

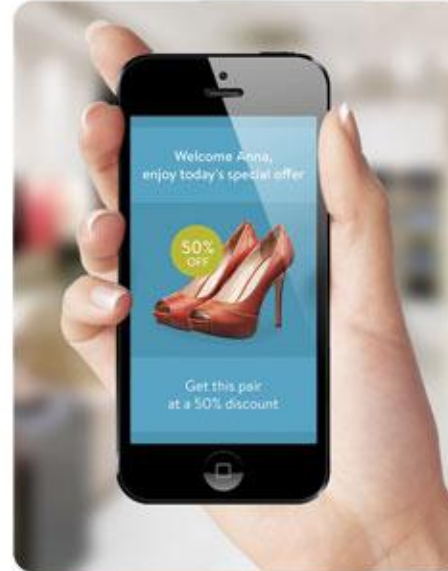
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What Is India Consuming, Where Is It Buying From Now, & Where Will It Be Buying In Future?

The Evolution Of e-Tailing

Technopak Leadership Forum
New Delhi

30th October 2014

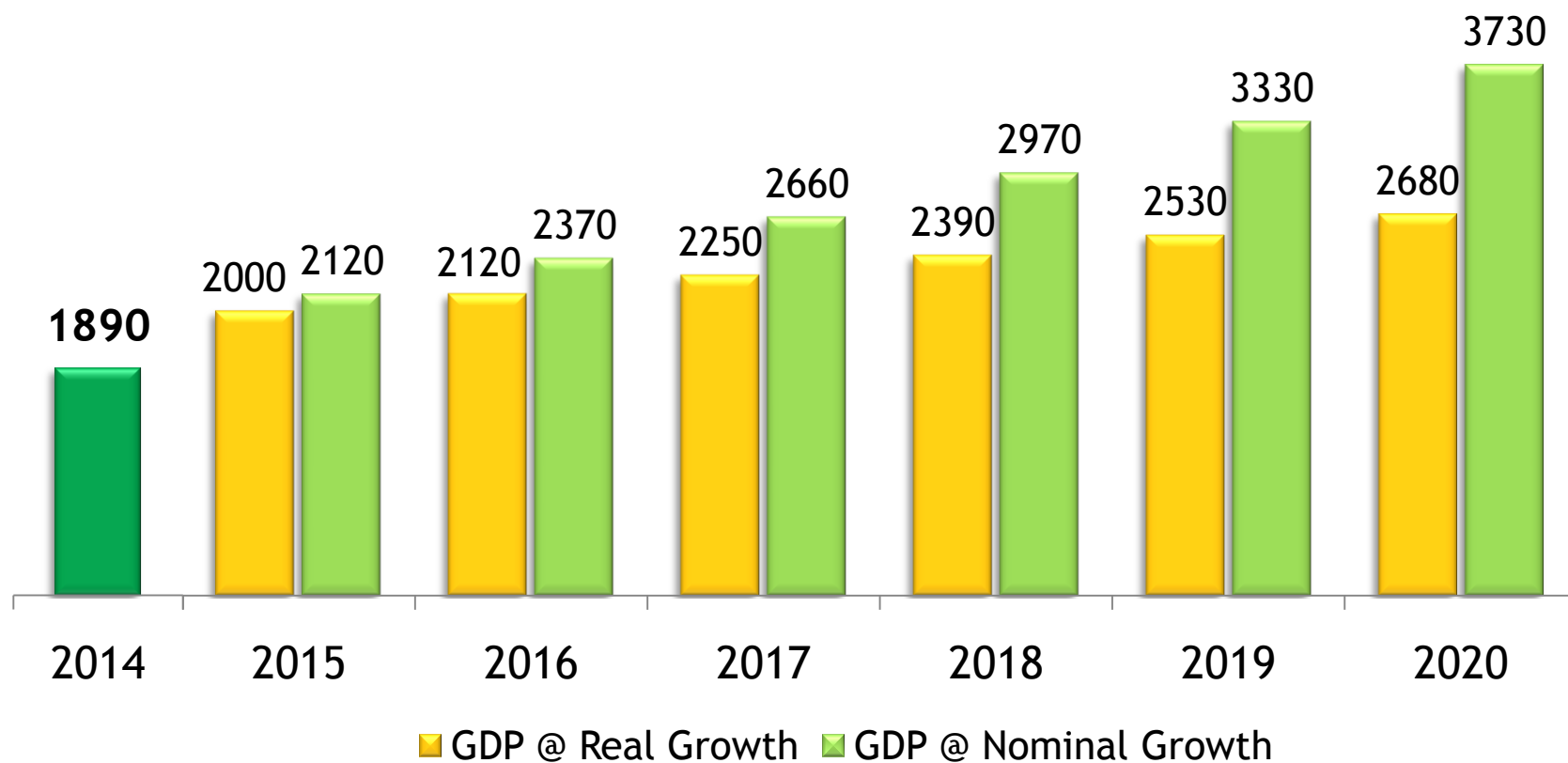


Contents

- Overview of India's consumption & retail
- E-tailing and its impact (Internationally and in India)
- Emerging themes in E-tailing
- Myths & Realities of E-tailing

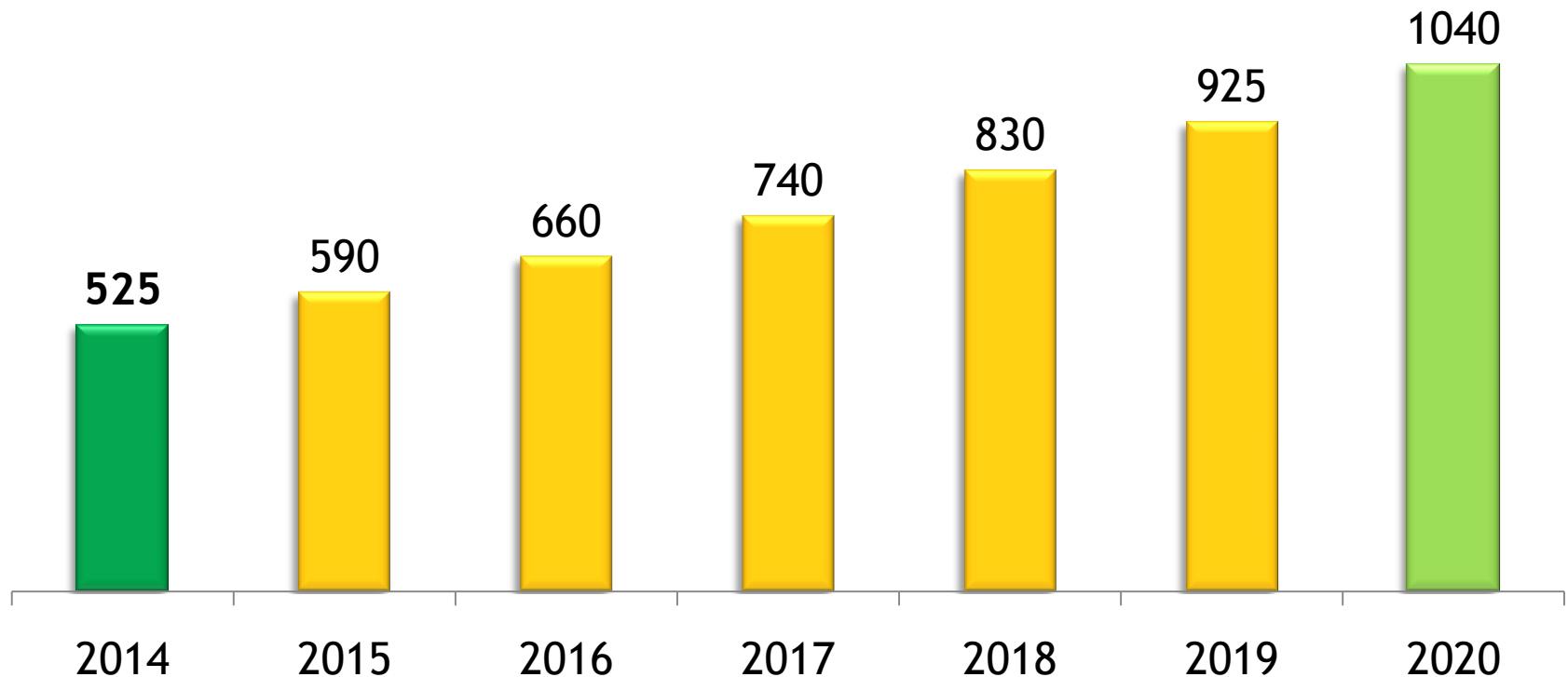
India's Growth Coming Back On Track ...

India - GDP (US\$ Bn.)



Translating Into ~US\$ 1 Trillion Merchandise Retail Market by 2020 ...

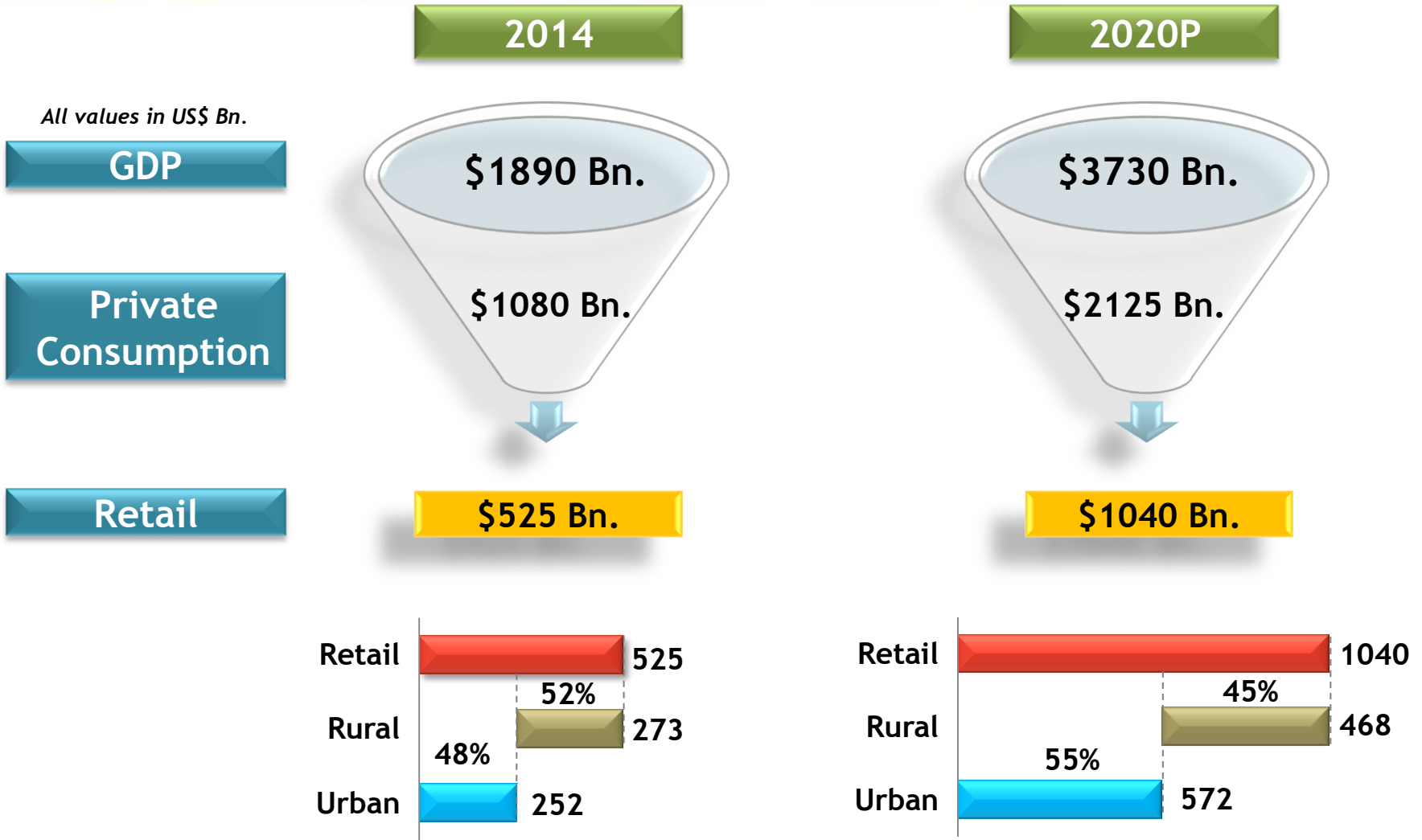
India's Merchandise Retail Market (US\$ Billion)



Retail Consumption Across Key Categories

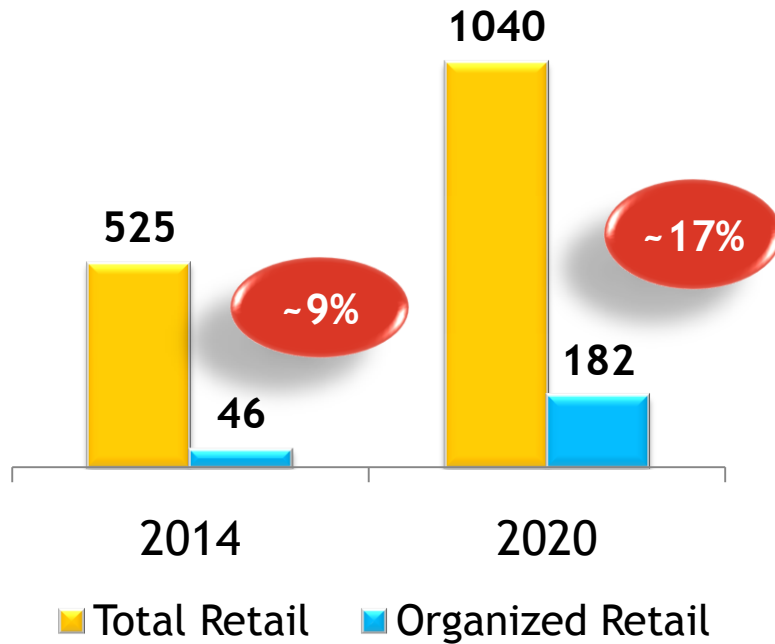
All values in US\$ Billion	2014	2020
Food and Grocery	350	686
Apparel	46	90
Jewellery & Watches	40	83
Consumer Electronics	26	54
Pharmacy & Wellness	15	28
Furnishings & Furniture	19	37
Footwear	6	12
F&B Services	11	26
Beauty Services	2	5
Health/Fitness Services	3	7
Others	9	18
Total	525	1040

By 2020, Incremental Retail Market Will Be US\$ 515 Bn Of Which ~62% Will Be From Urban Retail

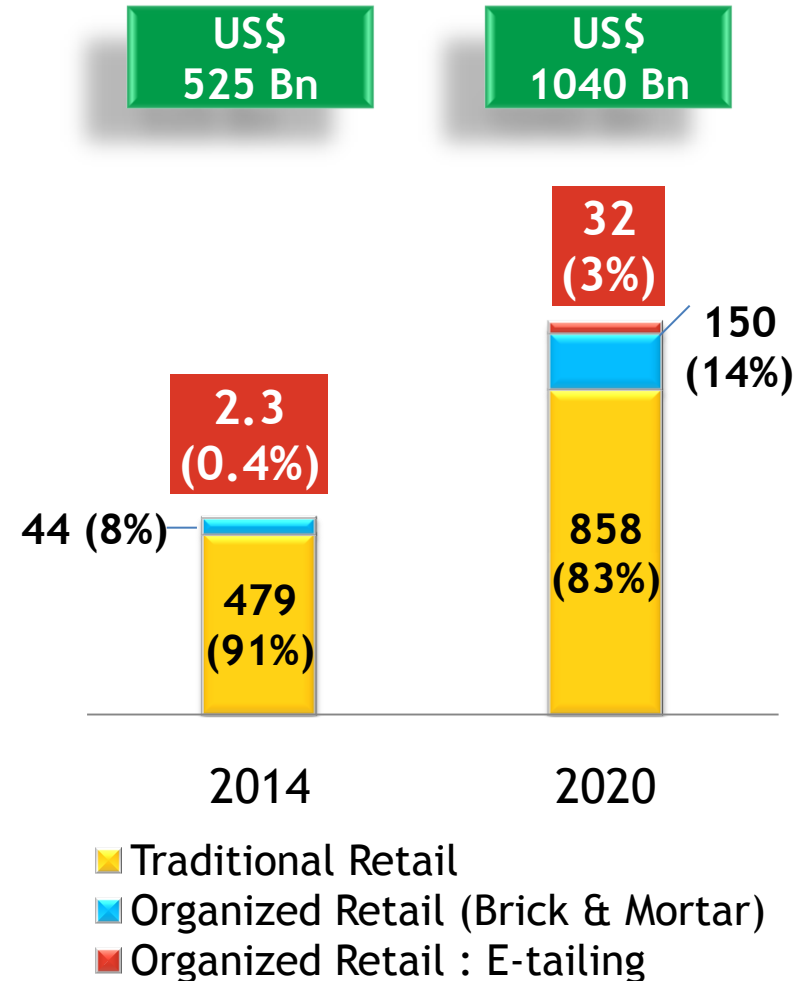


Traditional Retail Will Continue To Thrive, But E-tail Will Drive Organized Retail's Growth In Big Cities

Overall Retail Market (US\$ Bn)







Share of Retail Channels (%)



World Over, e-tailing Started To Take-off In 2007

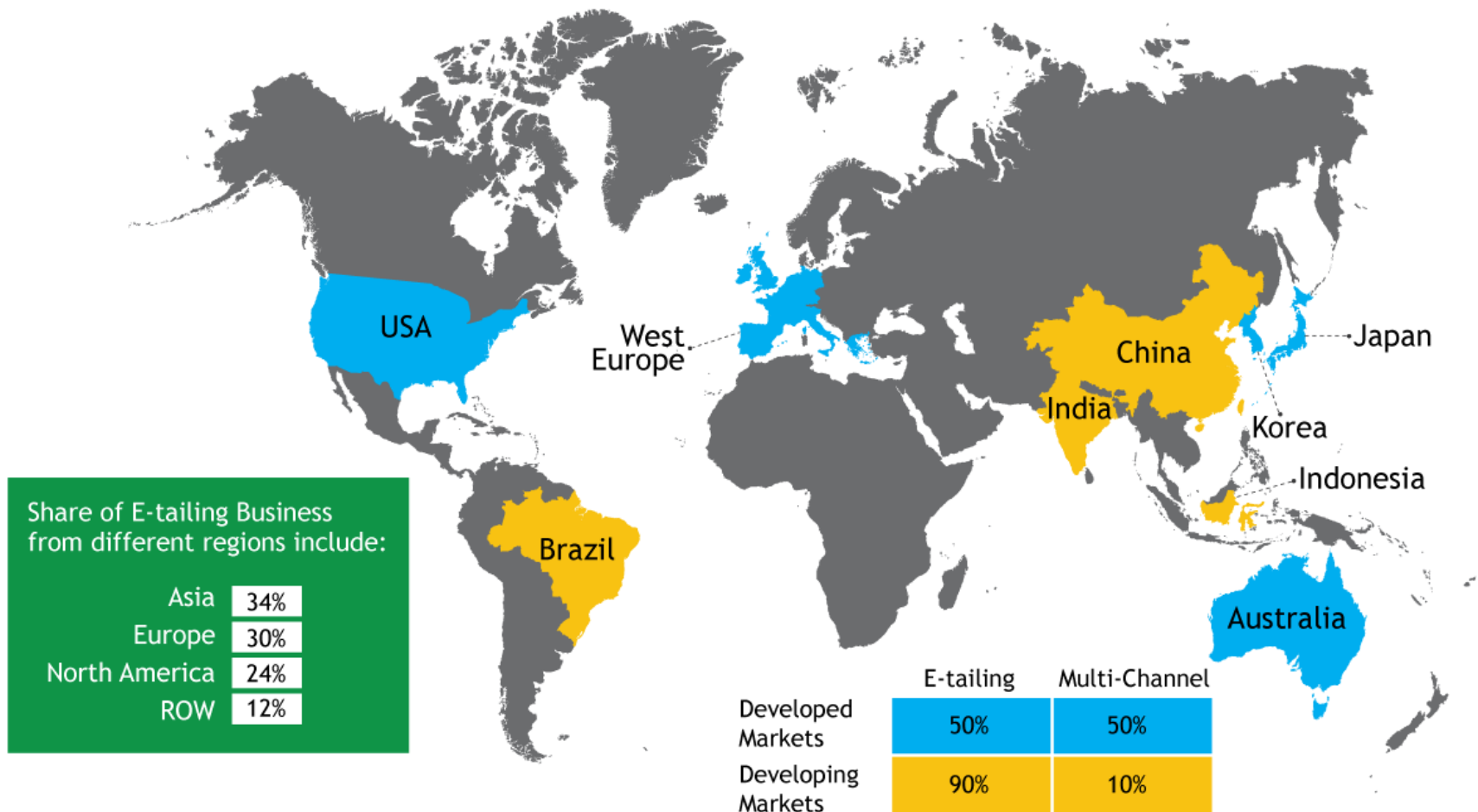
- Advancements in **quality of internet access, payments and computing on mobility platforms** dramatically **changed consumer behaviour towards internet consumption**

In 2014, Merchandise E-tailing of the world was estimated at US\$ 1 Tn.

	USA 	UK 	China 	Brazil 
Share of E-tail in Total Retail in 2007	3.4%	3.4%	0.7%	1.4%
Share of E-tail in Total Retail in 2014	6%	~11%	5%	5%
CAGR (2007-2014)	35%	50%	70%	250%
E-tail Size in 2014 (USD Bn.)	270	55	200	21

E-tailing Trajectory Across The World – Multi-channel Vs. Pure Online

Different business models are driving E-tailing in different parts of the world



E-tailing Sales Contribution Increasing For Large Brick & Mortar Retailers In USA & Europe (~ 15% For Many)

	Gap Inc.	Sears
Start of E-Tailing	1997	2007
Revenue FY 2014 (US\$ Bn.)	15	36
E-Tail Revenue FY 2014 (US\$ Bn.) (%)	2 (14%)	4.6 (13%)

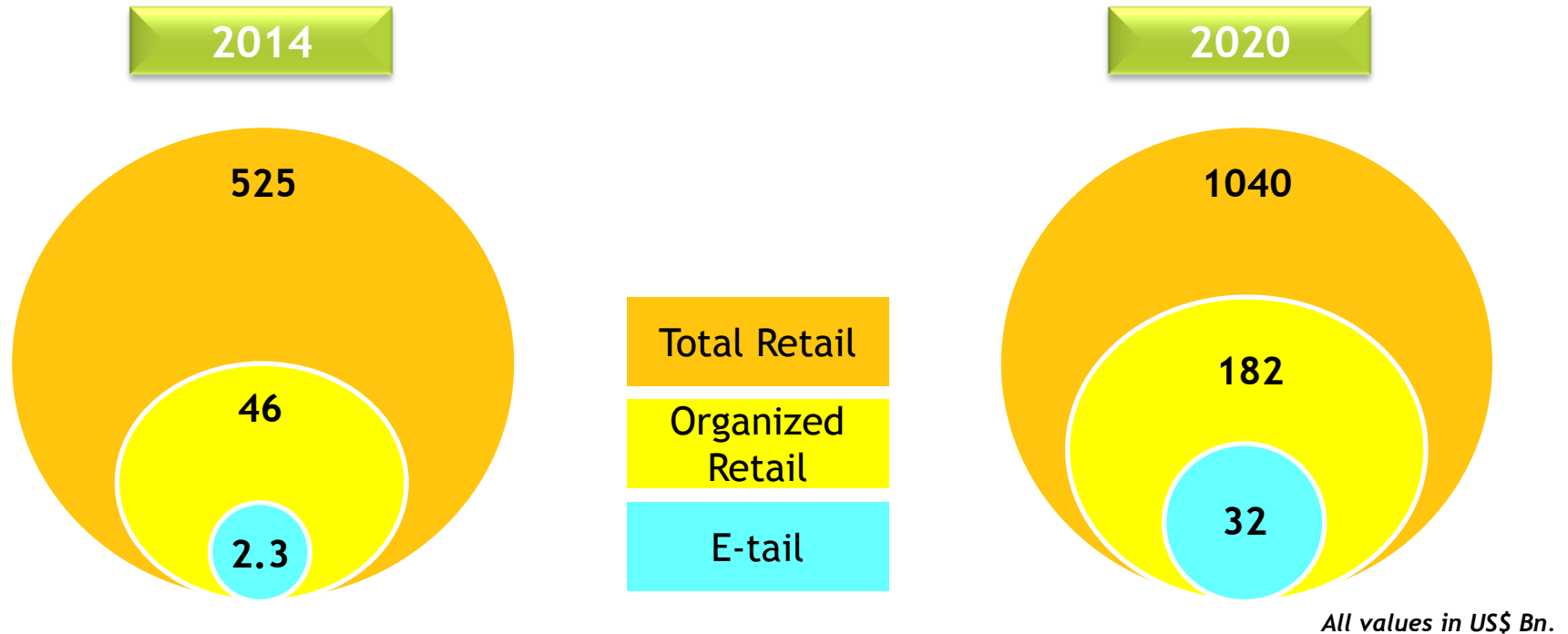
Current thinking about Retail business is of integrating **technology** & **supply chain** that offer skills of:

- > Retailing
- > Marketing
- > Customer Experience

Successful retailers in the next decade will treat:

- > Technology
 - > Supply Chain
 - > Business Model
- as “**the business**” and proprietary / core to the business

Current & Future Size Of e-tailing In India



Factors that could accelerate (or decelerate) E-tail's Market Share

- Government policies on e-tailing
- Ecosystem's pace of growth (e.g. logistics)
- Growth of broadband / higher speed data networks
- Adoption of omni-channel strategy by B&M retailers
- Continued 'patient' capital flow into e-tailing
- And, finally, how soon can e-tail penetrate "food & grocery" category

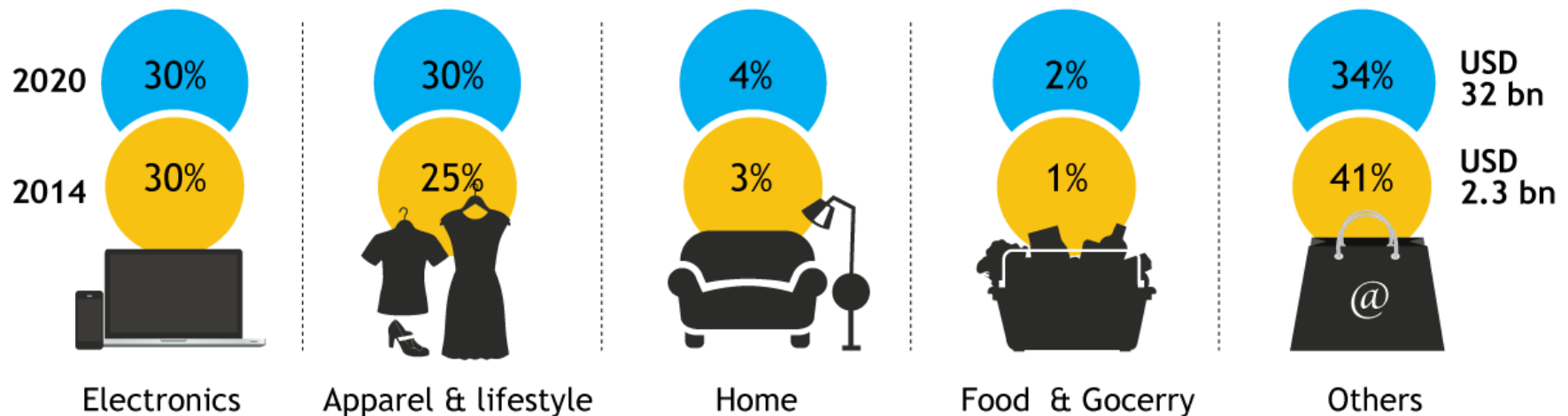
Major E-tailing Growth Drivers in India

- 1. Exceptionally vibrant entrepreneurial ecosystem**
- 2. Increasing access to mega-scale (and intelligent) global capital**
- 3. Spectacular increase in width and depth of merchandise on offer**
- 4. Rapidly increasing penetration of smartphones**

E-shopped Product Categories Growing Rapidly...

- E-tailing in India has been rapidly growing beyond gifts and books, and is now getting traction from electronics, durables and small appliances, apparel, furniture, jewellery, and other lifestyle goods
- e-Supermarkets (food & grocery) will be the next frontier for entrepreneurs

E-tailing Market - Category Split



^This will include categories like apparel, footwear, bags, belts, wallets, watches & jewellery etc.

Others - Health, Personal Care, Baby care, Books & Media etc.

Source: Technopak Analysis

A Few Related Themes ...



1. Ecosystem's Readiness for E-tailing

Web Experience

While shopping experience has significantly improved with faster and easier navigation, a lot still needs to be done on this front



Fulfilment

Gap between current status and desired logistics

- Capacity Creation
 - 150,000 PIN codes in India. Less than 20% are served by most leading 3PLs
- Capability Development for e-tailing (B2C)



1. Ecosystem Readiness for E-tailing

Vendor Base

- Although marketplace enables higher scalability and lowers risk, vendor base is yet to evolve
- Investing in 'digital literacy' of vendors imperative for:
 - Seamless order fulfilment
 - High quality customer experience



Human Skills & Capabilities

- Current e-tailing ecosystem is constrained by the lack of skilled and capable manpower
- Considerable investments required in hiring and training the resources

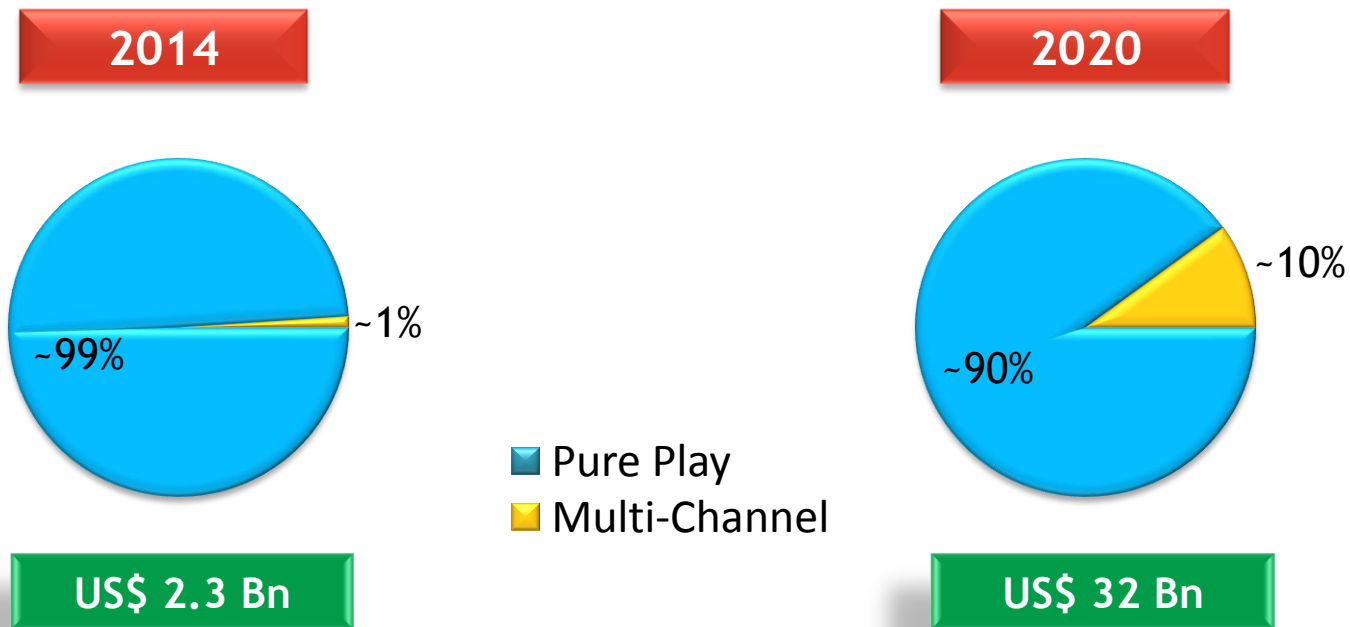


2. Clicks & Bricks - Growing Multi-channel Retail

- Brick & Mortar players are increasingly focusing on becoming multi-channel, driven by:
 - 'Hybrid' shoppers
 - Structural issues with Brick & Mortar
 - Increasing competition (from online)
 - Wider reach



2. Clicks & Bricks - Growing Multi-channel Retail



- Multi-channel players could take up ~10% share of e-tailing market by 2020 and 20%-25% share by 2025 if:
 - They adopt strategically take e-tailing route to leverage their current strengths
 - And if investors in pure-play e-tailers become more demanding on profitability

3. Rapid Increase In Fund Raising ...

Year	Deal Value US\$ Million	No. of deals
2012	371	73
2013	592	60
2014 (till date*)	~3000	>26

- Number of deals have reduced but investment value has increased
- Increased commitment towards emerging leaders



* As of 29th October 2014 (excludes internal investments e.g. that by Amazon, eBay)
 Source: Secondary Sources, Industry Sources, Technopak Analysis

A Few Myths & Realities Of E-tailing



A Few Myths & Realities Of E-tailing

E-tail will wipe out Brick & Mortar retail

- Traditional brick & mortar retail (unorganized) may actually increase by 80% by 2020 from its current size (in 2014)
- Brick & Mortar (organized) retail may increase by 240% by 2020 (to about US\$ 150 billion) from the current US\$ 44 billion (in 2014)
- At about US\$ 32 Billion (net revenues) by 2014, e-tail will account of about 3% of total merchandise retail in India. Even if e-tail grows faster than the current projections, it is not likely to be more than 5% of total retail in 2020 and 10-12% of total retail by 2025

A Few Myths & Realities Of E-tailing

Pure play e-tailers are dominant compared to Multi-Channel

- In USA, Amazon has a dominant market share as an e-market leader. Still, over 65% of the total e-business is addressed by significant number of 'non-pureplay etail' players

A Few Myths & Realities Of E-tailing

E-tailing is all about price and discounts

- E-tail businesses are about supply chain and technology competencies, and can be both price as well as assortment driven

A Few Myths & Realities Of E-tailing

Most consumers will never buy online

- If there is a gap between availability or pricing, most consumers will go online sooner or later

Thank You !



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