



## Online shoppers from Tier 2 to Tier 4 cities spent up to 77% more than those from Tier 1 cities in their last online shopping transaction: IIMA Report

- One third of consumers reported visiting digital retail platforms every two to three days
- Male consumers spent 36% more money than female consumers online in their last online shopping transaction

**March 27, 2023:** The Indian Institute of Management Ahmedabad (IIMA), a premier global management Institute, today launched a survey report titled **‘Digital Retail Platforms and Consumer Emotions: An Indian Perspective,’** authored by Professor Pankaj Setia, IIMA Chair Professor, **Professor of Information Systems and Strategy,** and Chairperson of the Centre for Digital Transformation (CDT), Professor Swanand Deodhar, Assistant Professor (Information Systems), IIMA and Mr. Ujjwal Dadhich, Research Manager, CDT. The report offers crucial insights about digital retail adoption across India and how it has transformed into a ubiquitous shopping option for many, both in urban and rural India.

Sharing his views on the survey outcomes, **Professor Pankaj Setia said,** “The use of technology for retail is revolutionising how India consumes. We are very excited to share the emerging trends that will help retailers, policymakers, and others to harness the power of technology for creating valuable retail ecosystems.”

Some of the key findings of the report are-

- Consumers from smaller cities (Tier 2 to Tier 4 cities) spent up to 77% more than those from Tier 1 cities in their last online order.

- Browsing online has now become a favourite pastime for consumers, with one-third of consumers reported visiting digital retail platforms every two to three days,
- Doing these activities, consumers invested an average of 34 to 35 minutes in their last online shopping.
- Nearly 72% of consumers started shopping online in the last one to three years, hinting at a surge during the COVID-19 pandemic.

### **Spending on online shopping**

- More than 90% of consumers reported spending less than ₹10,000 in their last online shopping transaction.
- Male consumers spent 36% more money than female consumers in their last online shopping transaction
- The median spending (of ₹1,500) is more by consumers over 50 years of age, indicating that older age groups are also actively purchasing online. On the other hand, consumers upto 35 years of age like to spend more, and a higher proportion of consumers in this age group spend over ₹10,000.

### **Preferences by gender, age and income groups**

- Female consumers shopped more for clothing and fashion products, whereas men shopped for electronic products.
- Female consumers reported realizing greater convenience from online shopping than male consumers
- Females were keener on delivery time and return policies, while male consumers looked for better quality, equated monthly instalments (EMI) options, and online recommendations.
- Consumers under 24 years and those over 60 years reported realizing higher convenience scores from online shopping.
- Consumers under 35 years of age visited multiple websites before making a purchase and were more influenced by online recommendations. On the other hand, buyers over 60 years visited only one platform for their last online transaction.
- In comparison to low-income groups, high-income buyers (having annual household income >₹10 lakhs) have spent more in their last online shopping transaction and tend to spend more amount every month.

### **Motivators for increased online shopping**

- Consumers prefer digital retail platforms due to the convenience of access and transaction, post-purchase experience, and value for money.
- Consumers from lower-income groups reported higher convenience and satisfaction scores.



- Overall, consumers reported an average score of 5 out of 7 when asked about the convenience derived from digital retail platforms. With a greater variety of services, products, and instant delivery time, Tier 1 city consumers reported having higher convenience and satisfaction scores than consumers of smaller cities.

By using digital retail platforms, consumers are now better able to search for products and gain more information through product images, descriptions, and reviews. Consumers visit multiple websites, comparing deals, refund policies, payment security, and the estimated time of arrival (ETAs) of products before deciding on a purchase. Fashion, clothing, and electronics are the major product categories in which consumers made their last online purchases.

**Pilot enterprise survey:** In addition to the consumer survey, IIMA also conducted a pilot enterprise survey to examine the impact of digital retail on business. The enterprise survey findings suggest that while most retailers reported switching to online retail platforms has increased sales and added additional income, they are paying a huge chunk of fees to retail platforms in the form of commission, shipping fees, and transaction fees.

### **About the Centre for Digital Transformation at IIMA**

The Centre for Digital Transformation at IIMA, chaired by Prof. Setia, focuses on activities that enhance an understanding of the digital ecosystem and catalyse leadership, as it leverages its expertise in research and development to provide thought leadership for digital transformation. Through research, training programmes, workshops, and seminars, the Centre creates and shares insights that show the way forward through all the complexities that India presents.

One of the initiatives that the Centre has been actively working on is the The Retail Tech. Consortium (RTC). The consortium was set up in 2022 and aims to engage with Retail tech leaders and firms to engage collaboratively on technology evolution and applications which can benefit both consumers and firms.

### **About IIM Ahmedabad**

The Indian Institute of Management Ahmedabad (IIMA) is a premier, global management Institute that is at the forefront of promoting excellence in the field of management education. Over the 60 years of its existence, it has been acknowledged for its exemplary contributions to scholarship, practice and policy through its distinctive teaching, high-quality research, nurturing future leaders, supporting industry, the Government, and social enterprise and creating a progressive impact on society.

IIMA was founded as an innovative initiative by the Government, industry and international academia in 1961. Since then, it has been consolidating its global footprint, and today it has a network with over 80 top international institutions and a presence in Dubai. Its eminent faculty members and close to 40,000 alumni, who are at the helm of influential positions in all walks of life, also contribute to its global recognition. Over the years, IIMA's academically superior, market-driven, and socially impactful programmes, have earned a high reputation and acclaim globally.

It became the first Indian institution to receive international accreditation from EQUIS. The renowned flagship two-year Post-Graduate Programme in Management (PGP) is ranked 26th in the FT Master's in Management Ranking

2021, and the one-year Post Graduate Programme in Management for Executives (PGPX) has been ranked 51<sup>st</sup> in the FT Global MBA rankings 2023.



The institute also is placed first in the Government of India's National Institutional Ranking Framework (NIRF), India Rankings 2022. IIMA offers consultancy services and more than 200 curated executive education programmes in customised, blended, and open enrolment formats for a diverse audience comprising business leaders, policymakers, industry professionals, academicians, government officials, armed forces personnel, agri-business and other niche sector specialists and entrepreneurs. To know more about IIMA, please visit: <https://www.iima.ac.in/>

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