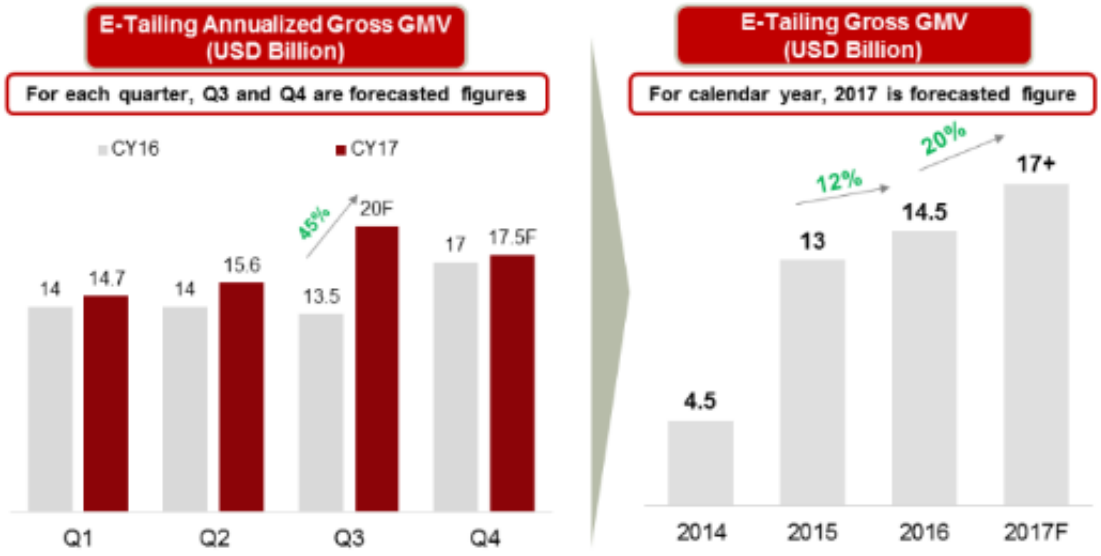
E-tailing Stories:

E-tailers on track to record their biggest quarter ever in Q3 CY17- which should push industry size to USD 17+ Bn for CY17 as a whole

Driven by a very strong e-tailing festive sales in Sep'17, with USD 1.5 Bn of sales generated over 5 days, e-tailers are likely to see 45% y-o-y growth in Q3 CY17. Which should put industry on track to grow 20% y-o-y for the whole of CY17- a marked improved from the slowdown recorded in CY16.

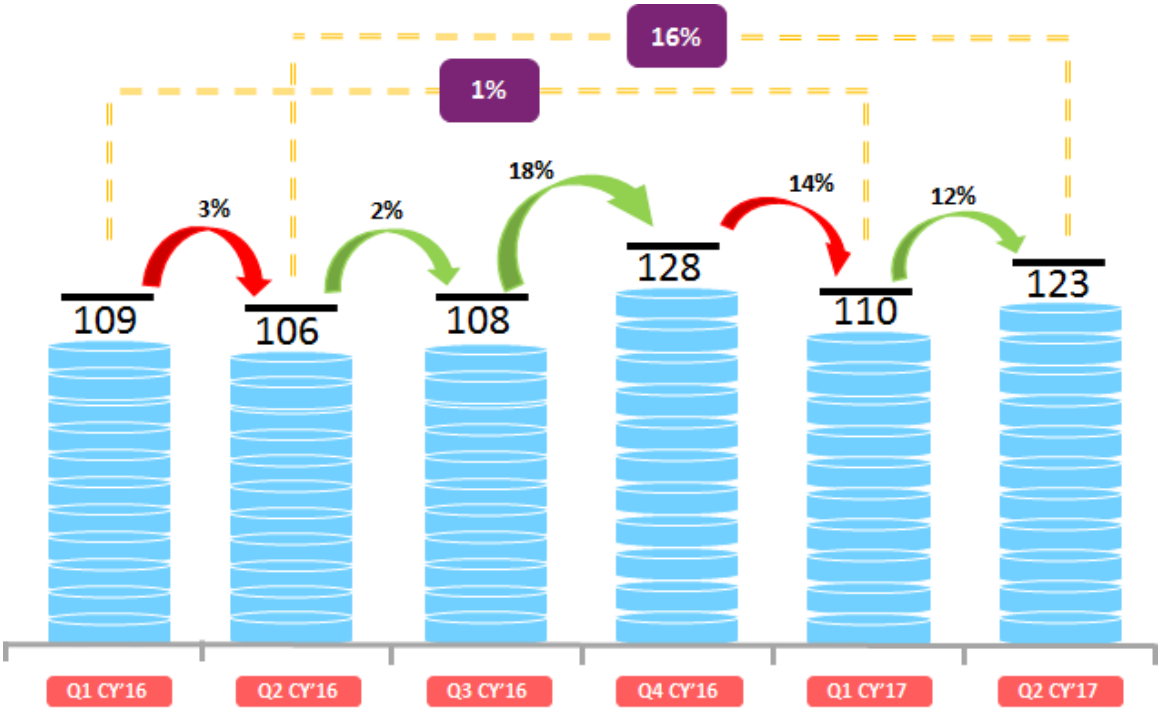


CY-Q2 brought the much-needed cheer in Indian e-commerce industry, with healthy double digit growth. Fashion, a key underrepresented category, contributed in the biggest way. The no. of shipped units for Q2 CY'17

reaching the level of Q4 CY'16 (festive quarter).

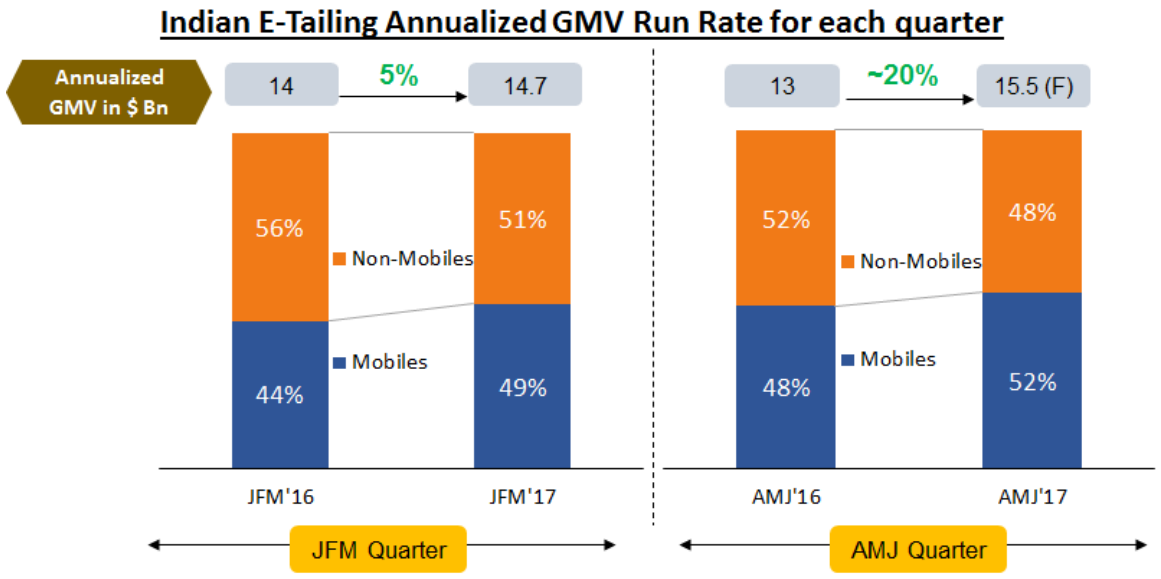
E-tailing Industry, Total Shipped Units

(For each quarter in the calendar year, post-cancellation, millions)



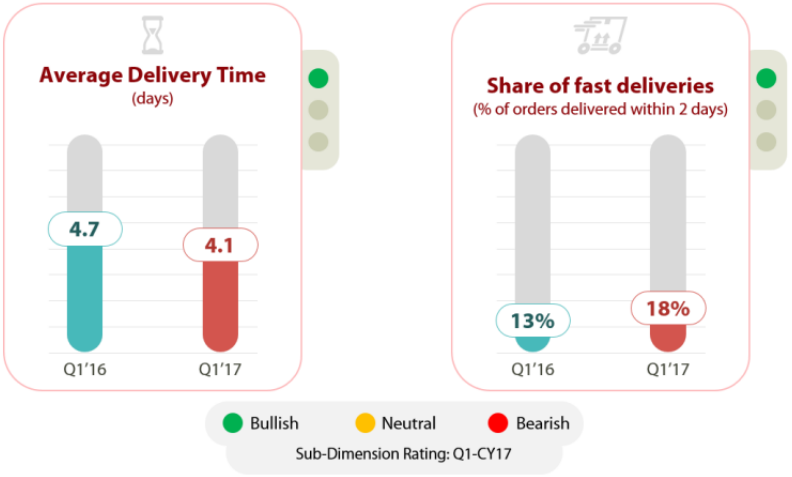
Y-o-Y growth for e-tailing sector is likely to pick up in AMJ'17 vs previous quarter, on the back of multiple successful sale events

While Y-o-Y growth remained muted in the JFM'17 quarter, the AMJ'17 quarter is likely to see a positive uptick, driven by the impact of successful sales events. Mobiles category has been an especially important sales driver, but sector's increasing dependence on the same is a point of concern.



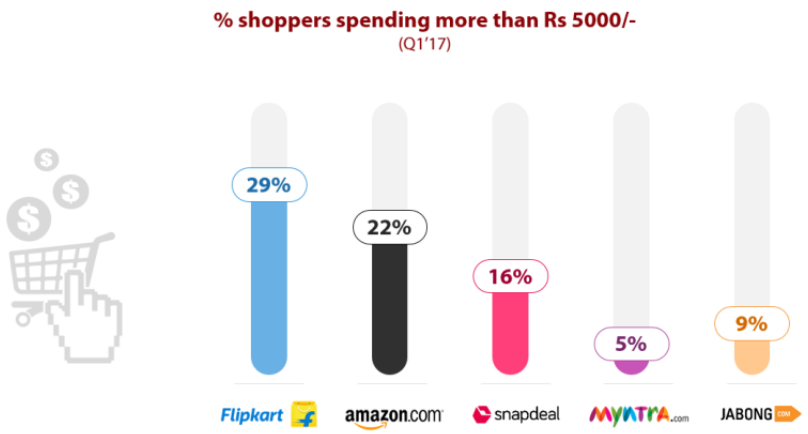
With orders getting delivered faster than ever before, online shoppers have never had it so good.

E-tailers have brought down average delivery times (pan-India) to *just above four days*, with more than 18% orders getting delivered within two days of ordering itself. And the delivery speed differences across players are consistently coming down- thus ensuring a highly reliable experience as a customer.



Flipkart has the highest share of big-spending online shoppers on its platform.

Flipkart's strong focus on high-value categories like mobiles and large goods has enabled it to have the highest % high-spending shoppers on its platform-something which also speaks volumes about the high trust placed on its platform by consumers.



Where are the promised volumes?

Y-o-y volumes growth in JFM'2017 has been negligible: The industry started at y-o-y volumes growth of <5% in the past quarter, clearly outlining the lack of success in increasing the monthly active shopper count beyond 15-17 Mn.

Lack of volume growth coincides with failure to push through high-volume categories: Volume share of categories such as fashion and FMCG has been steadily declining, from 48% in JFM'16 to 45% in JFM'17. This is in spite of aggressive marketing efforts by players to drive sales - indicating the challenges involved in shifting the primarily offline customers in these categories to online channels.

Driving sales of high volume categories in 2017 will require e-tailers to solve key issues of potential online shoppers: RedSeer research shows that potential consumers of online fashion are discouraged to shop online by perceived pain points like –

1) Poor product quality

2) Inability find suitable designs and

3) Inaccurate listings leading to wrong product being delivered.

Sustained recovery or false start?

The industry continues its slow and steady recovery in 2017: With an average GMV run rate at *USD 14 Bn* in Jan/Feb 2017, *5%* higher vs slump period of H1-2016, the industry seems to be on the (slow) path to recovery.

Smartphones are the architect of the recovery: Smartphones accounted for *53%* of industry GMV in Jan/Feb 2017, higher than *49%* share seen during most of the CY2016. The regular launch of exclusives continues to whet the Indian consumer's seemingly insatiable appetite for smartphones, thus driving the market.

However, a smartphone-driven recovery may not be very sustainable in longer term: Even as smartphone dependence increased, GMV share of high volume, high repeat categories like fashion and FMCG continues to remain flat in 2017, at *22%* and *~3%.* Lack of growth in such categories may point to deeper problems in onboarding new customers and thus create a sustainably growing GMV base.

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