



Emerging Ecommerce Segments Report 2021

JAN-AUG 2021 VS JAN-AUG 2020





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Emerging e-commerce segments re-shaping India's retail industry

The COVID-19 pandemic has fundamentally transformed humankind and the way business is conducted across the globe. It has altered human behavior to a large extent and led to changes in consumer priorities. Today consumers are buying differently, living differently, and thinking differently.

The evolving consumer buying preferences and continuous growth of e-commerce have forced brands to reinvent and reshape their business strategies. The pandemic has led to a new era of retail where you can not have e-commerce as just another sales channel. It's a vital source of sales and has to be treated as a core part of business growth

India's e-commerce industry continues to be dominated by fashion and electronics. These two segments have been the volume and value drivers and continue to hold the lion's share of the overall e-commerce market. However, the industry dynamics are

changing at a rapid pace with new segments making their presence felt by strong growth since the beginning of 2020. This report covers key trends in some of the emerging and fast growing e-commerce categories

FMCG



FMCG is one segment that started making news right from the beginning of lockdown in March 2020. The FMCG e-commerce segment saw a major spike in demand as people around the world ended up hoarding rations due to lockdown. This spike and sudden rise in online shopping of groceries was considered temporary given the conventional nature of the industry, but today even after 18 months, the FMCG segment continues to grow at a rapid pace. Even the traditional FMCG brands are now focusing on building a robust online presence.

Beauty & Personal care



Over the last few years, Personal care has emerged as one of the most promising e-commerce segments with consistent growth momentum. Digital-first brands such as Mamaearth, Sugar Cosmetics, WOW Skin science, and leading marketplaces such as Nykaa have been driving the industry momentum. The new-age companies with automated supply-chain and digitizations across various cycles of the operation have played a pivotal role in driving maximum growth for the beauty and personal care segment amongst all the emerging segments.



Health & Pharma



The increasing focus on building strength and immunity during pandemic has been one of the biggest growth drivers for the Health & pharmacy segment. The online pharmacy industry has garnered attention with Indian conglomerates and global investors aggressively investing in Indian e-pharmacy startups. India's e-pharmacy companies are now offering a host of services such as blood testing, surgical products, and medicine on a single platform coupled with accessibility and affordability, thus making them extremely popular among consumers. These factors have helped the health and pharma sector to report second-highest growth among the emerging segments. Products such as dietary supplements and nutraceutical products have also been high in demand as consumers are focused on building strong immunity against COVID-19.

Home Decor & Furniture and Sports & Fitness Equipments

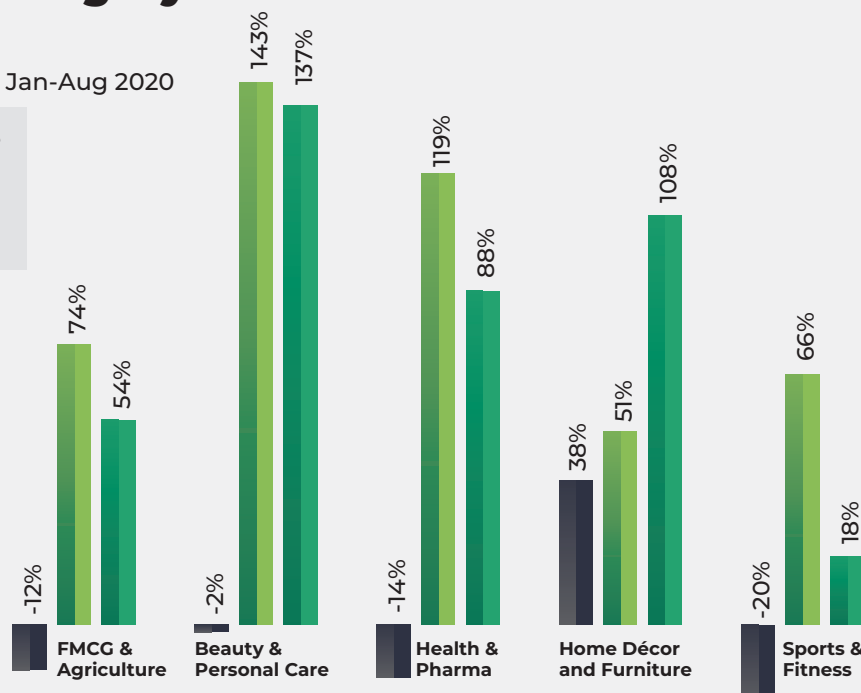


E-commerce is also helping the unorganized categories such as - home decor and sports & fitness industry to become part of organized retail. The majority of sales in these two sectors is still a part of unorganized retail with small shop owners in local markets. Digitization and technology adoption has given a much-required boost to these sectors. Having said that, both the segments are at a nascent stage of the e-commerce business and contribute a very small share to the e-commerce industry. However, they hold immense growth potential. The home decor & furniture segment and sport & fitness equipment segment have reported a remarkable growth. The pandemic led factors such as increasing demand for work furniture, work-out at home have helped both these segments to report over 50% order volume growth.

Parent Category Growth

Jan-Aug 2021 vs Jan-Aug 2020

Order Volume
GMV
Average Order Value



FMCG Growth In India

Prolonged quarantine and work from home due to the pandemic had a significant impact on consumer mindset. Social gatherings restriction in various parts of the country coupled with the fear of pandemic has led to changing consumer behavior with increasing spend on categories like essentials, home entertainment, and home decor etc.

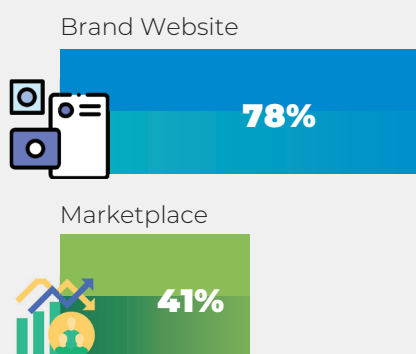
The definition of what is essential has changed to a large extent with consumers not just spending on basic groceries but also splurging on categories such as ready-to-eat meals, gourmet food, snacks, and hygiene products like disinfectants and veggie cleaners.

India's Leading FMCG companies have banked on the growing momentum and started focusing on their e-commerce



Brand Website and Marketplace Growth

Jan-Aug 2021 vs Jan-Aug 2020



business. Most of the leading FMCG companies get around 5-6% of overall sales from online platforms and it's expected to increase exponentially in the coming years. Companies have stepped up their focus on ramping up their online presence and are expected to have a double-digit share in the current financial year.

FMCG companies have also begun launching their e-commerce channels along with digital-first products targeting the need of online consumers. Companies are launching digital-first products to check their viability amongst digital-savvy

consumers. Some of the leading FMCG conglomerates have launched all brand encompassing websites. For instance, ITC has 'ITCestore' with all its brands ranging from personal, food and beverage to stationary, similarly HUL has the 'The UShop' with all the brands under Unilever portfolio. On the other hand, some companies are launching online stores under the key product names, for instance, Marico has Safolla.com with a wide range of products, and Emami has launched Zanducare.com for its ayurvedic product range. FMCG companies are also focused on leveraging the brand credibility they have built over years for their offline business and using the brand pull to drive growth for these online channels.

Until last year, all FMCG had a negligible online presence, this allowed them to grow at breakneck speed to record 78% order volume growth on brand websites in the first 8 months of 2021 as compared to January-August 2020, while they already had some presence on marketplaces,

which allowed them to grow 41% during the same period.

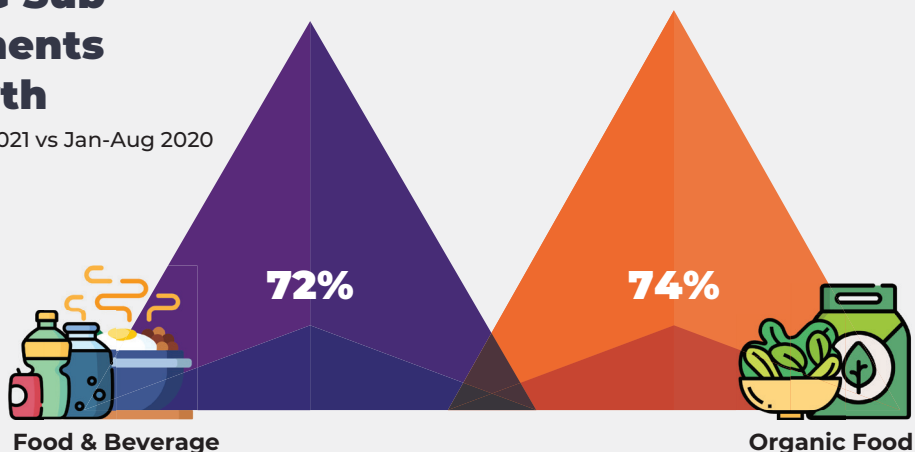
The FMCG segment can be broadly divided into two categories:

The first category is **Food and beverages** - it includes groceries, staples, noodles, edible oils, ready-to-eat food, juices, and aerated beverages. It's the most important and the biggest segment under FMCG and it reported a steep order volume growth of 72% in January-August 2021 as compared to the same period last year.

The second category is an emerging one and needs a special mention - **organic foods**. This category has seen a steep rise in demand after the first lockdown. Some of the factors that contributed to the heightened demand for organic food are the increasing focus on health and reduced expenditure on non-essential categories which allows consumers to splurge on such niche products in the essential category.

FMCG Sub Segments Growth

Jan-Aug 2021 vs Jan-Aug 2020



Beauty & Personal Care: The growth driver of emerging segments

The beauty and personal care segment is the biggest and most important segment amongst emerging segments. The segment was witnessing online growth even prior to a pandemic, but pandemic has led to major digital transformation in the segment.

An increasing number of consumers are now buying beauty products online and companies are aggressively investing in technology to offer an offline-like experience to consumers. Brands are adopting different technologies and approaches to provide a personalized experience to their customers. Some of the



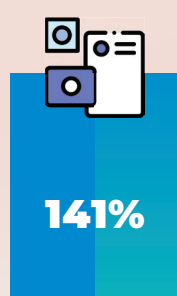
interesting features that companies are offering are shoppable videos, customized user-specific products which use machine learning algorithms, diagnosis, personalization, virtual-try-on, and online makeup tutorials, among others.

The D2C phenomenon also picked-up at a rapid pace in the beauty and personal care segments. Companies such as mCaffeine, Sugar Cosmetics, WOW Skin Science, Plum Goodness, The Man Company, Beardo, and many more have been able to build a good consumer base and have attracted interest from VCs as well.

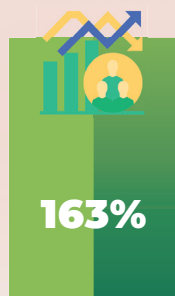
Although traditional players still dominate the overall market, new-age D2C companies are giving them a run for their money. In fact, leading industry conglomerates are testing waters in D2C beauty e-commerce by snapping up stakes in startups. Marico acquired men's

Brand Website and Marketplace Growth

Jan-Aug 2021 vs Jan-Aug 2020



Brand Website



Marketplace

grooming startup Beardo in 2020. Emami has invested in The Man Company and ITC and Emami have also backed Fireside Ventures, an early-stage fund focussed on consumer brands that have skincare player Mamaearth in its portfolio.

Interestingly it's a segment where marketplaces are the real growth drivers with high order volume. Marketplaces have reported a stupendous 163% order volume growth, while brand websites are also catching up with 141% order volume growth. One of the key reasons that marketplaces are driving faster growth than brand websites is the gaining popularity and stronghold of brands like Nykaa within the Beauty and personal care segment. Another factor contributing to the growth of the marketplace is Myntra's increasing focus on the beauty segments in the last one year, with the company launching beauty-focused sale events and promotions to drive the segment growth.

The beauty and Personal care segment can be broadly divided into three key segments: Face care, body care, and hair care.

Face care has always been the focus with the widest range of product portfolios, which includes face masks, face wash, face serums, make-up products, and many more. Haircare is another segment that has garnered consumers' attention, with natural products and upcoming organic products for hair care. It also includes a very important segment which are hair growth products oils and shampoo. The face care segment reported a strong order volume growth of 179%, followed by 91% growth for the hair care segment. The third and final segment which is body care has reported a muted order volume growth of 49% for the period of January-August 2021 over the corresponding period a year ago.

Beauty and Personal Care Sub Segment Growth

Jan-Aug 2021 vs Jan-Aug 2020



Health and Pharmaceutical: Sector with immense growth potential

The fear of COVID-19 had a direct impact on the medical services and the medicine industry. On one hand, the world was grappling with the immediate need for COVID-related health infrastructure, while on the other hand, there was a dip in the demand for services and medicines for common ailments.

As consumers in India turned towards online deliveries for almost all necessities, the health and pharma industry reported a major



Brand Website and Marketplace Growth

Jan-Aug 2021 vs Jan-Aug 2020

Brand Website



Marketplace



adoption of digital channels. Despite a surge in adoption, the domestic health and the e-pharmacy market are still at their nascent stage with significant growth potential.

India's e-pharmacy market has seen some major investment in the last 18 months with Reliance Retail acquiring Netmeds, Tata group acquiring a majority stake in 1mg, and LGT Group and CDPQ, the Canadian pension fund acquiring Medlife. In fact, even established traditional pharmacy chains such as Apollo Pharmacy have started their online channel. As these companies continue to expand their offerings by adding services such as blood testing, doctor consultation, health

care, and nutraceutical products, there is immense growth potential in the segment.

The leading e-pharmacy players are selling directly to consumers which has helped brand websites to report 170% order volume growth. Brand websites are growing almost 1.5X the overall segment, while marketplaces are yet to catch the momentum. Marketplaces have reported a sluggish order volume growth of 15% for the period of January-August 2021 viz-a-viz January-August 2020

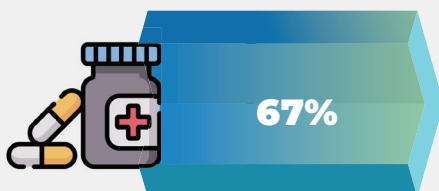
Nutraceuticals(Nutraceuticals are products, which other than nutrition are also used as medicine) are gradually becoming an important part of the health and wellness industry and are growing at a great pace. Nutraceuticals refer to herbal powders and

medicines with vitamins, minerals, and plants with specific medicinal properties to improve immunity and give the body some necessary nutrition. One segment within nutraceuticals that has become extremely popular is sports nutrition. It's a popular segment amongst the younger generation, where consumers are more concerned about their health and building a good body, and the younger population of India also has a higher internet penetration rate. This in turn has helped the nutraceutical segment to report 143% order volume growth.

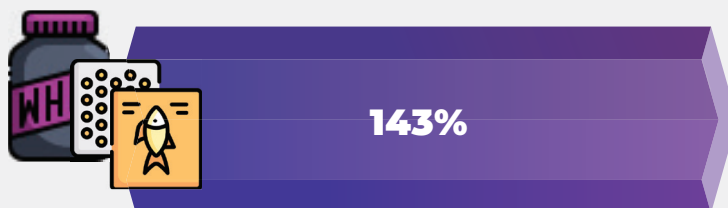
The other segment Health and Pharma is medicine and other pharmacy products and it has reported 67% order volume growth. While the growth is slower than the industry, it contributes the majority share in the Health and Pharma segment.

Health & Pharmaceutical Sub Segment Growth

Jan-Aug 2021 vs Jan-Aug 2020



Pharmaceutical



Nutraceuticals

Home Decor & Furniture: Organising the Unorganised Industry

The home decor e-commerce industry existed prior to the pandemic, but it was restricted to low-value decor products and few niche furniture-focused brands such as Urban Ladder, Pepperfry, Hometown.

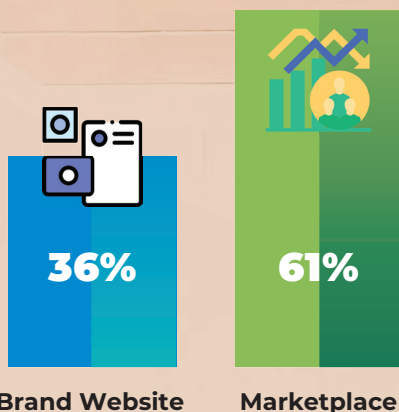
The two key factors that helped the segment to report significant growth in the last 18 months are the increasing share of urban millennial consumers and the work from home phenomenon creating demand for necessary changes at home to make it a work-friendly place. As people realized that work from home will be a long-term phenomenon, people started setting up

a proper workspace, and it propelled the demand for work furniture such as work tables, chairs, bean bags, and bed tables. Also with consumers spending extra time at home, there has been an increase in orders related to home improvement.

In a category like home decor and furniture, where there are not many popular brands, it's easier for consumers to trust marketplaces that have been existing in the industry for some years. This has helped marketplaces achieve 61% growth, a little higher than overall segment growth. Home furniture is a category that is still driven by marketplaces with people trusting companies such as Pepperfry, Urban Ladder, and Amazon for their furniture needs. There is one category that is growing exponentially and driving growth for the brand websites is mattresses. D2C brands such as Wakefit, Sleepy Cat, Flo Mattress etc. are creating interesting campaigns in this category to help drive faster growth.

Brand Website and Marketplace Growth

Jan-Aug 2021 vs Jan-Aug 2020



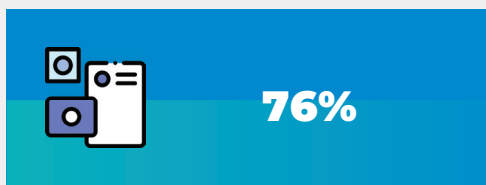
Sports & Fitness Equipments: Niche category driven by Young Indian Consumers

Sports goods refer to equipment and clothes that are required for participating in sports and preventing related injuries. On the other hand, fitness goods are a subset of sports goods that are employed during workouts.

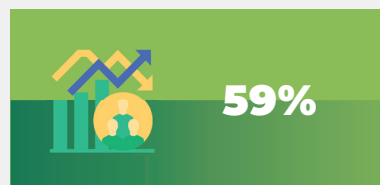
The sports and fitness equipment market is an interesting category that is getting attention from both consumers and brands. Not just sports brands, but also sports-focused fashion brands are entering the segment and launching new sports products. This is an emerging segment and has strong growth potential.



The sports segments reported 66% order volume growth with brand websites growing much faster than marketplaces. Brand websites have reported a remarkable growth of 76% in the first eight months of 2021 as compared to the same period last year. On the other hand, marketplaces reported slower growth of 59% during the same period.



Brand Website



Marketplace

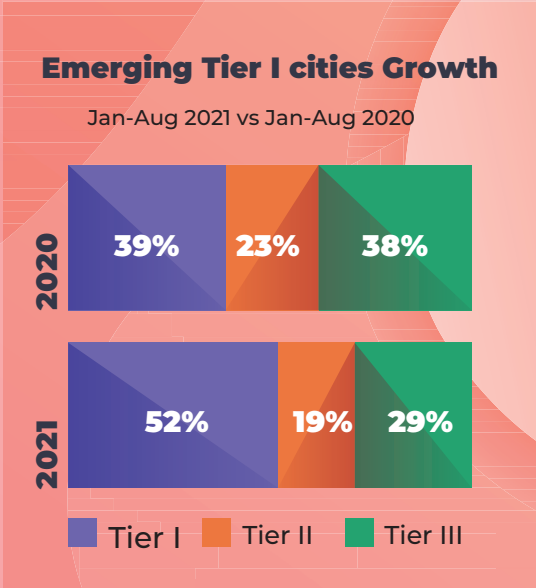
Brand Website and Marketplace Growth

Jan-Aug 2021 vs Jan-Aug 2020

Rapid growth of Emerging categories in Tier I cities

In the last 18 months, India's e-commerce industry has changed the dynamics of the retail industry with unprecedented growth, and this growth has occurred across product categories and sectors. What will particularly be more noticeable is the emergence of a lot of new categories and a lot of new players in the ecommerce industry.

It's always observed that every sector in e-commerce has a trickle-down effect, it first starts gaining traction in the metropolitan and Tier I cities, and later Tier II and Tier III cities gain traction. This has been observed in mature categories such as Fashion and Electronics. Earlier fashion and electronics used to get over 50% of order volume from metropolitan cities, however, the situation changed post-pandemic and the combined contribution of Tier II and Tier III cities has increased exponentially. Prior to the pandemic, the emerging categories used to hold a very small part of the overall e-commerce



business, with limited consumers, therefore the market share divide between Tier I, Tier II, and Tier III cities was almost equal. In the first eight months of 2020, Tier I cities contributed 39% market share, followed by 38% share of tier III Cities and 23% Tier-II cities.

The Tier I cities have reported maximum growth in emerging categories. Tier I cities have reported a lightning fast pace growth of 145%, which is almost double the growth of Tier II and tier III cities (Tier-II cities demonstrated 77% order volume growth while Tier III cities saw slightly slower growth of 68%).

Emerging Segment Market Growth



Tier-I cities: 161%



Tier II cities: 85%



Tier III+ cities: 75%

Imperatives

Immense growth potential with investment and funding in the coming years

The emerging categories have not just consumer attention, they have also garnered the attention of VCs, investors, and large conglomerates. We have seen some big acquisitions and funding in emerging segments mentioned in the report. The large FMCG conglomerates are investing aggressively in digital-first and D2C brands to expand their online portfolio and build a strong online presence. We have seen young D2C brands with an e-commerce presence of 4-5 years becoming Unicorns. This trend is expected to continue for the next few years, as all the segments are at their nascent stage and there is immense growth potential for all the segments.

Increased Technology Adoption to address unique sector-specific challenges

As India's e-commerce industry continues to grow, it's well understood that the supply challenges of e-commerce businesses are very unique compared to offline businesses. Every e-commerce segment will have its own

unique challenges with products ranging from as small a lipstick to big customized furniture. As emerging segments continue to become a larger part of the e-commerce industry, there will be a steep rise in technology adoption amongst these segments. Companies in FMCG and personal care business have already started investing aggressively in technology. A lot of brands are setting up dark stores and small warehouses and integrating all their inventory on a single platform. A similar trend is expected in the other emerging segments as well.

Streamlining of processes and teams to sustain the growth momentum

E-commerce is a complex business, there is a huge journey from manufacturing to the product reaching the end consumer. From offering a great UI experience on e-shopping platforms to efficient and timely delivery, there are multiple stakeholders across the value chain and it's important for companies that all the stakeholders work together in sync as well-oiled machinery. In order to have a sustained growth momentum, companies must focus on two aspects; first operation efficiency for better unit economics, and second build brand loyalty with a strong repeat customer rate.

Tier-II and Tier-III cities will start shopping in emerging sectors

Most of the trends from Tier I and metropolitan cities have a trickle-down effect, with Tier II & Tier III+ cities later joining the bandwagon. There is rising adoption of emerging categories with Tier I cities holding the majority of the market share. However, the trend is expected to reverse in the coming years with Tier II & Tier III growing aggressively to become a major contributor as we have seen in more mature segments like fashion and electronics. Also, it's important for brands to ensure that they adapt to the needs of consumers in these cities as it will play a vital role in the brand's success.





About Unicommerce

Unicommerce eSolutions is India's largest e-commerce focused supply chain SaaS technology platform. Established nine years ago, Unicommerce provides e-commerce enablement software for multichannel selling, inventory management, warehouse management, and omnichannel solutions. The solution is designed to meet the business needs of e-commerce and e-tailers across sectors and has served over 15,000 registered customers across India, Middle East, South East Asia, and South Asia. Unicommerce solution is currently being used by 35K+ users to manage over 1500 stores and 6000+ warehouses and processes over 1 mn transactions every day, amounting to USD 5bn GMV annually. Some of its key clientele includes Myntra, Jack & Jones, Tommy Hilfiger, Gulf Oil, Adidas, Vero Moda, Chumbak, W, House of Anita Dongre, Forever New, Marico, Netmeds, Healthkart, Mamaearth, mCaffeine, Sugar Cosmetics, Lakme, and Nivea among many others.

Unicommerce platform is also seamlessly integrated with more than 150 partners across marketplaces, logistics providers, and ERP systems. A few of the key platform partners of Unicommerce are Amazon, Flipkart, Myntra, Lazada, Noon, Shopify, Magento, Delhivery, FedEx, Blue Dart, DTDC, Ginesys, Logic, Tally, among many others.

Unicommerce has received many awards testifying its superior customer service and product capabilities, recent ones being 'Awards for Excellent IT Product' for Omnichannel Solution by IMC Chamber of Commerce & Industry, 'Best Warehouse Management Solution Provider-2021' at 'Inflection' by Alden Global, and NASSCOM Centre of Excellence, along with Top Order management software 2021 by Goodfirms. Moreover, Unicommerce has also been recognized as a 'Notable Vendor' in Gartner APAC Magic Quadrant for Warehouse Management System in 2021, the second consecutive year.

Disclaimer

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