

ONDC

Open network for digital commerce

McKinsey report

The vision of ONDC

An open network for digital commerce that will establish open, inclusive, and competitive marketplace online, creating choice and opportunity for everyone, by everyone.

Low data charges and 600 million smartphone users have ushered in 840 million Indians into the online world.

Digital commerce is a mere 7 % of the total retail market with 165 million online users.

5 trends that will continue to drive growth

1. The emergence of digital public infrastructure.
2. The rise of private sector investments boosting the economy
3. The advent of 5 G data speeds
4. Multilingual conversational AI technologies
5. Democratization of data by giving back data to individuals and businesses that generate it.

Of the 165 million users who use digital commerce, about 10 million to 15 million users are power users, they typically live in metros and use online commerce across many categories.

Less than 5 million of the 100 million MSMEs are registered to sell on e commerce platforms.

Digital variable	Population	%
Access to Internet	800-850 mln	100%
Content consumers using social media	400-450 mln	50-60 %
Digital payment users e.g. bill pay ticketing	300-350 mln	35-40%
E retail transactors	165-190 mln	20-25%
Power users regular transactions on e commerce	10-15 mln	1-2%

ONDC is
interoperable
unbundled
decentralized

Drawn by convenience, knowledge, and entertainment at their fingertips, especially during the pandemic induced lockdowns, Indians have willingly embraced the internet.

India's digital eco system 2016-2022

Variable	Numbers in 2022	Growth since 2016
Internet users	840 million	2x
Smartphone subscribers	600 million	2x
Data consumption per subscriber	16.4 GB/month	18x
Screen time	7.3 hours per day	3x
Share of population >15 that have a bank account	80 %	2x
UPI payments	\$1.5 Trillion	7x

Private equity and venture capital investments in India have moved from \$14 bln in 2016 to \$65 bln in 2021, a 5x growth.

Comparative internet penetration 2022

	India	China	USA	Brazil	Indonesia	South Africa
Per capita income \$	2256	12556	70248	7507	4332	7055
Internet users % popln	60-65%	70-75%	90-95%	80-85%	70-75%	65-70%
Digital commerce users % internet users	20-25%	85-90%	85-90%	45-50%	75-80%	65-70%
Digital commerce % of total retail market value	6-7%	25-30%	14-16%	15-20%	20-25%	2-5%

Digital commerce across sectors in India

	Number of digital transacting consumers	Digital commerce share of total market%
Fashion	150-160	10%
Transportation	120-130	25%
Electronics	100-120	35%
Travel only airlines data	30-35	75%
Food and beverage	30-35	8%
Grocery	25-30	1-2%
Pharmaceuticals	10-15	5%
Edtech	10-15	5%
B2B	NA	1%

Online share of B2B market value in India is 1 to 1.5 % compared to 28-32 % in China, 15-17 % in USA and 17-22 % in UK.

The total B 2 B market in India is \$700-750 Bln

UPI transactions in India are 74 billion transactions in 2022 with a total value of \$1.5 Trillion in 2022.

India Digital market \$ bln

	Digital users 2022	FY22 \$ Bln	FY 30\$ bln Estimate	X Factor
Grocery	25 mln	4	50	12
Fashion and Lifestyle	150 mln	11	80	7
Electronics	100 mln	24	70	3
Pharma	10mln	1	10	10
Other retail	-	2	12	6
Hospitality	30mln	3	8	2.5
Food & Bev	30mln	5	30	6
Education	10mln	4	30	7.5
Transportation	120mln	3	9	3
Entertainment	35mln	3	17	6

Trust and scale will be mutually reinforcing attributes that could define success of ONDC.

E commerce penetration in grocery is 1 % in India compared to 13% in UK, 19 % in China,11% in USA.

Fashion and Lifestyle data 2022/2030

	Total Mkt 2022 \$ bln	Total Mkt 2030 \$ bln Est	Online mkt \$ bln 2022	Online mkt \$ bln 2030Est
apparel	64	128	5	42
footwear	2	24	1	8
accessories	4	7	0.4	0.5
Home	27	54	4	24
Fashion and lifestyle	108	220	11	80

Digital commerce in India is 32 % in electronics compared to 58% in USA, 58 % in UK and 68 % in China

E commerce value as % is 16 % in home appliances, 24 % in TVs, 1 % in computers and 50 % in mobiles in India.

Total value of market is 73 \$ bln in 2022.

India's pharma online market is \$ 1 billion in 2022 and is expected to be & \$ 10 billion by 2030.

online as % of total pharma retail market is 6 % in 2022 and is expected to be 33% in 2030.

India Hospitality Market \$ bln

\$ Bln	Offline	Online direct	Online travel agency
2022 \$ bln	10	0.5	2
2030E \$ bln	13	2	6

Financial services market India

1. India is 5 th largest insurance market with \$ 115 bln in annual premiums
2. India is 5 th largest equity market and will be 4 th largest by 2024
3. 130 bans with 1.5 lac bank branches
4. 10,000 NBFCs and fintech companies

India's active loans in number of people

- Credit card 71 million people
- Personal loan 58 million people
- Consumer durable 41 million people
- 2 wheeler 22 million people
- Business loans 12 million people
- Total of 120 million people

Household debt as a % of GDP in India is 14 % compared to 10 % in Indonesia, 30% in Brazil and 62% in China.

India's credit demand is about \$500 billion of which \$200 billion is formal credit and \$300 billion is informal credit.