



DIGITAL COMMERCE

April 2013

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Executive Summary

Digital commerce in India has evolved over the past decade in terms of magnitude. Total digital commerce market of India was valued at INR 47,349 Crores* in December 2012 and is expected to grow by 33% and reach INR 62,967 Crores by year 2013. For the purpose of this report we have mapped the following industry segments:-

- **Online Travel** – This industry segment consists of Domestic & International Air tickets, Railway tickets, Bus tickets, Hotel Bookings and Tour Packages/Travel Insurance.
- **Non-Online Travel**
 - **E-Tailing** – This includes electronic retailing of consumer items like Books, Apparels & Footwear, Jewellery & Personal/Healthcare Accessories, Camera & Camera Accessories, Consumer Durables & Kitchen Appliances, Home Furnishings, Mobile Phones & Mobile Accessories, Laptops/Net Books/Tablets and Other products such as Vouchers/Coupons, Toys, gifts, flowers, handicrafts, Stationary etc.
 - **Financial Services** – The elements here include Insurance related services, Utility Bill payments including Mobile Bill Payments and Online transactions for Shares & Securities trading.
 - **Classifieds** – This category includes B2C Classifieds like Online Jobs & Matrimony, Other B2C categories like Car, Real Estate and B2B Classifieds.
 - **Other Online Services** – This comprises emerging online services like Online Entertainment Ticketing, Online Food & grocery Delivery.

The detailed usage pattern, however, has remained quite uniform and skewed towards online travel over the years. Certain services continue to dominate the overall market while others are slowly matching up to the speeds. The online users in India have continuously exhibited the willingness to make purchases over the Internet. Purchases across categories like Online Travel and e-Tailing have increased drastically over last few years. Whereas categories like Financial Services have evolved recently and shown upward growth owing to the increased awareness.

Please Note:

* Unlike last year's report, this edition does not incorporate the "Digital Downloads" section numbers.

Out of the total transactions done on the PC as well as mobile:-

- Travel transactions have proved to be the primary fueling factor of the digital commerce industry. As of 2012, among Internet users, online travel leads the pack with 73% share in Digital Commerce (INR 34,544 Crores). This segment is estimated to show 30% growth by the end of year 2013 and reach to INR 44,907 Crores.
- Non-travel transactions contribute to the remaining 27% (INR 12,805 Crores), out of which:-
 - ETailing takes first position with nearly 50% share (INR 6,454 Crores)
 - Financial Services stands second with 23% share (INR 2,886 Crores)
 - Classifieds segment amounts to 18% of the whole Non-Travel Industry pie (INR 2,354 Crores)
 - Other Online Services contribute to the remaining 9% (INR 1,110 Crores)

As a whole, the Non-Travel Industry segment is expected to mature by 41% and reach up to INR 18,060 Crores by December 2013.

The other key findings observed from this edition of the report are:-

- Out of 19.6 million who accessed internet (in the year 2012), for finding details related to a specific product or a service, nearly 73% (14.3 million) actually bought a product or a service in the end.
- The percentage of people who access internet only for looking information related to various products and services have decreased from 45% in 2009 to 27% in the year 2012.
- Out of all the categories bought by the online shoppers, the share of online travel (47%), Apparels & Footwear (20%), Books (19%), and Mobile Phones & Mobile Accessories (17%) was the most.
- Debit cards/Net banking and Credit Cards remaining the top two most preferred modes of payments.
- Technologically, Internet users are averse to making online purchases due to the lack of trust and hindrances in completing a transaction – secured payment is one of the major reasons.
- From the supply side, there seems to be a lack of concerted effort by websites. If the online offerings are targeted well and facilitated appropriately, users will more likely be willing to make purchases over the Internet.

Introduction

Continuing trends from previous years, Internet is still witnessing tremendous enthusiasm and interest in India. The growth story of Internet usage in India is still very much intact. Internet is one component which has recently become the key ingredient of quick and rapid lifestyle. Internet indeed has been the heart of any communications or explorations, connecting with individuals for personal or official purposes. Resultantly, Internet growth has led to a host of new developments, such as decreased margins for companies as consumers turn more and more to the internet to buy goods and demand the best prices.

The business world is being gradually changed to an e-economy by the ever-increasing global competition, increased information availability, knowledgeable consumers, changing relationships, rapid innovations, and increasingly complex products. As a result of which, no industry is left untouched in today's consumer-centric e-marketplace.

E-COMMERCE PENETRATION AMONG ACTIVE INTERNET USERS

The study illustrates the comparatively increased penetration of E-Commerce amongst the Active Internet Users. In the survey conducted in top 35 cities in the country, among 33.8 Million Active Internet Users, who access the Internet at least once in a month, there are 19.6 Million users who look for detailed information regarding products/services. Of these, there are 14.3 Million users who have actually bought any product/service over the Internet.

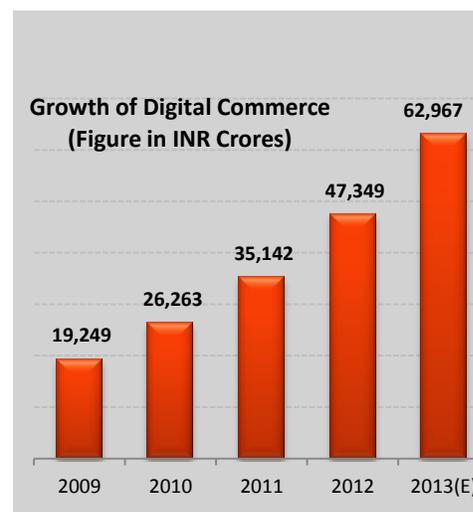


INCREASE IN E-COMMERCE USERS (35 CITIES)

- ▲ **ACTIVE INTERNET USERS :-**
17.5 Mn --→ 33.8 Mn
(2010) (2012)
- ▲ **LOOK FOR INFORMATION :-**
13.6 Mn --→ 19.6 Mn
(2010) (2012)
- ▲ **SHOP ONLINE :-**
7.4 Mn --→ 14.3 Mn
(2010) (2012)

DIGITAL-COMMERCE MARKET SIZE FROM 2008 TO 2013

Digital Commerce industry has seen a significant increase from INR 19,249 Crores in the year 2009 to INR 47,349 Crores in 2012. This growth has been mainly driven by the Online Travel industry which contributes 71% to the total Digital Commerce industry in India today. In 2013, the market is estimated to mature and reach INR 62,967 Crores showing a year-on-year CAGR of 34% since 2009. Facilitators like low cost of personal computers, a growing installed base for Internet use, and an increasingly competitive Internet Service Provider (ISP) market are expected to keep fuelling the e-commerce growth in the same way.

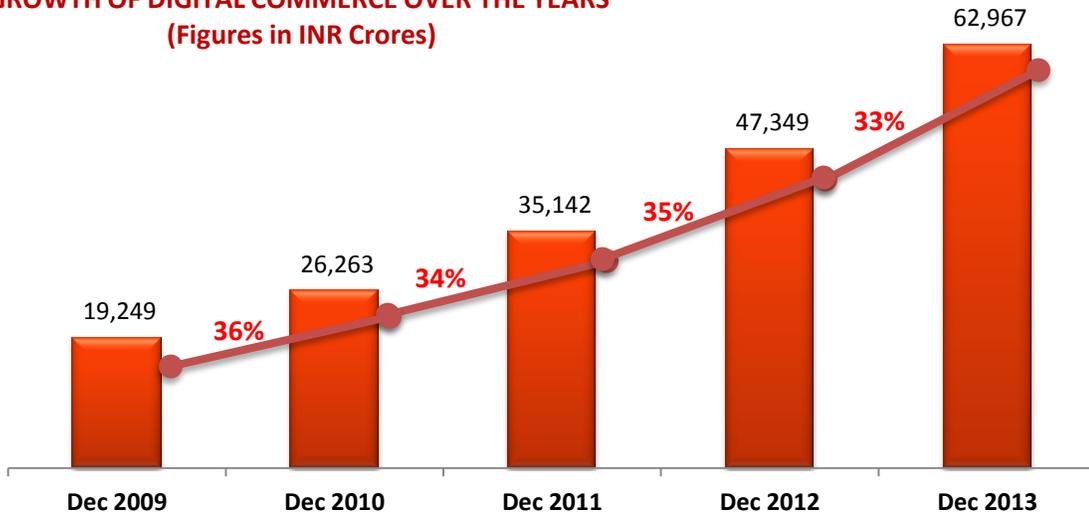


The figure, below, illustrates the growth in the market size since 2009.

DIGITAL-COMMERCE MARKET SIZE FROM 2009 TO 2013 (Figures in Crores. Percentages indicate share of the overall market size)					
YEAR	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013 (Estimated)
Total market size	19,249	26,263	35,142	47,349	62,967
Online Travel Industry	14,953 (78%)	20,440 (78%)	26,572 (76%)	34,544 (73%)	44,907 (71%)
Online Non-Travel Industry	4,296 (22%)	5,823 (22%)	8,570 (24%)	12,805 (27%)	18,060 (29%)
• E-Tailing	1,550	2,372	3,842	6,454	10,004
• Financial Services	1,540	1,848	2,255	2,886	3,607
• Classifieds	775	1,085	1,682	2,354	3,061
• Other Online Services	431	518	792	1,110	1,388

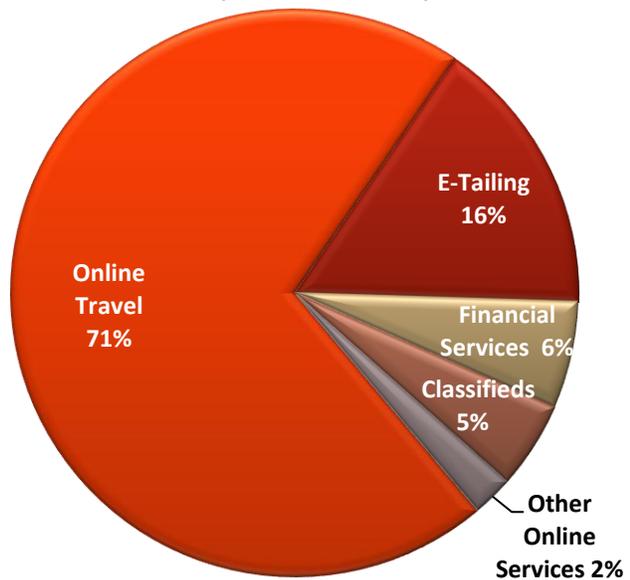
Note: In this edition of the report, market size of the Classifieds and Other Online Services categories have been measured separately.

GROWTH OF DIGITAL COMMERCE OVER THE YEARS
(Figures in INR Crores)



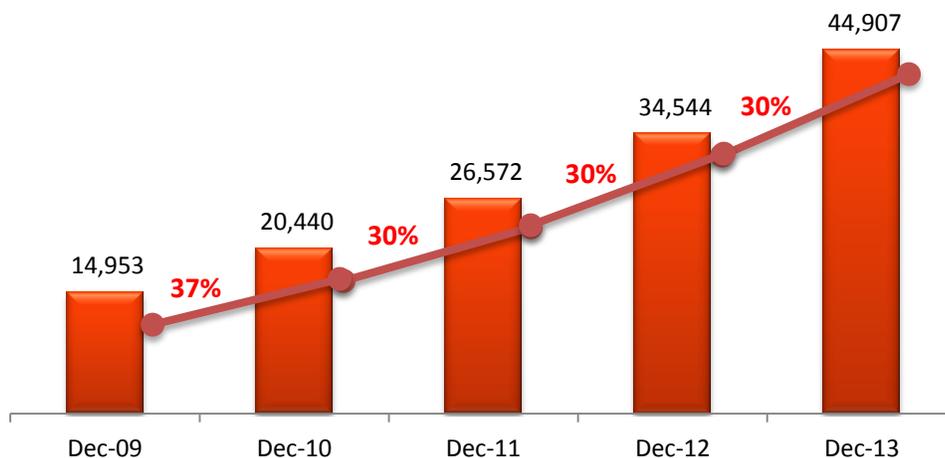
Of the market size of INR 47,349 Crores; online travel, which includes booking rail, air, bus tickets, hotel accommodations and tour packages comprised a major 71% of the whole Digital-Commerce pie. E-Tailing which includes purchases of various consumer products/services such as electronics, apparels, footwear, jewellery and other such as home & kitchen appliances, consumer durables, furnishings constitute 16% of the overall share. Conducting transactions of various types of financial services such as paying insurance premiums and renewals, paying utility and mobile bills, trading shares and securities amounts to 6% of the overall share. B2B and B2C Classifieds (jobs, matrimony, car, real estate etc.) contribute to 5%, whereas other online services such as online entertainment ticketing, online food delivery, buying discounts/deals/vouchers etc. form 2 % of the overall market.

Components of Digital Commerce Market- 2012
(INR 47,395 Crores)



Market Size of Product Categories

ONLINE TRAVEL

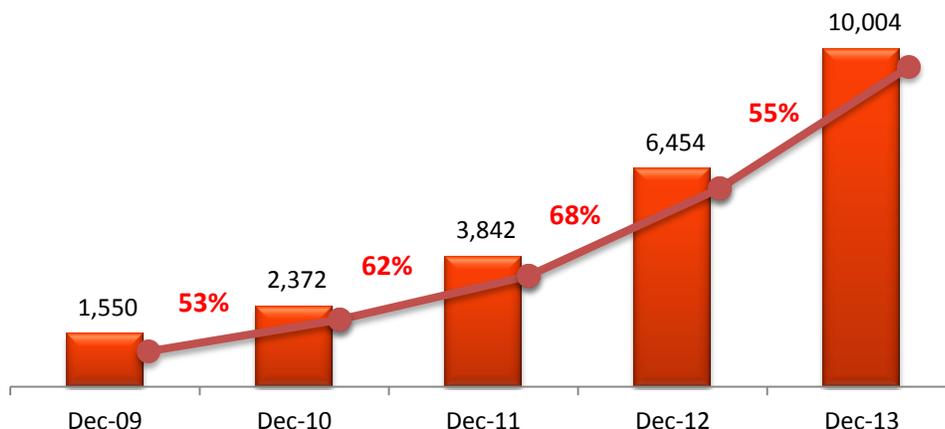


Online travel industry has on an average grown by 32% from INR 14,953 Crores in 2009 to INR 34,544 Crores in 2012 and is estimated to grow by another 30% and be valued at INR 44,907 Crores by the end of December 2013. Changing the trend from the past year, at present, out of total Online Travel market, domestic air tickets contribute 50% i.e., INR 17,335 Crores followed by railway tickets contribute 39% i.e. INR 13,639 Crores. Others such as international air travel (INR 1,926 Crores) Hotel bookings (INR 700 Crores), Bus tickets (INR 641 Crores), Tour packages & travel insurance (INR 303 Crores) contribute balance 10% to the total online travel market.

Component Share of Online Travel (Total: INR 34,544 Crores Jan-Dec 2012)

Component	Percentage (%)	Market Size (INR in Crores)
Domestic Air Tickets	50%	17,335
Railway Tickets	39%	13,639
International Air Tickets	6%	1,926
Hotel Bookings	2%	700
Bus Tickets	2%	641
Tour Packages/Travel Insurance	1%	303

E-TAILING

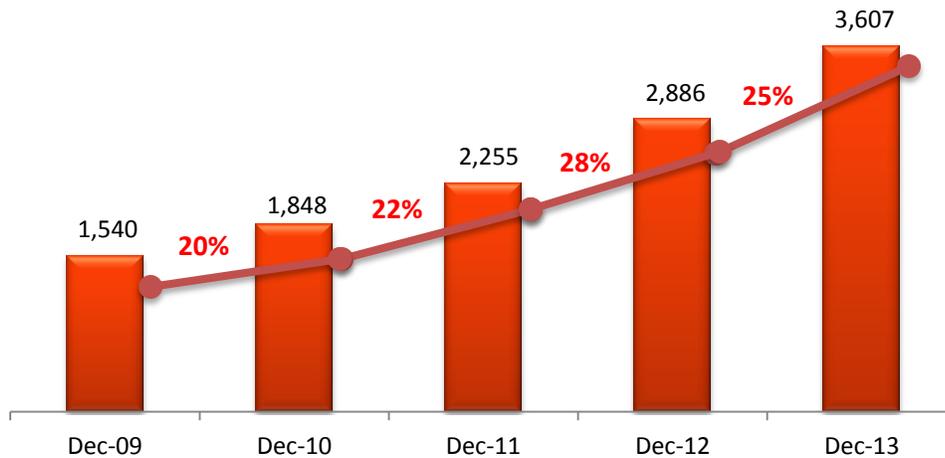


E-Tailing comprises of buying consumer items such as books, apparels & footwear, jewellery, mobiles, cameras, computers (desktops/laptops/net books/tablets), home & kitchen appliances, home furnishings, vouchers/coupons, flowers and toys, gifts online. The E-Tailing category has grown from INR 1,550 Crores in the year 2009 (Jan-Dec 2009) to INR 6,454 Crores in year 2012 (Jan-Dec 2012). This category is estimated to cross the 10,000 crore mark in the year 2013.

At present, Laptops/Net-books/Tablets contribute the most, i.e., 24.5% (INR 1,579 Crores) to the E-Tailing segment followed by apparels & footwear which contribute 20.6 % (INR 1,331 Crores). Mobile phones, cameras, mobile & camera accessories together contribute to another 33% (INR 2,131 Crores). In all the above mentioned four categories form nearly 80% of the E-Tailing pie. Out of the remaining 20% (INR 1,413 Crores), consumer durables & kitchen appliances, books and home furnishings contribute to another INR 500 Crores, INR 288 Crores and INR 200 Crores respectively. Emerging categories comprise products like deals/coupons, toys, gifts, handicrafts, flowers etc. contribute just about 3 % of the E-Tailing pie.

Component Share of E-Tailing (Total: INR 6,454 Crores Jan-Dec 2012)		
Component	Percentage (%)	Market Size (INR in Crores)
Books	4.5 %	288
Apparels + Footwear	20.6 %	1,331
Jewellery + Personal / Healthcare Accessories	3.7 %	240
Cameras + Camera Accessories	14.1 %	914
Consumer Durables + Kitchen Appliances	7.8 %	500
Home Furnishings	3.1 %	200
Mobile Phones + Mobile Accessories	18.9 %	1,217
Laptops / Net books / Tablets	24.5 %	1,579
Other Products (Vouchers / Coupons, Toys, Gifts, Flowers, Handicrafts, Stationary etc.)	2.8 %	185

FINANCIAL SERVICES



Financial services market was valued at INR 2,886 Crores in 2012 and is expected to grow by 25% and reach to INR 3,607 Crores by the end of year 2013. The elements of financial services include applying for insurance or paying insurance premiums / renewals (INR 848 Crores), payment of utility bills and mobile bills contribute a major 40% (INR 1,148 Crores) to the whole financial services pie and online transactions for financial services such as trading of shares and securities form remaining 31 % (INR 890 Crores).

Component Share of Financial Services (Total: INR 2,886 Crores Jan-Dec 2012)

Component	Percentage (%)	Market Size (INR in Crores)
Insurance Related Services	29%	848
Utility Bill Payments including Mobile Bill Payments	40%	1,148
Online transactions for financial services like Shares & Securities Trading	31%	890

CLASSIFIEDS



Classifieds market has seen a significant growth and is estimated at INR 2,354 Crores in 2012. The classifieds segment includes services like online jobs which contribute to a huge 60% valuing at INR 1,380 Crores, online matrimony form another 22% (INR 508 Crores), other B2C classifieds (car, real estate etc) contribute about 7% (INR 166 Crores). B2B Classifieds comprises 13% of the overall classifieds market. Classifieds as a category has grown with a CAGR of 45 % from last 2009 and is expected to grow by another 30 % and reach INR 3,061 Crores.

Component Share of Classifieds (Total: INR 2,354 Crores Jan-Dec 2012)

Component	Percentage (%)	Market Size (INR in Crores)
Online Jobs	59%	1,380
Online Matrimony	22%	508
Other B2C Classifieds (Car, Real Estate etc.)	7%	166
B2B Classifieds	13%	300

OTHER ONLINE SERVICES



Other online services market has seen a significant growth and is estimated to be INR 1,110 Crores in 2012 and is expected to grow by another 25% and be sized at INR1,388 Crores by the end of 2013. Online services such as buying entertainment tickets, food and grocery online fall under this section. The market for buying online tickets for movies, sports, show/concerts etc is valued at INR 795 Crores and forms nearly 3/4th of the online service pie. Online food delivery market forms another quarter sizing at INR 250 Crores whereas online grocery market is valued at INR 65 Crores.

Component Share of Other Online Services (Total: INR 1,110 Crores Jan-Dec 2012)

Component	Percentage (%)	Market Size (INR in Crores)
Online Entertainment Ticketing (Tickets for Movies + Sports + Shows/Concerts)	72%	795
Online Food Delivery	23%	250
Online Grocery Delivery	6%	65

Indian Online Shoppers

Compared to year 2009, year 2012 saw a surge in the number of users who shopped online. Out of 19.6 million who accessed internet for finding details related to a specific product or a service, nearly 73% actually bought a product or a service in the end. The percentage of people who access internet only for looking information related to various products and services have decreased from 45% in 2009 to 27% in the year 2012.

According to I Cube 2012, 19.6 million Internet users looked for information (LFI) for purchasing product or services online. Of these, a massive 14.3 million purchased product or services online. This indicates that almost three quarters of Internet users who look for information on products and services on Internet end up buying them online.

ONLINE SHOPPING BEHAVIOUR AMONG INTERNET USERS

(Base: 33.8 million Active Internet Users in 35 cities surveyed in I-Cube 20012)





LFI indicates users who access internet to search for products or services. They may or may not buy them online.



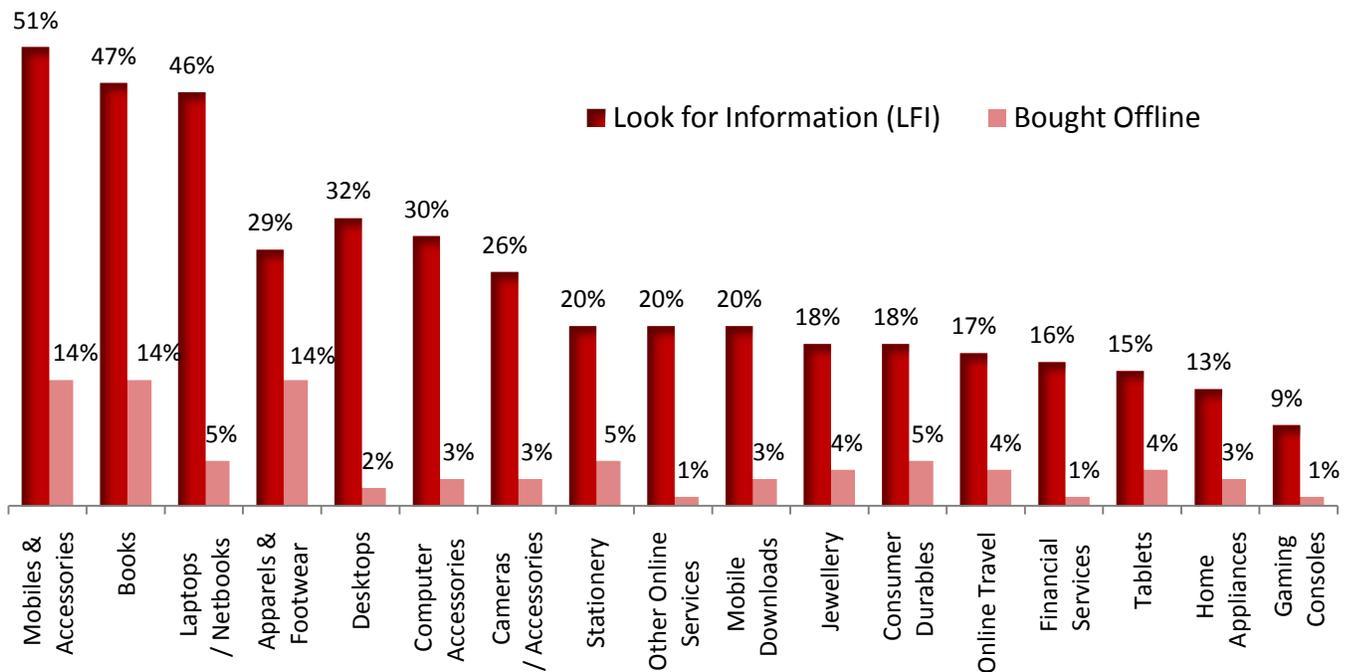
ONLINE SHOPPER indicates users who access internet to purchase product or services. These are internet users who transacted online and purchased product or services over internet.



ONLY LFI indicates those users who accessed Internet to look for information on product or services, however, didn't purchase it over internet.

NON-ONLINE SHOPPERS (ONLY LFI)

(Base: 19.6 million Active Internet Users who have looked for information on the Internet)



AMONG ONLY LFI, 51% accessed internet to search for information related to mobile and mobile accessories, 27% of them bought the product through conventional shops. Books' is the second most looked for information category with 47% of Only LFI finding details of various books on the net. Out of 18% Only LFI's who searched about consumer durables on internet, 28% preferred to buy them offline. 29% access internet to look for information on Apparels & Footwear, of these 49% seem to be

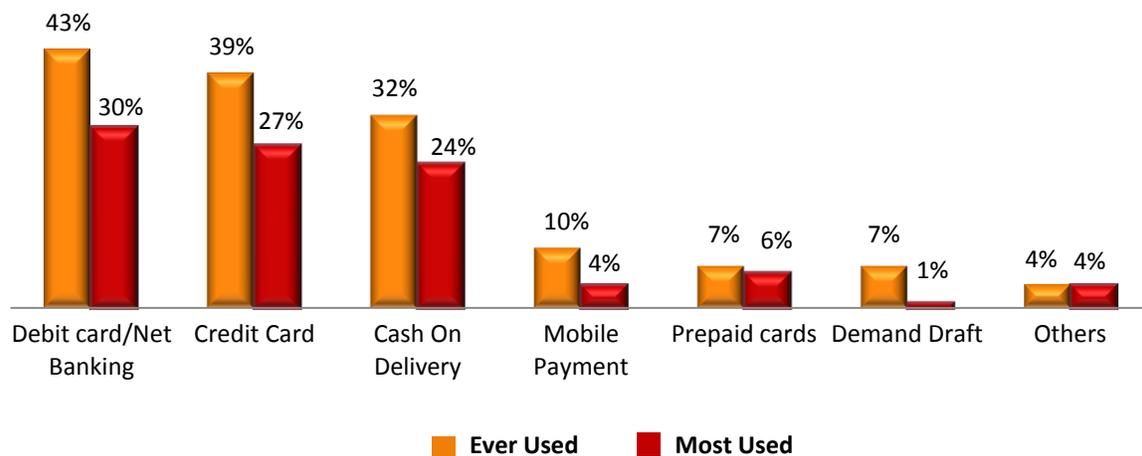
sceptical in making an online purchase and end up buying apparels & footwear through the offline route.

AMONG ONLINE SHOPPERS, 72% accessed internet to look for information on railway tickets and 63% actually bought them using internet. The rest major categories included 20% of the online shoppers who bought Apparels & Footwear followed by 19% who bought Books, 17% bought Mobile Phones and Accessories and 15% bought Computers & Computer Accessories. Categories like financial services, home appliances and computer accessories were most often searched for by the users however a small percentage of them actually bought it over Internet. This indicates that even online shoppers access internet to know more about products, but only handful of them actually use internet to purchase them.

Mode of Payment

MODE OF PAYMENTS

(Base: 14.3 million Active Internet Users who have made online purchases)



Majority of the online shoppers use Debit cards/Internet banking as their preferred mode of payment for shopping online. Payment through credit cards, follow closely at second position. Paying against delivery comes at third position whereas mobile payments, prepaid cards, demand drafts and payments like NEFT & RTGS ("Others" category) are not so preferred modes of payment.

Reasons for not shopping online

Lack of trust is the primary reason for not shopping online. According to the findings, various reasons for not shopping online as mentioned by internet users include:



(Base: 19.6 million Active Internet Users who look for information)

Certain key factors that are limiting the growth of this industry include: the fact that there is a fear of getting duped with the purchase made in absence of in-person interaction. Users do cite such occurrences when the shopping has been done over other media as well such as television.

Majority of the non-shoppers do not shop online due to lack of trust in the products. This includes worries over the personal security, doubts in the quality; doubts about the financial details entered would be misused. Lack of trust has been the primary concern factor since over few years now, especially when the non-shoppers are asked to enter their financial details like credit/debit card numbers, internet account number. To avoid all the complications they think might happen with shopping on the internet, these non-shoppers in the end prefer to transact in person.

Transactors don't even know who is generally sitting across the table and who are they really dealing with. Unlike conventional shopping, buyers worry about online shopping. They aren't very sure if they'll get optimum quality products online or if they are going to get the right products they ordered for. Apart from shopping experience and convenience, one of the major factors for digital commerce not taking off in India is due to the on-time dispatch of goods. Delivery delays invariably have left people wondering if their money was 'lost' in the transaction and are averse to conducting future online transactions.

Buying a product or service is many times associated with shopping experience. Shopping experience includes fun, entertainment and the satisfaction derived from shopping of product or service. While transacting online, most users lack this experience and it has resulted in people refraining from shopping online. Lack of touch & feel: Touch & feel of product being purchased lacks while shopping online. Online shopping is best suitable for products and services that do not require touch & feel experience by buyer. Probably that's one of the reasons for books & ticketing being more successful than apparels while shopping online. Lastly, many non-shoppers also claim that they do not get a good variety of products/services online thus they prefer walking down to a store and making a purchase.

Glossary of Terms

- **ACTIVE USER:** An individual who has used the Internet at least once in the last 1 month.
- **INTERNET NON-OWNER:** An individual who belong to a household which does not own Internet connection.
- **INTERNET NON-USER:** An individual who has not accessed Internet at any point in time.
- **LFI:** Internet users who "Look for Information" (LFI) for a product or a service they want to buy.
- **ONLINE SHOPPERS:** Internet users who look for information and eventually buy a product or a service over the Internet.
- **E-TAILING:** Short for Electronic retailing. It means selling of retail goods and services through the internet.
- **E-MARKETPLACE:** An e-marketplace is a location on the Internet either owned by a particular company or a consortium where other companies/individuals can attract buyers or publicize information in-order to sell their products, engage in transactions and develop trading networks.

Methodology

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

PRIMARY RESEARCH

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

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

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

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

SECONDARY RESEARCH

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

About IMRB International and IAMAI

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

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

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About Internet and Mobile Association of India (IAMAI)

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

Nine years after its establishment, the association is still the only professional industry body representing the online and mobile VAS industry in India. The association is registered under the Societies Act and is a recognized charity in Maharashtra. With a membership of 130 plus Indian and MNC companies, and offices in Delhi and Mumbai, the association is well placed to work towards charting a growth path for the digital industry in India.

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