INDIA E-COMMERCE TRENDS REPORT 2022

BY unicommerce

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E-COMMERCE GROWTH FUELLED BY RISING DEMAND ACROSS MULTIPLE CATEGORIES

■ **Overall ecommerce growth:** With a surge in demand for products and services across online and offline channels in the country, 2022 witnessed a YoY growth of 36.8% in its order volumes. The number comes from 500 million+ order items processed over the last 2 years from Unicommerce's platform.

■ **India likes to look good:** India likes to look good and is increasingly willing to spend on it. In 2022, there was a very pronounced consumer preference shift toward products that help users look good and sharp. The two segments that illustrate this trend are the Beauty & Personal Care and Eyewear & Accessories segments which witnessed an astonishing YoY order volume growth of 76.6% and 55% respectively during the year.

■ The growth in the beauty and personal care segment was also fuelled on account of aggressive spends by multiple digital-first players striving to gain market share and consumer mindshare. This has helped the segment consistently outperform over the last two years. With products such as lenses, transparent eyeglasses, and sunglasses making it to the top lists of consumers, the Eyewear segment gained much attraction during 2022.

■ **Fashion & Accessories** remains the segment with the highest order volumes and recorded a **20.9% order volume growth** in 2022 as compared to the same period last year. With increasing spends on the accessorising needs majorly induced by women across the country, this segment has been on a continuous rise.

■ **Home is where the heart is:** The **Home Decor and Kitchen Appliances** segment reported a **59.2%** growth in its order volumes during 2022 and is being seen as an emerging segment with immense growth potential and the rising demand for kitchenware across India.

■ Products like cookware, bottles, dining sets, choppers, cutlery, blender and mixers, candle holders, diffusers, vases, cushions, bed covers, and mattresses remained popular choices in the kitchenware and home decor segment in 2022.

■ Despite being one of the most mature segments, the **Electronics & Home Appliances category** (excluding mobile phones) recorded a strong **growth of 39.7%.** The rise in discretionary spending during 2022 can also be accounted for by the growth of the electronics segment.

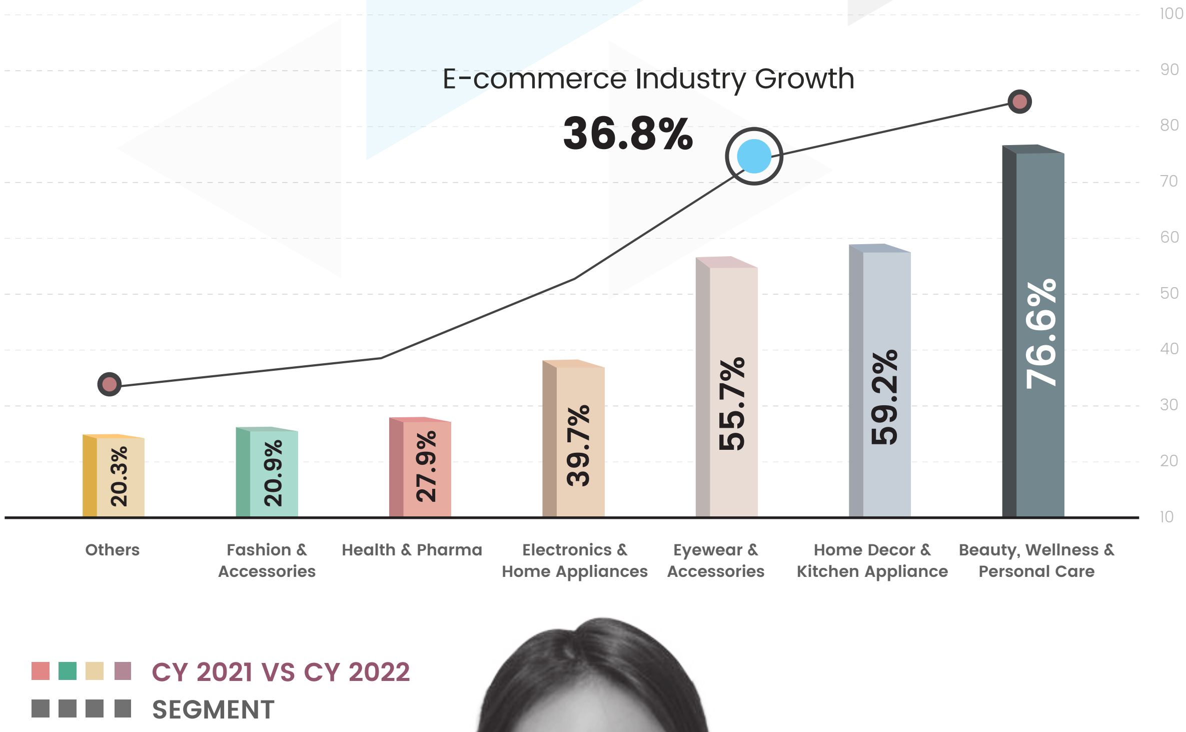
■ The majority of this growth is driven by audio products such as earphones, headphones, Bluetooth speakers, smartwatches, and peripherals like chargers, cables, power banks, and computer peripherals

■ **The FMCG segment** grew by **16%** during the same period. While FMCG is a large segment, the data does not include the inputs from the hyperlocal delivery models and majorly constitutes packaged products.

■ Another important segment that has attracted online shoppers is **Health & Pharmaceutical,** which recorded a **28% YoY order growth** during the period. Some of the popular products in the healthcare segment are sanitary pads, heating pads, medicines, and glucometers to name a few.

■ The continuous growth over the last two years is considered to be driven by the consumers' new-found importance for health and wellness. The segment also includes the Nutraceutical category, with rising demands for weight loss products, weight gainers, muscle builders, protein shakes, apple cider vinegar among other products.

E-COMMERCE SEGMENT WISE ORDER VOLUME GROWTH



DIGITAL-FIRST BRANDS PREFER THEIR OWN BRAND WEBSITES TO DRIVE USER ENGAGEMENT & SALES

▪ The D2C brands are increasing their presence across the e-commerce landscape and showing a marked preference for driving user engagement and sales through their own brand websites.

▪ They have spent the last two years investing heavily in technology to build a strong supply chain ecosystem and drive traffic to their brand websites. This focus of D2C brands on their brand websites is reflected in the robust order volume growth of **48.3% through the brand websites,** while **marketplaces recorded a 21.5%** order volume growth.

▪ The **Beauty & Personal Care segment** led mostly by D2C brands have observed an 82.2% rise in order volumes from brand websites as against 50.2% growth on marketplaces. Similarly, **Electronics & Accessories** saw a 64.4% and 32.7% order volume growth on brand websites and marketplaces in the current calendar year.

▪ **Home decor and Kitchen appliances** witnessed a faster growth of 66.7% on marketplaces, with a much slower growth of 28.4% on brand websites.

▪ The **Fashion** segment reported a 26.2% order volume growth on brand websites as opposed to 17.3% growth on marketplaces.

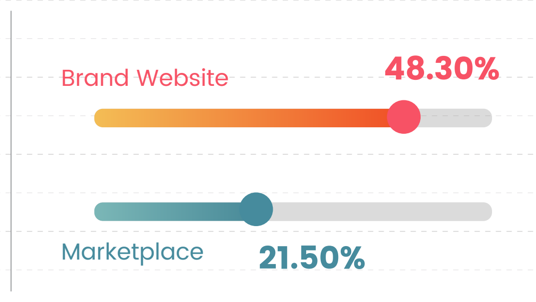
▪ **Health and Pharmaceutical** brands are also focusing on driving traffic on brand websites and recorded a 31% growth while marketplaces saw a 15.5% order volume growth.

▪ Robust technology infrastructure becomes the most significant area of investment for D2C firms as they heavily rely on technology to cater to the rising demand for their products and services.

SEGMENT WISE SHOPPING PLATFORM GROWTH

CY 2021 VS CY 2022

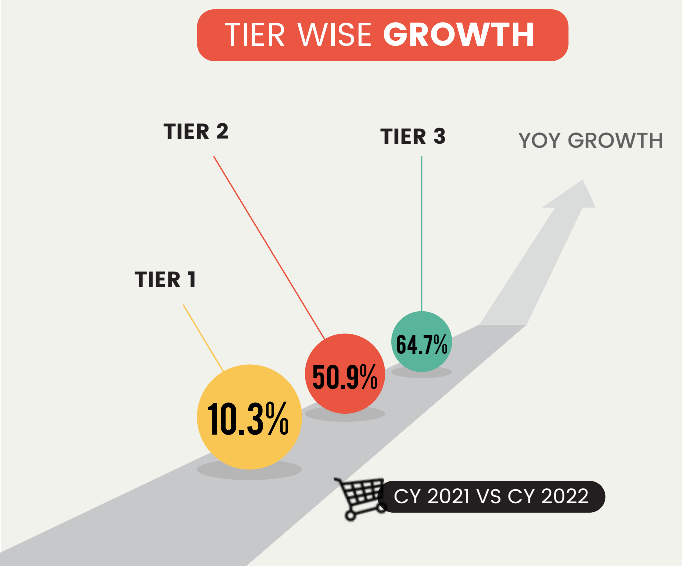
BRAND WEBSITE VS MARKETPLACE GROWTH



CY 2021 VS CY 2022

THE EMERGING DOMINANCE OF NON-METRO BUYERS

- E-commerce growth in India has well and truly moved beyond the large cities to hundreds of Tier 2, 3, and smaller cities across the length and breadth of the country. The promise of easy access to large assortments at attractive prices has unlocked large cohorts of buyers in under-penetrated markets.
- This is reflected in the **increasing market share** of Tier 3 cities, which grew from 34.2% in 2021 to 41.5% in 2022. Tier 2 cities climbed from 19.4% in 2021 to 21.4% this year. Tier 1 cities lost market share from 46.4% in 2021 to 37.1% in 2022 as faster growth from smaller cities propelled them ahead.
- The other related metric that reflects the ascendancy of non-metro buyers is the growth in order volumes. Tier 3 markets grew a massive 64.7% in 2022 (over 2021), while Tier 2 markets also clocked an impressive 50.9% in the same period. Order volumes from Tier 1 cities recorded a modest 10.3% growth in 2022, compared to 2021.
- **With faster growth than Tier 1 markets, Tier 2 & 3 cities together accounted for a majority (nearly 63%) of total orders** placed by users clearly setting the stage for the next layer of e-commerce growth in India, powered by users living outside big cities.



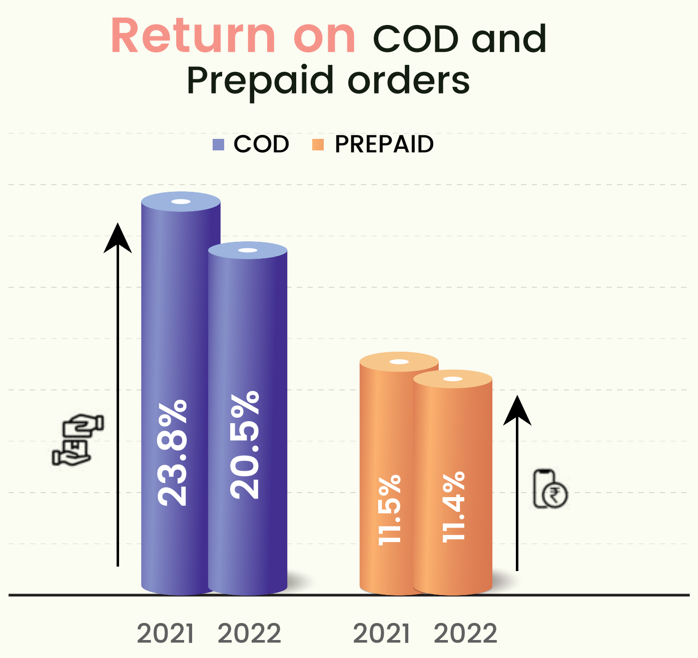
REDUCED RETURNS
HELPING BUILD A STRONGER BUSINESS

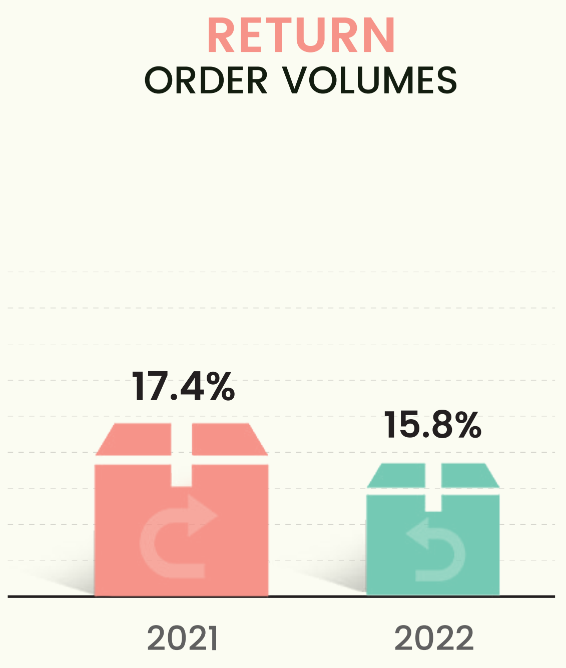
■ **Returns** are an important drain on revenue and any reduction, even small, has a direct and beneficial impact on the health of the business. **In CY 2021, returns stood at 17.4%** of the total order volumes. **This dropped by a noticeable 1.6% to 15.8% in CY 2022.**

■ The impressive **reduction in returns in the case of Cash on Delivery (CoD) orders from 23.8% in CY 21 to 20.5% in CY 22** played a large role in this overall reduction. While there has been a remarkable improvement in return on CoD orders, it is still far from the returns in the case of prepaid orders which saw 11.5% returns in 2021 and this further reduced to 11.4% returns in 2022.2021 and this further reduced to 11.4% returns in 2022.

■ **The apparel and footwear in Fashion segment accounted for the highest returns with more than 20% of the orders returned.** The FMCG and Health and Pharmaceutical segments reported the least number of returns at 7.2 and 7.7% respectively.

■ The consistent improvement in reducing the number of returns can be attributed to the **increasing adoption of technology** by brands. This has enabled them to expedite the otherwise lengthy reverse shipment process to ensure efficient handling of returns and also improve the user experience in this regard.





OTHER KEY TRENDS
IN THE E-COMMERCE INDUSTRY

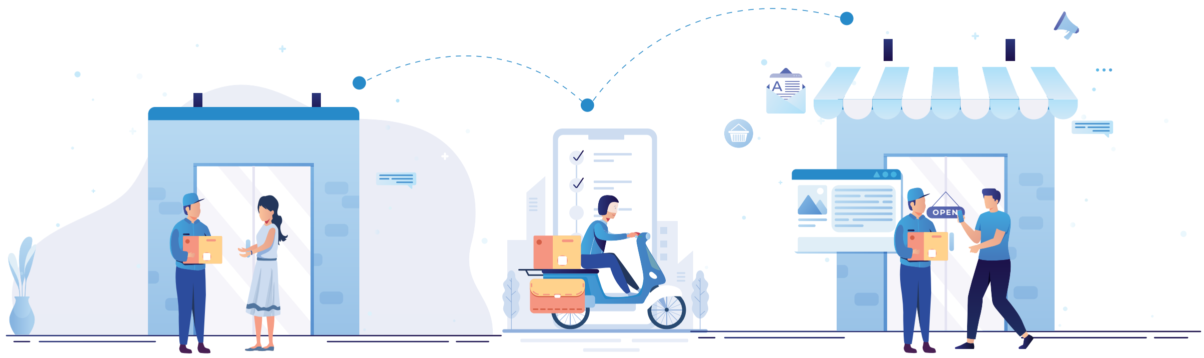
■ **Omnichannel Presence:** The year 2022 observed higher adoption of omnichannel amongst retail brands with companies leveraging their stores to fulfill online orders. The ship-from-store witnessed 55.6% order volume growth, with an increasing number of brands going omnichannel and existing brands adding more stores to further elevate the consumer experience.

■ At present, omnichannel adoption is more pronounced in mature segments such as fashion, footwear, and eyewear, while other segments such as beauty and personal care, electronics, and home appliances are expected to go omnichannel in the coming years. The increasing expectation of users for omnichannel connect and businesses investing in creating these capabilities will help the omnichannel segment grow further in the coming years.

■ **Emerging Stars of e-commerce industry:** Product categories experiencing a favourable growth curve, changing consumer preference has also given rise to new and emerging online segments such as Petcare, Baby products, Home Decor, Nutraceuticals, Smartwatch accessories and others. The pet care category includes products such as dog blankets, food for dogs and cats, fish food, and pet toys to name a few, while popular baby care products are diapers, stuffed toys, kids' sippers, feeding products along with apparel and winter wear.

■ **Best Season to sell and Shop online:** The Diwali season in India is the most uplifting one for both the buyers and the sellers with the best discounts available across stores with buyers flooding the markets. Led by the Independence Day sale and Raksha Bandhan, which set the pace for the festive season sale as it continues till year end. February has been the lowest sale month and it is an appropriate time for brands to plan their future business strategies. Witnessed in the last few years, the Black Friday sale too is becoming popular every year.

Omnichannel Growth: 56% increase in orders shipped from store



Diwali Sale Month — **Highest Sale Volume**

Independence Day Month — **Second highest sales volume month**

February Month — **lowest Sale Volumes**

Apparel and Footwear has the highest return **of 19%**

Health and Pharmaceutical & FMCG has **Lowest Returns of 7%**

Emerging E-Commerce Sectors: Pet Care, Nutracueticals, Home Décor, Baby Products, Smartwatch Acessories