



VENTURE HONG KONG

SMEs target passage to India

A recent HKTDC T-box workshop showed exporters how they can move in as this rapidly growing market opens up.

29 April 2022

The vast and rapidly growing market of India is opening up for electronic commerce and presents ample opportunities for small and medium-sized enterprises (SMEs) in Hong Kong.

As part of its T-box transformation programme, which helps SMEs improve their branding, e-commerce, manufacturing and supply chain solutions, the Hong Kong Trade Development Council (HKTDC) arranges webinars to explore opportunities for SMEs. Earlier this month, David Sit, Assistant Principal Economist (Asian and Emerging Markets) at the HKTDC, introduced a webinar titled "T-box Workshop on India's Booming Retail and E-tail Sectors – Developments and Opportunities".



David Sit, Assistant Principal Economist (Asian and Emerging Markets) at the HKTDC

Opportunities knock



Rajesh Bhagat, South Asia Consultant, HKTDC

Launching the webinar, Rajesh Bhagat, South Asia Consultant at the HKTDC, said India is one of world's fastest-growing economies and explained that e-commerce in particular presents attractive opportunities.

The country's gross domestic product (GDP) is set to be the world's sixth largest by 2025 at US\$5 trillion. Rising incomes, an expanding middle class and a diverse population with a diminishing rural-urban gap were all positive indicators for retail sales, Mr Bhagat said.

He explained that consumption is growing strongly in the country, and "India is the fifth largest retail market in world by value. Retail, e-commerce and e-tail have good prospects. There were 2,250 technology start-ups in 2021. [India] is the third largest unicorn hub, after the United States and Mainland China."

Giving an overview of the retail market worldwide, Dr Hitesh Bhatt, Marketing Director, Retailers Association of India, told the webinar that the retail market in India in 2019 was estimated at US\$854 billion against US\$5.47 trillion in the US and US\$624 billion in Germany. The Indian retail market is projected to be worth US\$1.1 trillion to US\$1.3 trillion in 2025, with America's expected to be US\$5.9 to US\$6 trillion and Germany US\$750 billion to US\$800 billion.



Dr Hitesh Bhatt, Marketing Director, Retailers Association of India

Incomes rise rapidly

India's per capita GDP expanded at a compound annual growth rate (CAGR) of 10% between 2013 and 2018 against 1.8% in the US and 1.5% in Germany. The country had 560 million internet subscribers versus 283 million in America and 74 million in Germany.

In 2019, retail accounted for 10% of India's GDP and there were already 1.17 billion mobile phone subscriptions. Online sales accounted for 3.4% of all retail in the country. Food and groceries made up 64% of retail sales, with apparel accounting for 10%, consumer durables and IT 9% and jewellery 7%.

"E-commerce is expanding at a 30% CAGR, reaching US\$30 billion in 2020 with between 100 million and 110 million shoppers, and projected to expand to US\$100 billion to US\$129 billion on 300 million to 350 million consumers by 2025," Dr Bhatt said.

Online penetration of the retail market in 2019 was 3.4% but e-commerce is expanding at a CAGR of 36%. By comparison, in another leading Asian market, Thailand, penetration was 2.0% and the CAGR 12%. In Mainland China the penetration rate was 26.2% with a 14% CAGR.

"India will generate many opportunities over the next three to five years," Dr Bhatt said.

Open to FDI

The Indian government has capped foreign direct investment (FDI) in multi-brand retail (on operations that stock a broad range of brands and hold inventory) at 51%. FDI of 100% was permitted in other forms of retail, such as automatic cash-and-carry wholesale, single-brand retail, duty free and automatic e-commerce activities – where the e-tailer simply brings buyers and sellers together and does not hold any inventory.

The macro-economic environment was very supportive of online retail expansion, Mr Bhatt said. Per capita income growth was expected to grow 2.5 times from 2016 to 2027, driving consumption as average income would jump from US\$1,600 to US\$4,000. The population would be 38% urban in 2027, up from 32% in 2016.

Another supporting factor was the shift in family structure from joint family households to nuclear units, which will boost consumption since nuclear family households are more inclined to shop online. Nuclear family households also need more items such as TV sets than their multi-family peers do.

Value propositions are strong in India, with price-sensitive consumers, Mr Bhatt said. Premium propositions have some traction but are nascent.

Cross-border business expands



Sthiradhi Das, Business Manager (Sourcing and Vendor Development), at Croma, Infiniti Retail Limited introduced cross border e-commerce (CBE) opportunities in India.

He said that CBE was worth US\$562.1 billion worldwide in 2018 and was estimated to rise to US\$4 trillion by 2027, accounting for 22% of the global

Sthiradhi Das, Business Manager (Sourcing and Vendor Development), Croma, Infiniti Retail Limited

e-commerce market. Speed and efficiency and a global desire to explore drove CBE, he explained.

CBE is currently strongest in the United Kingdom, US, Korea, Mainland China and India, Mr Das said.

The Indian e-commerce market is expected to reach US\$111.4 billion by 2025 and US\$350 billion by 2030. A government programme to boost rural broadband will further drive e-commerce expansion, he said, with smartphones becoming usable in all villages.

Mr Das added that order volume increased almost 36% as demand grew during the COVID-19 pandemic.

The pandemic drove expansion in several online retail categories. Beauty and wellness expanded 295% in 2020-21. Sales in work-from-home accessories such as chairs and portable desks also grew strongly. Demand for home entertainment and kitchen appliances drove 162% growth in electronics in 2020-21. Pet supplies, gardening products and home hygiene products also grew 20%.

Mr Das said all sellers in India needed a Goods and Services Tax (GST) registration. Foreign firms must establish an Indian firm with GST registration or partner with an Indian distributor or importer. Finding third-party service providers can help to accelerate access.

Sales were strongest on major event days, including Diwali (October-November); Dussehra (October), Independence Day (August), Christmas and Republic Day.

Related links

[HKTDC Research](#)

[Full webinar](#)

CONTENT PROVIDED BY

TOPICS: [BUSINESS MANAGEMENT & CONSULTANCY](#),
[OTHER ASIAN COUNTRIES](#), [HONG KONG](#), [INDIA](#), [E-BUSINESS](#), [TRADE](#)





RELATED EVENTS



18 August 2022

HKTDC Research Seminar "Sustainable Finance for Hong Kong's Post-Covid SMEs" (Webinar)



19 August 2022

Belt and Road Series | HKTDC x HKGFA webinar on Green and Sustainable Project Opportunities along and beyond the Belt and Road



15 - 18 November 2022

electronica, München, Germany



14 - 17 December 2022

Eco Expo Asia 2022

DID YOU KNOW?

The Hong Kong Trade Development Council has 50 offices worldwide, and local experts provide a range of services to help businesses succeed.

FIND A LOCAL EXPERT

Free Business Information

Subscribe to keep pace with global developments

[Sign Up >](#)



Your business · Our mission |

Your business · Our mission

[HKTDC.com](#)

[About HKTDC](#)

[Contact HKTDC](#)

[HKTDC Mobile Apps](#)
[E-Subscription Preferences](#)

[Hong Kong Means Business eNewsletter](#)

[Čeština](#)

[Deutsch](#)

[Español](#)

[Français](#)

[Italiano](#)

[Polski](#)

[Português](#)

[Русский](#)

[عربي](#)

[한국어](#)

[日本語](#)

[Terms of Use](#)

[Privacy Statement](#)

[Hyperlink Policy](#)

[Site Map](#)

[京ICP备09059244号](#)

[京公网安备 11010102002019号](#)

Follow HKTDC

Copyright © 2022 Hong Kong Trade Development Council. All rights reserved.