

Editorial

India has emerged as a powerful hub for retail over the past decade and is projected as the third-largest retail market globally in 2024. The total merchandise value of the Indian e-retail market has grown to nearly \$60 billion, the second largest in the world. India's consumption and discretionary spending have faced headwinds in recent years. It has fallen from 11% pre-COVID (2017-19) to around 8% post-COVID (2022-24). This decline appears to be due to high inflation and stagnant real wages. Consumption pressure is evident with e-retail growth forecast to be 10% to 12% in 2024, compared to historical growth rates of over 20%. However, recent fiscal and monetary policy interventions are expected to revive e-retail growth, especially from the festive season in 2025 onwards, due to the revival of the consumption cycle. E-retail is expected to grow by 18% over the next six years, reaching an estimated \$170 to \$190 billion in GMV. By 2030, nearly \$1 in every 10 retailers will be spending on e-retail. This growth will be further strengthened as India's per capita GDP crosses \$3,500-\$4,000. Indian states with a per capita GDP above \$3,500 already have 1.2 times more e-retail businesses than other regions. High-frequency categories like grocery, lifestyle and general merchandise will drive e-retail growth. These categories will see e-retail penetration increase two to four times during this period. India's shopping landscape will be reshaped. User adoption is already spreading from Tier-2 to Tier-3 cities, with three out of every five new buyers coming from Tier-3 cities or smaller since 2020. This growth is opening up access to consumers in remote, brand-hungry regions, with e-retail buyer penetration in the Northeast being 1.2 times higher than in the rest of India. The number of sellers is also diversifying. Since 2021, 60% of new sellers have come from Tier-2 cities or smaller. The Indian retail market is undergoing a dynamic transformation, driven by rising disposable incomes, urbanization, and growing internet usage. Key trends include the growth of omnichannel strategies, hyperlocal micro-retailing, technology integration, and an emphasis on personalized shopping experiences. As online shopping gains popularity, the importance of the in-store experience remains significant for many consumers. Retailers are increasingly adopting omnichannel strategies, ensuring a seamless customer experience across online and offline channels. This includes online shopping, in-store shopping, and even offering services like curbside pickup and same-day delivery. Hyperlocal micro-retailing, strategically placing small stores for convenience, is also gaining popularity. Digitization is crucial for retailers, with retailers implementing technology solutions for inventory management, supply chain optimization, point-of-sale systems, and even delivery apps. Customers are looking for personalized shopping experiences both online and offline. Retailers are using data and AI to create tailored recommendations and in-store interactions, including interactive product displays and in-store events. Online penetration is increasing, but it is important to remember that a significant portion of shopping still happens offline. While e-commerce growth is strong, it faces some challenges due to factors such as inflation and wage stagnation. The share of organized retail is expected to increase from 18-20% to 25-30% by 2025 as modern commerce and e-commerce continue to expand. There is increasing focus on sustainable products and eco-friendly practices.

Debashis Sarkar

Editor-in-Chief