Retail

Issue Report

Consumer Attitudes & Online Retail Dynamics in India

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1 Introduction

1.1 What is this Report About?

This report is the result of ICD's extensive market research covering the online retail industry in India. "Consumer Attitudes and Online Retail Development in India" provides the magnitude, growth, share and dynamics of the online retail market in India. It is an essential tool for companies active across India's online retail value chain and for new players considering entry into India's online retail market. It provides data for historic and forecast online retail sales, and also includes the business environment and country risk related to the Indian online retail environment.

1.2 Definitions

All data is collected in local currency. The annual growth rates from local currency to US$ may vary, as all conversions into US$ of historical data are made at that year's average annual conversion rate, and current and forecast years made at the 2010 annual average rate. All values in tables are displayed to one decimal place, but for data points which are too small to differentiate over the years, decimal places have been increased. Growth rates may appear inconsistent with absolute values due to rounding.

For the purposes of this report, the following timeframes apply:

- **Review Period:** 2005–2010
- **Forecast Period:** 2011–2015

Table 1: India Exchange Rate INR-US$ (Annual Average), 2005–2010

Sector	2005	2006	2007	2008	2009	2010
INR-US$ Exchange Rate (Annual Average)	0.02	0.02	0.02	0.02	0.02	0.02

Source: OANDA and ICD Research analysis © **ICD Research**

The key channels and categories featured in the report are defined below:

Table 2: ICD Research Retail Channel Definitions

Channel Group	Channel	Definition
Discount retailers	Cash and carries and warehouse clubs	Cash and carry traders sell from a wholesale warehouse to customers such as small retailers and professional users, who pay on the spot and transport the goods away themselves. Warehouse clubs are no-frills stores that sell discounted goods to members who pay an annual fee. Delivered wholesale sales are not included.
	Discount, variety stores and general merchandise retailers	Discount and variety stores includes all sales through stores that sell inexpensive items, especially cleaning supplies, toys and confectionery, at a single or limited number of price points, and are often named after the price of the merchandise, such as Dollar Store or Pound Store. General merchandise includes all sales through stores that offer a wider selection of primarily non-food goods at inexpensive prices.
General retailers	Convenience stores and gas stations	Includes all sales through stores of an area generally less than 300 square meters that specialize in a limited range of food and grocery products, designed primarily for consumers seeking convenience. Also included are sales in kiosks, newsstands and retail outlets attached to gas stations where fuel is the main revenue driver.
	Department stores	Includes all sales through multi-category retailers, focusing primarily on non-grocery

Table 2: ICD Research Retail Channel Definitions

Channel Group	Channel	Definition
		categories with distinct departments specializing in defined product areas. Examples include Bloomingdale's, Macy's, John Lewis and El Corte Inglés
	Hypermarkets and supermarkets	Hypermarkets and mass merchandisers include all sales through retailers, such as Walmart, with floor areas over 2,500 square meters that carry full lines of both grocery and general merchandise. Supermarkets include all sales through retailers with floor areas of 300–2,500 square meters that offer a wide, departmentalized range of grocery, and may carry some general merchandise lines; examples include Sainsbury's and Kroger.
	Vending machines	Includes paid-for sales from all vending machines not located within a store, such as public places, workplaces, pubs and bars.
	Other general retailers	Includes other generalist retail channels not included in the categories above, such as market traders, charity stores and student union stores.
Specialist retailers	Clothing, footwear, accessories and luxury goods specialists	Includes all sales through retailers where clothing, footwear, accessories or luxury goods are the main footfall drivers and account for the majority of sales.
	Drug stores and health and beauty stores	Includes all sales through beauty and cosmetics specialists, drug stores, pharmacists, health stores and opticians.
	Duty-free retailers	Includes all sales through airside retailers in airports or on board an aircraft or ferry. Excludes tax-free purchases by tourists at conventional stores.
	Electrical and electronics specialists	Includes all sales through retailers where electrical or electronic goods are the main footfall drivers and account for the majority of sales.
	Food and drinks specialists	Includes bakers, butchers, delicatessens, drinks specialists, fishmongers, greengrocers and single-category stores, such as stores selling only cheese, olives or honey.
	Home furniture and housewares retailers	Includes all sales through retailers where floor coverings, furniture or housewares are the main footfall drivers and account for the majority of sales.
	Home improvement and gardening supplies retailers	Home improvement includes all sales through retailers specializing in the sale of home improvement tools and materials, primarily aimed at consumers rather than trade needs, for example Home Depot or B&Q. Gardening supplies encompasses all sales through retailers that specialize in the sale of plants and related tools and products
	Music, video, book, stationery and entertainment software specialists	Includes all sales through retailers where books, entertainment software, music, stationery or video products are the main footfall drivers and account for the majority of sales.
	Other specialist retailers	Includes all sales through flower stores, gift stores, jewelers, pet stores and other stores that focus on one specific product or category, such as sunglasses stores.
Online retailing	Overall	Includes all sales of the relevant category that take place over the internet, irrespective of whether the vendor is solely an internet-based company or the online arm of a conventional retailer.

Source: ICD Research Analysis **© ICD Research**

Table 3: ICD Research Retail Category Definitions

Category Group	Category	Definition
Apparel, accessories and luxury goods	Clothing and footwear	Includes all footwear categories, baby clothing, toddler clothing, and active wear, casual wear, essentials, formalwear and outerwear for men, women and children.
	Jewelry and watches	Includes gold jewelry, silver jewelry and other precious jewelry such as diamonds and platinum; precious stones such as sapphires, emeralds and rubies; natural and cultured pearls and semi-precious stones such as quartz, opal, topaz, amethyst and coral; non-precious fashion jewelry; hair accessories; belts; hats; gloves; scarves; sunglasses; ties; and watches.
	Luggage and leather goods	Includes suitcases, travel bags, briefcases, handbags, wallets and purses.
Books, news and stationery	Printed media	Includes paperback, hardbound books and books sold from internet sites such as Amazon, but not e-books. Books sold to libraries are excluded. Retail sales of newspapers, periodicals and magazines are included, but subscription copies are not.
	Stationery and cards	Includes personal stationery products such as notebooks, erasers, pencils, rulers, sharpeners, writing boards, exam boards, graph books, pencil boxes, geometry boxes, notebook covers, glue sticks, maps, paper clips and binders, pencil grippers and calculators sold through retail channels, excluding office supplies. Cards include seasonal and every-day cards.
Electrical and electronics	Communications equipment	Includes retail sales only of answering machines, fax machines, fixed-line telephones, mobile phone accessories and mobile phones.
	Computer hardware and software	Includes retail sales only of desktops and laptop computers, software, memory sticks, CD packs, hard disks and other data storage devices, computer peripherals, PDAs, organizers, calculators and satellite navigation systems.
	Consumer electronics	Includes CD players, DVD players and recorders, hi-fi systems, home theater systems, in-car entertainment systems, portable digital audio devices, radios, televisions and video recorders, home and portable games consoles.
	Household appliances	Includes major domestic appliances such as air conditioners, dishwashers, dryers, freezers, hobs and extractors, microwave ovens, refrigerators, stoves, vacuum cleaners and washing machines, as well as minor domestic appliances such as blenders, coffee machines, deep fryers, food processors, grills, hand-held mixers, irons, juicers, kettles, stand mixers, toasters, sun lamps and fans.
	Photographic equipment	Includes camcorders, cameras, projectors, camera and camcorder accessories, binoculars and telescopes.
Food and grocery	Drinks	Includes retail, not on-trade, sales of soft drinks, hot drinks and alcoholic drinks.
	Household products	Includes retail sales only of air fresheners, bleach, dishwashing products, furniture-cleaning products, general-purpose cleaners, insecticides, paper products, scouring products, textile washing products and toilet care products.
	Packaged food	Includes retail, not foodservice, sales of bakery products and cereals, canned food, chilled food, confectionery, dairy products, dried food, frozen food, ice cream, oils and fats, sauces, dressings, condiments, savory snacks, soup and spreads.
	Personal care	Includes retail sales of fragrances, haircare, make-up, oral hygiene, over-the-counter healthcare, personal hygiene and skincare or sun care. Prescription drug sales are not included.
	Tobacco	Includes retail sales of chewing tobacco cigarettes, cigars and cigarillos, and loose tobacco, including vending machine sales.
	Unpackaged food	Includes retail, not foodservice, sales of unpackaged fruit, vegetables, meat, grains and other food categories.

Table 3: ICD Research Retail Category Definitions

Category Group	Category	Definition
Furniture and floor coverings	Floor coverings	Includes retail, not trade, sales of carpets, mats, rugs, carpet tiles, hard tiles, laminates, vinyl and wood flooring.
	Furniture	Includes retail sales of domestic furniture for the bedroom, dining room, home office, living room, kitchen and bathroom. Does not cover contract furniture.
Home and garden products	Gardening and outdoor living	Includes garden buildings, manual and electric garden tools, garden utensils, outdoor-living products such as garden furniture, barbecues and ornaments, and plants and growing media such as bulbs, compost, domestic fertilizer, flowering plants, seeds, shrubs and trees.
	Home improvement	Includes retail, not trade, sales of decorating materials such as paint, varnish, wall tiles, wallpaper; electrical hardware such as alarms, light fittings, plugs and switches; hardware such as brackets, locks, nails, bolts and nuts; other materials such as adhesive, aggregates, boards, cement, doors, window frames, glass, bricks and timber; and manual and power tools.
	Home wares	Includes retail sales of home hardware such as crockery, cutlery, glassware, rubbish bins, storage, mechanical utensils and home devices; lamps and lampshades; textiles and soft furnishings such as bathroom textiles, bedding, cushions, futons, hammocks, mattresses, table linen, furniture covers and doormats; and window dressings such as blinds, curtain poles, rails, curtains and hooks.
Music, video and entertainment software	Games software	Includes retail sales of games for domestic games consoles, handheld games consoles, mobile phones and other wireless devices and games for PC or Apple Mac desktop computers. Online games such as Second Life and console hardware sales are excluded.
	Music and video	Includes retail sales of pre-recorded music singles, CDs, VCDs, DVDs and Blu-Ray discs, and paid downloadable music or video.
Sports and leisure equipment	Sports equipment	Includes retail sales of equipment for sports, adventure sports, fishing, golf, racket sports and winter sports, and all other sports equipment sold at retail.
	Toys and games	Includes retail sales of action figures, activity toys, dolls, games, infant or baby toys, miniature models, plush toys, puzzles, ride-on model toys and toy vehicles.

Source: ICD Research Analysis

Data from the following 50 countries is consolidated to arrive at global numbers:

Table 4: ICD Research Retail Country Coverage

The Asia-Pacific	**Western Europe**	**Central and Eastern Europe**	**Latin America**
Australia	Belgium	Austria	Argentina
China	Denmark	Bulgaria	Brazil
Hong Kong	Finland	Czech Republic	Chile
India	France	Hungary	Colombia
Indonesia	Germany	Poland	Mexico
Japan	Greece	Romania	Peru
Malaysia	Ireland	Russia	Venezuela
New Zealand	Italy	Slovakia	**Middle East and Africa**
Philippines	Netherlands	Turkey	Egypt
Singapore	Norway	Ukraine	Israel
South Korea	Portugal	**North America**	Saudi Arabia
Thailand	Spain	Canada	South Africa
	Sweden	United States	UAE
	UK		

Source: ICD Research Analysis

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1.3 Summary Methodology

1.3.1 Overview

All data in this series of retail reports from ICD Research is rigorously sourced using a comprehensive, standardized methodology. This methodology ensures that all data is thoroughly researched and cross-checked against a number of sources and validation processes. At the core of this methodology is a triangulated market sizing approach, which ensures results of different sources and approaches, including ICD's own industry surveys, are compared against each other and a final consensus number between these inputs is derived. In addition, the standardized processes and quality controls across the entire data collection, analysis and publication process ensures compliance and cross-checking of the data occurs at each stage of the methodology.

1.3.2 The triangulated market sizing method

The triangulation method ensures that the results from three distinct phases of the research are brought together and cross-compared before the finalized market numbers are derived:

1. **Existing internal resources**: as retail data is compiled using a rolling annual program of industry research, the first stage of producing the data is to review the existing internal information, both from the last major data release and the data which has been collected on an ongoing basis throughout the year. This includes inputs about the market as well as individual retailer performance. These sources are then reviewed and incorporated into data collection processes and databases before the second intensive phase of research and trend monitoring begins.

2. **Research and trend monitoring**: this phase of the methodology incorporates the main phases of secondary and primary research which are undertaken in order to compile the data. Initially the secondary research is conducted across a wealth of information sources, listed below. In addition, the results of primary research undertaken by the analytical team's industry experts, and any online surveys we have undertaken, are also fed into data collection sheets. Online industry surveys can include industry opinion surveys of the retailer's sentiment and consumer surveys of purchasing and retail behavior. In addition, ICD also undertakes primary calls with retailers, trade associations and industry experts within countries. Secondary sources include, but are not limited to, the following:

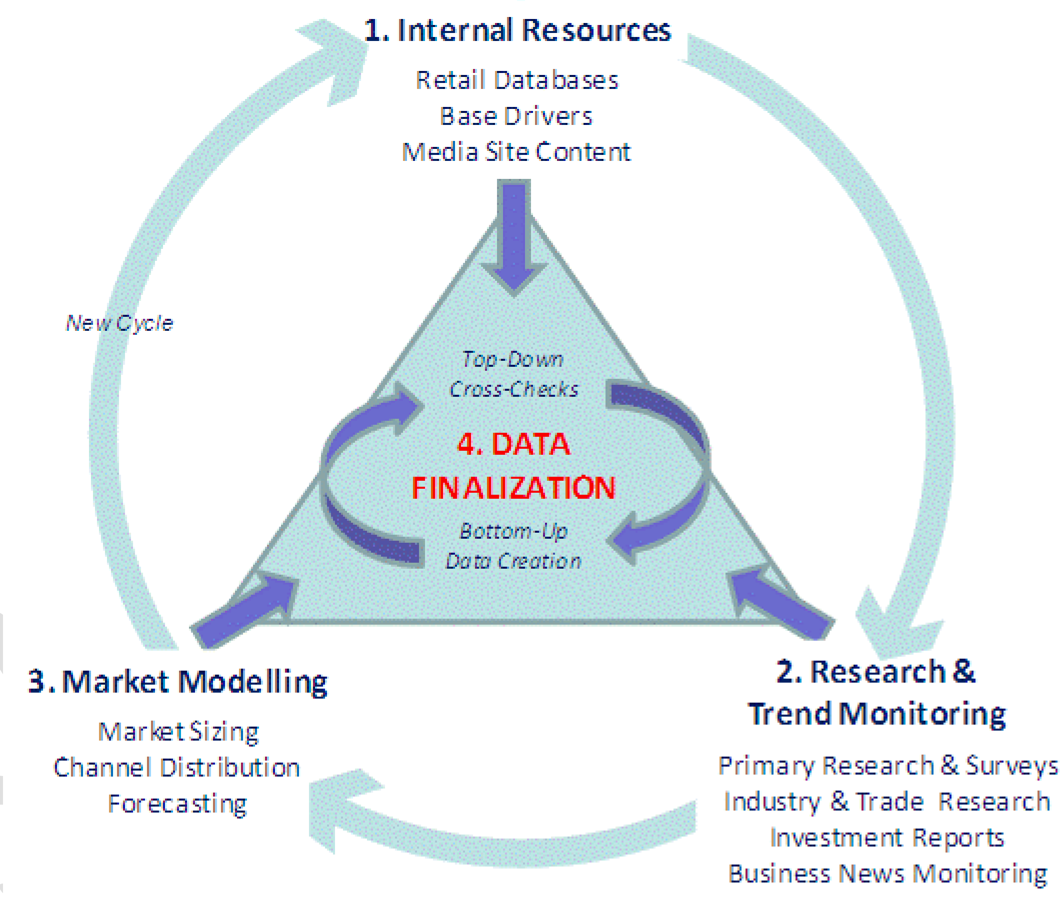
    a. Industry surveys
    b. Industry and trade association research
    c. Trade portals
    d. Company filings and analyst presentations
    e. Broker and investment analyst reports
    f. International organizations
    g. Government statistics
    h. Retail media
    i. National Press, including both business and consumer titles

3. **Market modeling:** the next stage in the process is to feed the results of the primary and secondary data into market models. The market models include drive-based forecasting tools, which analyze drivers such as disposable income, product uptake, macro-economic drivers and market momentum,

to fill in any gaps in the data and update forecast numbers. At this stage, the market models also seek to update channel distribution data sets. For example, information found at the research and trend monitoring stage on online retail sales would directly affect the channel distribution models.

4. **Data finalization:** the final stage of the process is the true “triangulation” of all the previous inputs. At this stage data is created using the inputs to hand in a bottom-up fashion, starting with the inputs from each of the previous three stages of the process for each data point to be published. This is done for all the product, channel and country combinations covered in the data. At this stage, therefore, the project analysts are constantly evaluating and deciding upon the relative merits of each of the inputs from the research processes. Once a “triangulated” set of data has been finalized, these outputs are then thoroughly cross-checked using a series of top-down checks which review the data against a series of reference benchmarking, including known overall retail sizes, growth trends and per-capita spending rates.

Figure 1: The Triangulated Market Sizing Methodology



Source: ICD Research analysis / © **ICD Research**

1.3.3 Industry surveys in the creation of retail market data

During stage 2 of the above process there are two main types of online survey which provide core inputs into the retail market data:

1. **A large-scale survey of consumers' consumer packaged goods consumption:** each year a very large-scale survey, with over 120,000 survey responses, is conducted which looks at the consumer packaged goods (CPGs) purchasing and consumption habits of consumers in 10 core retail markets around the globe. This large study, which has its outputs cross-referenced against primary telephone research of product market sizes by country, provides outputs which are assessed against the relevant retail market data that focus on the grocery channel and core products in this channel.

2. **Industry opinion surveys of the retail industry:** through its retail panel contacts, ICD conducts an online survey of the leading executives in the global retail industry. These regular surveys provide inputs on the industry's view of its expected future development and growth patterns, key areas to watch and retailers' general strategy and approach towards developing their product offering in the future. This provides regional and country benchmarks on predicted future retail performances, based on the views of key companies within those markets.

In addition, any other suitable surveys which are conducted by ICD Research and also provide information on retail markets are also mined for information which is inputted into the data finalization process.

1.3.4 Quality control and standardized processes

Crucial to the success of ICD's research method is the adoption of strict definitions for all products and channels, and adherence to a standardized process at each and every stage in the methodology. By following this approach all data is made cross-comparable across countries to ensure that analysis adds to understanding of market dynamics and trends.

The key elements of this approach are:

- **Strict channel definitions:** the definition of each channel is the same in every country.
- **Strict product definitions:** the definition of each product is the same in every country.
- **Standardized processes:**
    - ***Data capture*** – all data received as part of the research is captured in standardized files and in a standard format. Any of the workings that analysts carry out on inputs, such as correcting a misalignment in category coverage, are also noted in these sheets.
    - ***Data creation*** – all modeling and forecasting approaches are standardized in order to ensure consistency.
    - ***Finalization and verification*** – systematic methods and approaches are used to finalize data points.
- **Country by country research structure:** all research is conducted country by country in order to ensure the market data reflects local market trends and contexts.
- **Data checks during "bottom-up" creation:** during the data creation and finalization stage analysts refer back to initial sources and inputs in order to ensure accuracy in the data.
- **Top down data audits and cross-checks:** a large series of cross-checks across all the different dimensions of the final data sets are run in order to identify any outliers or trends that do not fit with ICD's market understanding, as well as to conduct specific analyses against set proofing criteria, such

as abnormal growth rate changes, verifying data at both the overall and detailed level against research inputs and checking per capita spends against other analysis of consumers' spending in a country.

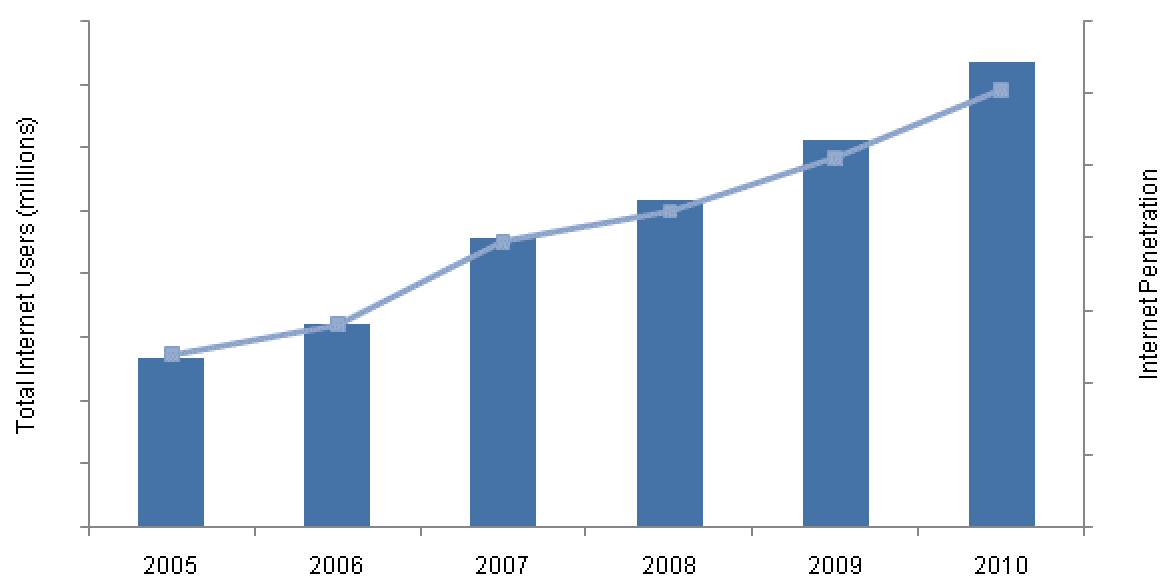
- **Hierarchical review processes:** finally, all of the above processes are subject to a hierarchical review process which ensures that not only do the core analysts within a team look at the data, but that at each stage data is passed through several management layers in order that queries, and data reviews and sign-offs, are completed before any final data can be published.

2 Consumer Insight: Online Shopping Attitudes and Behaviours

2.1 Overview of the India Online Shopping Environment

2.1.1 Increasing internet penetration will continue to drive online retail sales during the forecast period

Figure 2: Total Internet Users (Millions), 2005–2010



Source: ICD Research analysis **© ICD Research**

2.1.2 Growth in internet speeds will allow retailers to offer richer content

2.1.3 M-commerce in India is underdeveloped and will see moderate growth in future

2.2 Consumer Attitudes and Behavior

This section gives insights into online consumer attitudes and behavior, and how retailers are using best practices to connect to the online consumers in India.

2.2.1 There is an increase in the number of online shoppers from smaller towns and tier III cities in India

2.2.2 Three quarters of online shoppers are young Indians (18–35 years)

2.2.3 Under-developed organized retailing is a major reason for slow growth in online channel

2.2.4 Sports and leisure equipment leads the pack in terms of online share among category groups

2.2.5 Indian online shopping share is one of the lowest among the Asian countries

2.2.6 Mobile e-retailing will gain wider acceptance during the forecast period

2.2.7 Debit and credit cards remain the favorite mode of payment for Indian online consumers

2.2.8 Low-touch product group displays high growth in forecast period

2.2.9 Indian consumers are apprehensive towards online shopping

3 Online Channel Dynamics

4 Case Studies: Leading Online Retailers in India

In this section, the report identifies and provides detailed case studies on leading online retail sites from within India. These sites have been selected based on specific criteria, resulting in examples which provide best-practice case studies but which also offer insights which are feasible for retailers of significant scale to adopt. Major international online retailers, who tend to operate very similar websites in each country in which they operate, are excluded from this study. This is partly to avoid repetition of case studies between countries in this report series, and also because these sites tend to already be well known to most in the industry.

Specifically, the selection process and criteria for these case studies are as follows:

- A short list of the leading 30 online retailers within a country is developed, based on their online retail sales.
- From this list major international retailers, such as Amazon, are excluded. These exclusions are made to avoid profiling sites already well known by many in the industry and to avoid repetition of case studies between different countries in this report series.
- ICD reviews these sites for innovative features which enhance either the site's functionality, or which improve the user's online browsing and shopping experience.

In the case of highly innovative sites that fall outside the top 30 online retailers, a summary of their key innovative features is included at the end of this chapter.

4.1 Retailer 1

4.1.1 Business description

4.1.2 Site experience

Approach to using online space

Organization and layout

Online tools to help browse and compare products

Online loyalty schemes

Security and payment options offered

Mobile version

5 Appendix

5.1 Methodology

ICD Research's dedicated research and analysis teams consist of experienced professionals with an industry background in marketing, market research, consulting and advanced statistical expertise.

ICD Research adheres to the Codes of Practice of the Market Research Society (www.mrs.org.uk) and the Society of Competitive Intelligence Professionals (www.scip.org).

All ICD Research databases are continuously updated and revised.

5.2 Contact us

If you have any queries about this report, or would like any further information, please contact icdreports@progressivedigitalmedia.com

5.3 About ICD Research

ICD Research is a full-service market research agency and premium business information provider, specializing in industry analysis in a broad set of business to business (B2B) and business to customer (B2C) markets. Our products and services help companies to make better decisions, win business and position themselves more effectively.

ICD Research's areas of expertise include online research, qualitative and quantitative research, industry analysis, custom approaches, and actionable insights.

ICD Research has access to over 500 in-house analysts and journalists, and a global media presence in over 30 professional markets, enabling us to conduct unique and insightful research via our trusted business communities.

5.4 Disclaimer

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