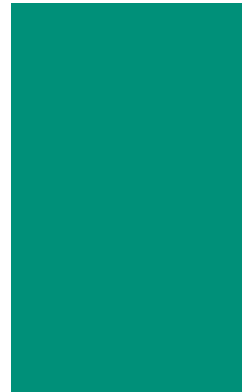




INDIA RETAIL AND E-COMMERCE TRENDS REPORT 2022



JOINT REPORT BY



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FOREWORD

Massive disruptions often act as catalysts for business transformation. A great case in point is the exponential rise in digital adoption and e-commerce across Indian retail driven by COVID-19. Over the last two years, lockdowns, social distancing, wider product ranges, and convenience drove the rise in online shopping.

The dis-continuity experienced by both buyers & brands due to the pandemic and related lockdowns has accelerated the adoption and growth of e-commerce and disrupted both traditional retail as well as organised brick-and-mortar business models. As a result, e-commerce has become the modern retail industry's mainstay.

The resultant changes in buying behaviour and customer demand has led to a redefinition of our country's retail landscape and e-commerce has become the modern retail industry's mainstay.

E-commerce players, retail brands, and digital-first companies have been quick to meet new consumer demands using online shopping technology advances, as well as supply chain optimisation. Their success on these fronts is corroborated by the 69.4% YOY growth in e-commerce order volumes during FY 2022 (Source: Unicommerce Research).

As Indian retail heads towards pre-pandemic normalcy levels, the industry has come a long way from its pre-pandemic approach to digital adoption. Today, the need to ensure optimal customer buying experiences equates directly to an increase in revenue growth and profitability.

An increasingly non-negotiable requirement today, omnichannel retail offers consistent shopping experiences across channels. For digital-first brands, this means the creation of offline presence via exclusive stores and

traditional distribution channels. On the other hand, traditional retail favours the creation of a holistic online presence.

Innovative technology solutions are essential for brands to meet demanding customer needs on fronts such as error-free on-time delivery and better brand touchpoints. How can Indian retail, e-commerce, and digital-first players stay on top of these trends? Unicommerce's annual research initiative under the **"India Retail and E-commerce Trends"** umbrella is an outcome of this quest.

We are proud to present you with the first edition of **"India Retail and E-commerce Trends"**, Unicommerce's and Wazir Advisors' effort to track the evolution of retail and e-commerce. Launched in collaboration with Wazir Advisors, our deep dive annual report captures retail shopping trends from across India.

"India Retail and E-commerce Trends" covers consumer demand insights across traditional, brick-and-mortar, and online retail channels. It also provides sector-wise analysis, along with changing consumer preferences, and shopping platform preferences.



Kapil Makhija
CEO

Unicommerce



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SUMMARY

Organised Brick & Mortar, Online comprises 18.5% of overall Retail

The pandemic's severe impact on India's retail sector led to a market size decline of 8.5% in FY 2021. Organised and traditional retail segments witnessed a major hit, whereas online retail sustained its growth momentum. According to Wazir Advisors, India's retail sector is worth USD 836 bn in FY 2022, with an 81.5% contribution from traditional retail. Wazir Advisors, also added that Organised brick and mortar retail makes up 12% of the overall retail market, followed by online sales channels at 6.5%. Organised retail's footprint remains low when compared to mature markets such as the US, UK, and Germany.

Online retail continues to outperform

Despite the pandemic-related lockdown's adverse impact on overall retail in FY 2021, online retail market in India is expected to grow at ~32% over the next few years with potential to reach USD ~225 Billion. The D2C segment emerges as the key propeller of this growth; reflecting a robust CAGR of near 45% levels. Marketplaces garner significant 35% of the D2C potential categories and hence they will further leverage this growth by focusing this segment.

In addition to enabling enhanced platforms for digital native brands across these categories; the private label focus by marketplaces will intensify. D2C brands and digital-first companies are investing heavily in technology to build a strong supply chain ecosystem powered with AI and Big Data. These above levers will combine to lend a growth of 38% to the D2C channel segment leading to the penetration of D2C segment to grow from the current ~18% to 30% contribution share to a significant USD 70 billion opportunity.

BPC outperforms, emerging segments continue robust growth

Sustained growth across digital shopping platforms continues to be a defining trait of the beauty and personal care segment. Digital-first players continue to strengthen their presence in the sector with fresh capital infusion and the acquisition of smaller D2C brands. Further growth potential is possible, as online sales constitute 9.4% of the overall Beauty & Personal care segment. It reports a strong growth of 143% in terms of order volumes, and over 132% in order values respectively.

Brand Websites establish loyalty among digital shoppers

As consumers continue to shop online, brands across segments focus on stronger online presence and direct sales. Rise in technology investments seem to yield results; evident from the 80.4% YoY growth on brand websites, while dropship volume on marketplaces report a 59.6% growth during the same period.

Beauty & Personal care products continue their aggressive growth across brand websites and marketplaces. Brand websites ensure strong growth for the Health & Pharmaceuticals segment (84.8%) as well as Fashion (89.5%). Consumers prefer marketplaces for the footwear segment, as it offers wider shopping options. Having said that, marketplaces are yet to make significant inroads into the eyewear space, which explains the significant growth rate.

Hinterland consumers boost next e-commerce growth phase

Shoppers from Tier II and Tier III cities are set to change India's e-commerce landscape. These online savvy buyers account for over 61% of the overall market share in FY 2022 (up from 53.8% in FY 2021). Indian Tier II and Tier III cities report a growth of 92.2% and 85.2% respectively, whereas Tier I cities indicate a slower e-commerce growth rate at 47.2%.

INDIA'S MACRO ECONOMIC OUTLOOK



1.1 INDIA'S GDP GROWTH

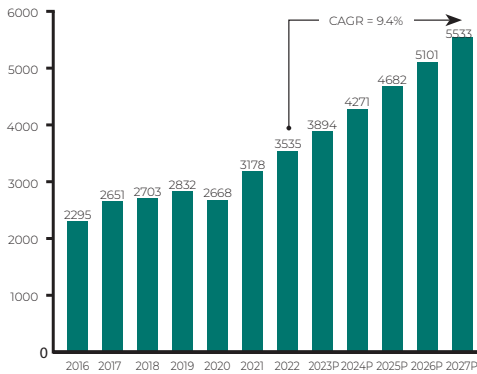
In terms of the nominal GDP, India is the world's 6th largest economy and the 3rd largest by Purchasing Power Parity (PPP). Due to the outbreak of the COVID pandemic, however, India's economy slowed down during CY 2020, with current GDP witnessing

pre-COVID levels and it is projected to grow at a 9.4% CAGR during CY 2022-27.

India's growth is expected to be adversely impacted by worsening global economic prospects due to commodity price volatility and disruption of supply chains caused by the war in Europe. According to IMF's revised estimates, India's real GDP is expected to grow at 7.4% in CY 2022, 80 bps lower than previous estimates, and 6.1% in CY 2023. However, the high share of private consumption in the GDP not only insulates India from the vagaries of global economy but it also implies that a sustainable high economic growth in India directly translates into a sustained consumer demand for merchandise and services.

Similarly, as more people are expected to move beyond sustenance living with rising income levels enabled favorably by demographic advantages, India's household consumption expenditure will continue to get altered in favour of discretionary purchases. Therefore, categories like apparel, jewelry, packaged food and consumer electronics are poised to gain a share of this shift.

Figure 1.1: India GDP, Current Prices 2016-2027(in US\$ billion)



Source: : IMF 2022, Wazir Analysis *CY

a negative growth of ~1% in local currency terms (~6% in US\$ terms).

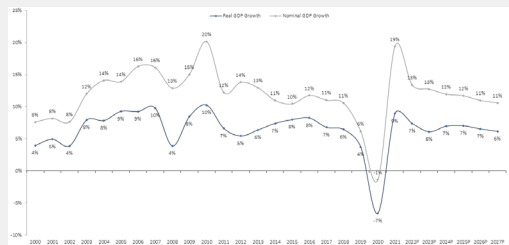
In CY 2021, the GDP grew ~9% y-o-y in local currency terms (~19% in US\$ terms), surpassing

Table 1: GDP of Key Global Economies, 2022-2027 (in US\$ billion)

Country	2021	2022P	2023P	2024P	2025P	2026P
United States	22,998	25,347	26,695	27,746	28,790	29,856
China	17,458	19,912	21,865	23,617	25,353	27,172
Japan	4,937	4,912	5,291	5,528	5,820	6,063
Germany	4,226	4,257	4,565	4,787	4,985	5,177
United Kingdom	3,188	3,376	3,687	3,915	4,132	4,346
India	3,178	3,535	3,894	4,271	4,682	5,101
France	2,935	2,937	3,086	3,228	3,366	3,496
Italy	2,101	2,058	2,169	2,273	2,367	2,455

Source: IMF 2022 *CY

Figure 1.2: GDP Growth of India, 2000-2027 (%)

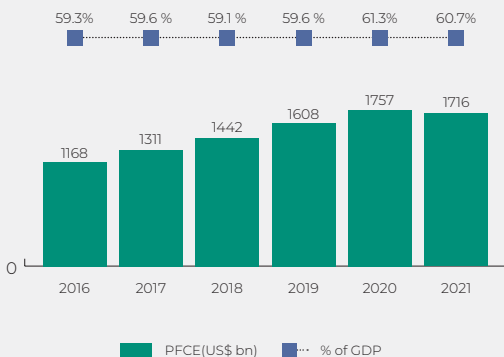


Source: : IMF 2022, Wazir Analysis *CY

1.2 PRIVATE FINAL CONSUMPTION EXPENDITURE (PFCE)

In the last few years, the size of domestic consumption share (measured as PFCE) in the overall GDP has been around 60%. In FY 2020, PFCE constituted 61.3% of GDP, slightly up from 59.6% in FY 2019. Although the share of PFCE in GDP declined in FY 2021, primarily due to the effects of the pandemic, the PFCE is expected to continue to contribute a sizeable share of ~60% in the GDP in the future. The continued growth in PFCE indicates robust consumer spend and rapid economic recovery.

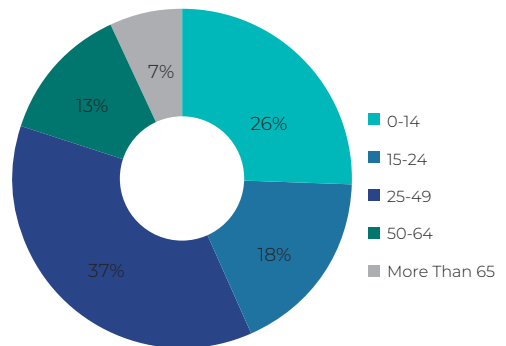
Figure 1.3: Share of Private Final Consumption Expenditure in GDP (%)



Source: National Accounts Statistics, Wazir Analysis *FY

1.3 KEY GROWTH DRIVERS

Figure 1.4: ~65% of India's population belongs to the key consuming cohort of 18 to 55 years; India has the lowest median age of 28 across key developed and emerging countries of world. (2021P)



Total population = 1.3 Billion

Source: Ministry of Health and Family Welfare, GoI *CY

India is adding about 12 million people to the working population each year, a significant increase in the working-age population (Indian Age Dependency Ratio, 2015-2020; % of working-age population) Figure 1.5 in Annexure

Households with annual earnings between US\$ 10,000-50,000 are estimated to have grown at a CAGR of 22 percent over 2015-21 leading to increase in indulgence spending by the group. Table 2 in Annexure

1.3.1 NUCLEARIZATION & URBANIZATION

The decline in the average household size coupled with rising urbanization and disposable income will lead to a greater number of household units that are pre-disposed to discretionary expenditure. (Average Household Size) Figure 1.6 in Annexure

1.3.2 RISING INTERNET AND SMARTPHONE PENETRATION

While the penetration of internet and smartphone users in India as a percent of the total population remains lower as compared to other leading economies, the country has a sizeable and rapidly growing population of digitally aware consumers.

(2021; million users; % of total population) Figure 1.7 in Annexure

INDIA'S RETAIL INDUSTRY OUTLOOK



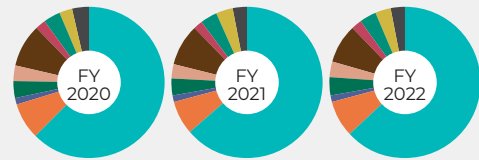


2.1 OVERVIEW OF INDIA'S RETAIL INDUSTRY

In FY 2022, the share of merchandise goods was estimated to be over 50 percent in the sizeable and stable private consumption of India. The retail sector in FY 2022 was estimated to be US\$ 836 bn. Food & groceries (F&G) segment forms the major share of India's merchandise retail expenditure. High share of F&G is an expected outcome of the developing nature of the Indian economy. When economies progress, the share of F&G in their retail consumption basket comes down and stabilizes at around 55 percent, as is the case with mature economies like the UK. But such a decline is gradual and spans decades. The decline in the share of F&G always favours a rising share of discretionary retail and in the case of India, apparel & accessories is a primary discretionary category in the Indian retailing basket.

Owing to COVID-19 pandemic, the retail sector witnessed a decline of about 8.5% in FY 2021. The share of discretionary categories in retail such as apparel & accessories, footwear, jewelry & watches and beauty & personal care declined

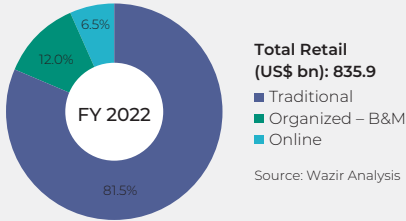
Figure 2.1: Share of various Categories in Overall Indian Retail Basket



	2020	2021	2022
Total Retail (US\$ bn)	830.5	759.9	835.9
Food & Grocery	62.5%	64.0%	63.3%
Apparel & Accessories	8.0%	7.3%	7.9%
Footwear	1.4%	1.3%	1.4%
Mobile	3.6%	3.6%	3.8%
Consumer Durables & Appliances	3.3%	3.2%	3.3%
Jewelry & Watches	9.0%	8.7%	8.6%
Beauty & Personal Care	2.2%	2.1%	2.0%
Furniture & Furnishing	3.7%	3.5%	3.6%
Pharmacy	2.7%	3.7%	3.5%
Others	3.6%	2.9%	2.9%

Source: Wazir Analysis

Figure 2.2: Overall Retail's Share across Traditional, Organized & Online Channels



in FY 2021 while the share of essential categories such as food & grocery and pharmacy increased ~2 percentage points and ~1 percentage point respectively. However, the retail sector is estimated to have largely recovered in FY 2022 and is expected to witness a steady growth of a 10% CAGR between FY 2022 and FY 2025 to reach a sizeable ~US\$1,109 billion by FY 2025.



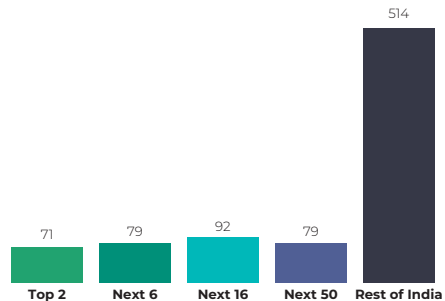
In India, the contribution of organized retail is low (~18.5 percent in FY 2022) as compared to mature markets such as the US, the UK and Germany where penetration of organized retail is high. However, in relatively newer market like China the

Table 1: Category-wise Share across Channels in FY 2022

	Overall Retail		Share of Channels (%)		
	Share (%)	Size (US\$ Bn)	Traditional	Organized - B&M	Online
Food & Grocery	63.3%	528.7	93.7%	4.9%	1.4%
Apparel & Accessories	7.9%	65.6	56.3%	23.7%	20.0%
Footwear	1.4%	11.3	51.9%	26.1%	22.0%
Mobile	3.8%	31.3	26.6%	18.4%	55.0%
Consumer Durables and Appliances	3.3%	27.6	58.7%	23.6%	17.6%
Jewelry & Watches	8.6%	71.9	59.8%	39.6%	0.6%
Beauty & Personal Care	2.0%	16.7	72.3%	18.3%	9.4%
Furniture & Furnishing	3.6%	30.1	79.1%	13.6%	7.3%
Pharmacy	3.5%	29.3	81.5%	13.2%	5.3%
Others	2.9%	24.2	79.9%	16.9%	3.2%
Total	100%	835.9	81.5%	12.0%	6.5%

Source: Wazir Analysis

Figure 2.3: Overall Retail Spend Across Different City Types (in US\$ billion)



Source: Wazir Analysis

²Table 2: Retail Channel Penetration Across City Types, 2022

	Top 8	Tier 1	Tier 2	Tier 3+
Traditional	52.8%	65.9%	75.6%	92.0%
B&M	33.8%	22.1%	14.6%	4.5%
Online	13.5%	12.0%	9.8%	3.5%

Source: Wazir Analysis

online market has seen tremendous growth. In India, the online channel and the organized brick & mortar channel is expected to grow at a CAGR of 29 percent and 19 percent, respectively, between FY 2022 and FY 2025.

The organized brick & mortar market in India was estimated at US\$ 100 bn in FY 2022 with categories such as jewelry & watches (29 percent), food & grocery (26 percent) and apparel & accessories (20 percent) having the highest contributions. These categories will continue to play a pivotal role in future as well as the organized penetration within these categories is expected to rise the fastest.

The online channel continued to be the fastest growing channel in FY 2022, growing ~32 percent y-o-y to reach an estimated US\$ 54 bn, with categories such as mobiles (32 percent), apparel & accessories (24 percent) and food & grocery (13 percent) having the highest contributions.

TOP INDIAN STATES BY CONTRIBUTION TO RETAIL GDP, FY 2022P (US\$ BILLION)

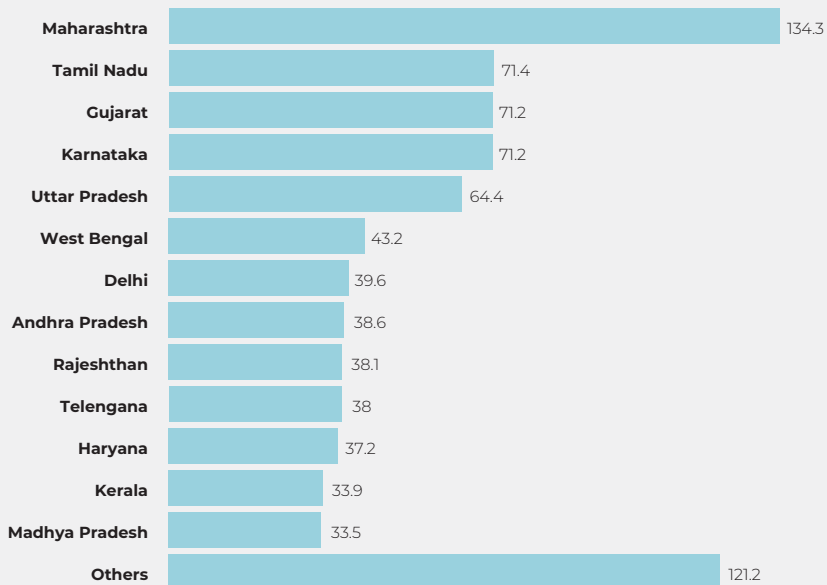


FIGURE 2.4 : FY 2022 vs FY 2021

Source: Wazir Analysis

INDIA'S E-COMMERCE INDUSTRY OUTLOOK





3.1 DIGITAL COMMERCE DRIVES INDIA'S RETAIL GROWTH

Prior to the pandemic, the e-commerce channel witnessed continuous evolution and growth. The pandemic significantly changed customer behaviour and accelerated e-commerce adoption, which changed the composition of India's retail industry.

Changes in consumer habits post the pandemic forced brands towards digital innovation. Traditional offline retail companies felt the need for a strong digital presence in order to stay relevant to new-age online shoppers.

FMCG industry is a great example of traditional focused brands moving online. Leading brands such as HUL, Emami, ITC, and Marico built extensive digital presences to capture newer opportunities. The online sales channels of these industry leaders cater successfully to the needs of new-age online shoppers.

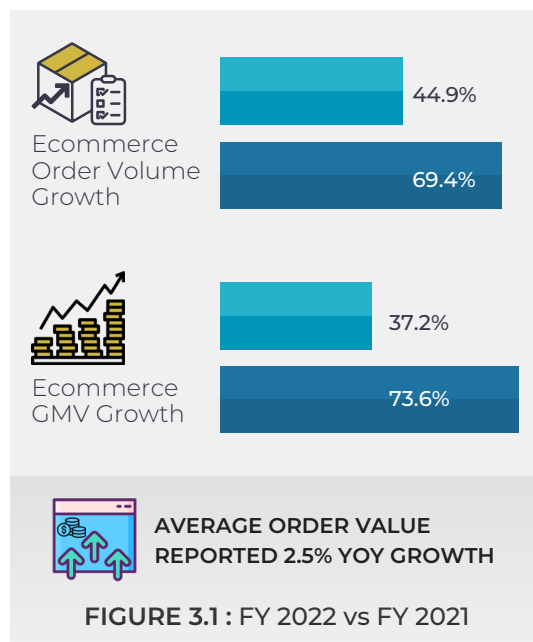
Unicommerce data suggests that the e-commerce industry reported a 69.4% order volume growth YoY in FY 2022¹. In comparison, FY 2021 witnessed a YoY order volume growth to the tune of 44.9%.

General uncertainty in the minds of online shoppers during the last financial year translated to limited spends on discretionary

items. As a result, GMV reported a slower growth to order volume at 37.2% during FY 2021. FY 2022 witnessed a recovery with a faster GMV growth of 73.6%.

The pandemic provided an opportunity to re-strategize and evaluate retail operations. Businesses were quick to realise that the right technology and effective supply chain solutions are essential to ensure customer satisfaction and boost sales. Its sustained impact is visible in the continuous growth of e-commerce despite the regular operation of physical stores and decline in COVID cases.

The faster growth of GMV in FY 2022 has led to a 2.5% YoY growth in average order value. Many first-time online shoppers who started their digital commerce journey in 2021 continued to shop online even after the lockdown. Companies were able to build confidence amongst first-time online shoppers, which enabled the sales of higher value products.



Source: Unicommerce

¹ Unicommerce manages ~20% of India's dropship volumes and dropship constitutes a majority of overall e-commerce volumes. This analysis is for e-commerce dropship volumes. There has been a surge in adoption of the Unicommerce platform amongst D2C, roll-up firms and retail companies



3.2 BPC OUTPERFORMS, EMERGING SEGMENTS CONTINUE ROBUST GROWTH

As the retail industry reverts to business as usual, traditional e-commerce leaders such as Fashion & Accessories and Footwear demonstrate a rapid recovery. Segments such as FMCG & Agriculture and Health & Pharmaceuticals are also witnessing rapid online growth over the last two years. Another trend is the increasing emergence and popularity of digital-first brands across segments.

The Beauty & Personal Care segment continues to showcase strong growth across digital shopping platforms. This segment

emerged as a strong contender over the last two years, with consistent YOY growth.

Beauty & Personal Care continues to report maximum growth as compared to other segments, with respective growth rates of 143% in order volumes and 132% in order value in FY 2022, as compared to the previous financial year. Growth of order value is slightly lower than the order volumes in this segment, which impacts the average order volume.

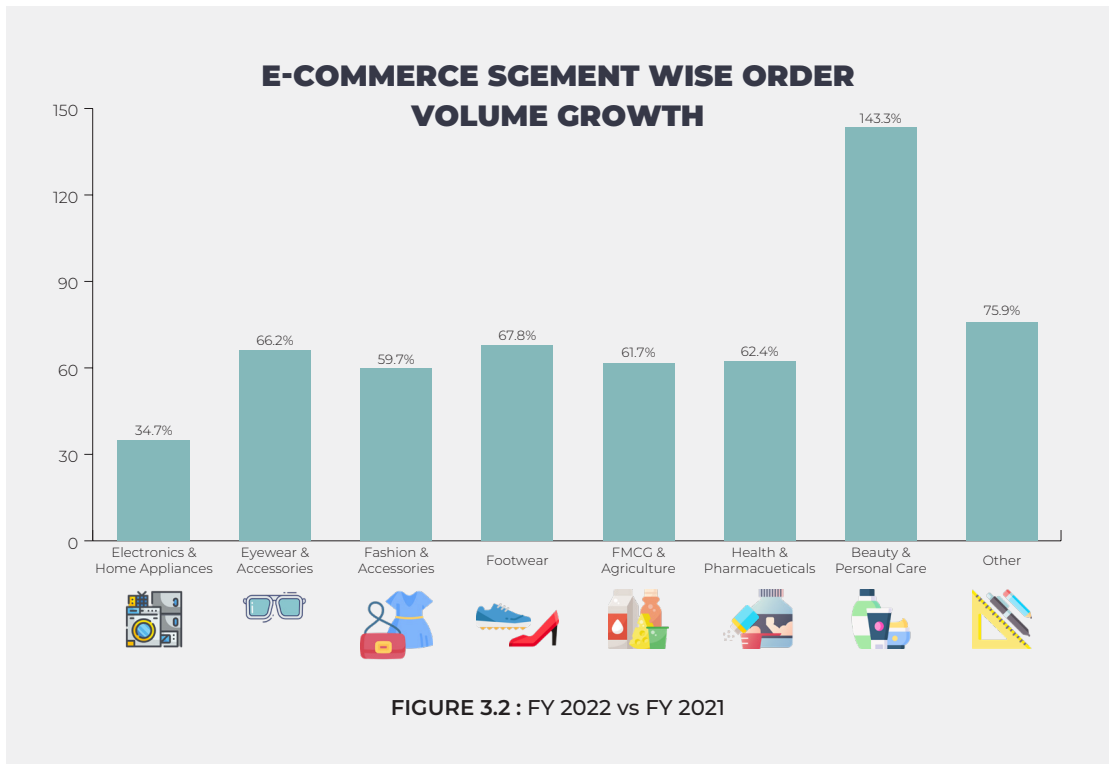
Many digital-first brands have emerged over the last two years in the Beauty & Personal

Care segment, which provides tough competition to traditional players. Interest from investors and the rising number of “House of Brands” further support growth in the segment.

Other segments that were non-existent prior to the pandemic, but have grown significantly in the last two years are FMCG & Agriculture and Health & Pharmaceuticals. The FMCG & Agriculture segment² reported a 61.7% order volume growth and slower order value growth of around 55% on a YOY basis. Order volumes for Health & Pharmaceuticals grew by 62.4% YOY and order value by 62% YOY respectively, with negligible impact on average order value.

Fashion & Accessories and Footwear has always been the biggest order volume contributor to the overall e-commerce industry. Consumers are more receptive towards buying clothes and footwear online. These segments took a massive hit during the pandemic, as consumers were homebound. As life returns to normal, Fashion & Accessories and Footwear report a strong order volume growth of 59.7% and 67.8% respectively.

During the previous financial year, homebound shoppers largely ordered athleisure and comfort wear, whereas this year’s consumers shopped across product categories. This results in stronger GMV growth on a YOY basis, with 75.1% order



Source: Unicommerce

E-COMMERCE SEGMENT WISE ORDER VALUE GROWTH

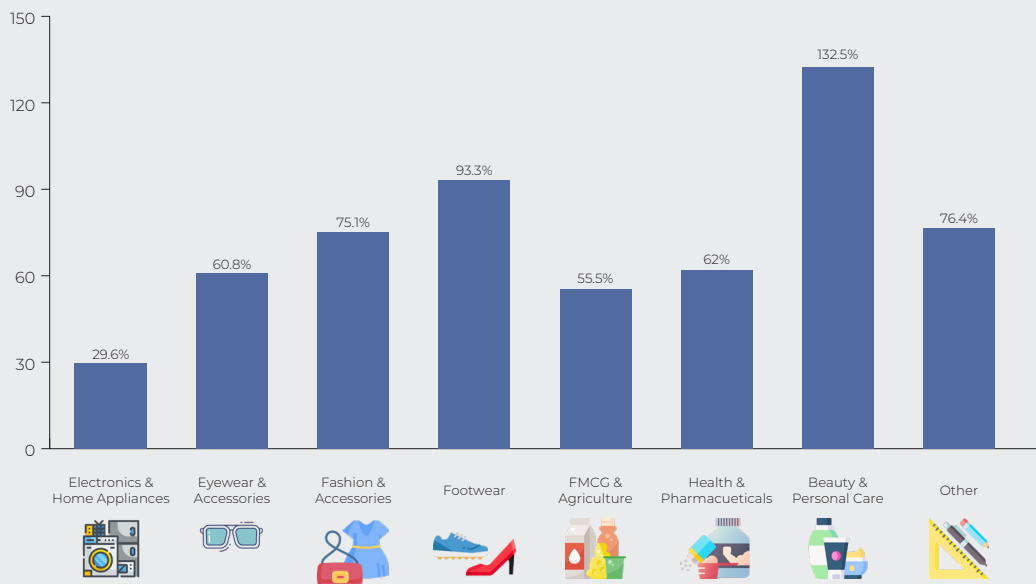


FIGURE 3.3 : FY 2022 vs FY 2021

Source: Unicommerce

value growth for Fashion & Accessories and 93.3% growth for the Footwear segment in FY 2022.

The Electronics & Home Appliances³ segment witnessed comparatively slower growth, with 34.7% YOY order volume growth and 29% order value growth in FY 2022. Home appliances are a strong contributor to this segment as it continues to showcase strong growth.

The Eyewear segment continues to grow consistently YOY with 66% order volume and

60% order value growth respectively. The segment is largely dominated by spectacles and sunglasses.

Products under Home Decor & Furniture, Sports Equipment, as well as Books & Stationery, have been covered under the "Other" category. This segment witnessed a 75.9% growth in order volumes during FY 2022. Rapid growth in the Home Decor & Furniture space as well as Sports Equipment indicate significant growth potential for online sales of these products.



3.3 INCREASING FOCUS ON BRAND WEBSITE TO BUILD BRAND LOYALTY

Further analysis of the changing e-commerce landscape reveals an evolving market. Brands across segments are building a strong online presence with the focus on selling directly to consumers.

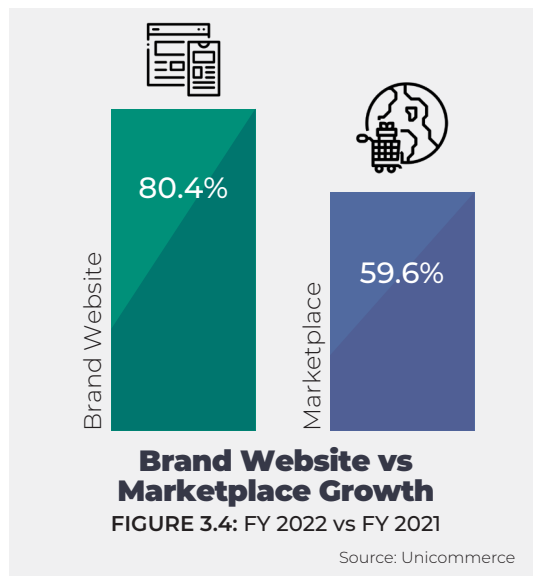
Companies have realised that it's important to invest in strong brand website operations to develop a connection with consumers. Brands focus on delivery of an elevated shopping experience for consumers using the brand website. Shoppers are now aware of the potential deals on various channels and prefer to shop accordingly.

Brand websites continue to showcase stronger growth than marketplaces with an 80.4% YOY growth in FY 2022. Marketplaces reported a 59.6% growth during the same period.

Another factor that supports the growth of D2C brands is the adoption of technology, as well as the rising acceptance of supply chain and logistics platforms. This ensures a seamless post-purchase experience.

As technology evolves and consumers continue to become more comfortable shopping online, the brand website will continue to showcase strong growth. Having said that, marketplaces continue to drive the majority of the e-commerce order volumes. Marketplaces also enjoy consumer trust, with faster deliveries that lead to a great consumer experience. They will continue to hold the majority order volume share in the foreseeable future.

Beauty and personal care brands continue to grow aggressively across brand websites and marketplaces. Digital-first players were able to address the industry gap, and offer new products at attractive price points to attract young online buyers. In the Beauty & Personal Care segment, marketplaces have



seen faster growth than brand websites due to processes and technology that enable faster delivery. Learning from the benefits of ongoing technology investments made by marketplaces, brands are also aggressively investing in supply chain tech to ensure better efficiency.

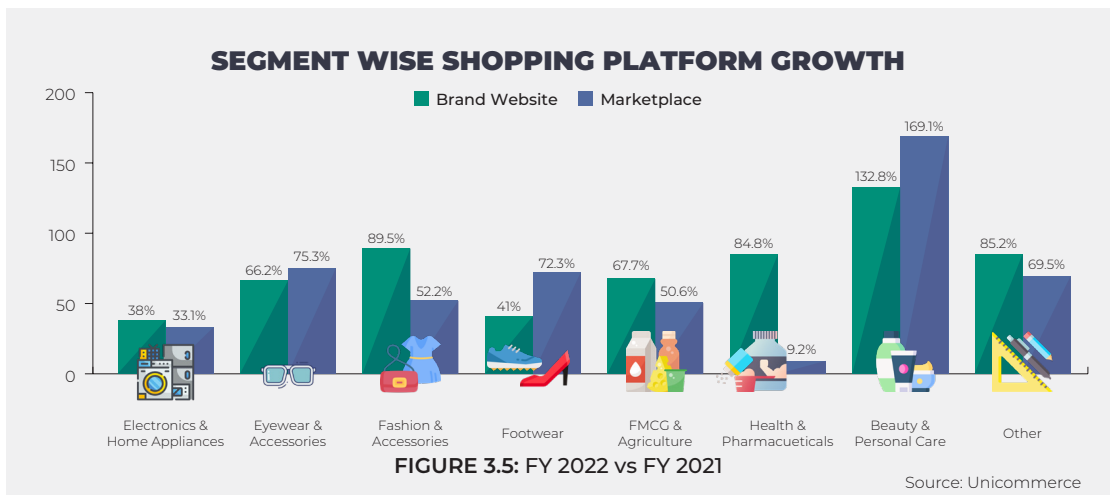
The Health & Pharmaceutical segment reported a strikingly strong order volume growth of 84.8% on brand websites, alongside its muted growth of 9.2% on marketplaces. The segment is largely dominated by consumers who order nutraceutical and health supplements. This leads to the strong growth of brand websites, as consumers prefer to order directly from the brand. Another factor that contributes to the growth is the emergence of many new nutraceutical players over the last year.

Among the most mature segments, fashion is known to be an early adopter of trends. The Indian Fashion & Accessories segment has seen the emergence of an increasing number of D2C brands over the last two years. Even major offline retail players now focus on selling through brand websites. This explains how brand websites reported a growth rate of 89.5% in FY 2022, as opposed to a marketplace growth of 52.2%.

Marketplaces continue to dominate the footwear segment as it reports a 72.3% order volume growth (as compared to 42% growth on brand websites). Shoppers like to search multiple brands before making a buying decision, which explains the robust marketplace growth.

The Electronics segment has a fair order volume growth breakup distributed between brand websites (38% of orders) and marketplaces (33.1%). While marketplaces report higher growth of 75.3% in the online Eyewear segment during FY 2022, the space is largely dominated by a single player. This player contributes the majority portion of overall segment volume and is significantly responsible for brand website growth.

The FMCG & Agriculture segment has a fair share of both brand websites and marketplaces. Brand websites in this category witnessed a YOY growth of 67.7% in FY 2022. Marketplaces grew by 50.6% for the same timeframe. It will be interesting to observe the change in growth and dynamics of this segment as the quick commerce model gains prominence in the sector.





3.4 BHARAT RISING IN THE NEW E-COMMERCE KAHANI

Shoppers from Tier II and Tier III cities form the lion's share of India's e-commerce market, as these locations show double the growth rate of Tier I cities. Annual demand from Tier II and Tier III cities are turning into the real growth levers of our e-commerce industry.

Our findings indicate that Tier II and Tier III cities report 92.2% and 85.2% YOY growth respectively.

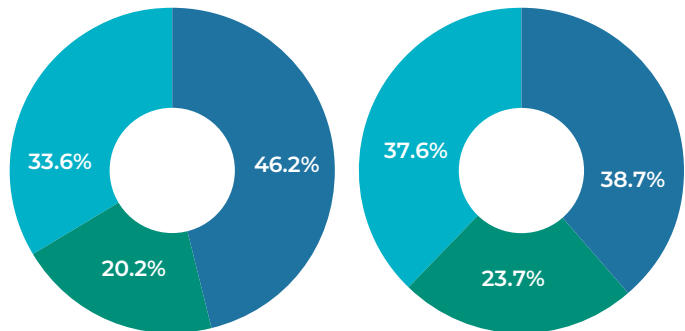
This has come at the cost of lower growth from Tier I cities (47.2%)*.

In the post pandemic era, Indian retail and e-commerce players dedicate significant process and technology investments. This ensures faster delivery and optimal shopping experiences. As Tier II and Tier III cities continue to grow at a faster pace, their market share will

Tier wise Market Share

■ Tier 1 ■ Tier 2 ■ Tier 3

FIGURE 3.6 : FY 2022 vs FY 2021



Source: Unicommerce

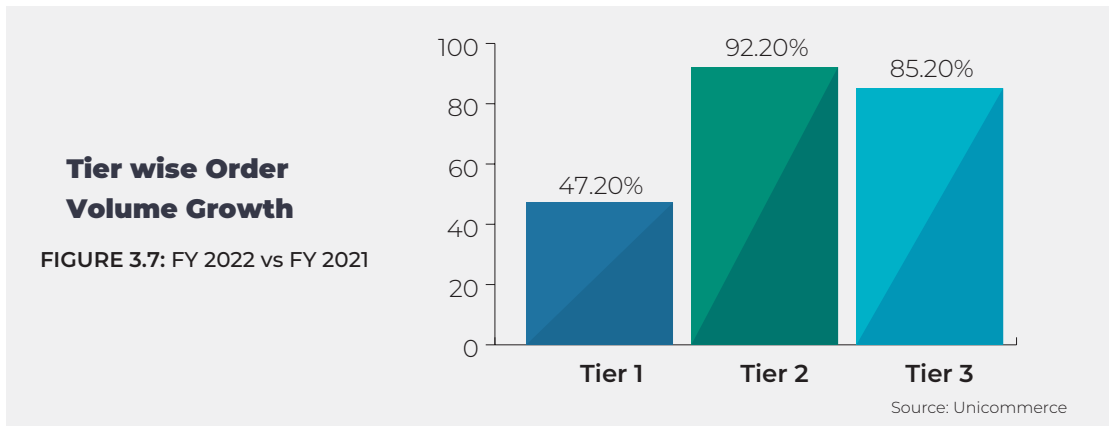
¹ Districts are classified into Tiers based on the latest census information of X, Y, Z classification. X is Tier 1, Y is Tier 2 and Z is Tier 3. For the practical purpose, we have included NCR (Gurgaon, Ghaziabad, Gautam Budha Nagar -Noida) in Tier I as Delhi/NCR. Similarly, Mumbai is Mumbai Metropolitan which includes Thane and Kolkata is Kolkata Metropolitan which includes 24 Paraganas and Howrah.

continue to rise. New regions will emerge as priority markets for leading marketplaces and online sellers.

Tier I cities continue to command the lion's share of India's e-commerce volumes, with a 38.7% market share in FY 2022. However, Tier I cities lost almost 7.5% of the market share last year to Tier

Innovative and engaging brand campaigns from these players promise to further drive consumer connect.

Maharashtra, Delhi/NCR, and Karnataka contribute to the largest e-commerce order volumes. Mumbai and Pune contribute the maximum order volume share in Maharashtra.



III cities (4%) and Tier II cities (3.5%). The salient trend here is that Tier II and Tier III together command over 61% of the total market share.

Fashion is the fastest-growing category in India's Tier II and tier III cities, with over 93% YOY growth in FY 2022. Online shopping novices typically start with purchases from the Fashion segment. Even though Tier I cities report a muted growth of just 19%, fashion remains one of the most mature segments across Indian metros.

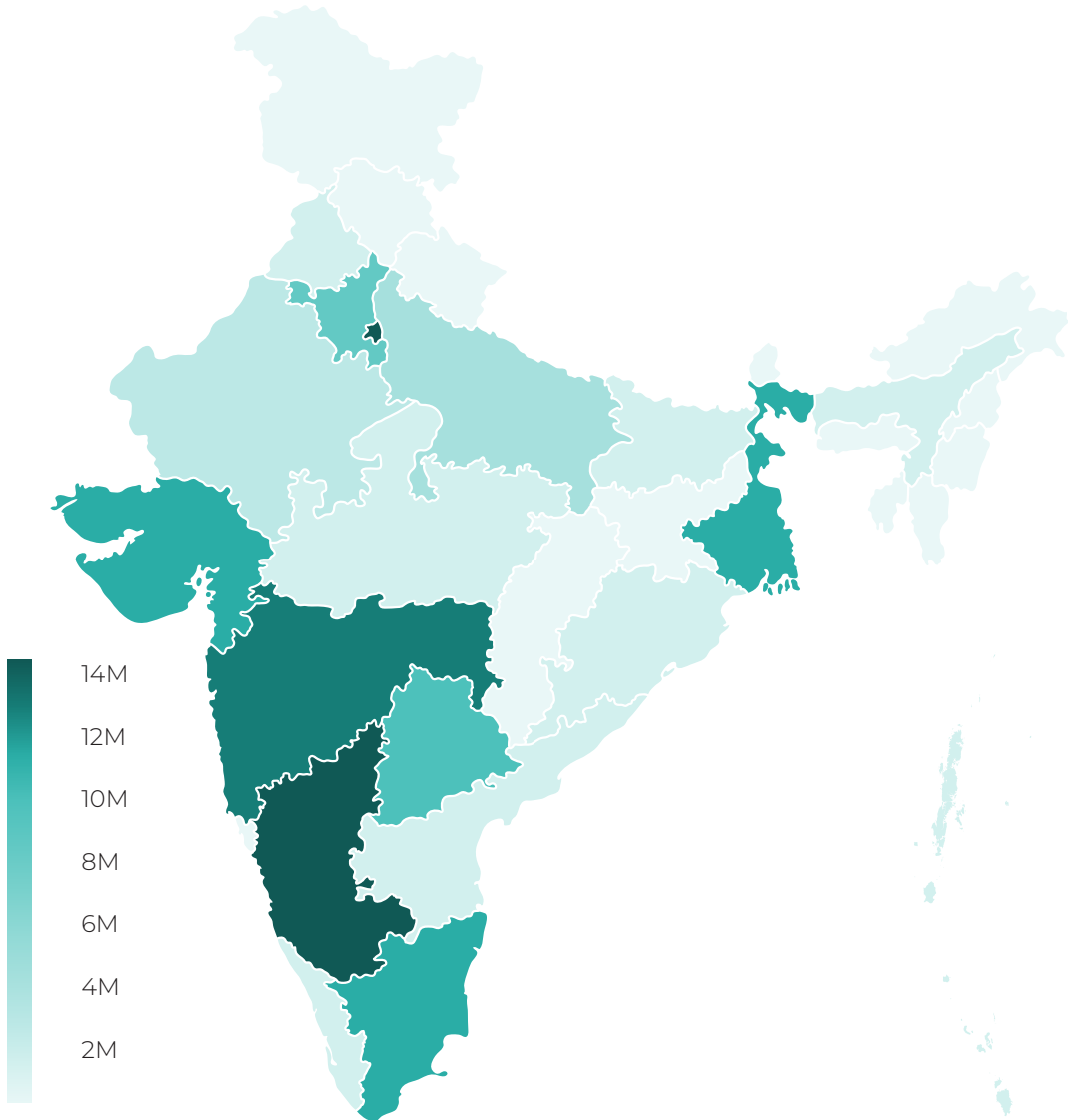
The Personal Care segment continues to showcase strong growth across India. This growth is largely driven by new-age D2C brands that focus on stronger online presence.

Bangalore constitutes the lion's share of In Karnataka's total order volumes.

Rising order volumes from Tier II and Tier III cities have led to the establishment of warehouses and fulfilment centres in smaller towns. Brands with strong offline presence are deploying omnichannel technology to leverage local stores to fulfil rising order volumes.

Online sellers are emerging from smaller business hubs such as Jaipur, Agra, Surat, Ahmedabad, and Ludhiana. At the same time, larger companies are establishing warehouses and dark stores in cities such as Hyderabad, Ghaziabad, Coimbatore, and Pune to meet rising demand from nearby regions.

STATE-WISE E-COMMERCE ORDER VOLUME

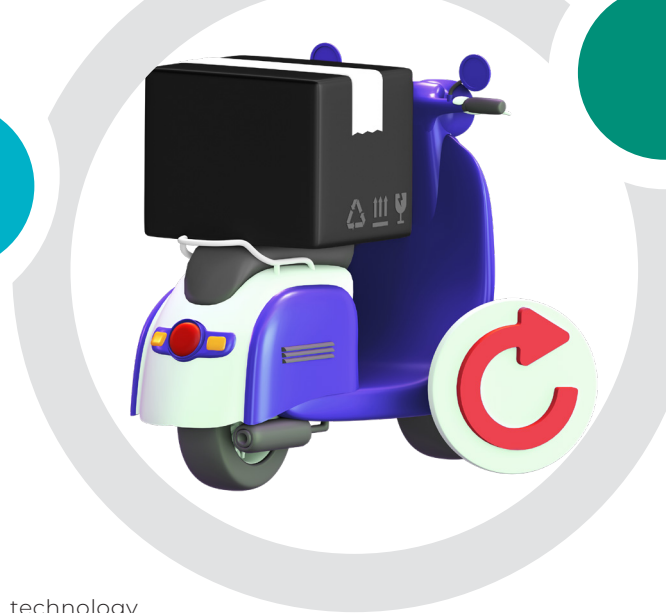


3.6 RETURN ORDER REDUCTION REMAINS CENTERSTAGE

Indian e-commerce companies consistently invest in technology platforms and process enhancements to reduce returns. As it is a large line item in operations costs, e-commerce players must keep returns in check as it has a direct impact on the bottomline.

Return orders are on a consistent YOY decline, as return orders for FY 2022 constitute 14.8% of the overall order volume (as compared to 16.10% in the previous year). While this may seem like a marginal dip, it significantly boosts the overall bottom line.

Since returns of Cash on Delivery (COD) orders are much higher, Indian companies rely on



technology and incentives to convert purchases into prepaid orders. Prepaid orders are less prone to returns, as these shoppers typically have a higher intent to own the product. Rise in UPI and digital payments also contribute greatly to



Return order Volume

Return Order Percentage

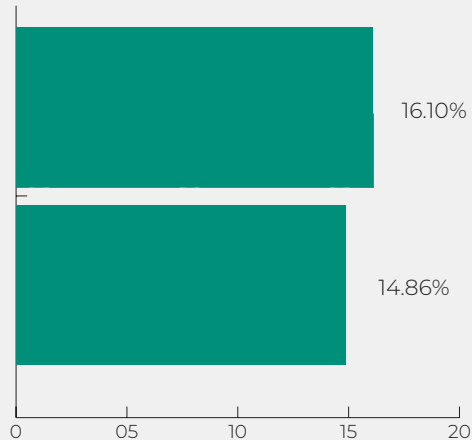


FIGURE 3.8 : FY 2022 vs FY 2021

Source: Unicommerce

the increase in conversion of COD into prepaid orders.

Increasing focus on technology deployment for COD orders positively impacts e-commerce. Returns on COD orders show a decline from 22.1% in FY 2021 to 18.8% in FY 2022. Returns of prepaid orders remain constant YOY at 10.4% of the overall order volume.

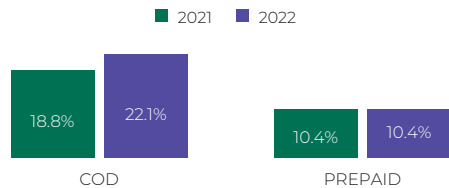
Fashion & Accessories continues to be the segment with maximum order return volumes of 20% in FY 2022. Fashion products often fail to fulfil consumer expectations due to multiple issues such as size mismatches, colour preferences, or fabric quality.

The Electronics & Appliances segment comes next with 12.5% returns in FY 2022. Even though this continues to be the second largest category,

it has seen maximum improvement with returns declining from the earlier return volumes of 16.6% in FY 2021.

FMCG (7% in FY 2022), Beauty & Personal care (9.5% in FY 2022), and Health & Pharma (7.3% during FY 2022) are the segments with the least amount of return orders. Due to the non-returnable nature of these products, consumers only order these products on a necessity basis.

FIGURE 3.9 RETURNS ON PREPAID AND COD



SEGMENT WISE RETURN ORDER VOLUME

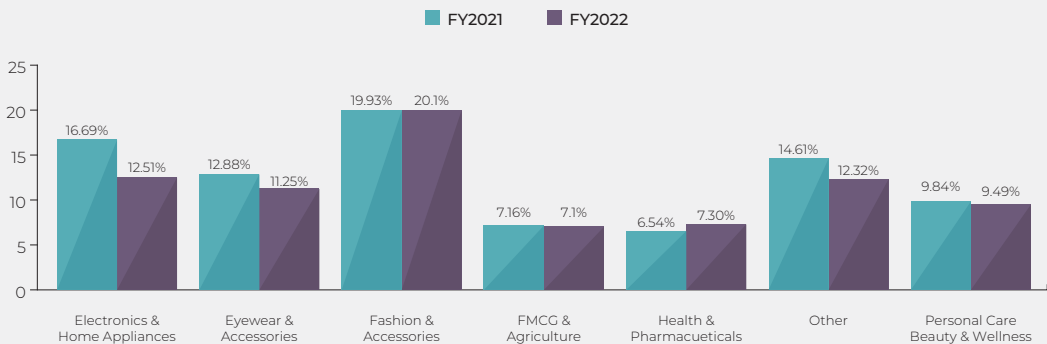


FIGURE 3.10 : FY 2022 vs FY 2021

Source: Unicommerce

KEY TAKEAWAYS TO TARGET THE RIGHT CONSUMER

As **India Retail and E-commerce Trends** report shows, organised retail and e-commerce sustain their respective growth trajectories. Companies need to adopt an omnichannel strategy to stay aligned with consumer behavior in an extremely dynamic retail landscape.

E-commerce's rising relevance and market share in the overall retail piece remains undisputable. Although traditional and organised retail is expected to see YOY growth, all retailers, D2C brands, and manufacturers must pursue e-commerce opportunities in their focus markets.

Over the last two years, multiple new segments and business models have emerged in the e-commerce industry. Companies should keep an eye on the opportunities and be ready to target consumers across multiple sale channels.

Our following recommendations will enable businesses to stay ahead of the curve in the changing Indian retail landscape.

Offer a Unified Shopping Experience to Consumers

Consumers will shop across platforms. To be able to cater to demanding shoppers, a retail player must integrate all its sale channels as well as offer a consistent experience across online and offline sale channels.

The post-pandemic retail industry will thrive on an omnichannel strategy, and companies must accord top priority to customer experiences. Brands must realise that they have to serve the needs of customers instead of trying to mould them to fit business needs. For instance, if a brand refuses in-store returns

for online purchases, it impacts brand loyalty and results in customer loss. Omnichannel is no longer an option, but a business need.

Target new shoppers from Bharat

E-commerce is no more a metropolitan concept, as consumers across India are shopping online. Brands must focus on consumers from Tier II and Tier III+ cities. These cities witnessed around 2X growth in comparison to Tier I cities. The marketing strategy pursued by brands and operations should be well in place to target consumers from these regions. Brands can adapt to the needs of these regions using various methods like vernacular content, chatbots, small warehouses, or dark stores.

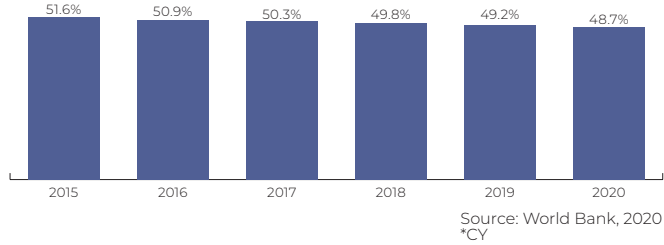
Adopt Technology to streamline operations

As the retail industry increases in complexity and competitiveness, brands are in a constant struggle to gain consumer mindshare and wallet share. Brands must invest in technology solutions that improve business efficiency and fulfil rising consumer expectations. Rightfit cloud solutions can mitigate problems across the business cycle.

Technology platforms transform aspects such as customer acquisition cost reduction and repeat purchase rate enhancement. Retail players can ensure faster deliveries, select rightfit logistics partners, reduce returns, and analyse consumer buying patterns to make better business decisions. This is possible with the deployment of an integrated tech stack that enables seamless information flow across the value chain.

ANNEXURE

India is adding about 12 million people to the working population each year, a significant increase in the working-age population (Indian Age Dependency Ratio, 2015-2020; % of working-age population)
Figure 1.5 in Annexure



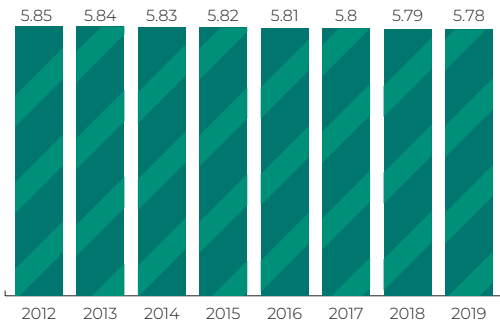
1.3.2 GROWING MIDDLE CLASS

Table 2: Households with annual earnings between US\$ 10,000-50,000 are estimated to have grown at a CAGR of 22 percent over 2015-21 leading to increase in indulgence spending by the group.

Year	Total Households (in million)	HHs with Annual Earning US\$5,000 - US\$10,000 (mn)	% of Total HHs	HHs with Annual Earning US\$10,000 - US\$50,000 (mn)	% of Total HHs
2009	221	34	15.4%	10	4.5%
2012	230	55	23.9%	20	8.7%
2014	236	65	27.5%	24	10.2%
2015	239	74	31.0%	32	13.4%
2018	249	103	41.4%	73	29.3%
2021	300	133	44.4%	103	34.3%

1.3.3 NUCLEARIZATION & URBANIZATION

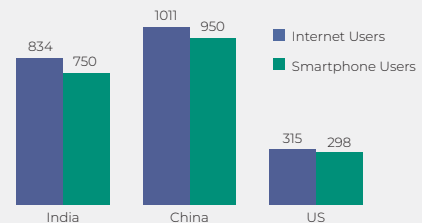
Figure 1.6: The decline in the average household size coupled with rising urbanization and disposable income will lead to a greater number of household units that are pre-disposed to discretionary expenditure. (Average Household Size)



Source: Global Data Lab, Wazir Analysis
*CY

1.3.4 RISING INTERNET AND SMARTPHONE PENETRATION

Figure 1.7: While the penetration of internet and smartphone users in India as a percent of the total population remains lower as compared to other leading economies, the country has a sizeable and rapidly growing population of digitally aware consumers. (2021; million users; % of total population)



Source: TRAI, NTIA, CNNIC, Industry Reports, Wazir Analysis
*CY



Unicommerce eSolutions is India's largest integrated SaaS platform for post-purchase experience management. Established in 2021, the company has disrupted the e-commerce and retail industry with an integrated order management, warehouse management, inventory management and Omnichannel solution. The company is an undisputed market leader in India and is rapidly expanding into Southeast Asia and the Middle East.

Unicommerce has one of the finest supply chain platforms, powering 2000+ stores and 7000+ warehouses located across the country. Its platforms are used to process over 20% of India's e-commerce volumes with over 1 million daily transactions and over USD 5 billion GMV annual run rate. The company works with retail brands, D2C brands, and roll-up firms of India.

Unicommerce platform also has a robust integration network of 160+ marketplaces, logistics providers and ERP systems. Few of the key platform partners of Unicommerce are Amazon, Flipkart, Myntra, Shopify, Magento, Delhivery, FedEx, Blue Dart, DTDC, Ginesys, Logic, Tally, among many other

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