India’s E-Retail Market Hits $60B, Faces Slowdown in 2024 – Key Insights

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India’s e-Retail Market FAQs Latest News

- India’s e-commerce market has reached $60 billion in gross merchandise value (GMV), becoming the world’s second-largest online shopper base.
    - GMV is the total value of merchandise that’s sold over a given period through a customer-to-customer (C2C) exchange site.

- However, growth slowed to 10-12% in 2024, down from the historical 20%, due to higher inflation and stagnant real wages, according to a Flipkart-Bain report.
- Despite short-term challenges, long-term prospects remain strong, driven by three key trends: quick commerce, trend-first commerce (especially in fashion), and hyper-value commerce.

Government Initiatives Boosting E-commerce in India

- **Digital Infrastructure & Policy Support**
    - The Indian government has launched key initiatives like Digital India, Make in India, Start-up India, and Skill India, driving e-commerce growth.
    - The Government e-Marketplace (GeM) has surpassed ₹4 lakh crore GMV in FY24, enhancing procurement efficiency.
- **Expanding E-commerce Access**
    - Collaborations like CSC-ONDC (Open Network for Digital Commerce) aim to extend e-commerce to rural areas.
    - The **National Retail Policy** focuses on digitization and ease of business, while FDI in B2B e-commerce is now allowed up to 100%.
- **Regulatory & Tax Measures**
    - Consumer Protection (E-commerce) Rules 2020 ensure fair competition.
    - 5G expansion is expected to further accelerate digital commerce adoption.

E-Retail Slowdown

- India’s private consumption growth has slowed from 11% (2017–19) to 8% (2022–24), driven by high inflation and stagnant real wages.
- This has impacted e-retail, with growth dropping to 10–12% in 2024, compared to historical rates of over 20%.

Expected Rebound and Future Growth

- Fiscal and monetary policy interventions are anticipated to revive e-retail growth, particularly from the 2025 festive season.
- By 2030, the market is expected to reach $170–190 billion, growing at over 18% annually.
- As India’s GDP per capita crosses $3,500–4,000, discretionary spending is set to rise, with nearly 1 in 10 retail dollars projected to be spent online.

Key Drivers of E-Retail Growth

- High-frequency categories like grocery, lifestyle, and general merchandise will fuel e-retail expansion, making up two-thirds of total online spending by 2030.
- E-retail penetration in these segments is expected to grow 2–4 times over this period.

Rise of Tier-3 and Smaller Cities

- Online shopping adoption is shifting from Tier-2 to Tier-3 cities, with 60% of new shoppers since 2020 coming from smaller cities.
- The Northeast has 1.2 times higher e-retail penetration than the rest of India.
- Additionally, 60% of new sellers since 2021 are from Tier-2 or smaller cities, diversifying the seller base.

Quick Commerce's Rapid Expansion

- Quick commerce dominates e-grocery, accounting for two-thirds of orders and 10% of total e-retail spending.
- It is projected to grow over 40% annually until 2030, expanding across new categories and geographies.

Trend-First and Hyper-Value Commerce on the Rise

- Trend-first fashion is set to grow fourfold, reaching $8–10 billion by 2028, with over half of sales happening online.
- Hyper-value commerce, driven by ultra-low-price assortments, has grown from 5% of e-retail GMV in 2021 to over 12% in 2024, gaining traction among lower-middle-income consumers in smaller cities.
    - Hyper-value commerce refers to a retail model that focuses on offering ultra-low-priced products to attract cost-conscious consumers.

India's e-Retail Market FAQs

Q1. Why has India's e-retail market growth slowed in 2024?

Ans. High inflation and stagnant real wages reduced consumer spending, causing e-retail growth to drop from 20% to 10-12%.

Q2. What are the key drivers of e-retail growth in India?

Ans. Quick commerce, trend-first fashion, hyper-value commerce, and expanding digital infrastructure fuel long-term e-retail expansion in India.

Q3. How is the Indian government supporting e-commerce?

Ans. Initiatives like Digital India, ONDC, and 100% FDI in B2B e-commerce promote sector growth and accessibility.

Q4. What role do smaller cities play in e-retail growth?

Ans. Tier-3 cities drive e-commerce expansion, contributing 60% of new shoppers and sellers since 2020.

Q5. What is the future outlook for India's e-retail market?

Ans. By 2030, India's e-retail market may reach $170–190 billion, driven by increasing discretionary spending and digital commerce adoption.

Source: IE | CNBCTV18 | IBEF