Tracing a path for online selling for Women-Led Businesses in India

March 2024

MSC
MicroSave Consulting

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Section 1

Executive summary

Tracing a path for women-led businesses in India to sell online

In India, women entrepreneurs, who represent nearly <u>14% of all entrepreneurs</u>, are forging ahead. Today, they command <u>20% of micro, small, and medium enterprises</u> (MSMEs) in a rapidly evolving economic landscape. This burgeoning segment of the economy continues to outpace the growth in the number of startups even as it contributes significantly to job creation and the country's gross domestic production. Women-led startups have grown to encompass <u>18% of the startup ecosystem</u>, which indicates a dynamic shift toward inclusive economic development. Despite their considerable impact and potential, these entrepreneurs face formidable challenges, which include a pronounced gender funding gap, limited access to business networks, and a shortfall in digital tools, all of which are critical for scaling in today's digital-first marketplace.

This report delves into the transformative journey that women-led enterprises in the region must undertake to migrate successfully from traditional physical sales to the burgeoning digital e-commerce marketplaces. It dissects the trajectory of growth and adaptation in a dual framework that analyzes customer demand in the current digital shopping environment and highlights the supply-side hurdles that WLBs encounter across various developmental stages—nascent, intermediate, and advanced.

This report highlights the crucial role Women-Led Businesses have been playing in transitioning India to digital commerce. It examines their challenges and opportunities for growth and provides insights for stakeholders to support these businesses. Our analysis seeks to guide strategic decisions and policy development to enhance the presence of WLBs in the digital market. We hope you find this report to be an insightful and thought-provoking read.

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Section 2

Introduction

Acknowledgments

Authors	▶	David Mathew, Disha Bhavnani, and Mitali
Reviewers	▶	Disha Bhavnani and Sunil S. Bhat
Data collection support	▶	Mitali, Parul Tandon, Rutuja Jadhav, and Vandana Banerjee
Design support	▶	Dinesh Singh and Kamiya Satija
Copy edit support	▶	Padma Angmo, Rahul Ganguly, and Vaishali Patra

About the report

The report examines the status of small women-led businesses (WLBs) in India. It specifically focuses on the aspect of online market linkages.

The report is based on qualitative research conducted by MSC. We covered more than 50 small WLBs across business profiles, such as snacks, tailoring, and handicrafts. We also spoke to 70 customers across states who have purchased at least once from small businesses through an online channel, such as online marketplaces and social media.
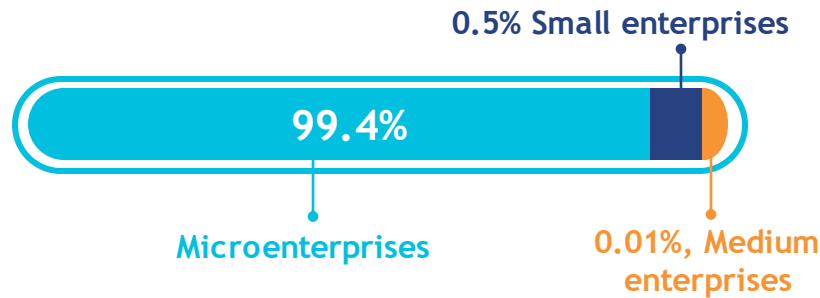
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MSMEs in India: The power of small businesses

The micro, small, and medium enterprise (MSME) sector is pivotal to foster economic development, promote employment, and eliminate poverty in a resource-poor setting.

#MSMEs: 63.4 million

0.5% Small enterprises

99.4%

Microenterprises

0.01%, Medium enterprises

#Employees: 111 million

Medium, 0.2%

Small, 2.9%

Micro, 97.0%
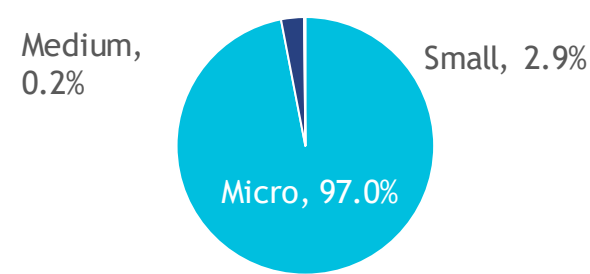
29%
India's GDP

40%
Exports

Geographic spread

51%

of MSMEs are located in rural areas. The remaining 49% are in urban areas. Most MSMEs operate in trading, which amounts to 36%. This is followed by MSMEs that operate in services and manufacturing, which amount to 33% and 31% respectively.

Formalization

69%

of all MSMEs* are unregistered, which reflects the poor level of formalization in Indian MSME sector.

Worker spread

84%

of MSMEs are owned account enterprises (OAE), that is, these enterprises have no hired workers. 16% of MSMEs are establishments with one or more hired workers. The average number of employees in OAEs and establishments was 1.3 and 4.2, respectively.

Source: https://msme.gov.in/sites/default/files/Annualrprt.pdf; | *NSSO survey 2015-16 (India); Financing India's MSMEs, IFC (November 2018)

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One out of five MSMEs are women-led enterprises, which employ 22 to 27 million people

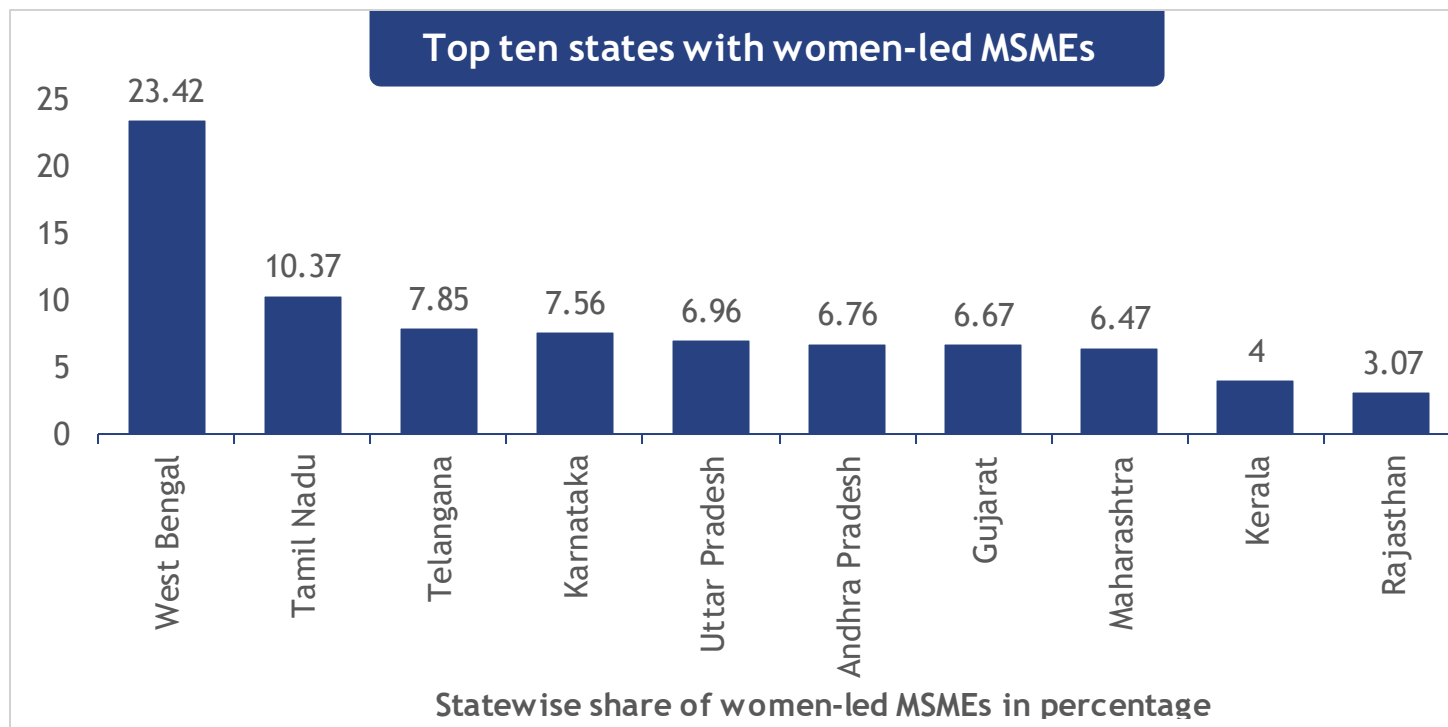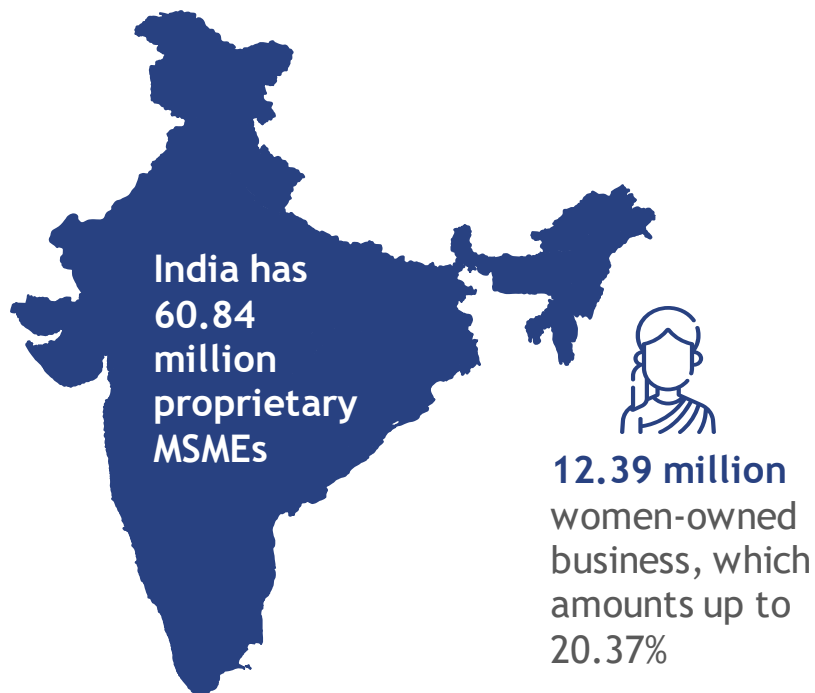**India has 60.84 million proprietary MSMEs**

12.39 million women-owned business, which amounts up to 20.37%

Top ten states with women-led MSMEs

State	Value
West Bengal	23.42
Tamil Nadu	10.37
Telangana	7.85
Karnataka	7.56
Uttar Pradesh	6.96
Andhra Pradesh	6.76
Gujarat	6.67
Maharashtra	6.47
Kerala	4
Rajasthan	3.07

Statewise share of women-led MSMEs in percentage

- Only 19% out of the 432 million working-age women in India participate in formal and paid work.

- The last NSS survey revealed India had 63.38 million MSMEs, and women own only 20.37% of these MSMEs.

- The distribution of women-owned MSMEs varies across states. West bengal has the highest share of WLBs, which amounts up to 23.42%, while Sikkim has the lowest—around 0.04%.

- The survey findings indicate that India's southern states have a relatively more favorable ecosystem for women's entrepreneurship.

- Overall five states in south India count among the top 10 states in terms of the number of establishments under women-owned enterprises. Tamil Nadu leads with 10.37%, followed by Telangana with 7.85%, Karnataka with 7.56%, Andhra Pradesh with 6.76%, and Kerala with 4%.

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The WLBs in India are at different stages in their entrepreneurial journey with respect to online market linkage and need to overcome multiple barriers to reach their goal (1/2)

Digital aficionados

Go-getters

Learners

Rookie

START

FINISH

The WLBs in India are at different stages in their entrepreneurial journey with respect to online market linkage and need to overcome multiple barriers to reach their goal (2/2)

Stage 1: Nascent stage of online journey

Stage 2: Intermediate stage of online journey

Stage 3: Advanced stage of online journey

Rookie

Sales channel

Offline

Point of sale: through retail shops, trade fairs, and exhibitions

Branding and marketing: only physical advertising through exhibitions and posters

Learners

Sales channel

Offline   Online

Point of sale: physical POSs and some digital sales in their locality through direct, WhatsApp-based orders

Branding and marketing: primarily physical, with product photos and text over WhatsApp for digital marketing

Go-getters

Sales channel

Offline   Online

Point of sale: digital sales through some platforms like Meesho and Amazon

Branding and marketing: simple posters and catalogs shared through WhatsApp and Instagram

Digital aficionados

Sales channel

Offline   Online

Point of sale: primarily digital sales across all online platforms and directly through the brand website

Branding and marketing: strong brand identity with consistent design; short-form promotional videos with influencers

Refer here for the classification of LMI segments

There are multiple factors that influence WLB's motivation and decision to use online platforms – our TRACK framework sums up these influencing factors

Trace relevant **channels**

Reach out to customers with relevant **content**

Analyze customer engagement **data**

Improve **customer engagement** through **value addition**

Know your **customers' needs** and act on it

Click here for the detailed framework

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Section 3

Recommendations for WLBs to kick- start their online selling journey

WLBs should expand their presence on e-commerce platforms, create trending short-form content, and analyze their customer data to boost their business sales

	Trace relevant channels	**Reach** out through content	**Analyze** customer data
Rookie	**Start small, win big** WhatsApp has become a powerful tool for small businesses to engage with their customer base. Start with WhatsApp or Instagram to kickstart your online sales journey. Collect orders through DMs and peer networks to optimize your customer acquisition cost (CAC).	**Keep it simple, keep it authentic** Behind-the-scenes (BTS) content is among the most impactful content types on social media. It helps to build authenticity about the brand. Besides static product pictures, share BTS videos for better reach and customer engagement.	**Create, customize, repeat** Identify social media metrics that you want to track. Seek to track and improve your performance around those numbers. Start with simple metrics, such as the number of followers, likes on the post, and DMs for purchase.
Learner	**Use your power of small wins** Build an online storefront on WhatsApp or Instagram to allow customers to place orders seamlessly. SMBs have increasingly adopted niche marketplaces to sell online. Identify online marketplaces that will work based on your product and sales.	**Collaborate to engage** Identify budget-friendly options to market your products on social media. These can include affiliate marketing, public relations (PR) packages, and ways to tag your brand in comments on viral social media posts.	**Understand your data requirements** Based on your business, understand what kind of data will help boost your sales. A few examples of data types are data on demographics, average session, and customer engagement.
Go-getter **Afficionado**	**Integrate to accelerate your online journey** Diving into omnichannel code is the next frontier for D2C brands. Adopt an omnichannel approach with an integrated inventory management system. This will help to reduce the inventory cost and boost profitability.	**Move from content to brand identity** Identify posts that work best for your target group on social media and continue to develop content on similar lines. Maintain content consistency across your social media channels to build brand identity.	**Data-directed approach** Invest in **customer experience (CX) software** that provides a 360-degree view across all customer touchpoints. A few examples of online tools are Sendible, Keyhole, Hootsuite, and Emplifi. Rely on these data to design your sales strategy.

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WLBs should understand key customer segments, after-sales support, loyalty programs, and hyper-personalization through AI tools to establish long-term relationships with customers

| Improve customer engagement through value addition | Know your customers' needs and act on it |

Rookie

Earn customer trust

Build relationships with customers through personalized messages and birthday discounts. Good customer service can boost sales revenues by 2-7%. Ensure that customers can reach out to you easily either over message or through calls across their purchase cycle. As a new brand, you must make customers feel confident about their purchase.

Communication is the key

Once the product is delivered, call your customers and request for feedback. Be quick to implement easy-to-make changes. Once you make improvements based on customer feedback, let them know. Direct calls from the founders, especially for feedback, help build trust among customers and ensure repeat orders.

Learner

Generate repeat business

India's loyalty program market is growing at a CAGR of 15% and is expected to reach USD 14.5 billion market by 2033. Introduce loyalty programs to reward repeat customers with special discounts and offers. This will help to improve customer stickiness with the brand and bring in new customers in the process.

Follow a clear and concise path

Segment customers based on behavior, preferences, and average order value. **Target your marketing material** to meet the preferences of your prominent customer segments. Use budget-friendly options to collect feedback. This includes pop-up surveys, emails, and feedback calls from the customer representative.

Go-getter

Find your tribe

Use social media to build a community that is vocal about your products. Alongside offers and discounts, provide a superior purchase experience to customers through **AI tools, such as** Dynamic Yield and Twilio's Customer AI to personalize the customer experience in real-time and offer a hyper-personalized user journey for customers. This will help to ensure brand sustainability in the long run.

Personalize to win

Implement advanced **business intelligence** tools to dive deeper into customer data. Use data-backed insights to offer excellent purchase experiences to customers and personalize their shopping journey.

Afficionado

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Section 4

Overview of supply-side and demand-side landscape

Section 4.1

Barriers WLBs face in their e-commerce journey

Rookie, Learner, and Go-Getter WLBs face challenges across all stages of their e-commerce journeys

	Skill gaps faced by Rookie WLBs	Skill gaps faced by Learner WLBs	Skill gaps faced by Go-getter WLBs
Channel	• Inventory management skills for sales on online platforms • Lack of knowledge on how to start online sales	• Communicating with customers on new products • Order-tracking and live customer support	• Product packaging and design • Product photography and descriptions
Content	Limited use of online marketing	• Design of effective marketing collaterals	• Showcasing brand identity in short-form videos and other marketing collaterals • Collaborating with relevant influencers
Data	• Tracking sales data • Estimating market potential for their products	• Analysis and interpretation of data for business planning	• Customizing out-of-the-box CRM software to meet their specific needs
Value-added services	Limited implementation of value-added services	Limited implementation of value-added services	• Maintaining funds and resources to offer value-added services • The need for significant manual effort
Know your customer	• Structured methods to collect customer feedback	• Encouragement of customer engagement with questionnaires • Data analysis and customer segmentation	• Tailoring customer experiences based on insights from feedback

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WLBs feel that skill gaps in effective online marketing, inventory management, and product packaging reduce online sales

Rookie WLBs   **Learner WLBs**   **Go-getter WLBs**

91% of Rookies are aware of online sales but do not know how to start	**73%** of Learners use WhatsApp exclusively for online sales	Go-getters offer some of their products on Amazon and Meesho, but sales on these platforms are low

Rookies understand the basics of digital commerce on platforms, such as Amazon, Flipkart, and Meesho, and they are familiar with small businesses that tap into WhatsApp and Instagram for sales.

Learners seek to expand their reach beyond their brick-and-mortar sales. To do this, they process additional orders through WhatsApp and use their existing customer networks to facilitate these transactions.

Go-getters list and sell selections from their product catalog on prominent online marketplaces, such as Amazon and Meesho.

Skill gap   **Skill gap**   **Skill gap**

While they seek to expand into online sales, Rookies do not know:

- How to produce and manage sufficient inventory to match the requirements of online orders
- Where to start with online sales

Learners can tap into their current customer base to generate orders, yet they recognize skill gaps in:

- Ways to communicate effectively with online customers about product launches
- How to implement systems to track orders and deliver comprehensive online customer support

Go-getters see fewer sales on online platforms than in their physical storefronts. They attribute this disparity to skill gaps in areas crucial for online success that include:

- Ways to craft appealing product packaging and design
- Methods to capture and create compelling product photographs and descriptions

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WLBs find it difficult to build an online following without a consistent brand identity for their collaterals and collaboration with influencers

Learner WLBs

Go-getter WLBs

Learners use applications, such as Microsoft Word and Canva to create simple posters and product catalogues

These posters consist of simple product photographs, brief product descriptions, prices, and contact details.

Product photos

Learners capture their product photos through their smartphones and use light sources available at home with minimal photo editing. They feel that these photos do not grab the interest of potential buyers.

Poster design

Learners design posters themselves on free software, primarily through available templates. Customer feedback indicates that these posters are often too cluttered and have color schemes that customers find unprofessional.

Go-getters share short-form video content on platforms, such as Instagram, YouTube Shorts, and Myntra Live

Go-getters showcase the look and feel of their products, and some of their salient features through voiceovers.

Brand identity

Viewer feedback indicates that these short-form videos do not reflect a strong brand identity linked to these products. While these videos showcase products, they do not reflect a brand narrative around a consistent theme, such as sustainability or authenticity.

Collaboration

Go-getters produce these videos on their own and often do not collaborate with influencers in their industries. So, they rely on platform algorithms to match their content with potential customers. They know that recommendations from influencers can enhance their reach but do not know how to approach them to build collaborations.

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Intermediate-stage WLBs adopt monthly targets and collect data to plan their businesses but find it difficult to analyze this data effectively

Rookie WLBs

Learner WLBs

Go-getter WLBs

25% of Rookies maintain monthly sales targets

Rookies typically make products to order based on requirements shared by customers and small retailers. They do not prioritize ways to track sales data.

Skill gap

- Rookies report that they feel confused about the true potential of their products in the market and do not track and review their sales data against targets.
- This leads to some months where they overproduce and others where they struggle to meet the demand.

65% of Learners maintain a record of monthly sales across different products

Learners maintain a digital record of sales with information on region, order volume, and total value across different retailers and platforms.

> " I learned early on that it is important to maintain a good register of your volume of sales every month. I saw how useful it became in the second year of my business when I knew exactly which seasons I needed to increase my output. "
>
> - Samiksha,
>   Handprint clothes producer, Delhi

73% of Go-getters use CRM software to track sales data

A CRM system acts as a central hub for customer interactions, sales data, and feedback. Go-getters use it to forecast future sales, manage their inventory, handle supply chain logistics, and allocate resources.

Skill gap

Go-getters report that they do not have the skills to make the best use of their CRM software to:

- Customize out-of-the-box software to meet their specific needs
- Interpret data to make the best decisions for their businesses

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Advanced WLBs use loyalty programs and subscription boxes to drive repeat sales, but find it difficult to automate these processes

Go-getter WLBs

Digital aficionado WLBs

Go-getters create loyalty programs to engage with their customers

Loyalty programs involve discount codes, specialized newsletters with sneak peeks at new products, and customization options to reward repeat customers.

Resource allocation

Limited resources in terms of money, time, and personnel make it difficult to develop and maintain value-added services and to balance these new initiatives with the core aspects of their business.

Automation

Go-getters are not confident when it comes to the integration of automation into their CRM systems to simplify managing their loyalty program. They currently apply a large amount of manual work into coordination with repeat customers to ensure the benefits reach them, which they find to be a hassle.

Digital aficionados offer subscription boxes and create live community experiences to increase brand loyalty

These WLBs offer monthly subscription boxes with a curated collection of new products. They also host online and offline community events for customers to share their experiences, tips, and photos.

> "
> Running hands-on preserve-making classes made a difference. Our customers buy our jams and pickles, and also become part of the story. They are in the kitchen with us where they learn the craft, and then they go home and spread the word as well as the jam! "
>
> - Priya, Co-founder of an artisanal preserves company, Bengaluru

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WLBs use surveys and CRM software to capture customer preferences, but face challenges to customize their approach for different segments

Rookie WLBs

Learner WLBs

Go-getter WLBs

Rookie WLBs

85% of Rookies do not collect structured customer feedback

Rookies typically collect feedback on products through conversations with regular customers. They do not follow structured methods to collect and analyze data on customer satisfaction.

> " When my customers come back for repeat orders, I ask them what they thought about the product and how I can improve it. But I can do this only with customers who purchase directly from me. I have no idea about the feedback for customers who purchase from retail stores. "
>
> - Monica, Pickle and jam producer, Chennai

Learner WLBs

73% of Learners use online survey tools to collect customer feedback

Some Learners send simple questionnaires to their customers through Instagram and WhatsApp to collect feedback on their products.

Skill gap

- The engagement rate on these surveys is low as most customers prefer not to fill them out.
- Learners feel unsure of how to bucket and analyze this data and identify how to tailor their products and marketing based on the suggestions they offer.

Go-getter WLBs

Go-getters use data points derived from sales data, social media metrics, and feedback forms to tailor their strategies

Go-getters identify customer segments based on their key characteristics, such as demographic details, frequency of purchase, and source of information. They tailor their approach based on these preferences.

Skill gap

Go-getters choose how much to invest in sponsored content on different platforms based on the share of different segments in their sales. However, they find it difficult to integrate these lessons beyond customer acquisition to tailor the purchase and post-purchase experience of current customers based on their segments.

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Section 4.2

Pulse of the e-commerce market; Deep dive into how Indian customers shop online

An analysis of different personas of users resulted in five key persona types based on users' motives and experience of online shopping

Priorities when shopping

This parameter examines the key priorities that guide customers' purchasing decision:

- **Thrifty shoppers:** Prioritize savings and prefer economical shopping
- **Moderate shoppers:** Are mindful of price, even though quality motivates their purchases
- **Luxury shoppers:** Value a product's uniqueness over its price

E-commerce expertise

This parameter examines the customer's expertise level with e-commerce:

- **Beginner shoppers:** Are new to e-commerce and may need handholding
- **Intermediate shoppers:** Have some familiarity with self-initiated online shopping but hesitate to try new platforms
- **Seasoned shoppers:** Are familiar with e-commerce and do not require any support across their purchase journey

Priorities when shopping

LUXURY

MODERATE

THRIFTY

Discerning connoisseurs

Retail enthusiasts

Elegant explorers

Budget novices

Experienced bargain hunters

BEGINNER   INTERMEDIATE   SEASONED

E-commerce expertise

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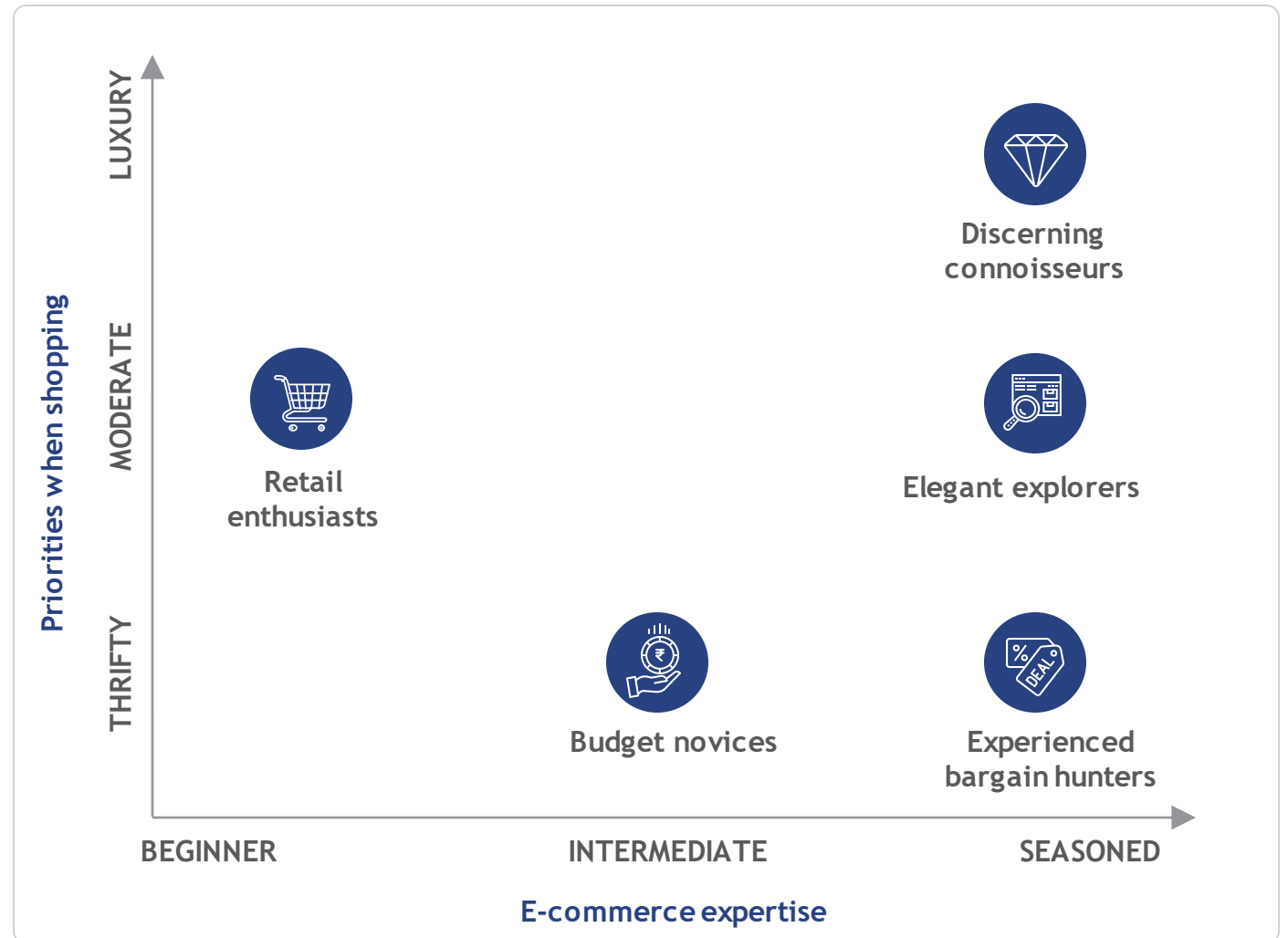
Budget novices are slightly hesitant to try online platforms for shopping, but are willing to try them based on suggestions from their social circle

> " I used to be afraid to try online shopping until my friends told me about the great discounts I could get on the same products I buy from stores. "
>
> - Vandita, 36, Nashik

Demographics

Age 30-45

Location Tier 3 and smaller cities

Income* INR 35,000 to INR 45,000 per month

Preferred products

Skincare products

Factors that affect their purchasing decision

- Monetary return policy
- Influencer endorsement
- Quick GRM
- Trial pack availability

Persona profile

Source of awareness for online shopping platform

Mainly social circle

Shopping intention

Largely for themselves

Brand loyalty

Easily switch to another platform based on discounts offered

Payments preference

COD: These users have limited trust in online platforms for shopping. Initially, they hesitate to place a prepaid order and largely prefer to use the cash-on-delivery (COD) option.

Delivery charges: These users have a fixed budget for online shopping. Any additional charges lead to dropout, especially delivery charges that increase their shopping value. However, these users are willing to pay delivery charges of an upper limit of INR 20-40.

Biases faced

Social proofing: They seek social proofing from a trusted person to be convinced that online shopping is safe.

Hassle factor: These users are new to online shopping and feel overwhelmed by the online interface and abundance of product availability. This sometimes also leads to dropout.

Major drivers for online shopping

Social circle: These users largely prefer to buy from local shops where they get discounts on bulk purchases. However, they try the online mode to shop for offers and discounts based on their social circle's recommendations. These users take their social circle's support to understand the platform and place an order for the first time.

Expected shopping experience

These users prefer flexible minimum order quantity and human assistance in case of any support. They expect complete product details and rely on customer reviews to make informed purchasing decisions. Further, they expect quick grievance resolution in case of any issues with the product received.

Bargain hunters are willing to try different online platforms for shopping but will stop just as easily if they do not see their value and benefit

> " I always maintain a list of products in my shopping cart till the festival sales on Amazon and Flipkart. I have gotten great discounts in the past. "
>
> - Harini, 28, Chennai

Demographics

Age 22-35

Location Outskirts of tier 1 and tier 2 cities.

Income* INR 50,000 to INR 80,000 per month

Preferred products

Skincare products and handmade snacks

Factors that affect their purchasing decision

- Product rating
- Freebies
- Easy return policy
- The brand's active social media presence

Persona profile

Source of awareness for online shopping platform

Social media or cashback coupons

Shopping intention

Largely for themselves or family members

Brand loyalty

Stick to the platform if they receive discounts and offers

Payments preference

EMI and BNPL: These users largely purchase products in bulk and prefer to use payment options, such as EMI or BNPL. Payments through these options help them manage their expenses and earn discounts and cashback.

Delivery charges: These users expect a waiver on delivery charges as they usually purchase in bulk. Further, they also expect an additional discount when they place a bulk order.

Biases faced

Peak end rule: They try different platforms and continue to use a platform if they have a positive experience. Yet any negative experience leads to an immediate switch to another similar platform.

Major drivers for online shopping

Bulk purchase discount: These users value convenience and discounts when they shop online. They usually wait for the sale season to purchase their desired products and expect cashback and introductory offers on their purchases.

Expected shopping experience

These users feel comfortable with virtual assistants for quick chat support around product details and estimated delivery time. However, they expect personalized assistance in case of delays in product delivery or defects.

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Elegant explorers are experienced online shoppers but new to luxury shopping, so they hesitate to spend extravagantly

> **"** I always try products that my salon recommends. I am not very familiar with online shopping, but if some of these products are only available there, I am willing to try it out. **"**
>
> - Shalini, 45, Mumbai

Demographics

Age   30-50

Location   Tier 2 and Tier 3 cities

Income*   INR 100,00 to INR 200,000 per month

Preferred products

Skincare and haircare products

Factors that affect their purchasing decision

Price discount

Free product sample

Persona profile

Source of awareness for online shopping platform:

Social circle and social media

Shopping intention

Purchases for personal use, gifts for friends and family

Brand loyalty

Prefer to stick to a platform for rewards but are willing to explore new brands and platforms

Payments preference

Debit card: Explorers tend to favor traditional and well-established payment methods, such as debit cards, as they place a higher level of trust in these options. They are less inclined to experiment with newer payment methods.

Delivery charges: While explorers are willing to pay delivery charges, they seek real-time tracking and timely updates to feel assured that their orders will be delivered safely.

Biases faced

Loss aversion: Explorers are new to luxury shopping and are thus sensitive to perceived losses. Any negative experience during the purchase journey makes them feel hesitant to continue shopping and they eventually drop out.

Major drivers for online shopping

Premium products at discounts and offers: While explorers are experienced online shoppers, they are new to shopping for premium products. They compare the online and offline prices of the product to make informed purchasing decisions. They seek discounts and offers available on their debit and credit cards to make their first-ever premium product purchase.

Expected shopping experience

Explorers have not yet developed trust in expensive purchases online. So, they need personalized support and human interaction to match the experience they receive from their favorite retail stores.

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Discerning connoisseurs are comfortable with shopping for luxury products online with minimal support

> Most things available in stores these days are mass-produced. I love to purchase unique handicraft products made in Rajasthan from the convenience of my home in Bengaluru.
>
> - Alisha, 36, Bengaluru

Demographics

Age 20-40

Location Metros, Tier 1 and Tier 2 cities

Income* Above INR 200,000 per month

Preferred products

Handmade sustainable clothes, luxury skincare, unique handicrafts

Factors that affect their purchasing decision

Limited edition products

Sustainability hallmark

Persona profile

Source of awareness for online shopping platform:

Social media influencers, social circle, and fashion magazines

Shopping intention

Collectables, investment purchases, gifts

Brand loyalty

Experienced with luxury shopping, so they have trusted brands with existing relationships

Payments preference

Credit card: Connoisseurs prefer to use credit cards for significant expenditures through which they access discounts, accumulate reward points, and benefit from various loyalty-based privileges.

Delivery charges: Connoisseurs are willing to accommodate delivery charges as long as their orders have high-quality packaging and are delivered damage-free.

Biases faced

Von Restorff effect: Connoisseurs tend to remember and value items that stand out from the ordinary. Luxury brands use this to offer unique and distinctive products or experiences that capture the attention and preference of connoisseurs.

Major drivers for online shopping

Under the skincare range, connoisseurs prefer products whose ingredients are natural and sourced locally. Under handcrafts and clothing, they prefer to shop for unique designs and patterns. They appreciate handmade and sustainable products and look for hallmarks that validate them.

Expected shopping experience

Connoisseurs expect a hassle-free experience when they shop online. They value premium access to newly launched products and loyalty points on every purchase. They expect quick product delivery and sturdy product packaging. These users are comfortable with virtual assistance in case of any queries.

Source: MSC interviews with 90 e-commerce customers

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Retail enthusiasts are customers who seek quality products at physical retail outlets but are new to online shopping

> " I do not mind spending a little more for a high-quality product. I do not do a lot of online shopping, but if my daughter recommends some new handicraft store, I will take her help to order from it. "
>
> - Snehal, 55, Surat

Demographics

Age 40-60

Location Tier 1, Tier 2, and Tier 3 cities

Income* INR 60,000 per month

Preferred products

Household handicraft items, herbal haircare products

Factors that affect their purchasing decision

Premium look and feel

Natural and organic ingredients

Persona profile

Source of awareness for online shopping platform:

Social circle, recommendations from retail stores, handicraft fairs

Shopping intention

Personal consumption, gifts

Brand loyalty

New to online shopping, so they have not yet established loyalty with brands that primarily market online

Payments preference

Cash on delivery: Retail enthusiasts inherently mistrust online payment modes and will prefer to wait till the product has been delivered before they make a payment.

Delivery charges: Retail enthusiasts do not order products online regularly, so they would not mind a delivery charge. However, they would be sensitive to the amount of this charge and would opt out in cases where the delivery charge significantly increases the order's total cost.

Biases faced

Choice overload: Retail enthusiasts often find online platforms overwhelming when they face many options to select from. So, they rely on assistance from trusted sources to identify the products they purchase and the platforms to make these purchases.

Major drivers for online shopping

These customers are motivated to shop online only when they are told by a trusted source that the product available online is of a much higher quality than its retail alternatives. They seek handicraft items with a premium look and feel and skincare products with a strong brand narrative of effectiveness, with sustainable ingredients.

Expected shopping experience

Retail enthusiasts will typically never complete an online transaction without assistance. They expect a straightforward, simple, and intuitive user experience with all the steps clearly outlined and explained. They expect regular updates about the delivery status.

Source: MSC interviews with 90 e-commerce customers

MSC

We have mapped end-to-end stages involved in the online shopping journey from a customer's lens

Awareness

This is the first stage where a customer learns about the product through various channels.

Interaction with brand (touchpoints)

Once the customer learns about the product or about the brand they visit the brand's social media pages.

Consideration: Engagement with the brand

If the customer is satisfied with the product, they decide to purchase the product. The customer places an order with the brand for product purchase.

Purchase experience

Based on the purchase experience, the customer decides if they would want to order from the brand again.

MSC

Customers prefer online platforms for their 24x7 availability, wide range of products, and discounts

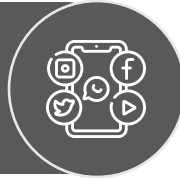**82%** of customers mentioned that they are comfortable with **online shopping**

75% of online shoppers prefer **large online marketplaces**, such as Amazon and Myntra

60% of online shoppers prefer **social media platforms**, such as Instagram and WhatsApp

35% of online shoppers prefer to purchase **directly from producer websites**

Reasons why customers prefer online platforms

Wide selection

43% of customers appreciate a wide range of products available. They also mentioned that this allows them to compare different products easily and make an informed decision.

Anytime availability

62% of customers prefer to shop online as they can choose to shop at a time and place convenient for them.

Discounts

38% of customers mentioned that they can get more discounts online than from the offline channels.

I started shopping online regularly during the lockdown. Even now, when physical stores have opened, the convenience of shopping whenever I want and home delivery is unbeatable. Compared to online stores, I also do not get as many options in even big retail stores. If a friend recommends a specific product to me, I am much more likely to find it online.

- Sanjana, 37, Hyderabad

Source: 1&2. MSC interviews with 90 e-commerce customers

MSC

When customers shop through social media, they can connect directly with producers and get their products customized

Social media platforms and products preferred by customers

Preferred platform	Examples of preferred products
Instagram[2] **70%**	**Handicrafts:** Crochet items, stickers, posters, paintings **Snacks:** Brownies, cakes, cookies **Skincare:** Organic creams, essential oils
Facebook[3] **57%**	**Handicrafts:** Cane, bamboo products, wood products, small furniture **Snacks:** Homemade chips, dry snacks **Skincare:** Herbal hair oil, shampoos
WhatsApp[4] **7%**	**Handicrafts:** Handwoven baskets, display items made to order **Snacks:** Pickles, preserves, jams **Skincare:** Homemade natural hair oil

Reasons why customers prefer social media platforms

To support small businesses

For personalized service

Due to customization options

- Customers who shop through social media platforms typically wish to **support small, single-person-owned local businesses and independent producers.** They are motivated to find unique products outside of known brands but at a lower price point than typical designer products.

- Customers appreciate the ability to engage with the seller and know more about the product before they place an order.

- A few customers mentioned that they can customize their orders when they purchase from small businesses.

When I was organizing a party, Roshni (small business owner who sells crochet on Instagram) helped me develop a top that matched the color scheme of my party. She also checked in after the party to see how it went. This personalized customer service is why I love small businesses.

- Shreya, 21, Bengaluru

Source: 1. MSC interviews with 90 e-commerce customers. 2, 3, & 4. Statista

MSC

Customers prefer large online marketplaces for bulk purchases and use robust recommendation engines to discover new products

Large online marketplaces and products preferred by customers

Preferred platform	Examples of preferred products
Amazon² **73%**	**Snacks** Organic rice chips, banana chips, vegan *sev*, organic nuts and dry fruits, namkeen, dry snack mixes
Meesho³ **30%**	**Handicrafts** Tote bags, wallets, purses, wall hangings, bed linens, home décor, keychains, steel ware, women's apparel, notebooks
Nykaa⁴ **24%**	**Skincare** Herbal shampoo, herbal conditioner, skincare supplement powders, ayurvedic face packs

Reasons why customers prefer large online marketplaces

Due to large discounts   **For product variety**   **For robust recommendations**

- These customers are experienced with online shopping and buy products across **multiple categories in bulk** to avail of large discounts on the total cart value.

- They use established marketplaces that **aggregate products from multiple brands,** which enables them to access a large variety of products at one time, compare between different options, and choose their ideal product.

- They discover new brands through **algorithm-driven recommendation engines** built into these platforms. The platforms recommend products to them based on their purchase and search history.

> I found out about Ameya's (handwoven basket producer) products through a recommendation from Meesho when I was buying bedsheets. Ameya's woven basket designs really matched the rest of my room décor. I am glad I gave it a try because I discovered a great hidden gem of a brand!
>
> - Vidya, 36, Indore

Source: 1. MSC interviews with 90 e-commerce customers. 2, 3, 4. Statista

MSC

Customers prefer personalized, authentic content from trusted content creators

| Social media | **80%** of customers prefer social media video content[1] | **45%** of customers prefer social media text + image content[2] |

| Traditional media | **87%** of customers prefer television advertising[3] | **64%** of customers prefer print text + image content[4] |

## Video and livestream content is on the rise

600M viewers consume short-form video content in India[5]

Short-form video content creators and influencers partner with brands to create content, such as sponsored product reviews, unboxing videos, and shopping hauls. These content creators have built strong relationships with their audiences, which make their endorsements appear more credible than traditional ads.

" I love to discover new products through Insta reels. When I see my favorite influencers show off these products, I can imagine what they would like in my house. It gives me a lot of confidence to try out new products. "

- Reshma, 25, Chennai

Moj — Simsim — Josh — Instagram
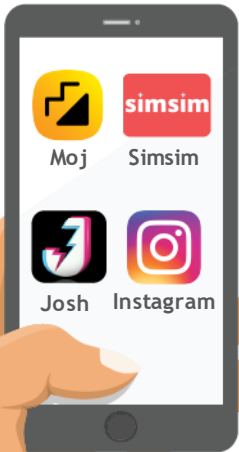
Types of video content customers prefer

Behind-the-scenes looks: Customers like to learn the process involved in making products, particularly when they are handmade.

How-to videos: Customers prefer to follow along with tutorials on how to use products, including makeup routines, outfit videos, and recipes.

Customer testimonials: Videos by existing customers that explain their journey with the product build authenticity and organic following.

Regional language content: Vernacular shoppers require content in their local languages delivered through established influencers to cement their trust in new products.[2]

Source: 1, 2, 3, 4. Economic Times 5. Bain

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Customers favor content that highlights the use of natural ingredients and sustainable business practices

Customers' preferred positioning for handicrafts products	Customers' preferred positioning for snacks products	Customers' preferred positioning for skincare and haircare products
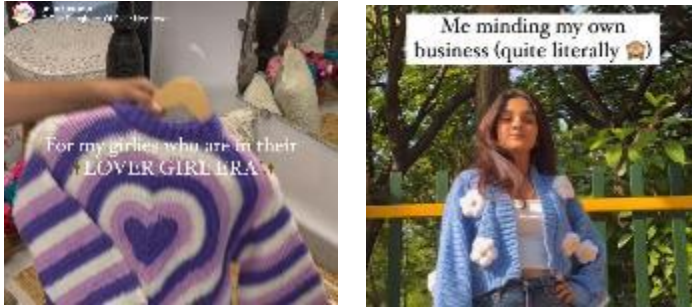
@an.artsynaari uses trending Instagram reel formats to advertise her crochet products, using the latest viral songs and captions to reach Gen-Z customers.

@itsnovanova makes content that generates nostalgia for discontinued Indian snack items. It positions itself as a high-quality alternative to mass-manufactured snacks.

@avimeeherbal consistently highlights customer testimonials and before-after stories to position itself as a successful, healthy, and natural product.

Customers mentioned that some factors that drive them to content associated with handicraft products are content authenticity, uniqueness, and content relatability.

Customers mentioned that content focused on ingredient sourcing, benefits, or associated nostalgia helps them to engage better with the brand.

Customers mentioned that they engage with brands if the content is focused on the usefulness of the ingredients, unfiltered actual customer stories, and product uniqueness.

Source: Novanova | Artsynaari | Avimeeherbal

MSC

Customers appreciate discounts on their first purchase and engage better with brands when offered loyalty points

93%

of the customers mentioned that loyalty points that can be redeemed to avail of discounts act as a hook for them to continue shopping with a brand or platform. This was especially mentioned by customers who prefer the online mode to purchase handicraft products.

68%

of the customers mentioned that flat discounts on special occasions, such as their birthdays, make them feel special. They usually make such purchases after they compare the discount against the original pre-discount price.

43%

of the customers mentioned that they would prefer to receive messages about discounts and offers over mail. Very few customers, or around 9%, were comfortable if they received promotional messages over WhatsApp. However, these customers mentioned that the frequency should be optimum (fortnightly, monthly, or during the sale season only).

21%

of the customers expect deals and discounts during the festive season. Among them, most customers mentioned that they usually purchase high-value products on which discounts are applicable.

19%

of the customers expressed a need for first-time purchase discounts and offers. They mentioned that they feel motivated to try a new brand when they can avail of a discount or offer on the first purchase.

Meesho's loyalty points draw me to it. I recently redeemed all my points to get a major discount on a big purchase. It keeps me constantly coming back to the website and even purchasing items for my friends and family.

- Shifa, 29, Mumbai

Source: MSC interviews with 90 e-commerce customers

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Customers decide to make a purchase decision based on factors, such as delivery time and payment options available

83%

of the customers mentioned that they expect an option to save their default delivery address at the checkout stage. Further, customers also mentioned that the platform should also allow options to save three or four frequent delivery addresses. Most of them cited examples of Amazon and Zomato as reference for address-saving options.

71%

of customers expect the platform to save their preferred mode of payments. Among these almost all of them mentioned that the payments details should also be saved along with the preference. For instance, if a preferred mode for a customer is through cards, the platform should save card payment as the preferred option once they save their card details on the platform.

51%

of customers specifically mentioned that they appreciated suggestions around size fit based on their previous purchase coupled with insights around the brand's fit. This was specifically for stitched clothes, as each brand has a unique fit based on measurement standards.

23%

of customers appreciate suggestions around product purchases by the platform that matches their preferences. For instance, "Best paired with" "You may also like" or "Suggestions based on your recent purchase." Customers mentioned that they usually look at the curated list of products suggested by the platform and buy something from the suggested products at least one out of three times.

> I love how seamless the purchasing experience is! Before the checkout stage, I always add a few more items to my cart from the suggestions tab. Once I set up my delivery address and preferred delivery time, every new order has been a breeze!
>
> - Sandesh, 24, Gurugram

Source: MSC interviews with 90 e-commerce customers

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Section 5

Annexes

MSC

Sampling plan: We interviewed 70 online shoppers and 50 women-led businesses across various stages of their e-commerce journeys

Customers

70 customers covered

Selection criteria

- Customers from metro and tier 1 cities who bought a product online at least once

Geographies covered

City	Sample
Ahmedabad	15
Vadodara	23
Delhi NCR	11
Mumbai	8
Bengaluru	13
Total	70

Gender split

74% Women

26% Men

Women-led businesses (WLBs)

50 WLBs covered

Geographies covered

City	Sample
Ahmedabad	24
Bengaluru	10
Delhi NCR	8
Hyderabad	7
Ranchi	1
Total	50

Sectors covered

Sector	Sample
Snacks	20
Clothing	12
Handicrafts	14
Skincare or haircare	4
Total	50

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Glossary: Behavioral biases identified through the study (1/2)

Term used 📝	Definition 📖
Social default	Copying others' choices when one cannot make informed decisions
Resource scarcity	Resource scarcity refers to the perpetuating mindset that alters the decision-making process due to an absence of resources.
Hassle factor	Situational factors that either prevent, improve, or compel individuals to do a specific behavior
Loss aversion	Loss aversion is a cognitive bias that describes why, for individuals, the pain of losing is psychologically twice as powerful as the pleasure of gaining.
Peak-end rule	A cognitive bias that impacts how people remember past events.
Ripple effect	A ripple effect occurs when an initial disturbance to a system propagates outward to disturb an increasingly larger portion of the system, like ripples expanding across the water when an object is dropped into it.
Anchoring effect	The tendency to rely too heavily, or "anchor," on a past reference or on one piece of information when making decisions
Status quo bias	The preference for things to remain the same, such as a tendency to avoid changes in behavior unless the incentive to do so is strong
Social proofing	The tendency of people to follow the actions of the masses

MSC

Glossary: Behavioral biases identified through the study (2/2)

Term used	Definition
Negativity bias	The tendency to recall unpleasant instances over positive ones
Mental accounting	The tendency to separate money into separate mental accounts based on subjective criteria
Social norm	Behavioral expectations or rules within a group of people
Availability bias	The tendency to make judgments about the likelihood of an event based on how easily an example, instance, or case comes to mind
Cognitive miser	The tendency to avoid making hard decisions
Zeigarnik Effect	The phenomenon when incomplete tasks are retained in the mind more than completed ones
Choice overload	Indecision due to too many choices being available to consumers
Present bias	The tendency to give stronger weight to benefits that are closer to the present, in trade-offs between two moments
Price value	Framing a product's price and features greatly affects its perceived value
Risk of bundling	The phenomenon of selling experiences in bundles reduces their individual use

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Sectors we work in

Banking, financial services, and insurance (BFSI)

Water, sanitation, and hygiene (WASH)

Government and regulators

Micro, small, and medium enterprise (MSME)

Social payments and refugees

Youth

Gender equality and social inclusion (GESI)

Education and skills

Digital and FinTech

Agriculture and food systems

Climate change and sustainability

Health and nutrition

Multi-faceted expertise

Advisory that helps you succeed in a rapidly evolving market
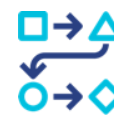
Policy and strategy

Products and channels

Research and analytics

Organizational transformation

Digital technology and channels

Catalytic finance

Design thinking and innovation

Marketing and communication

Training

Government and regulations and policy

Data Insight

Customer protection and engagement for responsible finance

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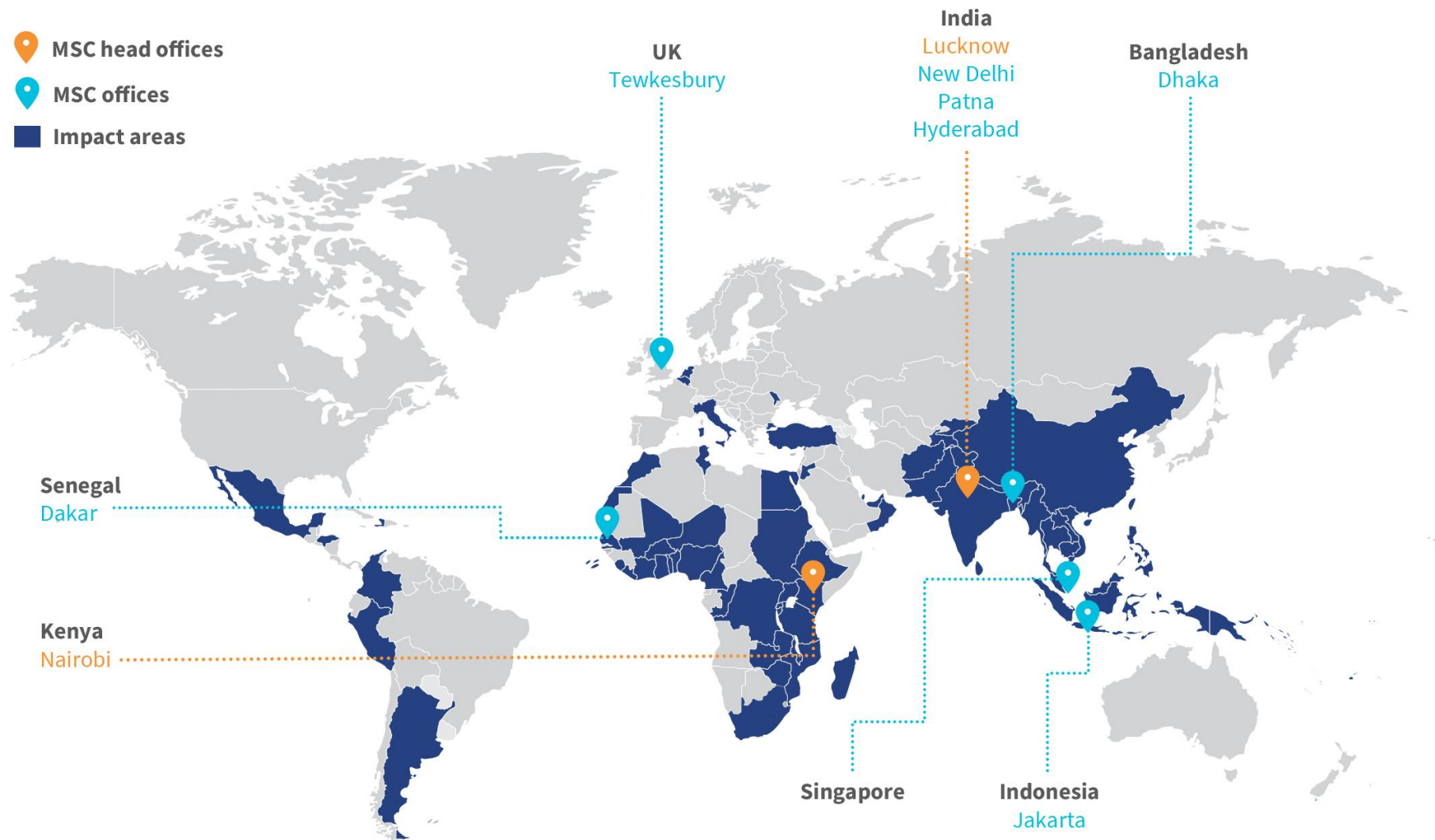|	
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Developed >300 FI products and channels now used by >1.7 billion people	Trained >11,100 leading FI specialists globally

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