The Future of Commerce in India

The rise of social commerce

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Executive Summary

Social: The new frontier for e-commerce

E-commerce—powered by cheap data, supply-side innovations and digitally savvy customers—has become a $30 billion gross merchandise value (GMV) industry in India in fiscal year 2020 (FY20). Just over 100 million of the estimated 572 million Indians connected to the Internet purchase products online today.

And the next frontier is social.

Digitally connected Indians spend an average of three hours per day online, of which more than two hours are consumed by messaging, social media networking and watching videos. By leveraging a variety of formats, ranging from conversational commerce on chat platforms to video-led commerce to a vibrant social reseller community, millions of small retailers are finding innovative ways to sell directly to consumers through social networks and social media.

Social commerce is democratising India's e-commerce sector, which has been dominated by a few large players, paving the way for a more distributed model that's built on community, connection and trust. While traditional e-commerce will continue to grow, social-led models will help redefine the landscape over the next five to ten years.

We expect that social commerce, which is a $1.5 billion to $2 billion GMV market today, will be worth $16 billion to $20 billion in just five years—and will likely hit $60 billion to $70 billion by 2030. In short, India's social commerce sector will be two times the size of the current e-commerce market within ten years.

Social commerce addresses a unique set of needs while complementing platform e-commerce. In addition to building trust, social commerce meets growing consumer demand for:

- a desire for greater product variety and customisation
- a feeling of community connection and trust
- convenience
- bargaining experience similar to offline purchases
- a fun and engaging shopping experience

Unstructured, long-tail categories make up the bulk of this landscape. Fashion is the most popular social category, followed by Beauty & Personal Care, then Food and Grocery. Traditional e-commerce-centric categories like Electronics are typically either non-branded or are products pushed by influencers.

Social commerce will unlock the potential of over 40 million small businesses and entrepreneurs

Social commerce has the ability to empower more than 40 million small entrepreneurs across India. Today, 85% of sellers using social commerce are small, offline-oriented retailers who have found that social channels opens new avenues for growth. A subset of resellers are often first-time entrepreneurs earning 5,000 to 10,000 rupees a month and leveraging the power of their existing social networks to sell to friends and family. This stands in sharp contrast to the larger, organised seller base on e-commerce platforms.

The ability to share multiple product images easily helps sellers make a compelling case, while the wide geographic reach of underlying social platforms enables them to connect with buyers who might not otherwise have discovered their store.

For most of these sellers, social commerce represents the ability to create incremental value over and above their existing business. The majority believe that they will continue to try to grow their customer interactions and business through these channels. However, because the process of initiating contact with the customer, negotiating and then closing a sale often spans multiple platforms, a more streamlined order-management process and better customer analytics are the biggest asks from sellers.

Social commerce serves distinct needs

Trust is a hygiene expectation. Three-quarters of buyers purchase from people they know—family members, friends, acquaintances or connections, even if two levels removed. Mediation before purchase—through chat, videos and peer recommendations—is more valuable than addressing issues after purchase.

Additional value add across categories. In the case of lifestyle purchases like fashion and home decor, the biggest draw for consumers is the ability to find a variety of products and to customise those products to one's personal tastes by directly communicating with the seller. Customers also love the community connection and fun shopping experience. By contrast, in the case of groceries, most buyers prioritise the convenience of ordering from a trusted neighbourhood store via chat. Traditional e-commerce categories, such as Computers, Mobile Phones and Accessories, and Home Appliances are typically purchased when non-branded or when new products are showcased by peers, sellers or influencers.

Tool for discovery. Social commerce presents a great opportunity for customers and sellers to discover one another. Almost half of consumers do not know what they are looking for and are not loyal to specific brands. Nudges or recommendations from relatives and friends are a big driver of action, and impulse purchases present an opportunity for sellers.

The call to action

Social commerce today (FY20) is a $1.5 billion to $2 billion GMV market, excluding a large informal market. This market is currently opportunistic—formed by the union of persistent sellers who are willing to navigate the complexities of a multiplatform transaction and intrepid buyers who have experimented with various unstructured formats. While the essential nature of social commerce will remain constant in terms of needs served, its mechanics will change on four dimensions as the market scales:

- **Simplified shopping.** Means for customers to discover, evaluate and buy products on the same platform, minimising drops-offs
- **Scalable engagement and trust-building propositions.** Scalable solutions to current devices that build trust and simulate the offline engagement experience, like video, buyer-seller chats and peer recommendations
- **Made-for-commerce propositions.** An easier and structured process for sellers to be discovered by potentially interested buyers, thus expanding their target population in a scalable manner
- **Smart curation, product discoverability.** A simplified and smart process of product discovery, especially as the number of products available grows exponentially, plus integration of social behaviour-led insights to deliver curated, personalised shopping experiences

The opportunities for entrepreneurs to build new social-led business models in India are limitless. Startups can help redefine this space by:

- **Developing new tools/applications for sellers:** As the ecosystem of social commerce evolves and starts driving meaningful sales for the small businesses universe, sellers will need better tools to manage their business through these channels. For example, chatbots to help manage customer queries and respond to them, digital storefronts for catalogue management and order management tools to keep track of orders and manage customer expectations that integrates with various social platforms
- **Unlocking new consumer segments:** While social commerce is taking off among mass market and Tier 2 and 3 city consumers, adoption is lower among more affluent, urban consumers. Unlocking social commerce for this segment is a big opportunity. Use cases like FMCG/grocery, where people in India enjoy buying as a group, might be a way to engage this demographic
- **Reimagining high value categories:** High value products or services typically have lower conversion rates, particularly so in countries like India where there is a high trust deficit. This makes the customer acquisition cost in such businesses incredibly high. Companies in high value categories will find it useful to build social-first models where a community-based product could lower the trust deficit. Real estate, jewellery and automobile sales are among the many categories which could potentially be rethought and redefined with social-first models

- **Building enablers for the social-commerce ecosystem:** Logistics and payments are key enablers to any e-commerce ecosystem, and there is wide scope to build solutions that work more seamlessly with social platforms and social-led businesses. The commercial activity for most SMEs and small businesses, for example, is extremely hyperlocal; think of all the Kirana grocery stores, home chefs and small boutiques that create their network of customers using local connections. Addressing commerce for this segment will require a new approach to services like logistics which is more affordable, efficient and localized than the current solutions

Brands seeking to tap the full potential of social commerce have five key imperatives:

- **A cohesive social commerce strategy.** Align social commerce modes with categories and customer needs (e.g., use chat for information on personal care products and video for inspiration on beauty applications)

- **Priority on experiences.** Enhance engagement formats (e.g., one-to-one video-based selling, augmented reality) and deliver trustworthy content

- **Optimal assortment.** Leverage the strengths of each model (e.g., use reseller groups for rapid new product testing and product feedback)

- **Tailored pricing to value proposition.** Reserve premium pricing for personalised and high-touch brands or services while using special group pricing or bundling to drive impulse sales

- **Social commerce-ready supply chain.** Create solutions that allow for easy integration with logistics partners and cost-effective means of addressing the needs of low-priced product categories

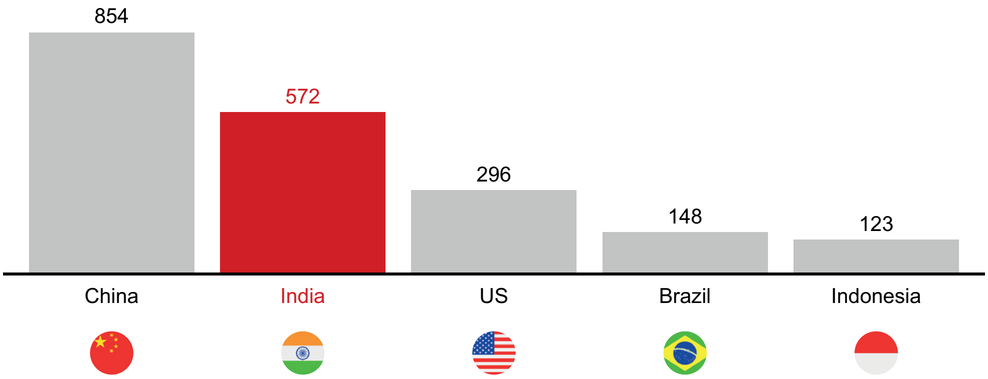
1.

An untapped opportunity

- India has the second-highest number of connected users globally, at around 572 million, with substantial room for growth (41% penetration). However, India is still in the early stages of online commerce: Only 8% of Indians (~105 million) shop online for products, with an average spend of $286 per year—much lower than other markets.
- Lack of trust is the biggest inhibitor of online commerce.
- Social and video platforms have more universal usage, with both online transactors and non-transactors spending around two hours per day on social media, chat and video content. The popularity of these platforms creates opportunities to enable and support social commerce.
- Social commerce in India is nascent today (FY20), at $1.5 billion to $2 billion GMV, excluding a large informal market, with most transactions driven through social platforms. In the absence of commerce-enabling infrastructure on social platforms, most of this business is growing organically.
- Social commerce has the potential to become a $16 billion to $20 billion opportunity by 2025, increasing to $60 billion to $70 billion by 2030. This growth would require the right plumbing, with each step of the journey being tuned for commerce.
- Social commerce also creates an opportunity to empower over 40 million small businesses and entrepreneurs to leapfrog into online commerce, expanding their reach and supplementing their existing income from other channels.

Figure 1: India has the second-highest number of Internet users (572 million) globally, with substantial room for growth (41% penetration)

Total number of Internet users in 2019 (millions)

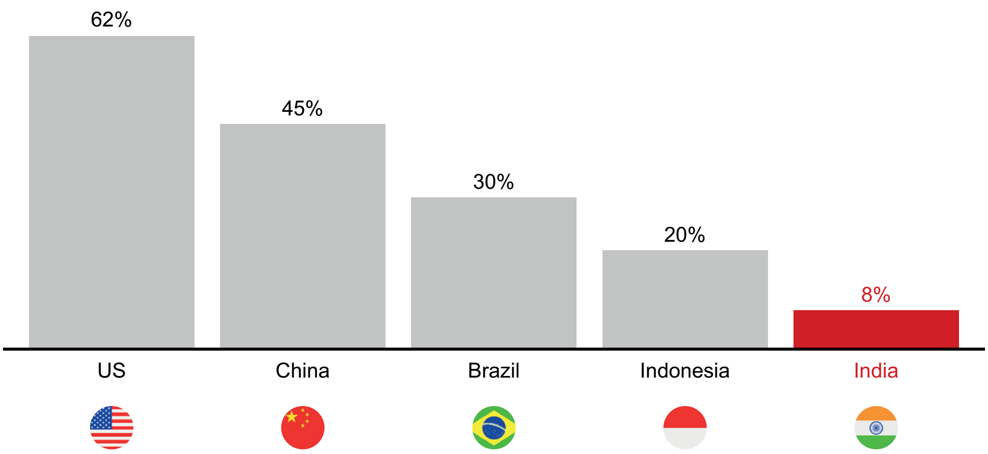


	China	India	US	Brazil	Indonesia
Internet penetration (2019)	60%	41%	89%	71%	46%
Smartphone penetration (2019)	55%	28%	72%	47%	34%

Notes: Penetration numbers are defined as a percentage of total population; Internet users are defined as the population using the Internet at least once a month; smartphone penetration is defined as the number of users who own at least one smartphone and use it at least once per month
Sources: *Forrester Analytics: Online Retail Forecast, 2018 to 2023*; Euromonitor International; *How India Shops Online*; China Internet Watch; eMarketer (smartphone penetration); Bain analysis

Figure 2: However, India is in the early stages of online commerce—only 8% (or about 105 million) of Indians shop for products online ...

E-retail shopper penetration (percentage of total population, 2019)

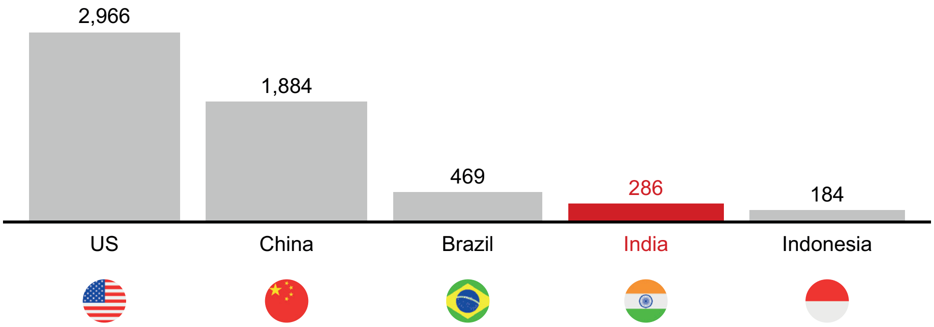


	US	China	Brazil	Indonesia	India
Number of e-retail shoppers (millions, 2019)	205	637	63	53	~105*

* E-retail shoppers are for FY20 (April 2019–March 2020)
Notes: Penetration numbers are defined as a percentage of total population; Internet users are defined as the population using the Internet at least once a month; e-retail shopper is any person who made an online product purchase in the past 12 months
Sources: *Forrester Analytics: Online Retail Forecast, 2018 to 2023*; *How India Shops Online*; China Internet Watch; literature scan; Bain analysis

Figure 3: … with an average online spending of $286 per year, which is much lower than other markets

Average annual online spending per product transactor* ($, 2019)



	US	China	Brazil	India	Indonesia
Total e-retail sales ($B, 2019)	608	1,200	30	30**	10
E-retail sales as a percentage of total retail sales	17.2%	25.5%	6.1%	3.4%	5.4%

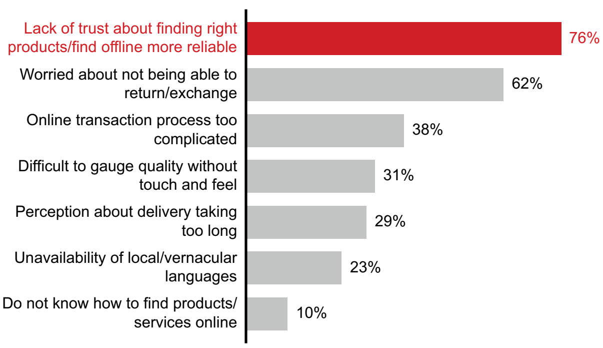
Huge headroom for growth

* Average spend per online shopper is for spend by e-retail shoppers on products only
** Market size is for FY20 (April 2019–March 2020)
Sources: *Forrester Analytics: Online Retail Forecast, 2018 to 2023*; *How India Shops Online*; *literature scan*; Bain analysis

Figure 4: For about 400 million non-transactors, lack of trust is the biggest impediment to online commerce

Never purchased online: Lack of trust and concerns around return/exchange inhibiting trial

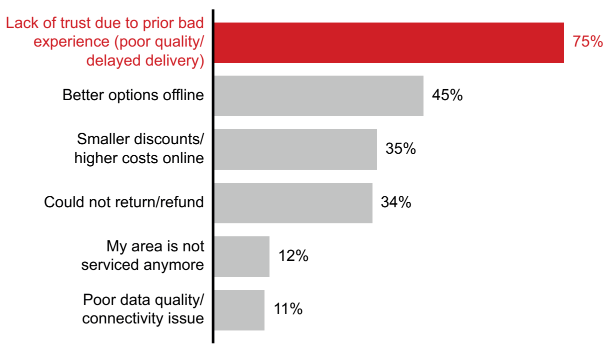
Key reasons for not purchasing online



% of non-transactors who have never purchased online (n=556)

Purchased online, then stopped: Lack of trust after prior bad experience prevents further purchase

Key reasons for not purchasing online

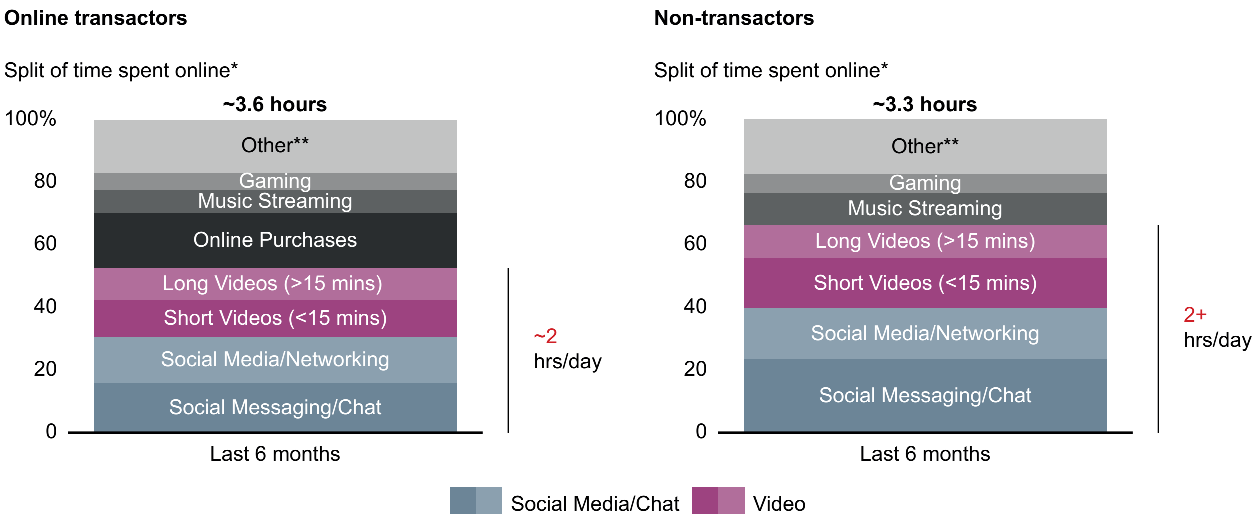


% of non-transactors who have purchased online in the past (n=458)

Potential to drive more non-transactors online by addressing trust concerns on priority

Notes: Non-transactor is an active Internet user who does not purchase online; of the 572 million Internet users, 160 million –190 million are product and service transactors (100M–110M are product transactors only), while the remaining ~400 million are non-transactors
Sources: Bain India non-transactor survey (n=1,014); Bain analysis

Figure 5: Social and video platforms have more universal usage—transactors and non-transactors spend most of their time on social media, chat and video content

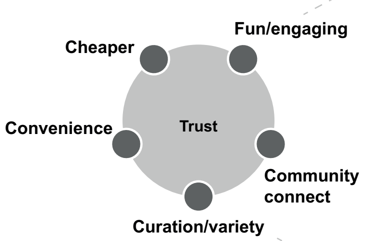


This creates opportunities to enable and support commerce

* Non-work activities
** Other includes browsing news, performing web searches, checking emails, making payments, banking online, reading classifieds, etc.
Notes: Online transactors defined as product or service transactors
Sources: Bain India social commerce consumer survey (n=2,700); Bain India e-commerce survey (n=500); Bain India e-services survey (n=1,350); Bain India non-transactor survey (n=1,014); Bain analysis

Figure 6: Social platforms and content formats are starting to play a role in the online commerce journey in five ways

Key consumer needs



Sales on social commerce platforms

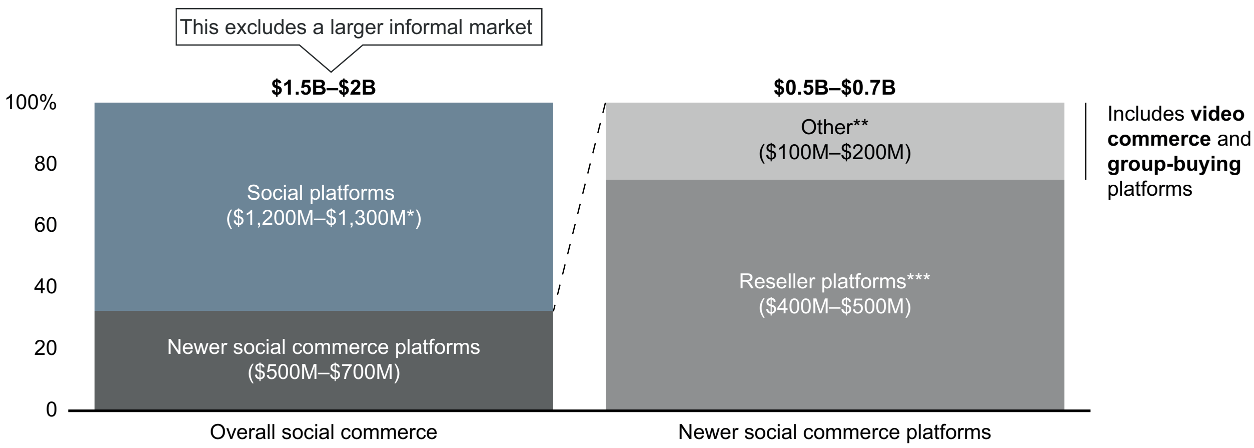
Models of social platforms being used in online commerce (Core consumer need in addition to trust)	Definition
1 **Video commerce** (fun and engaging)	**One to many interactions** by brands/ influencers via livestreams/prerecorded videos (e.g., BulBul, SimSim)
2 **Social network led** (community connect)	**Discovering and interacting** with products/buyers/sellers using social media apps (e.g., Facebook, Instagram)
3 **Social reselling** (curation/variety)	Sales through resellers who sell to their networks, thereby **easing retail customer acquisition** (e.g., Meesho, GlowRoad, Shop101)
4 **Conversation-/ chat-led commerce** (convenience)	**One-to-one interactions, enriched communication** through chats (e.g., WhatsApp, Telegram)
5 **Group buying** (cheaper)	**Group formed by consumers** to purchase in bulk for **lowered prices** (e.g., DealShare, Mall91)
'Socially influenced' sales	Traditional ecommerce/service purchases **influenced* by social/video** platforms

Focus of this report

* A purchase is socially influenced when a consumer uses a social/video platform for product discovery/evaluation/information while redirecting to e-commerce/service platforms for buying
Sources: Bain India social commerce consumer survey (n=2,700); consumer interviews; Bain analysis

Figure 7: Social commerce is nascent today at $1.5 billion to $2 billion GMV

Market opportunity (FY20)



Majority of social commerce today is growing organically in the absence of end-to-end, commerce-enabling infrastructure on social platforms

* Excludes any overlap/double counting of sales of Meesho products being sold via WhatsApp/Facebook/Instagram/Other social platforms;
** Other includes platforms like BulBul, SimSim, DealShare, Mall91, etc.;
*** reseller platforms like Meesho, GlowRoad, Shop101, etc.
Notes: GMV of newer platforms (e.g., Meesho, BulBul) is included within India's e-retail market
Sources: Industry participants; Bain analysis

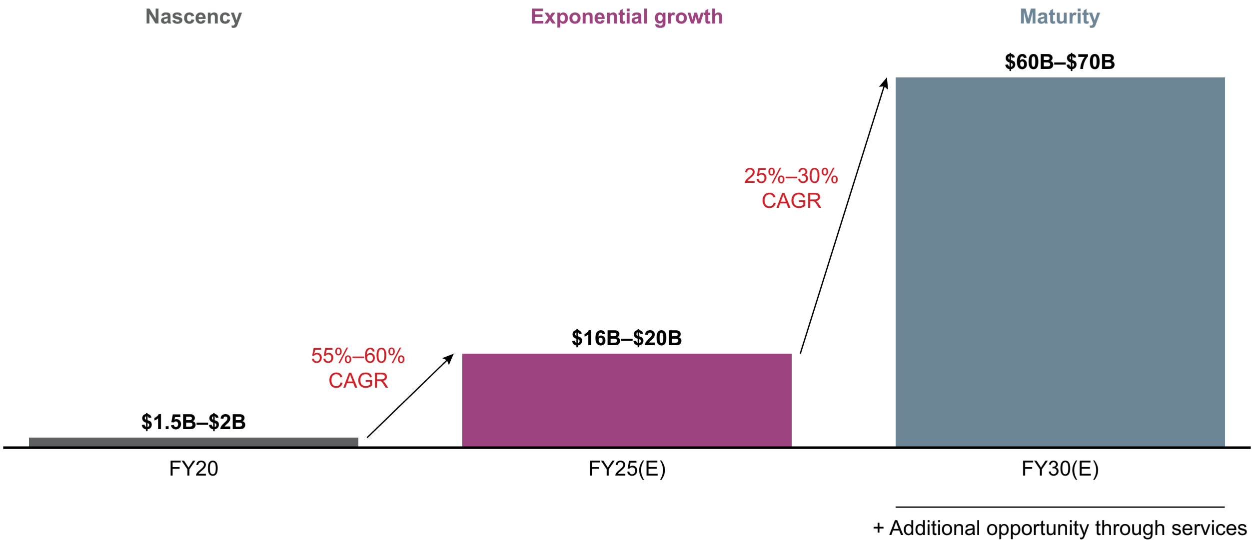
Figure 8: The nascent market in India needs an enabling ecosystem, similar to China, to achieve exponential growth

	Phase I: Nascency	Phase II: Exponential growth	Phase III: Maturity
China	**2013–2016** 3%–8% of China e-retail sales 120%–140% CAGR • **2013:** Launch of WeChat brand accounts/stores • **2016: Livestreaming** by brands on Taobao Live, etc.	**2016–2020** 10%–20% of China e-retail sales 50%–60% CAGR • **2017:** Launch of WeChat **mini programmes** • **2017:** Rise of **group-buying platforms** (e.g., Pinduoduo) leveraging WeChat	**2020–2025 (E)** 20–30% of China e-retail sales **20–25% CAGR** • Increased **convergence** of archetypes (e.g., video streaming on Pinduoduo group-buying platform)
India	**2017–2020** **$1.5B–$2B today*** (5%–6% of India e-retail) • **2017:** Rise of **reselling** platforms (e.g., Meesho, Shop101**) • **2018:** Launch of **WhatsApp Business** accounts • **2018–2019:** Emergence of **group-buying and video-led commerce** platforms • **2020: Mini stores** on Paytm	**2020–2025 (E)** • Social platforms **enabled with integrated payments to support commerce** • **Open scalable APIs***** to drive integration and innovation	

* Excluding an informal market; ** Meesho and Shop101 launched in December 2015 and early 2016, respectively; *** API stands for application programming interface
Note: E stands for expected
Sources: *Forrester Analytics: Online Retail Forecast, 2018 to 2023 (Southeast Asia)*; *How India Shops Online*; WPP; GSMA; industry conversations; *The USD 70 Billion Opportunity in India's Emerging Social Commerce Sector*, KrASIA, 25 December 2019; Bain analysis

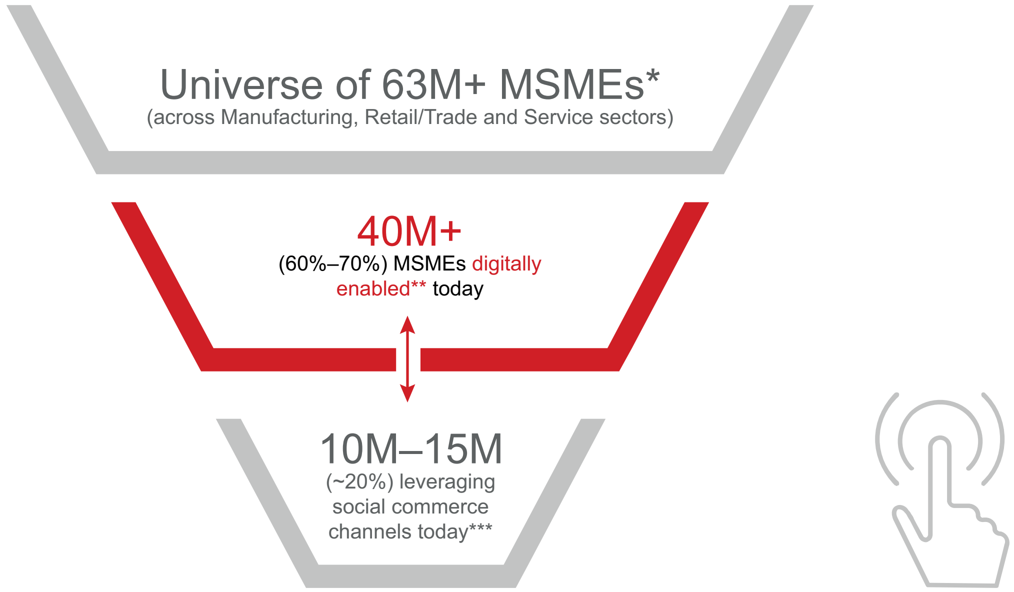
Figure 9: There is potential to drive over $60 billion to $70 billion by 2030 with the right plumbing

Sales on social commerce platforms*



Sources: *Forrester Analytics: Online Retail Forecast, 2018 to 2023 (Southeast Asia)*; *How India Shops Online*; WPP; industry conversations; Bain analysis

Figure 10: Social commerce has the potential to empower more than 40 million entrepreneurs



* Both registered or unregistered MSMEs under the Micro, Small and Medium Enterprises Development Act as per the Ministry of Statistics and Programme Implementation 2016 census report; ** digitally enabled refers to MSMEs having access to digital infrastructure (PC/smartphone and Internet); *** this is in addition to their usage of other channels
Note: MSMEs use social platforms in their sales journey although they might be closing transactions elsewhere
Sources: 2016 MOSPI survey of MSMEs (n=300K, National Sample Survey Round 73); YES BANK study: *Impact of Digitization on MSMEs*; Zinnov report: *Digital SMBs–Key Pillar of India's Economy*; Bain analysis

2.

What is driving social commerce's exponential growth?

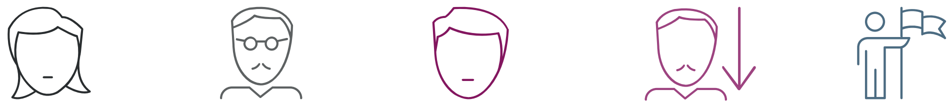
- **Social commerce satisfies unique consumer needs.** For categories like Fashion and Home Decor, social commerce fulfils consumers' need for variety and customisation, community connections and fun shopping experiences. Convenience, trust and cheaper options drive social commerce purchases in categories like Food and Grocery.
- **Social commerce is a tool for discovery and therefore purchase.** Nearly half of India's consumers do not have a specific product or brand in mind when shopping via social channels; they discover products through peer recommendations and other influences. Limited browse range further limits purchases.
- **Unstructured long-tail categories dominate.** Fashion is the most frequently purchased category, followed by Beauty and Personal Care, then Food and Grocery. Traditional e-commerce goods, such as computers, mobile phones and accessories, and home appliances are most often bought when non-branded or new products are showcased by peers, sellers or influencers.
- **Trust is a hygiene expectation.** Nearly 75% of purchases are made from a known entity. Trusted mediation before purchase (e.g., through seller interactions, videos or peer recommendations) is more valuable than post-purchase mediation.
- **Increased ease of use is key to bringing in more consumers.** Over 90% of social commerce customers today also transact via e-commerce. Increased simplification and ease of use enable the growth of this user base beyond early adopters to current non-transactors.
- **Small sellers are the backbone of social commerce.** About 85% of sellers are small retailers who primarily sell products offline, with up to 35% of their revenue coming from social commerce. These are largely opportunistic sales using existing resources. Ease of sales (e.g., sharing catalogues, ease of customer interaction) and platform reach are the biggest drivers of adoption.
- **Order management and customer insights are key.** The order-taking and management processes are key pain points for social sellers and consumers alike, and should be simplified and streamlined to drive growth. Further, the use of better consumer insights to enable curation is a key experience driver for both buyers and sellers looking to scale.

Figure 11: Key social commerce consumer themes

Who is the social commerce consumer?	**Why and How** are they buying?	**What** do they buy?
• Spends **~2 hours/day on chat, social media and video apps**	• **40%–50% of consumers do not know** what they want; they display **low stickiness to brands**	• **Fashion is the most frequently purchased** category, by over **one-third of consumers,** followed by Beauty and Personal Care, Food and Groceries
• Social commerce customers today **also transact via e-commerce**	• **Complex shopping experience/ omnichannel journeys;** for 'fully online' journeys, **switching across platforms**	• Traditional e-commerce categories like **Mobiles/Accessories and Home Appliances,** bought when non-branded/new products are showcased by peers, sellers or influencers
• **Variety/customisation, peer/ community connect** and **fun shopping** experience are the biggest drivers		
• Prefers purchasing from **small trusted groups; 75%** buy from someone they know		

Sources: Bain India social commerce consumer survey (n=2,700); consumer interviews; Bain analysis

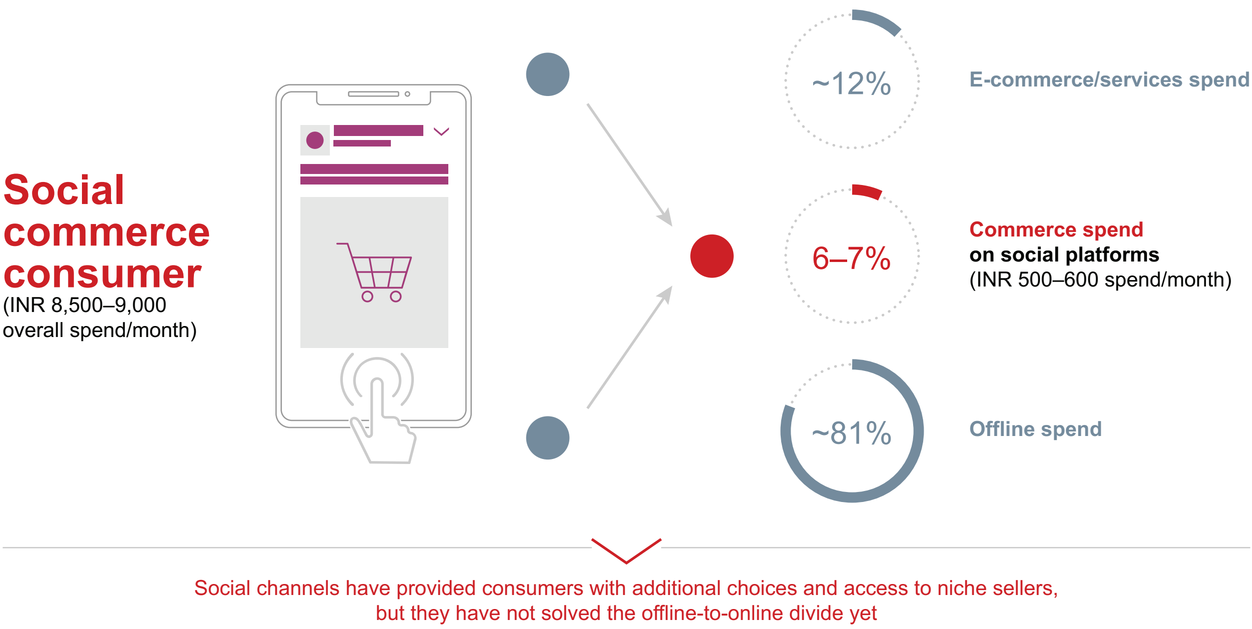
Figure 12: There are five predominant archetypes of social commerce consumers



	Women from small towns (32%)	Small businessmen (30%)	Young aspirational students (17%)	Middle-aged, low-income men (11%)	Urban affluent (10%)
Demographics	• ~75% from **Tier 2+** cities • ~46% are homemakers, ~40% are salaried • Average monthly household (HH) income of **~INR 44K**	• **Mix** of Tier 2+ (~65%) and Metro/ Tier 1 cities • Average monthly HH income of **~INR 49K**	• **Men and women** in **<25**-year age group, mostly students • ~72% from **Tier 2+** cities • Average monthly HH income of **~INR 45K** • Spend maximum time online	• ~56% from **Metro/ Tier 1** cities • Average monthly HH income of **~INR 33K**	• **Men** (71%) **and women** • ~80% from **Metro/ Tier 1** cities • Average monthly HH income of **~INR 1.3L;** majority salaried
Key categories	• **Fashion** and **Beauty & Personal Care**	• **Fashion; Computers, Mobile Phones and Accessories;** and **Health Tech Services**	• **Fashion** and **Education**	• **Fashion** and **Food & Grocery**	• **Fashion, Food & Grocery,** and **Food Delivery Services**
Reasons for using social commerce	• 'Variety' and 'Feels connected to peers/ community'	• 'Variety' and 'Fun' shopping experience	• 'Variety' and 'Cheaper' products	• 'Cheaper' products and 'Feels connected to peers/ community'	• 'Variety', 'Trust' and 'Fun' shopping experience

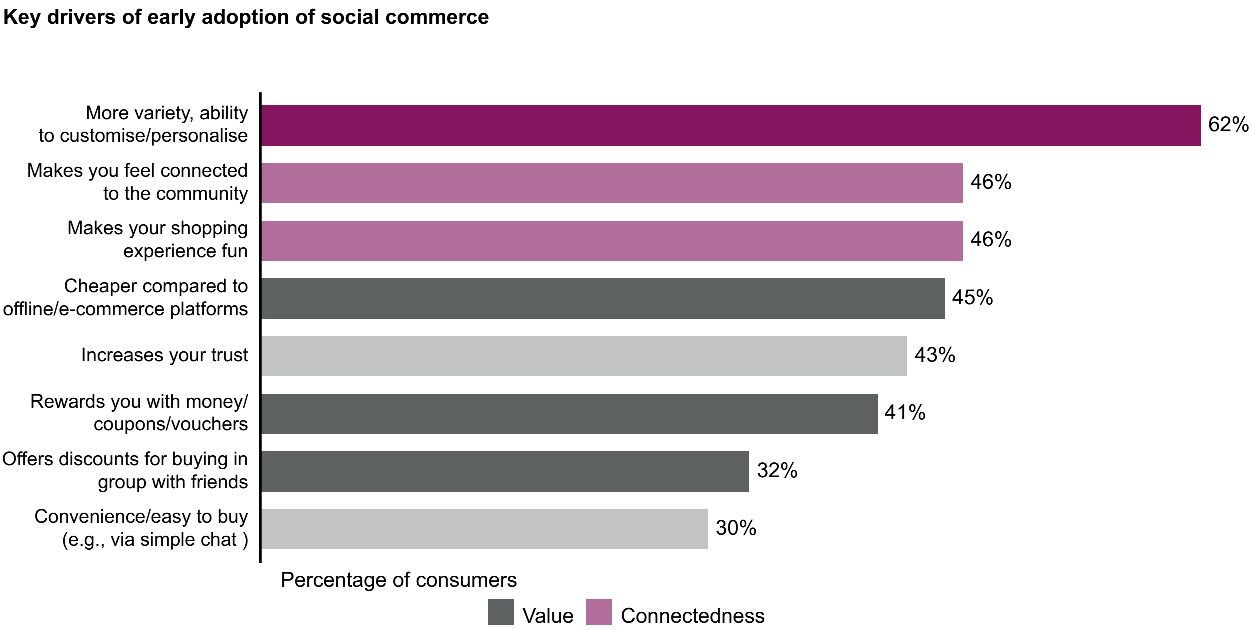
Note: Fashion refers to clothing, footwear and accessories
Sources: Bain India social commerce consumer survey (n=2,700); consumer interviews; Bain analysis

Figure 13: Today's social commerce customers also transact via e-commerce



Sources: Bain India social commerce consumer survey (n=2,700); Bain analysis

Figure 14: Variety and the ability to customise are the biggest drivers of early adoption



Sources: Bain India social commerce consumer survey (n=2,700); consumer interviews; Bain analysis

Figure 15: However, there are some nuances in key drivers by category

Key drivers for early adoption

Categories	Convenience	Cheaper options	Trust	Variety curation	Community connection (Connectedness)	Fun (Connectedness)
Fashion (clothing, footwear and accessories)				**1** (access to unbranded range)	**3**	**2**
Home Decor			A	**1**	**2**	**3**
Beauty & Personal Care			**3** (peer/seller recommendations, education)	**1**	**2**	
Food & Grocery B	**1** (order through chat, faster delivery)	**3**	**2** (hyperlocal purchases from trusted sellers)			
Home Appliances (primarily kitchen appliances)	C	**2**	**3**	**1** (range of unbranded kitchen appliances/tools)		
Computers, Mobile Phones and Accessories		**1** (range of unbranded phone/accessory options)		**2**		**3**

Rank of driver: **1 2 3**

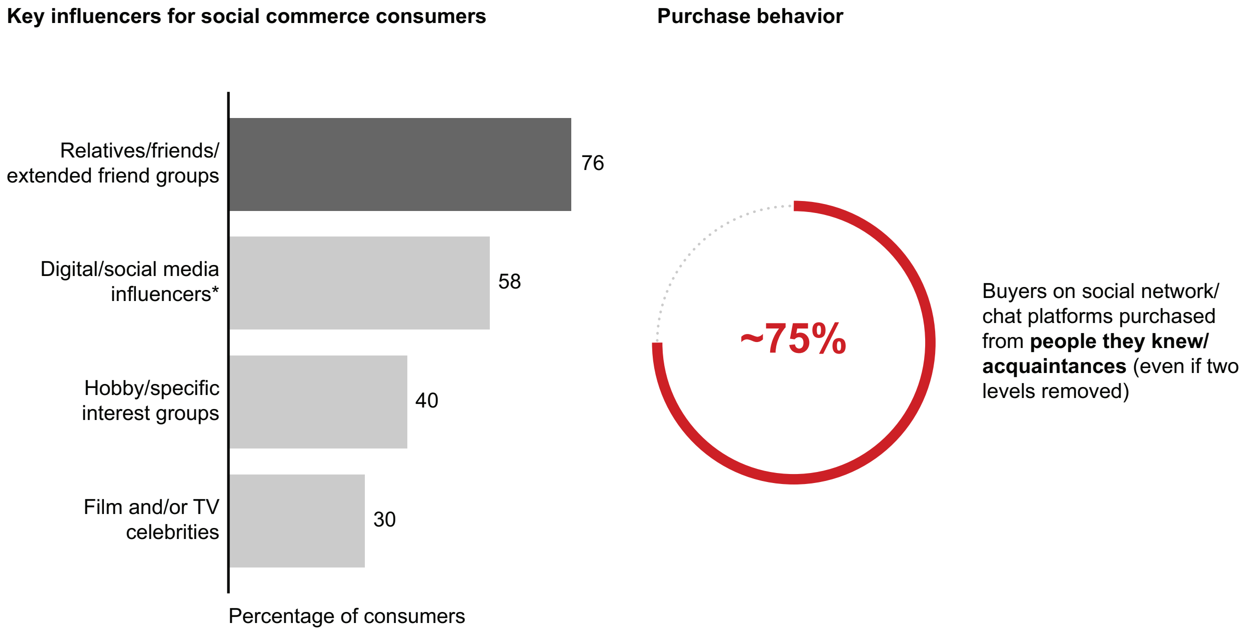
A Fashion, Home Decor and Beauty & Personal Care are peer-influenced categories driven by variety/range of options

B Food & Grocery purchases are driven by convenience and hyperlocal influence

C Home Appliances and Computers, Mobile Phones and Accessories are driven by variety/range and cost-effective options

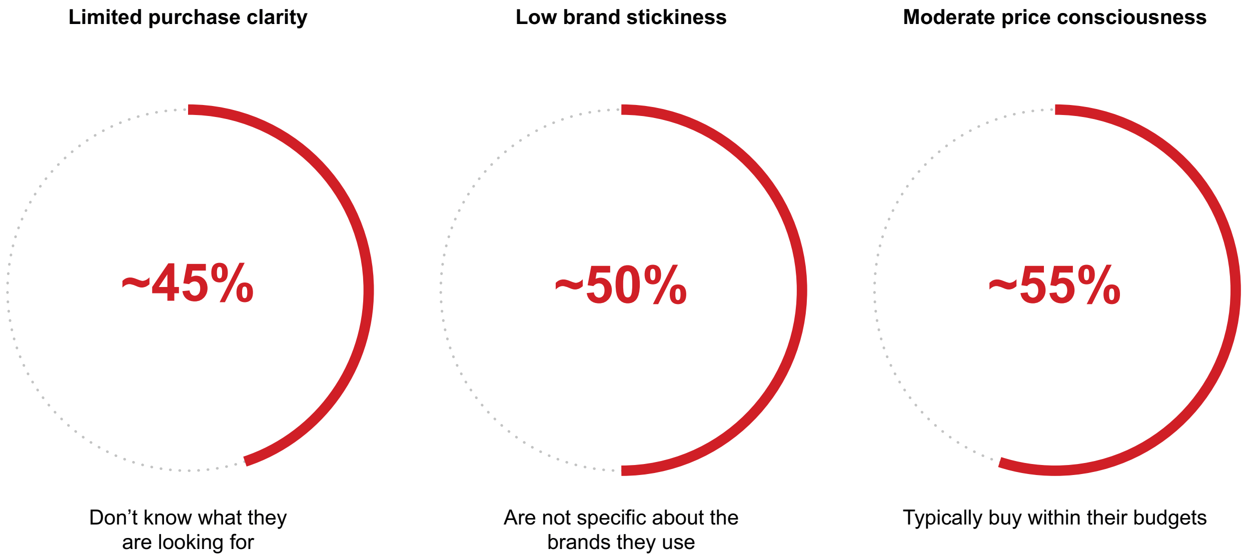
Note: Categories and drivers listed are non-exhaustive
Sources: Bain India social commerce consumer survey (n=2,700); consumer interviews; Bain analysis

Figure 16: Trust is a hygiene expectation—~75% purchased from someone known



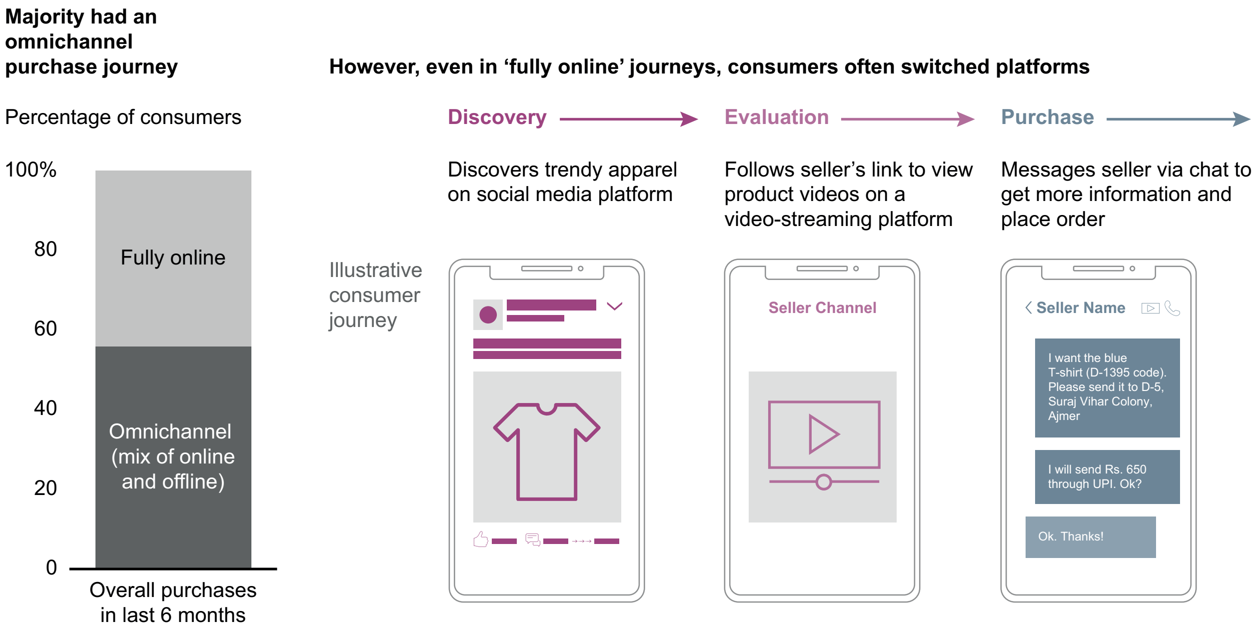
* Digital media influencers include product/service reviewers, vloggers on YouTube, etc.
Sources: Bain India social commerce consumer survey (n=2,700); Bain analysis

Figure 17: Consumers are not clear or specific about what they want, creating opportunities for peer-led/impulse purchases



Sources: Bain India social commerce consumer survey (n=2,700); Bain analysis

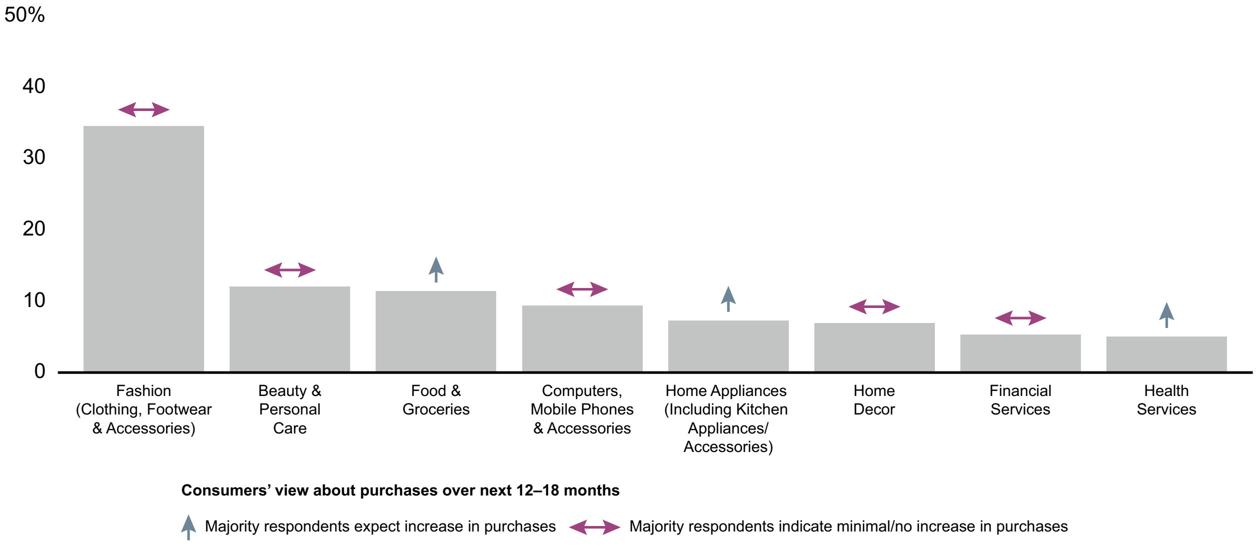
Figure 18: The shopping journey is broken for consumers on social platforms, leading to a huge opportunity and challenge for businesses



Sources: Bain India social commerce consumer survey (n=2,700); consumer interviews; Bain analysis

Figure 19: Fashion, Beauty & Personal Care, and Food & Grocery were the most frequently purchased categories

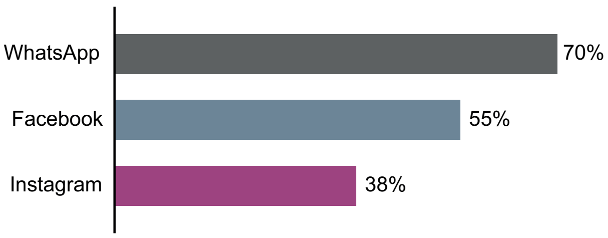
Most frequently purchased categories in last 6 months
(percentage of consumers)



Notes: Other services include Food Delivery (4.4%), Education (3.3%) and Recreation (0.3%), which are not shown above; question sought details on the 'products/services most frequently purchased on social commerce platforms from December 2019–May 2020
Sources: Bain India social commerce consumer survey (n=2,700); consumer interviews; Bain analysis

Figure 20: WhatsApp and Facebook are the social platforms popular among consumers for commerce

Top 3 social platforms popular for commerce



Top 3 drivers of increased future adoption

1. Seamless buy-sell conversations and order placement from messaging apps
2. Higher adoption by friends/family
3. Availability of trusted brands

> Ordering through **chats is so easy** … would love to order more if **more sellers send me their catalogues** on apps like WhatsApp.
>
> **Consumer, Delhi**

> I am often doubtful about the **quality of products** on social platforms … my **trust would increase** if I also see some **known brands listed** on these platforms.
>
> **Consumer, Bangalore**

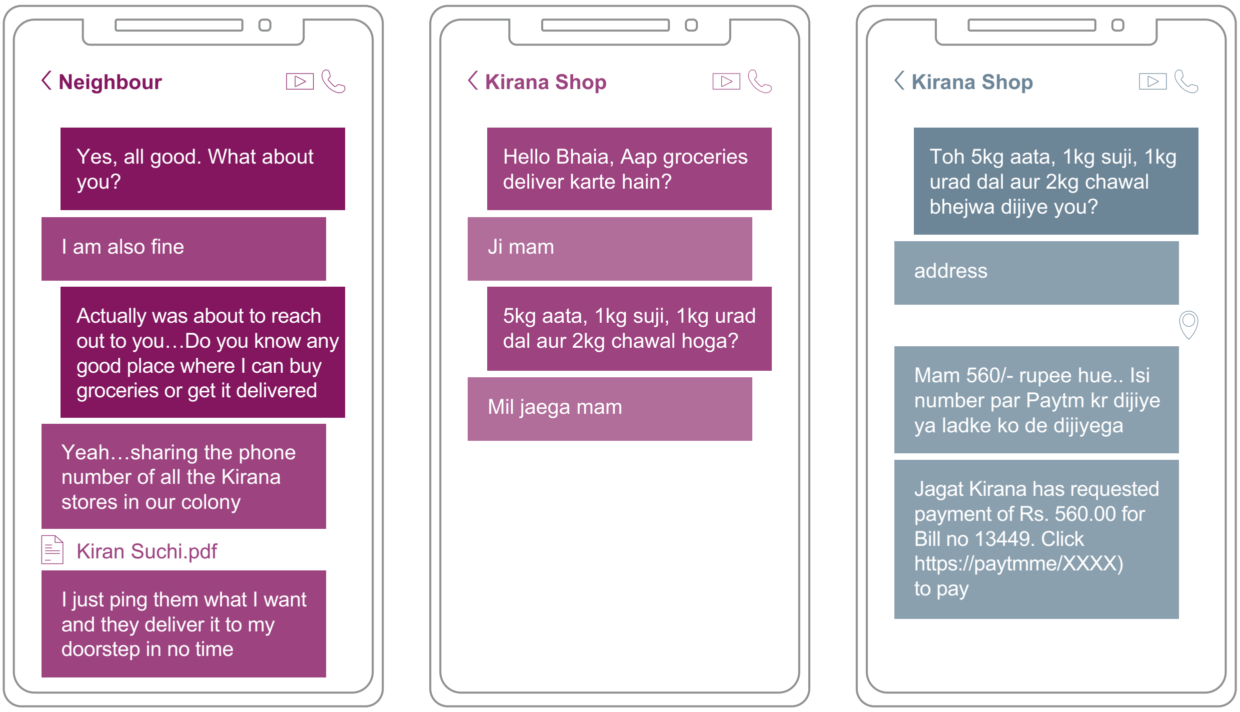
Sources: Bain India social commerce consumer survey (n=2,700); consumer interviews; Bain analysis

Figure 21: An example of a conversational/chat-led commerce (Food & Grocery)

"Ordering groceries via chat platforms is **extremely convenient.** I just message the list and the shopkeeper delivers the items to my doorstep."

Consumer, Jaipur

Discovery →	Evaluation →	Purchase →
Discovered Kirana shop on chat through friends	Confirms the availability of items	Places order on chat and pays through UPI



Sources: Market participant interviews; Bain analysis

Figure 22: Our research shows key social commerce retailer/supplier themes emerging

Who is selling?	**Why** do they sell?	**What** do they sell?
• **Small businesses** tapping into social commerce as a result of **reach and ease of selling** on these platforms	• Social commerce **creates 15%–20% 'incremental' value** through access to a large customer base	• **Fashion** is the **largest category,** followed by Beauty & Personal Care and Food & Grocery
• **Over 85% of sellers are small retailers/suppliers,** largely offline and deriving up to **35% of revenues from social commerce**	• **Cost of acquisition** is attractive, **margins** are better than e-commerce platforms	
• Most **scale retailers/suppliers sold on reselling** platforms vs. social platforms	• Most social commerce sellers are **small/subscale** relative to e-commerce platform sellers; dynamics of social commerce platforms work better for them	

Sources: Bain India social commerce retailer/supplier survey (n=994); Bain analysis

Figure 23: Three archetypes of social commerce sellers—over 85% are small retailers/suppliers, largely offline

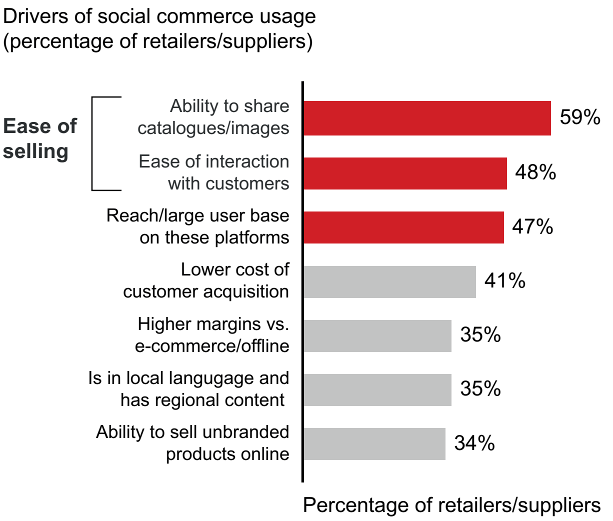
	Small	**Medium**	**Large**
	85%+	<5%	~10%
	Largely offline; leapfrogged into online commerce by selling through social platforms	**Largely offline; leapfrogged into online commerce** by selling through newer commerce platforms	**Scale** retailers/suppliers, **largely offline;** diversifying by selling on reselling platforms
Primary sales platform	Social platforms (e.g., WhatsApp, Facebook, Instagram)	Newer platforms (e.g., BulBul, SimSim, Mall91, DealShare)	Reselling platforms (e.g., Meesho, GlowRoad, Shop101)
Scale (average annual turnover, number of employees)	**~INR 37L** with **4 to 5 employees** on average	**~INR 51L** with **8 to 9 employees** on average	**~INR 1.7Cr** with **~18 employees** on average
E-commerce penetration	**Minimal e-commerce presence** (only ~10% sold via e-commerce, while 80%+ had offline presence)	**Minimal e-commerce presence** (only ~10% sold via e-commerce, while all had offline presence)	**~31% sales from e-commerce** (~56% sold via e-commerce, while ~90% had offline presence)
Key categories	**Fashion, Beauty & Personal Care,** and **Food & Grocery** Emergence of services like **Food Delivery, Education** and **Healthtech**	**Fashion, Food & Grocery** and **Home Decor**	**Fashion**

Low — High

Notes: Fashion refers to clothing, footwear and accessories; primary sales platform refers to the platforms driving maximum revenue for the retailers/supplier
Sources: Bain India social commerce retailer/supplier survey (n=994); Bain analysis

Figure 24: Ease of selling and reach of platforms are biggest drivers for adoption; small businesses are driving incremental value through social commerce

Key drivers for adoption of social commerce

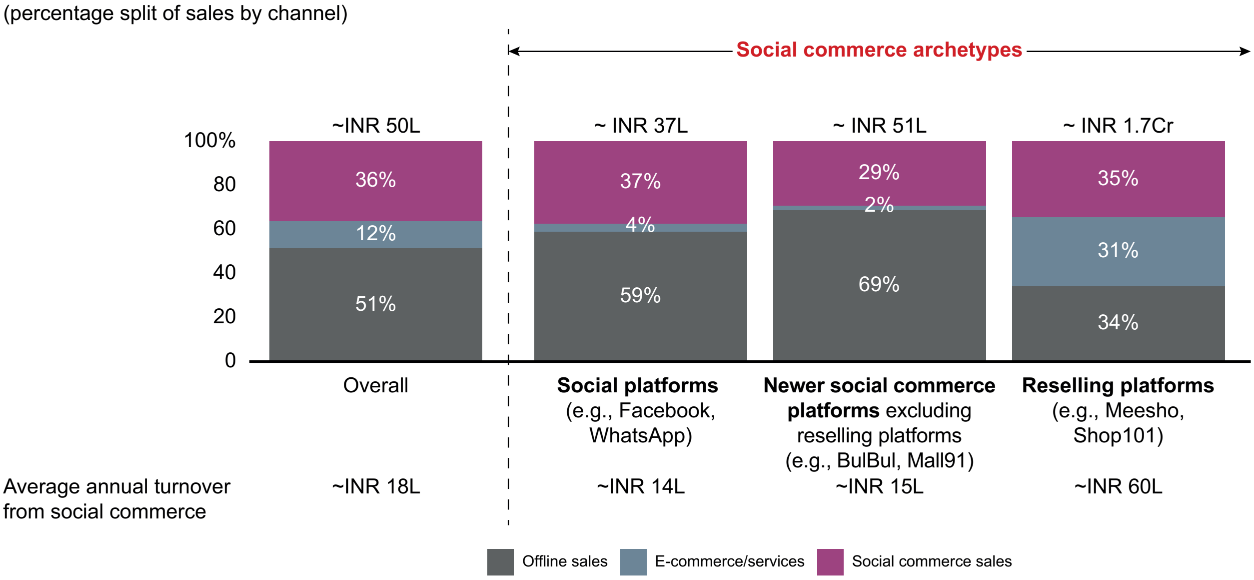


Majority believe that social commerce has created incremental value* for their business

* Incremental value is defined as the additional revenue that retailers/suppliers believe is being generated through sales via social commerce platforms
Notes: Additional revenue refers to additional income generated only because a business contacts customers and sells via social commerce platforms (excludes any income that a business was already earning from selling offline or on e-commerce platforms but just substituted it by selling on social commerce platforms)
Sources: Bain India social commerce retailer/supplier survey (n=994); Bain analysis

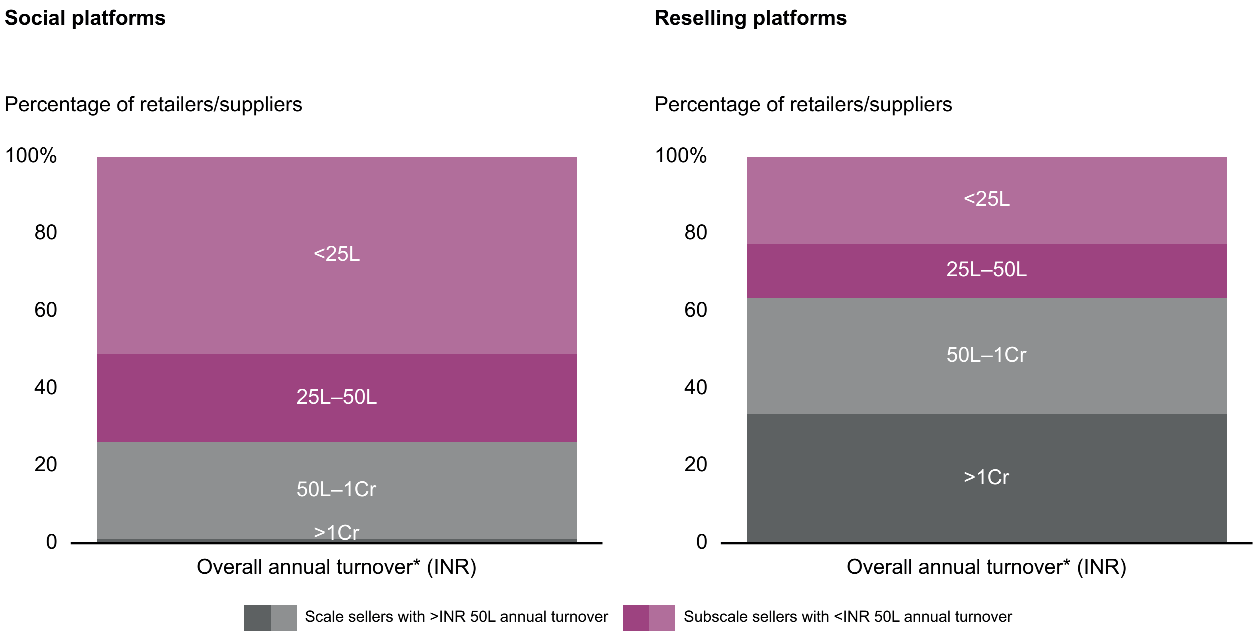
Figure 25: Retailers/suppliers are driving about 35% of their sales through social commerce, with some variation by social commerce archetypes

Average annual turnover* of retailers/suppliers
(percentage split of sales by channel)



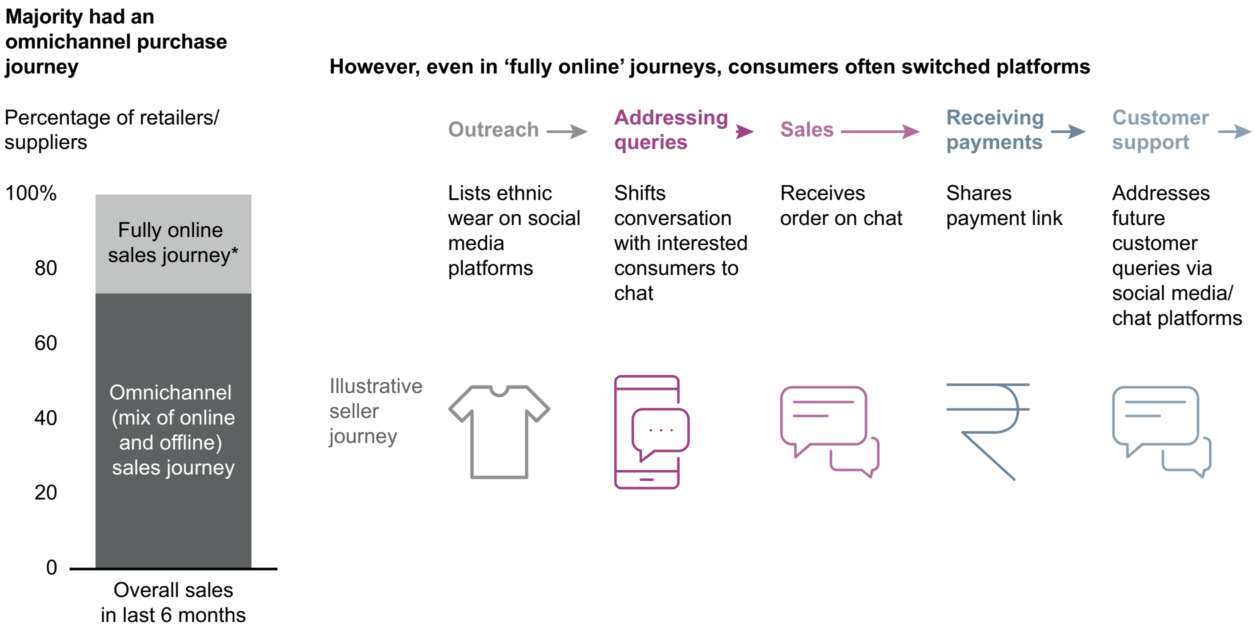
* Annual turnover refers to overall revenues of the retailer/supplier (offline, online e-commerce and social commerce)
Notes: Above analysis has been conducted for retailers/suppliers who had highlighted social platforms/reselling platforms as their primary sales platform; the sample size for newer commerce platforms is ~30
Sources: Bain India social commerce retailer/supplier survey (n=994); Bain analysis

Figure 26: Majority of scale retailers/suppliers sell on reselling platforms vs. social platforms



* Annual turnover refers to overall revenues of the retailer/supplier (offline, online, e-commerce and social commerce)
Notes: Above analysis has been conducted for retailers/suppliers who had highlighted social platforms/reselling platforms as their primary sales generation platform
Sources: Bain India social commerce retailer/supplier survey (n=994); Bain analysis

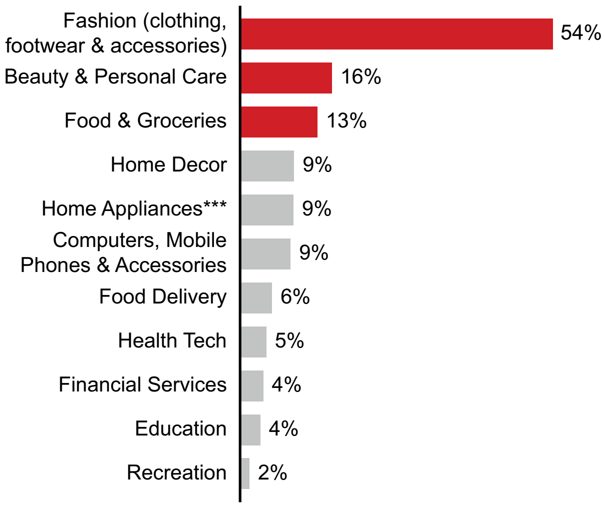
Figure 27: The selling journey is broken for retailers/suppliers on social platforms, creating opportunities and challenges for companies



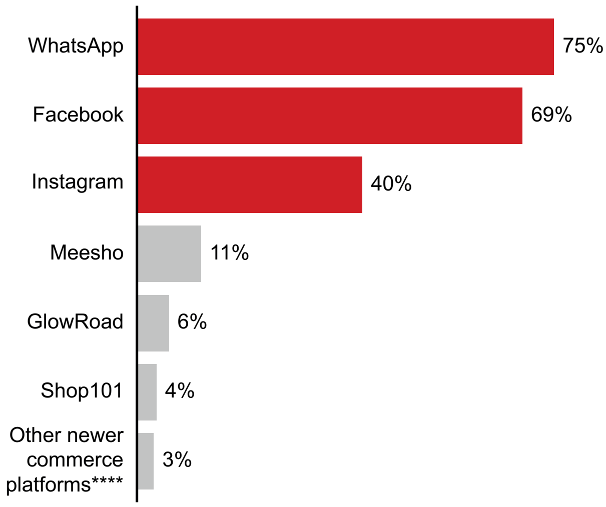
* Fully online sales journey refers to the journey where the retailer/supplier used only online platforms for the entire sales journey from outreach through addressing queries, sales, receiving payments and customer support
Sources: Bain India social commerce retailer/supplier survey (n=994); retailer/supplier interviews; Bain analysis

Figure 28: Fashion is the largest category, while WhatsApp and Facebook are the most used platforms

Key categories sold on social commerce*



Key platforms preferred for commerce**



* Includes all platforms that a retailer/supplier uses for selling
** Includes all categories sold by the seller
*** Also includes kitchen appliances, kitchen tools and other kitchen accessories
**** Includes newer commerce platforms (e.g., SimSim, BulBul.TV, DealShare, Mall91)
Sources: Bain India social commerce retailer/supplier survey (n=994); Bain analysis

Figure 29: Improved order-taking/management processes and customer insights to enable curation are key drivers for sellers looking to scale

Key drivers for sellers looking at scaling adoption

> **Make it easier to list catalogues**—have apps like WhatsApp connect to my shop's inventory/order management system ... I will be easily able to service the entire locality that way.
>
> **Kirana merchant, Delhi**

> It would be great if these social platforms provided me with **data insights to help me find leads, grow my business.**
>
> **Apparel merchant, Surat**

Sources: Bain India social commerce retailer/supplier survey (n=994); Bain analysis

Figure 30: Social commerce has also given rise to first-time entrepreneurs who resell for platforms like Meesho

Who
is the reseller?

More than 75% are women, mostly homemakers or self-employed/business owners

Why
do they resell?

Earn **INR 5K–10K/month** through reselling, thereby supplementing their household income

How
do they resell?

Resellers sold within their social circles: **more than 80% of sales** to close friends and family/relatives, primarily through **WhatsApp**

What
do they resell?

Fashion is the dominant category, followed by Beauty & Personal Care and Home Decor

Where
do they resell?

Meesho is most widely used platform, followed by GlowRoad and Shop101

Sources: Bain India reseller survey (n=300); Bain analysis

3.

Key implications and takeaways

- As social commerce moves from opportunistic to scale, there are four levers for social commerce platforms to unlock the $60 billion to $70 billion opportunity:
  - Simplified shopping journey and order placement to ease trial process
  - Scalable engagement and trust-building propositions to increase repeat purchases and transactions per customer
  - 'Made-for-commerce' propositions to enable seller discoverability and scaling
  - Smart, relevant curation and product discoverability
- There exists a large opportunity for startup founders to build new social-led models by:
  - Developing new tools/applications for sellers, such as chatbots, digital storefronts and order management tools
  - Unlocking new consumer segments
  - Reimaging high value categories by building social-first models where a community-based product could lower the trust deficit
  - Building solutions for enablers such as logistics and payments for the social-commerce ecosystem
- Brands should focus on five key levers to tap the social commerce opportunity:
  - **Cohesive social commerce strategy.** Synergistic roles of channels; choice of selling model/platform archetype tailored by category
  - **Experience over product/services.** Simplified shopping experience; consumer intimacy through engaging and trustworthy content; enhanced engagement formats (e.g., one-to-one video-based selling, augmented reality)
  - **Optimal assortment.** Coherent assortment across archetypes; assortment plan tailored by social commerce platform archetypes
  - **Pricing strategy tailored by value proposition.** Premium pricing for personalised and high-touch brands or services; special group pricing or bundling to drive impulse sales
  - **Social commerce-ready supply chain.** Seamless back-end integration with platforms; cost-effective and scalable hyperlocal solutions

Figure 31: Future evolution across archetypes primarily involves scaling commerce propositions

	Future trends	Global analogs
Social network-led commerce	• Integration of purchase options to facilitate impulse buying	Xiaohongshu (Little Red Book)
Video-led commerce	• Scalable content creation/livestreaming by expanding influencer base, incentivising user-generated content • Integration of direct purchase action on short video platforms • Shoppable videos to drive video commerce	Taobao.com Kuaishou TheTake.AI
Conversational/ chat-led commerce	• Enablement of browsing through catalogues/video calls, resolving queries and placing orders • Likelihood of transition into the super-app model	WeChat
Social reselling	• Ease trials for shoppers who are new to online commerce; help quickly test new products for brands	
Group buying	• Enable creation of social communities/interest groups to build trust and scale • Scale-up (standalone/integrated with e-commerce) to tap into Tier 2+, lower-income segments	Pinduoduo

Note: Global analogs listed are non-exhaustive
Sources: Industry conversations; Bain analysis

Figure 32: Xiaohongshu is an example of an engaging and trustworthy social shopping experience

Young, affluent female consumer base

Engaged community of **young, affluent consumers, mostly females, under 30 years** of age – values quality and seeks trusted recommendations

Community and trustworthy content key drivers of purchase

Operates as a **combination** of social networking platforms and e-commerce platforms, where consumers can share content, post **high-quality reviews/ 'shopping notes'** and purchase items at the same place

Focused on overseas luxury goods

Leading **cross-border online commerce** platform focused primarily on **fashion and beauty products**

Higher conversion rate than traditional e-commerce

8% of consumers **place an order** on the app after reading reviews, **compared to 2.6%** on Tmall

Strong focus on quality and customer experience

Forges strategic partnerships with brands and **maintains own inventory** for **quality assurance** and customer **experience**

Sources: QianFan; Fung Business Intelligence; Marketing to China; Bain analysis

Figure 33: An example of emerging social selling models in India (Beauty & Personal Care brand)

Brands leverage their employees, influencers to recommend relevant products to users

1. Find relevant audience on social platforms
2. Connect to live virtual chat assistant
3. Share latest trends/answer specific beauty and personal care questions
4. Recommend relevant products; influencer shares unique code
5. Consumers place an order with the brand

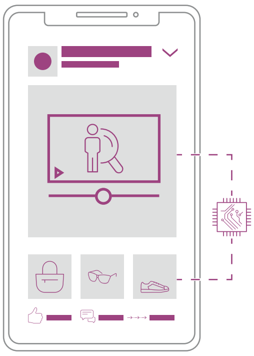
Early results

- **High-quality engagement and time spent** by consumers who opt in
- **Low acquisition cost** and **promising sales-to-spend ratio**
- **Rich data** for analytics and optimisation

- Replicates **offline shopping experience** online **(Discover -> Learn -> Buy)**
- Can be done using **Beauty & Personal Care experts** (e.g., beauty advisor, salon professional) or **influencers**
- As it scales, a separate team of full-time 'virtual' advisors could be set up

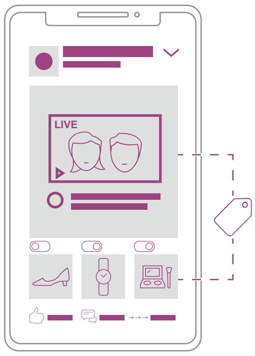
Sources: Industry conversations; Bain analysis

Figure 34: Examples of discovery-led, engaging shopping experiences



TheTake.ai

Shoppable videos enabling video commerce



Taobao.com

Livestreaming by e-commerce platforms

- TheTake leverages artificial intelligence (AI) on video to dynamically detect merchandise (apparel, accessories, etc.), thereby **reducing friction between inspiration, identification and purchase**
- **Shoppable videos** to drive video commerce for brands/ content providers, especially for categories like Fashion, Home Decor and Cooking

- Taobao Live, Alibaba's livestreaming channel, allows individuals and retailers to livestream and sell
- Generated over 100B RMB GMV (2018) through livestreaming with over **4,000 livestream hosts** who generate **150,000 hours of content daily**

Sources: Company websites; Emma Lee, "Livestreams on Taobao Live earn RMB 20 billion in sales on Singles Day", *TechNode*, Nov 13, 2019; Bain analysis.

Figure 35: Pinduoduo is an example of a community shopping model pioneer

Focused on 'value for money' shoppers

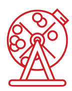
~55% from **Tier 3+** cities, **~70% female** who manage household purchases and seek discounts

Turbocharged growth through WeChat

Piggybacked on **WeChat's 1B+ users and payments technology**

Simulates an offline, social, curated shopping experience

Offers **steep discounts** when consumers form **'teams'** to shop; provides personalised and curated recommendations



Provides a fun, interactive shopping experience

In-app community games/ promotions and **short-term coupons** drive engagement and impulse purchases

Sources: Industry participant interviews; *How India Shops Online*; Pinduoduo investor reports; Bain analysis

Figure 36: India's leading social ecommerce platform, Meesho, is an example of emerging models in e-commerce that leverages a layer of 'micro entrepreneurs'

Turbocharges entrepreneurs (80% women)

Empowers around **5 million** entrepreneurs – of which **80% are women,** to run **digital businesses** with zero upfront capital

Offers unique distribution channel for suppliers

Provides **unique distribution access** to suppliers while driving financial independence for millions of women entrepreneurs who re-sell on the platform

Bridges trust deficit – especially for unbranded products

Curated social selling helps build **"trust"** on value products which are **predominantly unbranded**

Simulates an offline, curated shopping experience

Simulates an **offline shopping experience** as customers seek **instant feedback/opinions** from re-sellers

Sources: Neeta Nair, "How Meesho Institutionalised 'WhatsApp boutiques'", *Exchange4Media*, Oct 05, 2020; Bain analysis

Figure 37: Vernacular group buying social commerce platform Dealshare is an example of emerging social commerce models 'building for Bharat'

Community shopping model

"Discovery led" platform that offers **deals and discounts for bulk purchases,** encouraging customers to consolidate buying requirements among friends and family

Focused on making essentials affordable

Primarily offers **daily essentials** (food, grocery, household merchandise) at **affordable rates** to middle and low-income customers

Majority consumers new-to-internet from Tier 2+ cities

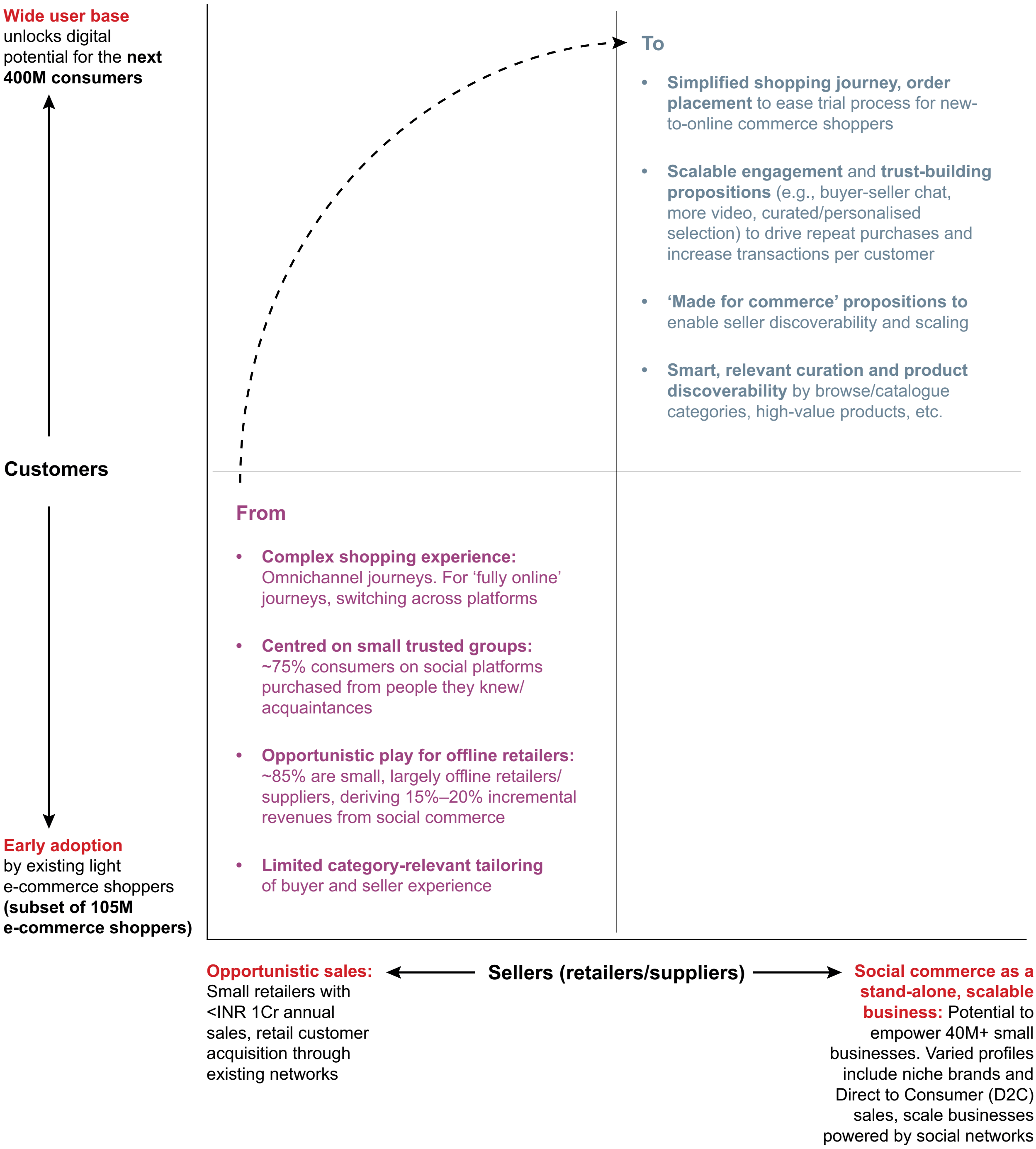
Majority customers **new-to-internet users who live in Tier 2/3 cities** and smaller towns

Leverages local store network to reduce last-mile costs

Leverages **network of kirana stores** to serve as logistics spokes to **reduce last-mile delivery costs and service low order values**

Sources: Company website; Ridhima Saxena, "Investors eye social e-commerce startups to target new users", *Mint*, Oct 23, 2019; Debroop Roy, 'This Social Commerce Start-Up Is Creating a New Way To Shop For Bharat', *Entrepreneur India,* Mar 09, 2020; Bain analysis

Figure 38: Four levers to unlock the opportunity



Key enablers | Open, scalable APIs | Integrated payments | Cost-effective logistics

Source: Bain analysis

Figure 39: Implications for social commerce platforms

Themes	Implications
Simplified shopping journey, order placement to ease trial process	• **Simplified shopping journey** for consumers, allowing them to **discover, evaluate and place orders** on the same platform, and growing user base beyond early adopters to extend to non-transactors
Scalable engagement and **trust-building propositions** to increase repeat purchases and transactions per customer	• Tailored **content** (especially more video), **curated/personalised selection,** features like **real-time peer recommendations** and **buyer-seller chats/bargaining** to **simulate** the **offline shopping** experience • **Extended trust graphs** beyond immediate/close social circles, broadening potential transactions
'Made-for-commerce' propositions to enable seller discoverability and scaling	• **Increased offline and online discoverability** to ease current retail customer acquisition process (biggest barrier to scaling and emergence of new seller archetypes) • Simplification/ease of outreach, order placement and/or payment needs in the same application
Smart, relevant curation and product discoverability	• Product navigation and discoverability **tailored by category** (e.g., browse/catalogue categories, high-value products) • **Integration of social behaviour-led insights** into **product curation** to provide **personalised and prescriptive** shopping experiences

Source: Bain analysis

Figure 40: Implications for entrepreneurs

Themes	Implications
Commerce enabling solutions to simplify selling journey	• Small businesses will need a range of **commerce enabling solutions,** such as chatbots, to manage and respond to customer queries, digital storefronts for catalogue management and order management tools that **integrate with social platforms,** simplifying the selling process.
Unlocking new consumer segments	• While social commerce is taking off among mass market and Tier 2+ consumers, adoption is **relatively lower among more affluent, urban consumers.** Use cases like FMCG and grocery, where people in India enjoy buying as a group, might be a way to engage this demographic.
Reimagining high value categories	• Companies in **high value categories** will find it useful to **build social-first models** where a **community-based** product could **lower the trust deficit.** Real estate, jewellery and automobile sales are among the many categories which could potentially be reimagined with social-first models.
Building enablers for the social commerce ecosystem	• **Logistics and payments** are **key enablers** to any e-commerce ecosystem, and there is wide scope to build solutions that work more seamlessly with social platforms and social-led businesses. Addressing commerce for this segment will require a new approach to services like logistics which is more **affordable, efficient and localised** than the current solutions.

Source: Bain analysis

Figure 41: Five key imperatives for brands to tap the social commerce opportunity

Cohesive social commerce strategy

- Synergistic roles of channels (e-commerce/social commerce) and optimal allocation of marketing budgets
- Choice of selling model (D2C/influencer/ reseller) and platform archetype (social network/chat based, etc.) to be tailored by category dynamics
- Agile and nimble approach for acceleration given evolving possibilities

Experience over product/ services

- Simplified shopping, order placement experience for consumers across touchpoints
- ‘Consumer intimacy’ through engaging and trustworthy content—more video, augmented reality (AR). Focus on social proof through high-quality user-generated content
- Social shopping experience by engaging community members as ambassadors/partners to build trust and scale

Optimal assortment

- Coherent assortment across archetypes (e.g., social network/video-led commerce for aiding discovery; reselling/chat-led for personalised/ curated experiences)
- Assortment plan tailored by social commerce platform archetypes (e.g., rapidly testing new offerings with relevant audiences through social reselling/chat groups)

Pricing strategy tailored by value proposition

- Premium pricing for niche brands providing personalised and high-touch brand/service experience
- Special group pricing/bundling for driving impulse sales of unstructured, long-tail categories like Fashion, lower average selling price (ASP) categories like Computers, Mobile Phones and Accessories

Social commerce-ready supply chain

- Back-end integration with platforms is key to ensure real-time visibility into inventory levels and logistics
- Cost-effective and scalable hyperlocal solutions to cater to demand from socially led channels, especially for lower-priced products/ categories like Food & Grocery
- Customer support optimised by platform

Source: Bain analysis

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