



Consumer Internet in India

An overview of key sectors of digital economy

4/17/2018

New Delhi | Bangalore | Mumbai | New York | Dubai

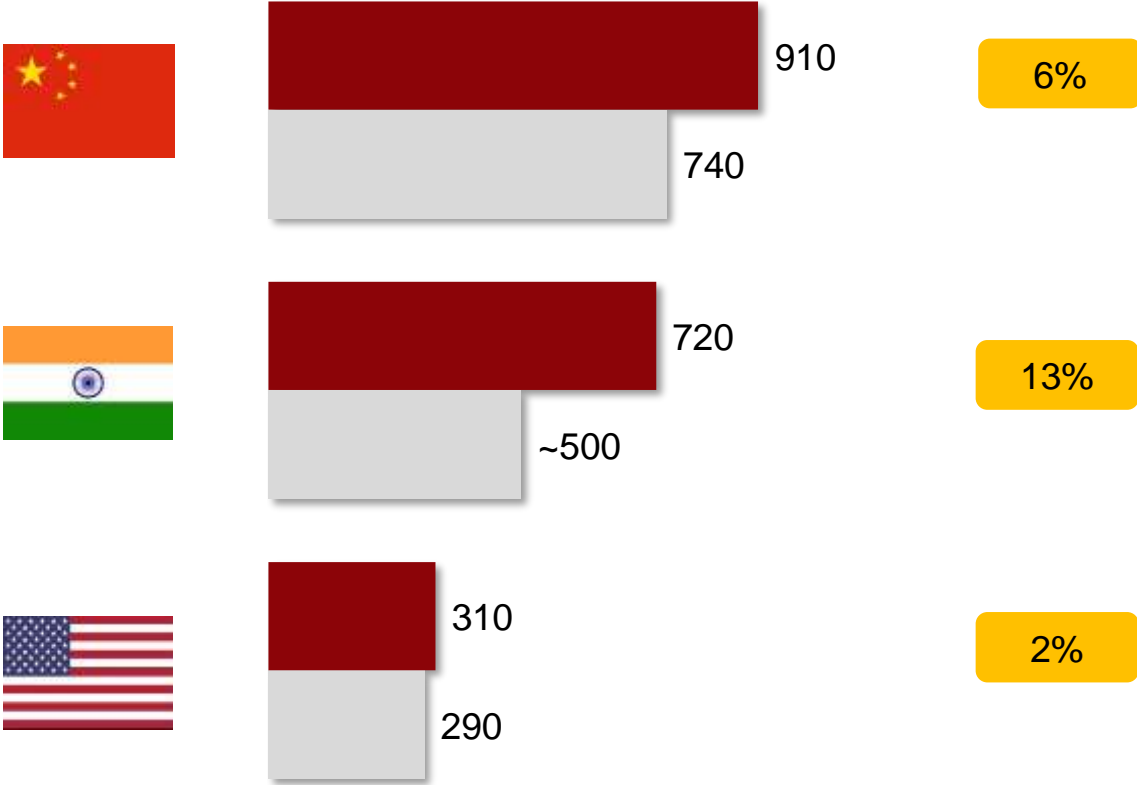
India has one of the largest and fastest growing internet populations in the world

Online Population in Major Economies

Number of users, in million

X% CAGR (2017-2020) 2017P 2020P

Online Population (mn) 2017-2020



Key Insights

- India's internet user growth will be roughly four times the global rate of 3% over 2016-2020
- Drivers of growth-
 - Telecom initiatives like Reliance Jio- the fastest growing internet network in the world - are likely to further help in connecting the masses to the internet
 - Rapidly growing access to smartphones

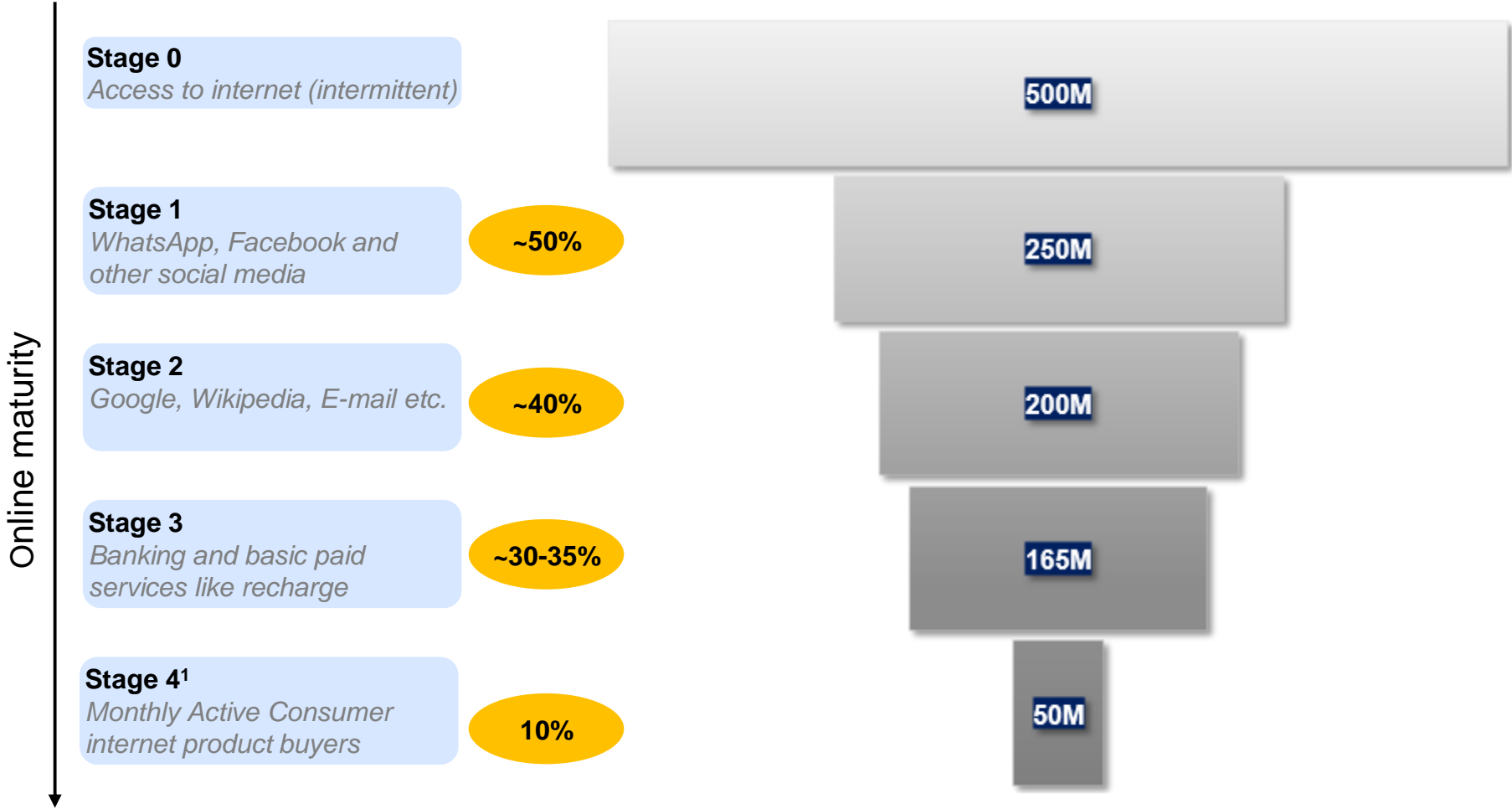
A majority of the Indian internet population is already using some services online

Internet Usage Evolution Funnel- India

Numbers of users, in million

X # of users (million)

X% % of online population

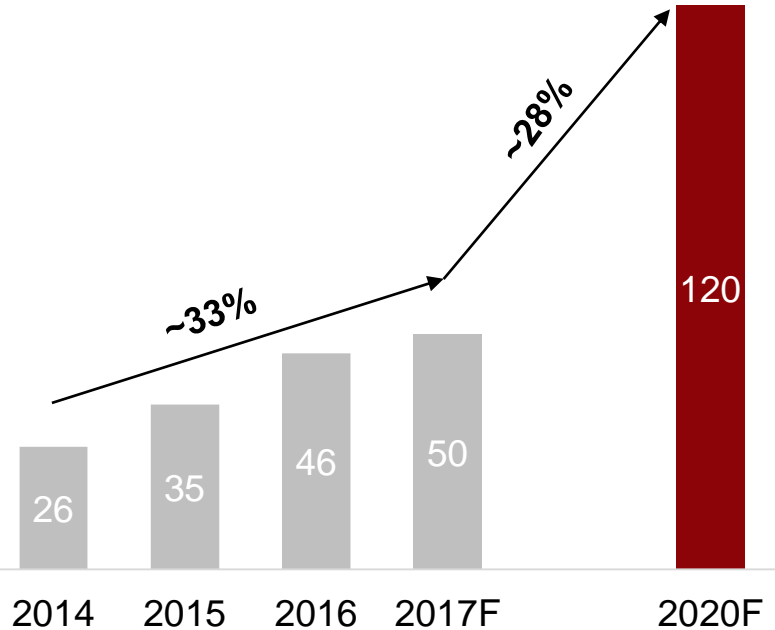


Note: 1. Covers entirety of consumer internet industry, including online retail shopping, online travel, cab aggregators, food-tech, ed-tech, fin-tech among others. E-tailing industry's monthly consumer base is ~20 million

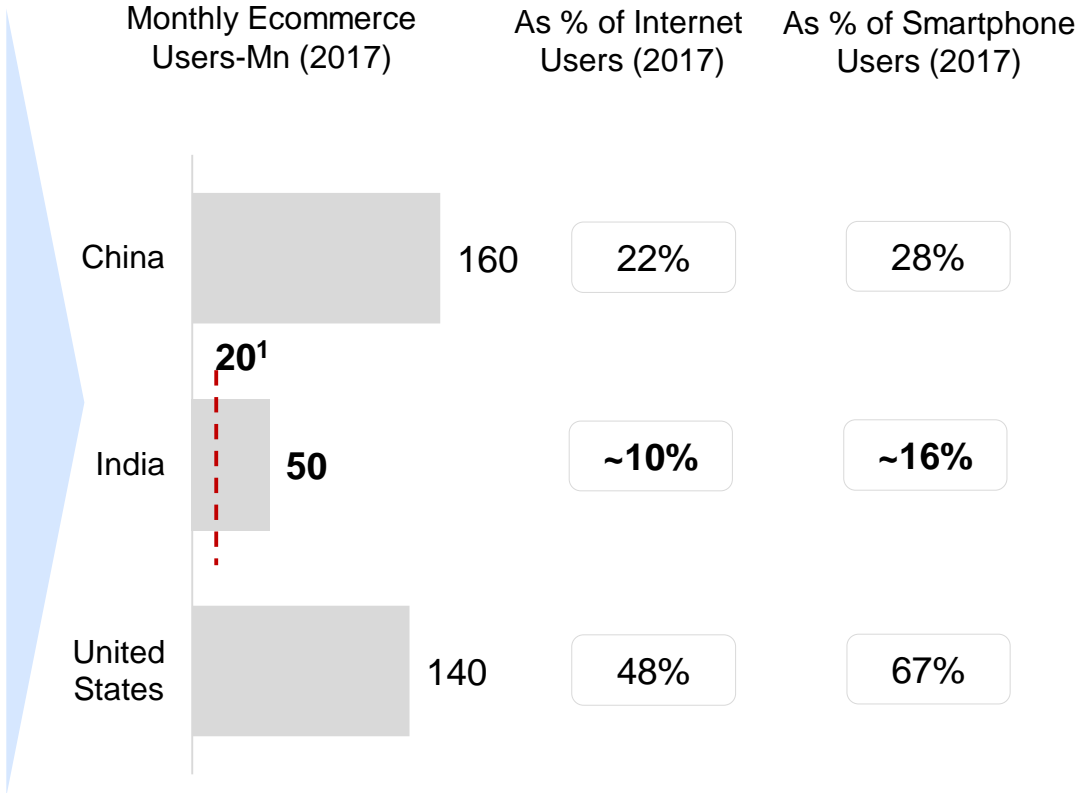
eCommerce/consumer internet using population is growing rapidly- yet market is still highly underpenetrated

Growing internet and smartphone penetration has driven a steady growth in ecommerce users...

India Monthly Ecommerce Users-Mn



...but India is still considerably underpenetrated compared to other countries



Note:
 1. E-tailing monthly shoppers in India (20 Mn) are comparable with 160 Mn shoppers of China and 140 Mn shoppers for USA. Direct comparison of 50 Mn with China and USA is unavailable.
 2. Numbers are broad estimates and are only indicative.

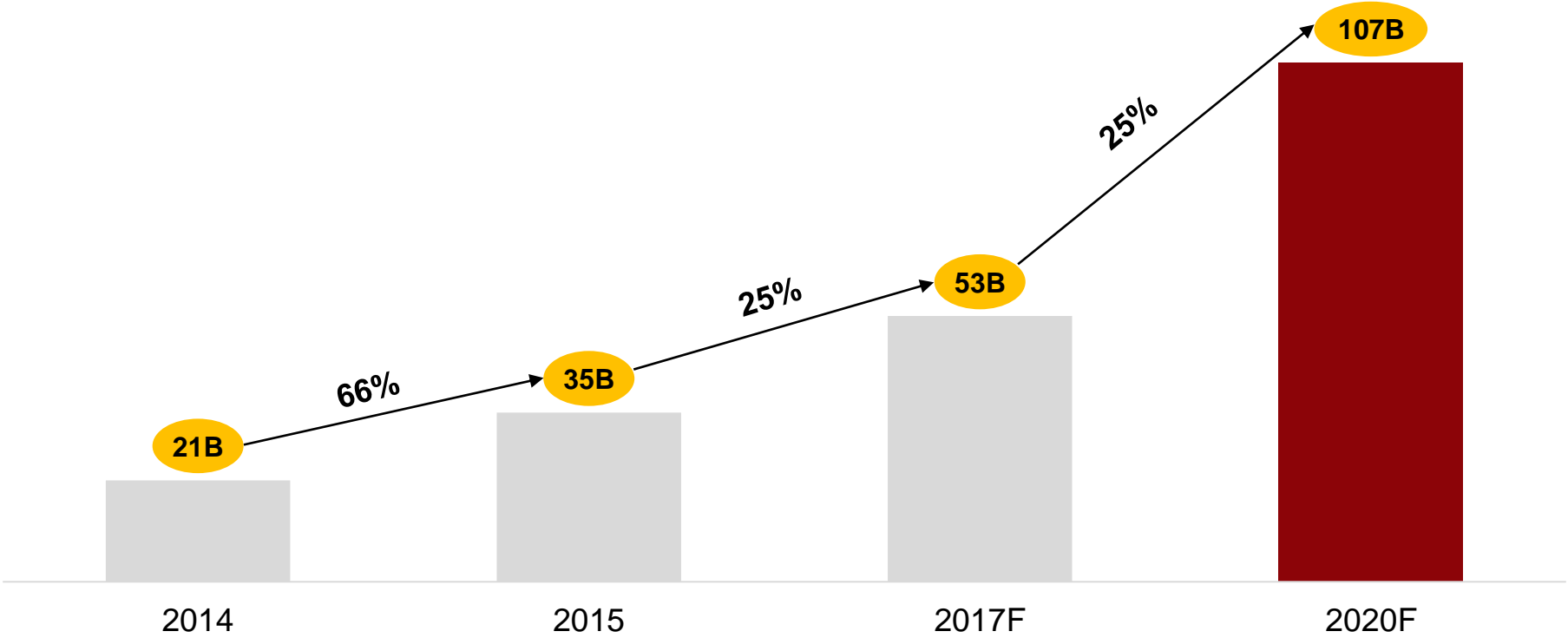
The consumer internet market is pegged at USD 53 billion in 2017 and expected to grow to USD 100+ Bn by 2020

Consumer Internet Market-India

Market size, in USD billion

X Market size in USD bn

India Consumer Internet Market
2014-2020F



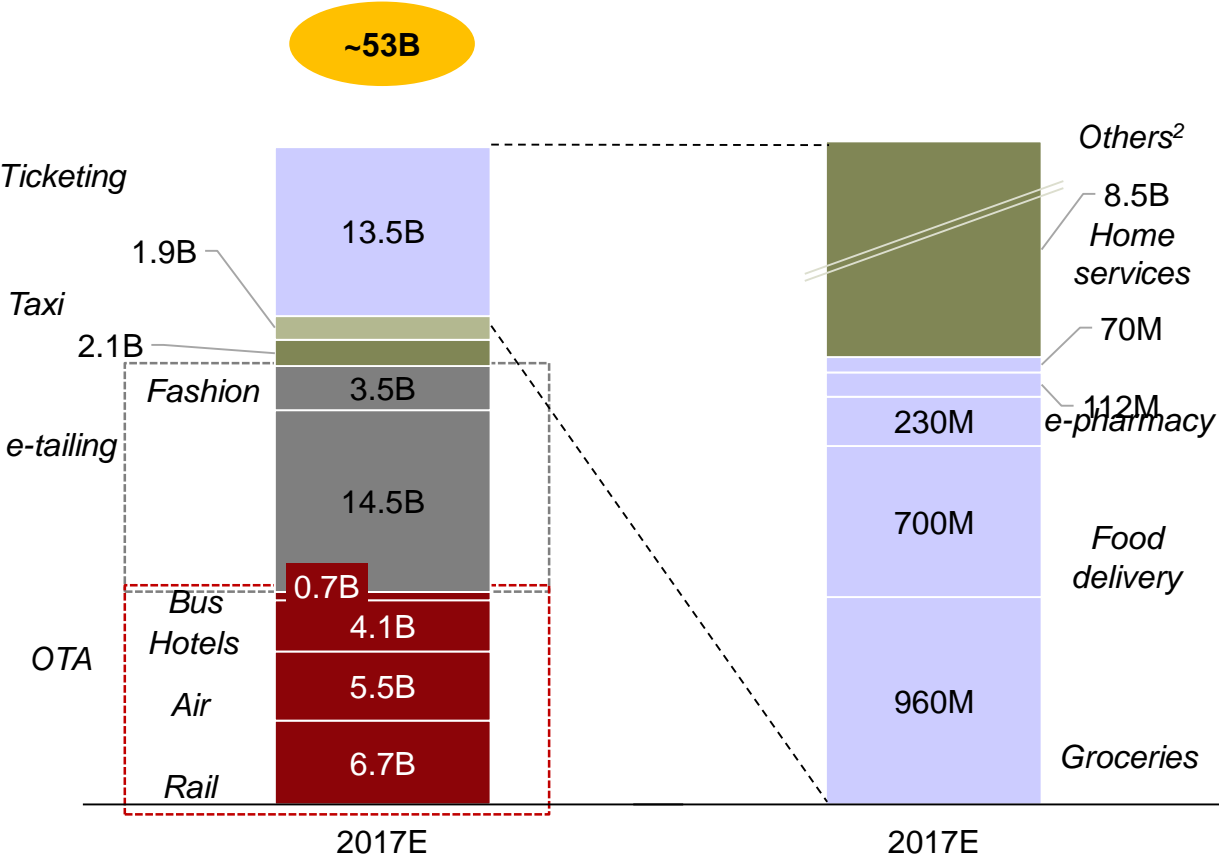
Key sectors within consumer internet are expected to continue on a steady growth trajectory

Consumer Internet Market Split-India

Market sizes, in USD bn/ mn as mentioned

X Market size in USD bn

India Consumer Internet Market¹ (2017)
Split by sector



Key Insights

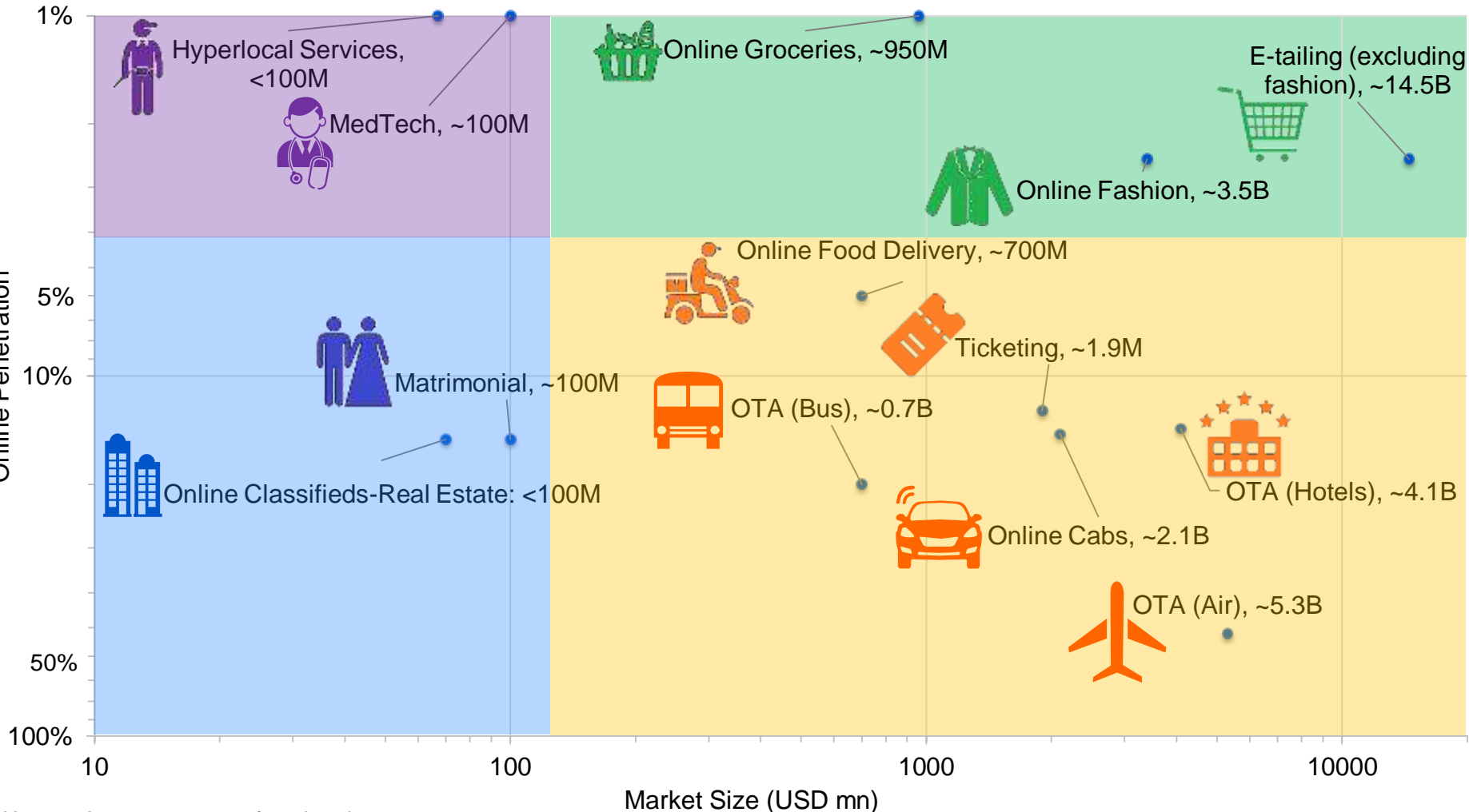
- Online mobility is expected to grow to encompass a much larger than the current 1-2% share of all public transport rides by 2020
- E-tailing is expected to grow on the back of rapid addition of online shoppers, with online penetration increasing to 7-8% by 2020
- Growing internet penetration coupled with increase in average disposable income will lead to higher travel spending and a steady growth for the sector

Note: 1. m-wallets, which has a gross transaction value of ~13B USD has been excluded
2. Others include Fin-tech and alternative lending among others

Online penetration is fairly low across online industry verticals in India

Online Penetration¹ across sectors

- Proven value
- Emerging
- Large potential
- Organic

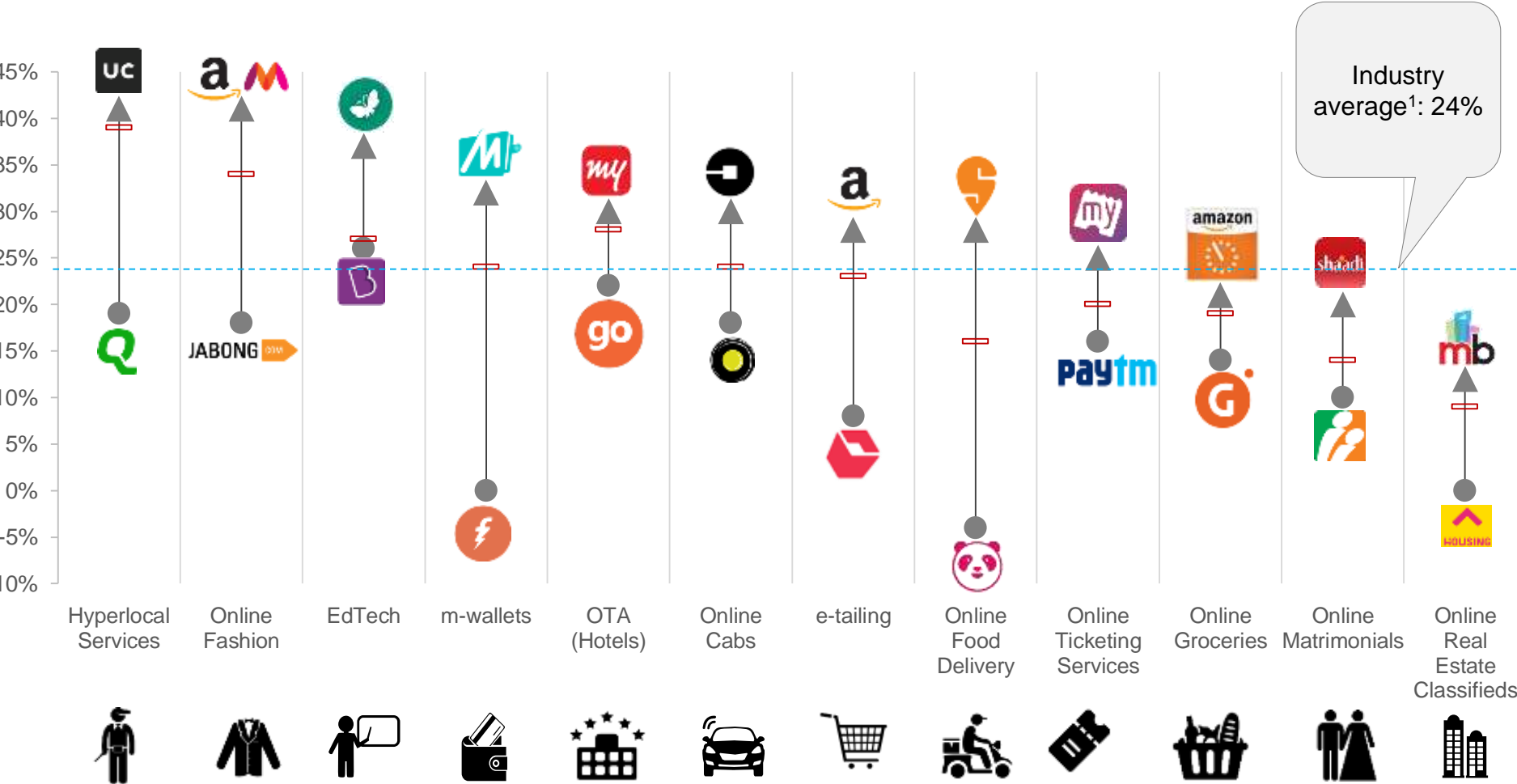


Note: 1. As a percentage of market size

Source: RedSeer analysis

Future looks promising for emerging verticals like hyperlocal services and ed-tech as they have a high satisfaction among customers

Consumer NPS across Indian online industry verticals



Industry average¹: 24%

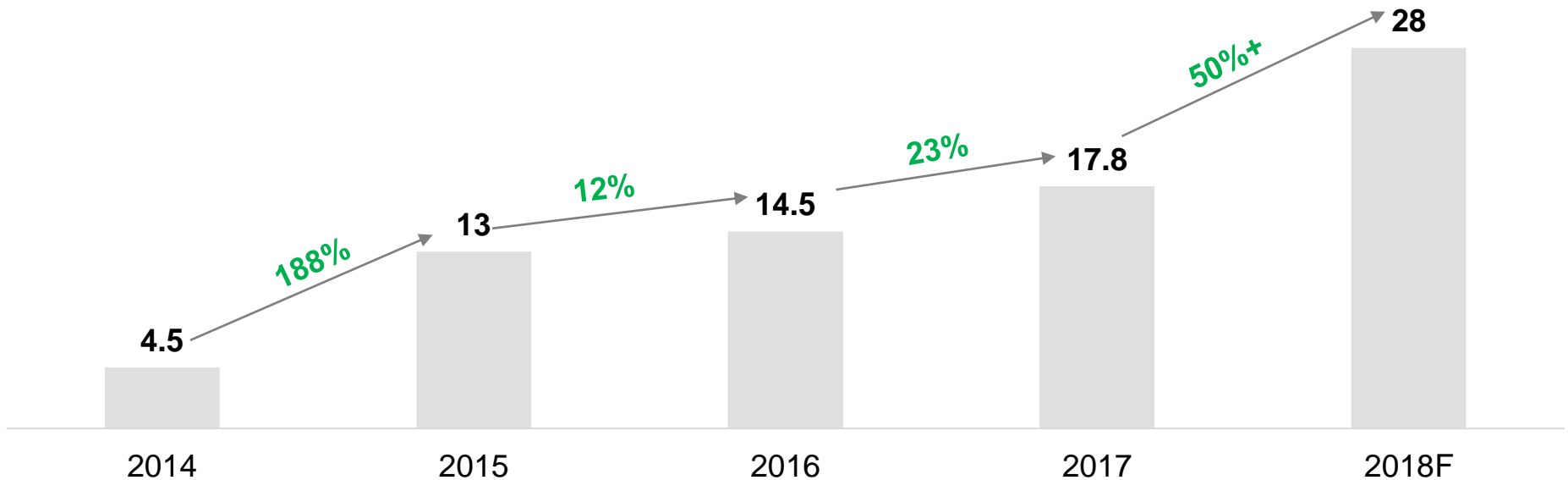
Note: 1. Calculated as weighted average for mentioned verticals Market sizes taken as weights.

E-tailing

Industry growth momentum resumed in 2017 as it witnessed 23% Y-o-Y growth reaching ~18 Bn

Note: 1 \$ = INR 60

Indian E-Tailing Market- Gross GMV
(For Each Year, In USD Bn)



- Breakout year for sector
- Flipkart crosses USD 1 bn GMV
- Amazon, Snapdeal grow rapidly

- Breakneck growth continues
- Flipkart crosses USD 4 bn GMV run-rate while Snapdeal and Amazon touch USD 3 bn

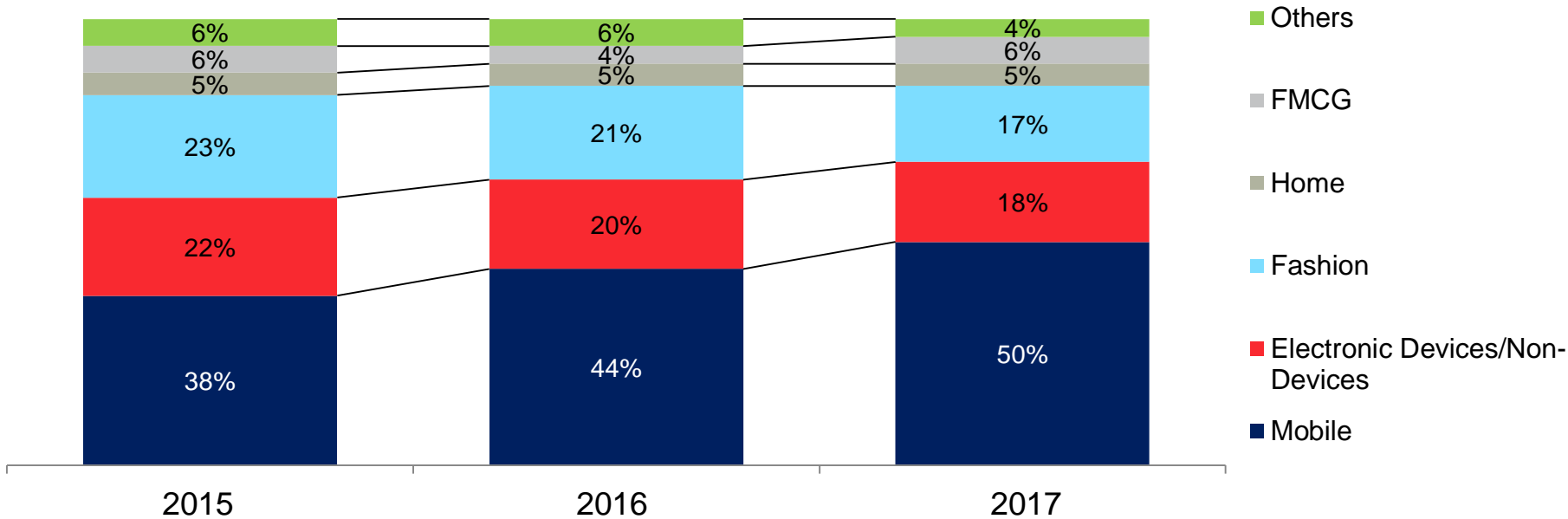
- GMV growth slows but GMV 'quality' and unit economics improve
- One of the biggest player Snapdeal loses market share

- Industry growth momentum continues
- Largest ever monthly GMV for sector in Sepy'17 (sales) month

- Industry expected to grow faster compared to previous years
- Bigger horizontals are expected to drive growth

Mobiles continues to be the highest selling category; Share of fashion category has been consistently decreasing

Indian E-Tailing Market- Category Share of Gross GMV
(Y-o-Y)



Key takeaways

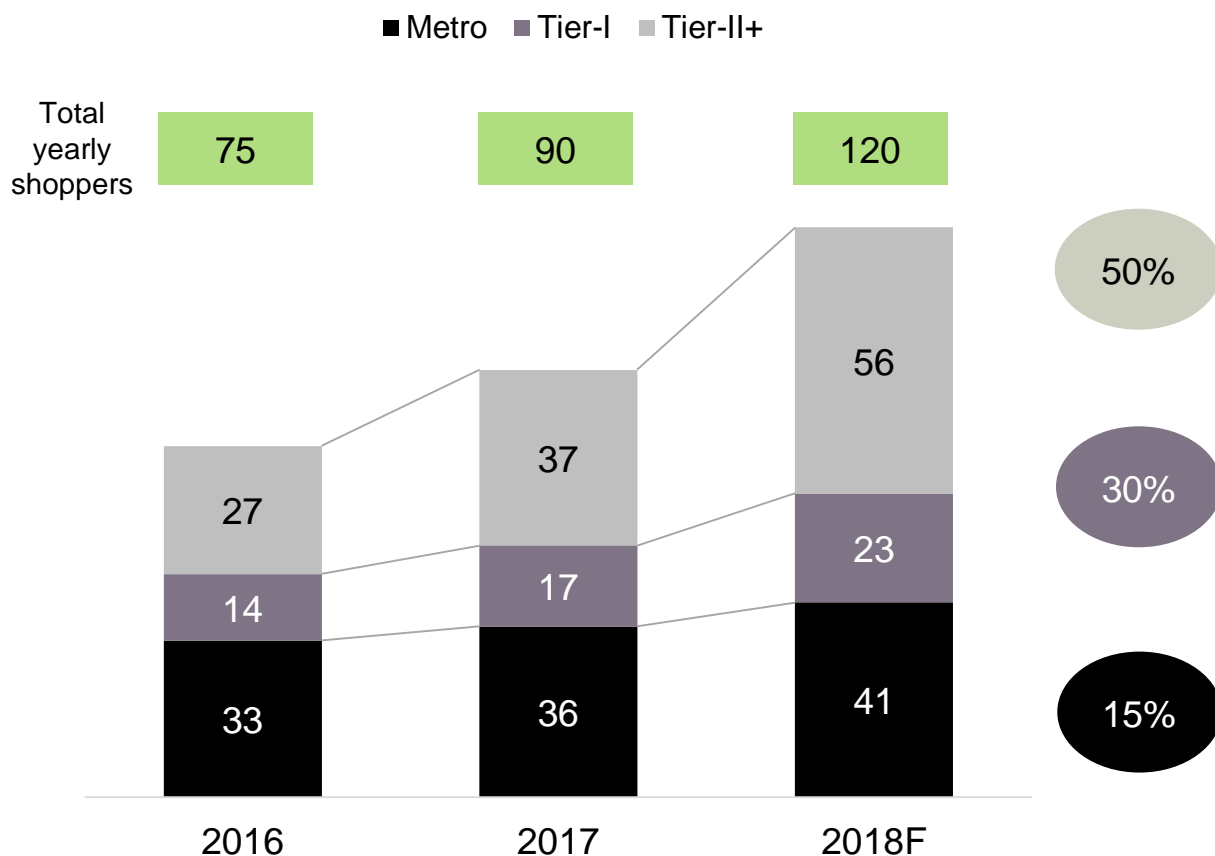
- Market share for mobile category has continuously seen an increase, half of the E-tailing business is being driven by the category as of 2017
- Among smaller categories- share of Home and FMCG category increased in 2017

Tier-II+ would be the mainstay of growth in 2018 with a total of 50 Mn+ online shoppers from these smaller cities

Yearly Unique shoppers
(Y-o-Y trends, MN)

Y-o-Y Growth rates
(%)

Key takeaways



□ **Metro:**

- Slower growth in compared to Tier-I and Tier-II+
- Added 3 Mn shoppers in 2017, **expected to add 5 Mn more in 2018**

□ **Tier-I:**

- Second fastest growing market
- Added 3 Mn shoppers in 2017, **expected to add 6 Mn more in 2018**

□ **Tier-II+ :**

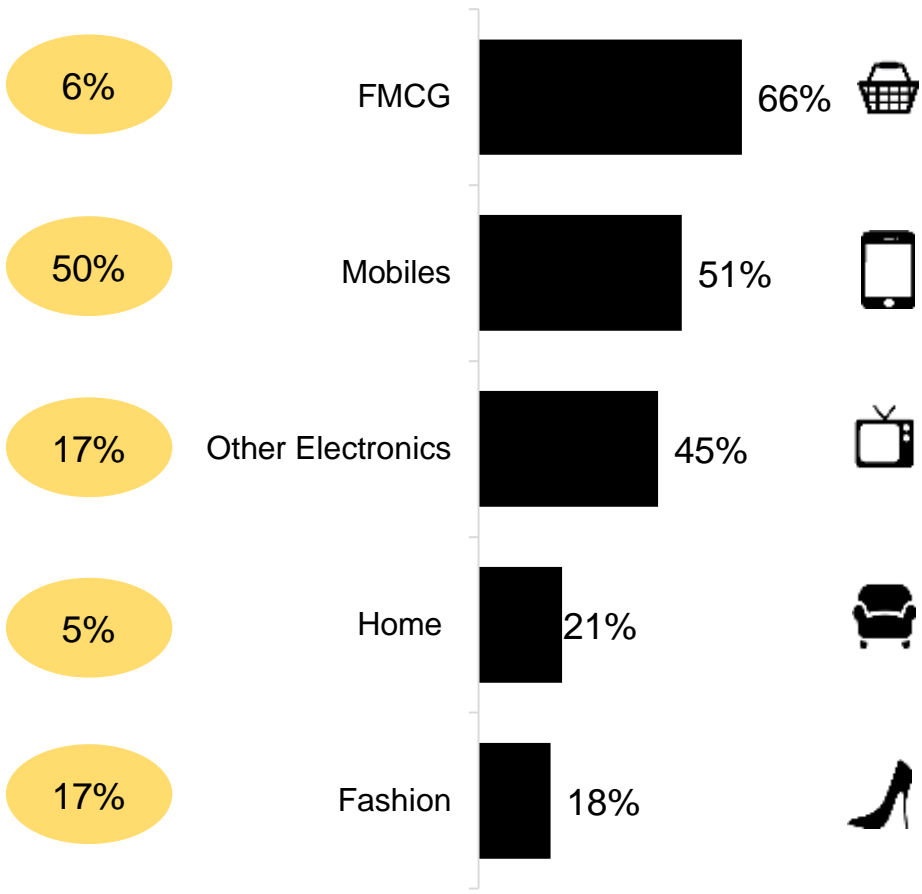
- Fastest growing market
- Industry added 10 Mn shoppers in 2017, **expected to add 19 Mn more in 2018**

Industry growth in 2017 was driven largely by Mobiles; FMCG was the fastest growing category

GMV Share of Category, %

GMV growth, %
(Y-o-Y growth, CY 2016-17)

Future prospects



Growth is driven by bigger players like Amazon. With Amazon's aggressive push on Pantry and new investments in this category by other player is expected to maintain high growth

Growth is driven by Flipkart and Amazon. New internet users, reducing replacement cycles and supply side push through more and more exclusives are most likely to drive further high pace growth in 2018

Growth is driven by Flipkart and Amazon. Increasing adoption of high value categories like Large Appliances, Camera etc. combined with enhanced affordability due to No-cost EMI schemes etc. would drive further growth

Growth is driven mainly by Amazon, Flipkart and vertical player. Large selection, increased reach, customer made products etc. are likely to further drive growth of the category in 2018

Growth driven by Flipkart group, Amazon and Shopclues. Smaller verticals are struggling to grow. Growth potential is huge in 2018 with fashion as one of the preferred category for new shoppers.

Other highlights from e-tailing industry

- The burn has remained stable, despite the growth moving up – varying from 18-24%
- Prime numbers have been increasing at 75% YoY, but the stickiness of customers is a real question
- Inventory led model is the key driver, Marketplace is lagging
- Fashion as industry has struggled to accelerate, trust on online shopping – in smaller towns is the key challenge

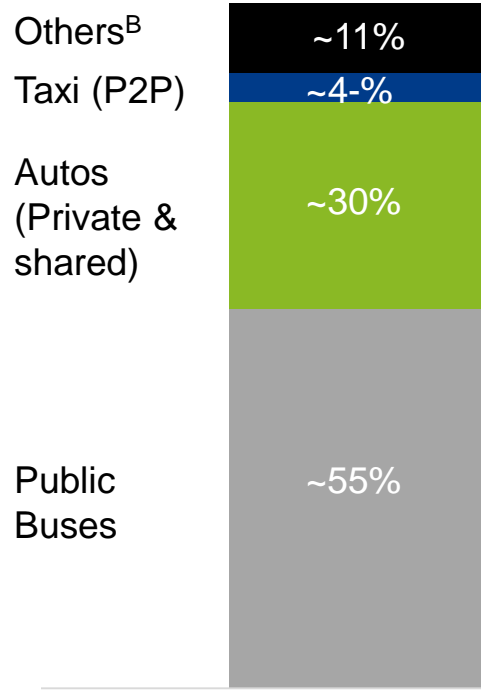
Cab-hailing industry

The overall transportation market in India is currently ruled by public transportation

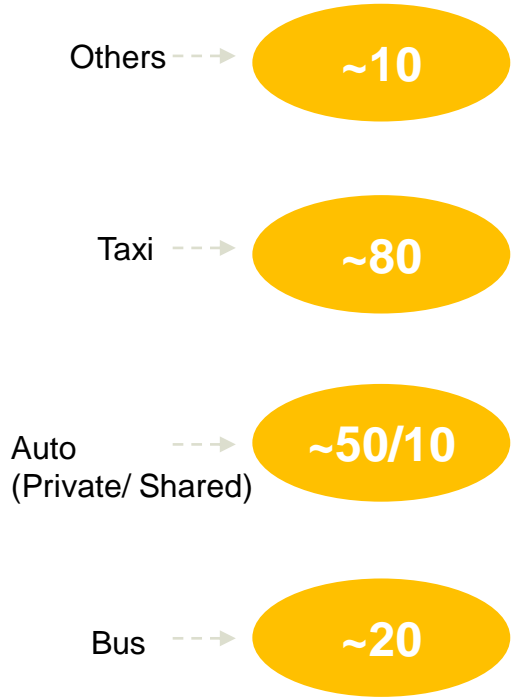
Indian Transportation Market Key Insights, 2017

Distribution of Daily Commuter Trips ^A

130-150 Mn



Average Fare (For 5 Kms, INR)



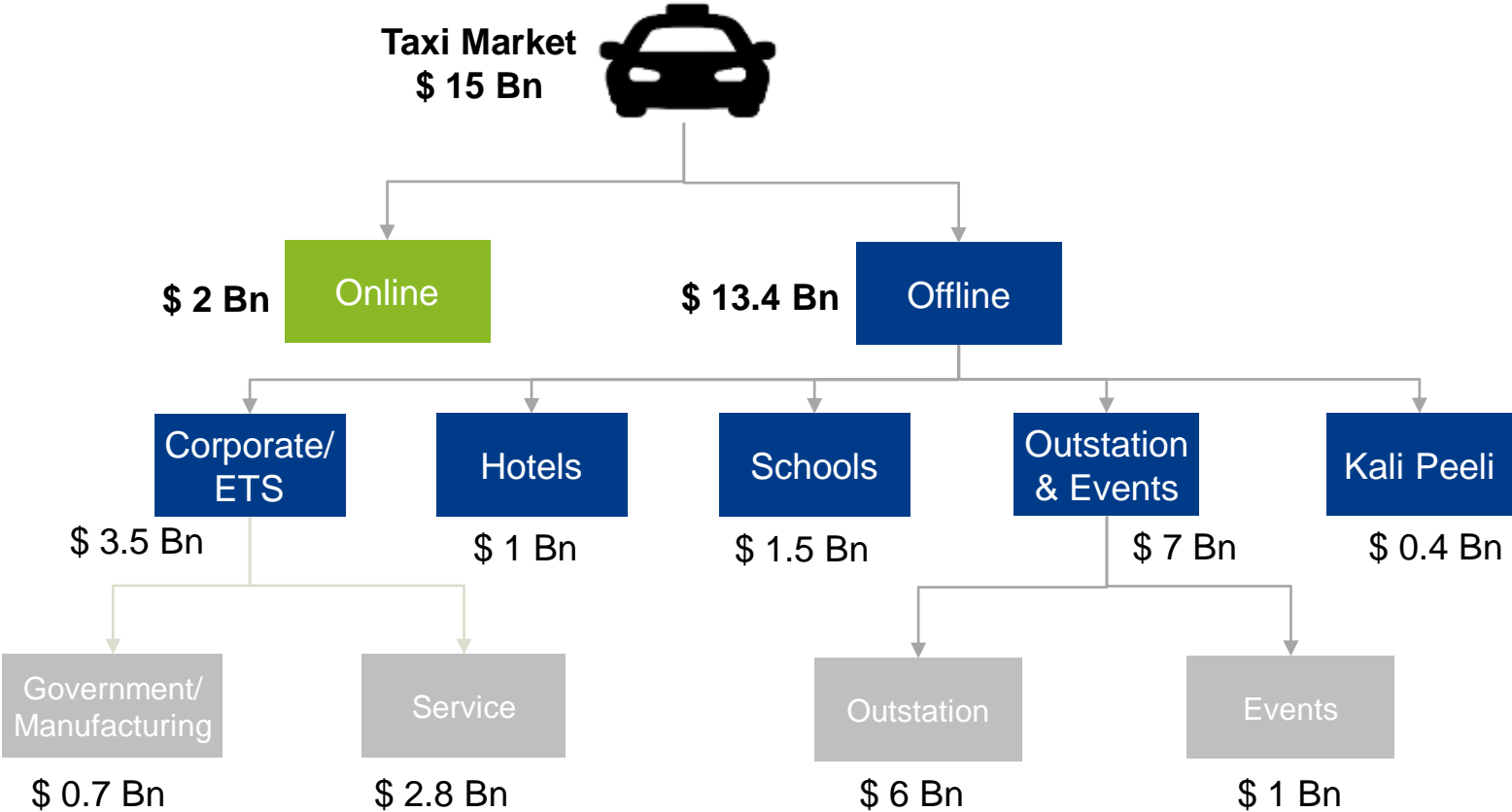
Note: A. Rail based & private car based local trips have not been included

B Others include metro and other type of vehicles used for commuter trips like tempos etc

Pan-India taxi market is estimated at ~ US\$ 15 Bn as of 2017

Indian taxi market

Figures in US\$



Notes: 1. The events sector is included under Outstation
2. All figures have an error margin of 10%

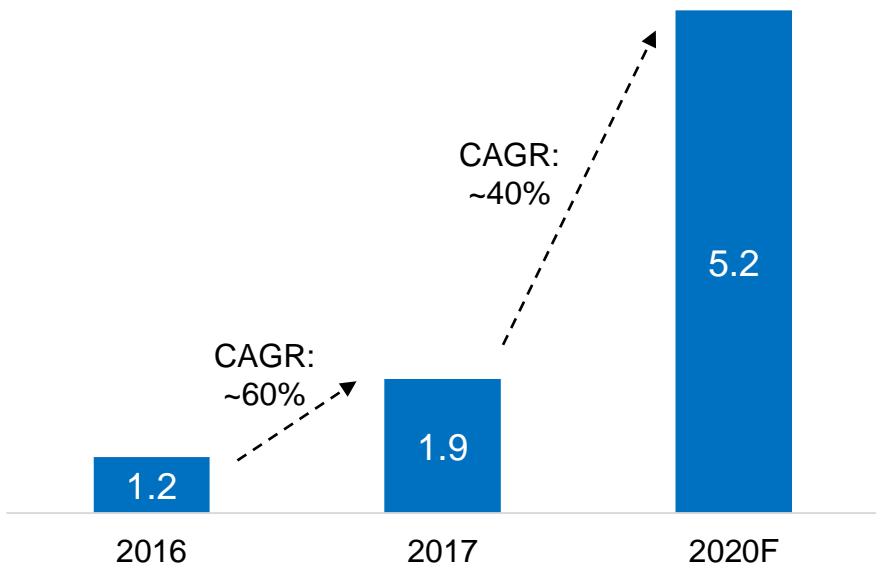
The number of online rides is set to grow at a CAGR of 40% over the next 3 years

Current & Future Trends-India

of rides in Mn

- No. of daily P2P online rides, Mn
- Growth rate more than 50%
- Growth rate less than 50%

**Growth in Online Taxi Market
(Daily P2P rides for pan-India, in Mn)^A**



**Growth in no. of online rides, Monthly
(2016-17)**

City	# of rides (Mn)	Growth Rate
1 Delhi	11	●
2 Bangalore	11	●
3 Mumbai	8	●
4 Hyderabad	6	●
5 Chennai	6	●

.Note: A. Data only for cab based rides. Auto rides have not been included

The shared cab category is bringing disruption in the industry and is growing faster than pure cab rides ...

Share vs. Pure Cab

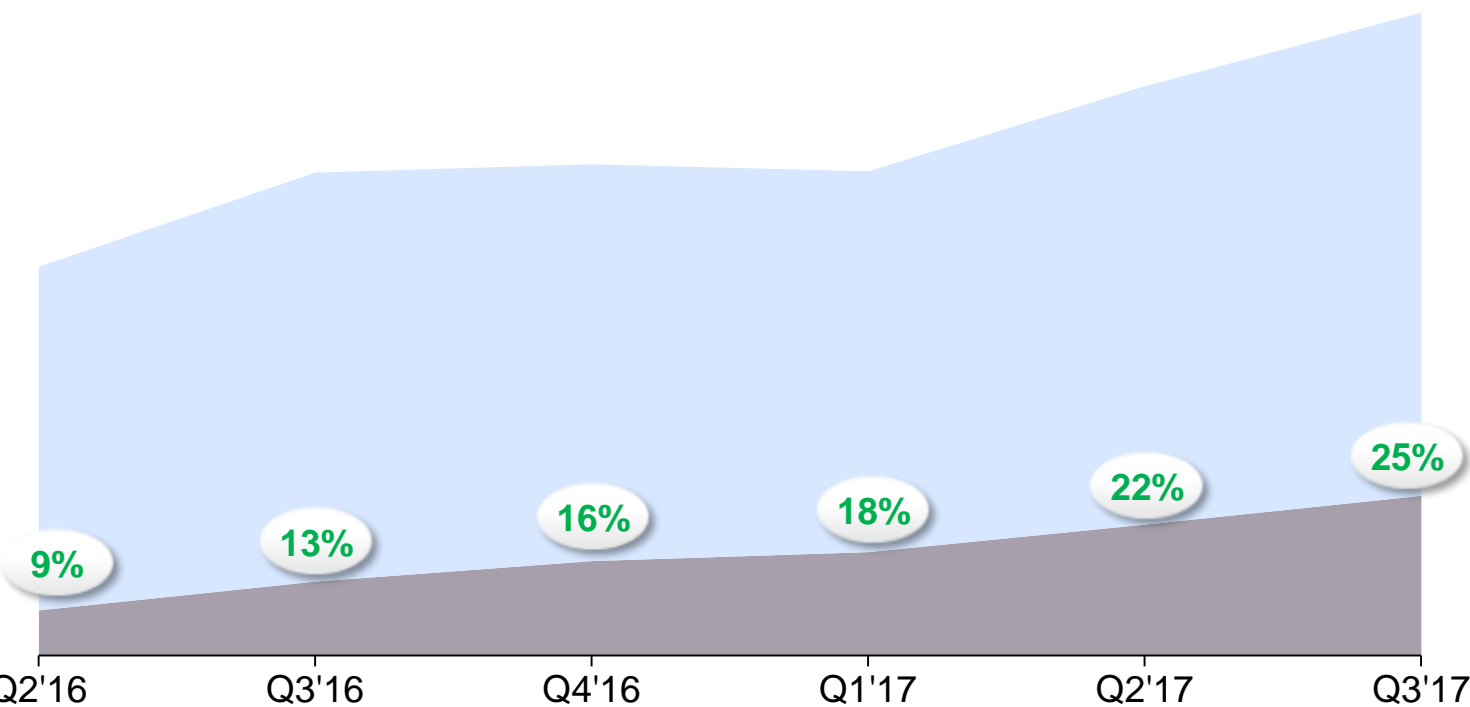
of Rides

x%

of share rides as % of total online rides

■ Pure ■ Share

Number of rides across Share & Pure cabs ^A



Ride Growth Rate (Q2'16 – Q3'17)

CQGR: ~7%

CQGR: ~30%

.Note: A. Data only for cab based rides. Auto rides have not been included

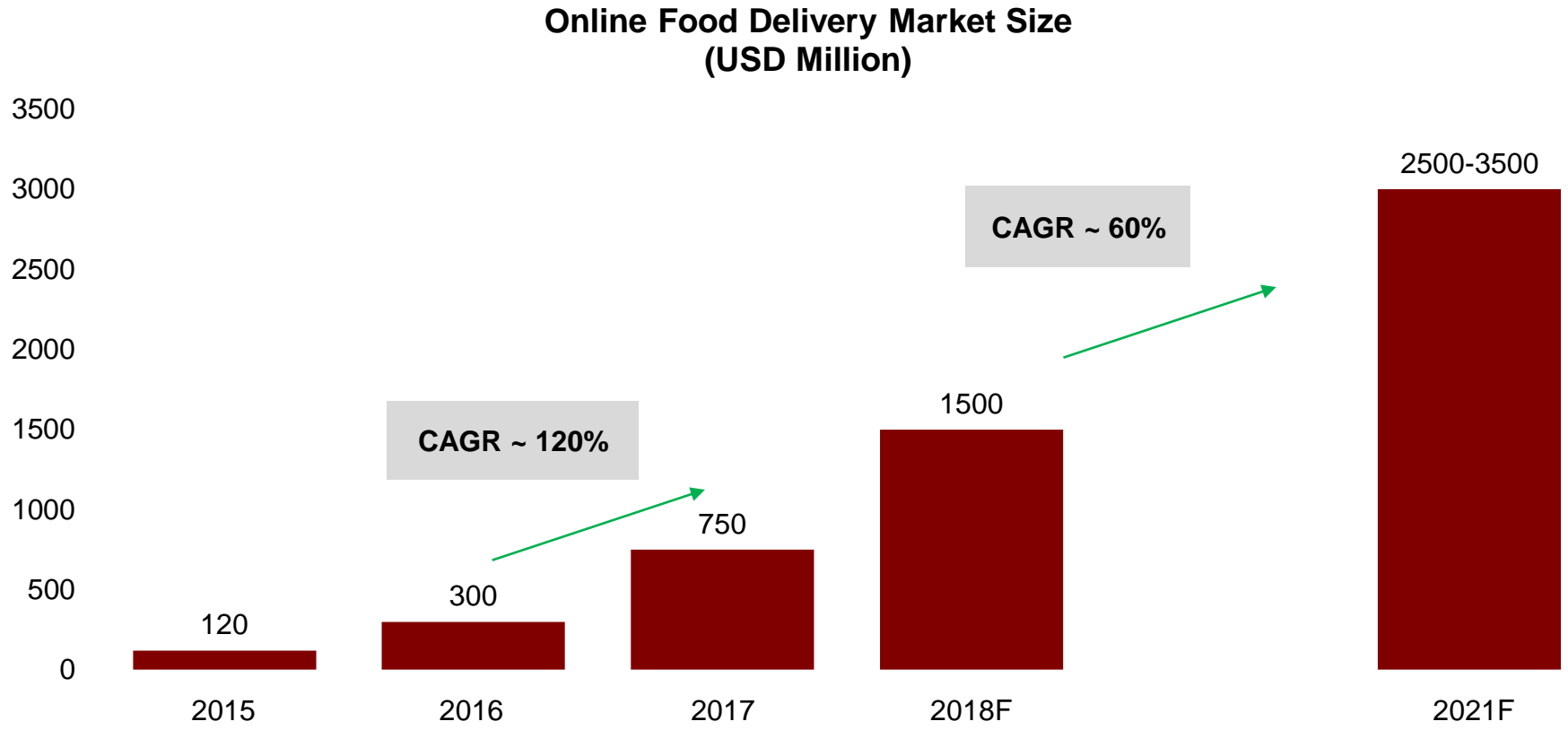
Other highlights from e-tailing industry

- Supply side constraint is the major challenge
- Unit economics have improved due to the driver incentive reduction, but the competitive fare is still a challenge
- Customers have higher willingness to pay, but there is “who blinks first” situation between Uber and Ola – as market share is extremely sensitive to price
- Going forward Pool and Auto will be the key driver for the growth

Online food-tech industry is one of the fastest growing industries

Online Food Tech industry (Delivery) market Size, USD Millions

2015-2021



At an exit run rate of 320,000 order per day with an AOV of USD 6

3PL lead delivery has 3X more order cancellation , slower delivery and much lower delivery compliance

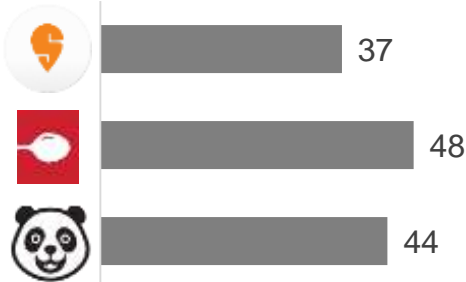
Delivery performance CY Q3 2017

Owned delivery offers much better experience on all key KPIs – hence a key value proposition

Orders Fulfilled (as % of total orders)



Average Delivery Time (in minutes)



Delivery Compliance (% of total orders)



The industry has gone through significant transformation in last couple of years

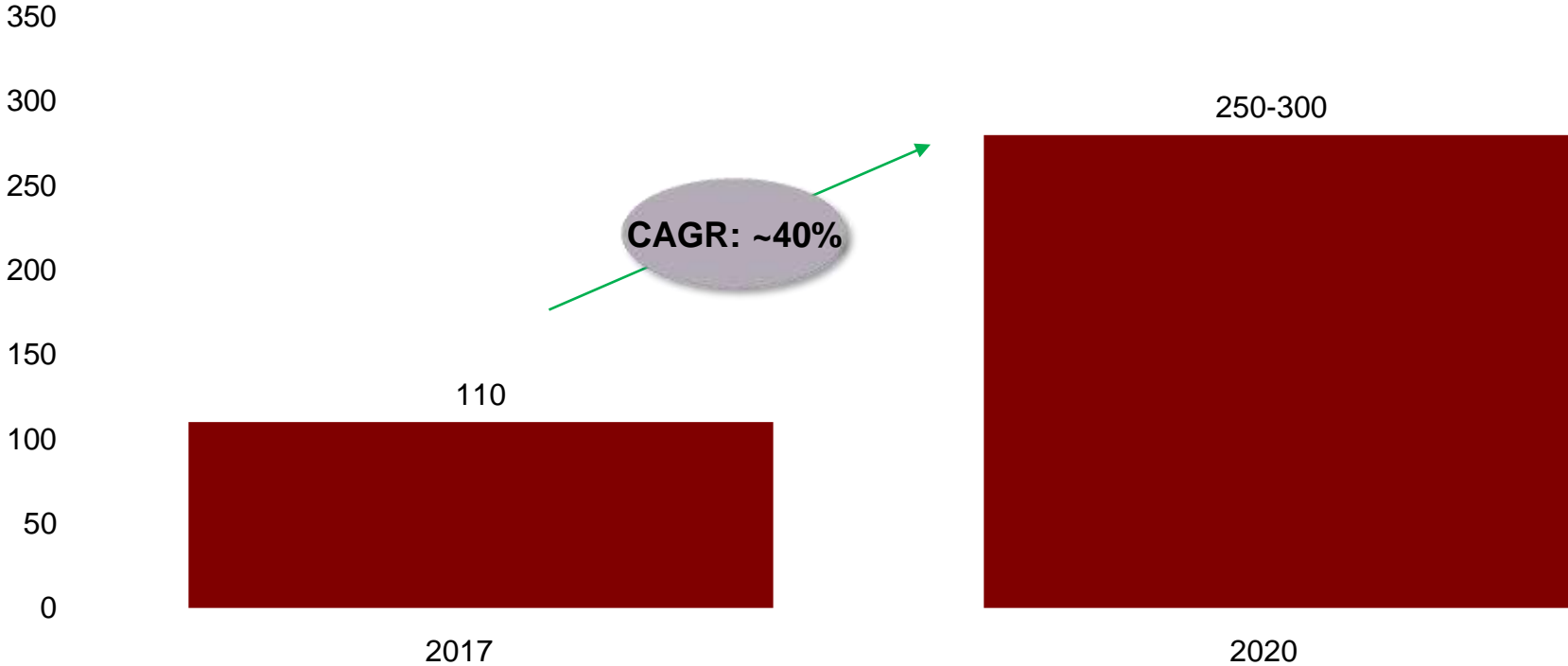
Key trends in Food Tech delivery

2014-2017

1. Last 2-3 years have seen one round of cleansing in the industry, leading to survival of players with clear value proposition
2. Increasingly customers and restaurateurs see significant value proposition attached with the industry, leading to both of them paying for using the platform
3. For the restaurants listed on the platforms , ~25% of their business comes from the online platforms – leading to an important contribution in their P&L
4. Owned delivery is the clear differentiator for the online delivery, which leads to better delivery experience. Both for customers and restaurants – hence better stickiness
5. With ~20% commission from restaurants, 5-10% delivery charges from customers and 15% cost as delivery the potential unit economics on operating level is one of the best in industry
6. With Uber and OLA getting in market - a new round of price war should kick in

Hotel Tech Industry is one of the fastest growing online industries

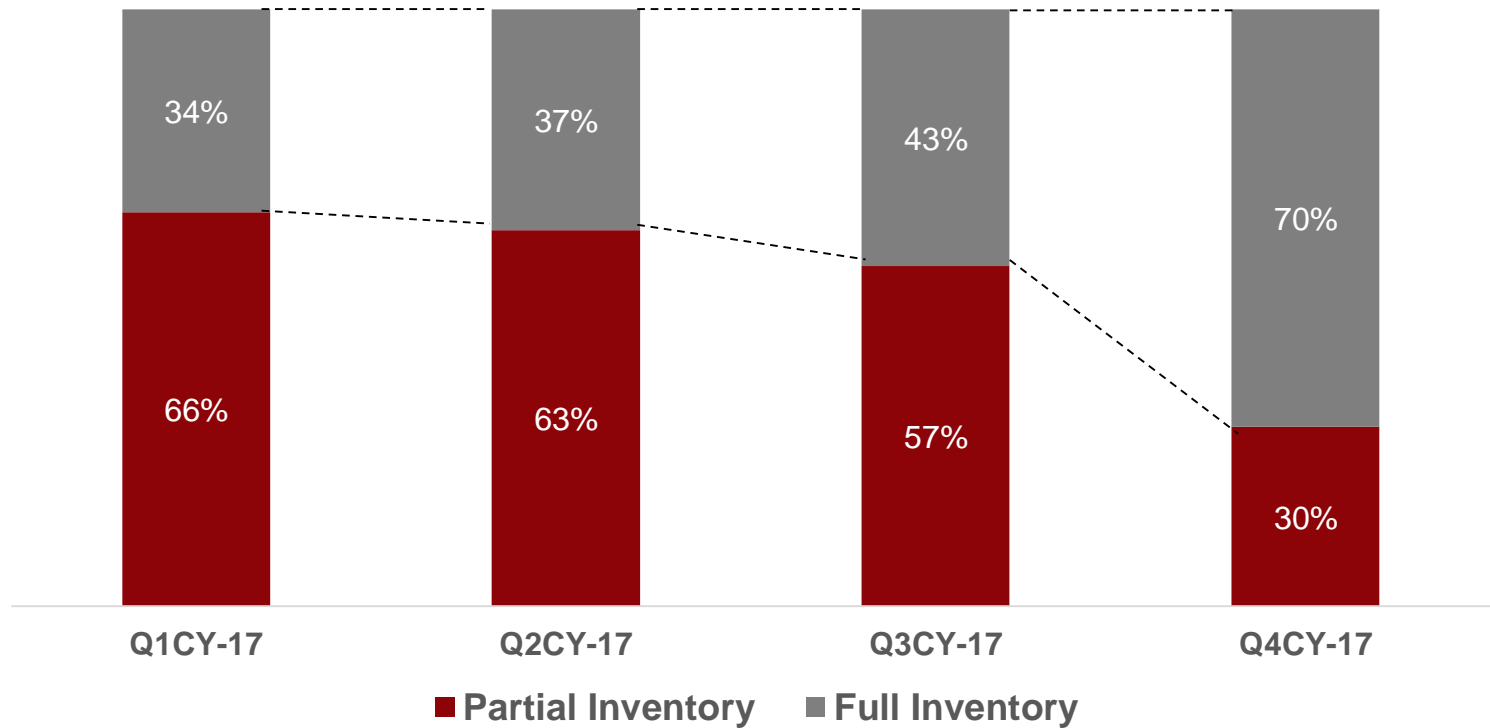
Number of Room Nights booked online in India per day
(in 000s)



The Hotel Aggregator industry has seen a shift from partial inventory to full inventory model

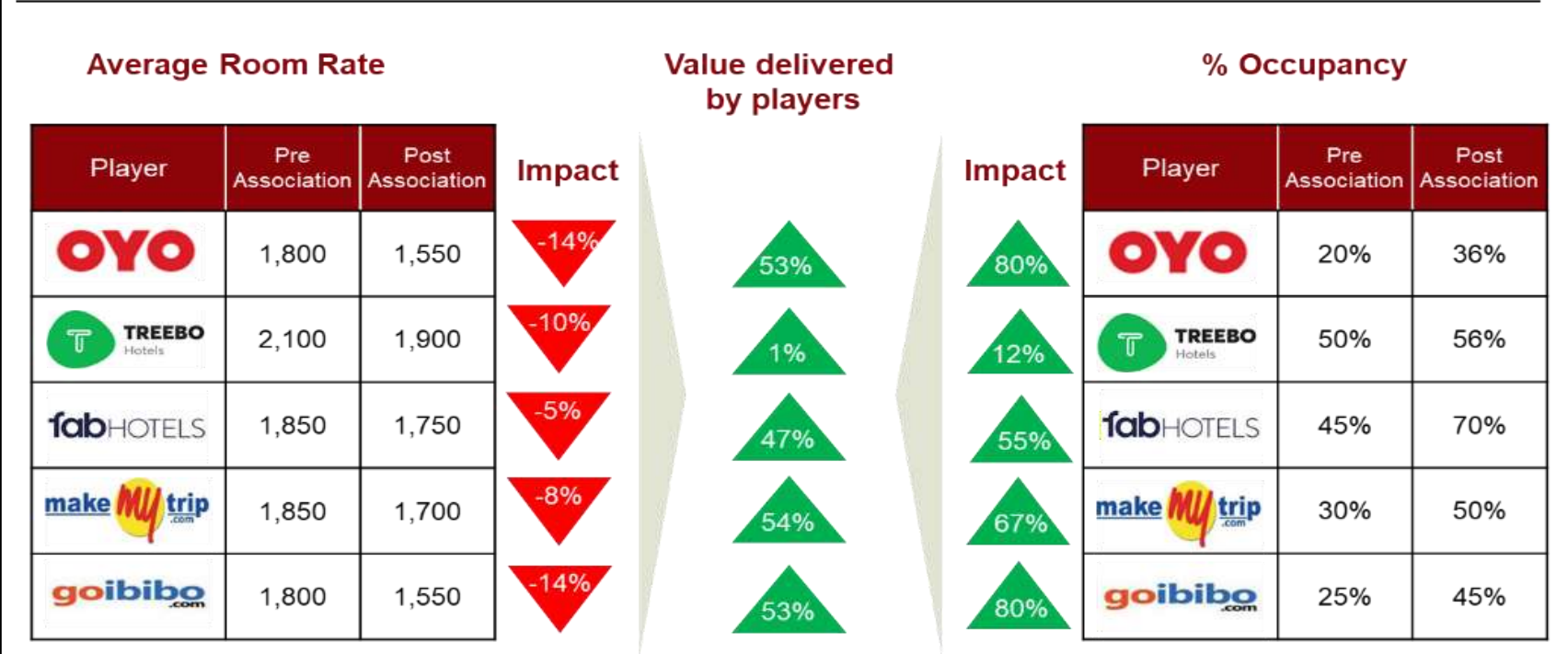
The year 2017 saw the Hotel Aggregators move towards full inventory model focussing less on the partial inventory model to provide better overall consumer experience. Players like Treebo and Fab have focussed from start on the full inventory business now Oyo which operates on a much larger in scale is transforming its partial inventory hotels to full inventory to control the overall experience.

Partial VS Full Inventory model split of Hotel Aggregators



Value creation by hotel platforms – directional

Value delivered by MakeMyTrip & OYO is high as compared to others for the partner hotels



Key highlights from the industry

OTA (Hotels)

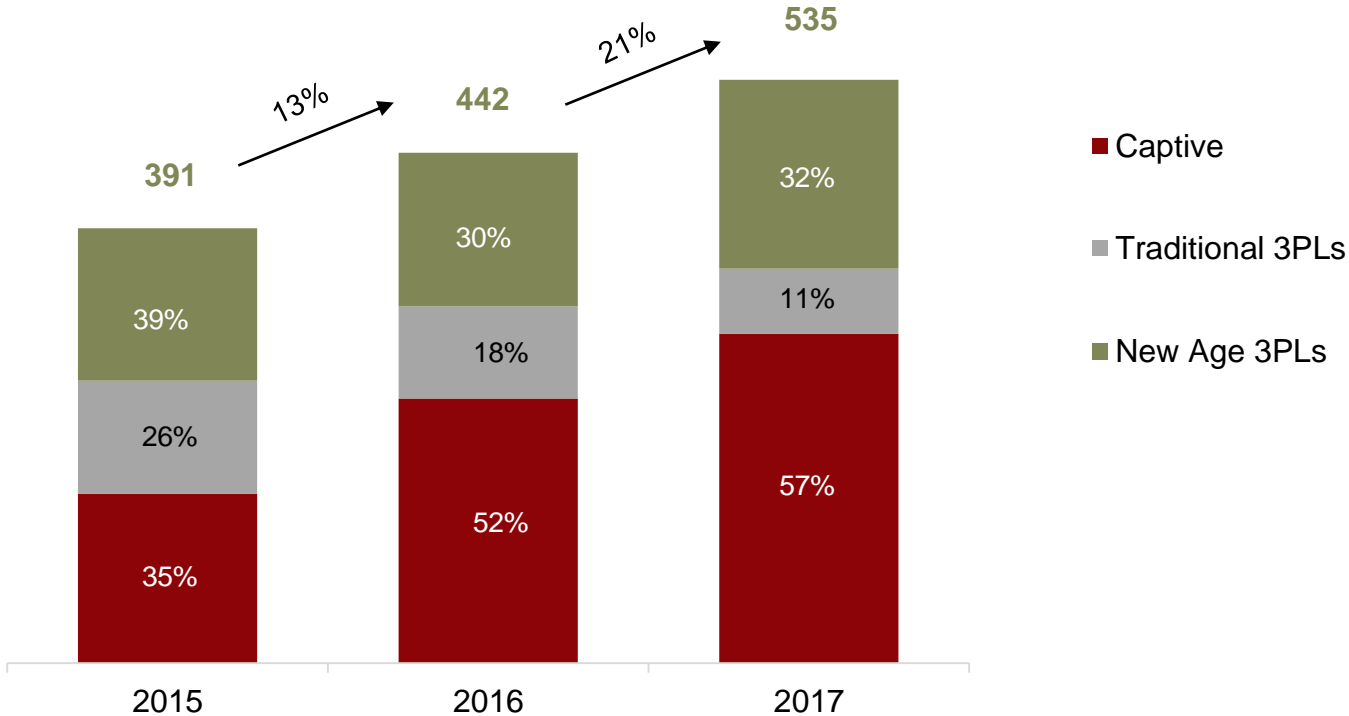
1. There is a very high level of fragmentation (80%+) in the Indian hotel industry market – which is very well suited for the OTA industry
2. Market is moving towards the full inventory model – from the part inventory model – which is driven by the better control and customer experience
3. Value added by platform to the hotel is the key stickiness criteria for the supply side – something which Oyo and Fab are able to do much better
4. ARR for the hotel rooms are ~ USD 30 are not expected to move much in coming times
5. The Industry is still burning 20+% of GBV – due to discounting and cancellations
6. Likes of MMT are facing two pronged challenges, one from Oyo's of the world at the value side and other from Booking.com at the premium side

The e-logistics industry has seen a growth of nearly 21% in 2017

Logistics Trends-India Insights

Shipments volumes from e-tailing industry* (2015-2017)

of shipments in Mns



*Includes all of e-tailing {large+long tail}, Hyperlocal delivery

*Excludes the non-e-tailing volume delivered by 3PL

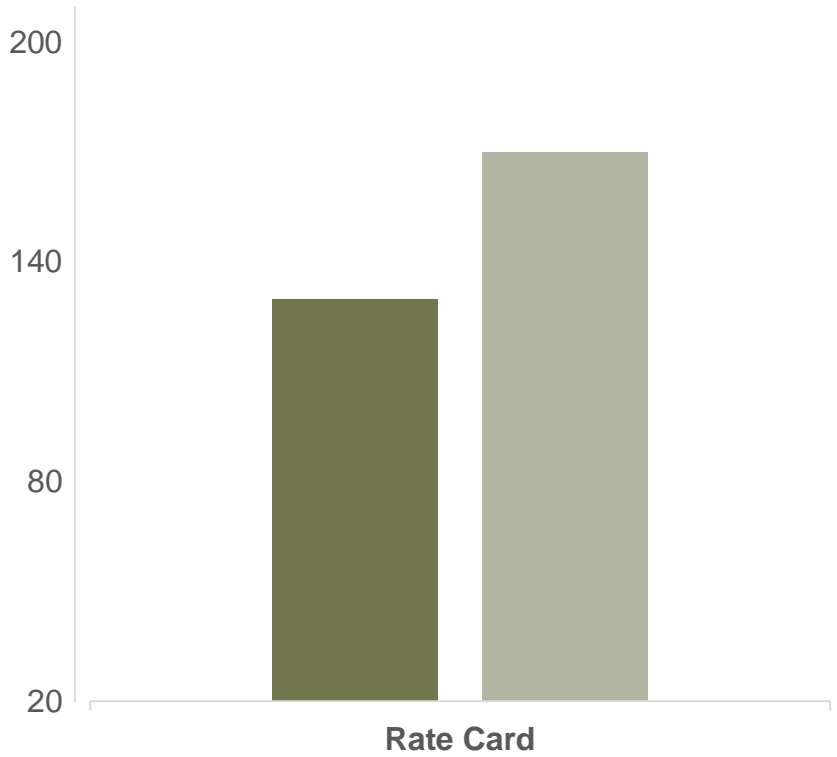
*Includes the reverse logistics

New Age 3PLs are a lot more competitive on rate cards and have better unit economics

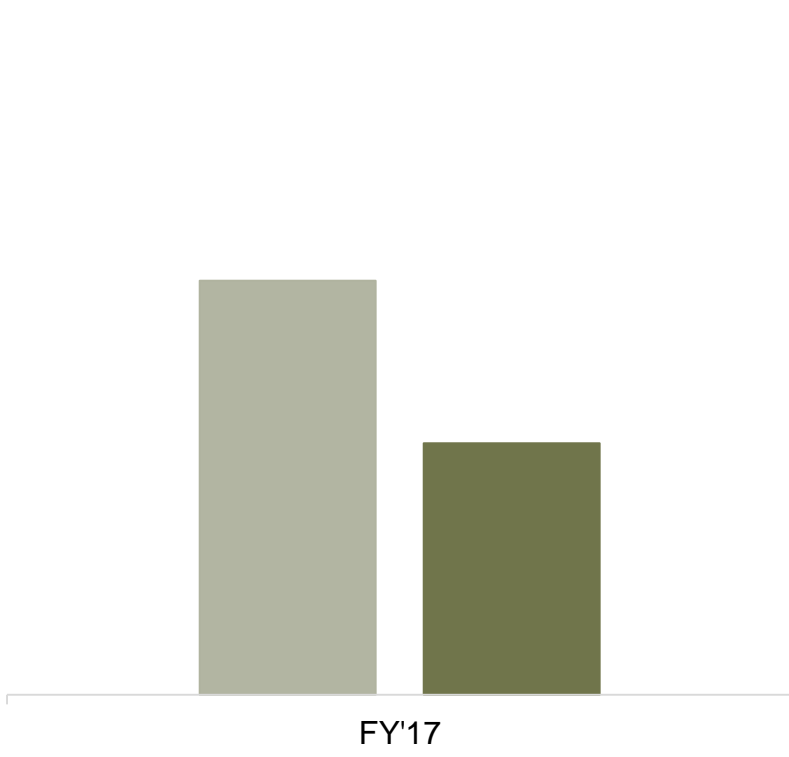
Rate Cards & Unit Economics Insights

■ Traditional 3PLs ■ New Age 3PLs

Average Rate Cards (in ₹)



Cost per shipment (in ₹)



Key highlights from the 3PL industry

3PL Industry

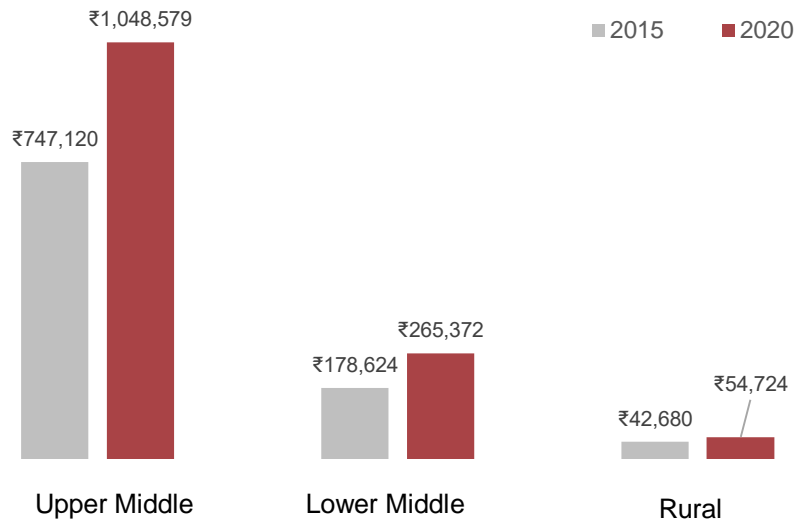
1. Daily forward shipments for the industry is 1.6 to 1.7 Million on a BAU basis, with captives accounting for ~55% of the market share
2. Reverse shipment volumes are 20-25% of the the forward, captives have leading share in this piece as well
3. 3PLs have not seen significant growth in the market, due to increase load sharing by the captives – Delhivery being the market leader with ~36% share
4. Cost per shipment for the New age 3PLs is ~30% lower then the traditional 3PLs, the benefit is passed on to the customer – leading to similar burn
5. 3PLs have 30-40% higher pin-code coverage then the best of the captive coverage

India presents a huge potential opportunity in OTT video with increasing internet access and capacity to pay

Drivers of OTT Video in India

Increasing Disposable Income

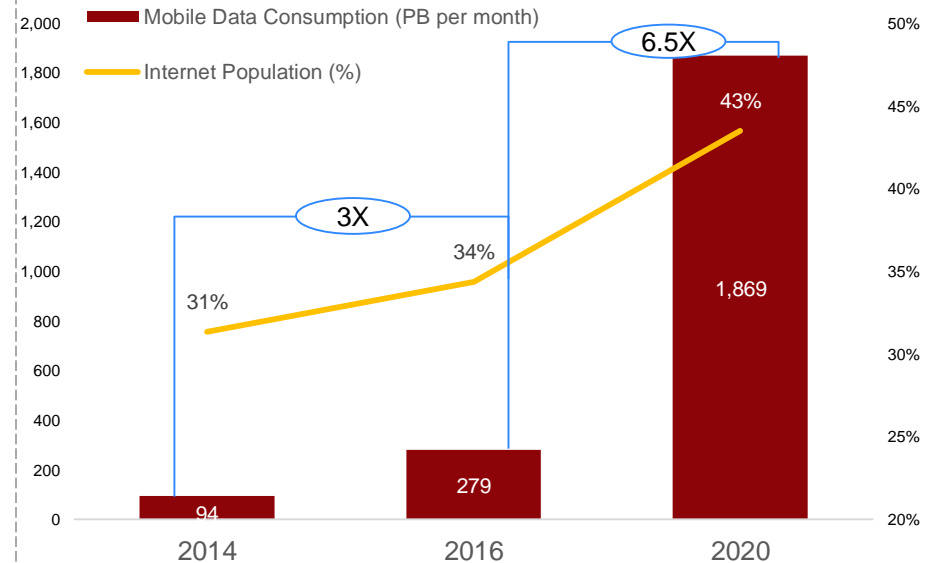
Per capita annual income
By Income Class in INR



Growth in the Urban Middle Class is unlikely to be very rapid as the number of government jobs keeps shrinking; however, Make in India (and other similar campaigns) will drive income growth in Lower Middle Class through blue collar and grey collar jobs

Increasing Internet Access

Internet Penetration & Mobile Data Consumption



India has leapfrogged broadband internet to mobile internet, with incumbents like Jio driving the world's lowest cost market even lower

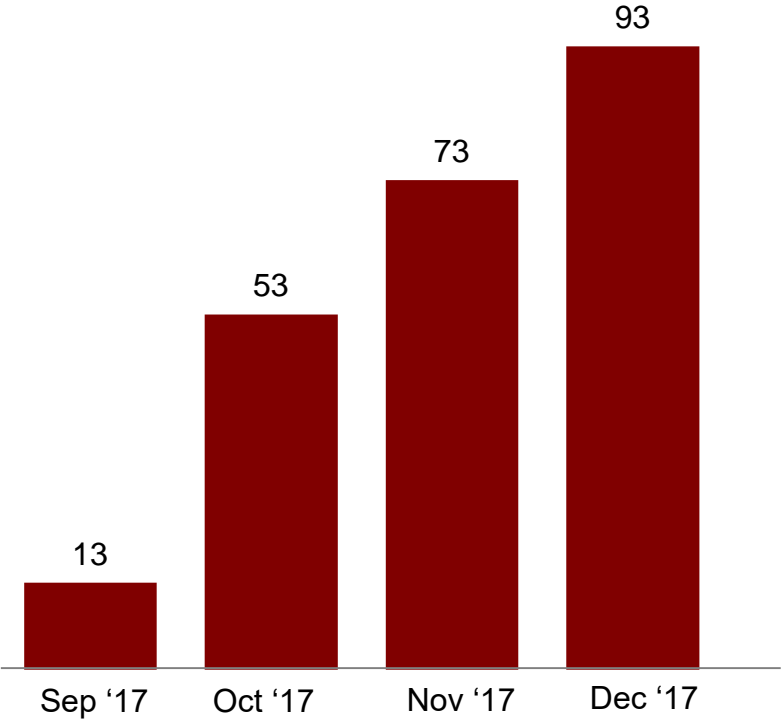
Tez has been quick in disrupting the market of UPI - leaving wallet lagging

Monthly transactions and Total Payment Volume (TPV)

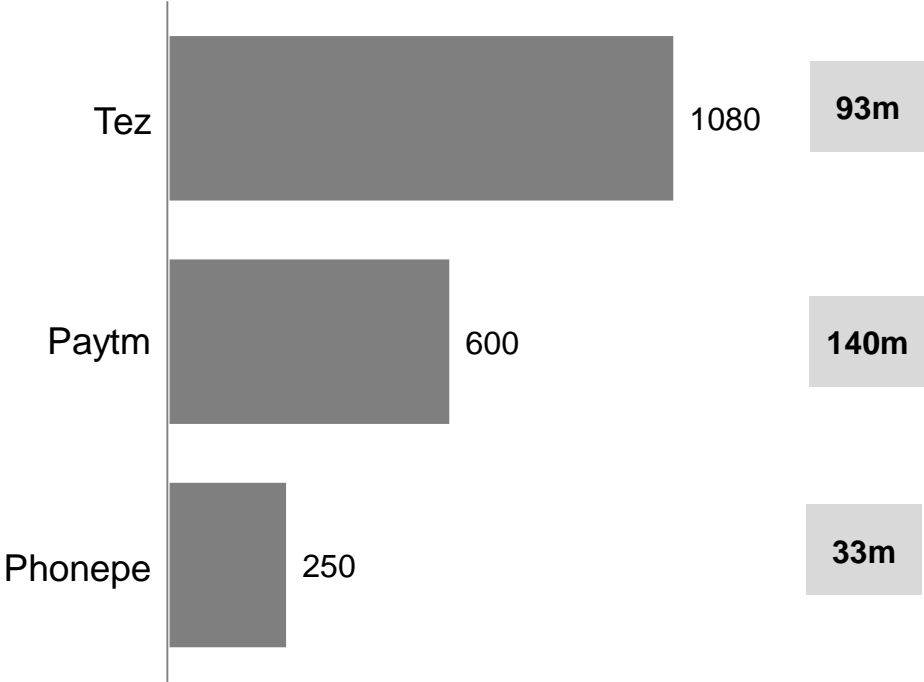
2017

Xm Monthly txns (mn)

of monthly txns (Million; Sep-Dec 2017)



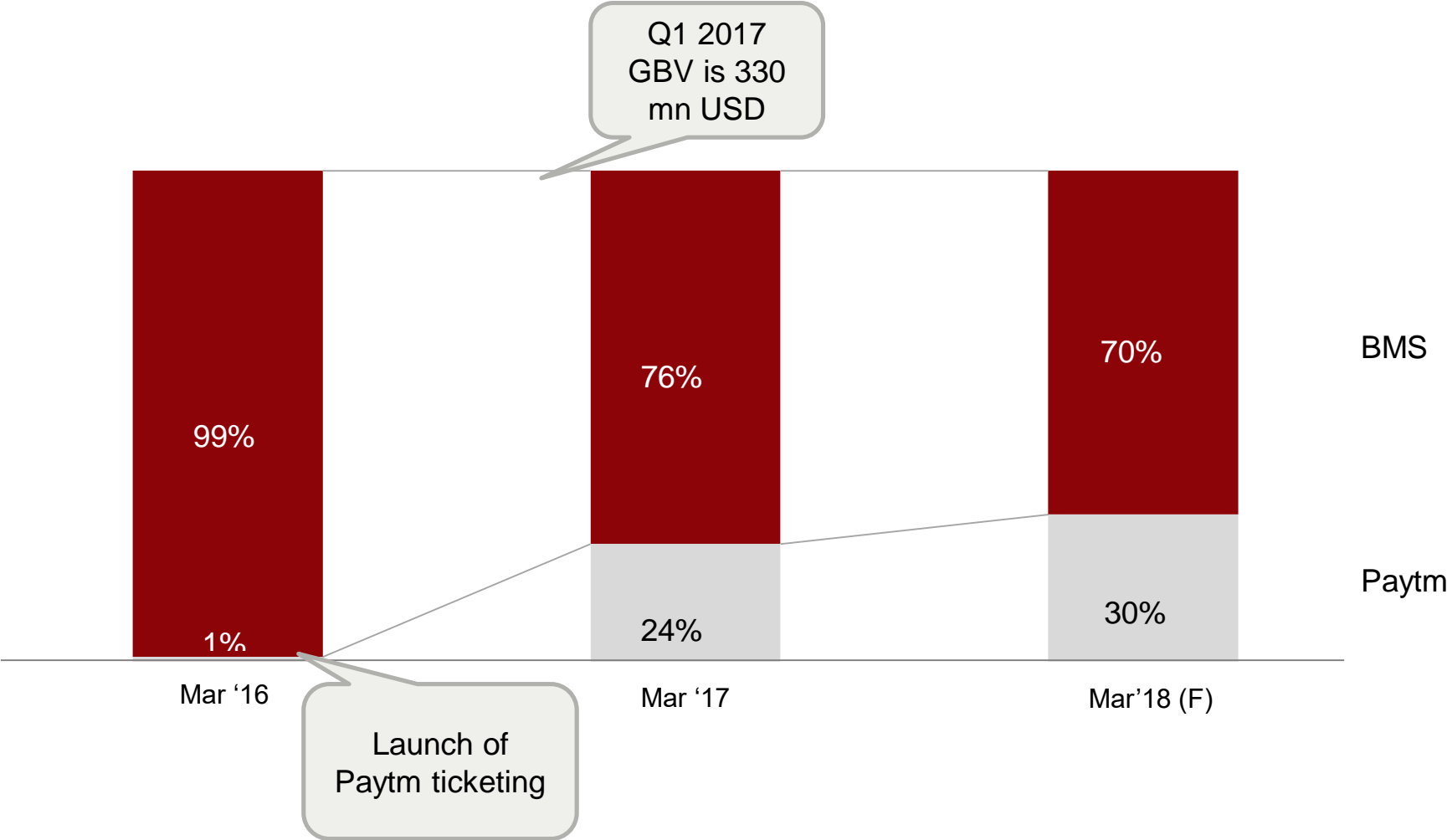
Total Monthly Payment Volume (USD Million; Dec 2017)



PayTM has disrupted the long standing leadership of BMS in ticketing market

Market Share- Ticketing in India

Mar 2016- Mar 2018 (F)

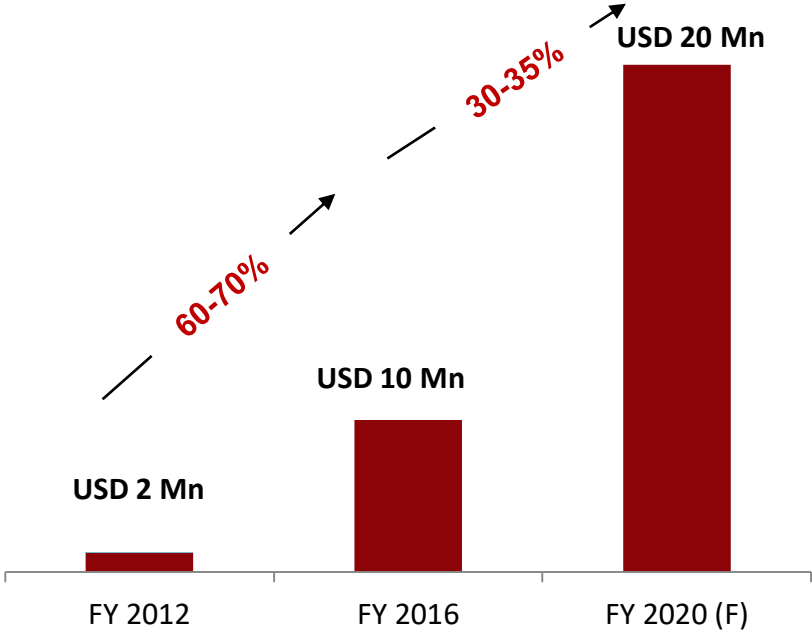


e-pharmacy is a small but fast growing space, pushed by willing to buy online

E-Pharmacies Market Size & Growth Drivers

Market Size, by value; (USD Million)

E-Pharmacies Market Size (FY12-20F)



- ❑ Initial market development with metros
- ❑ Market stabilisation expected within metros but growth still expected from expansion into Tier 2/3
- ❑ Increasing smartphone/ internet penetration and consumer willingness to shop for products online is expected to spur growth
- ❑ Increasing concerns around health and rising costs of healthcare are increasing the share of wallet spent on healthcare
- ❑ Consumers are shifting from a 'reactionary' approach to a 'preventive' approach towards healthcare



Thank You!

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