India

India is a federal republic consisting of 29 states. With 1.3 billion citizens, it's the world's second most populous country. The state recognises fourteen official languages, with Hindi (spoken by 44% of the population) and English the official languages of the federal government.

Almost 80% of the country's inhabitants are Hindus and another 14% are Muslims. The remainder are Sikhs, Christians and adherents of smaller religions and none. Like China and many other Asian countries, India has grown and modernised rapidly over the last three decades. Beginning in 1991, the Indian government started to liberalise the economy, cutting import tariffs (making it easier for foreigners to invest) and reducing taxes, among other things. Within five years, economic growth rose from just over 1% to 7.5%[1]. In the intervening two decades, growth has consistently been over 5%, peaking at 10.3% in 2010[1]. In 2017, the Indian economy grew by 6.6%[1]. In 2018, the Indian Ministry of Finance forecasts growth of 7.5%, which would make India the world's fastest-growing economy[2].

Industry, including both manufacturing and primary industries, accounts for 25% of GDP compared to over 55% for the service sector[3]. According to the Indian Ministry of Commerce, the service sector is the main driver of economic growth, with service exports worth $18.7 billion in 2018-19[4].

The total value of Indian exports in 2017-18 grew by 9.8% to $276 billion[5]. The service sector, the motor of Indian growth, performed well in the first months of the year but stalled in the autumn of 2018, with the Nikkei India Services Business Activity Index falling from its July peak of 54.2 points to 51.5 points in September[6]. According to the World Economic Forum, between 2004 and 2012 India's middle class doubled in size to 600 million people[7]. Goldman Sachs identifies the most important consumer cohort as what it calls the "urban masses", 129 million Indians who are digitally well connected, have blue-collar jobs and earn over $3,200 a year[8].

The Indian e-commerce market

The e-commerce market in India is worth $34 billion and is growing at a rate of 25.9% a year[9]. Research by Morgan Stanley predicts that this will rise to $200 million by 2026[10]. The number of online shoppers in India is expected to pass 120 million by the end of 2018[11]. By 2026, Morgan Stanley expects 12% of all Indian retail sales to be made online and the number of online shoppers to have risen to 475 million[12].

The most popular purchase categories are travel (16%), clothing (10%) and electrical goods (10%)[9]. However, other sectors are on the rise. A 2017 report by Google predicts that the Indian online market for fast-moving consumer goods (FMCG) could be worth up to $6 billion by 2020[13]. Much of the next wave of e-commerce growth is predicted to come from Indians outside the major cities. According to a recent study, between 2016 and 2017 the number of shoppers from provincial towns grew by 34%, compared to just 18% for larger regional cities and 11% for major metropolises[14]. Rural Internet connectivity, however, is still growing at a slower rate than urban. This is particularly true for mobile connections, which grew at a rate of 15% last year in rural areas compared to 19% in towns and cities[15].

41% of all purchases are made on a mobile device[9]. 60% of Indian Internet users use their mobile as their main connected device16 and 74% of smartphone users say they have installed up to five retail apps on their phones[17]. According to a 2018 report, India has over one billion installed apps and Indians spend $400 million on in-app purchases in a year[18].

The local payment culture

The most popular way to pay for an online purchase in India is with a payment card. Cards are used in 32% of all online purchases[9]. Next most popular is e-wallets, at 26%, then bank transfers at 17% and cash at 16%[9]. The remaining 9% is made up of a range of other smaller alternative payment methods. Visa is the most popular payment card, with a 47% market share[9]. Mastercard has 29% and American Express 2%. The remaining 22% is made up of cards issued by local schemes.

Enabling and limiting factors

79.9% of Indians have a bank account and 3% have a credit card[9]. If you intend to target anyone outside the 2% with a disposable income of more than $11,000 a year, whom Goldman Sachs refers to as the "urban middle" (mainly made up of government employees, small-business owners and graduate professionals), you will need to support alternative payment methods. Given the importance of mobile access, your store should also be optimised for mobile. The latest figures show Android as the overwhelmingly dominant OS, with a 68% market share. Apple's iOS, by comparison, has just 2% of the market[19].

Internet penetration stands at 30% and 30% of the population has an Internet-capable smartphone[9]. There is a sharp divide in access between rural and urban communities. A study by the Internet and Mobile Association of India (IAMAI) found that the average Internet penetration rate outside the cities is just 20%, compared to 65% in urban areas[20]. There are however, signs of hope. A report by Boston Consulting predicts that 50% of the growth in Internet penetration over the next three to four years will be the result of rural Indians getting online[13].

Conclusion

India is a massive market with huge potential for expanding merchants. But it is also challenging. Outside of the main cities, infrastructure is of variable quality. Most Indians rely entirely on their mobile devices for Internet access, so merchants must take this into account when setting a strategy. Equally, local tastes often differ notably from international norms. For instance, 40% of Indians are vegetarians[8], compared to just 2% of Americans[21].

1. https://www.bbc.co.uk/news/politics/eu_referendum/results
2. Election ends in Hung Parliament, BBC News.
3. Scotland calls for clarity on single market access after Brexit talks, 9 November 2016, Reuters.
4. Top UK financial regulator calls for clarity on Brexit transition, 6 July 2017, Caroline Binham, The Financial Times.
5. Business leaders to push David Davis for Brexit clarity tomorrow at Chevening meeting, Catherine Neilan, 6 July 2017, City AM.
6. Judge calls for clarity on status of ECJ rulings in UK after Brexit, 8 August 2017, Kevin Rawlinson, The Guardian.
7. GDP First Quarterly Estimate, UK: April to June 2018. Office for National Statistics
8. UK manufacturing in recession despite faster GDP growth. 10 August 2018, Richard Partington, The Guardian.
9. Brexit uncertainty to slow down UK economy further as it endures investment slowdown. 17 September, Jasper Jolly, CityAM.
10. 10 of the Largest Ecommerce Markets in the World by Country, 22 February 2017, Ravi Bhatia, Business.com.
11. Original PPRO research.
12. Annual Survey of Hours and Earnings: 2016 provisional results, Office for National Statistics.
13. Internet purchases by individuals, 28 June 2018, Eurostat.
14. The Mobile Mandate: How Retailers Must Adapt in A Mobile-FirstWorld, 10 February 2017, Alex Mathers, OC&C Strategy Consultants.
15. Speed test data shows UK's average broadband speed is 16.51Mbps, 8 August 2017, Phil Wilkinson-Jones, Cable.co.uk.
16. Europe's Digital Progress Report (EDPR) 2016, UK.
17. World Bank data.
18. Online orders boost UK parcel market, 5 January 2016, Michael Pooler, The Financial Times.
19. UK PARCEL DELIVERY SALES UP £1BILLION IN 2016, 13 August 2017, PHC Magazine.