DIGITAL CONSUMER SPENDING IN INDIA: A $100 Bn Opportunity

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EXECUTIVE SUMMARY

Digital India has catapulted in the last few years, with internet users growing nearly 2x in 4 years to reach 430 Mn users today. 3 forces have propelled this growth – cheaper smartphones, cheaper data and more mobile-specific / local language content. However, digital transactions still lag far behind. India is at nearly 1/3rd of China levels & 1/4th of US levels across most categories. Only 1 in 5 internet users in India shop for products online, 1 in 6 do travel bookings online and a negligible percentage pay for digital media. Even among those who transact online, only 20% spend a significant 60-65% of their total spends online.

Potential exists for digital transactions to triple from ~$40bn to ~$100bn by 2020. Online users will also accordingly grow 2-3x across sectors; significant part of new users will come from non tier-1 cities, women and older consumers. Large variation in triggers and barriers depending on how evolved the consumer is in online shopping: (a) Non-buyers’ barriers include touch and feel, lack of comfort with digital and need for greater guidance (b) Occasional shoppers' biggest driver for online shopping is discounts; selectively care about assortment (c) Frequent shoppers' key drivers are convenience and assortment; discounts become less important. These differences exist across all product, services and content & media categories.

There are three key stages of driving growth in digital transactions: (a) Driving adoption among non buyers, (b) increasing frequency of online transactions among occasional shoppers and (c) retaining/ expanding online share in the total wallet among frequent shoppers. The relevance of specific implications varies a bit across categories.

To drive adoption among non buyers, discounts is just one of the triggers. Other key prerequisites include building comfort with digital, bringing ‘touch & feel’ experience to consumers, offering latest updated & relevant content to new users, ensuring ease of use through simplification of platforms and guiding customers along the purchase pathway.

Among occasional shoppers, there is significant value unlock potential through increasing share of online spends – potentially from 15-20% to 60-65%. Key initiatives include pushing for faster/easier delivery through innovative delivery models, delivering a real value proposition (over & above deals/discounts), ensuring post-sale service excellence and driving usage through loyalty programs.

It is critical to retain and push for more extraction among the frequent shoppers, the highest value segment, through communicating in personal and contextually relevant manner, creating unique proposition e.g. bespoke services / customization and developing alternate models to drive stickiness.

In this report, we have laid out many examples of global players who have innovated on each of these implications to drive online growth. We hope that our publication has thrown light on the potential for digital transactions in India, provided the needs and concerns of users along the evolution curve are addressed.
SIZING DEMAND: INDIA’S DIGITAL ADOPTION CURVE
Digital India has taken off dramatically in the past few years

The last decade has seen India embracing technology, with digital making inroads into all walks of life and reaching more and more Indians each year. India’s digital narrative has been largely small screen led, with mobile becoming the first source of accessing internet, surpassing computers and laptops.

The consumption of data is only set to increase with the ubiquity of affordable 4G enabled smartphones, access to cheap data and growth in availability of relevant mobile-specific content.

Note: 2013 figures are for December 2013, 2017 figures are as of September 2017
Source: IDC Quarterly Mobile Phone Tracker 2017Q3, TRAI: Indian Telecom Services Performance Indicators report Dec 2013, Sep 2017, Ericsson Mobility report Nov 2017, BCG analysis based on Project Experience and Research
Huge data unlock is along the way, driven by 3 forces

1. **Falling smartphone prices**
   - Average smartphone price (US $)
   - 250–260 in 2011
   - 120–130 in 2017

2. **Significant decrease in data tariffs**
   - **Data tariffs in India**
     - Annualized realized data tariffs per GB of data as a % of GNI per capita (2015)
   - **2015**: 2.6
   - **2017**: 0.5–0.9
   - **YoY growth in Youtube watch time in 2017 on mobile devices**: 400%
   - **% of Youtube watchtime spent on mobile devices**: 80%
   - **Increase in local language searches**: 10x
   - **Increase in non english watch time**: 2x

Source: IDC Quarterly Mobile Phone Tracker 2017Q3, BCG analysis based on Project Experience and Research, Google internal Youtube data 2017, Google search query data 2017
However, digital transaction adoption lags far behind China, USA across categories

Adoption of online transactions among internet users still lags behind markets like US and China.

Only 1 in 5 internet users in India buy products online compared to 4 in 5 for US and 3 in 5 for China. Similarly only around 21% of internet users use online banking in India compared to almost 70% in US and 50% in China. The adoption of paid digital media is really nascent in India with only 0.7% of India’s internet users adopting it.

A lot of this is a result of low digital maturity among a bulk of internet users in India. Players in the online space will need to undertake the right set of actions to help consumers go through the journey of increased adoption.

**Adoption of online transactions among internet users (%)**

<table>
<thead>
<tr>
<th>Category</th>
<th>India</th>
<th>China</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-commerce</td>
<td>20%</td>
<td>63%</td>
<td>79%</td>
</tr>
<tr>
<td>Travel &amp; Hotel</td>
<td>15%</td>
<td>55%</td>
<td>40%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>21%</td>
<td>50%</td>
<td>68%</td>
</tr>
<tr>
<td>Digital Media</td>
<td>0.7%</td>
<td>6%</td>
<td>39%</td>
</tr>
</tbody>
</table>

**Note:**
- E-commerce includes Apparel, Consumer electronics, FMCG, Luxury, Appliances, Home, Health, Food & grocery.
- Travel and other bookings includes Air, Train, Bus, Hotel and Holiday bookings.
- Financial services user base includes those users that perform online banking (undertake transactions or transfer funds using online banking, mobile banking & USSD services).
- Digital media includes subscription and transaction video on demand services but excludes ad revenue.
- Digital health and education have been excluded from this analysis given contribution from government spending vs. end consumer spending.

**Source:**
- TRAI: Indian Telecom Services Performance Indicators report Sep 2017, BCG CCI Digital Influence 2017 Study (N=18,000), BCG FIBAC 2017 report, BCG analysis based on Project Experience and Research
Significant proportion of online transactors currently have very low engagement online. They are either transacting occasionally, spending limited time online or spending a small part of their overall spend wallet online. This is true across categories.

Nearly half of online transactors spend only 5–10% of their monthly purchase basket online. They typically buy movie and/or travel tickets online and sometimes apparel/accessories too.

Only 20% of online shoppers spend a significant 60–65% of their total spends online

Note: Data representative of e-commerce, travel and other bookings. Does not include spends on media (online or offline)
Source: CCI digital deep dive daily survey 2017 Q1 (N=11,094 daily transactions), BCG analysis based on Project Experience and Research

<table>
<thead>
<tr>
<th>Share among all online shoppers</th>
<th>Low transactors</th>
<th>Medium transactors</th>
<th>High transactors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Online spends as a % of Total spends</td>
<td>5-10%</td>
<td>30-35%</td>
<td>60-65%</td>
</tr>
<tr>
<td>Average # of online transactions as a % of Total transactions</td>
<td>10-15%</td>
<td>20-25%</td>
<td>30-35%</td>
</tr>
<tr>
<td>Average # of categories bought online</td>
<td>2-3</td>
<td>4-5</td>
<td>7-8</td>
</tr>
</tbody>
</table>

Movie ticket, Train/Bus, Budget, Fashion, Mobiles, Grocery, Home decor
With rising internet penetration, greater digital maturity of users and growth in supporting infrastructure, the adoption of online transactions is likely to increase rapidly. Digital transactions are estimated to be a $100 bn opportunity by 2020.

In the next 3 years, the number of online transactors is estimated to grow. Thereby, a lot of transaction growth will come from the new users.

E-commerce for products such as Apparel & Accessories, Consumer Electronics (Mobiles, Laptops etc), Durables, Food & Grocery etc., is likely to be the biggest constituent with the market estimated to reach $40–45bn.

Rising Internet penetration
- Internet users to grow ~1.5 times, from third of the population to nearly half of the population by 2020

Maturing digital population
- 75% of internet users would have digital age more than 2 years

Growth in quality infrastructure
- >$ 750 Bn investment expected over next 5 years in infrastructure sectors especially transportation

Total potential of $100 Billion waiting to be unlocked

- E-commerce
- Travel & Hotel
- Financial Services
- Digital Media
### Users (In Million)

<table>
<thead>
<tr>
<th>2017</th>
<th>2020E</th>
</tr>
</thead>
<tbody>
<tr>
<td>80–90</td>
<td>180–200</td>
</tr>
<tr>
<td>60–70</td>
<td>140–160</td>
</tr>
<tr>
<td>85–95</td>
<td>160–180</td>
</tr>
<tr>
<td>2–4</td>
<td>15–18</td>
</tr>
</tbody>
</table>

### Market Size (In USD Billion)

<table>
<thead>
<tr>
<th>2017</th>
<th>2020E</th>
</tr>
</thead>
<tbody>
<tr>
<td>18–20</td>
<td>40–45</td>
</tr>
<tr>
<td>11–13</td>
<td>17–20</td>
</tr>
<tr>
<td>12–15</td>
<td>30–35</td>
</tr>
<tr>
<td>200–250Mn</td>
<td>520–570Mn</td>
</tr>
</tbody>
</table>

### Sub-sector driving growth

- **Apparel & consumer electronics** account for the biggest chunk of growth.
- **International air travel** accounts for >50% of the growth.
- **Retail loans** account for ~55% of the growth.
- **Subscriptions** account for ~95% of this growth.

**Note:** E-commerce includes Apparel, Consumer electronics, FMCG, Luxury, Appliances, Home, Health, Food & grocery; Travel and other bookings includes Air, Train, Bus, Hotel and Holiday bookings; Financial services market size includes loans disbursed online, insurance premiums paid and mutual funds invested online (AUM); Digital media includes subscription and transaction video on demand services but excludes ad revenue. Digital health and education have been excluded from this analysis given contribution from government spending vs. end consumer spending.

As the number of online transactors increases over the next few years, their profile is also likely to undergo a dramatic change. They will no longer be the typical male, millennial, metro-residing users of today. A larger number of women, older age groups & smaller town users will start buying online.

There will be 2.5x women shoppers and ~3x older shoppers (35+ years) compared to today. Online shopping will also take off in India’s non tier-1 cities as consumers there mature while infrastructure improves. These cities will comprise more than 50% of the online shopper base by 2020.

This shift in the online shopper profile will require e-tailers to rethink their offering across assortment, pricing, delivery options and return policies.

1. In the period from Jan-Sep 2016 to 2017; Tier 1 cities include Bengaluru, Chennai, Delhi, Faridabad, Ghaziabad, Greater Noida, Gurgaon, Hyderabad, Kolkata, Meerut, Mumbai, Navi Mumbai, Noida, Pimpri-Chinchwad, Thane 2. Google consumer barometer survey, 2016 Source: BCG CCI Digital Influence 2017 Study (N=18,000), BCG analysis based on Project Experience and Research, Google search query data 2017
Gender

<table>
<thead>
<tr>
<th>Age</th>
<th>2017</th>
<th>2020E</th>
</tr>
</thead>
<tbody>
<tr>
<td>18–24 years</td>
<td>33%</td>
<td>24%</td>
</tr>
<tr>
<td>25–34 years</td>
<td>41%</td>
<td>43%</td>
</tr>
<tr>
<td>35+ years</td>
<td>26%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Gender distribution:
- Male: 2017 - 63%, 2020E - 55%
- Female: 2017 - 37%, 2020E - 45%

Top categories purchased by women online:
- 'Apparel' (77%), 'Beauty' (62%), and 'Electronics' (59%)
DECODING DEMAND: A CROSS – CATEGORY PERSPECTIVE
While the overall potential points to significant headroom for growth, it is important to de-aggregate these figures to decode underlying consumer behavior.

**Evolution of the consumer** – there is a clear journey as consumers move from awareness of the online platform to their first purchase and further down to become more frequent buyers. Each stage has its own triggers, barriers & hence implications to e-tailers.

**Frequent Shoppers** – As consumers become more evolved, price is not the only driver, exclusivity and convenience become more relevant.

**Occasional Shoppers** – Discount/deals remain the key trigger for this segment of users.

**Non-buyers** – Biggest barriers are need for touch & feel, guidance and overall trust.

*Time spent per transaction for less frequent transactors is 2.2X more than the time spent per transaction by frequent transactors, who are more confident of the process & property they are transacting on.*
<table>
<thead>
<tr>
<th>Products</th>
<th>Services</th>
<th>Content &amp; Media</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assortment</td>
<td>Convenience</td>
<td>Exclusivity</td>
</tr>
<tr>
<td>Convenience (home delivery, preferred slots)</td>
<td>Ability to do additional things e.g., seat selection</td>
<td>Customized offers</td>
</tr>
<tr>
<td>Personalized service</td>
<td></td>
<td>Watch 'on demand'</td>
</tr>
<tr>
<td>Discounts / deals</td>
<td>Access to multiple options in one place</td>
<td>Access to wide set of content / information in one place</td>
</tr>
<tr>
<td>Non availability in offline</td>
<td>Good deals</td>
<td></td>
</tr>
<tr>
<td>Need for touch &amp; feel</td>
<td>Hesitation with high value transactions</td>
<td>Satisfaction with offline formats / no perceived ‘need’ for online</td>
</tr>
<tr>
<td>Immediate need for product</td>
<td>Discomfort in sharing financial details online</td>
<td></td>
</tr>
</tbody>
</table>
PRODUCTS
Fashion: Lack of touch and feel, a barrier for non-user while assortment is important for online shopper

% of internet using buyers

<table>
<thead>
<tr>
<th>Non-buyer</th>
<th>Occasional shopper</th>
<th>Frequent shopper</th>
</tr>
</thead>
<tbody>
<tr>
<td>71%</td>
<td>19%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Barriers to purchase

<table>
<thead>
<tr>
<th>Category buyers</th>
<th>Non-buyer</th>
<th>Occasional shopper</th>
<th>Frequent shopper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of touch and feel</td>
<td>40%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Better prices offline</td>
<td>25%</td>
<td>25%</td>
<td>19%</td>
</tr>
<tr>
<td>Immediate need for product</td>
<td>11%</td>
<td>12%</td>
<td>19%</td>
</tr>
<tr>
<td>Concern with fit</td>
<td>10%</td>
<td>12%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Triggers for purchase

<table>
<thead>
<tr>
<th>Category buyers</th>
<th>Non-buyer</th>
<th>Occasional shopper</th>
<th>Frequent shopper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better prices</td>
<td>34%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Convenience of buying anytime &amp; anywhere</td>
<td>20%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>Better assortment</td>
<td>12%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>Access to items not available offline</td>
<td>12%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>Latest trends/styles available</td>
<td>18%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

"I like going to my local marketplace to shop for clothes – it's always better to touch the material before buying."

"I was able to buy a set of 5 imported t-shirts on heavy discount online. I didn't want to spend too much time selecting and waiting in line... so it was a good deal for me."

"Shift dresses are very trendy right now, and the variety online is much better. I was also able to match a pair of casual shoes with it."

% category buyers

<table>
<thead>
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<th>Non-buyer</th>
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</thead>
<tbody>
<tr>
<td>71%</td>
<td>19%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Demographic Skews

<35 yrs, male, non-metro

35+ yrs, female, non-metro

<35 yrs, female, metro

1. Urban only Q40. Could you please tell me top 3 reasons why did you choose to buy this category online? Only top rank considered for analysis
Q41. Could you please tell me top 3 reasons why didn't you buy this [category] online? Only top rank considered for analysis
Note: Frequent online shoppers: >3 online apparel purchases in the last 6 months, Occasional shoppers: 1-3 online apparel purchases in the last 6 months
Source: CCI Digital deep dive 2016 – Among digitally influenced apparel shoppers (N=501), BCG CCI Digital Influence 2017 Study (N=18,000), Nielsen 2017 survey (N=1845)
Fashion: Among online shoppers, sizing & fitment are major concerns

**Profile**
- **Tarun**
  - 37 years,
  - Hyderabad
  - Grocery store owner

**Digital behavior**
- Digital Age: 3+ years
- Has bought a smartphone online, never fashion
- Less active on social media

**Interaction across channels**
- **Digital interventions**
  - Recommendations with similar interests – ‘people like you also buy’ – integrated into browsing experience
  - Styling tips e.g. these shoes can be worn with…, best suited for… occasion…
  - Hesitant to buy online as he’s unsure about the size and brands
  - Physical ‘experience’ zones for reassurance on material and touch-and-feel
  - Standardized size guides/ ‘scan your footwear, we will recommend the right size’

**Steps**
- **Discovery**
  - Tarun wants to buy casual shoes – searches online
- **Research**
  - Recommendations with similar interests – ‘people like you also buy’ – integrated into browsing experience
  - He is directed to a website, filters for ‘Men’s casual’ and target price
  - Mostly finds sports shoes; unable to find too many known brands
  - Hesitant to buy online as he’s unsure about the size and brands
- **Purchase**
  - Visits a multi-brand store at a local mall and buys branded leather loafers
  - Shares his disappointing online experience with friends & family
  - Create customer delight during first purchase, amplify via interactive user reviews/ advocacy

**Source:** Google search query data 2017

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Most offline shopping missions amongst online shoppers are either immediate needs or family oriented.

Same shopper exhibits different needs and behaviors across shopping missions

Expensive occasion wear:
What? Gota work Anarkali
Where? Material from Chandigarh exhibition, local tailor
Stitched
Why? Wedding

Family shopping trip:
What? Suit with dupatta
Where? Biba standalone shop
Why? Diwali

Online flash sale:
What? Levi’s skinnyjeans
Where? Amazon Sale
Why? 40% off

HI I’M NAVNEET
24 years, Ludhiana

Replacement buy:
What? Black, warm jacket
Where? Promod store @mall
Why? Leaving for a trip, needed fast

Upgrade workwear wardrobe:
What? Dorothy Perkins formal tops
Where? Myntra
Why? Exclusive online brand, great collection

Gifting:
What? Clutch bag
Where? Limeroad
Why? Friend’s birthday, gift wrapped home delivery

Following trends:
What? Evening wear dress
Where? Koovs.com
Why? MissMalini post with Sonam Kapoor wearing something similar

For ‘End of season sales’, search interest picks up 2 weeks before sales begin for most brands

Opportunity for online to penetrate more occasions requiring:
- Immediate need fulfilment
- Customisation
- Family shopping moments

Searches for ‘Apparel brands’ were higher than ‘Apparel offers’, indicating that customers are willing to pay for quality

Fashion queries constitute ~1/3rd of all shopping queries on Google

Source: CCI Digital deep dive 2016 – Among digitally influenced apparel shoppers (N=501), BCG CCI Digital Influence 2017 Study (N=18,000), Google search query data 2017
### Mobile: Largest barriers for online purchase hinge on trust-service and Returns

#### Barriers to purchase

<table>
<thead>
<tr>
<th>Barriers to purchase</th>
<th>% of internet using buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non Metro Offline shopper</strong></td>
<td><img src="image" alt="32%" /></td>
</tr>
<tr>
<td>Immediate need for product</td>
<td>26%</td>
</tr>
<tr>
<td>Difficulty in returns</td>
<td>17%</td>
</tr>
<tr>
<td>Easier service/ repair offline</td>
<td>13%</td>
</tr>
<tr>
<td>Need for salesperson guidance</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Metro Offline shopper</strong></td>
<td><img src="image" alt="20%" /></td>
</tr>
<tr>
<td>Easier service/ repair offline</td>
<td>26%</td>
</tr>
<tr>
<td>Difficulty in returns</td>
<td>21%</td>
</tr>
<tr>
<td>Immediate need for product</td>
<td>19%</td>
</tr>
<tr>
<td>Better deals/ discounts off</td>
<td>11%</td>
</tr>
</tbody>
</table>

#### Source:
CCI Digital deep dive 2016 (N = 450), BCG CCI Digital Influence 2017 Study (N=18,000), Google search query data 2017, Nielsen 2017 survey (N=1845)

1. Urban only Q28. Could you please tell me top reason why did you choose to buy mobilephone online?
2. Q28. Could you please tell me topmost reasons why did you choose to buy mobile phone offline?

1. “Convenience” here refers to both the ability to buy from anytime and anywhere as well as saving time and effort

**Source:** CCI Digital deep dive 2016 (N = 450), BCG CCI Digital Influence 2017 Study (N=18,000), Google search query data 2017, Nielsen 2017 survey (N=1845)
### % of internet using buyers

<table>
<thead>
<tr>
<th>Demographic Skews</th>
<th>% category buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Metro Online shopper</td>
<td>Triggers for purchase</td>
</tr>
<tr>
<td>24%</td>
<td>Better prices/ deals online 39%</td>
</tr>
<tr>
<td>Better prices/ deals online</td>
<td>Convenience 27%</td>
</tr>
<tr>
<td>Convenience</td>
<td>More options online 15%</td>
</tr>
<tr>
<td>More options online</td>
<td>Easy EMI 9%</td>
</tr>
</tbody>
</table>

“I bought a new model of brand X on xyz.com even before it was launched in my city. Price was good and it was delivered home.”

“I had been wanting to buy a phone of brand X for a long time. I got $90+ discount on xyz.com which no shop was willing to give.”

1. Urban only

36% of online mobile phone buyers are influenced by online videos during their purchase journey.
Durables: Online shoppers triggered by lower prices; offline shoppers deterred by service/repair concerns

% of internet using buyers

Older Offline shopper
- 24%

Younger Offline Shopper
- 62%

Online Shopper
- 14%

Barriers to purchase

% category buyers

- Easier service/repair offline
  - Older Offline shopper: 34%
  - Younger Offline Shopper: 22%
  - Online Shopper: 11%

- Difficulty in returns
  - Older Offline shopper: 27%
  - Younger Offline Shopper: 30%
  - Online Shopper: 46%

- Immediate need for product
  - Older Offline shopper: 20%
  - Younger Offline Shopper: 14%
  - Online Shopper: 13%

- Need salesperson guidance
  - Older Offline shopper: 5%
  - Younger Offline Shopper: 9%
  - Online Shopper: Others

- Item too expensive to buy online
  - Older Offline shopper: 11%
  - Younger Offline Shopper: 19%
  - Online Shopper: 9%

Triggers for purchase

- Better prices
  - Older Offline shopper: 30%
  - Younger Offline Shopper: 22%
  - Online Shopper: 46%

- More options
  - Older Offline shopper: 19%
  - Younger Offline Shopper: 14%
  - Online Shopper: 13%

- Convenience
  - Older Offline shopper: 5%
  - Younger Offline Shopper: 9%
  - Online Shopper: 9%

- Others
  - Older Offline shopper: 5%
  - Younger Offline Shopper: 9%
  - Online Shopper: 9%

"We changed our TV set last year during the festive season. There was a new model available on discount... so there was no need to visit the store"
Durables: Online researcher aborts purchase journey due to need for offline guidance from salesperson

Profile
- Girish
- 34 years, Delhi

Digital behavior
- Digital Age: 4 years
- Works as a finance professional
- Has bought many products online (Mobile phone, Bluetooth speaker, AirFryer)

Interaction across channels
- Selection
  - First instinct to search 'buy fridge online'. Finds many deals and options on ecommerce websites
  - Checks with his sister who bought the same brand recently
- Post-purchase
  - Later, while facing issue with the fridge, calls up dealer directly, who sends service executive to make a visit
  - Product arrives, set up by authorized service rep

Opportunity
- Digital companion to assist with purchase decision
- Network of advocates to promote products and answer queries
- Online tool to help better visualize product, gauge size, shape and capacity
- User-friendly process for logging complaints, with single touchpoint for records, booking service request & issue resolution

Decoding demand: A cross-category perspective
Food & grocery: Convenience is a key trigger for frequent shoppers, quality is a key concern for offline shoppers

% of internet using buyers

<table>
<thead>
<tr>
<th>Category</th>
<th>Non-buyer</th>
<th>Occasional Shopper</th>
<th>Frequent Shopper</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>86%</td>
<td>9%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Barriers to purchase

<table>
<thead>
<tr>
<th>Reason</th>
<th>% category buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need to check product quality</td>
<td>35%</td>
</tr>
<tr>
<td>Immediate need for product</td>
<td>28%</td>
</tr>
<tr>
<td>Easier returns &amp; other benefits offline</td>
<td>15%</td>
</tr>
</tbody>
</table>

"If you order vegetables online, they always send few grams less. I might buy if the delivery boy brought a weighing scale and I can check for myself before paying”

"Now and then, I buy groceries online as I get good prices, with bundled options & cash backs”

"I return very late from work due to heavy traffic and all the shops close by then. I order for early morning delivery which works very well for me.”

Triggers for purchase

<table>
<thead>
<tr>
<th>Reason</th>
<th>% category buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good deals/discounts available</td>
<td>52%</td>
</tr>
<tr>
<td>convenience – saves time and effort</td>
<td>23%</td>
</tr>
<tr>
<td>Assured of online quality when buying branded products</td>
<td>12%</td>
</tr>
<tr>
<td>Free home delivery</td>
<td>13%</td>
</tr>
<tr>
<td>Access to products not available offline</td>
<td>11%</td>
</tr>
<tr>
<td>Better prices</td>
<td>10%</td>
</tr>
<tr>
<td>Immediate need for product</td>
<td>12%</td>
</tr>
</tbody>
</table>

% category buyers

- Good deals/discounts available: 52%
- Convenience – saves time and effort: 23%
- Assured of online quality when buying branded products: 12%
- Free home delivery: 13%
- Better prices: 10%

Demographic Skews

- <35 yrs, male, non-metro
- <35 yrs, male, metro
- 35+ yrs, female, metro

Note: 'Occasional' shopper here refers to those whose share of online transactions on grocery shopping in the last 6 months is between 10-50%, 'Frequent' shopper here refers to those whose share of online transactions on grocery shopping in the last 6 months is over 50%

Source: BCG digital deep dive Study 2016 BCG analysis (N=502), BCG CCI Digital Influence 2017 Study (N=18,000), Nielsen 2017 survey (N=1845)
Food & grocery: One of the key non-price triggers for certain sub-categories is availability

Significant differences exist across F&G sub-categories

- **Exotic Fruit**
  - Best price: 48%
  - Saves time and effort: 9%
  - Availability of product: 24%
  - Assured of quality online: 9%

- **Personal care**
  - Best price: 16%
  - Saves time and effort: 32%
  - Availability of product: 26%
  - Assured of quality online: 11%

- **Cooking oil**
  - Best price: 68%
  - Saves time and effort: 9%
  - Availability of product: 7%
  - Assured of quality online: 5%

- **Pulses & Staples**
  - Best price: 65%
  - Saves time and effort: 9%
  - Availability of product: 9%
  - Assured of quality online: 6%

Q22a. Could you please tell me top 3 reasons why do you prefer to buy these categories online more?

Source: BCG digital deep dive Study 2016 BCG analysis (N=502), Google search query data 2017

Decoding demand: A cross-category perspective | 28
SERVICES
Travel and Hotel: Trust and onsite payment stated to be key reasons for buying offline

Agents help to cancel or change flight. It's more difficult on websites.

There is a price difference for the same hotel across sites – I find it cheaper to book a package tour.

Booking online is much faster - I can select the airline based on timing and price.

For our vacation, I researched on many travel sites and read user reviews before booking the hotel.

% of internet using buyers

<table>
<thead>
<tr>
<th>Barriers to purchase</th>
<th>Hotel</th>
<th>Airplane</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offline buyers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>71% Hotel</td>
<td></td>
<td>31%</td>
</tr>
<tr>
<td>36% Airplane</td>
<td></td>
<td>37%</td>
</tr>
<tr>
<td>Online buyers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>29% Hotel</td>
<td></td>
<td>38%</td>
</tr>
<tr>
<td>64% Airplane</td>
<td></td>
<td>47%</td>
</tr>
</tbody>
</table>

% of internet using urban buyers

<table>
<thead>
<tr>
<th>Triggers for purchase</th>
<th>Hotel</th>
<th>Airplane</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offline buyers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14% High transaction value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17% Unclear/inadequate Info</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14% Better deal offline</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online buyers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5% Multiple options in one place</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14% Deals &amp; discounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14% Saves hassle of queues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5% Travel info, user reviews</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Travel & Hotel: 21 year old researches online but books offline due to better prices and onsite payment

**Profile**
- **Ritu**
- 21 years, Pune

**Digital behavior**
- College student
- Digital Age: 3 years
- Spends 4-5 hours a day online, mostly on social media and IM

**Steps**

**Dreaming**
- Ritu wanted to take a short trip with friends on a long weekend

**Planning (Travel)**
- Books IRCTC tickets. Comfortable to pay upfront as tickets cancellable at a small fee

**Booking (Travel)**
- With budget in mind, she decides on taking trains - runs it by friends who agree

**Consumer Journey**

- **Native content on social media, news and entertainment websites**

- **Opportunities**

- Reads an article on “Top 7 budget destinations for a college student”

- Shared it with friends on her IM app. They discuss places (Lonavala, Matheran, Ooty..) and decide on Matheran

- She looks up “How to get to Matheran” on aggregatorX, exploring a mix of travel options
Integrate reviews from common sites with social media
Clearer information on hotels with detailed pictures, 360° views
Price match/guarantee on aggregator sites

More ‘pay when you stay’ options
Harness user reviews/ role of influencers to create native content

To book hotel, she checks options on 3-4 hotel aggregator sites

She calls up one of the hotels for availability – notes the offer to check with friends and book later

Eventually, one of her friends confirms that hotel on phone. They get a payment on arrival option which they are more comfortable with though more expensive

Finds it easier to budget among friends as they all pay respective amounts on site

During the trip, shares trip photos with friends through messages and social media

Posts an album on social media of her full Matheran stay, inviting likes, comments from friends

After trip, posts review of her meal at a local restaurant on a food blog

Decoding demand: A cross-category perspective | 32
Insurance/Investments: Older offline investors prefer working with agents who give simplified information

% of internet using buyers

Young Offline Investor (<35)
- 51%
- 25%
- 16%

Old Offline Investor (35+)
- 22%
- 19%
- 19%

Online Investor¹
- 27%
- 21%
- 17%

Barriers to purchase

Uncomfortable putting financial info online
- 51%
- 25%
- 16%

Online info difficult to understand
- 22%
- 19%
- 19%

Access to multiple agents
- 27%
- 21%
- 17%

Triggers to purchase

Note: Only Top 1 Rank considered for analysis; Young Offline Investors are those under the age of 35, while Old Offline Investors are aged 35 or older

Source: Nielsen 2017 survey (N=1845), BCG analysis, BCG CCI Digital Influence 2017 Study (N=18,000)

1. Online investor here refers to users that generate insurance, loans and mutual funds online
2. Urban only
Q5 9a. You indicated that you have bought an insurance policy or made investments online, rank the top 3 reasons that made you transact online?
Q5 9b. You indicated that you have never bought an insurance policy or made investments online, rank the top 3 reasons why you have not transacted in this category?

I haven’t invested a lot yet - only bought bank-recommended policies. There are lot of fake sites online.

I prefer speaking to agents face-to-face who explain options in detail. I can go to them in future if I want to change my investment.

I buy my auto insurance from xyz.com. It’s convenient with renewal alerts and I can pick the best offer.
Insurance/Investments: Older offline investors prefer working with agents who give simplified information.
42 year old researches online but transacts offline due to onsite information disclosure & need for guidance

**Profile**
- Ravi
- 42 years old
- Indore

**Digital behavior**
- Digital Age: 1-2 years
- Spends ~10 hours weekly online for news, entertainment, search etc.
- Doesn't use online banking often, performs most transactions at branch.

**Consumer Journey**
- **Discovery**
  - Ravi wants to meet his retirement goals by investing in something with better returns than FDs
  - After reading about options online, decides on mutual funds (MF) for higher returns
- **Opportunities**
  - He discusses with friends, who recommend bonds, gold, mutual funds etc.
  - Tailored marketing to relevant age groups/ income profiles to increase product awareness
  - Virtual assistant for advisory and customer support
While he finds a lot of info online, he is unclear on process and decides to meet his CA cousin. He spends more time researching about MFs on aggregator & bank sites. Chats with cousin to learn about MFs and that he can save commission by investing directly. Has a bank account X, decides to visit website of the MF wing of bank X to directly open an account. However, site prompts to share personal financial info, which he is uncomfortable with. He wishes he could use only his savings a/c details as verification. Finally meets a financial advisor, whose guidance gives him a lot of comfort & goes ahead. Regularly meets advisor to track investments, get advice and guidance on improving portfolio.

User-friendly guides and comparison tools to support decision making. Gamification to help understand risk/reward. e-KYC and digital locker for secure account opening/linkage, prefilled with details for easier processing. Personalized relationship manager on call vs. generic helpline support.
Paid video subscription: Access to exclusive content, ad free content are key drivers

% of internet using buyers

- **Free viewer**: 98-99%
- **OTT subscriber**: 1-2%

% category buyers

- **Happy with free content**: 36%
- **Not aware of the offer**: 27%
- **No time to watch on mobile**: 13%
- **Access via friends & family**: 8%

Barriers to use

Triggers for use

- **Access exclusive content**: 38%
- **Watch ad-free content**: 28%
- **Catch-up on shows I missed**: 12%
- **Good deal/ trial membership**: 12%

Demographic Skews

<35 yrs, male, non-metro

<35 yrs, male, metro

---

1. Urban only Q5 4a. You indicated that you have purchased a monthly subscription to watch exclusive content on Hotstar, Amazon Prime, Netflix, rank the top 3 reasons that made you do this?

Q5 4b. You indicated you have never purchased a monthly subscr. to watch exclusive content on top OTT channels please rank top 3 reasons why you haven't transacted in this category?

Note: Only Top 1 Rank considered for analysis

Source: Nielsen 2017 survey (N=1845), BCG analysis, BCG Case Experience; Google search query data 2017
Paid video subscription: Specific viewing occasions drive willingness to pay

High willingness to pay

- **Novelty Seeker**
  - “Regular TV is boring... comedy series like TFV are only available online. There are many latest Bollywood movies made available online by their legal owners. I subscribed to get *uncut versions of big boss, Roadies etc.”

- **On the Go Viewer**
  - “I spend 2 hours everyday on my office commute. I **download all the shows** (from websites with legal rights) that I have missed and watch ‘aaram se’ on my way to work.”

- **Sports Fan**
  - “I am a big sports buff & constantly keep track of **scores online even when working / travelling.** I signed up for premium because free Champions trophy had a 5 minute lag”

Low willingness to pay

- **Kid’s Timepass**
  - “Screen time for my young children is **restricted**... But when we have guests over or need to keep them busy – then I just play a **cartoon series on the tablet or phone.”

- **Die Hard Fan**
  - “I’m the **first to watch** all the latest international shows like Game of Thrones, Narcos etc.. I tell my friends on what’s happening and what they should be watching”

- **Indie Fan**
  - “There are many serious films and documentaries available if you subscribe to these services. I am not into the typical TV... need **something interesting to watch**”

- **My ‘Second’ TV**
  - “I like to watch on the big screen only – but **sometimes** when another family member is watching and there is a **show I cannot miss** – then I stream it on my phone”

Source: Nielsen 2017 survey (N=1845), BCG analysis, BCG Case Experience
Real Estate: Convenience is a key trigger while trust on known broker is a major barrier

Barriers to use

| Preference for broker recommended by friends/family | 42% |
| Cost attached to online services | 22% |
| Unsure of brokers contacted through portals | 21% |
| Fear of misrepresentation on online portals | 8% |

“When we purchased our recent property in Pune, we went through a known broker. Since this is a big investment, need someone who you can trust.”

Triggers for use

| Wide range of options | 40% |
| Convenience | 26% |
| Experience of browsing/comparing properties | 19% |
| Ability to contact select brokers | 11% |

“I was shifting to Noida from Bangalore with my family and didn’t have much time to search. By using aggregator X, we were able to shortlist 3BHK apartments from there itself, and then make a visit to see and finalize a deal on the spot.”

Demographic Skews

<35 yrs, male, non-metro

35+ yrs, male, metro

1. Urban only Q5 6a. You indicated that you have contacted a broker/seller after browsing on real estate portals, rank the top 3 reasons that made you transact online? Top reason considered for analysis Q5 6b. You indicated you have never contacted a broker/seller after browsing on a real estate portal, please rank top 3 reasons why you have not transacted in this category? Top reason considered for analysis

Source: Nielsen 2017 survey (N=1845), BCG analysis
Job Search: Access to range of jobs key trigger, bad quality postings key barrier

<table>
<thead>
<tr>
<th>% of internet using users</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Users who did not use online job portals while seeking job</strong></td>
</tr>
<tr>
<td><strong>29%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Barriers to use</th>
</tr>
</thead>
<tbody>
<tr>
<td>% category buyers</td>
</tr>
<tr>
<td><strong>Outdated postings</strong></td>
</tr>
<tr>
<td><strong>39%</strong></td>
</tr>
<tr>
<td><strong>Irrelevant notification</strong></td>
</tr>
<tr>
<td><strong>32%</strong></td>
</tr>
<tr>
<td><strong>Inaccurate job descriptions</strong></td>
</tr>
<tr>
<td><strong>18%</strong></td>
</tr>
<tr>
<td><strong>Offline alternatives more user friendly</strong></td>
</tr>
<tr>
<td><strong>12%</strong></td>
</tr>
</tbody>
</table>

“On signing up, I indicated I wanted a software developer job. They ignored my preference & just sent me bulk emails for call centre jobs. I eventually deleted my account because of too much spam everyday.”

<table>
<thead>
<tr>
<th>% category buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>&lt;35 yrs, male, non-metro</strong></td>
</tr>
</tbody>
</table>

| **Users who used online job portals** |
| **71%** |

<table>
<thead>
<tr>
<th>Triggers for use</th>
</tr>
</thead>
<tbody>
<tr>
<td>% category buyers</td>
</tr>
<tr>
<td><strong>Access to wide range of jobs</strong></td>
</tr>
<tr>
<td><strong>54%</strong></td>
</tr>
<tr>
<td><strong>Notifications for relevant postings</strong></td>
</tr>
<tr>
<td><strong>17%</strong></td>
</tr>
<tr>
<td><strong>Detailed information about jobs available</strong></td>
</tr>
<tr>
<td><strong>13%</strong></td>
</tr>
</tbody>
</table>

“I got my current job as a graphic designer with an ad agency through xyz.com. They provide a detailed job description along with years of experience – and it helped me understand if I was a good match.”

<table>
<thead>
<tr>
<th>% category buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>35+ yrs, female, metro</strong></td>
</tr>
</tbody>
</table>

1. Urban only Q5 7a. You indicated that you have searched for jobs on top job portals, rank the top 3 reasons that made you transact online? Top reason considered for analysis Q5 7b. You indicated that you have never searched for jobs on top job portals, why you have not transacted in this category? Top reason considered for analysis

Source: Nielsen 2017 survey (N=1845), BCG analysis

Digital consumer spending in India
C2C selling: Good deals key trigger, hesitation in posting personal details key barrier

% of internet using users

<table>
<thead>
<tr>
<th>Offline Buyer/ Seller</th>
<th>34%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Buyer/ Seller</td>
<td>66%</td>
</tr>
</tbody>
</table>

Barriers to use

<table>
<thead>
<tr>
<th>% category buyers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hesitant to post personal details online</td>
<td>24%</td>
</tr>
<tr>
<td>Too much back &amp; forth, offline is more direct</td>
<td>20%</td>
</tr>
<tr>
<td>Pricing is not attractive</td>
<td>18%</td>
</tr>
<tr>
<td>Risk of getting cheated</td>
<td>16%</td>
</tr>
<tr>
<td>Not comfortable buying from strangers</td>
<td>12%</td>
</tr>
</tbody>
</table>

“I wanted to sell my old mobile phone. My local phone shop helped me find a buyer and also guided me on the right price.”

<35 yrs, male, non-metro

Triggers for use

<table>
<thead>
<tr>
<th>% category buyers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Good prices</td>
<td>35%</td>
</tr>
<tr>
<td>Buyer comes home to pick up</td>
<td>33%</td>
</tr>
<tr>
<td>Recommended by friends/ family</td>
<td>11%</td>
</tr>
<tr>
<td>Wide range of options to browse and filter</td>
<td>8%</td>
</tr>
</tbody>
</table>

“I bought an almost new TV set with warranty card. I ended up getting a good price as the owner was moving abroad and was looking to sell everything.”

35+ yrs, female, metro

1. Urban only
Source: Nielsen 2017 survey (N=1845), BCG analysis

Decoding demand: A cross-category perspective | 42
ACCELERATING DEMAND: IMPLICATIONS FOR PLAYERS
Three key stages of driving growth in digital transactions

1. **Drive adoption**
   - Digital comfort: Build comfort with digital among new users
   - Touch & Feel: Bring ‘touch & feel’ experience to consumers
   - ‘Right’ content: Offer latest updated & relevant content to new users
   - Quick delivery: Push for faster/easier delivery through innovative delivery models
   - Guidance: Guide customers along the purchase pathway
   - Simplification: Ensure ease of use through simplification of platforms

2. **Increase frequency**
   - Attractive proposition: Deliver a real value proposition, over & above deals/discounts
   - Post-sale service: Ensure post-sale service excellence
   - Loyalty: Drive usage through loyalty program
   - Personalization: Communicate in personal and contextually relevant manner

3. **Retain/ Expand share of wallet**
   - Differentiation: Create unique proposition e.g. bespoke service, customization
   - Subscription model: Develop alternate models to drive stickiness
### Category-specific actionable to overcome barriers and drive growth

<table>
<thead>
<tr>
<th>Implication</th>
<th>Product</th>
<th>Services</th>
<th>Content &amp; Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Digital comfort</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2. Touch &amp; Feel</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>3. ‘Right’ content</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>4. Quick delivery</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>5. Guidance</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>6. Simplification</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>7. Attractive proposition</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>8. Post-sale service</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>9. Loyalty</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>10. Personalization</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>11. Differentiation</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>12. Subscription model</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

*Accelerating demand: Implications for players*
The next wave of ecommerce growth is expected to come from women, older cohorts (35+ years) and smaller towns. For new users, the most common barrier to digital adoption becomes ‘comfort’ in using online platforms for transactions.

It is important for companies to ensure that new users are comfortable using digital platforms. This Chinese ecommerce player has been driving omni-channel business for seamless shopping experience to its new online shoppers. It has been able to grow its rural reach with its ‘Proprietary’ service centers which assists new users (rural sellers & buyers) to use its platforms.

Their rural strategy helped grow rural ecommerce in China by 25 per cent in FY16. The company’s rural expansion program is credited with fueling their overall growth.

Source: External reports, BCG analysis
The need to try products before purchasing is a strong motivation that keeps customers from shopping online in categories such as furniture, beauty and apparel. New technologies allow companies to overcome such barriers.

This company’s augmented reality app allows customers to view items from its catalogue in their own homes. Customers can thus try-out the fit and style of products in the space they are intended for.

The free app is easily accessible and offers customers the possibility to order the product directly.

They also enable the digital consumer to experience real ‘touch & feel’ through its physical stores, pop-up shops and ‘experience centers’.

Source: External reports, BCG analysis
Right content: Local search-and-discovery service mobile app
Providing contextual, relevant content for users on the go

Outdated content, irrelevant data/notifications and inaccurate information are some of the key issues plaguing travel and content/media firms online.

This company, that started off providing location-based recommendations for its app users by popularizing the ‘check-in’ concept, now uses a proprietary technology that provides “specific awareness of context in space”. Its technology can sense hyper-specific user coordinates to accurately provide relevant content.

There are more than 10 billion check-ins that their 50 million monthly users have registered to date. This mine of location history data is being leveraged by major companies in the financial services and travel space and this B2B business is also seeing healthy revenue growth.

Sends custom-tailored recommendations based on where its users go in the real world

E.g. Take your phone into few Japanese restaurants over course of 6 months and even without a single check-in, this company will make Japanese food recommendations based on data

Invented the concept of the "check-in": Focuses on exploration and discovery, providing specific local search with targeted suggestions

Determines a user’s coordinates to generate location-based recommendations

While traditional GPS can see when a phone enters a mall, their proprietary technology can understand that phone is on the 3rd floor of the mall or inside a retail store for the second time

- Analyzes such visit history data to accurately predict and provide the right content with preciseness

Source: External reports, BCG analysis
Quick delivery: Large US based Grocery player
Innovating delivery models to shorten time & increase convenience

One of the key reasons for consumers preferring traditional offline outlets over online is the speed of delivery. They would much rather drive up to a nearby store than wait for days to receive the order. Hence, the need for easier and faster deliveries is a strong requirement especially among new users.

Many ecommerce companies are trying to use innovative delivery models to shorten the time to reach consumer. This company has been successfully implementing different delivery methods to minimize time. Direct-to-fridge delivery, partnership with a large cab-aggregator, end-of-day delivery by employees are some of the recent initiatives taken to cut down delivery time.

They are seeing rapid growth in their online grocery business, expecting a 40% increase in e-commerce sales in U.S. in FY18.

---

Expanding physical stores for ‘click & collect’ delivery

- Added **1000 brick-and-mortar stores** from where customers can **pick up groceries ordered online**
- To give **comfort to new online shoppers & extra convenience** vis-à-vis **timings & physical locations**
- Plans to **double** the number of physical **stores next year** to support online-based pick-up

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Delivery through strategic partnerships

- **Last-mile delivery partners** to provide faster options
- Groceries ordered on website delivered **via cab services**
- Testing **delivery by employees**, who drop goods off at customers’ homes at end of day

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Direct-to-fridge delivery

- **Partnered with a smart-security firm** to give drivers access to customer’s home to **directly place groceries in the fridge** *
- Customer can **supervise** the **process** from start to end on app using **security cams**
- **Tweak to suit customer** needs E.g. Deliver to garage instead of inside the house, in case of security concerns

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* In pilot stage

Source: External reports, BCG analysis
Guidance: US retailer specializing in AV equipment
Guiding customers end-to-end along the purchase pathway

Consumers value good consumer service and guidance along the purchase process. E-commerce websites have developed multiple ways to replicate this experience online. Examples include:

1. Product selection advice from chat robots
2. Chat, video call, IM with consumer service employees

This US retailer in audio equipment has an end-to-end consumer service to guide shoppers through decision making, purchasing and after-sales enquiries. They are repeatedly rewarded for their excellent consumer service: Only online retailer to win the Circle of Excellence award for 11 consecutive years from a website that rates the online retailer consumer service.

Pre-purchase enquiry
Consumer wants new audio-visual equipment & starts a chat with this company’s advisor for advice

Purchase guidance
Advisor helps find the right product by pushing relevant pages to consumer’s browser, adds items to cart and answers questions in chat

Consumer journey

Personal connect
Consumer connects with a well-trained advisor, whose profile gives expertise & personal details

Post-sale assistance
Consumer returns with question on assembly: Employee shares video & adds accessories to cart (if needed)

Enablers

Highly trained sales & support staff
Know every detail of 9000+ products in the catalog

Detailed, custom & user-friendly catalog
Easy-to-follow installation techniques, photographs and consumer testimonials

Source: External reports, BCG analysis
Accelerating demand: Implications for players

While competitive pricing is important for attracting consumers, offering a real value proposition over and above deals and discounts is key to engaging consumers and increasing purchase frequency.

E-tailers offer wider assortment / variety, latest products, easy finance options etc. to strengthen their value proposition and attract/engage consumers.

This company has been able to offer huge variety with quality & trusted brands on its platform. From ecommerce to entertainment, it has been able to provide an integrated experience to shoppers.

This firm dominates B2C eCommerce in China. It has a market share of nearly 53% of the B2C market in the country, that is larger than any other marketplace. It has over 500 million registered users, indicating 97% online shoppers use the platform.

Attractive proposition: Chinese B2C online retailer

Delivering a ‘real value proposition’ over and above discounts

Immersive shopping experience driving high consumer engagement

- Started as an ecommerce site, now offers an interactive ‘virtual mall’ experience
  - Brands create individual online experiences
    - Games, live events and streams featuring celebrities with direct purchase links
  - Integrated with social media, entertainment sites, news portals

Elicits trust

- Maintains authenticity and quality of products
  - Acts as a store for well-established retailers with brand power
  - Provide safe, reliable payment methods
  - Continually improves the native payments interface in line with shifting consumer trends and technological developments

Offers wide assortment and variety

- Maintains much wider product range than competitors
  - Featuring >100,000 brands from > 50,000 merchants

Partnerships to expand offering
- Domestic and international partnerships e.g. With farmers for fresh food & grocery
- Collaboration with governments of origin

Source: External reports, BCG analysis
Consumers who are either new or occasional online shoppers claim easier after-sale service to be the key reason for preferring offline over online. Ecommerce companies are trying to offer disruptive post-sale service options to overcome this barrier.

This company provides a smooth after-sale experience to its home furniture shoppers through product installation and assembly help as well as flexible financing options. They have been able to leverage partnerships to build an attractive post-sale service offering.

They has been successfully building strong consumer relationships - Its revenue in 2017 was up 43 percent from a year ago, and the retailer reached 9.5 million active users, up 43 percent year on year.

Partnered with a large furniture installation and assembly services provider

- Their Shoppers connect with a local contractor by adding ‘home services’ (provided by the Furniture installation Partner) to their shopping cart
- Installation cost estimate sent to shopper and charged post project completion

The company offers a range of convenient post-purchase payment options to shoppers

- Private label credit card payment options
- Partnered with an online credit firm to offer shoppers flexibility to buy now and make simple monthly payments for their purchases thereafter, over a fixed period of time
- Extends financing options to a wide set of customers and for a broader range order values than competitors

“Projects require two separate transactions: finding the right product and then a qualified person to help with assembly and installation. Together we removed this friction & made the entire project easy to complete”

- CEO Furniture Installation/Services provider

Source: External reports, BCG analysis
Loyalty: Japanese ecommerce and media company
Witnessing breakout growth through strong loyalty program

Ensuring customer stickiness has long been an objective to increase the share of wallet of existing customers (both frequency and value of purchase). Example of such a successful initiative is their loyalty program.

Their loyalty ecosystem captures 78 million members accounting for ~61% of Japan’s population. They have expanded into multiple adjacencies, further strengthening the ecosystem and hence the loyalty program.

They have been able to hold market leadership position over last 10+ years with 20% market share due to its strong customer proposition & differentiated loyalty scheme.

Loyalty program member **automatically receives 1%** back in the form of points on any purchase in their ecosystem.

Desired members behavior is incentivized by increased cash back up to 10% in form of points:

1. While using their own payment solutions
   - Credit card (12 mn users) / ID check out / Edy e-wallet / bank transfer
2. While increasing share of wallet with them
   - Shop across bigger number of categories
   - Buy from bigger number of stores
3. While buying at points promotions
   - Centralized promotions
   - Individual merchants promotions

**Incentive to shop more often to reach next membership rank with increased rewards:**

- **Silver**
- **Gold**
- **Platinum**
- **Diamond**

Within their ecosystem
- Pay for any of their services online with one click at check out
  - E.g. Mobile phone bill payments
  - Free ATM and money transfer services in their bank

Outside their ecosystem
- Redeem points in 13K+ offline stores from 12 affiliated companies

Source: External reports, BCG analysis
Consumers are increasingly developing an affinity for greater customization and personalization. They demand non-mass unique products & services and don’t mind paying a premium for it too.

This company has been able to personalize communication to the user based on deep data analytics. Their user-specific front screens display uniquely tailored recommendations of shows/movies the user is most likely to watch. 75% of viewer activity is based on the suggestions; indicative of the success of the algorithm.

Through personalization, they have been able to deepen engagement on its platform thereby reducing user churn to <10% of subscriber base, far lower than its competitors.

Engagement data collected across metrics
- Preferred location/device/time for watching what type of content
- Browsing, scrolling, searching habits
- Series and episode completion rate
- Within movie ‘in-the-moment’ data like credits roll, volume, colors etc.

Feeds into a personalized recommendation algorithm to accurately predict what users will most likely watch next
- Algorithm resets every 24 hours to help consumer discover current titles of interest

Personalized promotions
Tailor-made trailers created based on user viewing patterns vs standard mass trailers
- E.g. Customized trailers for audiences based on demographics and their celebrity/content preferences

Custom emails
Email recommendation sent when a show is added that one may like based on existing viewing habits

User-tailored push / in-app notifications
Each notification is uniquely crafted based on a person’s viewing habits to pique user interest

Today, 33 million personalized versions cater to ~109 million users

Source: External reports, BCG analysis
FOR FURTHER READING

The Boston Consulting Group publishes other reports and articles on related topics that may be of interest to senior executives. Recent examples include:

**The New Indian: The Many Facets of a Changing Consumer**
A focus by The Boston Consulting Group, March 2017

**Profiting from Personalization**
An article by The Boston Consulting Group, May 2017

**A Disconnect and a Divide in Digital-Marketing Talent**
A focus by The Boston Consulting Group commissioned by Google, March 2017

**Five Surprises About How Indians Shop Online (and Offline)**
An article by The Boston Consulting Group, December 2017

**Decoding Digital Impact: A $45 Bn Opportunity in FMCG**
A report by The Boston Consulting Group in association with Google, September 2017

**Decoding Digital Consumers in India**
A focus by The Boston Consulting Group, July 2017

**Demystifying the Indian Online Traveler — Hotels: A Four Billion Dollar Opportunity**
A report by The Boston Consulting Group in association with Google, June 2017

**The Rising Connected Consumer in Rural India**
A focus by The Boston Consulting Group, August 2016

**Travel Innovated: Who Will Own the consumer?**
A focus by The Boston Consulting Group in association with BCG Digital Ventures and B Capital Group, January 2016

**A Renaissance for Revenue Management in Travel and Tourism?**
An article by The Boston Consulting Group, October 2015

**The Changing Connected Consumer in India**
An article by The Boston Consulting Group, April 2015
NOTE TO THE READER

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