



PAHLE INDIA FOUNDATION
PUTTING INDIA FIRST TO MAKE INDIA FIRST

ASSESSING THE NET IMPACT OF E-COMMERCE ON EMPLOYMENT AND CONSUMER WELFARE IN INDIA



Summary Report

Ashish Kumar
Distinguished Fellow

Sakshi Abrol
Visiting Fellow

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Pahle India Foundation (PIF) is a not-for-profit policy think tank, established in June 2013 by Dr. Rajiv Kumar. At PIF, we undertake analytical research and disseminate its findings both to policy makers and in the public domain. The driving vision in all that we do is “Putting India First to make India First.” PIF also provides a credible, trustworthy and neutral policy platform for bringing together government, industry, academia and civil society for enriching the public narrative on topical issues. In the past one decade, PIF has been able to carve out a niche for itself and earn a reputation with policymakers as an independent, extremely credible institute that can be relied upon for producing high quality inputs for policy formulation. It is registered as a Section 8 company and is FCRA certified.

PIF currently has an analytically strong team of dedicated researchers who are self-motivated. Our team specialises in analyzing India’s political economy and its engagement across verticals that are relatively underworked areas.

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SUMMARY

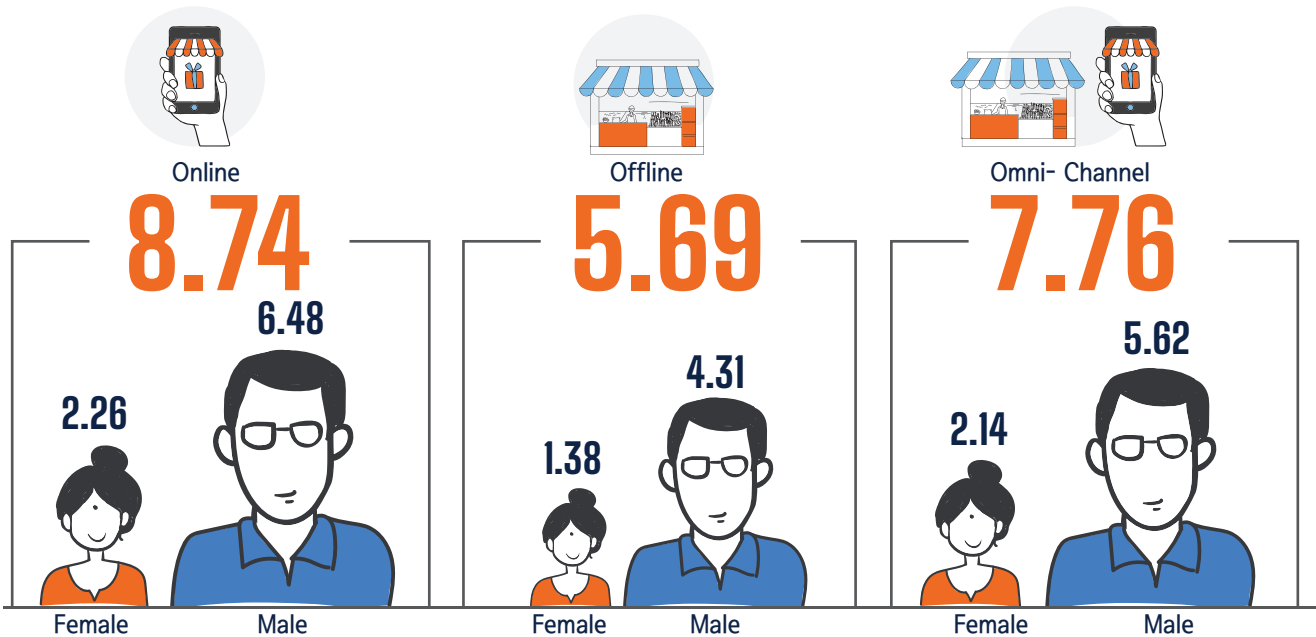
The retail sector is a growth engine for the Indian economy. A small but rapidly-growing chunk of the retail pie is e-commerce, comprising 7.8% of total retail sales in 2022 and growing at a CAGR of 27% between 2018 and 2030, which has transformed the retail landscape significantly in a short period of time. Two of the most widely-recognised contributions of e-commerce penetration in the retail sector are (1) growth in employment and (2) improvements to consumer welfare. At the same time, there are concerns that this impact may be two-sided. This study takes stock of the impact e-commerce has had on employment and consumer welfare through a pan-India survey of 2062 online vendors, 2031 offline vendors, and 8209 consumers of products from e-commerce websites across 35 cities in 20 states and UTs.

The findings from the study can be summarised as follows:

01 E-Commerce Has Been A Key Driver Of Employment Generation In India

Comparison of average employment size across online, offline, and omni-channel vendors

The average number of jobs created per vendor



▶ On average, online vendors employ **54% more people and almost twice the number of female employees**, compared to offline vendors.

1. E-commerce and Consumer Internet Sector: India Trendbook, 2023. EY. [Link](#)
 2. Growth of E-commerce Industry in India. IBEF. [Link](#)

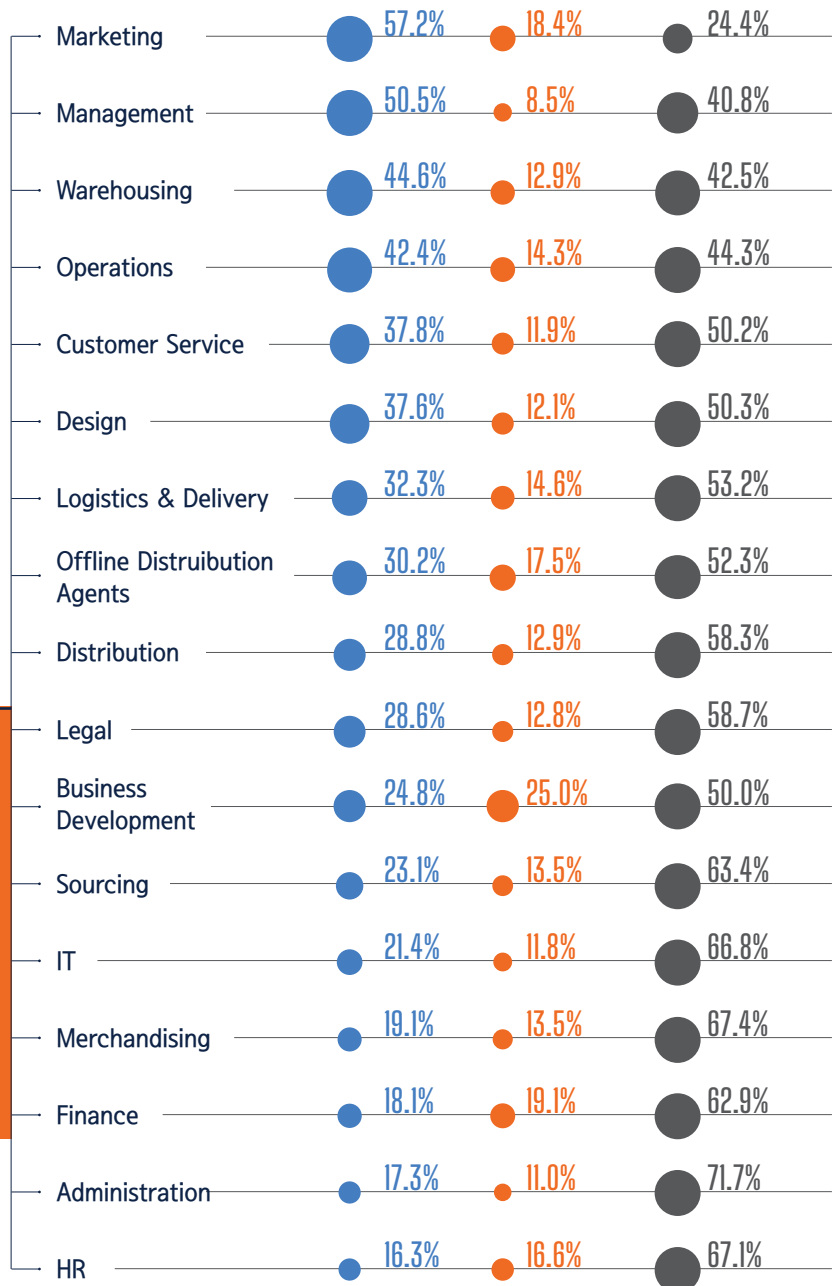
Each e-commerce vendor employs about 9 people, about 2 of whom are female on average, while each offline vendor employs about 6 people, about 1 of whom is female. Based on NSS data and estimates of e-commerce penetration, approximately 1.76 million retail enterprises participate in e-commerce activity in India. Plugging in data from our survey, we estimate that online vendors generate 15.8 million jobs, including 3.5 million jobs for women.

02 Growth is seen in employment across retail functions and across skill levels

- Increased
- Decreased
- No change



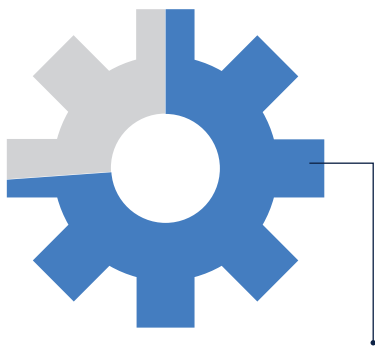
As reported by online vendors, the highest net growth in employment is observed in Management at 42%, followed by 39% in Marketing.



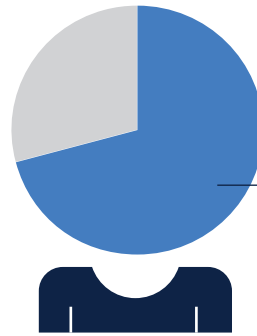
For all the top functions that recruit the highest number of people, there has been a net increase in the number of people employed. This data additionally shows that the reported increase in employment is seen across skill levels, including high-skilled (Management, Marketing), medium-skilled (Customer Service, Operations), and low-skilled (Warehousing, Logistics, Delivery) functions.

03 Technological upgradation by online vendors coexists with direct and indirect job creation

Retail functions that see the highest level of technological upgradation have also seen a high net increase in employment and outsourcing. Consider the top two employment generating functions i.e. Marketing and Management.



While 74% of vendors have adopted technology under the Marketing function,



Indirect employment is generated by **71%** of them through outsourcing.

Along the same lines, 73% of vendors state that tasks under Management have become more digitally-enabled, while 63% of vendors outsource tasks under this function.

Similar trends in indirect employment generation and technological upgradation are seen for all other functions. Even for the lowest direct employment-generating functions such as HR, Administration and Merchandising, one-fourth or more of the vendors outsource tasks, demonstrating indirect employment generation under functions for which vendors do not recruit full-time employees. A comparable percentage of vendors have embraced technology in each of these functions.

04 Offline retail functions have seen technological upgradation and commensurate workforce adaptation as well

41% of offline vendors either created direct employment, indirect employment, or upskilled their employees with digitalization.



Only 17% of them state that technological adoption replaced employees, while 42% saw no change. Instead of replacing jobs, therefore, technology has become a pre-requisite for many new jobs.

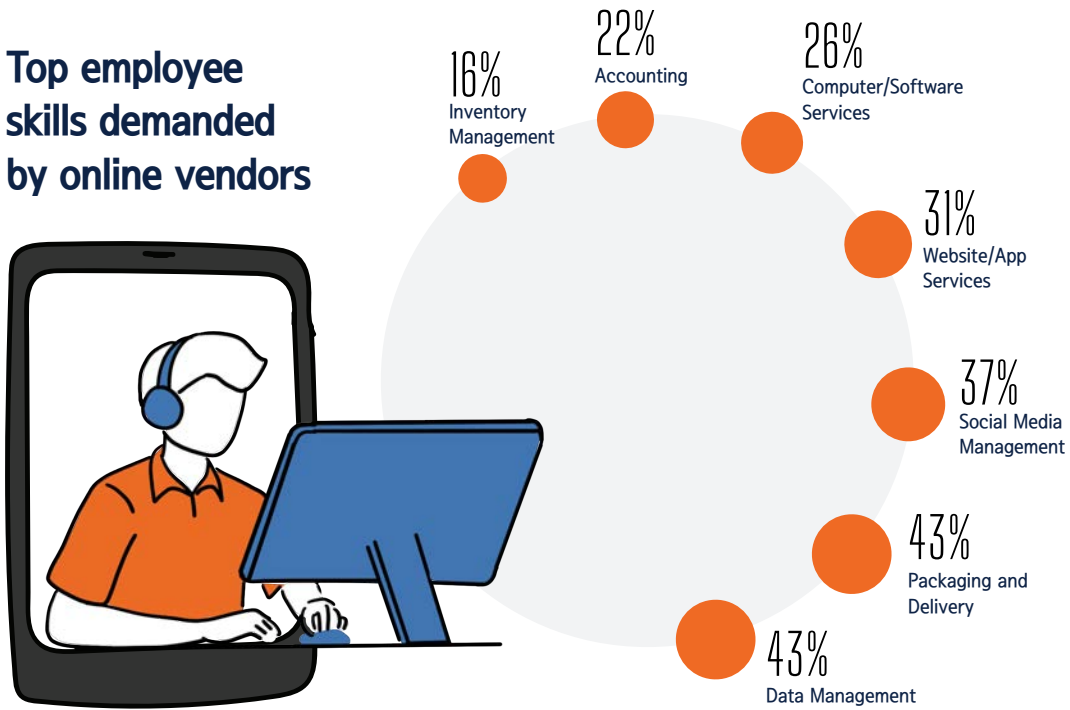
05 The growth of e-commerce and accompanying digitalisation have fundamentally changed the skill sets and roles required in the industry

Functions that have assumed importance with the shift of firms to online sales



Percentage of vendors that indicate new job roles have been created under the function since shifting to online sales

Top employee skills demanded by online vendors



Percentage of vendors that indicate the skillset is in higher demand since shifting to online sales

▶ Demand is rising for skills like data management, social media management, website and app savviness, packaging and delivery, and inventory management.

Resultantly, new job roles have been created by about 40% of vendors since their shift online. In fact, vendors selling on all the top platforms by the volume of sales hosted report an increase in the number of job roles.

06 Vendors have experienced improved business performance parameters since listing online, including higher sales and profits

▶ 60% and 52% of vendors, respectively, state that their sales and profits have increased since the time they have started selling online.



Overall, more than two thirds of the online vendors interviewed experienced an increase in online sales value and profits in the past year. 58% saw an increase in both. Barring costs, vendors have seen a positive shift in all other aspects of business performance in the time since they started selling online.

About 60% of vendors agree that they have better market access now and have seen an increase in purchase value per customer, respectively. The impact of e-commerce on the efficiency of vendors can be established as well with 56% and 59% of them improving their sourcing & distribution methods and product design, respectively. Furthermore, 62% of them introduced new payment options since the time they listed on an e-commerce platform.

07 There is a strong business case for offline vendors to list on e-commerce platforms or pursue an omni-channel strategy

A simple comparison between pure offline vendors and omni-channel vendors shows that the latter fare better on several facets of business performance i.e. average purchase value per customer, sales, profits and plans of expansion.

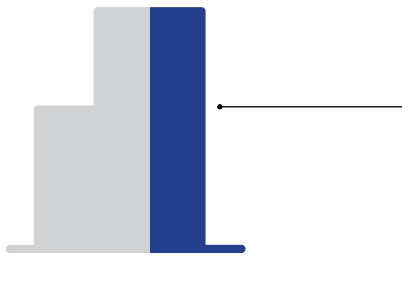
An average purchase value per customer greater than ₹500 is experienced by more than half of the omni-channel vendors, but by only a little more than one third of exclusively offline vendors



In line with this finding, 54% of omni-channel vendors saw an increase in both sales and profits in the past year, as compared to 39% of offline vendors.

08 E-commerce integration has accrued significant benefits to vendors from smaller cities and micro-enterprises

71% of Tier 3 city vendors have seen an increase in sales since the time they have shifted to online sales, a figure comparable with the increase experienced by vendors from bigger cities.



One third of vendors running micro enterprises have experienced an uptick in market size,



innovation and efficiency, as compared to less than **One fifth of medium** and small enterprises.

However, elderly vendors and those with lower education levels have fared worse than others at adopting digital technology, indicating the need for support mechanisms and targeted interventions for skill development towards greater e-commerce inclusion.

09 The growth of e-commerce is not at the cost of traditional retail; the 'retail apocalypse' narrative is rejected by offline vendors themselves

Less than 20% of the offline vendors reported a physical store closure in their neighbourhood since 2020 - the year of the e-commerce boom - and cited several reasons for the same.

Reasons cited by offline vendors for physical store closures in their vicinity



Figures expressed as a percentage of total

Only a small fraction of offline vendors (6%) attributed brick-and-mortar store closures to consumers shifting to online shopping.

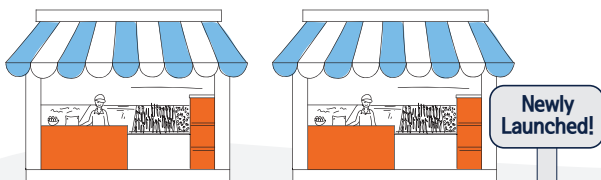
Indeed, a higher proportion of offline vendors (8%) attributed physical store closures to the growth of large organised retail.

When asked about the impact of e-commerce on their overall business, 86% of offline vendors disagreed with the notion that e-commerce growth negatively affects the employment they generate. Instead, 14.4% of vendors are now prioritizing 'Packaging & Delivery' skills in their employees. This highlights a second-order impact of e-commerce: it has driven local shops to hire staff for delivery services, enabling traditional mom-and-pop stores to adapt to the evolving market.

10 Physical retail continues to grow and thrive; brick-and-mortar retailers are increasingly digitising to keep up with evolving industry standards

E-commerce remains relatively under-penetrated in India and the traditional, brick-and-mortar segment continues to thrive.

▶ About one fourth of offline vendors plan to expand by either buying a new store, expanding or renovating their existing store, diversifying their product range, adopting more technology, or listing on e-commerce platforms.

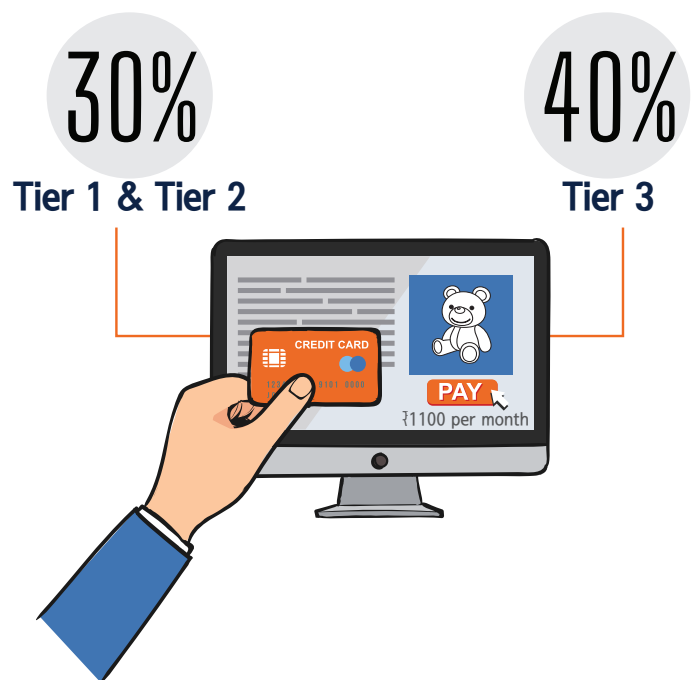


Around 70% of offline vendors have adopted some form of technology - 54% adopted technology to enable cashless and digital payments, followed by the use of software like Logic ERP, Tally etc. by 22% of these vendors.

11 Instead of replacing physical markets, e-commerce is expanding into newer markets like Tier 3 cities

Respondents from Tier 3 cities spend more time and money on e-commerce platforms than Tier 1 and Tier 2 respondents. Half of the consumers from Tier 3 cities spend about 3 hours per week on online shopping, surpassing their counterparts in bigger cities by an hour, on average.

30% of respondents in Tier 1 and Tier 2 cities spend more than ₹1000 per month, while 40% of respondents in Tier 3 cities reported a monthly spending of above ₹1000 on online shopping.



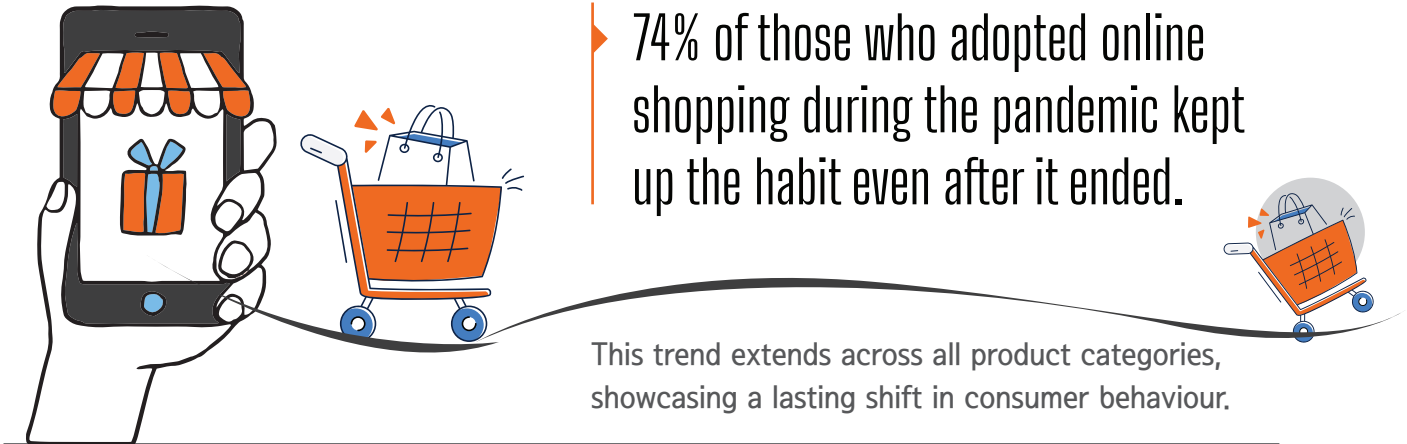
Thus, the India growth story enables the co-existence of physical and digital retail.

12 The e-commerce consumer base is highly engaged, spending time and money on online shopping

More than half of the respondents spend upwards of 2 hours on e-commerce platforms per week, and a staggering 70% of respondents have made a purchase in the last month alone.

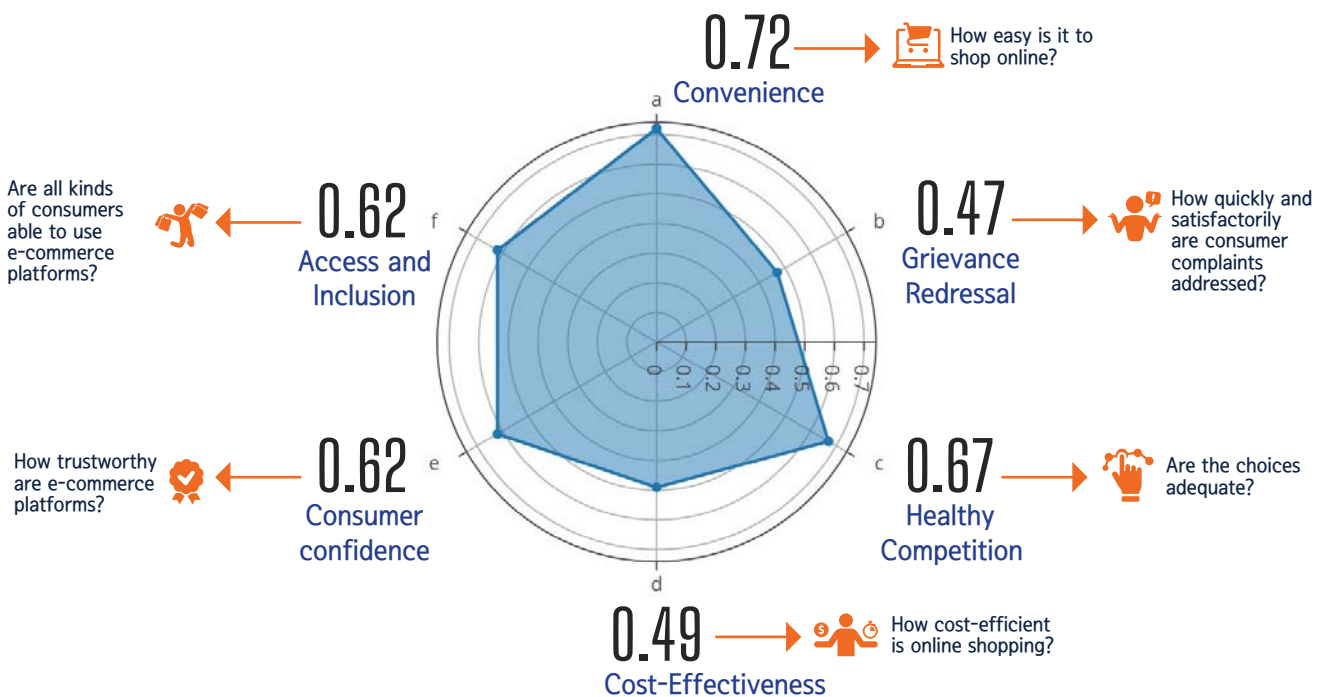
13 Online buying continued even after the COVID-19 pandemic

About 30% of consumers started shopping online during the pandemic, with the highest percentage of shoppers (60%) in the clothing, footwear and apparel segment. 93% of them continued shopping for clothes and footwear online even after the pandemic.



14 Convenience and Healthy Competition drive consumer welfare gains from online shopping

To understand the impact of e-commerce on consumer welfare, various indicators under six parameters were coded into an index.



Which parameters drive consumer welfare? (score out of 1)

Convenience stands out as the primary driver of consumer welfare gains in e-commerce.

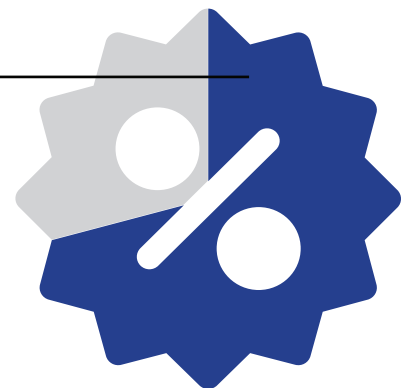
It aligns with the main reason people say they turned to online shopping initially: ease and convenience. Many consumers also prefer the Cash on Delivery (COD) payment method due to its convenience.

Following Convenience, Healthy Competition drives consumer welfare. This includes factors like product quality, innovation, and the variety of platforms available. Cost-Effectiveness and Grievance Redressal have had a much lower impact in comparison. This suggests that customers are largely attracted to online shopping due to the value it adds over offline shopping in terms of convenience, product variety, and access, to a much larger extent than low price points. Consumers feel that e-commerce needs significant improvements with respect to Grievance Redressal, as seen in the relatively low score assigned by consumers to this parameter.

15 Since the time they started online shopping, consumers feel the greatest improvements have taken place in terms of Discounts & Offers

A whopping 71%

of consumers feel that discounts and offers on e-commerce platforms have increased over time.



Additionally, 67% believe that product variety has significantly improved, and 66% appreciate the expanded language options. However, about one third of consumers note that other costs associated with online shopping like shipping, exchange, and subscription fees have risen.

16 Both online and offline vendors have undertaken several actions to enhance the customer experience



Thus, e-commerce is reshaping consumer behaviour and employment patterns in India, leading to a more robust yet dynamic retail environment.



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