



India's e-retail market overtakes US with \$60 billion size but growth halves in 2024: Here's why

Three key disruptions, quick commerce, trend-first commerce (especially in fashion), and hyper-value commerce, will define the next chapter of growth.

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India's consumption and discretionary spending have faced headwinds in recent years, with private consumption growth slowing from 11 per cent in the pre-Covid (2017–19) period to around 8 per cent post-Covid (2022–24), the report said.

Even as India has emerged as a key market for e-commerce, with the sector surging to approximately \$60 billion in gross merchandise value (GMV), boasting the world's second-largest online shopper base, growth in this segment last year halved to 10-

12 per cent compared to historical growth rates of 20 per cent, according to a report by Flipkart and Bain & Company.

The reason? Higher inflation and a stagnation of real wages, as per the report.

However, despite near-term macroeconomic headwinds, the long-term prospects remain strong, the report said. Three key disruptions, quick commerce, trend-first commerce (especially in fashion), and hyper-value commerce, will define the next chapter of growth, it added.

The slowdown, and expected rebound

India's consumption and discretionary spending have faced headwinds in recent years, with private consumption growth slowing from 11 per cent in the pre-Covid (2017–19) period to around 8 per cent post-Covid (2022–24), the report said.

“This decline is driven by higher inflation and a stagnation of real wages. The stress in consumption is evident in e-retail growth in 2024 being 10–12 per cent, compared to historical growth rates of over 20 per cent,” it added.

However, the recent fiscal and monetary policy interventions are expected to drive a rebound in e-retail growth, especially from the festive period of 2025, on account of revival in the consumption cycle, the report said.

The e-retail market is expected to scale to \$170–190 billion by 2030, growing at over 18 per cent annually. Nearly 1 in 10 retail dollars is projected to be spent on e-retail by 2030, fueled by an uptick in discretionary spending as India's GDP per capita crosses the crucial \$3,500–4,000 threshold, a key tipping point observed in e-retail spending globally, the report said.

The disruption

High-frequency categories such as grocery, lifestyle, and general merchandise will drive e-retail growth, accounting for two out of every three dollars spent on e-retail by 2030. These categories are set to see a two- to four-fold increase in e-retail penetration

over this period, per the report.

There has also been a change in the online shopping landscape in India. “User adoption is already spreading from Tier-2 to Tier-3 cities, with three in five new shoppers since 2020 coming from cities designated Tier-3 or smaller. This growth is unlocking access for consumers in remote, brand-starved areas, as evidenced by the 1.2 times higher e-retail shopper penetration in the Northeast compared to the rest of India. The seller base is also diversifying, with 60 per cent of new sellers since 2021 hailing from Tier-2 or smaller cities,” the report said.

Quick commerce accounted for over two-thirds of all e-grocery orders and a tenth of overall e-retail dollars, and is projected to grow at over 40 per cent annually through 2030, driven by expansion across categories, geographies, and customer segments.

Trend-first commerce is also rapidly gaining momentum in India. Trend-first fashion alone is expected to grow four fold, reaching approximately \$8 to \$10 billion by 2028, with more than half of this revenue from online sales, the report said.

Hyper-value commerce — ultra-low price assortment — has seen a global surge, exemplified by the success of Temu in the US. In India, hyper-value commerce's contribution to e-retail has scaled from around 5 per cent of e-retail GMV in 2021 to more than 12 per cent in 2024. These platforms have gained strong traction among lower-middle-income consumers, particularly in Tier-2 or smaller cities, by focusing on an affordable product assortment.



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