



# Digital And Ecommerce in India

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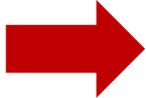
# Agenda for the Discussion

- Setting the context
- Global Digital Commerce Landscape
- How is India evolving:
  - Mobile Wallets
  - Ecommerce



# Setting The Context

# Evolution of commerce



Purchase



Physical Purchase



Digital Purchase



Digital Purchase

Consumption



Physical Consumption



Physical Consumption



Digital Consumption



# Evolution of payments



CASH



CHEQUES



CREDIT &  
DEBIT CARDS



LOYALTY  
CARDS



ELECTRONIC  
COMMERCE



MOBILE  
PAYMENTS



# Gradual transition of payments is happening... before full shift to digital

## Current

Move from paper to plastic, and introduction of digital

Separate experiences in physical and online channels

Primarily payments, limited benefits beyond paper offers

Physical



Shop, pay, and pick up in store

Online

Order, pay, and deliver online



## Converging

Inflexion point, gradual transition to digital

Lines blurring between physical and online environments

More than just payments, new experiences are being introduced



Order online and pick up in-store

Shop and price check in store, pay digitally and receive at home



## Converged

World beyond plastic; every device is a commerce device

Omni-channel commerce and retailing

Consumer interaction before, during, and after



Shop, pay, and collect anywhere  
Targeted offer instantly redeemed at the POI

Omni Channel

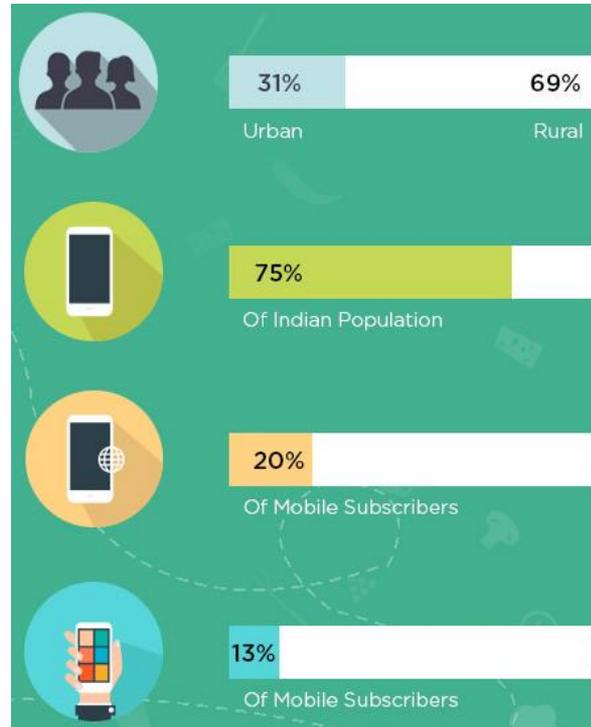
# As our demographics favour mobile form factor...

**1.21 BILLION**  
TOTAL INDIAN POPULATION

**930 MILLION**  
MOBILE SUBSCRIBERS

**185 MILLION**  
MOBILE WITH INTERNET USERS IN INDIA

**117 MILLION**  
SMARTPHONE USERS IN INDIA



# And connected devices are changing the way people shop for things

- Showrooming
- Pre-ordering
- Location-based offers
- Virtual store front
- Buying in aisle
- Mobile POS
- Location based apps
- Virtual dressing rooms
- Omnichannel shopping



Direct correlation between simplification of payments, and consumers' propensity to buy

Because mobile phones can do almost anything these days...



**“I’m amazed at all the cool stuff I can do with my new phone. Yesterday I sent a photo to my mom, bought some music, watched a movie, trimmed my sideburns, blended a smoothie and neutered my cat!”**

# Why Mobile?



Increase in mobile subscribers



Increase in internet users



Increase in eCommerce transactions



Saving cost on printing currency notes



Ease of transaction



24-hour, 365-day availability



Simple & easy to use



Fast, inexpensive, safe & secure, accessible

# M-Pesa in Kenya is a global mobile wallet example, which successfully met customer needs

## Company overview

- M-Pesa is a payment network, allowing the banked and unbanked to transfer funds
- M-Pesa was launched in 2007 by Safaricom (part of the Vodafone Group), Kenya's largest mobile network operator (MNO)
- The service was originally designed to facilitate micro-finance loan repayments, however post-pilot, it was found early adopters were more likely to be high-income and more to be banked i.e., familiar with financial products

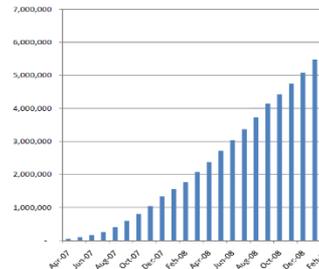
## Key use cases

- Key use cases for M-Pesa include:
  - Domestic remittance
  - Social P2P
  - Bill payment
  - POI: payment for goods & services
  - Mobile top-ups
  - Micro-finance loan repayments
  - Payment of traffic fines
  - Transfer money between the service and a bank account
- M-Shawri was also recently launched, allowing users to save money, earn interest and access micro-loans via mobile

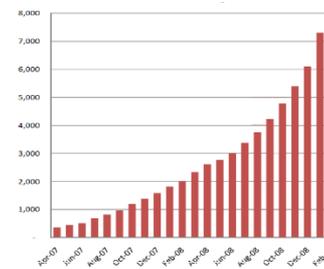
## Agent approach

- M-Pesa had to balance 2 competing factors:
  - Make it relevant for agents by controlling agent and ensure there are enough transactions for agents to process
  - Provide sufficient coverage for user convenience and reach

M-Pesa users

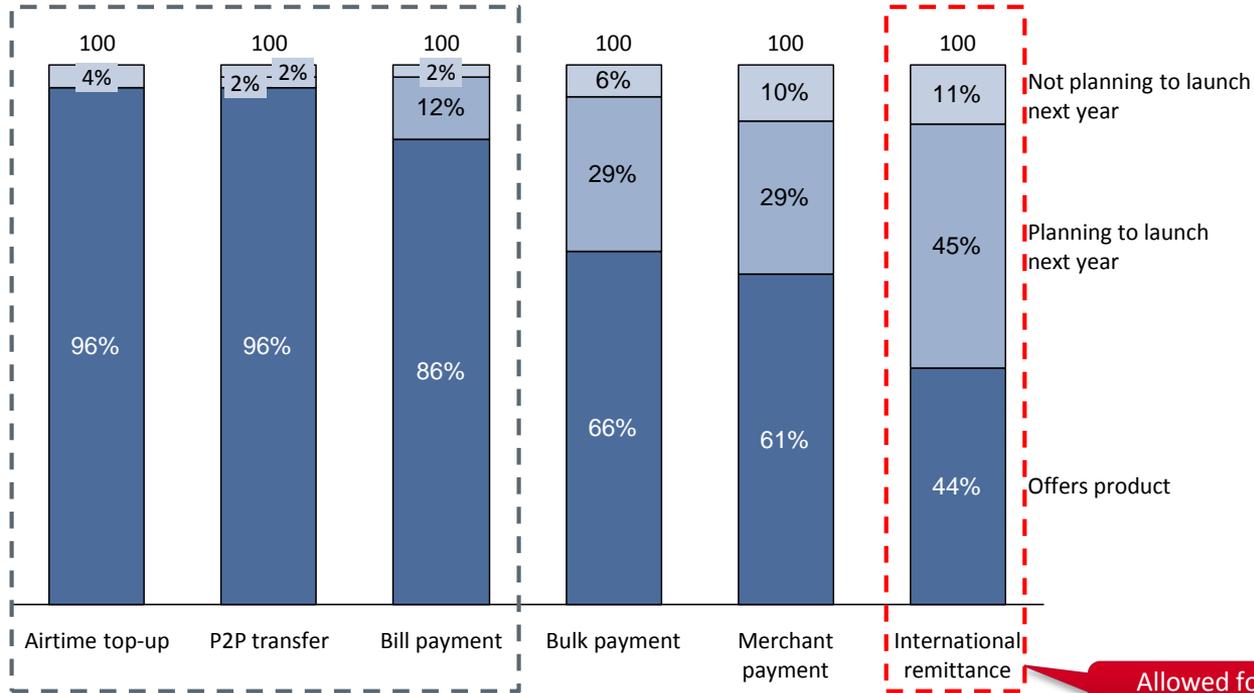


M-Pesa agents



- Agent growth is done in advance of user base growth
- Ratio is about 1 agent per 1,000 users– if user growth assumed to lag by 2-3 months

# Airtime top-up and P2P transfer are the most widely offered use cases, followed by bill payments



Allowed for Payments Banks





# The Global Digital Commerce Landscape

The target audience for device-based digital commerce is growing rapidly and so are the ways in which consumers can connect.

### CONSUMER CONNECTIVITY



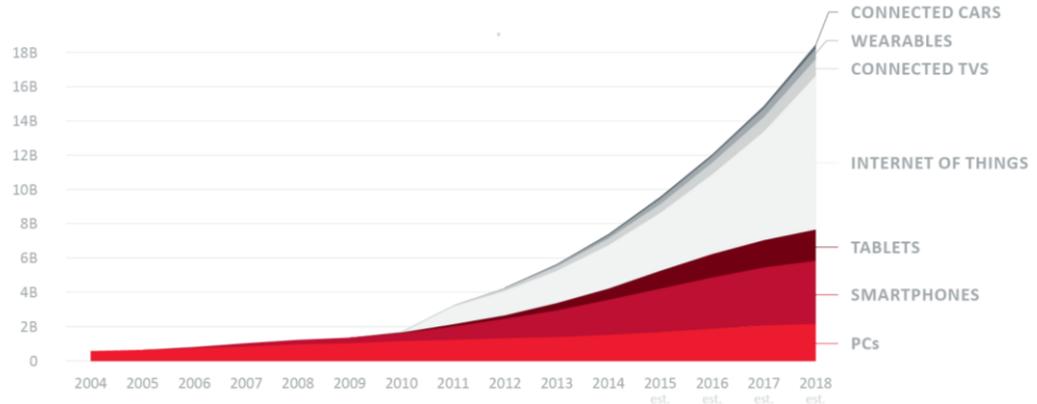
6.1 billion  
by 2020

Smartphone ownership worldwide<sup>1</sup>

18 billion

Connected devices by 2018<sup>2</sup>

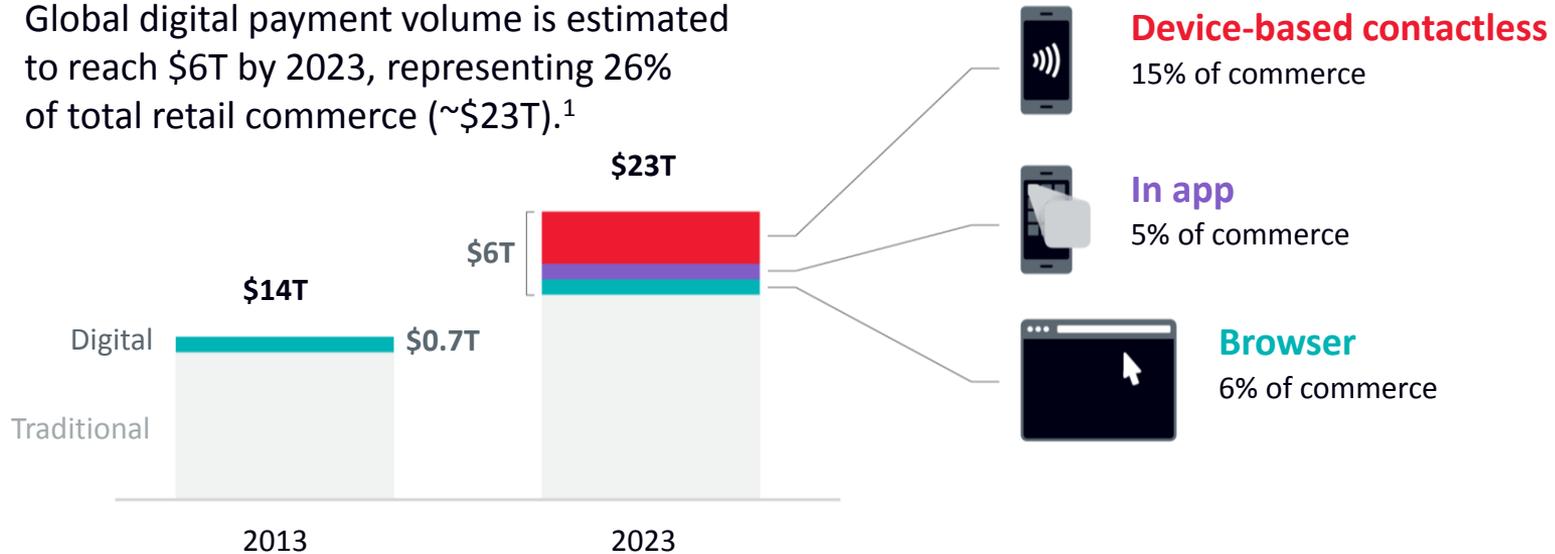
### GLOBAL NUMBER OF INTERNET DEVICES CLIMBING SHARPLY



Source: 1 Ericsson Mobility Report North America, November 2014 2 Business Insider:  
<http://www.businessinsider.com/internet-of-things-billions-of-connected-devices-2014-1>

# Commerce through devices is also accelerating as a share of global retail purchasing.

Global digital payment volume is estimated to reach \$6T by 2023, representing 26% of total retail commerce (~\$23T).<sup>1</sup>



- Source: 1 MasterCard commissioned study by BCG and “Market Forces” project

## This adds up to....



- 
- More connected consumers



- 
- More connected devices



- 
- Multiple devices throughout the day



- 
- Smartphone as first-stop shopping device



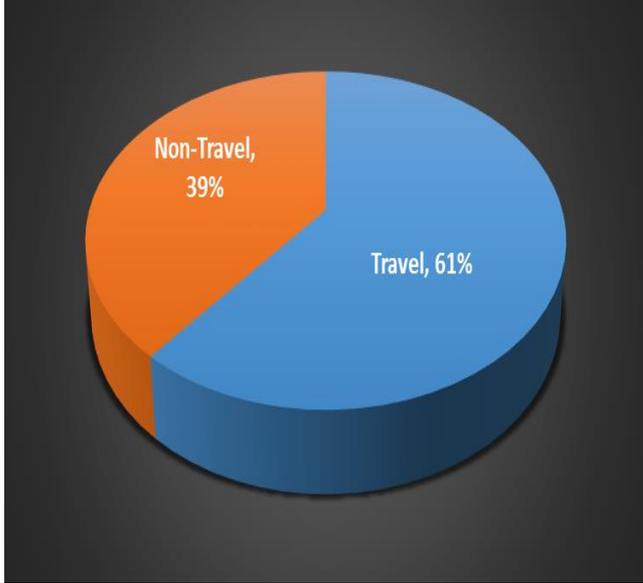
- 
- Growing payment volumes

- The financial opportunity has never been greater.



# How is India Evolving in eCommerce

# eCommerce Growth Story in India



- Travel still accounts for the biggest chunk (61%)
- Overall e-commerce market in India was estimated to be worth \$17 billion at the end of FY 2016
- Non-travel related transactions account for the remaining 39%, of which e-tailing accounts for 76%.
- By 2020, e-commerce is likely to double to \$34 billion\*\*

# Drivers of eCommerce

## Demand Side



Convenience



Product Range



Discount Price



Nuclear Families & Urbanization



Growing number of women customers



Lack of brick and mortar retailers beyond large cities

## Supply Side



Growth in Internet Penetration



Growth in Use of Smartphones



VC Funding



Robust Logistics Infrastructure



Varied Payment Options



Growth Demand from semi-urban and rural areas

# Indian eCommerce in 2020

## WHY?

Increasingly affordable smartphones, devices and data plans and rising monthly spends on data plans

## WHAT?

Fashion & Lifestyle segment will dominate shopping carts, edging out the heavy weight: consumer electronics

## WHEN?

Sales will continue to peak during discounts but traffic challenges for urban consumers and product range for non-urban consumers will fuel steady sales all round the year



## WHERE?

New consumer base spread across Tier 2/3 cities and semi-urban India, where traditional retailers do not have a significant presence

## HOW?

COD will dominate but growing awareness will drive mobile payments, wallets, m-banking and card payments

## WHO?

A Larger younger consumer base coming online + the number of women shoppers growing 5X

# Mobile has become a catalyst for payments innovation...

Mobile Banking



Channel for banked customers

Mobile app for smartphones

All use cases – funds transfer, remittance, billpay, recharges, account balance etc

Mobile Wallets



Payment mode independent of bank

Store of value/ card information

POS, fund transfer, bill payments

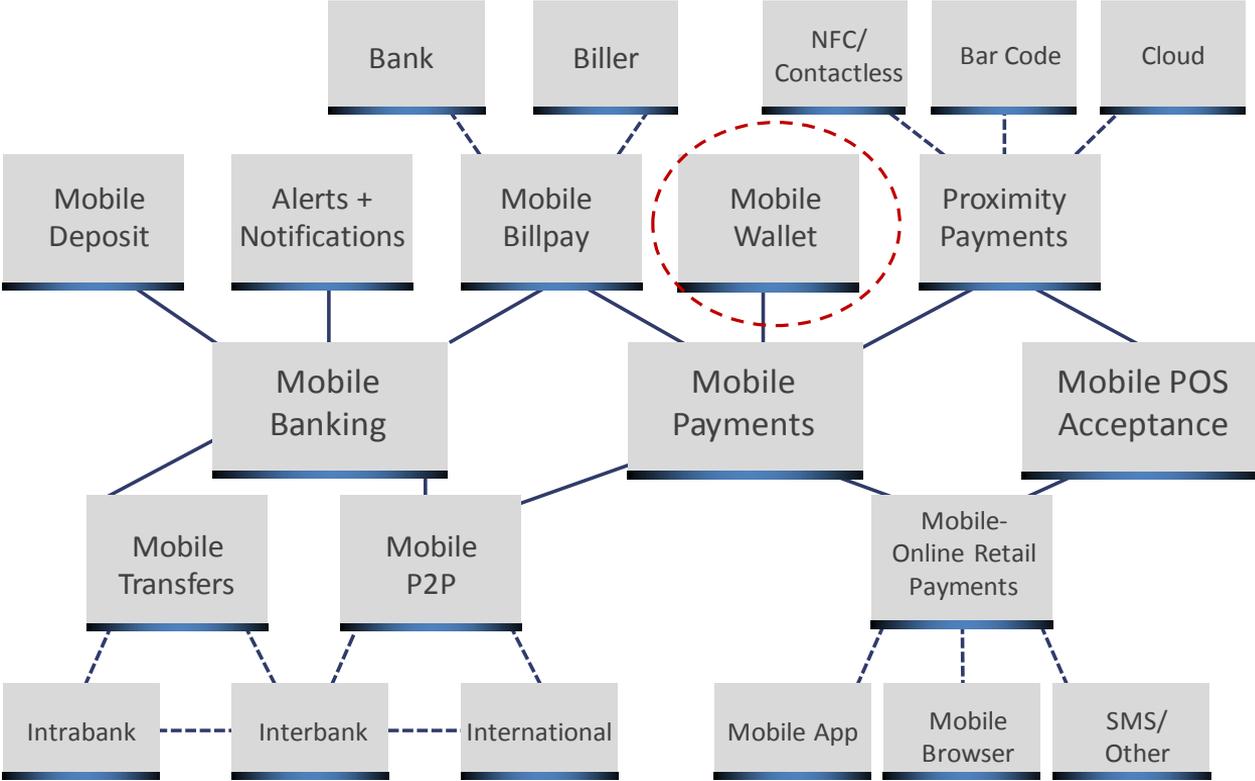
Mobile POS



Low cost card readers attached to mobile

Card based POS at small merchants and neighborhood kirana stores for home delivery

# Mobile wallets have become part of an interconnected ecosystem



Source: Javelin Strategy & Research, 2014

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Over the past  
50 years,

MasterCard has evolved to become a driving force in the payments industry, transforming how the world pays and gets paid.

## Our Mission

Every day, everywhere, we use our technology and expertise to make payments safe, simple and smart.



**THANK YOU!**

