

The BCG logo is rendered in a dark green, serif font. The background of the slide features a digital theme with binary code (0s and 1s) falling vertically, a glowing green fingerprint at the bottom, and a pattern of semi-transparent green circles of varying sizes.

THE BOSTON CONSULTING GROUP

The Google logo is displayed in its multi-colored font (blue, red, yellow, green, blue) with a trademark symbol (TM) to the upper right.

# DIGITAL CONSUMER SPENDING IN INDIA: A \$100 Bn Opportunity

February  
**2018**

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**05**

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**ACCELERATING  
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IMPLICATIONS FOR  
PLAYERS**



# 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.



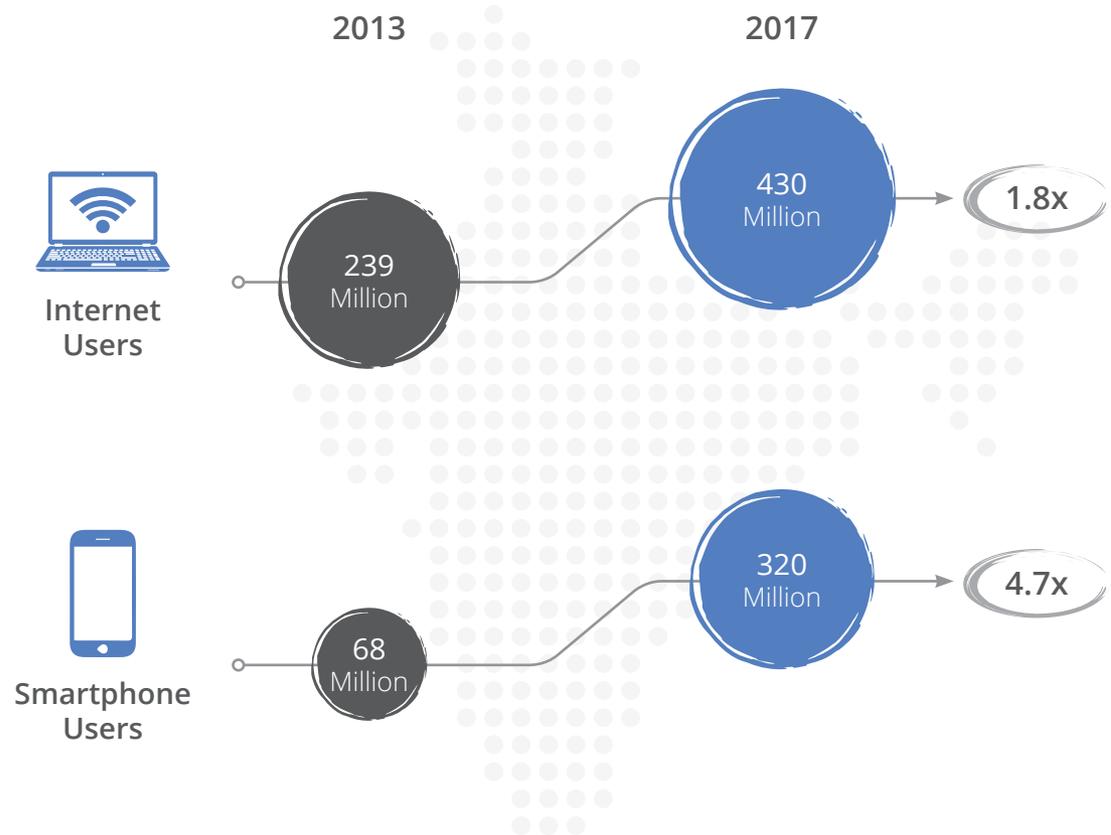
# **SIZING DEMAND: INDIA'S DIGITAL ADOPTION CURVE**



# 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.

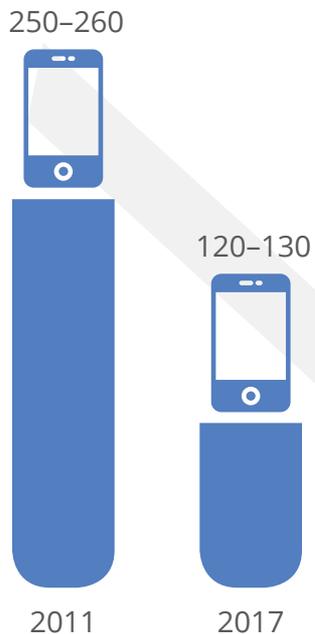


**Note:** 2013 figures are for December 2013, 2017 figures are as of September 2017  
**Source:** IDC Quarterly Mobile Phone Tracker 2017Q3, TRAI: Indian Telecom Services Performance Indicators report Dec 2013, Sep 2017, Ericsson Mobility report Nov 2017, BCG analysis based on Project Experience and Research

# Huge data unlock is along the way, driven by 3 forces

## Falling smartphone prices

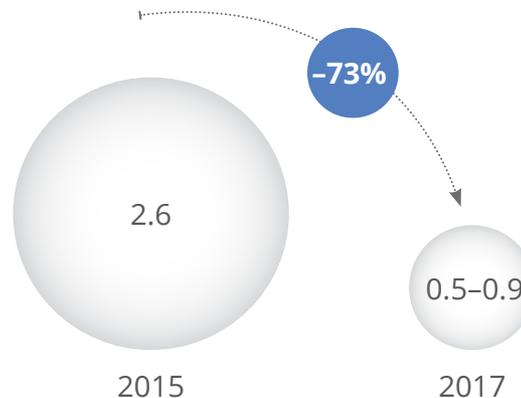
Average smartphone price (US \$)



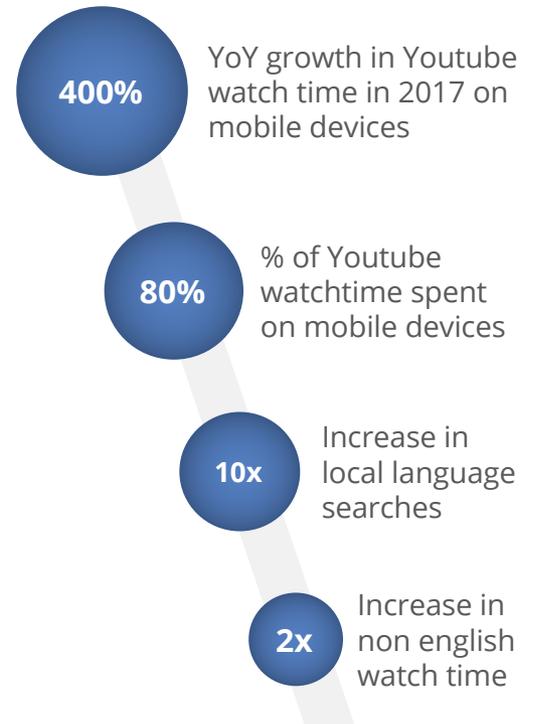
## Significant decrease in data tariffs

### Data tariffs in India

Annualized realized data tariffs per GB of data as a % of GNI per capita (2015)



## Increase in availability of local language/mobile-first content



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

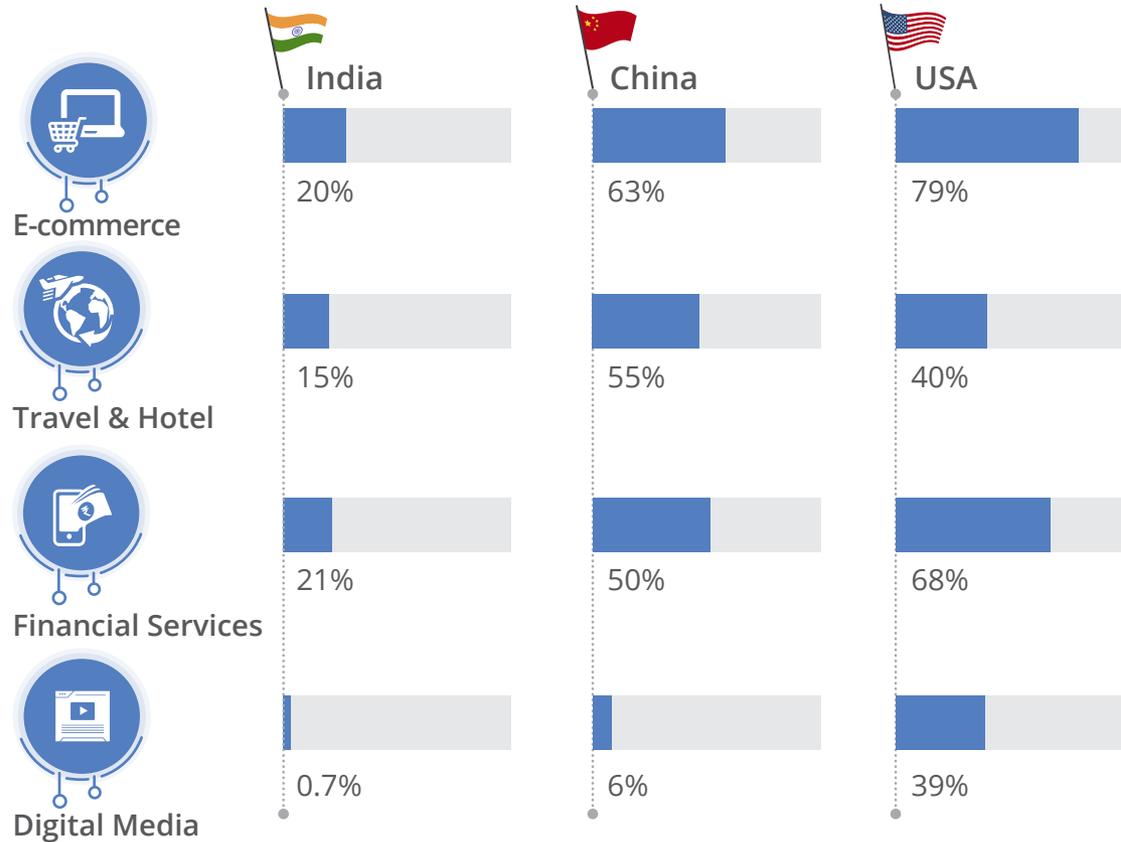
# However, digital transaction adoption lags far behind China, USA across categories

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 (%)



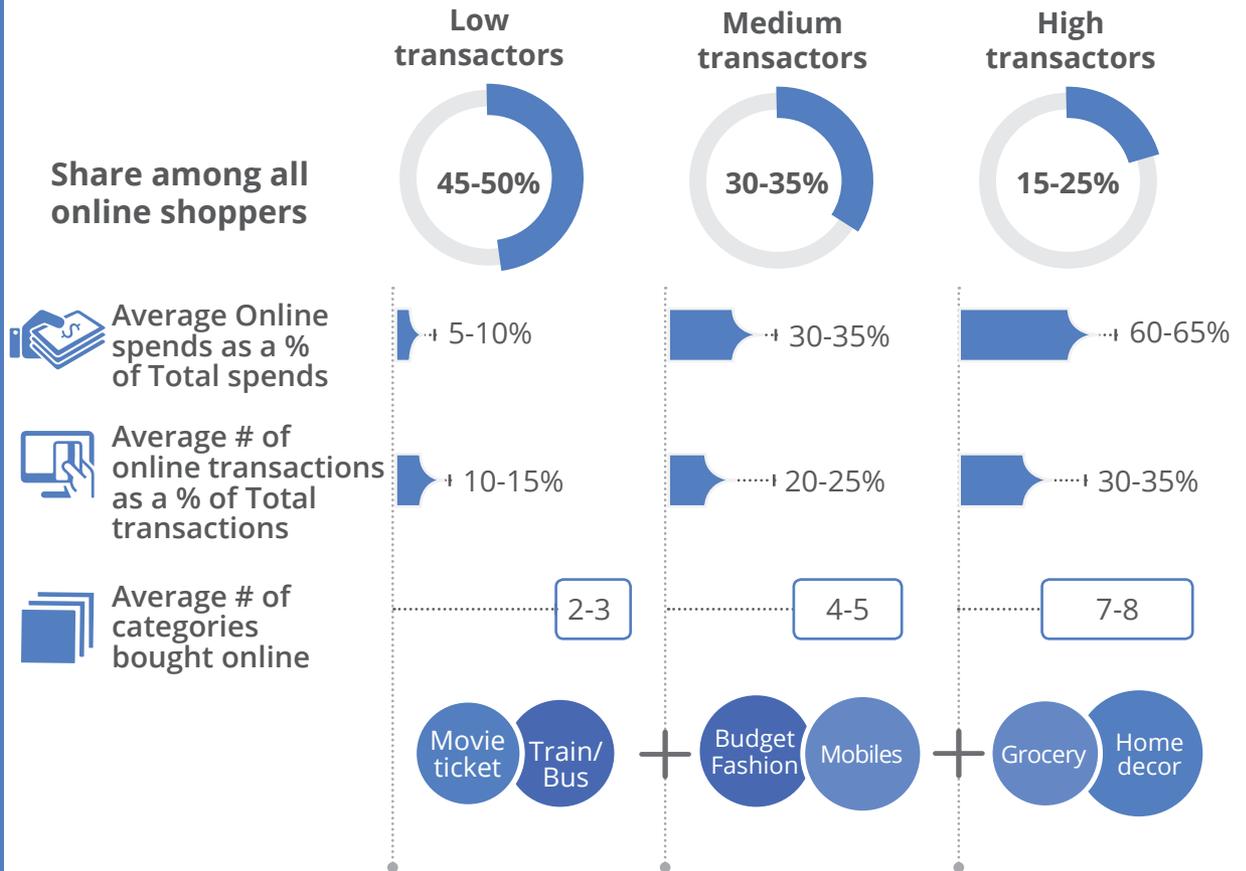
**Note:** E-commerce includes Apparel, Consumer electronics, FMCG, Luxury, Appliances, Home, Health, Food & grocery; Travel and other bookings includes Air, Train, Bus, Hotel and Holiday bookings; Financial services user base includes those users that perform online banking (undertake transactions or 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

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

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.



**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

# \$ 100 BN worth of digital transactions potential in 2020

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



**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

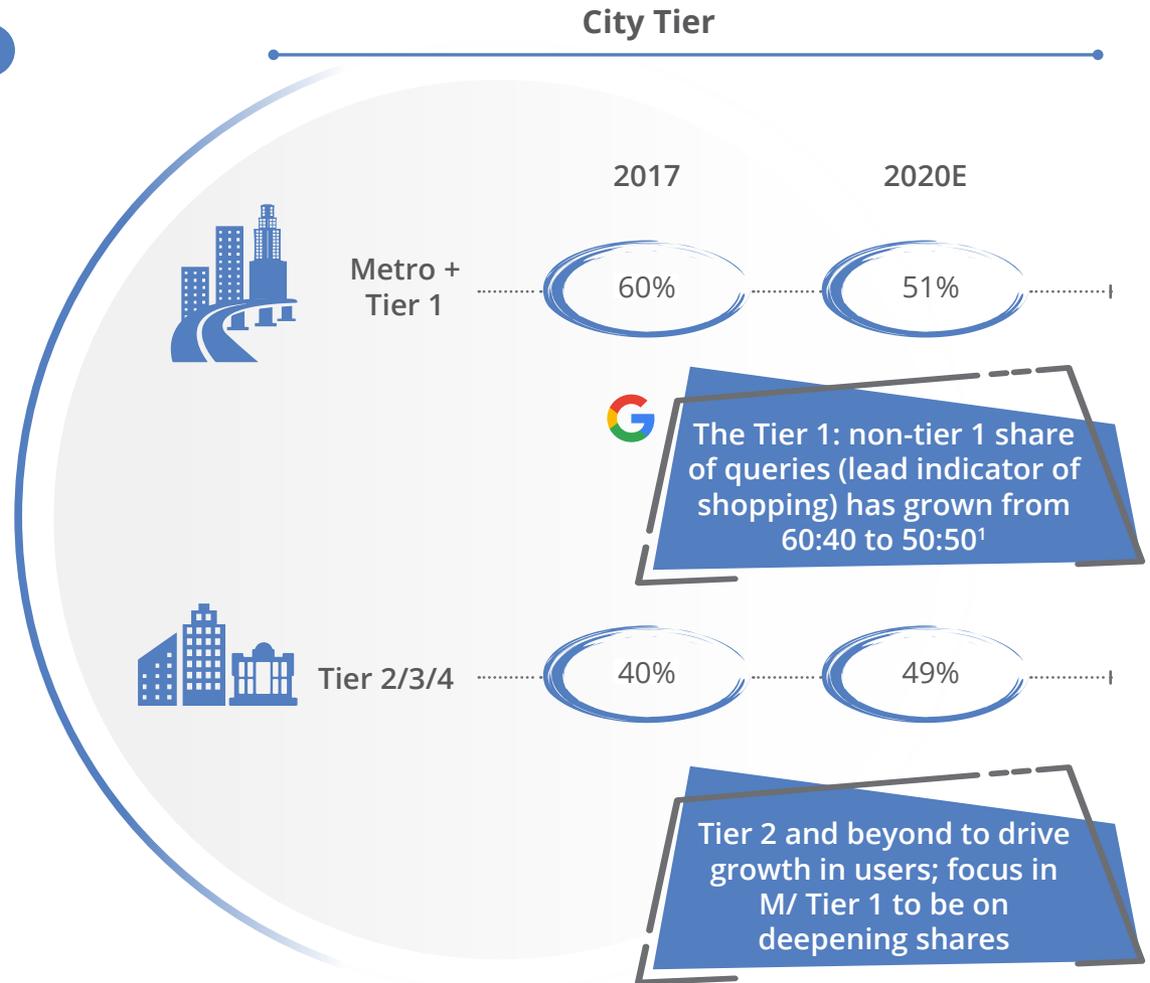
**Source:** TRAI: Indian Telecom Services Performance Indicators report Sep 2017, BCG CCI Digital Influence 2017 Study (N=18,000), BCG FIBAC 2017 report, Forrester Online Retail Forecast Report Mar 2017, Ovum Informa Media Report Nov 2017, BCG analysis based on Project Experience and Research

# Women, 35+ year olds and smaller tiers will drive growth

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.

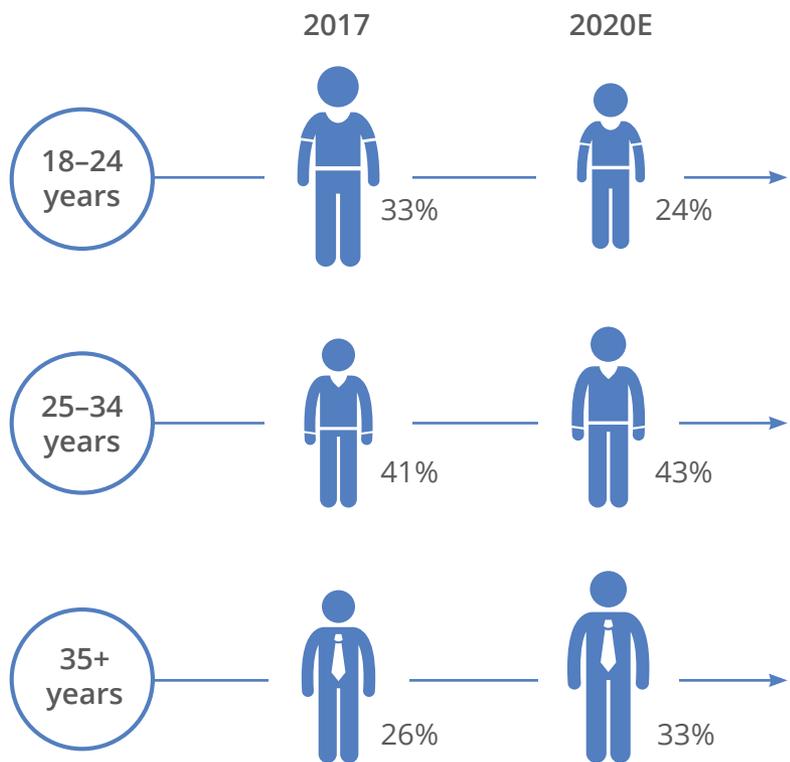
There will be 2.5x women shoppers and ~3x older shoppers (35+ years) compared to today. Online shopping will also take off in India's non tier-1 cities as consumers there mature while infrastructure improves. These cities will comprise more than 50% of the online shopper base by 2020.

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

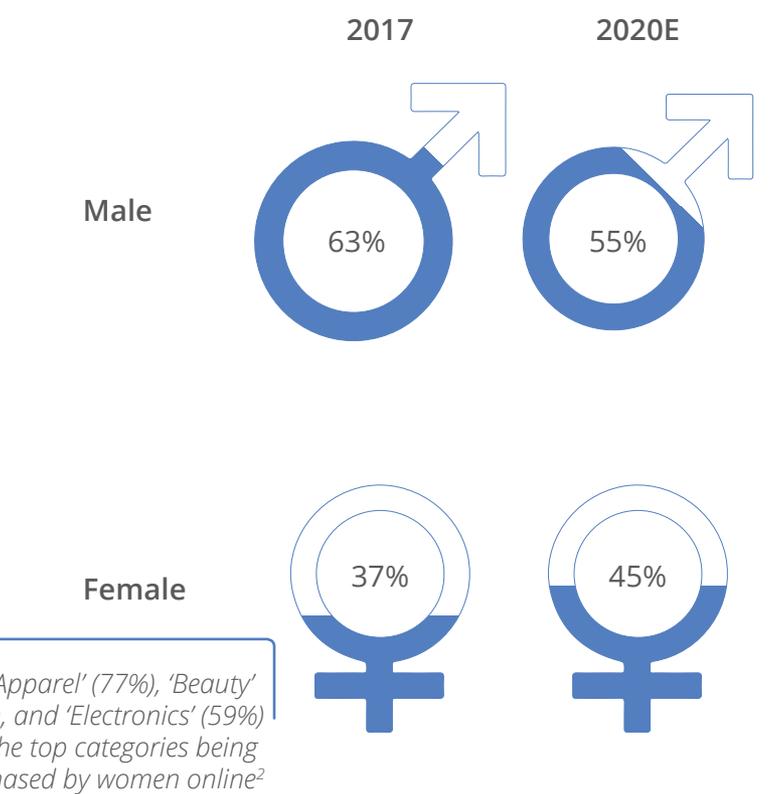


1. In the period from Jan-Sep 2016 to 2017; Tier 1 cities include Bengaluru, Chennai, Delhi, Faridabad, Ghaziabad, Greater Noida, Gurgaon, Hyderabad, Kolkata, Meerut, Mumbai, Navi Mumbai, Noida, Pimpri-Chinchwad, Thane 2. Google consumer barometer survey, 2016  
**Source:** BCG CCI Digital Influence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

## Age



## Gender





# DECODING DEMAND: A CROSS – CATEGORY PERSPECTIVE



# Internet users in India are at varying stages of evolution, determining triggers & barriers

While the overall potential points to significant headroom for growth, it is important to de-aggregate these figures to decode underlying consumer behavior.

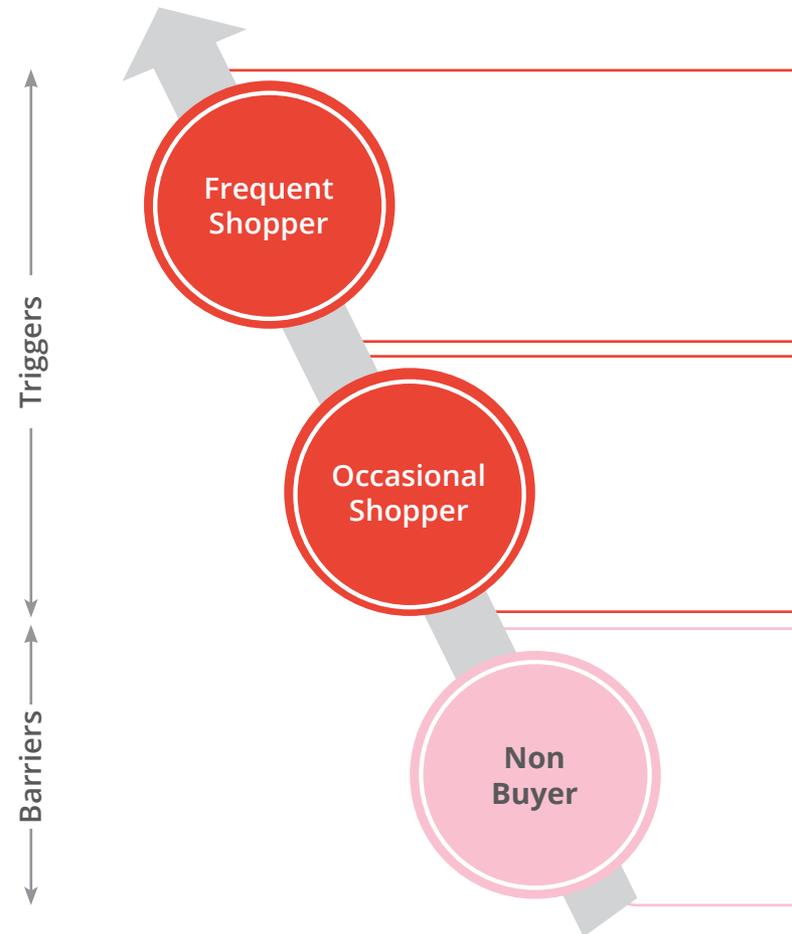
**Evolution of the consumer** – there is a clear journey as consumers move from awareness of the online platform to their first purchase and further down to become more frequent buyers. Each stage has its own triggers, barriers & hence implications to e-tailers.

**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.

**nielsen**  
*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*





### Products



### Services



### Content & Media

Assortment

Convenience (home delivery, preferred slots)

Personalized service

Convenience

Ability to do additional things e.g., seat selection

Exclusivity

Customized offers

Watch 'on demand'

Discounts / deals

Non availability in offline

Access to multiple options in one place

Good deals

Access to wide set of content / information in one place

Need for touch & feel

Immediate need for product

Hesitation with high value transactions

Discomfort in sharing financial details online

Satisfaction with offline formats / no perceived 'need' for online



**PRODUCTS**

*Online Shopping*



# Fashion: Lack of touch and feel, a barrier for non user while assortment is important for online shopper

% of internet using buyers



% category buyers



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

<35 yrs, male, non-metro

"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."

35+ yrs, female, non-metro

"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."

<35 yrs, female, metro

Demographic Skews

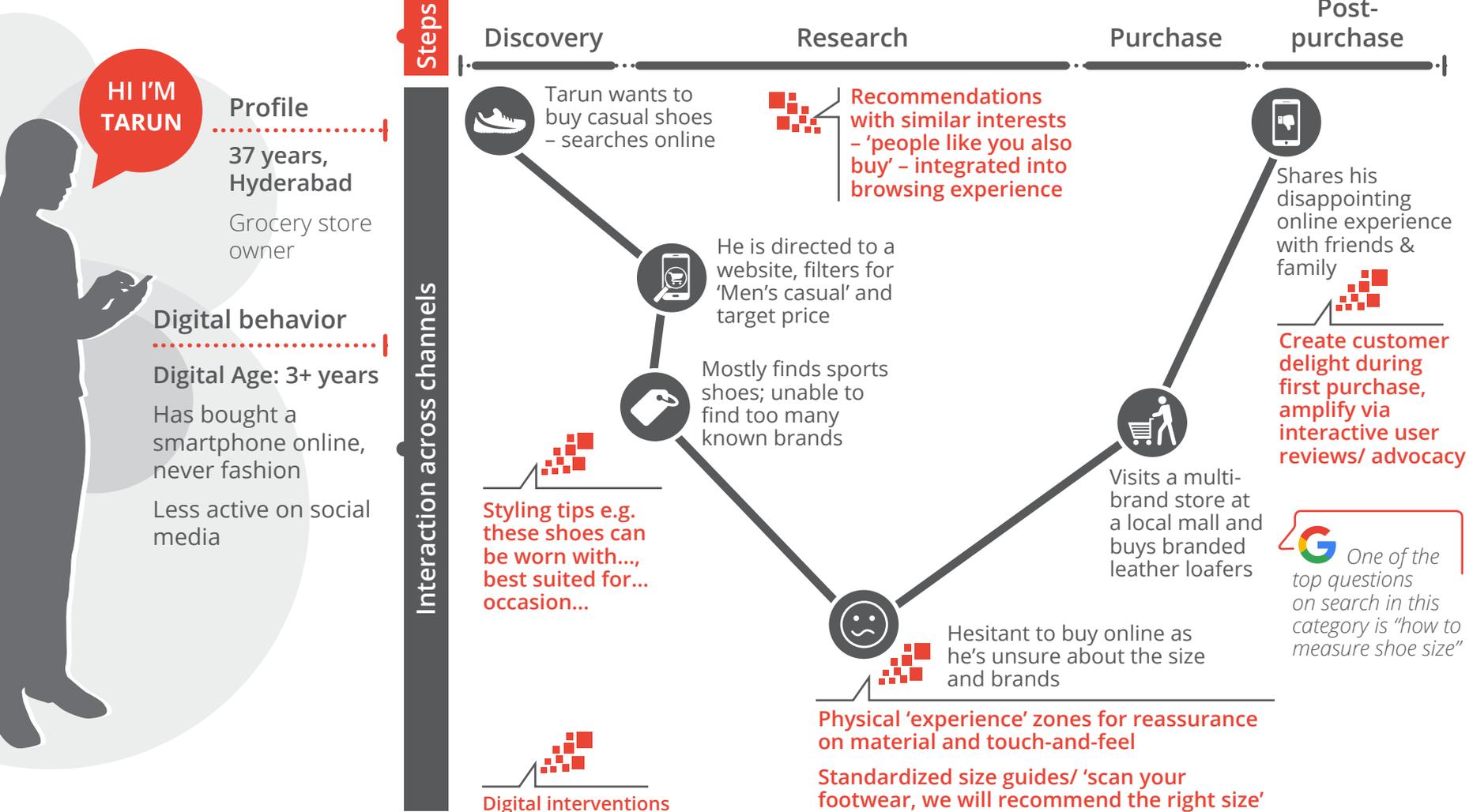
1. Urban only Q40. Could you please tell me top 3 reasons why did you choose to buy this category online? Only top rank considered for analysis

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



**HI I'M TARUN**

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

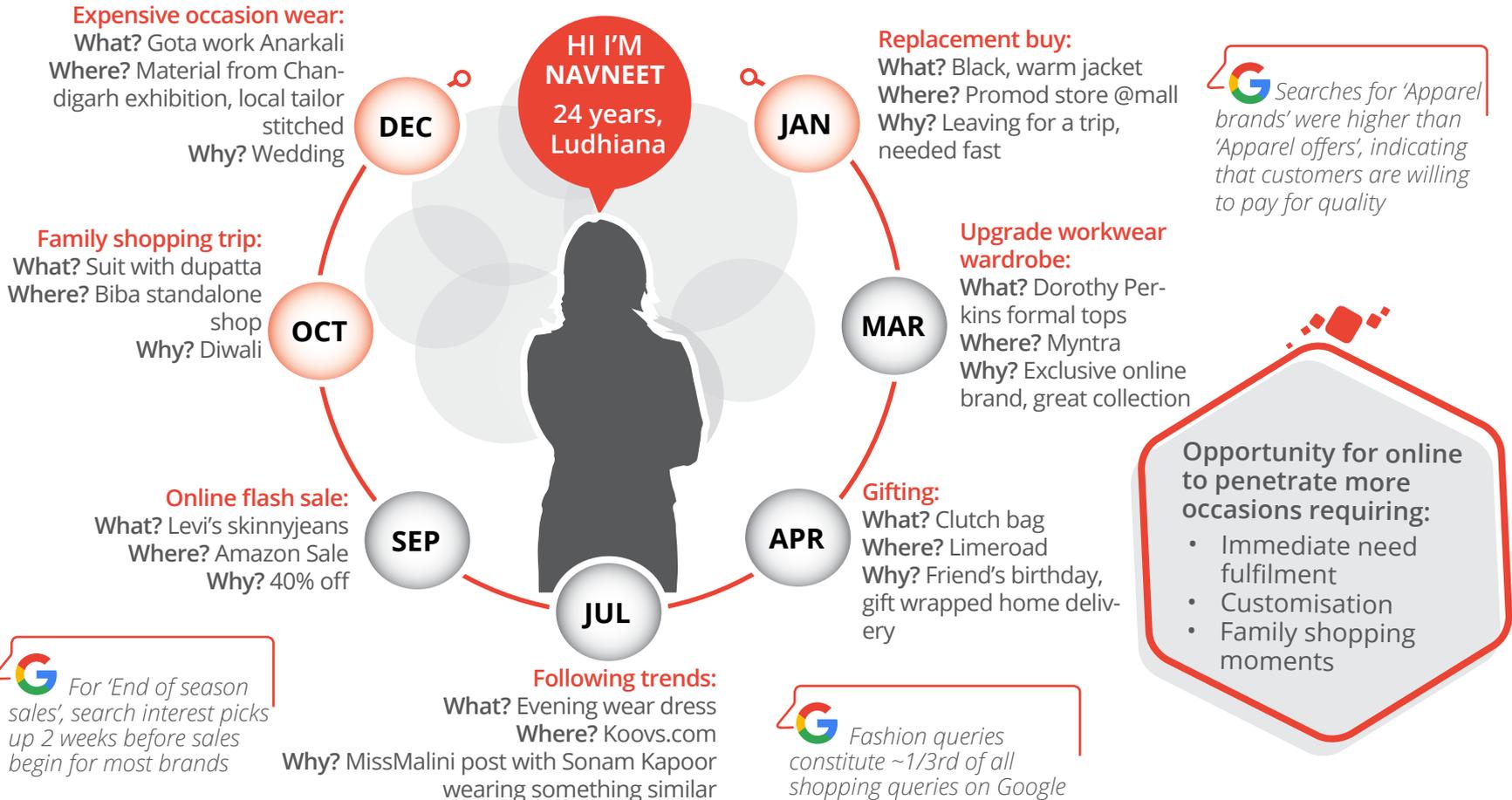
**Digital behavior**  
 Digital Age: 3+ years  
 Has bought a smartphone online, never fashion  
 Less active on social media

Source: Google search query data 2017

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

Same shopper exhibits different needs and behaviors across shopping missions

Offline Online



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

% of internet using buyers

## Non Metro Offline shopper

32%

### Barriers to purchase ▼

% category buyers

 Immediate need for product 26%

 Difficulty in returns 17%

 Easier service/ repair offline 13%

 Need for salesperson guidance 10%

 Mobiles continue to remain the single largest category at 35% search volume, growing at 37% YoY

*"My phone suddenly stopped working and I had to **replace it immediately**. Online delivery takes at least 3-4 days to my city."*

35+ yrs, female, non-metro

## Metro Offline shopper

20%

### Barriers to purchase ▼

% category buyers

 Easier service/ repair offline 26%

 Difficulty in returns 21%

 Immediate need for product 19%

 Better deals/ discounts off 11%

*"I usually buy from a nearby shop... they have good variety and also do **repairs**. I also got a **free screen guard** last time."*

35+ yrs, female, metro

Demographic Skews

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

### Non Metro Online shopper

24%

#### Triggers for purchase ▼

% category buyers

🛒 Better prices/ deals online 39%

🌐 Convenience<sup>1</sup> 27%

📱 More options online 15%

💰 Easy EMI 9%

 Searches for 'Mid-priced smartphone' segment US\$150-\$450 grew 2.5X in 2016

"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.**"

<35 yrs, male, non-metro

1. Urban only

### Metro Online shopper

23%

#### Triggers for purchase ▼

% category buyers

🛒 Better prices/ deals online 68%

📱 More options online / Unavailable in locality/ city 14%

🌐 Convenience<sup>1</sup> 12%

 36% of online mobile phone buyers are influenced by online videos during their purchase journey

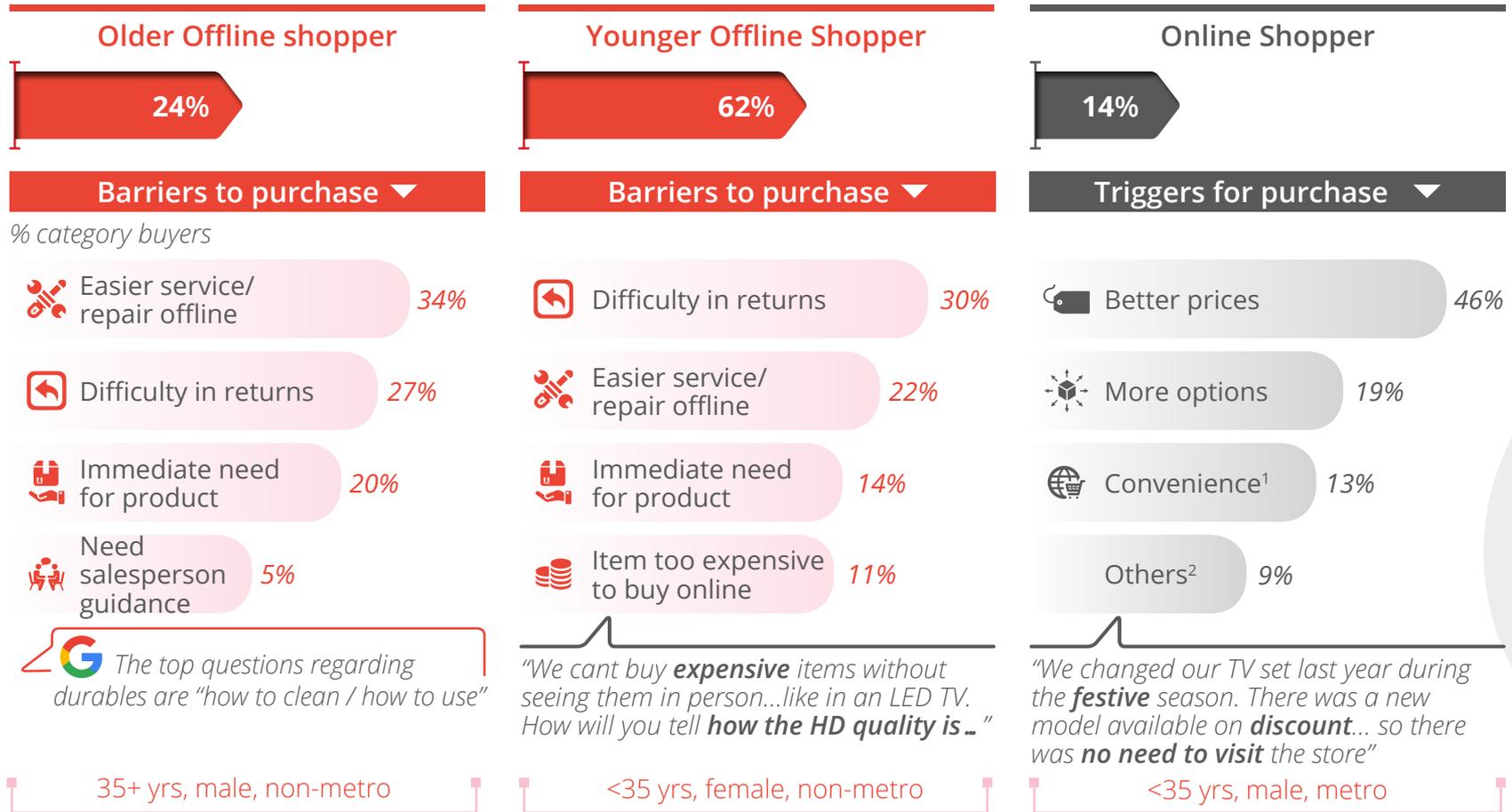
"I had been wanting to buy a phone of brand X for a long time. I got **\$90+ discount** on xyz.com which no shop was willing to give"

35+ yrs, male, metro

Demographic Skews

# Durables: Online shoppers triggered by lower prices; offline shoppers deterred by service/repair concerns

% of internet using buyers



1. Urban only Q30a: Could you please tell me top 3 reasons why did you choose to buy large appliances online? Only Top 1 ranks considered for analysis  
 Q31a: Could you please tell me top 3 reasons why did you choose to buy large appliances offline? Only Top 1 ranks considered for analysis, Offline includes 'other' channels of purchase except online  
 1. "Convenience" here refers to both the ability to buy from anytime and anywhere as well as saving time and effort 2. "Others" here refers to 'reviews available online', 'free home deliveries' and 'others'  
 Source: CCI Digital deep dive 2016 - Among digitally influenced large appliance buyers (N=560), BCG CCI Digital Influence 2017 Study (N=18,000), Nielsen 2017 survey (N=1845)

- Durables: Online researcher aborts purchase journey
- due to need for offline guidance from salesperson

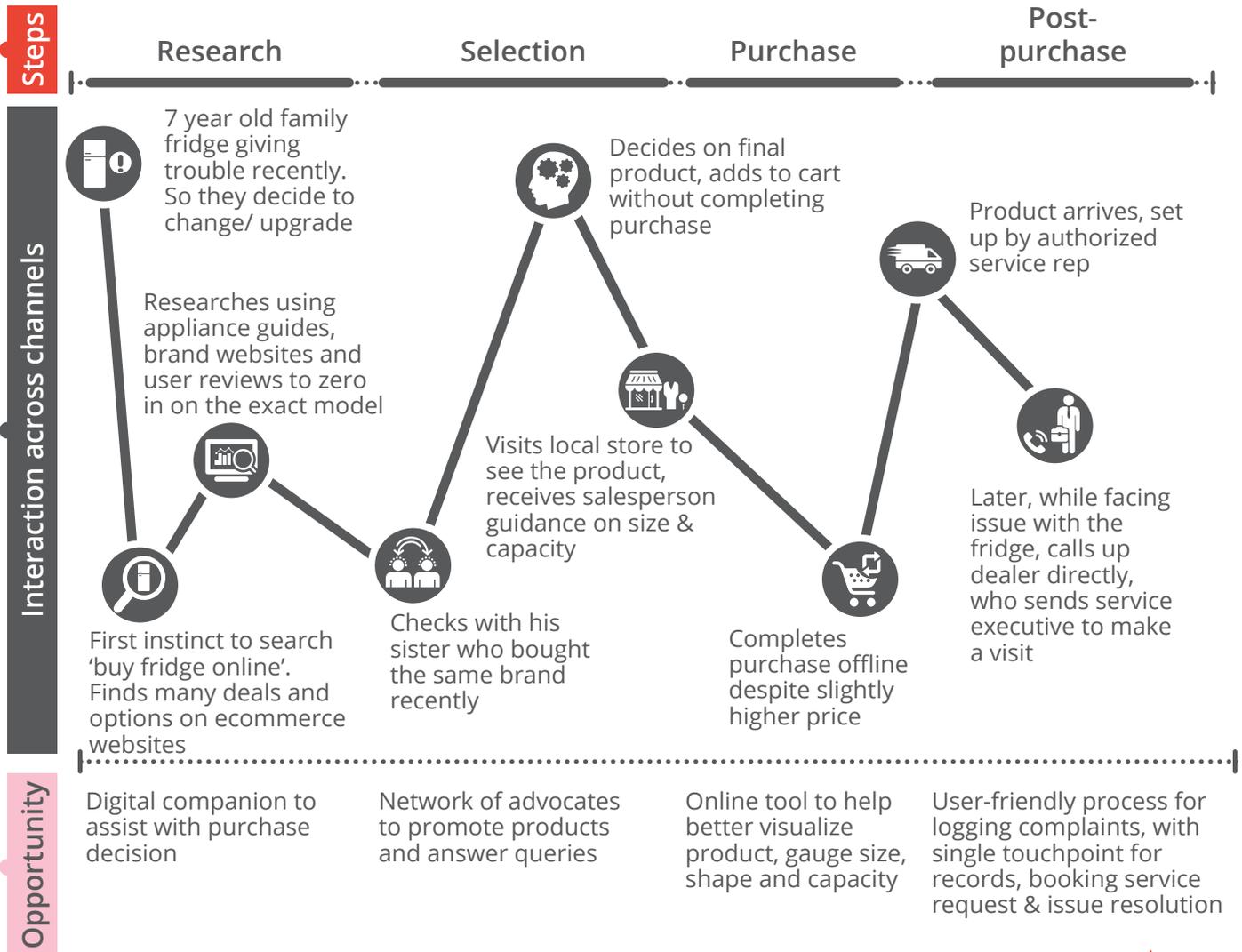
**HI I'M GIRISH**

**Profile**  
34 years, Delhi

**Digital behavior**

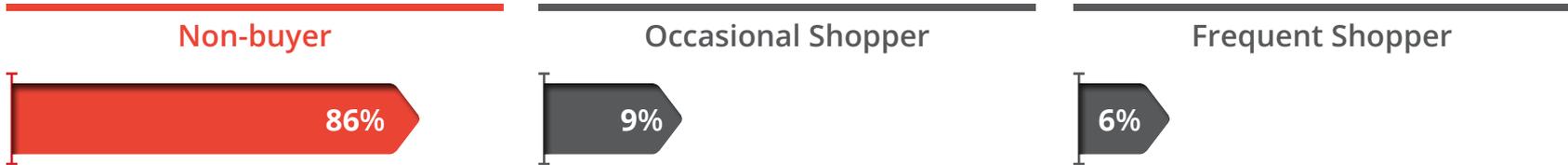
Digital Age: 4 years  
Works as a **finance professional**  
**Has bought many products online** (Mobile phone, Bluetooth speaker, AirFryer)

**Unlike mobiles with 85% brand-specific searches, large appliances with 43% brand-specific searches are driven more by features and specifications**



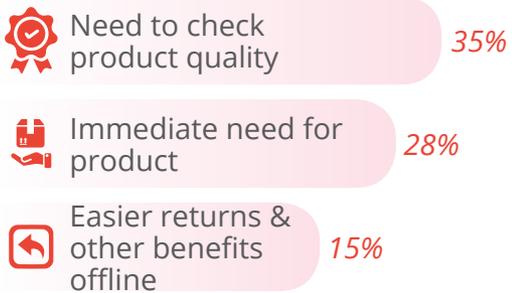
# Food & grocery: Convenience is a key trigger for frequent shoppers, quality is a key concern for offline shoppers

% of internet using buyers



## Barriers to purchase ▼

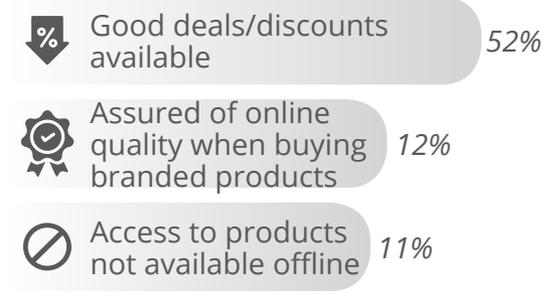
% category buyers



"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**"

<35 yrs, male, non-metro

## Triggers for purchase ▼



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

<35 yrs, male, metro

## Triggers for purchase ▼



"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."

35+ yrs, female, metro

Demographic Skews

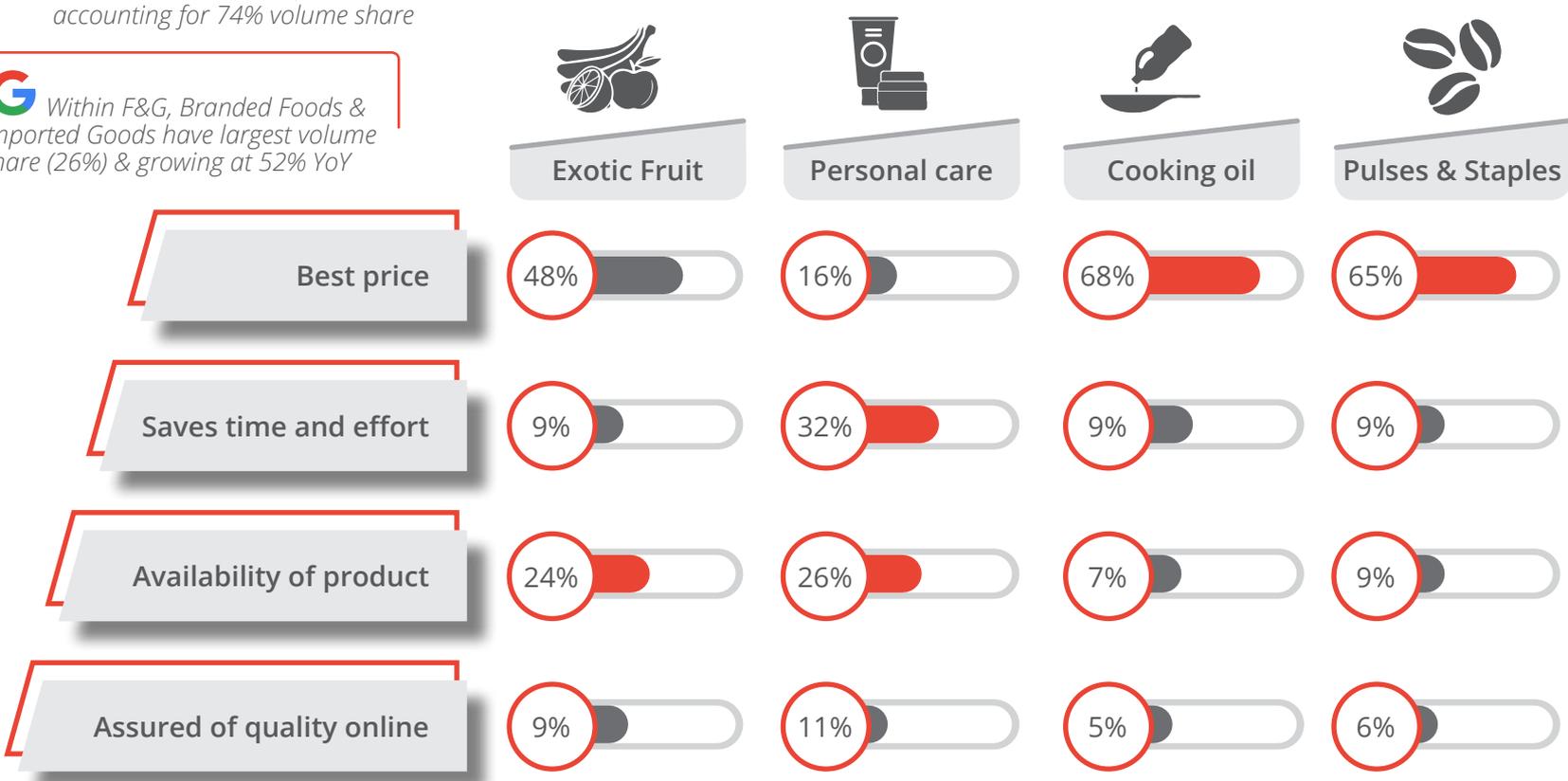
1. Urban only Q22a. Could you please tell me top 3 reasons why do you prefer to buy these categories online more? - Top reason considered for analysis Q22b. Could you please tell me top 3 reasons why do you prefer to buy these categories offline more? Please rank top-3 - Top reason considered for analysis  
**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

**G** All F&G search query growth is on mobile - 99% YoY, with mobile accounting for 74% volume share

**G** Within F&G, Branded Foods & Imported Goods have largest volume share (26%) & growing at 52% YoY

Significant differences exist across F&G sub-categories ▼

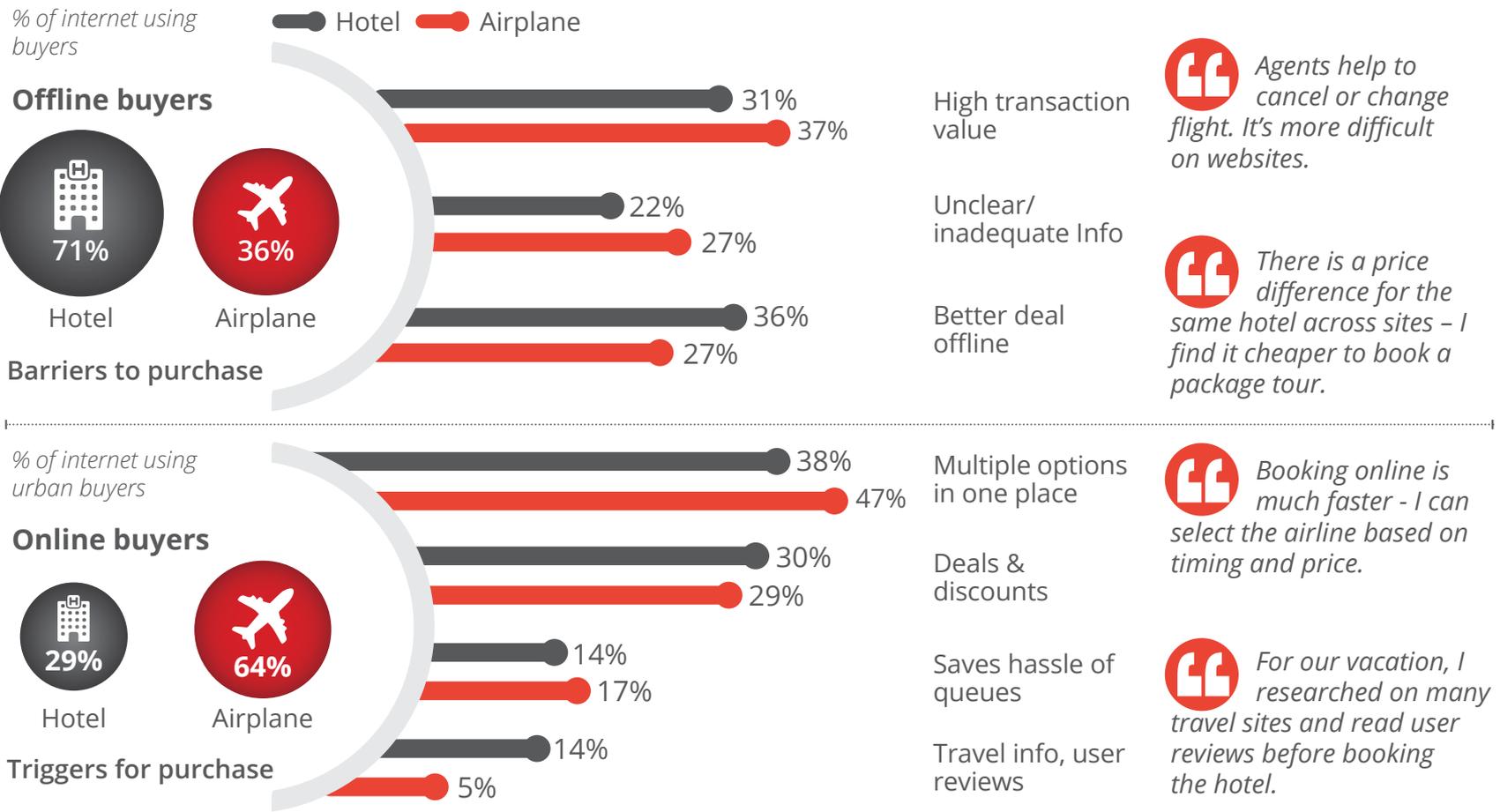


Q22a. Could you please tell me top 3 reasons why do you prefer to buy these categories online more?  
 Source: BCG digital deep dive Study 2016 BCG analysis (N=502), Google search query data 2017



**SERVICES**

# Travel and Hotel: Trust and onsite payment stated to be key reasons for buying offline



1. Urban only Q5 1.1a. You indicated that you have booked flight or train tickets on a travel portal, rank the top 3 reasons that made you transact online? Only Top 1 Rank considered for analysis  
 Q5 1.1b. You indicated you have never booked flight or train tickets on a travel portal, please rank top 3 reasons why you have not transacted in this category? Only Top 1 Rank considered for analysis  
 Q5 1.2a. You indicated that you have made hotel bookings on a travel portal, rank the top 3 reasons that made you transact online? Only Top 1 Rank considered for analysis  
 Q5 1.2b. You indicated you have never made hotel bookings on a travel portal, please rank top 3 reasons why you have not transacted in this category? Only Top 1 Rank considered for analysis  
 Source: Nielsen 2017 survey (N=1845), BCG analysis, BCG CCI Digital Influence 2017 Study (N=18,000)

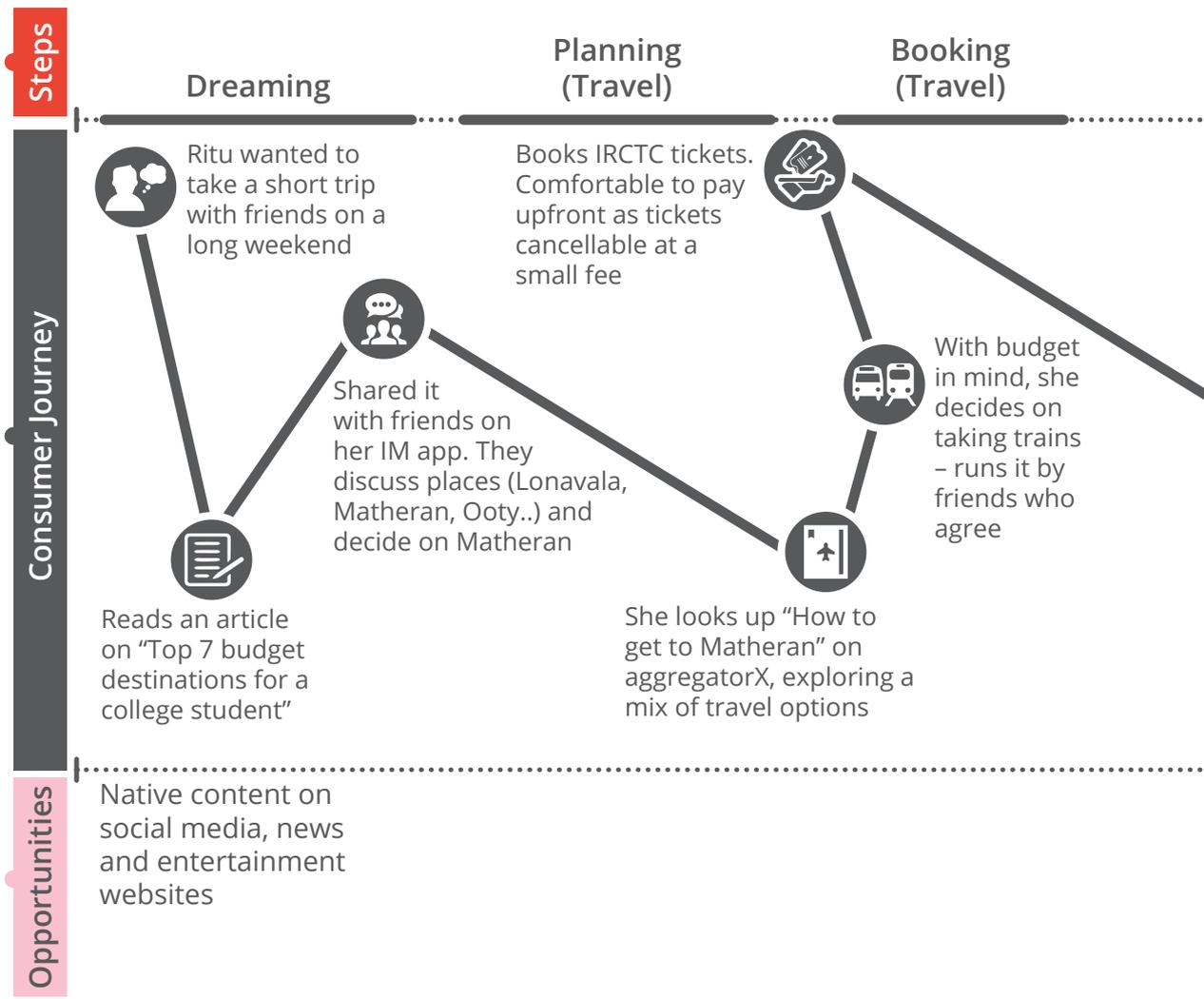
# Travel & Hotel: 21 year old researches online but books offline due to better prices and onsite payment

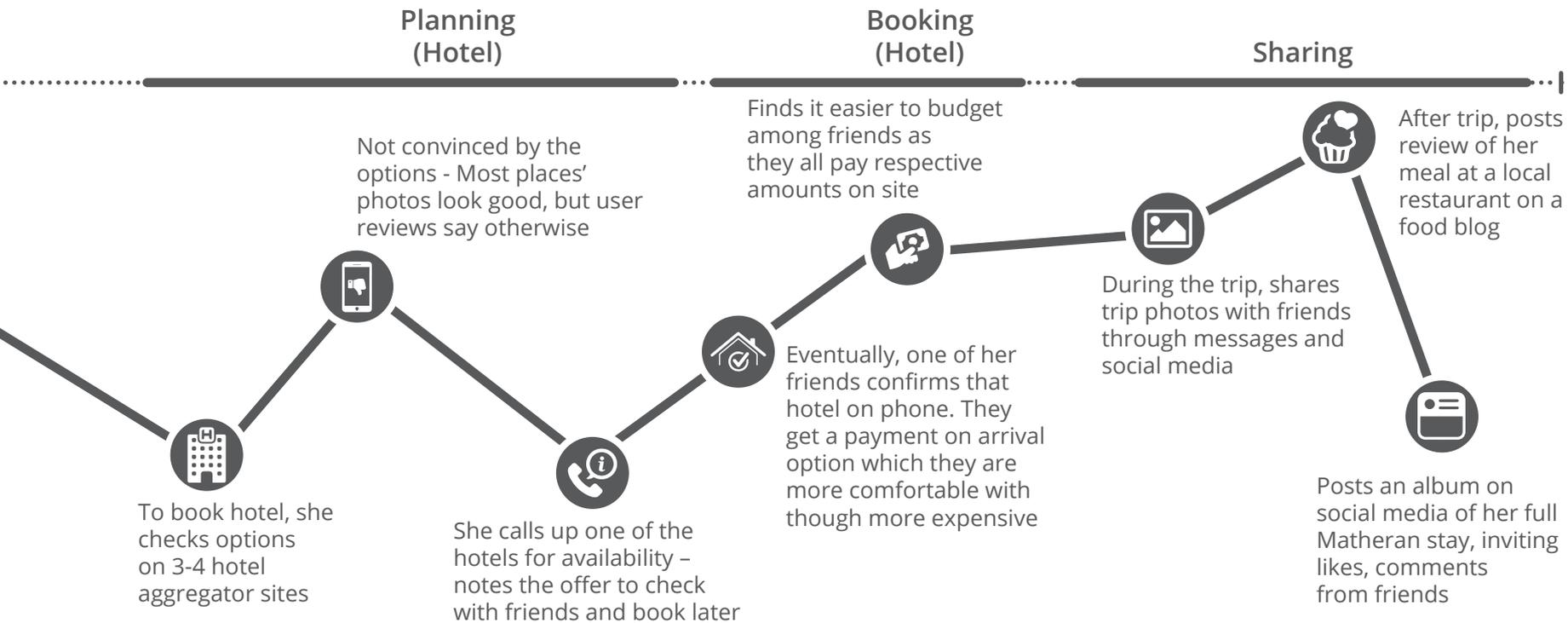


**HI I'M RITU**

**Profile**  
21 years, Pune

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



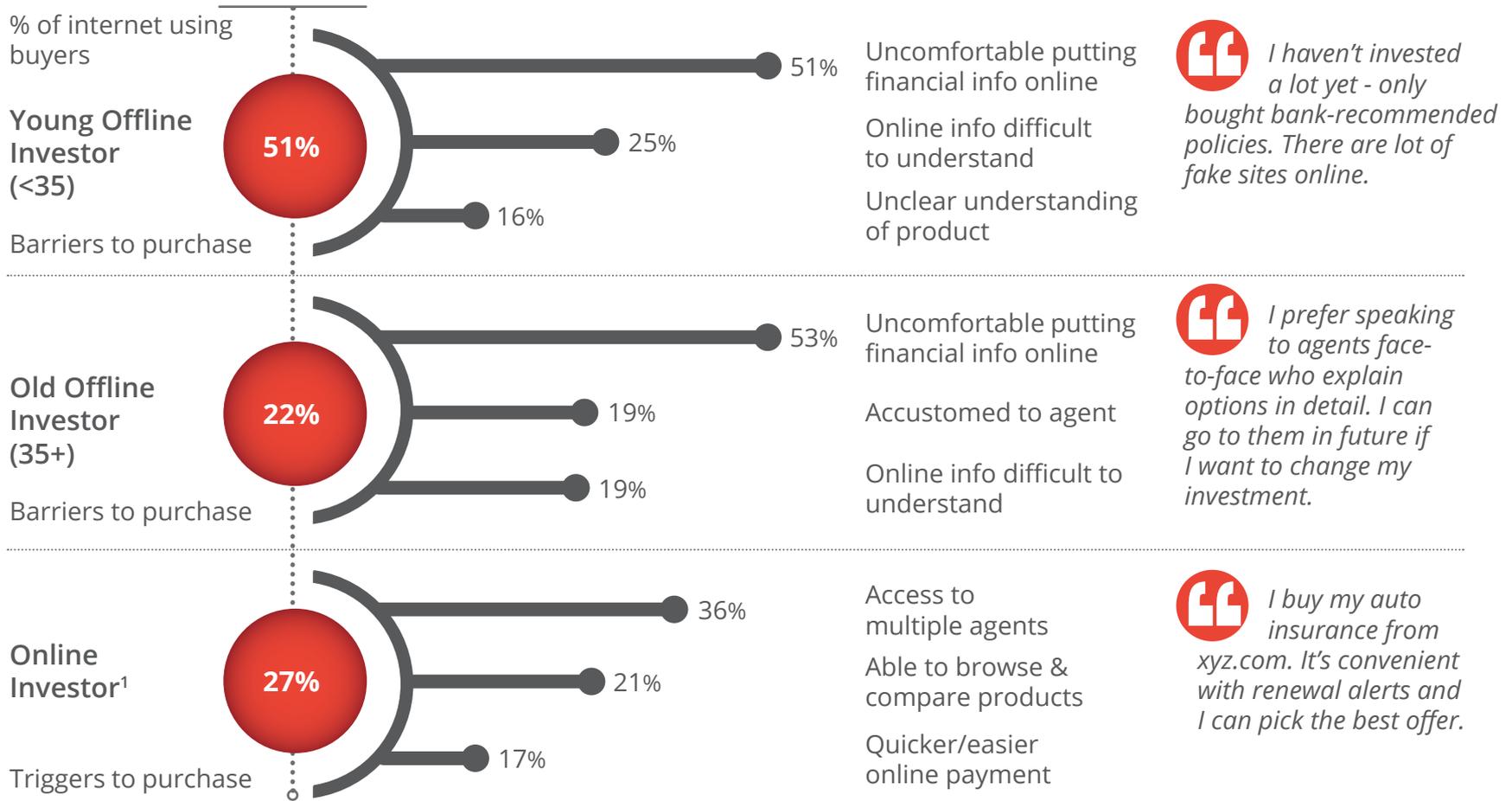


Integrate reviews from common sites with social media  
 Clearer information on hotels with detailed pictures, 360° views  
 Price match/guarantee on aggregator sites

More 'pay when you stay' options

Harness user reviews/ role of influencers to create native content

# Insurance/ Investments: Older offline investors prefer working with agents who give simplified information



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

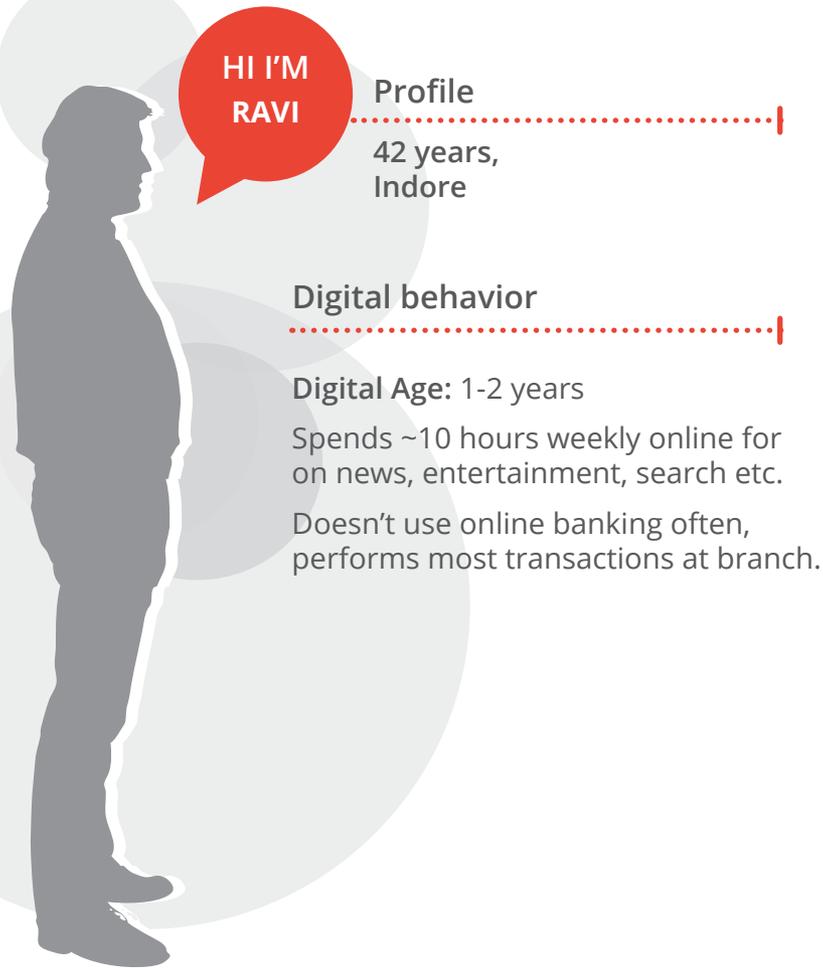
*I prefer speaking to agents face-to-face who explain options in detail. I can go to them in future if I want to change my investment.*

*I buy my auto insurance from xyz.com. It's convenient with renewal alerts and I can pick the best offer.*

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?  
**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)



# 42 year old researches online but transacts offline due to onsite information disclosure & need for guidance



HI I'M RAVI

**Profile**  
42 years,  
Indore

**Digital behavior**

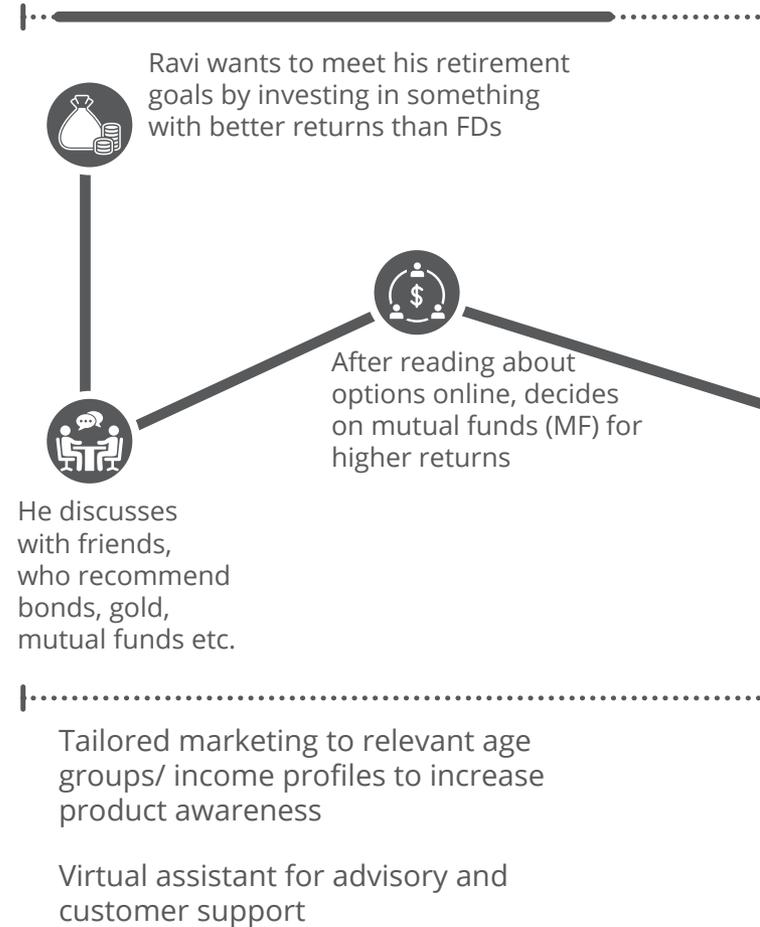
Digital Age: 1-2 years  
Spends ~10 hours weekly online for on news, entertainment, search etc.  
Doesn't use online banking often, performs most transactions at branch.

## Steps

## Consumer Journey

## Opportunities

### Discovery



## Research

While he finds a lot of info online, he is unclear on process and decides to meet his CA cousin



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

## Purchase

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

## Post purchase

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

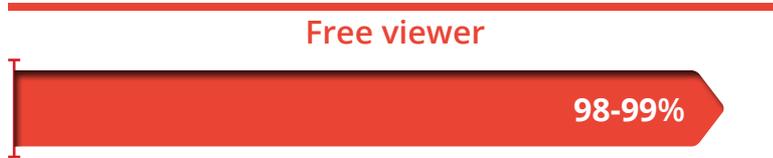
Personalized relationship manager on call vs. generic helpline support

A photograph of a meeting around a table, overlaid with a semi-transparent red filter. In the center, there is a graphic consisting of several overlapping circles of varying shades of red and white. The text 'CONTENT & INFORMATION' is written in white, bold, sans-serif font across the middle of these circles. In the background, people are seated around a table. One person is holding a tablet displaying a bar chart. Another person is writing on a document with a pen. There is a cup of coffee and a glass of water on the table.

# CONTENT & INFORMATION

- Paid video subscription: Access to exclusive content, ad free content are key drivers

% of internet using buyers



**Barriers to use**

% category buyers



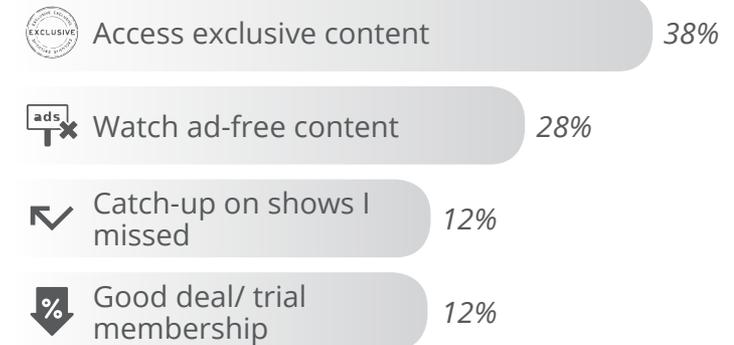
<35 yrs, male, non-metro

**OTT subscriber**



**Triggers for use**

% category buyers



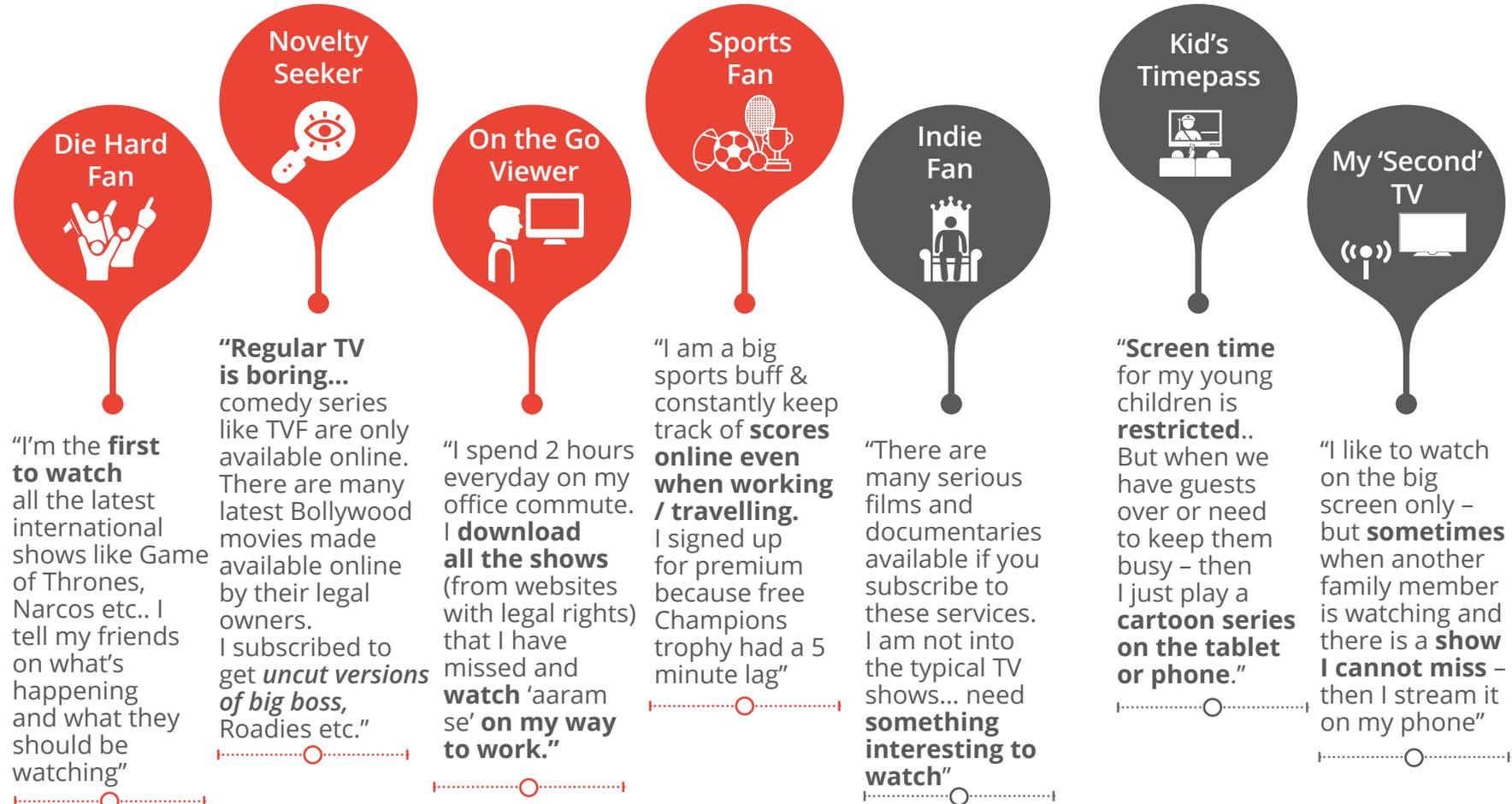
<35 yrs, male, metro

Demographic Skews

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 | Low willingness to pay

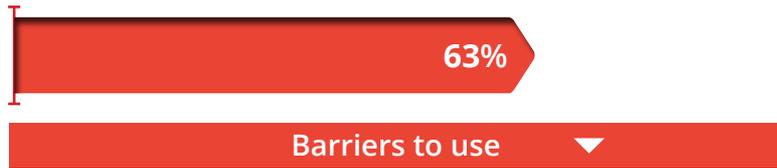


Source: Nielsen 2017 survey (N=1845), BCG analysis, BCG Case Experience

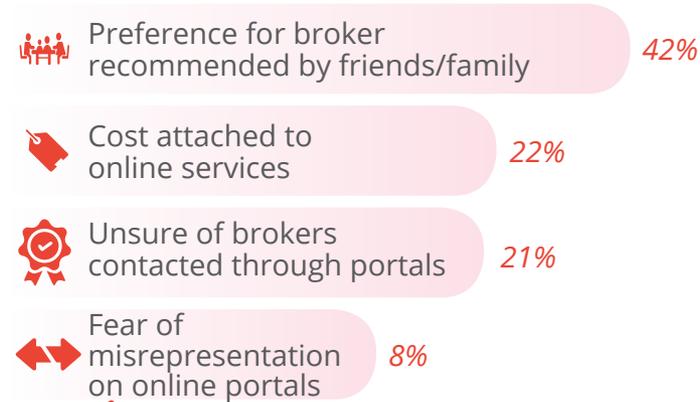
- Real Estate: Convenience is a key trigger while trust on known broker is a major barrier

% of internet using consumers

Users who have contacted brokers offline



% category buyers



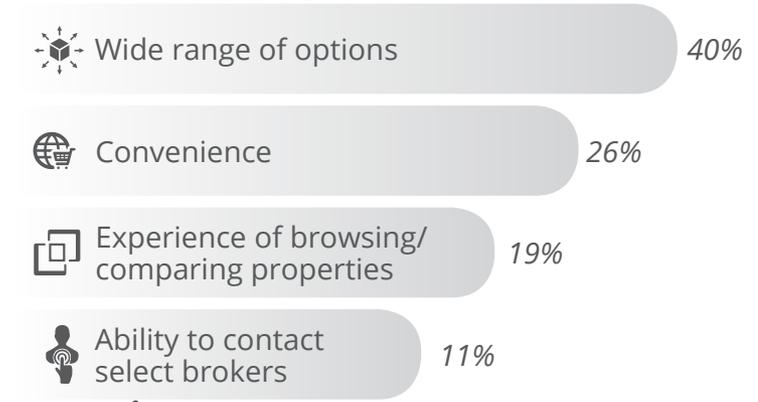
"When we purchased our recent property in Pune, we went through a **known broker**. Since this is a big investment, need someone who you can **trust**."

<35 yrs, male, non-metro

Users who have accessed a Real Estate Listings portal



% category buyers



"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"

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

Demographic Skews

# Job Search: Access to range of jobs key trigger, bad quality postings key barrier

% of internet using users

Users who did not use online job portals while seeking job

29%

Barriers to use

% category buyers

 Outdated postings 39%

 Irrelevant notification 32%

 Inaccurate job descriptions 18%

 Offline alternatives more user friendly 12%

"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."

<35 yrs, male, non-metro

Users who used online job portals

71%

Triggers for use

% category buyers

 Access to wide range of jobs 54%

 Notifications for relevant postings 17%

 Detailed information about jobs available 13%

"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."

35+ yrs, female, metro

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

- C2C selling: Good deals key trigger, hesitation in posting personal details key barrier

% of internet using users



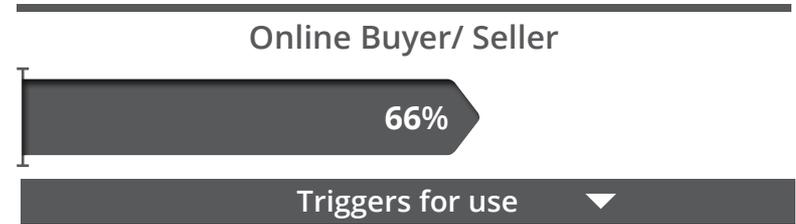
% category buyers



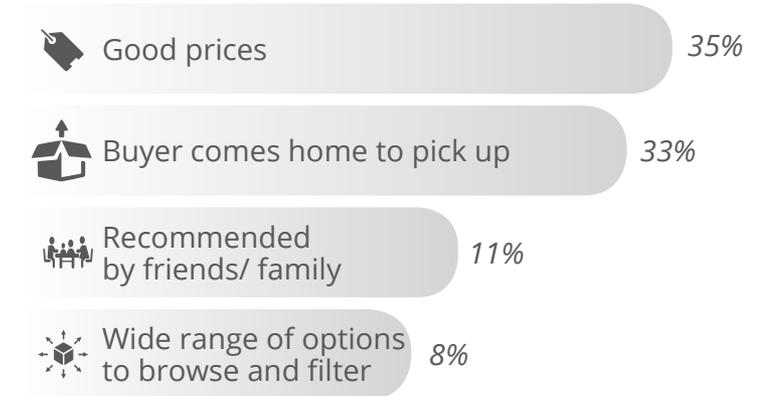
"I wanted to sell my old mobile phone. My **local phone shop helped me find a buyer and also guided me on the right price.**"

<35 yrs, male, non-metro

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



% category buyers



"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

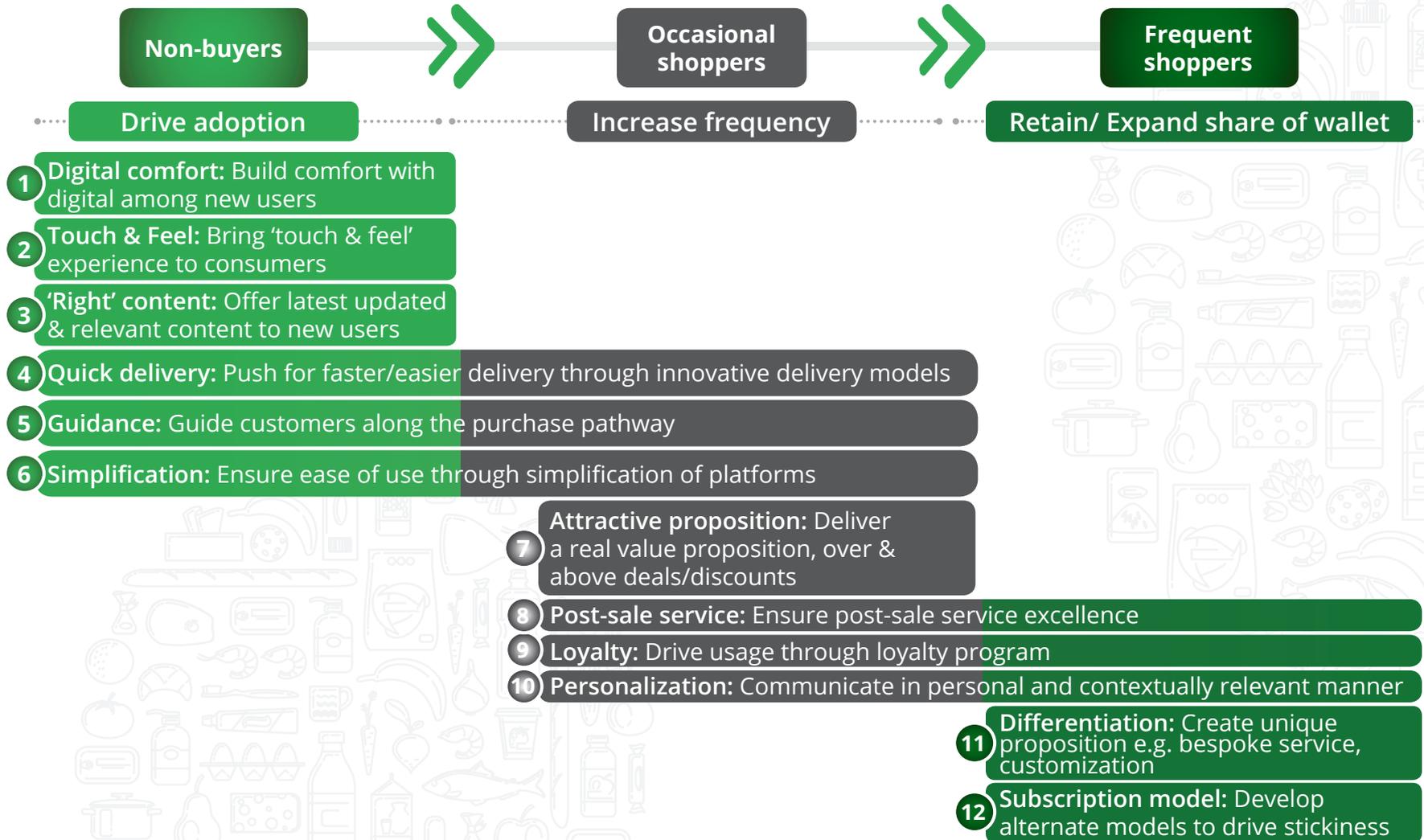
Demographic Skews

# ACCELERATING DEMAND: IMPLICATIONS FOR PLAYERS





# Three key stages of driving growth in digital transactions



# Category-specific actionables to overcome barriers and drive growth

Implication	Product				Services		Content & Information		
	Fashion	Mobile	Durables	Food & grocery	Travel & Hotel bookings	Insurance / investments	Paid video (OTT)	Real estate	Job search
1 Digital comfort	✓	✓			✓				
2 Touch & Feel	✓	✓	✓	✓					
3 'Right' content	✓	✓	✓	✓	✓	✓	✓	✓	✓
4 Quick delivery	✓	✓	✓	✓					
5 Guidance	✓	✓	✓	✓	✓	✓		✓	✓
6 Simplification	✓	✓	✓	✓	✓	✓	✓	✓	✓
7 Attractive proposition	✓	✓	✓	✓	✓	✓	✓	✓	✓
8 Post-sale service	✓	✓	✓	✓	✓	✓		✓	
9 Loyalty	✓	✓	✓	✓	✓	✓	✓		
10 Personalization	✓	✓	✓	✓	✓	✓	✓	✓	✓
11 Differentiation	✓			✓	✓	✓	✓		✓
12 Subscription model	✓			✓			✓		✓

# Digital comfort: Large ecommerce player in China

## Building comfort with digital for new users

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.



### Rural service centers to help build comfort with digital among rural population



#### Rural service centres in 16,500 villages

- Plans to establish 100,000 centers in 3-5 years covering 1/6th of China's villages



#### Outposts equipped with computers and free internet

- Service managers available to help first-time shoppers
- Ability to pay utility bills, add credit to prepaid mobile plans and book travel
- Place to pick up goods ordered online



#### 'Rural partners' program to help people 'buy & sell' online

- Partners are internet-savvy youngsters who return to their home villages to assist rural populations

# Touch & Feel: Large Scandinavian furniture company

## Bringing the 'touch and feel' experience to the digital consumer

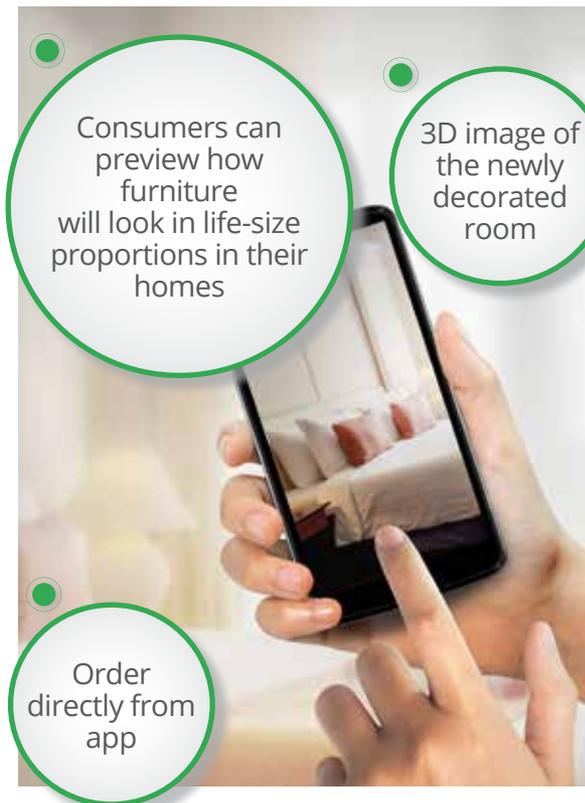
The need to try products before purchasing is a strong motivation that keeps customers from shopping online in categories such as furniture, beauty and apparel. New technologies allow companies to overcome such barriers.

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'.

### Augmented reality to help consumers visualize furniture in their homes



**Improves furniture-buying experience and relieves stress of 'fit' in a tight space**

### Expanding physical experience centers for actual 'touch & feel'



#### Traditional big-box physical stores

Stores with good touch, feel & integrated with online for smooth omni-channel experience



#### Smaller outlets

Close to city centers to enable consumers collect items post online order



#### Pop-up shops

To encourage visitors to come in and experience real 'touch & feel'



#### Experience centers

Display products where visitors can touch, feel and experience their offerings and build brand awareness

# 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



Proprietary technology can send notifications like hyper-specific coupons and even create location based AR games that 'change based on where one takes ones phone'

**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

# 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

### → 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

### → 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

\* In pilot stage

Source: External reports, BCG analysis

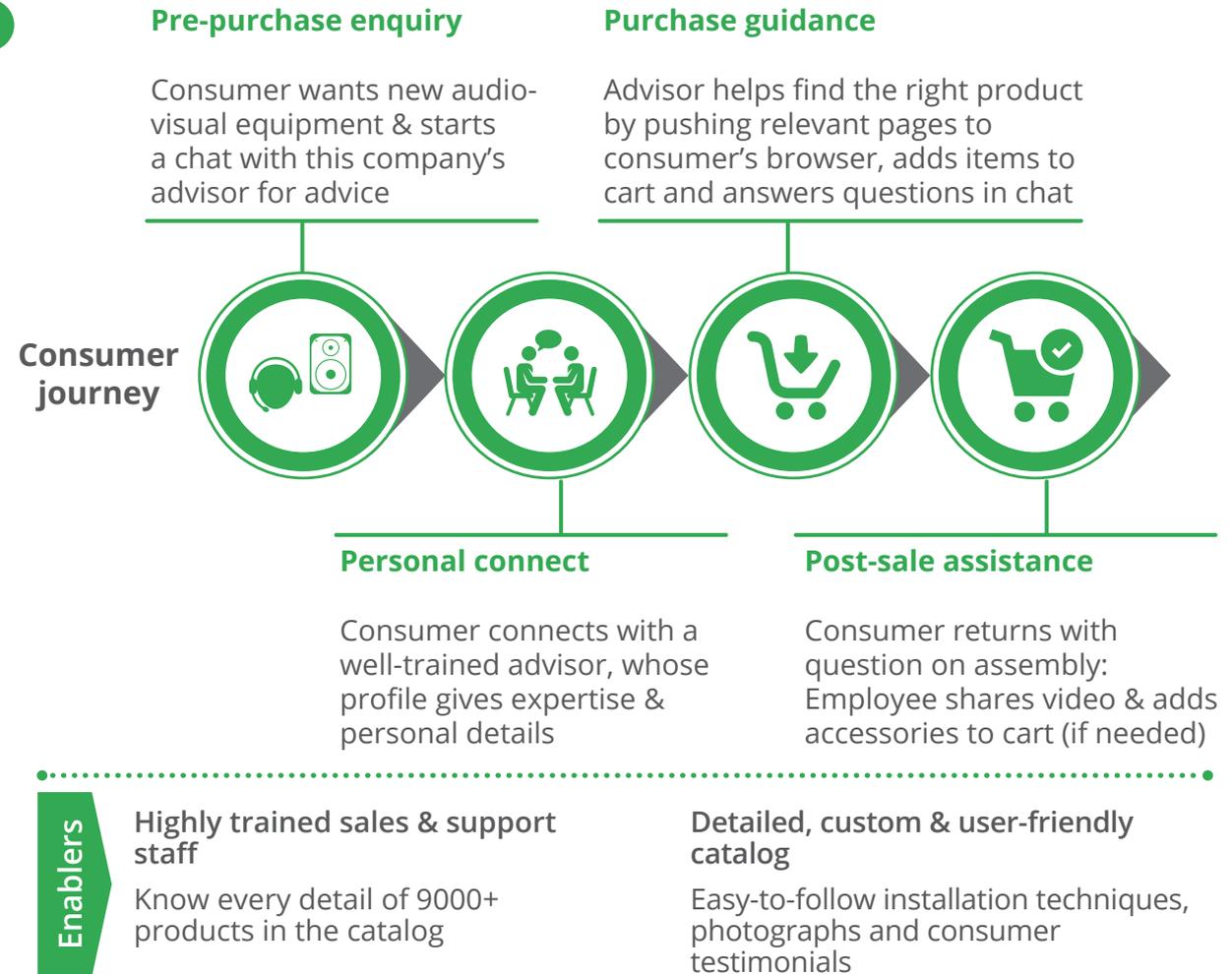
# Guidance: US retailer specializing in AV equipment

## 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.



Source: External reports, BCG analysis

# Attractive proposition: Chinese B2C online retailer

## Delivering a 'real value proposition' over and above discounts

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.



### 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

# Post-sale service: US home goods ecommerce firm

## Building brand through its post-sale service excellence

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

#### Product installation and assembly help

“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*

### 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

#### Flexible financing options

# 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.



Earn

1x

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

10x

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



Redeem

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

# Personalization: Large US entertainment company

## Personalizing communication through deep analytics

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.

### Deep insight into user preferences to provide tailor-made recommendations

#### 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

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

### All content and promotions personalized & specific to each user

#### 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

# 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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