another INR 2,780 Crores, INR 1,059 Crores and INR 648 Crores respectively. Emerging categories that comprise products like deals/coupons, toys, gifts, handicrafts, flowers etc. continue to contribute just about 3 % of the E-Tailing pie. Jewellery & Camera/Camera accessories each contribute the lowest to the E-tailing pie.

Component Share of E-Tailing (Total: INR 24,046 Crores Jan-Dec 2014)		
Component	Percentage (%)	Market Size (INR in Crores)
Mobile Phones + Mobile Accessories	41%	9,936
Apparels + Footwear + Personal / Healthcare Accessories	20%	4,699
Consumer Durables + Kitchen Appliances	14%	3,404
Laptops / Net books / Tablets	12%	2,780
Home Furnishings	4%	1,059
Books	3%	648
Other Products (Vouchers / Coupons, Toys, Gifts etc.)	3%	653
Jewellery	2%	477
Cameras + Camera Accessories	2%	390

Utility Payments



Online
Utility
Payments | ₹
4,508
Crores

Financial services market has grown at a CAGR of 20% since 2010. In December 2014, this market was valued at INR 4,508 Crores. This round of the report only includes financial transactions like mobile/data card recharges, post-paid mobile/data card bill payments and utility bill payments transacted from third party websites.

Matrimony and Classifieds



Matrimony
And
Classifieds | ₹
896
Crores

Classifieds markets have seen a significant growth and are valued at INR 896 Crores by Dec 2014. This report includes classifieds segments like Online Matrimony which contribute to a huge 87% valuing at INR 780 Crores, other B2C classifieds (car, real estate etc.) contribute about 13% (INR 116 Crores). This round of the report does not include the B2B classifieds share.

Component Share of Matrimony & Classifieds (Total: INR 896 Crores Jan-Dec 2014)		
Component	Percentage (%)	Market Size (INR in Crores)
Online Matrimony	87%	780
Other B2C Classifieds (Car, Real Estate etc.)	13%	116

Other Services



**Other
Online
Services**

**₹
2,025
Crores**

Other online services market has grown with a CAGR of 73 % since 2010 and is valued at INR 2,025 Crores by December 2014. This segment includes emerging service categories like Online Entertainment Ticketing, Online Commuting, Online Food and grocery Delivery. Online Food Delivery market has seen the maximum growth (40%) over the last year in this segment and it is now INR 350 Crores.

Online booking for commuting (cabs etc.) has seen rapid growth since the last one year. By the end of 2014, the online commuting market in India was INR 600 Crores.

The share of buying online tickets for movies, sports, show/concerts etc. in the Online Service pie has dropped to 49% as compared to last year and is now observed to be INR 990 Crores. Online food delivery market forms another 25% whereas online grocery market forms remaining 6%.

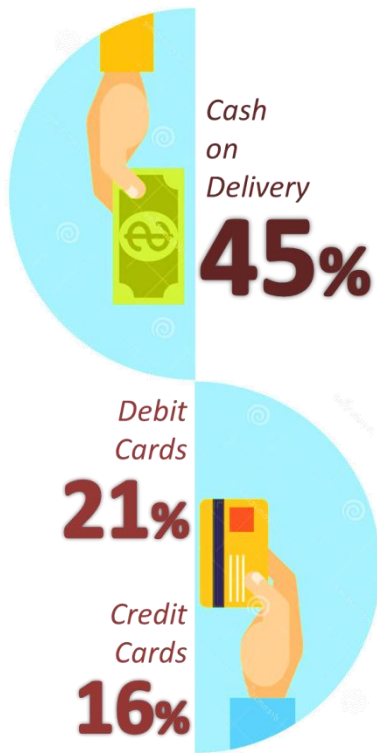
Component Share of Other Online Services (Total: INR 2,025 Crores Jan-Dec 2014)		
Component	Share Percentage (%)	Market Size (INR in Crores)
Online Entertainment Ticketing (Tickets for Movies + Sports + Shows/Concerts)	49%	990
Online Commuting	30%	600
Online Food Delivery	17%	350
Online Grocery Delivery	4%	85

Modes of Shopping Online

Modes of Payment

45% of the Online Shoppers mostly prefer Cash on Delivery as a mode of payment followed by payment through Debit Card (21%) and Credit Card (16%). The other modes of payment include Internet Banking (10%) and other payment modes viz. prepaid cash cards, mobile wallets etc (8%).

Home continues to dominate as the preferred point of purchase. 80% Online Shoppers make a purchase while at home.



Source: IMRB I-Cube 2014, 35 Cities

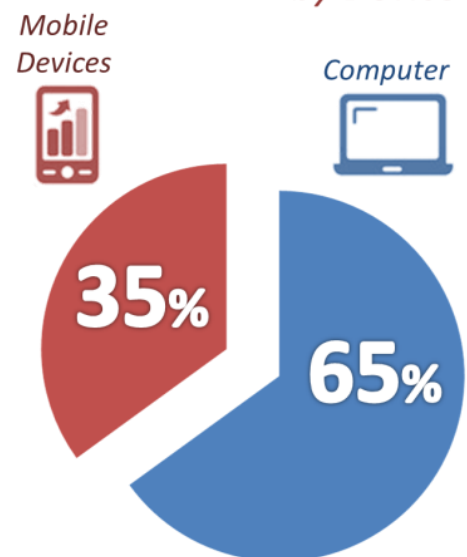
Device of Transaction

With a large number of users beginning to access the Internet on their mobile devices, the content accessed has evolved from being only for entertainment and communication to transactions.

As the Digital Commerce market in India is maturing gradually, users are getting more comfortable transacting on their mobile devices. 35% of the online transactions happen through mobile devices.

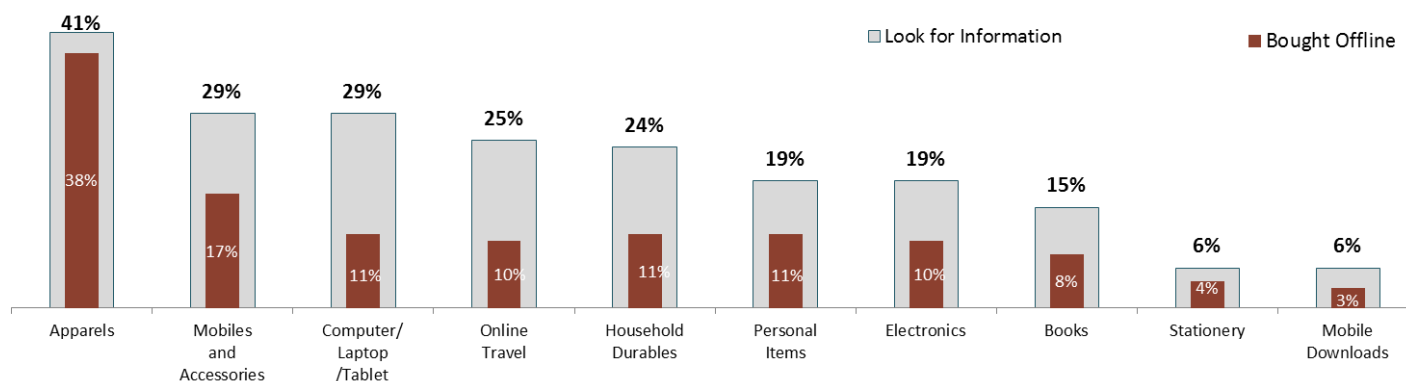
Close to 40% of the e-tailing purchases are done on mobile devices. With growing impetus on mobile phones, this proportion will increase rapidly in the near future.

Value of Transactions by Device



Source: IMRB I-Cube 2014, All India Estimates

Look for Information Users



(Base: I-Cube 2014, 9.6 Million Active Internet Users in 35 cities who have only looked for information on the Internet)

Among only LFI, I-Cube 2014 shows that Apparels is the most searched category on the Internet and most of the offline purchases have happened in Apparels'. 41% accessed internet to search for information related to Apparels and 38% of them bought the product through conventional shops. Mobiles & Accessories' is the second most looked for information category with 29% of LFI looking for details on this category on the net. Like last year, Mobile phones which are high involvement items were bought from brick and mortar stores probably because of the accountability factor that comes with it. Out of nearly 30% Only LFI's who searched about computer/laptops on the Internet, 11% preferred to buy them offline.

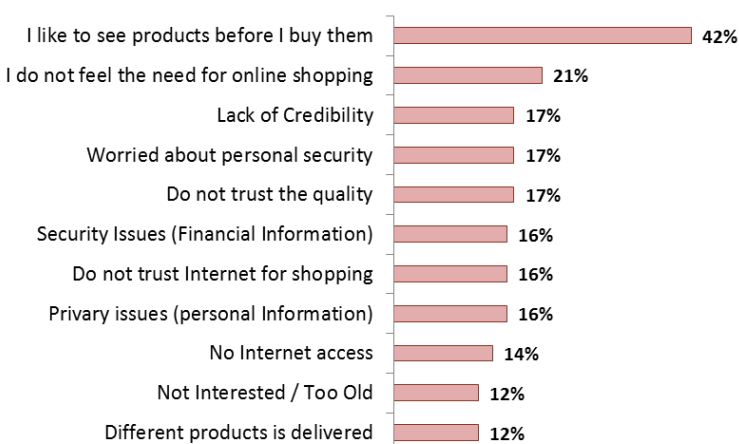
Reasons for Not Shopping

Online

Most LFIs believe that they would never purchase personal items like jewelry, watches online. Just like last year LFIs are still not open to purchasing Computers and Electronics online.

The need to try the product before purchasing is the prime reason for staying away from online shopping. Security and Trust issues continue to exist but at the same time they mention that they do not see the need to shop online.

Educating the LFIs and communicating the benefits of online shopping will bring them on board.



Base: 9.6 Million Look for Information Users Only



Glossary of Terms

ACTIVE USER: An individual who has used the Internet at least once in the last 1 month.

INTERNET NON-USER: An individual who has not accessed Internet at any point in time.

DIGITAL COMMERCE USER: An individual who has either bought a product or a service online or looked for information related to products or services online.

MOBILE INTERNET USER: An individual who has used the Internet on a mobile device at least once in the last 1 month.

LFI: Internet users who “Look for Information” (LFI) for a product or a service they want to buy.

ONLINE SHOPPERS: Internet users who look for information and eventually buy a product or a service over the Internet.

E-TAILING: Short for Electronic retailing. It means selling of retail goods and services through the internet.

Methodology

The findings presented in the current edition of the report have been derived by conducting both primary research as well as secondary researches. The current edition showcases the information captured from various data sources in the years 2009, 2010, 2011 and 2012. And the estimates shown are for the year 2013.

PRIMARY RESEARCH

The primary research for this research study has been done using various data sources like Individuals & Industry Experts. Interviews were conducted with Internet users and online ad industry players and information collected on Internet usage in case of the former and volume of online advertising business managed by the latter.

CITIES BY STRATA	
TOP 4 METROS	Delhi, Mumbai, Chennai and Kolkata
OTHER 4 METROS	Bangalore, Hyderabad, Ahmedabad and Pune
SMALL METROS (More than 1 million population)	Coimbatore, Jaipur, Lucknow, Ludhiana, Visakhapatnam, Patna, Guwahati, Kochi, Vadodara, Indore, Surat, Nagpur
NON METROS (Between 0.5 to 1 million population)	Aurangabad, Belgaum, Aligarh, Bhubaneswar, Raipur
SMALL TOWNS (Less than 0.5 million population)	Alappuzha (Alleppey), Ujjain, Behrampur, Faizabad, Panipat, Ranaghat, Baleshwar, Philbit, Amreli, Chickmagalur

Individuals: Structured Face to Face (F2F) interviews have been conducted with 81,000 individuals among 21,000 households spread across 35 Cities were surveyed during ICUBE-2012, a syndicated product of E-Tech, IMRB International.

Industry Experts: In-depth interviews have been conducted with stakeholders of the e-commerce industry in India including various leading players in the E-Commerce.

Secondary Research

Secondary research was done to understand the structure and dynamics of the Digital Commerce market in India. Information from various published resources was used to perform a data validation check. Information that was collected from secondary as well as primary researches was thoroughly analyzed and then portrayed in the report.



About IAMAI

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

Ten years after its establishment, the association is still the only professional industry body representing the online and mobile VAS industry in India. The association is registered under the Societies Act and is a recognized charity in Maharashtra. With a membership of 160 plus Indian and MNC companies, and offices in Delhi, Mumbai and Bangalore, it is well placed to work towards charting a growth path for the digital industry in India.

Contact Details

Nilotpal Chakravarti, AVP, IAMAI
C-36, Basement, East of Kailash, New Delhi-110065
Tel: +91-11-40547603 | <http://iamai.in>



About IMRB International

E-Tech Group | IMRB (a specialist unit of IMRB International) is a research based consultancy offering insights into IT, Internet, Telecom & emerging technology space.

Our continuous link with industry and a constant eye on the pulse of the consumer ensures that we can decode the movements of technology markets & consumers. To our clients we offer an understanding of the present market environment and a roadmap for the future.

Contact Details

eTech Group | IMRB

IMRB International

'B' Wing, Mhatre Pen Building

Senapati Bapat Marg, Mumbai

Research Team for this Report

Tarun Abhichandani, Group Business Director
(tarun.abhichandani@imrbint.com)

Abheek Biswas, Insights Director
(abheek.biswas@imrbint.com)

Priyam Joshi, Sr. Research Manager
(priyam.joshi@imrbint.com)