

Current Proliferation In The Indian Market Trends Associated With The E-Commerce And Consumer Internet Industry

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Executive Summary

India, which is known as the quickest thriving economy globally, is anticipated to prosper by 6.1% YoY in 2023. The nation has the biggest consumer base globally with a large percentage of the population in the youth bracket. Navigated by the rapid advancement in digital infrastructure, with 312 million online customers, a supportive FinTech infrastructure, inexpensive and easily available data services and the government's aim to fuel a digital paperless economy; there is tremendous opportunity for India to be coined as an international e-commerce and consumer internet hub. Furthermore, the pandemic and the switch to an online mode have accelerated the growth in these sectors. Additionally, this evolution is increasingly broad-based and this expansion is also sparking development in the periphery industries.

This white paper provides a detailed analysis of the growth of the e-commerce sector, along with a comprehensive 360-degree view to the reader with an investment and funding overview. The research highlights the estimated past, current and future revenue values of six sub-sectors within the e-commerce and consumer internet sector, namely EdTech, FinTech, HealthTech, B2B and B2C e-commerce services and E-Mobility. It further discusses the investment movements, the start-up financing phase, private equity and venture capital activity, M&A and market consolidation, the segments within each sector where the funds are invested, the number of unicorns in different sectors and the future outlook for these six sectors. The closing statement highlights the future outlook of the Indian e-commerce industry and consumer internet services which are characterized by fresh prototypes leveraging subscription services, utilizing supper apps and building sustainable commerce.

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I. Opening Statement

The pandemic-impacted period from 2020 to 2022 can be stated as the reset mode for the global economy, accelerating trends in the e-commerce industry and consumer internet services. Encompassing an enormous population, India has one of the biggest consumer bases globally and the nation offers tremendous

market prospects for the development of these sectors.

The e-commerce industry and consumer internet services in India have experienced an evolution over the previous years because of the constant advancements in digital infrastructure, digital marketing techniques, digital adoption rates and pandemic-induced modifications in consumer conduct. E-commerce retail sales have observed a 25% expansion in 2022, with an anticipated CAGR of 20% up to 2030.¹ Furthermore, with maturing market dynamics and the evolution of industries, internet corporations are realigning their company approaches to balance consumer satisfaction with resource efficiency.

The entire private equity and venture capital allocation extended to the nation's e-commerce and consumer internet start-ups in 2022 was estimated to be US\$15.4 billion for approximately 506 business contracts and was nearly double the funding in 2020 which was estimated to be US\$8.2 billion.² Additionally, after the pandemic as the „funding winter“ was obvious in 2022, the increased effect on digital industries depicted enormous expansion, for example, businesses in AgriTech and HealthTech raised US\$600 million and US\$779 million in 2022 respectively.³ As the pandemic dwindled, EdTech businesses had to re-outline their online and hybrid services to adapt to customers and their expansion and capital inputs in the sector decreased. However, the scaled start-ups in the EdTech sector still raised enormous rounds of investment in the first half of 2022.

The year 2022 has been the period of redesigning corporation objectives towards sustainable development. From 2019 to 2021, the pandemic-generated digital transformation initiated an abnormality in the speed of funding the global economy. As customers' inclinations and functional facts reset to hybrid setups in 2022, start-ups revolutionized, as a consequence of capital allocation modifications to estimated valuations, and an emphasis on promising expansion was strived.

In 2023, Tier 2 and 3 towns steered the accelerated expansion of Internet Businesses. The year 2022, already observed a remarkable boost in e-commerce movement in Tier 2 and Tier 3 markets as digital infrastructure and logistics webs extended beyond metropolitan regions. Industry performers plan to convert first-time clients from these smaller markets, by extending supply chain grids, taking up multilingual website content and leveraging ingenious expenditure prototypes. Social commerce has arisen as a medium for accessing and constructing a reliable consumer base in these significant and thriving markets.

The Indian government's spectacular endeavor to equip a decent digital infrastructure is facilitating the establishment of market development within this industry. Government-e-marketplace, an online outlet for public purchases, observed more than 160% augmentation year over year to achieve a yearly procurement of INR 1 lakh crore in 2022.⁴ The launch of Open Network for Digital Commerce, a private non-profit corporation founded by the Indian government's Department for Promotion of Industry and Internal Trade to evolve open e-commerce, will further speed up industry expansion.

Multiple start-ups striving for these transition prospects have currently evolved as the specials for major international and domestic investors. With more than 16 e-commerce unicorns, this industry is drawing substantial attraction from private equity as well as venture capital reserves to invest in this sector, which has enabled the transformation of the Indian economy terrain by facilitating fresh and gigantic investments; private equity and venture capital have invested more than US\$62 billion in this industry from 2020 onwards.⁵

The accelerated rate of digital transformation and adoption, backed by the extensive demographic bonus, persistent advancement in public initiatives and digital infrastructure development; India is rising in international supply chains and developing supreme entrepreneurship. These elements have attained the extent where the e-commerce industry and consumer internet services are taking off to be gigantic value- creators, employers and supporters of the GDP of the nation.

Expansion In The E-Commerce Sector

India is amongst the most extensive e-commerce markets currently backed by a gigantic shopper base and a rampant demand network. The nation's customer digital economy is anticipated to reach US\$1 trillion by 2030, backed by quick digitization and boosting investments.⁶ As discussed in Figure 1, a comparison between China, India and the USA, India rules in digital payment marketing and is rated first, rated second in internet user base, rated third for the number of online shoppers and rated second in global investments in digital shopping with investments worth US\$22 billion in 2021.⁷

Figure 1: Growth trends in the e-commerce and consumer internet sector

India is one of the fastest growing retail e-commerce market and witnessed record US\$22 billion investments in digital shopping, second highest worldwide.

E-commerce metrics	USA	China	India
B2C E-commerce index 2020	12	55	71
E-commerce growth 2022E	9.4%	9.1%	25.5%
Retail E-commerce share of total retail sales	16.1%	46.3%	7.8%
Global Investment in Digital Shopping 2021	1 st US\$51b	3 rd US\$14b	2 nd US\$22b

India provides the largest consumer base (in terms of population) and the second largest shopper base (with 312 million online shoppers) worldwide.

Huge consumption base	USA	China	India
Population	340m	1,425m	1,428m
Online shoppers	268m	842m	312m
% of consumers who purchase groceries online	60%	91%	78%
Gross national income per capita (PPP)	US\$70,000	US\$19,000	US\$7,000

A market leadership position with \$1.5 trillion UPI payments processed in 2022 and the second largest internet user base, the digital infrastructure is a key enabler for E-commerce growth in India.

Digital infrastructure metrics	USA	China	India
Smartphone penetration	74%	64%	46%
Internet users ranking 2023	3 rd	1 st	2 nd
Digital payments transaction 2020	9 th	2 nd	1 st

Source: E-commerce and consumer internet sector, India Trendbook 2023

The instantaneous expansion in the Indian internet and e-commerce industry is facilitated by a vigorous ecosystem, rotating around digitization, increased data consumption, start-up development and rising public administration backing. The nation has the loftiest mobile data consumption rate globally, backed by the fifth lowest data rates worldwide. In 2022, this powerful start-up ecosystem secured the existence of 16 e-commerce unicorns within the nation and the sector drew private equity and venture capital investments worth US\$15.4 billion.⁸ The Indian public administration is performing a vigorous function, supporting e-commerce expenditures and digital commerce. Figure 2 depicts the data for the digitization of small and medium enterprises, data consumption rates, the start-up ecosystem - private equity and venture capital investments in 2022 in the e-commerce sector and the Indian government support to build a digital India.

Figure 2: Development of suitable e-commerce trends

Robust ecosystem paves the way for sustained e-commerce growth

Digitization of SMEs 160% Growth of Government-e-Marketplace MSME contribution to total business on GeM: 57% 194% Increase in SME revenue by adopting e-commerce 65% MSEs adopted/ upgraded their digital landscape 82% Kirana stores started using new digital business tools during pandemic Indian consumers and businesses are increasingly shifting online, even for activities that used to be face-to-face or in-person, resulting in the merging of physical and digital worlds through e-learning.	High data consumption 12 GB Highest mobile data consumption rate in the world (per user/ per month) 6:23 Average time spent online in India (Global average: 6:37) US\$0.17 Average price of 1GB data in India (Global average: \$3.12) 156 minutes Time spent per day viewing entertainment content on their smartphones Low data prices, along with greater time spent online, has resulted in users consuming high amount of information and entertainment via mobile devices
Robust start-up ecosystem Third Largest global ecosystem for start-ups with over 88k start-ups 16 E-commerce unicorns in India (109 e-commerce unicorns worldwide) US\$15.4b PE/ VC Investments in E-commerce sector in 2022 As Make in India expands to the technology industry, there is the rise of a burgeoning start-up ecosystem, fueled by growing investor interest and ease of doing business.	Government support to build Digital India¹⁸ 346m Online transactions such as E-commerce and digital payments US\$1.5t UPI transactions in 2022 2.2b CoWin vaccinations 5.6b DigiLocker documents issued The Government of India has rapidly adopted digital platforms for e-governance initiatives

Source: E-commerce and consumer internet sector, India Trendbook 2023

The quick proliferation of e-commerce has had a subsequent impact on numerous associated industries and has ushered in prospects for extensive backing for businesses comprising those that deal specifically in infrastructure and logistics services. Amongst these industries capitalizing on this expansion are online content composition, reverse logistics, warehousing and financial services.

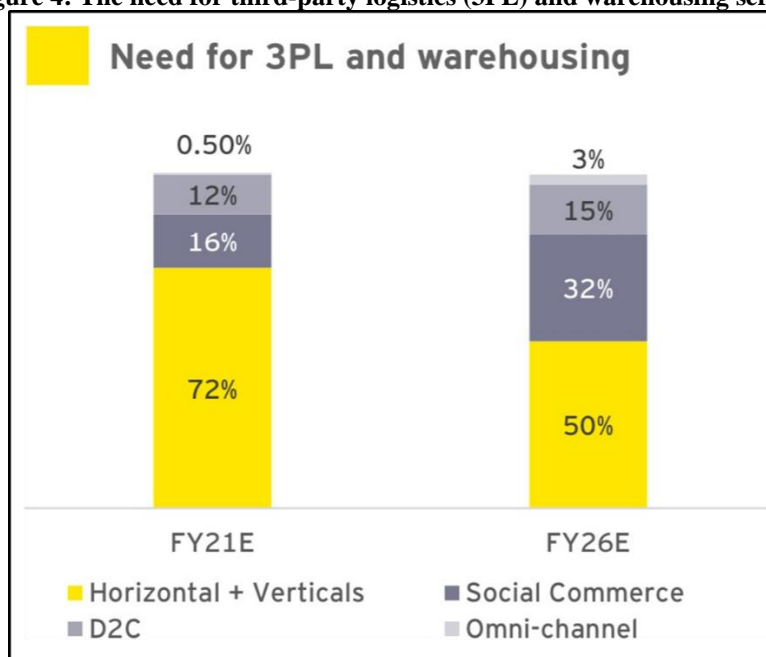
With the expansion in online content composition e-commerce performers are rapidly changing their priority from cultivating fresh consumers to steering engagement. They are making an effort to convince potential clients to remain on their digital platforms for a greater period with the assumption that this will conform to additional retail buys. Firms have accomplished this by augmenting their moving into fresh services, gamifying promotions and publicity and adding resourceful content. Additionally, with shoppers reviewing the return policy of a firm as an assertive role in the decision-making procedure, there is a requirement for e-commerce companies to incorporate reverse logistics as an element of their business prototype. Figure 3 portrays the significance of reverse logistics in e-commerce. Furthermore, Figure 4 highlights the estimated need for third-party logistics and warehousing from 2021 to 2026.

Figure 3: The demand for reverse logistics



Source: E-commerce and consumer internet sector, India Trendbook 2023

Figure 4: The need for third-party logistics (3PL) and warehousing services

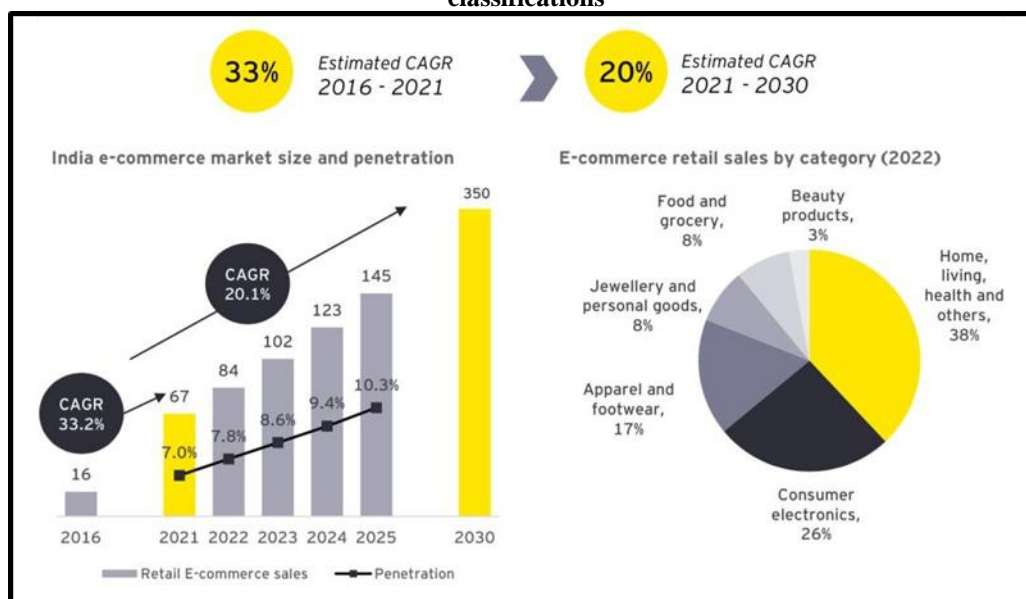


Source: BofA research Note: 3PL - Third Party Logistics

The e-commerce and FinTech industries constantly complement each one's instantaneous evolution commencing from cash-on-delivery payments, the e-commerce sector currently facilitates considerable ingenious payment choices like payment gateways, credit and debit cards, digital wallets, UPI, net banking, and buy now pay later (BNPL).

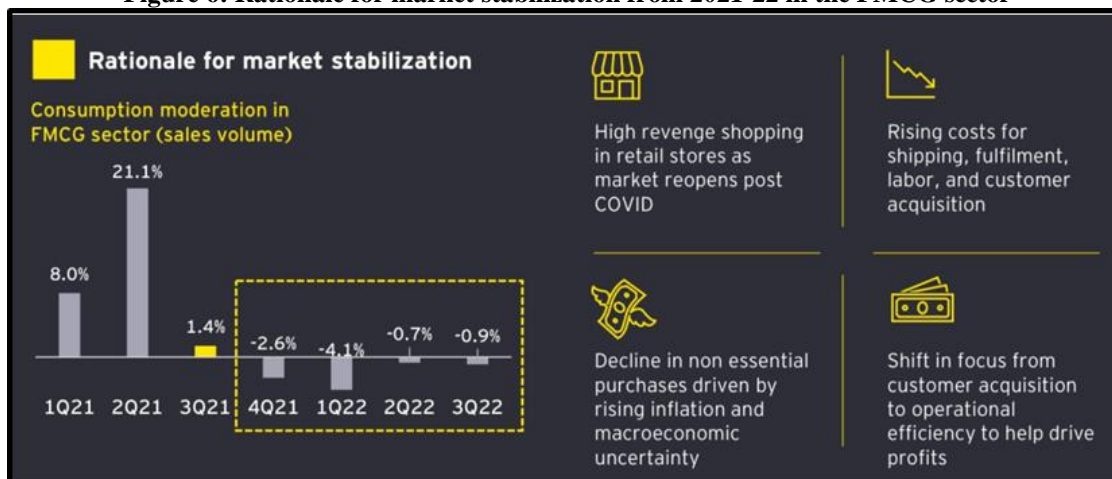
E-commerce now proceeds towards the subsequent stages of sustainable development and stabilization. With a quick expansion of more than 33% from 2016 to 2021, the e-commerce sector is penetrating the next phase of evolution characterized by concentrating on constructing a sustainable business prototype. With this stage being characterized by damp macroeconomic situations, growing consumer demands and wearing out monetary influx, e-commerce sales are anticipated to deteriorate to a 20% CAGR in 2021-2030. Refer to Figure 5 for more details on this and a detailed industry sectoral viewpoint. Furthermore, Figure 6 discusses the rationale for the market stabilization factors from 2021 to 2022.

Figure 5: Estimated growth in e-commerce market size and penetration from 2016 to 2030, with sectorial classifications



Source: eMarketer, IBEF and Credit Suisse report

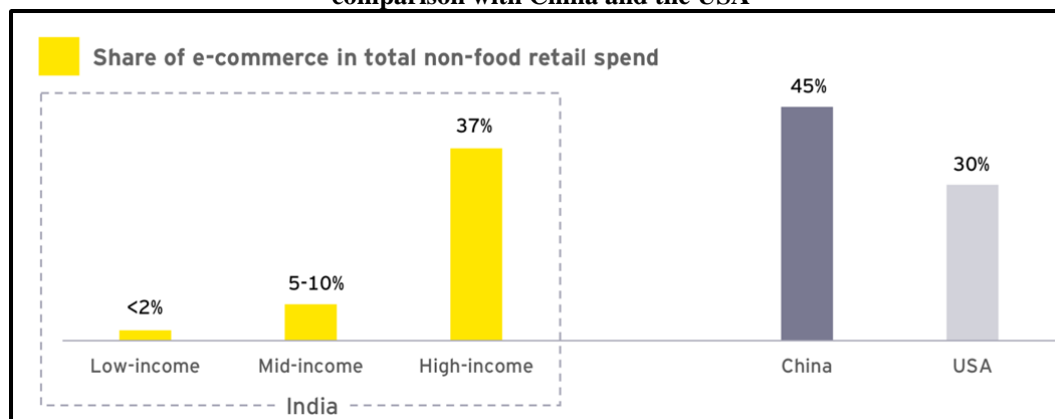
Figure 6: Rationale for market stabilization from 2021-22 in the FMCG sector



Source: NielsenIQ

The nation's e-commerce industry is observing consumption evolution interceding across all categories, particularly in components contemplated to be discretionary like non-food retail. The percentage of e-commerce in higher-income households is foreseen to flatten moving ahead, parallel to tendencies in other economies like the US and China, where e-commerce stake in across-the-board spending started to stabilize when in the spectrum of 30% to 40%.⁹ Refer to Figure 7 for more details.

Figure 7: Share of e-commerce in total non-food retail spending for different income group categories and comparison with China and the USA



Source: Credit Suisse

With e-commerce development stabilizing for the higher-income clusters and the enterprises detecting elevated rivalry, customer internet services and e-commerce companies must rotate to the mid-income and low-income clusters to navigate expansion. Such clusters, branched across remote villages, and suburban and metropolitan regions of the nation, have lesser spending capabilities and hence would have a lesser average order worth. Additionally, to cater to clusters across all classifications and demography, tremendous investment in supply chain webs and merchandise portfolios would be mandated. All these tendencies symbolize the stabilizing development of e-commerce firms in the nation.

Steered by rising market stabilization and the necessity for sustainable business processes, e-commerce firms must concentrate on functional efficient strategies for money-yielding purposes, comprising redesigning firms to earn from expenditure deduction steps, escaping particular business verticals, ramping up merchandiser subscription offerings and forthcoming development perspective.

While buyer services like food delivery start-ups are examining to stimulate earnings from main metropolitan and Tier 1 towns to compensate for the lesser unit economics of smaller regional towns, EdTech corporations are concentrating on economic strategies and market consolidation. Industry performers in some industries are concentrating on their main business through company redesigning and yielding fresh earning options from alternative sources.

Additionally, with maturing market dynamics, e-commerce industries must take backward action and reassess their current business prototypes to guarantee scalable and sustainable development building worthy business perspectives. Sustainable expansion can be attained by concentrating on cash-yielding opportunities, assembling a robust corporate culture through optimal administration and optimizing functional processes. Refer to Figure 8 which describes the strategies to build a sustainable e-commerce business.

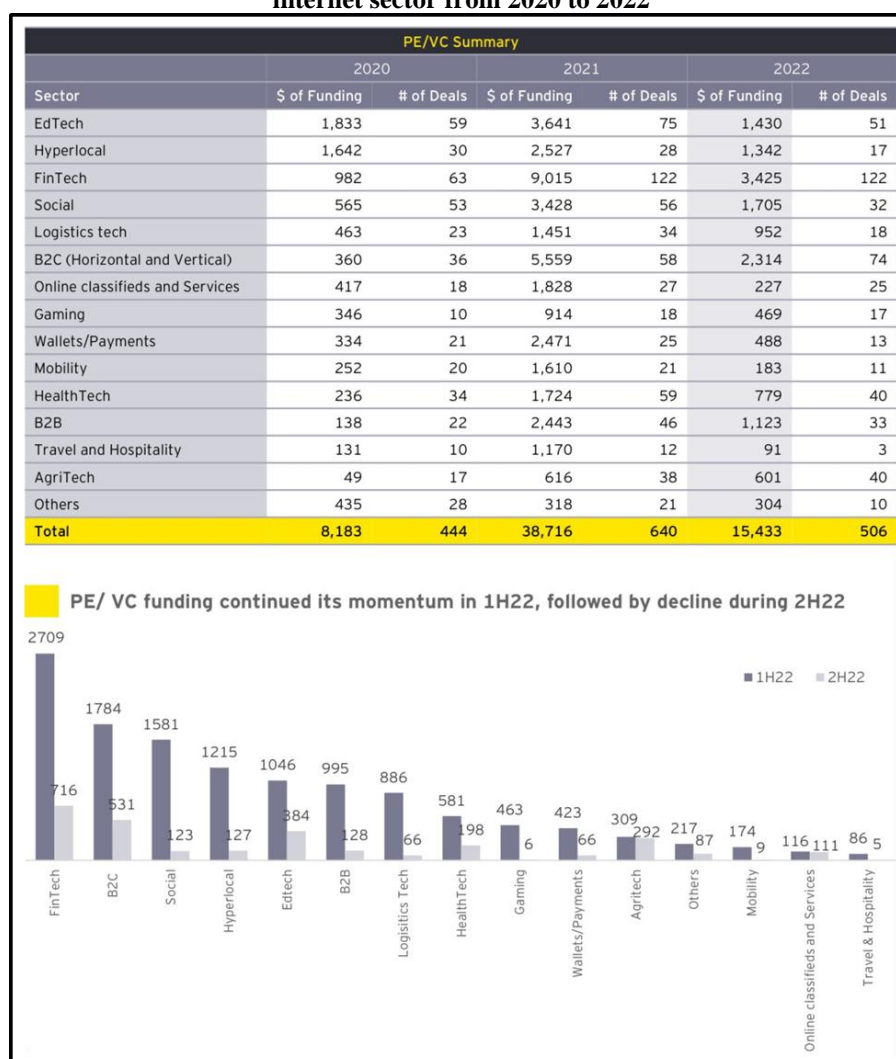
Figure 8: Strategies to develop sustainable e-commerce



Source: E-commerce and consumer internet sector, India Trendbook 2023

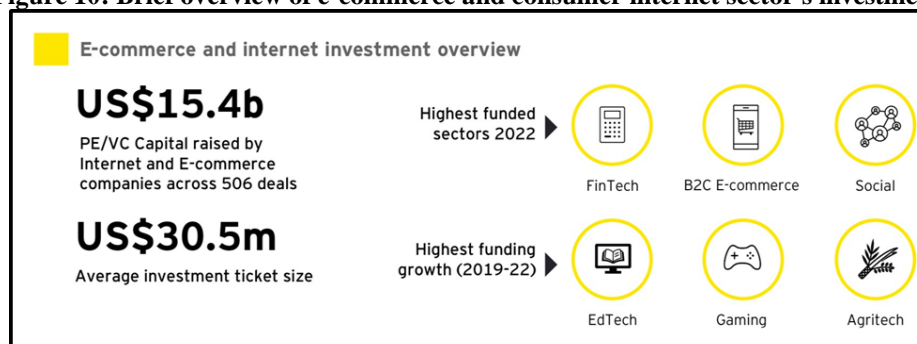
2022 observed suppressed private equity and venture capital investments, with the e-commerce industry and consumer internet corporations raising US\$15 billion in that year. Nonetheless, the investments decreased annually in 2022 as compared to 2021, but they stayed loftier than pre-pandemic levels. Figure 9 depicts the private equity and venture capital investments for various e-commerce industries and consumer internet services from 2020 to 2022, in increasing to decreasing orders. Figure 10 highlights the highest-funded sector in 2022 and the highest funding growth sectors from 2019 to 2022 for e-commerce and consumer internet services.

Figure 9: Brief summary of private equity and venture capital funding in the e-commerce and consumer internet sector from 2020 to 2022



Source: PitchBook, EY

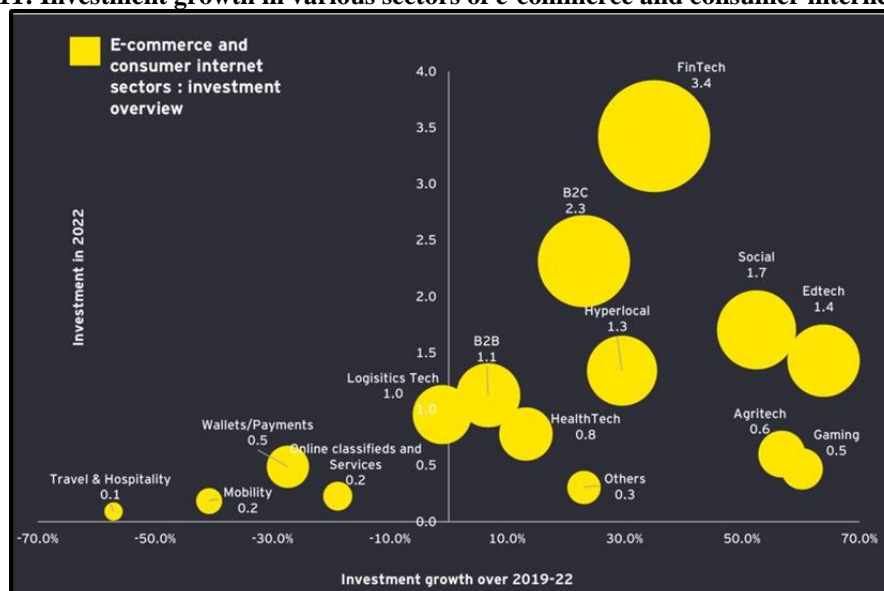
Figure 10: Brief overview of e-commerce and consumer internet sector's investments



Source: E-commerce and consumer internet sector, India Trendbook 2023

However subdued market situations, the quantum of investments in the 5 million to 25 million spectrum resumed to prosper. The sector observed a 10% boost in the quantum of deals in 2022. Although FinTech received the bulk of investment funding, EdTech remains the fastest-growing industry for private equity and venture capital investments, refer to Figure 11.

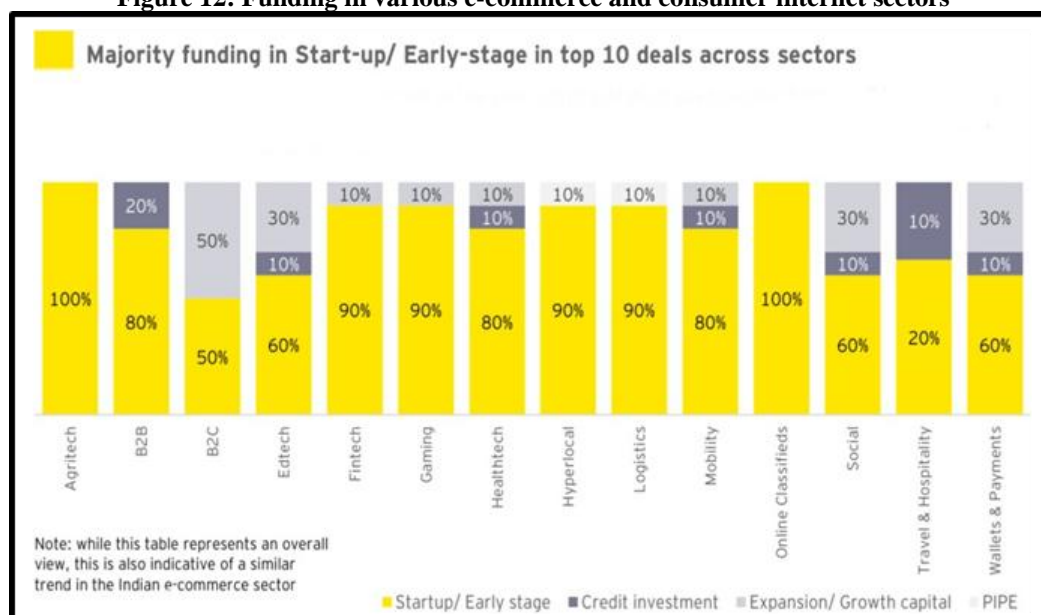
Figure 11: Investment growth in various sectors of e-commerce and consumer internet services



Source: E-commerce and consumer internet sector, India Trendbook 2023

Nevertheless, during the investment funding recession, 2022 appeared as the year with the increased seed funding from 2019 to 2022. Start-ups and early-stage firms constitute greater than 50% of the best 10 deals across all sectors, steered by advancements in capital efficiency which enabled them to remain inviting to both domestic and international investors. Figure 12 depicts the majority funding in start-up and early-stage in the best 10 deals across various sectors.

Figure 12: Funding in various e-commerce and consumer internet sectors



Source: E-commerce and consumer internet sector, India Trendbook 2023

Furthermore, 2022 was observed as a notable M&A activity with more than 200 start-up investments in the e-commerce and associated industries. Furthermore, 2022 also observed 2 new IPOs, namely Delhivery and Kfintech. Figure 13 depicts top consumer internet and e-commerce M&A deals in 2022.

Figure 13: Leading M&A deals in 2022 in the commerce and consumer internet sector

Top consumer internet and e-commerce M&A deals in 2022			
Start-up	Sector	Acquired by	Amount (US\$m)
Blinkit	Hyperlocal	Zomato	568
Owndays	B2C e-commerce	Lenskart	400
Pickrr	Logistic tech	Shiprocket Fulfillment	200
Clovio	B2C e-commerce	Reliance Industries Limited	125
Northwest Executive Education	EdTech	Great Learning	100
OpenQ	FinTech	PhonePe	75
Wealthdesk	FinTech	PhonePe	75

IPOs launched in 2022

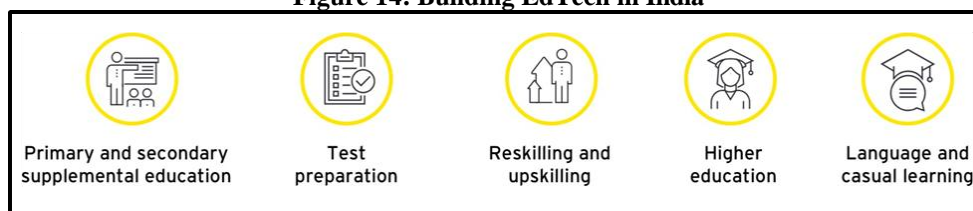
Delhivery
Logistics and supply chain

Kfin Technologies
Financial services platform

Source: E-commerce and consumer internet sector, India Trendbook 2023

EdTech: Building A Hybrid Educational Model

Figure 14: Building EdTech in India



Source: E-commerce and consumer internet sector, India Trendbook 2023

From kindergarten to class 12 schooling the EdTech sector is attaining maturity and EdTech key performers are concentrating on expansion in sectors like corporate education and hybrid prototypes to steer profitability. Cultivating a few of the biggest start-ups in the nation in the e-commerce and consumer internet sector, the EdTech sector is anticipated to thrive at a CAGR of 18% till 2027.¹⁰

In FY22, the nation's e-learning segment was evaluated at US\$1.5 billion and is foreseen to reach US\$3.6 billion by 2025, boosting at a CAGR of approximately 18.2%.¹¹ In 2022, the EdTech industry started to adapt to the post-pandemic period along with challenging macroeconomic situations and the changing course of geopolitical dynamics. Figure 15 discusses the growth of the EdTech sector in terms of expected revenue, number of start-ups, private equity and venture capital deals and number of unicorns. Furthermore, Figure 16 discusses the detailed analysis of the growth stages of the EdTech sector from 2021 to 2027.

Figure 15: Current and forecasted growth of the EdTech sector

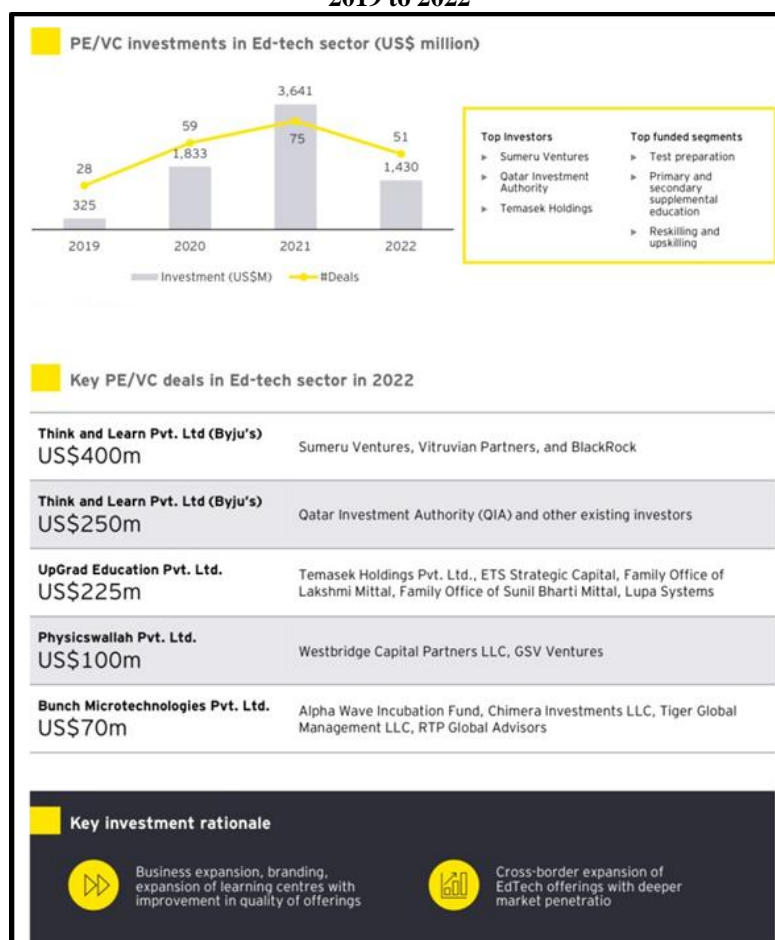


Source: E-commerce and consumer internet sector, India Trendbook 2023

Figure 16: In-depth examination of the development stages of the EdTech segment from 2021 to 2027

Source: E-commerce and consumer internet sector, India Trendbook 2023

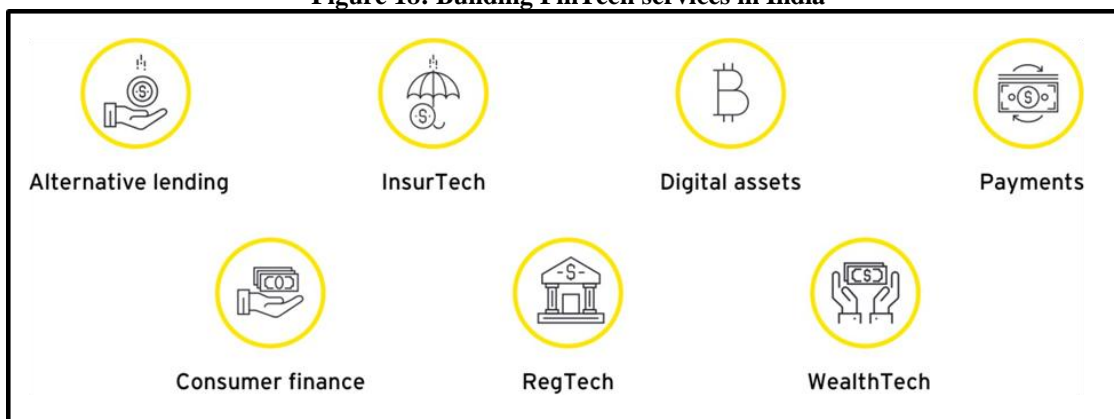
Private equity and venture capital investments in the EdTech segment persist in concentrating on enhancing the quality of services and profound market penetration. Figure 17 discusses the top investors in private equity and venture capital for the EdTech sector, the EdTech firms they have invested in, the areas they have invested in EdTech from 2019 to 2022 and the key investment rationale. Additionally, a concentration on digital technologies in 2021 lures private equity and venture capital investments in this industry.

Figure 17: Detailed analysis of private equity and venture capital investments in the EdTech sector from 2019 to 2022

Source: EY Analysis

The future outlook for the EdTech sector is anticipated to take a hybrid educational model to the interiors of the nation, backed by the maturing economics of smart devices and internet and data accessibility, availing the advantages of Digital India and an inflow of facilitating public administration schemes like Swayam, Atal labs and PM e-Vidya. Furthermore, domestic EdTech companies will persist in developing in global markets to steer expansion. The EdTech prototype is foreseen to accumulate further traction as industry performers augment beyond the learning component.

Evolving FinTech Sector

Figure 18: Building FinTech services in India

Source: E-commerce and consumer internet sector, India Trendbook 2023

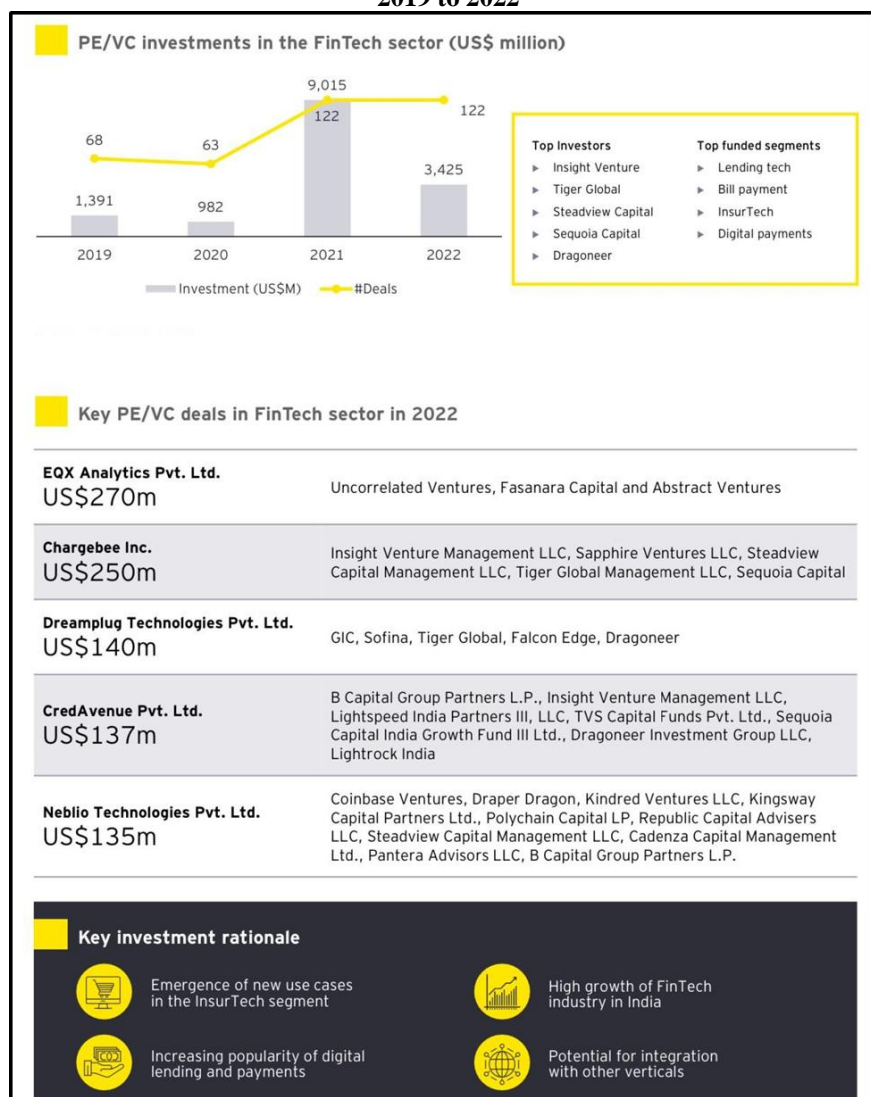
The FinTech sector in the nation has observed substantial expansion in the current period, propelled by a variety of elements comprising an enormous youth population, a rapidly rising economy, growing access to smartphones and economical expense for data services and the public administration's stimulant shifting towards a digital economy. Paperless borrowings, cellular phone banking facility, WealthTech, InsurTech, Decentralised Finance (Defi) and Buy Now Pay Later are a few of the materializing modes that are being embraced by the nation.

The country has come up with the third biggest FinTech ecosystem with 7,460¹² firms in the field. From borrowing and insurance to wealth management and digital payments, the country's FinTech corporations are embracing techniques involving artificial intelligence, machine learning and cloud computing to overcome conventional monetary transactions. The sector is backed by the administration's emphasis on developing a paperless and cashless economy and the RBI has taken up blockchain to establish a digital currency, "Digital Rupee – Wholesale (e₹-W) and Rupee-Retail (e₹-R)".¹³ The nation possesses around 23 FinTech corporations which have earned "Unicorn Status", with one-fifth of start-up unicorns arising from the FinTech field.¹⁴ Figure 19 discusses the growth of the FinTech sector in terms of expected industry value in 2025, the current number of start-ups, private equity and venture capital deals and the number of unicorns.

Figure 19: Current and forecasted growth of the FinTech sector

Source: E-commerce and consumer internet sector, India Trendbook 2023

Digital borrowings detected more than US\$9.3 billion investments from 2017 to 2021. It is anticipated to be US\$515 billion in book size by 2030, steered by inventions in merchandise and company prototypes.¹⁵ Correspondingly, digital advancement with technologies such as artificial intelligence, machine learning and blockchain technology; applications with additional business verticals like agri+FinTech start-ups and insurTech experienced substantial evolution. Figure 20 highlights the top investors in private equity and venture capital for the FinTech sector, the FinTech firms they have invested in, the areas they have invested in FinTech from 2019 to 2022 and the key investment rationale. Additionally, a concentration on digital technologies in 2021, lures private equity and venture capital investments in this industry. Data collected from the 10 leading investors in private equity and venture capital for the FinTech sector, investments in this industry lay emphasis on start-ups and early-stage financing.

Figure 20: Detailed analysis of private equity and venture capital investments in the FinTech sector from 2019 to 2022*Source: EY Analysis*

The future outlook for the nation's FinTech sector anticipates the industry will experience an increased expansion in the future and will be steered by digital adoption and adaptation for numerous usage possibilities. The Indian public administration currently concentrates on a digital economy by promoting endeavors like the Inter-Ministerial Steering Committee on FinTech, Joint Working Groups on FinTech, GIFT City, etc. and stimulating a promising lawful atmosphere with the expansion of an open banking ecosystem to boost demand for digital monetary services. Nonetheless, the sector encountered a downshift in 2022, with lesser funding prospects; it is anticipated to reach US\$200 billion in revenue by 2030.¹⁶ The rise of unicorns, start-ups and transformative services from incumbents, along with the increasing popularity of segments such as digital payments is expected to fuel this growth.

Business To Consumer (B2C) E-Commerce - A Period Of Domestic Performers

Figure 21: Building B2C e-commerce services in India*Source: E-commerce and consumer internet sector, India Trendbook 2023*

Propelled by ingenious business prototypes like direct-to-consumer (D2C), rapid and social commerce, B2C e-commerce resumed its quick expansion in 2022. The market is expected to grow from US\$105.0 billion in 2022 to US\$181.2 billion by 2026 at a CAGR of 14.62% between 2022 to 2026.¹⁷

The nation's B2C e-commerce sector was anticipated at US\$105.0 billion in 2022¹⁸, directed by increased e-commerce expansion in tier 1 towns and constant penetration in tier 2 and 3 cities which accounted for 61% of the across-the-board market stake in 2022, a significant rise from 53.8% in 2021.¹⁹ Currently, 53% of buyers from non-metros choose online shopping mode and 80% of the nation's shoppers select to shop from their smartphones. Additionally, the easy access to internet and mobile connectivity, the increasing purchasing power of buyers, the growth of e-commerce & online marketplaces and the upsurge of digital payments are adding development within this industry. Figure 22 discusses the growth of the B2C e-commerce sector in terms of expected industry value in 2026, private equity and venture capital deals, the estimated CAGR from 2022 to 2026 and the number of unicorns.

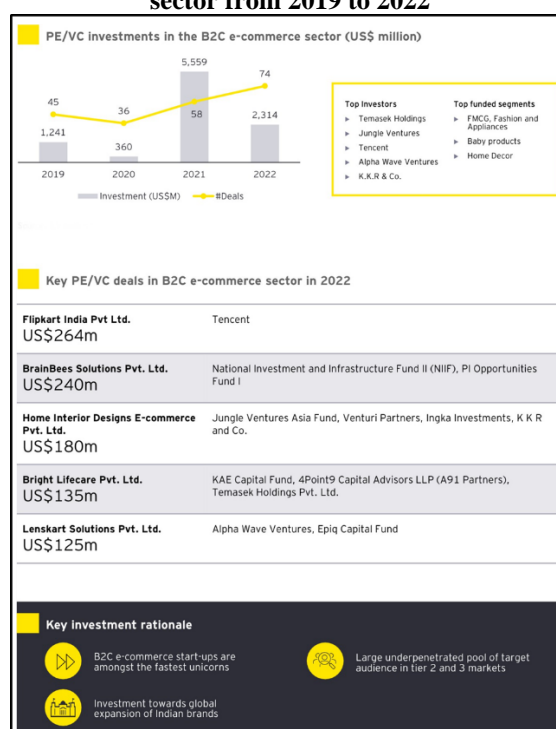
Figure 22: Current and forecasted growth of the B2C e-commerce sector



Source: E-commerce and consumer internet sector, India Trendbook 2023

The advancement of omnichannel techniques like Buy Online, Pick-up in Store (BOPIS), Buy Now, Pay Later (BNPL); Augmented Reality (AR) e-commerce and video commerce and the backing of the Indian public administration endeavors and schemes have directed the expansion of this industry. Figure 23 highlights the top investors in private equity and venture capital for the B2C e-commerce sector, the B2C e-commerce firms they have invested in, the areas they have invested in the B2C e-commerce sector from 2019 to 2022 and the key investment rationale. Additionally, a concentration on digital technologies in 2021 lures private equity and venture capital investments in this industry. Furthermore, the international and domestic geographical proliferation remains concentrated on private equity and venture capital investments in the B2C e-commerce sector, for generating booming profits globally.

Figure 23: Detailed analysis of private equity and venture capital investments in the B2C e-commerce sector from 2019 to 2022



Source: EY Analysis

The future outlook for the nation's B2C e-commerce sector forecasts that it is the quickest rising e-commerce market and it is estimated to evolve as the second-largest e-commerce market by 2034. It is foreseen to reach US\$350 billion by 2030²⁰ with significant assistance from the D2C sector. The nation's B2C GMV is calculated to reach US\$181.2 billion by 2026.²¹ Technology-enabled inventions, digital payments, hyper-local logistics, analytics-driven consumer participation & digital marketing strategies and public administration endeavors like the Open Network for Digital Commerce have the potential to endorse this development.

Business To Business (B2B) E-commerce - Fostering A Client- Centric Strategy

Figure 24: Building B2B e-commerce services in India



Source: E-commerce and consumer internet sector, India Trendbook 2023

Although B2B e-commerce has conventionally persisted to be tinier than the B2C e-commerce market, it is constantly prospering as corporations rapidly embrace the online channel for B2B commerce. Powerful backing from the Indian public administration, expanding usage of technological advancements like artificial intelligence, emphasis on consumer experience and modification in logistics are anticipated to steer expansion in this segment.

India's B2B e-commerce market was valued at US\$5 billion in 2021 and is foreseen to reach US\$100 billion in GMV by 2030, propelled by the digital expansion of the B2B marketplace, digitization of the supply chain and growth of fresh expense and financing services techniques.²²

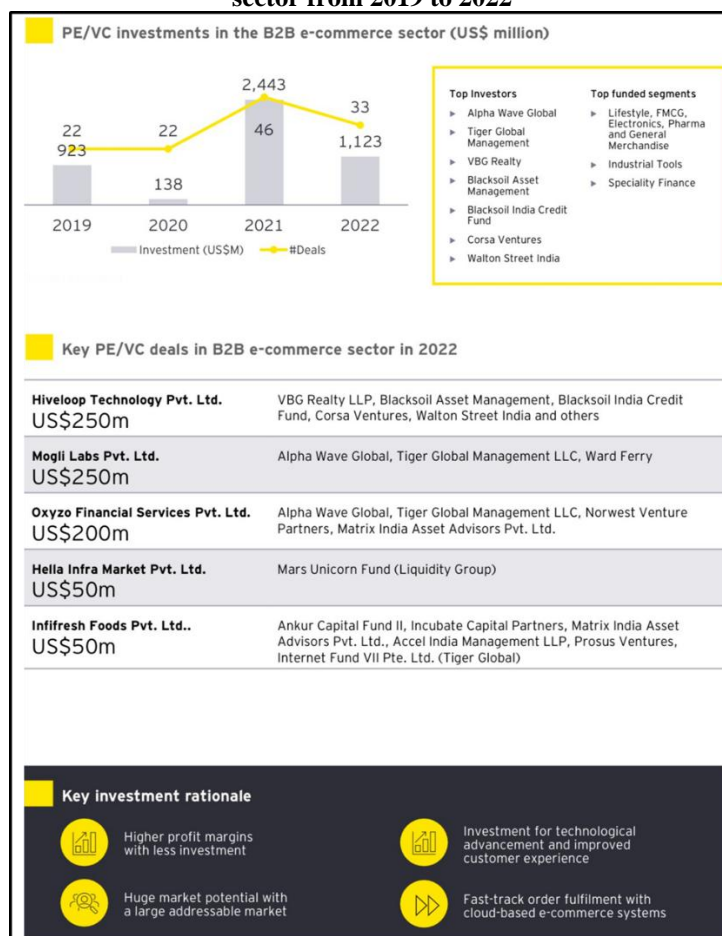
Steered by essential needs during the pandemic and the administration's stimulus to the digitization of marketing transactions, B2B marketplace podia are increasing and evolving to be a crucial component of the processes of merchandisers, wholesalers as well as distributors. E-commerce businesses concentrate on coalitions with B2B logistics firms to guarantee the purchase of raw materials and timely and secure delivery of the final merchandise to the retailer. Figure 25 portrays B2B e-commerce expected industry value in 2030, private equity and venture capital deals in 2022, the estimated percentage increase in the spending of B2B users in 2023 and the number of unicorns.

Figure 25: Current and forecasted growth of the B2B e-commerce sector



Source: E-commerce and consumer internet sector, India Trendbook 2023

B2B e-commerce firms are embracing artificial intelligence, big data and blockchain technologies for real-time tracking of marketing, hence decreasing the across-the-board expense of business processes. The public administration facilitated e-marketplaces and refinement in the expansion of access to financial infrastructure and licensing regulations, which has directed the growth of this segment. Figure 26 depicts the top investors in private equity and venture capital for the B2B e-commerce sector, the B2B e-commerce firms they have invested in from 2019 to 2022, the top funded segments and the key investment rationale. Additionally, a concentration on digital technologies in 2021 lures private equity and venture capital investments in this industry. Also, early-phase financing monopolizes the private equity and venture capital investments in the B2B e-commerce sector.

Figure 26: Detailed analysis of private equity and venture capital investments in the B2B e-commerce sector from 2019 to 2022

Source: EY Analysis

The future outlook of India's B2B e-commerce retail services marketing prospects is anticipated to reach nearly US\$1.2 trillion by 2030 with e-commerce B2B taking on a stake of 8% approximately.²³ The market will persist to develop in 2023 with an emphasis on third-party marketplaces, Omni channel sales and customization. The multiple classification sectors with a bigger scope both class-wise and region-wise is predicted to earn traction in the future. The e-commerce B2B podia will concentrate on equipping solutions for problems like elevated prices, no credit possibility, delayed delivery and lesser quality merchandise.

HealthTech - Building Economical and Easily Available Medical Facilities

Figure 27: Building HealthTech services in India

Source: E-commerce and consumer internet sector, India Trendbook 2023

The HealthTech sector has been growing rapidly in India and this expansion was accelerated with the pandemic with services automatically moving to an online mode, for example, e-pharmacy and online doctor consultations. The required digital adaptation in the healthcare sector is directed to the reset mode in the year 2022 and further prepares for better prospects in India in 2023. The Indian administration has been supporting this sector to facilitate economical and obtainable healthcare services for the general population and stimulating start-ups and gigantic performers in the sector. Although start-ups in this sector have observed an investment deceleration in 2022, they are now shifting towards a coalition stage with M&A contracts.

The Indian HealthTech market is calculated to reach US\$50 billion in 2033 from US\$5 billion in 2023, rising at a CAGR of 39%.²⁴ The pandemic stimulated the HealthTech sector to replenish the voids in the conventional strategies of healthcare delivery services in the nation by improving its spread while still being economical. As foreseen by the FICCI organization, e-pharmacies will expand their spread by delivering to 70 million Indian homes by 2025, while start-ups are functioning on providing affordable healthcare facilities, also incorporating periodic medical routine examinations. Figure 28 portrays the expected industry value of the HealthTech sector in 2033, households using e-pharmacy by 2025, active HealthTech start-ups in the nation and private equity and venture capital deals in 2022 and their value.

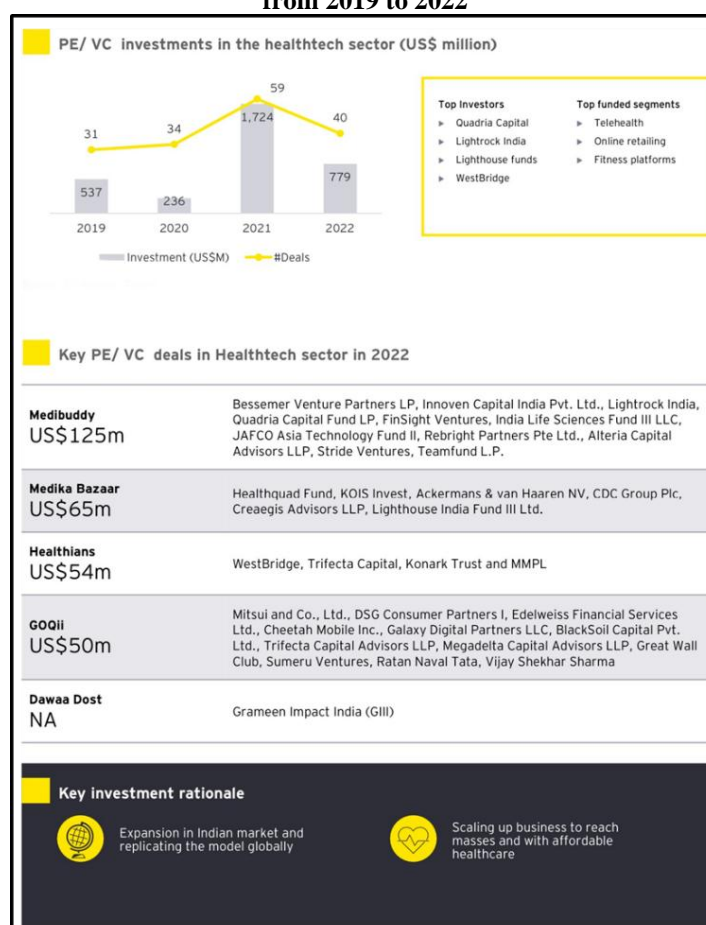
Figure 28: Current and forecasted growth of the HealthTech sector



Source: E-commerce and consumer internet sector, India Trendbook 2023

The establishment of big performers in the HealthTech sector, particularly e-pharmacy, expansion of the preventive healthtech market, unification of HealthTech start-ups and artificial intelligence and machine learning-based podiums for effective diagnosis has directed the evolution of this industry. Figure 29 depicts the top investors in private equity and venture capital for the HealthTech sector, the HealthTech firms they have invested in from 2019 to 2022, the top funded segments in the industry and the key investment rationale. Additionally, a concentration on digital technologies in 2021 lures private equity and venture capital investments in the HealthTech segment.

Figure 29: Detailed analysis of private equity and venture capital investments in the HealthTech sector from 2019 to 2022



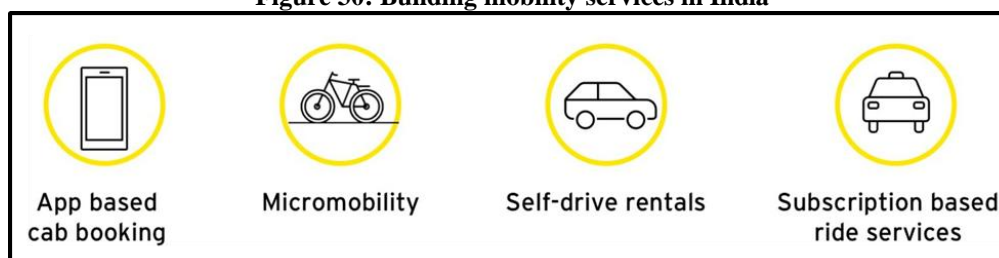
Source: EY Analysis

According to the EY analysis report nearly 60% of patients and 65% of doctors favor digital podiums more than in-person consultations. Patient-centric medical facilities, enhanced patient understanding, access to data services, emphasis on preventive care, etc. have stimulated the growth of the HealthTech sector.²⁵

The future outlook of the public administration emphasizes the following for the HealthTech sector - economical and available healthcare facilities for the general public, boosting public-private partnerships to enhance e-medical care, rising big e-commerce and tech performers' holding in the HealthTech sector, maturing start-up e-medical ecosystem, ingenious applications of materializing digital technologies and expansion of value-based payment prototypes would navigate the development in the industry.

E- Mobility Towards Electrification

Figure 30: Building mobility services in India



Source: E-commerce and consumer internet sector, India Trendbook 2023

During the pandemic, the mobility segment in India observed a drop due to constant lockdowns. Businesses encountered hardships due to altering laws at the provincial level and a deficit of driver partners was experienced. Furthermore, liquidity crunches and shutdowns noticed in a majority of other industries in 2022 had an analogous effect on mobility, spurring mobility companies to find alternative methods of sustenance.

The entrance of fresh mobility corporations, raising appeal in EVs and micro-mobility enhancing sustainability and a boost in tech-enabled usage circumstances are anticipated to steer this sector's expansion in the future. With the growing hybrid occupation tradition nowadays and altering customer demands, the mobility sector in India has observed a growth in demand for automobile leasing, subscription-based ownership and various techniques of mobility like ride-hailing and sharing over the years.

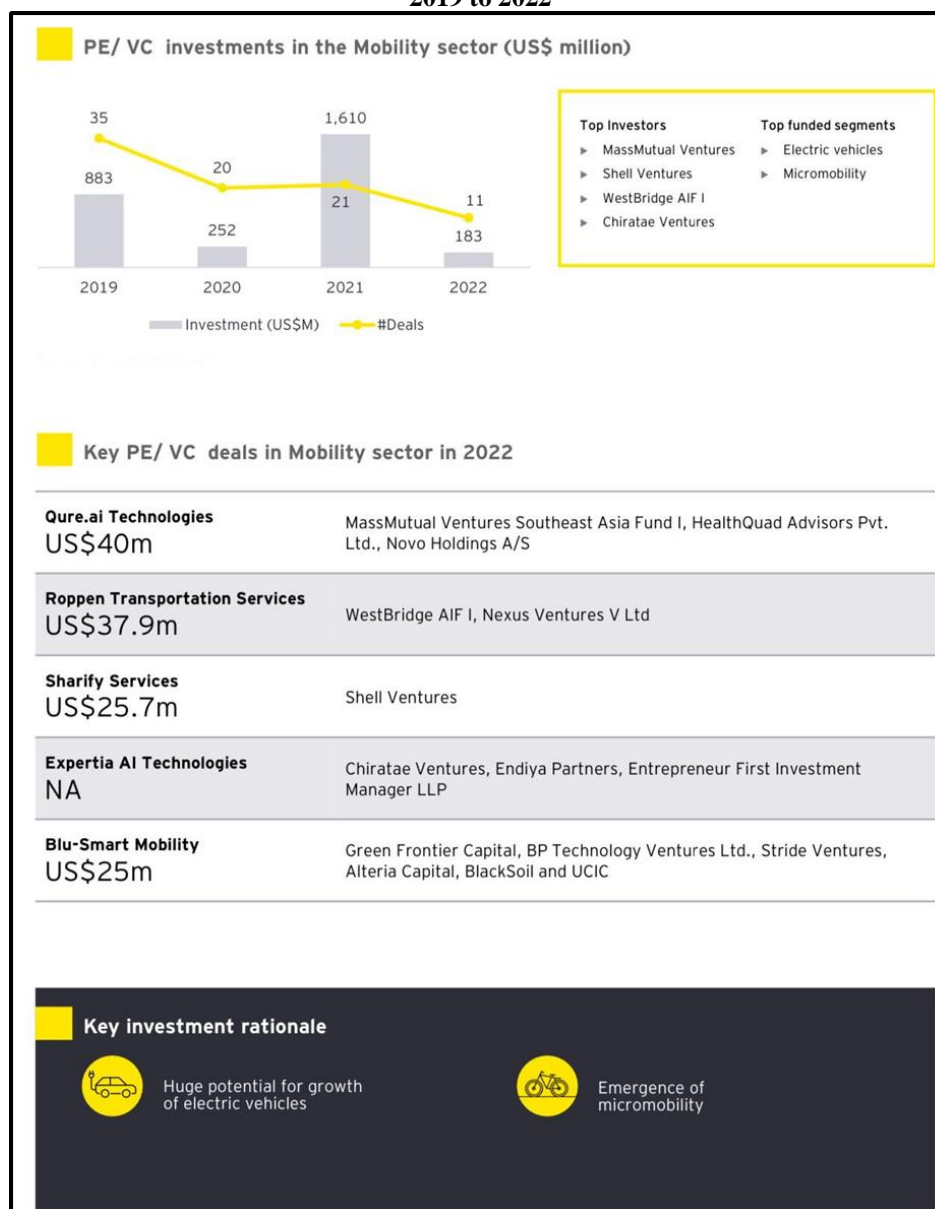
Analogous to the „funding winter“ in 2022 encountered by a majority of industries, investment in the mobility segment decreased from US\$1,610 million in 2021 to US\$183 million in 2022.²⁶ Lockdown- impacted decrease in ridership-oriented businesses directed to the establishment of ingenious responses and diversification into associated sectors. The pandemic has sped up certain useful tendencies like improved electrification in two-wheel (2W) and three-wheel (3W) autos and expansion of shared mobility due to recent usage circumstances like last-mile delivery, ride-hailing, and vehicle rentals. Altering automobile ownership tendencies like inclination for shared conveyance and used automobiles and a stimulus towards e- mobility and micro-mobility facilitate promising prospects for start-ups in this sector. Figure 31 highlights the anticipated shared mobility market by 2027, the private equity and venture capital investment in 2022, the number of deals associated with the sector and the anticipated shared mobility automobile operations by 2027.

Figure 31: Current and forecasted growth of the mobility sector



Source: E-commerce and consumer internet sector, India Trendbook 2023

The pivotal movements in this segment constitute some of these - fresh mobility firms implicating incumbent ride-hailing podiums, encountering tinier start-ups and classification distinct company prototypes, sustainability trends raising the attraction towards EVs and the establishment of battery-as-a- service where consumers can buy an EV without the battery, decreasing the upfront expense of the EV by up to 30-50%.²⁷ Figure 32 depicts the top investors in private equity and venture capital for the mobility sector, the mobility firms they have invested in from 2019 to 2022, the top funded segments in the industry and the key investment rationale. Additionally, a concentration on digital technologies in 2021 lures private equity and venture capital investments in the mobility segment. Furthermore, private equity and venture capital investors lean towards EVs and micro-mobility in this industry.

Figure 32: Detailed analysis of private equity and venture capital investments in the mobility sector from 2019 to 2022

Source: EY Analysis

The future outlook of the shared mobility sector in India propelled by ride-hailing, micro-mobility and EVs, is anticipated to rise at a CAGR of 25% during 2021-27. Furthermore, the used automotive industry in the nation is augmenting quickly, with the prospect to grow to US\$120 billion by FY2026-27.²⁸ Development in this sector is predicted to speed up, steered by the increase of tech-enabled used automotive podiums, simple access to finance services, transforming demographics and consumer trends and the comfort of multiple online payment choices. The requirement for individual mobility solutions, improved understanding of the sustainability for maintaining the planet and the increase in the cost of petrol and diesel have the potential to propel EV sales.

Closing Statement

Digital payments marketing have invariably risen in the last couple of years, due to the public administration's scheme to digitize the economic segment and market economy. Top FinTech performers are steering UPI adoption in the nation, augmented by traders with user-friendly marketing interfaces, ingenious offerings and an open API ecosystem. The market scenario is anticipated to be greater than three times from US\$3 trillion in 2022 to US\$10 trillion by 2026, largely navigated by rising online marketing transactions and digital technology adoption by the nation.²⁹

The foundation of the Open Network for Digital Commerce, a private non-profit corporation founded by the Department for Promotion of Industry and Internal Trade, Government of India, to ripen open e-commerce will additionally speed up industrial expansion and drive and position the nation amongst the gigantic e-commerce centers worldwide. The pivotal tendencies for the future outlook of e-commerce and consumer internet segment are mentioned here:

Sustainable e-commerce to maintain a cleaner habitat and atmosphere

- Rising customer understanding of environmentally friendly processes will assist in boosting demand for sustainable e-commerce trends.
- Top worldwide e-commerce corporations are committing to attain net-zero carbon deductions by 2040, decrease pollutant ejections and diminish packaging waste. In India, cleantech start-ups strive to deliver clean energy solutions.

Improving business efficiency by leveraging the subscription economy

- E-commerce businesses are constantly leveraging subscription services to provide steady cash flows and boost earnings.
- Subscriptions are being leveraged to expand consumer repetition. For example, food delivery companies are permitting their clients to subscribe to multiple options like weekly plans or monthly plans to secure client retention.
- Subscriptions are being utilized to establish fresh services. For example, an international technology performer is launching UPI Autopay in the nation for subscription-based services.

Super apps to boost e-commerce as well as industry competition

- Along with the expansion of e-commerce, the segment is embracing the growth of different super apps. While big conventional performers have extended their offerings to contain characteristics such as payments, cash transfers and reserving tickets.
- Rising industry rivalry and the establishment of super apps will lead to further product quality growth, economies of scale and product innovation.

With the nation symbolizing one of the largest markets with an under-penetration of around 7.8% in 2022 of e-commerce, the future for e-commerce appears to be optimistic. India's large youth customer market size and internet-connected client cohort are computed to navigate e-commerce adoption at a CAGR of 20% from 2021 to 2030, however at a sluggish rate as compared to the CAGR of 33% expansion that the industry relished over the last five years.³⁰

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