

# DCii

## DIGITIZING CONSUMERS IN INDIA

Future of Indian ConsumerTech  
Challenges and Opportunities

April 2023







Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities.

BCG was the pioneer in business strategy when it was founded in 1963. Today, we help clients with total transformation—inspiring complex change, enabling organizations to grow, building competitive advantage and driving bottom-line impact. To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change.

BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures—and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.



Early-stage investors targeting companies in the Indian consumer and enterprise market. Matrix Partners began in Boston in 1977, and today invests actively in the USA, India and China. Matrix Partners India was established in 2006 and invests across a variety of sectors including consumer technology, B2B, enterprise and SaaS, and Fintech, among others. We look for the best and brightest founders and teams. In our experience, the quality, passion and commitment of a company's core team are more important than any other element.

We invest in between seed and series B initially in each company. We like to get to know founders early, ideally well before they are ready to raise capital, with a focus on companies primarily targeting the Indian market. We prefer to be the lead investor. We often invest on our own but also co-invest with other investors.

Founders are always first in our eyes, whether you have just a nascent idea or are already running a business, let us help you turn your ideas into reality and grow your business.

# OUR APPROACH



To explore the ConsumerTech space in India, we conducted a series of in-depth discussions with 25+ founders and senior executives in leading startups in India. In addition to this, we surveyed founders and senior executives on a broad range of topics in ConsumerTech space. We also leveraged the deep expertise across BCG's global network of partners and research teams.



The founder survey underlying this report was conducted in late 2022 and 2023. Over 250 founders and senior executives were approached for the survey. The goal of the survey was to derive a comprehensive understanding of the ConsumerTech landscape, and the trends in the space along with outlook for the industry.



We corroborated and substantiated our findings through extensive research and data analysis from Center for Customer Insight (CCI) and global knowledge teams within BCG. We also conducted a thorough analysis of investment flows in the ConsumerTech space.











# EXECUTIVE SUMMARY

The Indian economy continues to show sustained growth, with increasing affluence and discretionary spending. The pandemic accelerated digital penetration by 12–24 months across different sectors, thereby boosting the adoption of e-commerce and reaching a total of 350–400Mn online shoppers by 2025. In the midst of this, the Indian ConsumerTech space has seen large value creation with USD 250Bn+ in valuation and 40+ unicorns as of December 2022.

As India's ConsumerTech ecosystem matures with 4K+ deals and USD 54Bn fund flows in the last 5 years, we expect that we will continue to see sustained growth in the next decade as key enablers fall into place across digital payments, physical infrastructure and logistics, and internet data connectivity. This is further bolstered by a deepening market with 630Mn+ internet users and 98Mn+ digital natives in 2022, setting a robust platform for multiple large ConsumerTech companies to be built.

While there is relatively high penetration and maturity of ConsumerTech in categories such as electronics, appliances, fashion and apparel, the next wave of growth is likely to be driven by beauty and personal care, food & beverages, FMCG, and furniture and décor. Proprietary consumer research conducted by BCG's Centre for Consumer Insight, along with our discussions with 25+ start-up founders and CXOs, have revealed a set of key trends which are shaping the Indian ConsumerTech landscape.

- Democratization of online commerce with a large proportion of new shoppers being 35+ years old, women and from tier 2+ cities
- Increasing relevance of omni-channel with 6–8X growth in digitally influenced retail spending, reaching USD 207Mn in 2021 from USD 24.3Mn six years ago
- ~1.8x increase in time spent online by consumers on social media and photo/video apps in the last 3 years, leading to these channels becoming important for e-commerce with the emergence of discovery led shopping and social commerce
- Marketplaces are overtaking search engines as new search sites with 35–40% consumers choosing marketplaces for searches in select user categories, such as electronics, fashion, mobile, food & FMCG and beauty and personal care
- Consumers are seeking quicker gratification with shorter delivery options, leading to the emergence of Q-commerce, which has rapidly increased to 25–30% of the overall online grocery market
- New commerce models such as assisted & conversational commerce, influencer commerce, live/video commerce and group buying could provide an impetus to existing and new shoppers
- Shift in consumer preferences towards healthier lifestyle choices, sustainability and re-commerce

- Rise of emerging technologies such as generative AI could have multiple potential applications in e-commerce (e.g., automating product descriptions, personalized marketing content, assortment planning etc.); ONDC could provide a further fillip to e-commerce penetration

With the landscape evolving rapidly, it is crucial for companies to navigate the landscape strategically to ensure higher odds of success. Our in-depth discussions with founders and CXOs, and analysis of a larger set of successful ConsumerTech companies reveal critical factors for success:

## Scaling startups from 0–to–10

1. Identifying unmet customer need, pain-points or friction in existing offerings to create a disruptive consumer proposition
2. Making the right choices across pricing, optimizing unit economics and customer acquisition costs
3. Building the supply side as a potential competitive moat through deep partnerships and capability build
4. Internalizing the test & learn philosophy for quicker iterations and faster route to product market fit

## Driving sustainable growth in 10–100 phase

1. Sources of next wave of growth
  - A. Maximizing customer lifetime value by expanding offerings, driving loyalty through customer retention, and focusing on cross-sell/up-sell
  - B. Expanding distribution across channels and geographies to target new customer archetypes
  - C. Evaluating international markets for entry
2. Optimizing profitability
  - A. Driving path to profitability in key levers, e.g., customer acquisition costs
3. Capability building for scale
  - A. Unlocking founder bandwidth to focus on strategic goals via organizational build-up
  - B. Harnessing the power of AI and analytics across the value chain

In this report, we have covered some of the key trends that we identified based on consumer research and extensive discussions with stakeholders across the ecosystem. It provides a ready reckoner for founders and CXOs of new and existing ConsumerTech companies, investors as well as legacy consumer companies targeting the new Indian consumer on what it will take to successfully navigate the 0–10 journey and then scale from 10–100.

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- B. Driving sustainable growth in 10-100 phase

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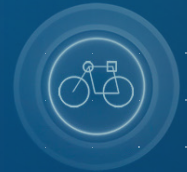
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# Decoding the ConsumerTech landscape







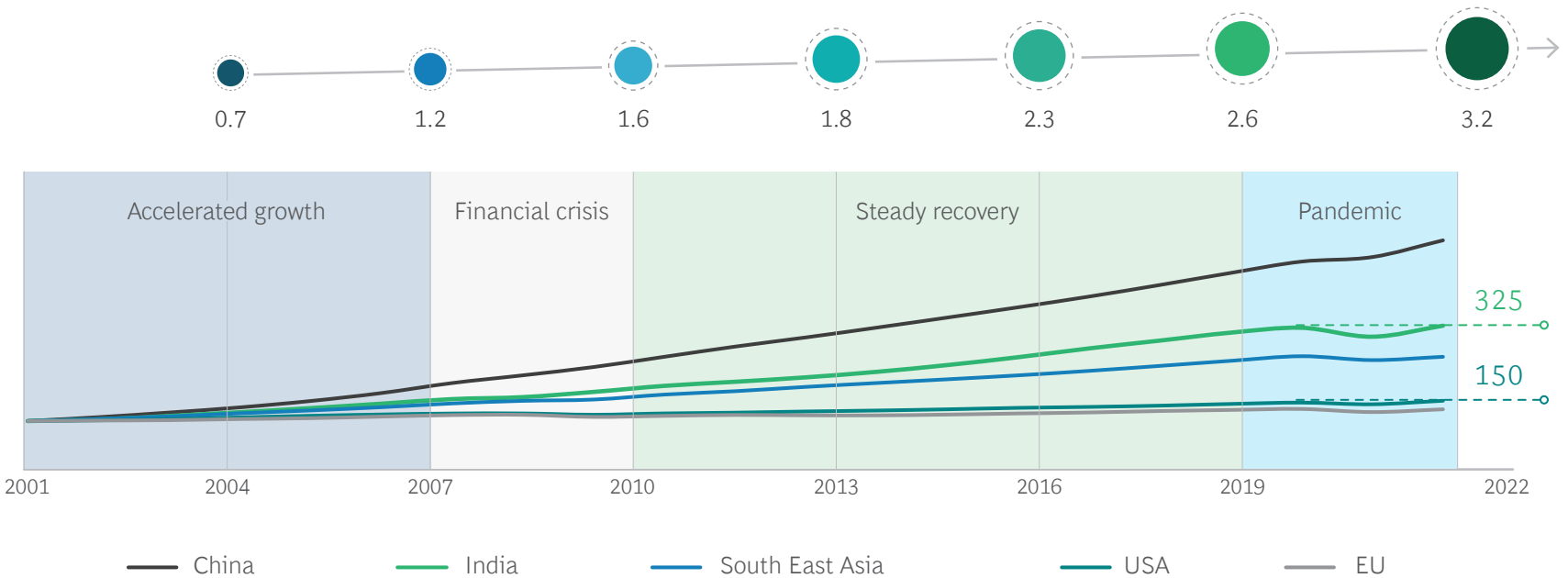


# Indian economy is demonstrating sustained growth among global macroeconomic headwinds

India grew at ~3x faster rates vs. USA and EU

Annual GDP growth indexed to 2001

Indian GDP (current \$Tn)

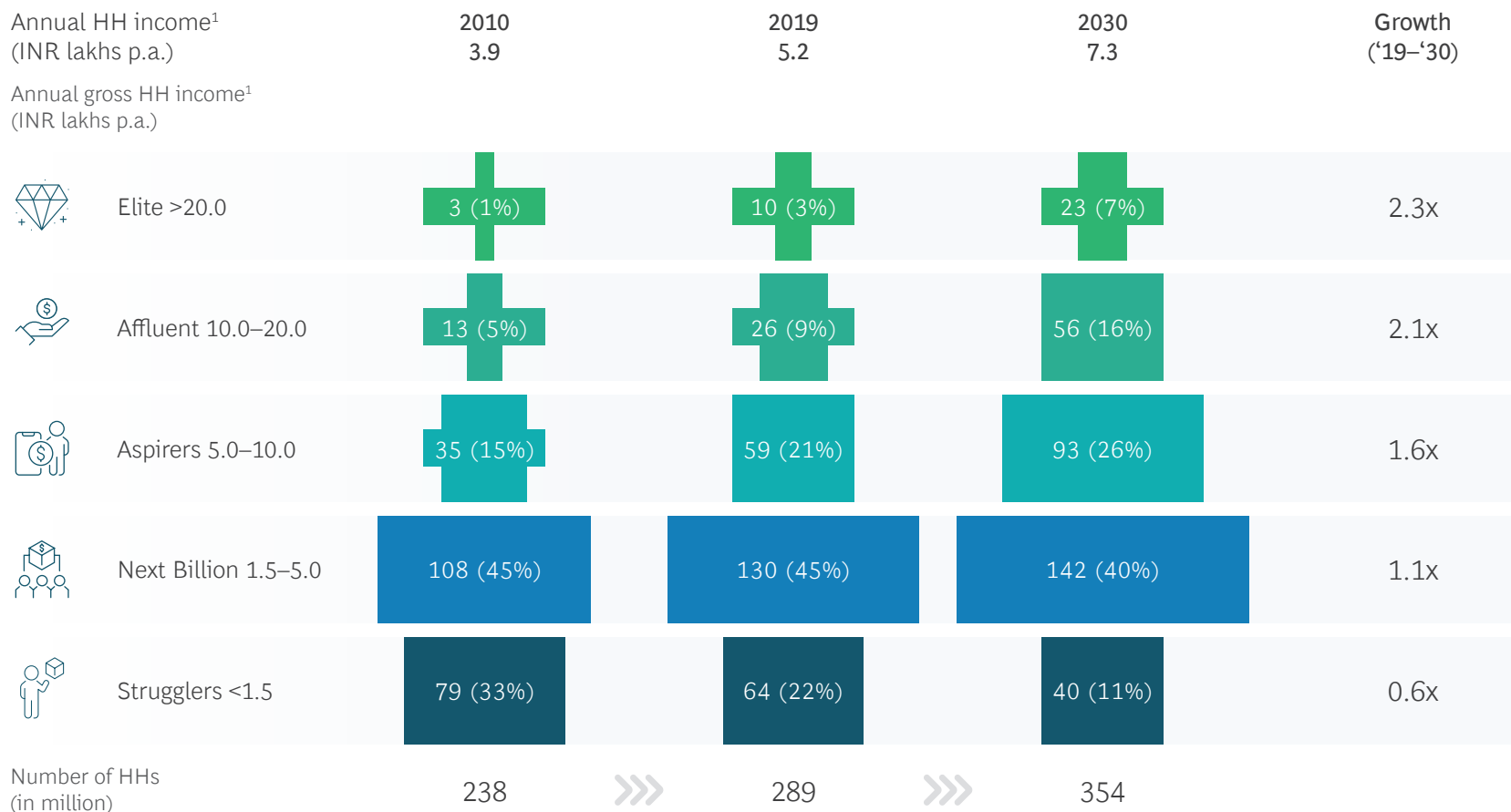


**Note:** Annual percentage growth rate of GDP at market prices based on constant 2015 prices, expressed in U.S. dollars. Dollar figures for GDP are converted from domestic currencies using 2015 official exchange rates. For a few countries where the official exchange rate does not reflect the rate effectively applied to actual foreign exchange transactions, an alternative conversion factor is used.

**Source:** World Bank, BCG analysis

# Affluence is increasing in India - aspirer, affluent and elite households will account for ~50% by 2030

## Number and % of households (Mn) in different income brackets



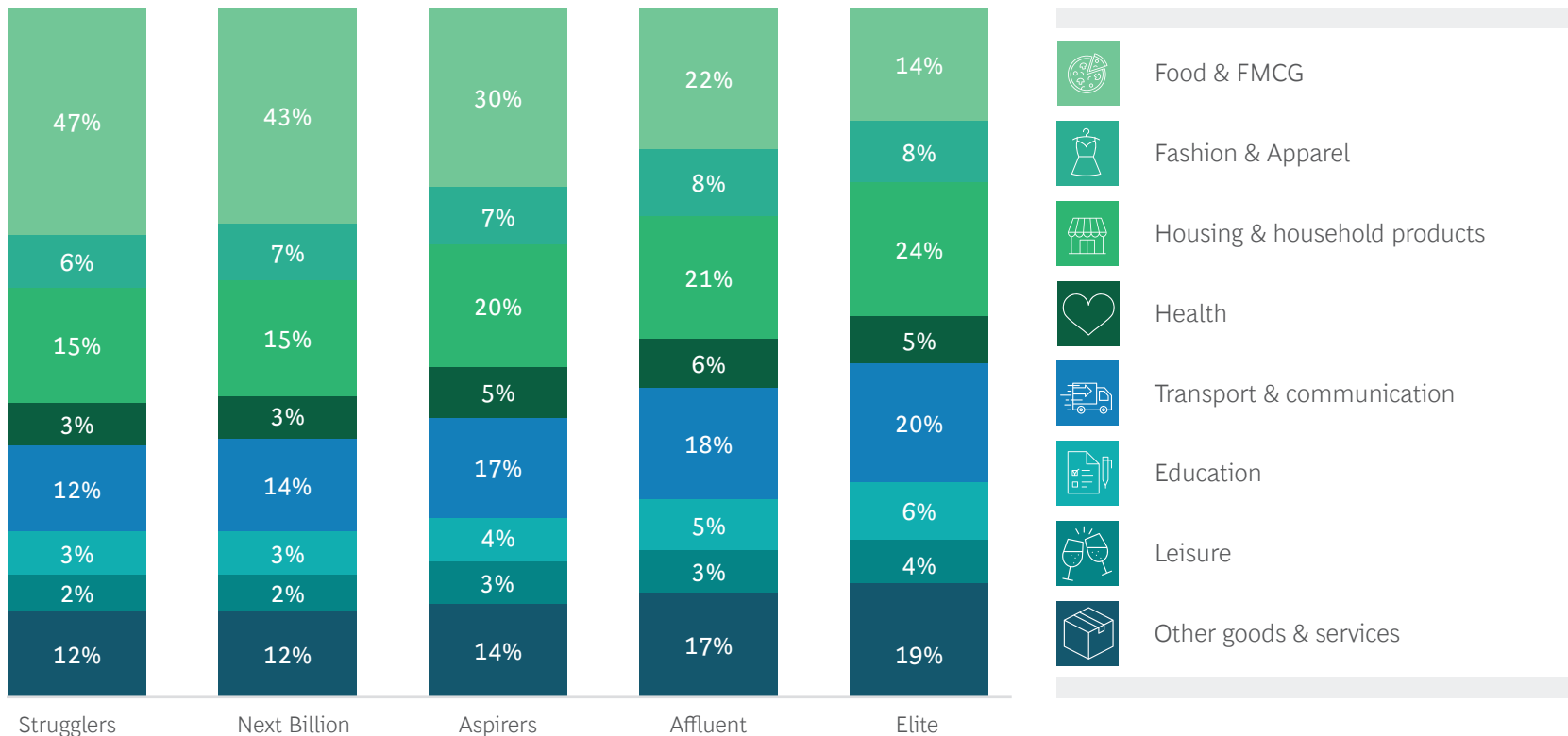
1. Annual household gross income is based on 2019 prices

**Note:** Annual Gross Household income—Strugglers: INR <1.5 lakhs; Next Billion: INR 1.5–5 lakhs; Aspirers: INR 5–10 lakhs; Affluent: INR 10–20 lakhs; Elite: INR >20 lakhs;

**Source:** CCI proprietary income model, BCG analysis

# Increasing affluence will drive discretionary spending and spur growth in categories beyond food and clothing

% Share of household spends by category across income segments for 2019



**Note:** These percentages are rounded to the nearest integer

Annual Gross Household income—Strugglers: INR <1.5 lakhs; Next Billion: INR 1.5–5 lakhs; Aspirers: INR 5–10 lakhs; Affluent: INR 10–20 lakhs; Elite: INR >20 lakhs; Categories are Food & FMCG (Fresh food & dairy, Staples, packaged foods & beverages, Tobacco), Fashion & Apparel (Clothing & accessories, Footwear), Housing & Household products (Housing rental, maintenance & utilities, Household goods, equipment & services), Health (Health goods & medical services), Transport & Communication (Local regular commute, Air/ bus/train travel, Vehicles & Maintenance, Communication-Mobile phone & services), Education, Leisure (Holidays/Entertainment incl. Eating out/Ordering food, Activity classes, Recreational Equipment), Other goods & services (incl. insurance premium/service charge payment, EMIs, Personal care)

**Source:** CCI category consumption survey, N=8500, 2019; BCG analysis.



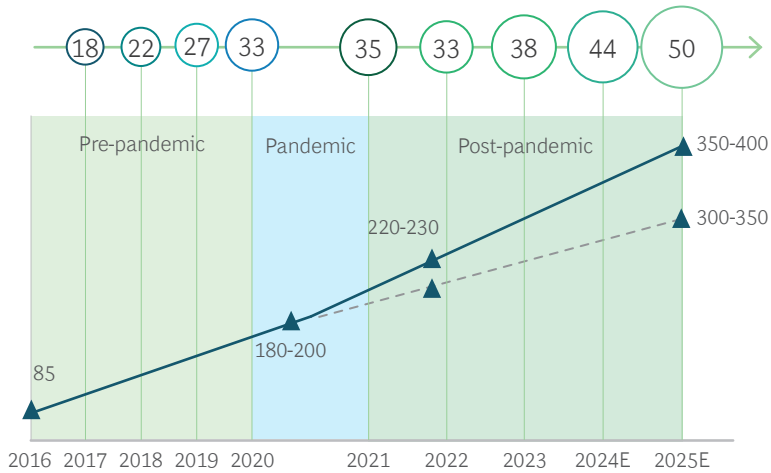
# The pandemic accelerated adoption of e-commerce and brought new shoppers online

50–100Mn new shoppers by 2025 due to pandemic



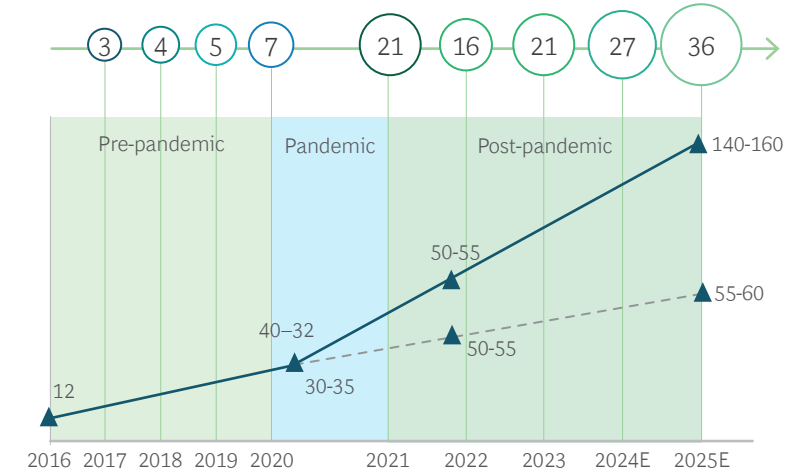
Online Shoppers (Mn)

New Shoppers (Mn)



Online retail spending (\$Bn)

Growth in spending (\$Bn)



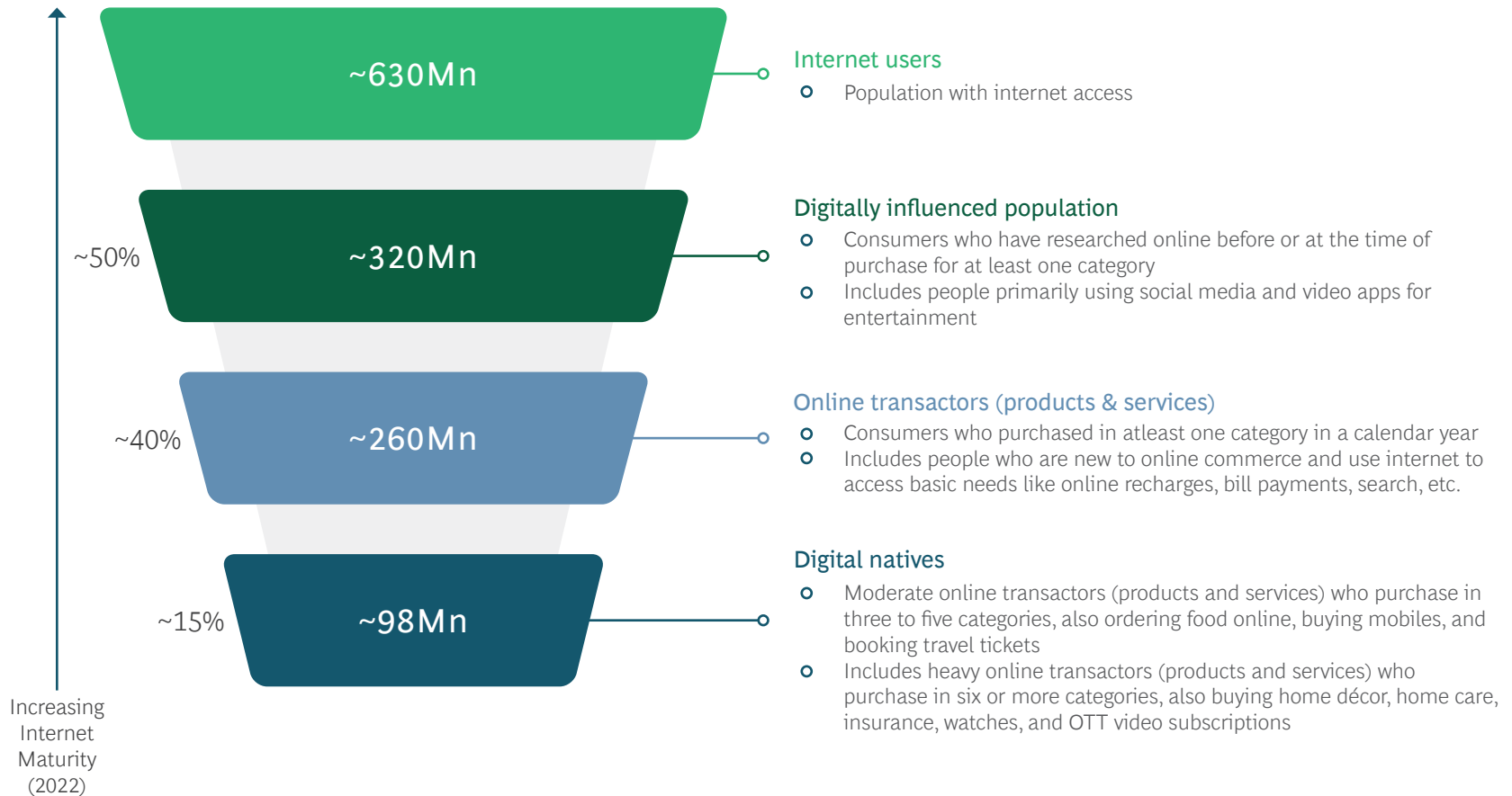
▲ Accelerated trajectory

---▲--- Continued trajectory

**Note:** Among 18+ population. Online spending is for product-only categories. Pre-COVID & post-COVID projections represent est. online shoppers and retail spending for 2025 made in a pre-COVID period (Jan' 2017) and a post-COVID period (Jan' 2022).

**Source:** BCG CCI Digital Influence Study 2013-2017, 2021 surveys (N =10k to 20k each year, urban & rural coverage); Consumer survey, secondary research, expert calls; BCG analysis.

# Increasing digital penetration and higher adoption of internet services leading to deepening of internet ecosystem

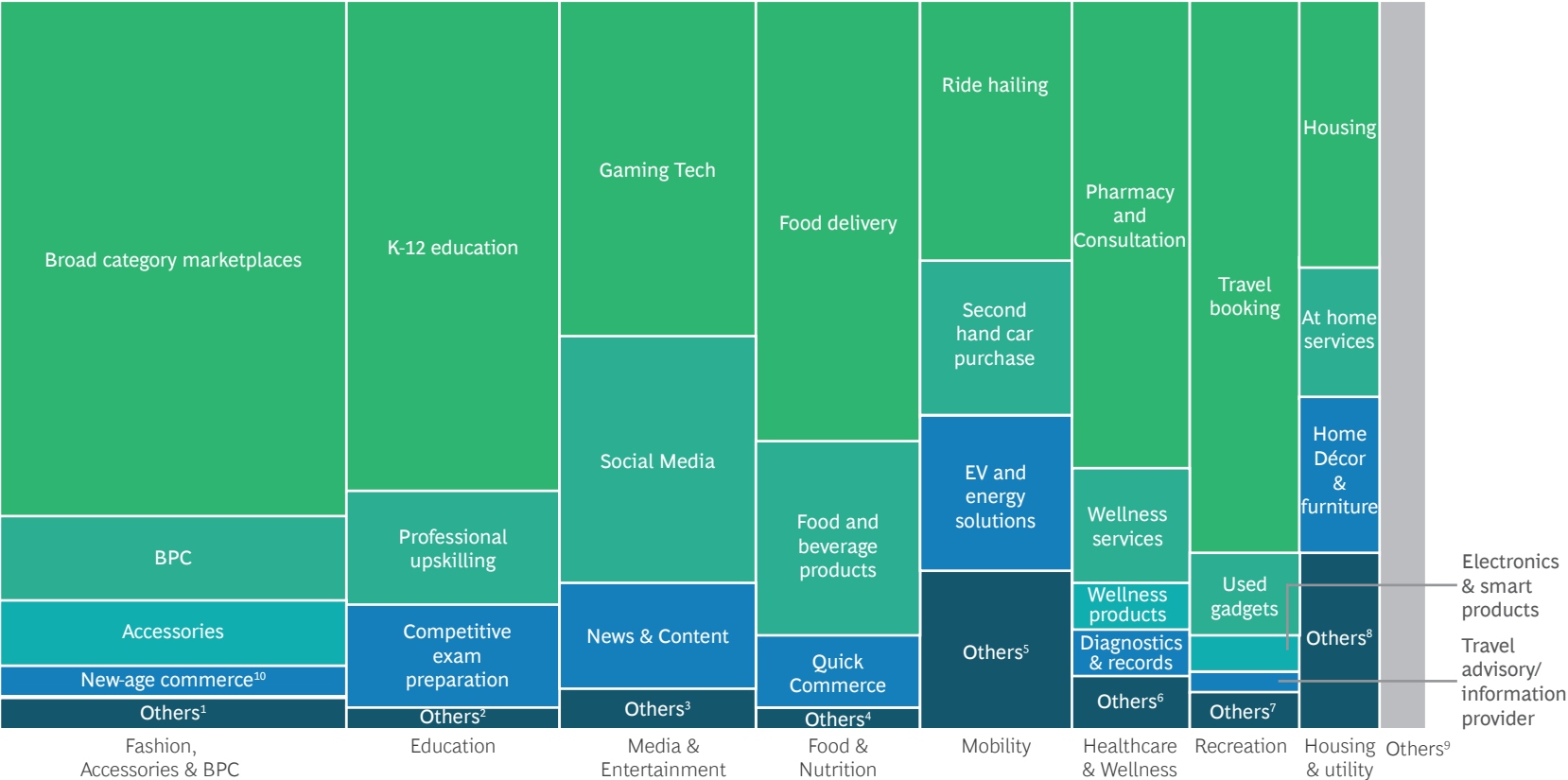


**Note:** Among 18+ population; Online retail spending and digitally influenced retail spending are for product-only categories.

Internet users = consumers having internet access. Digitally Influenced shoppers = consumers who have done online research before or at the time of purchase for at least one category during the calendar year. Online transactors (products & services) = consumers who have purchased products in at least one category online during the calendar year.

**Source:** BCG CCI Digital Influence 2021 surveys (N =10,000 to 20,000 each year, urban and rural coverage); Oxford Economics; BCG analysis.

# The ConsumerTech space has seen large value creation in recent years - \$250Bn valuation and 40+ unicorns



As of Dec 2, 2022

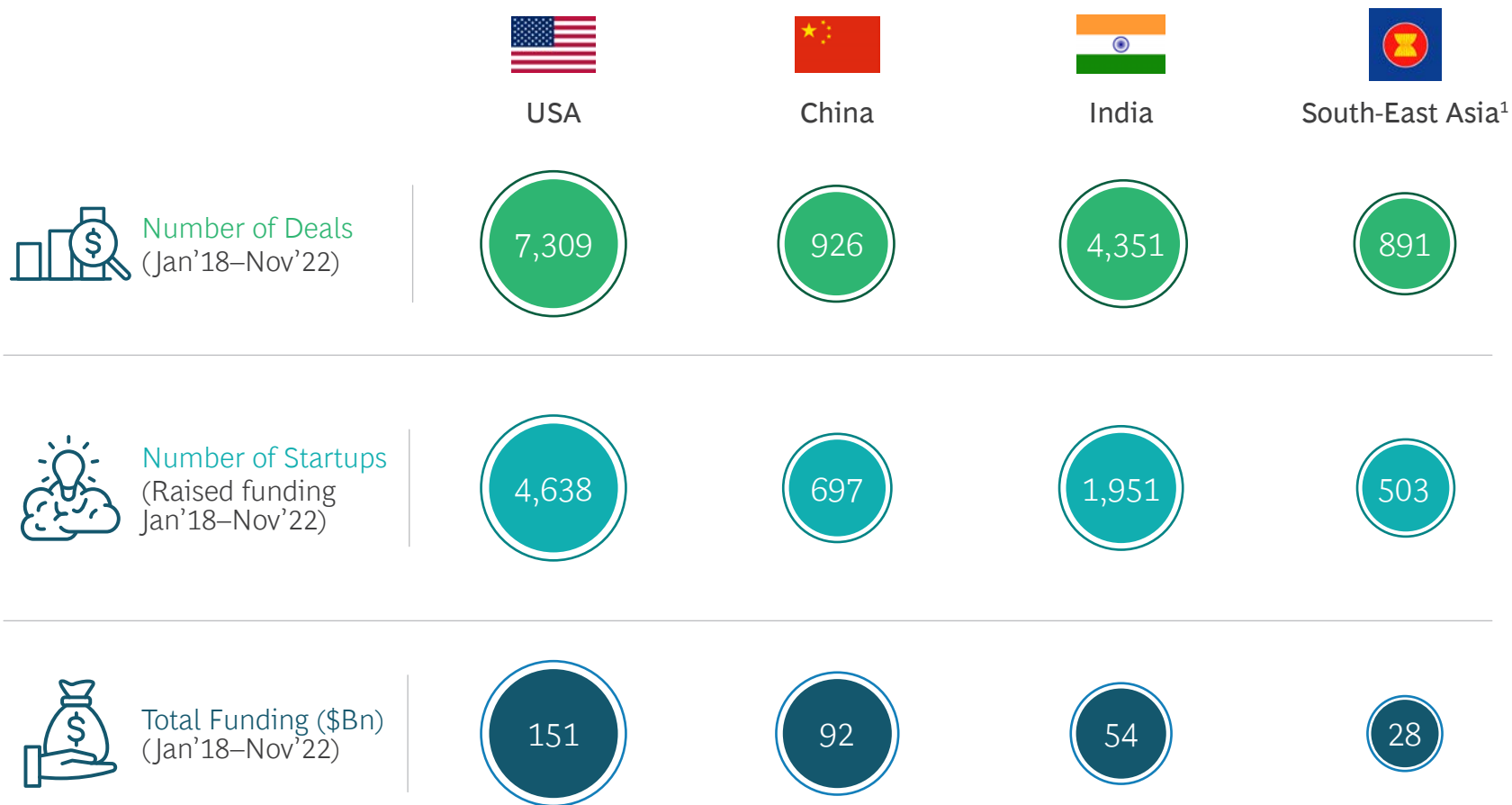
Valuation in \$Bn	67	39	36	30	28	18	17	12	7	254
No. of Unicorns	9	4	7	6	6	4	2	3	2	43

**Note:** 1. Apparels, narrow category marketplaces; 2. International education, Extra-curricular upskilling; etc. 3. Music streaming, OTT content; 4. FnB review, recommendation; 5. Intra-city, Car renting, New car purchase, 6. Caregiving, wellness gadgets, Medical tourism; 7. Event booking, Subscription based services; 8. Recycling, Renewable energy, White collar services, Home appliances, Rentals 9. AgriTech, Toys, Baby products, Gifting, Impact/Charity, Robotics, Pet care, Spiritual content, etc. 10. Includes live commerce, assisted commerce, group buying etc.

**Source:** Tracxn investment flow data for India, China, South-east Asia and the US for Jan 2017–Nov 2022 (data pulled Dec 2, 2022); BCG analysis



# Indian ConsumerTech ecosystem occupying a significant space in the global landscape

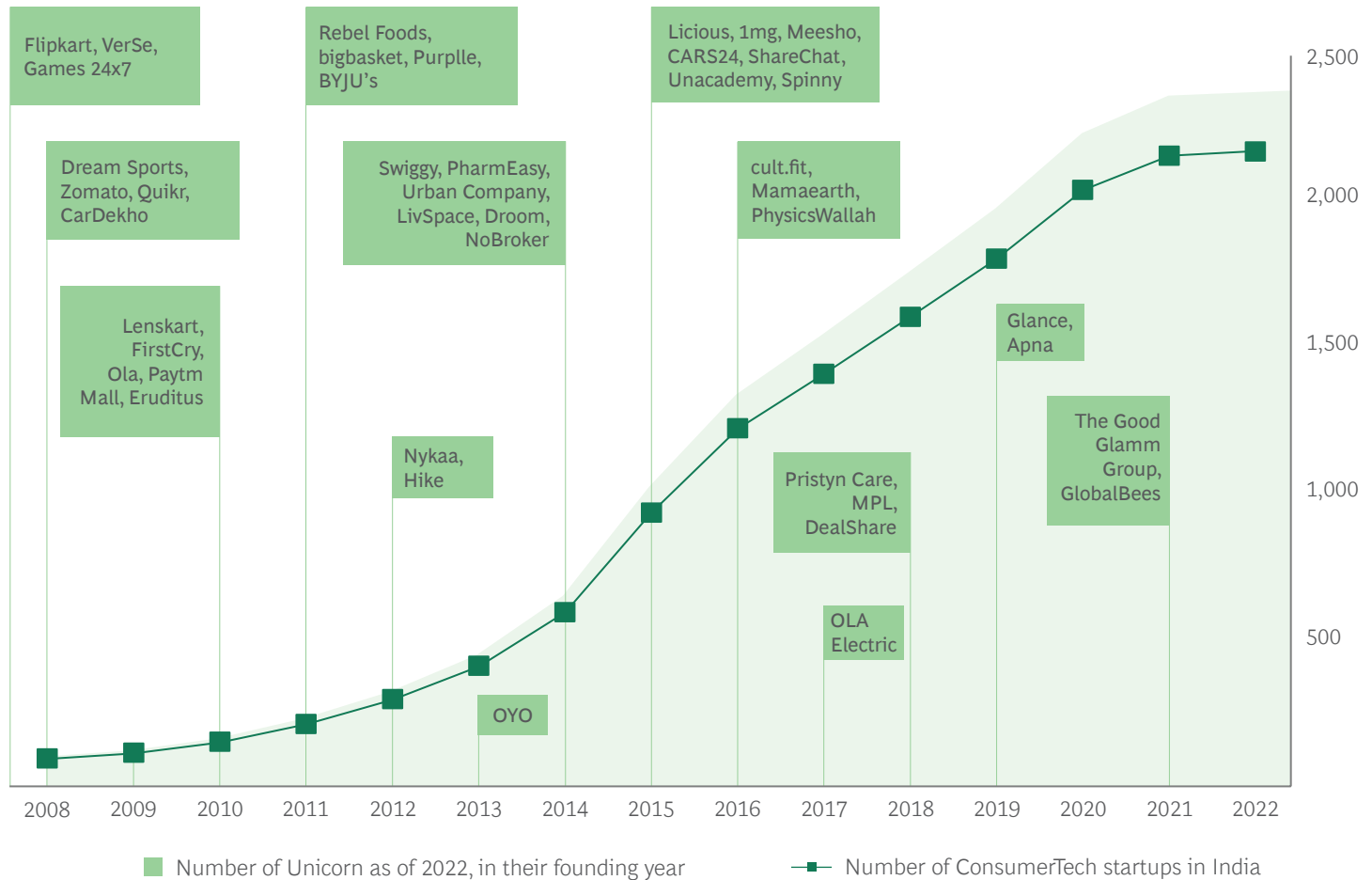


1. South-East Asia includes Brunei, Burma (Myanmar), Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam  
 Source: Tracxn investment flow data for India, China, South-East Asia and the USA for Jan 2018–Nov 2022 (data pulled Dec 2, 2022); Press search; BCG analysis

# Rapid surge in new Indian ConsumerTech startups over the last 7 years

2x increase in startups over 7 years, 20 new unicorns

Cumulative number of startups in ConsumerTech

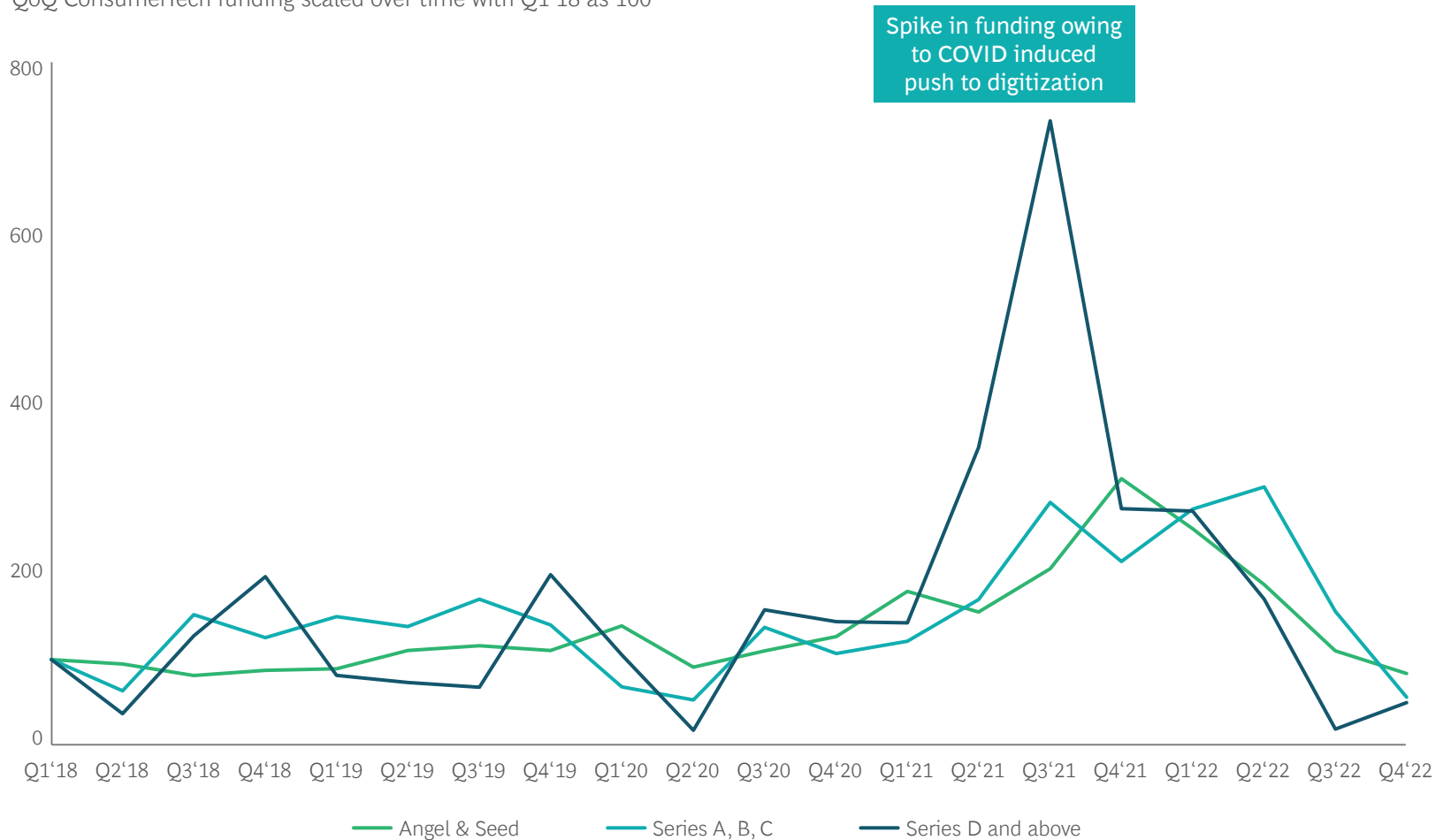


Note: Data for 2022 includes actual data of 11 months and extrapolated data for December'22  
 Source: Tracxn investment flow data for India; BCG analysis

# Increasing investment share of ConsumerTech funding in early-stage startups

## Steady investment flows in early-stage funding

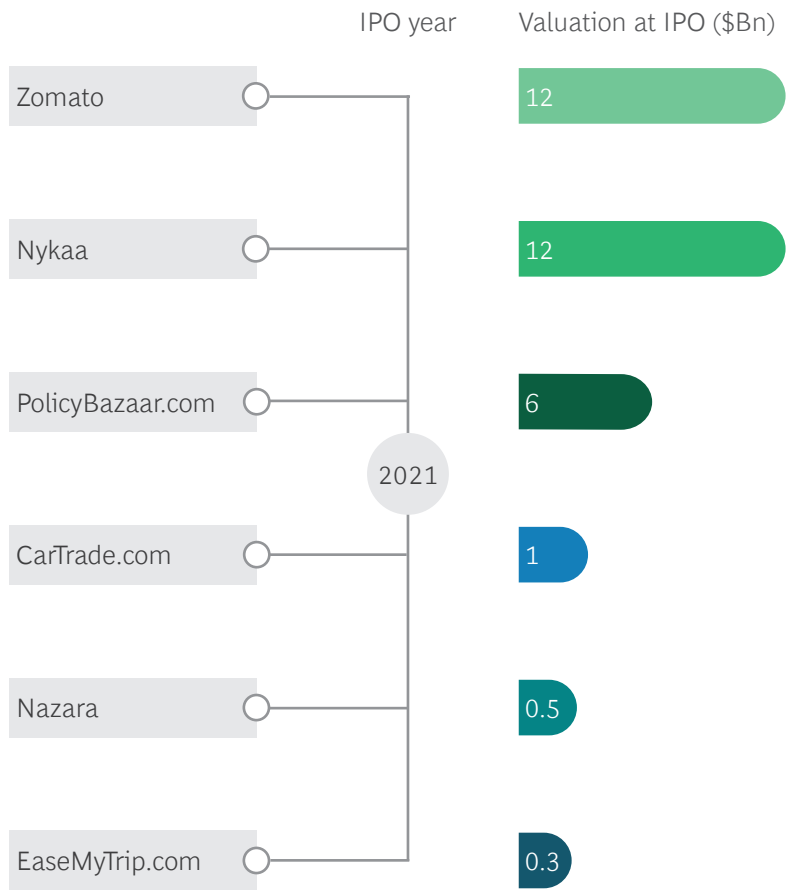
QoQ ConsumerTech funding scaled over time with Q1'18 as 100



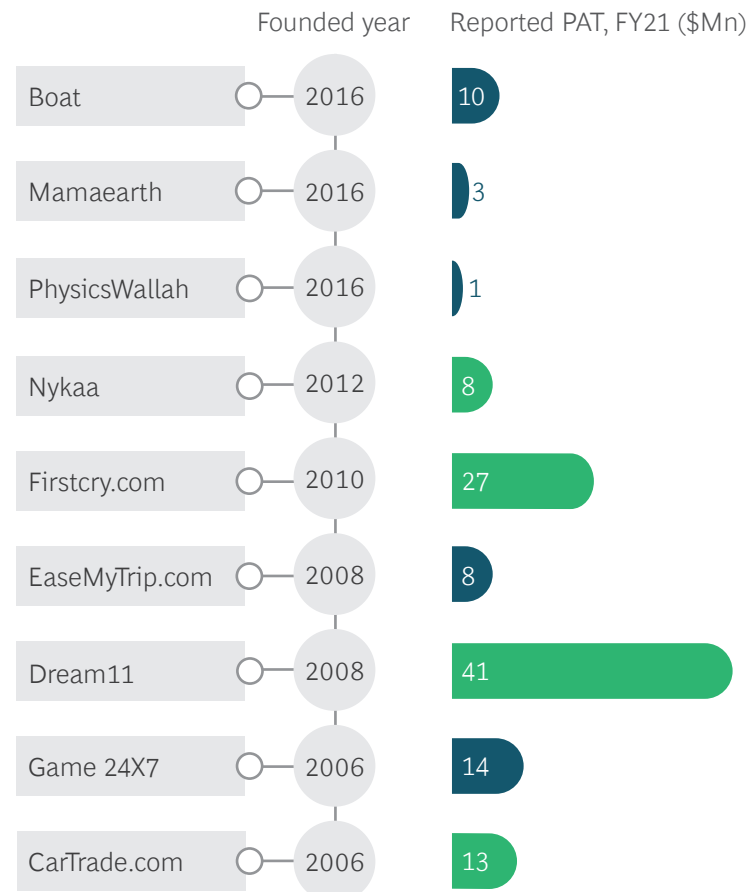
**Note:** Data for 2022 includes actual data of 11 months and extrapolated data for December'22  
**Source:** Tracxn investment flow data for India; BCG analysis

# Multiple ConsumerTech startups have gone public, while many are on the path to profitability

~\$3Bn raised by ConsumerTech startups while going public



Startups are reaching profitability sooner as well



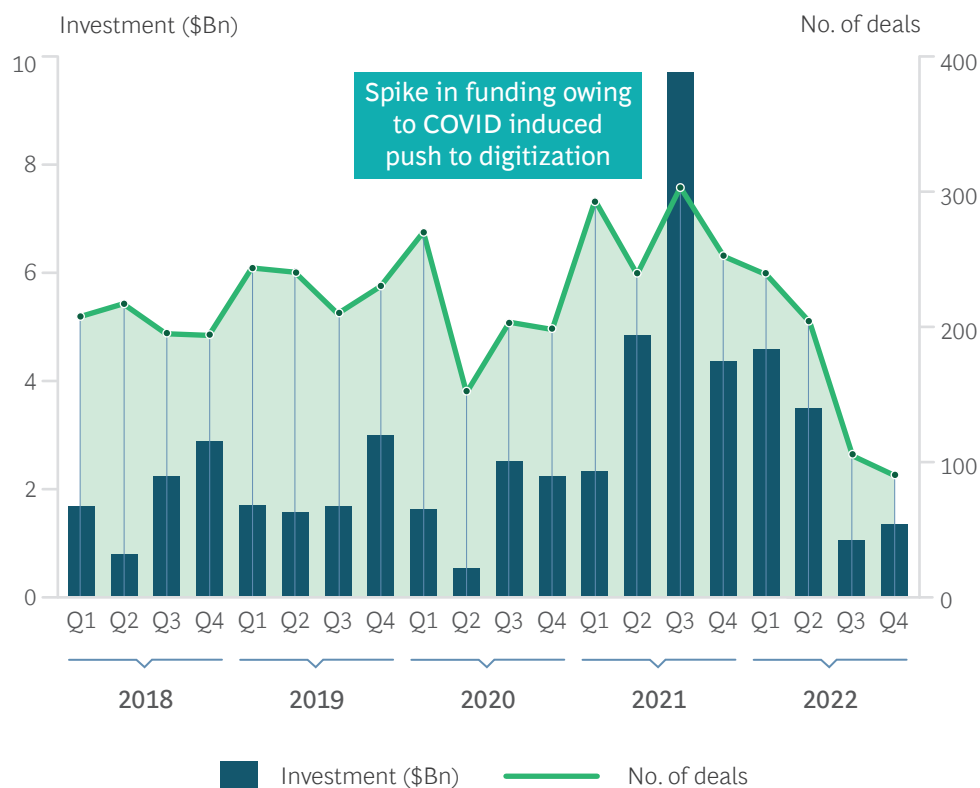
Time to profit: ● <= 5 years ● > 5 years

Source: Traxcn; MCA filings, BCG analysis



# Funding back to 2018 and 2019 levels in ConsumerTech

ConsumerTech's funding are back to 2018 and 2019 levels with a spike in 2021 due to digitization



There is increased pressure from investors to reduce burn and move towards profitability. Owing to this, we undertook several measures to shift from growth at all costs to sustainable growth.

— Founder, ConsumerTech startup



We continue to remain bullish on the Indian ConsumerTech space; it will continue to grow in the next 3-5 years. However, it is necessary for startups to balance growth and profitability and build a sustainable business.

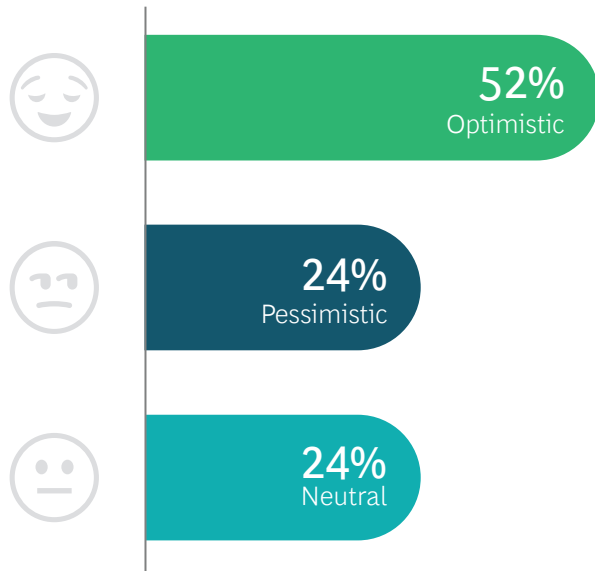
— Investor, ConsumerTech startup

Note: Data for 2022 includes actual data of 11 months and pro-rata for December'22  
 Source: Tracxn investment flow data for India; BCG analysis; Press search

# Founders are cautious about raising funds in near term, but have an optimistic outlook on the ConsumerTech sector in mid-long term

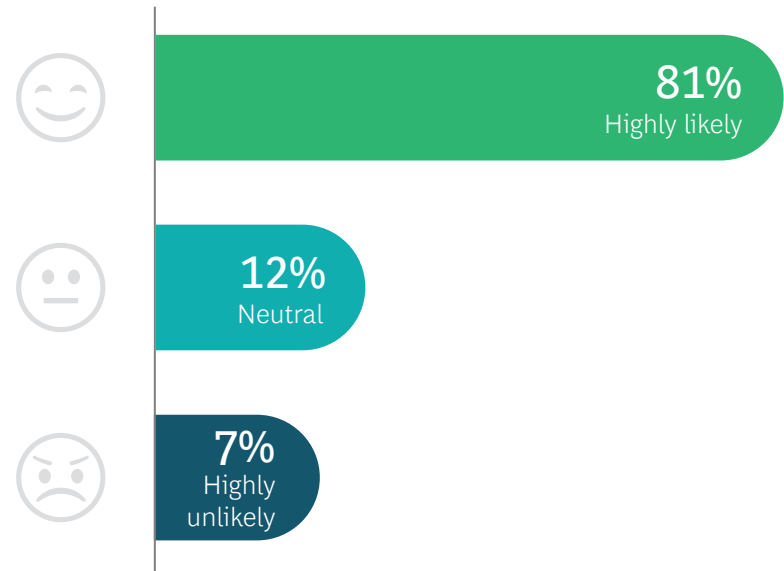
## Outlook on funding for ConsumerTech startups in the next 1 year

% respondents<sup>1</sup>



## Likelihood to pick ConsumerTech for the next venture

% respondents<sup>2</sup>



1. Q: What are your views on the funding landscape (likelihood of funding) for consumer-tech companies in the next 12 months? N = 42 as on 20th Jan 2023

2. Q: How likely are you to pick ConsumerTech as your next venture; N = 42 as on 20th Jan 2023

Source: BCG Matrix ConsumerTech survey'23; BCG analysis

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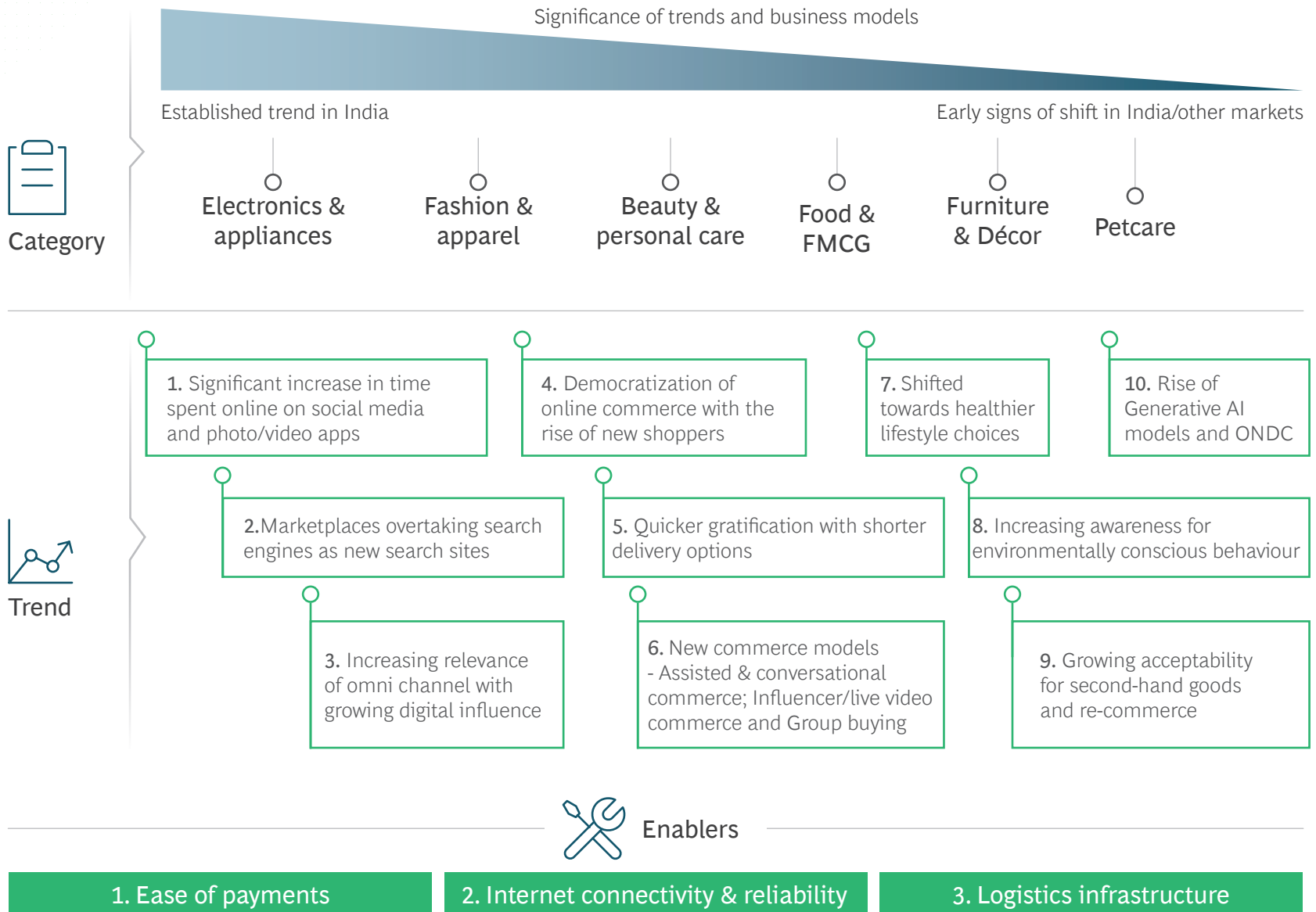
# Evolving trends shaping ConsumerTech space





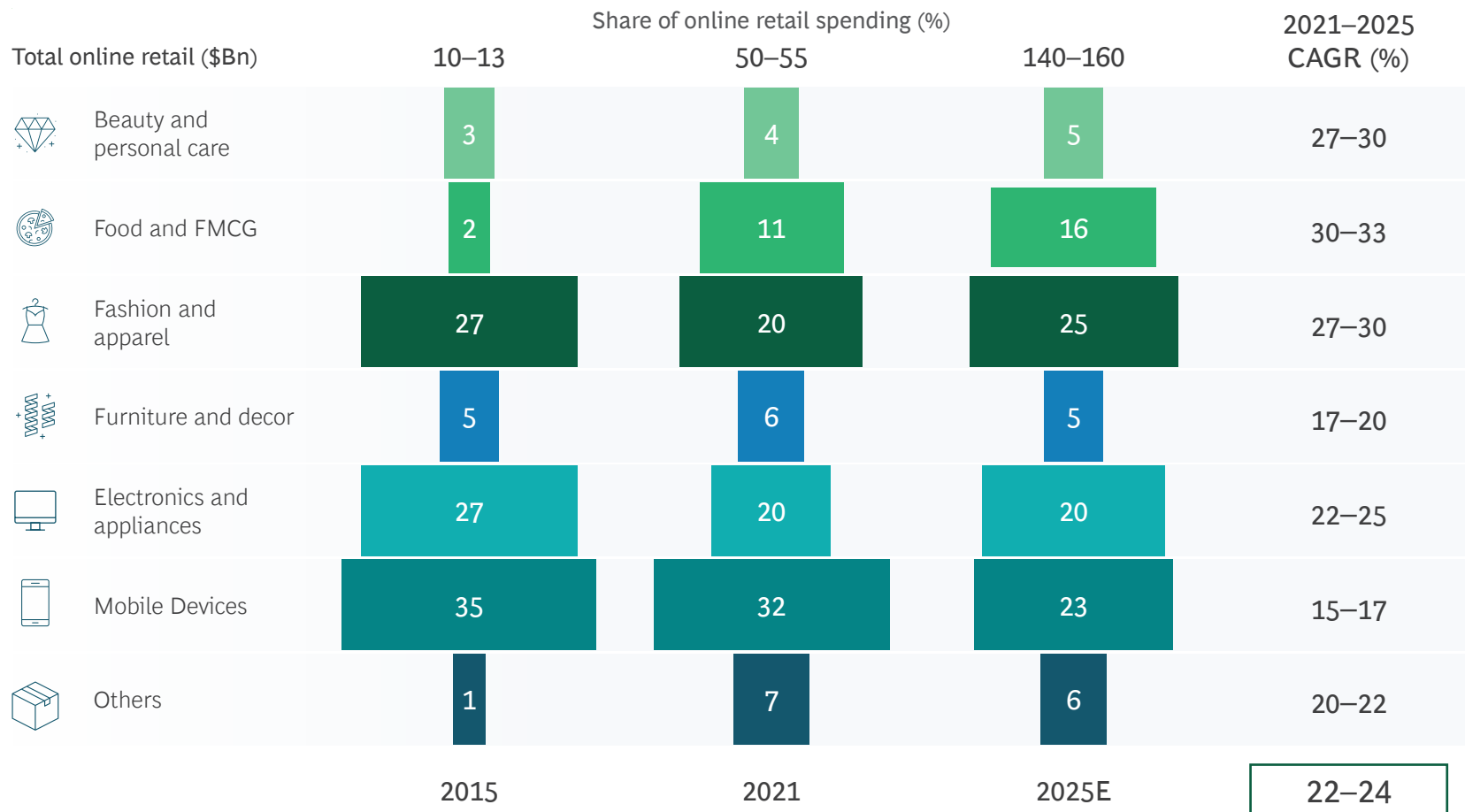


# Evolving trends shaping ConsumerTech space



## CATEGORY

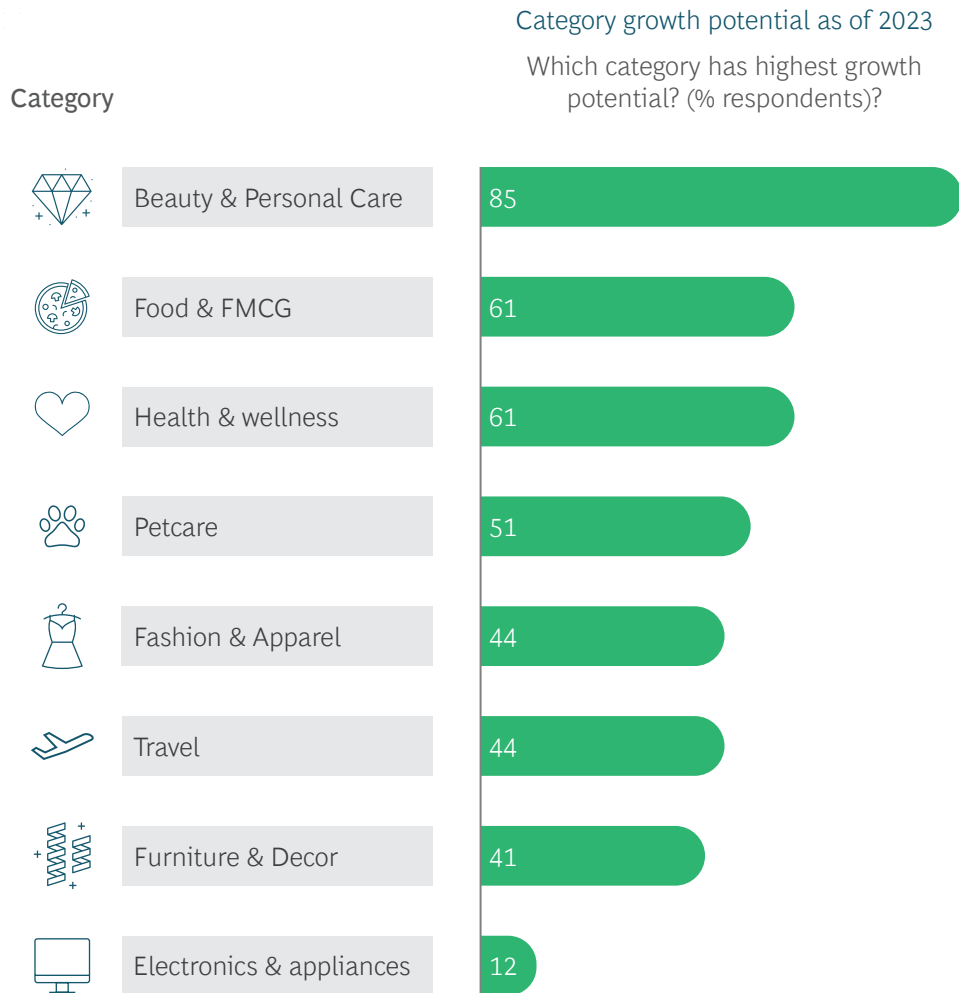
# Online retail expected to grow faster in beauty & personal care, food & FMCG and fashion



**Note:** Exhibit covers e-retail spending among 18+ adults. Electronics & appliances = desktop, laptop computers, tablets, PCs and mobile accessories, TVs, washing machines, refrigerators, ACs, water purifiers, and small appliances; Fashion and Apparel = footwear, accessories & jewelry; Food & FMCG = fresh food (excl. food orders), staples, packaged F&B, health & nutrition products, homecare, alcohol bev., and children’s food; Furniture & decor = furniture, home decor, lighting, wires, switches, sockets, building materials & paints; Beauty & personal care = skin & hair care, makeup, eye care & baby care; Other categories include OTC & prescription medicines, recreational items (toys, books, stationery, movie tickets), automotive & maintenance. % may not total 100 due to rounding.

**Source:** Forrester; CCI e-commerce model, BCG CCI Digital Influence Study 2013-2017, 2021 surveys (N =10k to 20k each year, urban and rural coverage); BCG analysis

# High founder confidence in growth potential of beauty & personal care, food & FMCG and healthcare categories



Rising awareness, caution & affordability among consumers are key factors that will drive growth of the BPC segment online. Moreover, newer online brands are emerging in under penetrated categories like skincare & haircare.

— Founder & CEO,  
ConsumerTech startup



Consumer preference for a convenient & organized market and a shift from utility to more aesthetically pleasing products are encouraging signs for the Furniture space as they shift towards online furniture.

— Founder & CEO,  
ConsumerTech startup

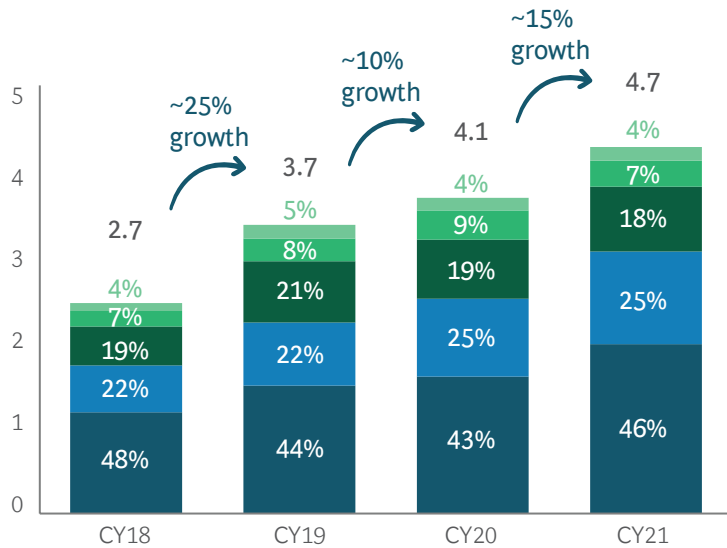
Note: Q: Rank the following sub-categories in order of decreasing expectation of growth in the next year; N = 42 as on 20th January 2023  
Source: BCG Matrix ConsumerTech Founder survey'23

# Significant increase in time spent online on social media and photo/video apps, also becoming an important channel for e-commerce



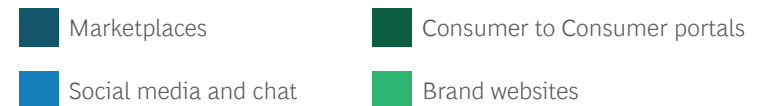
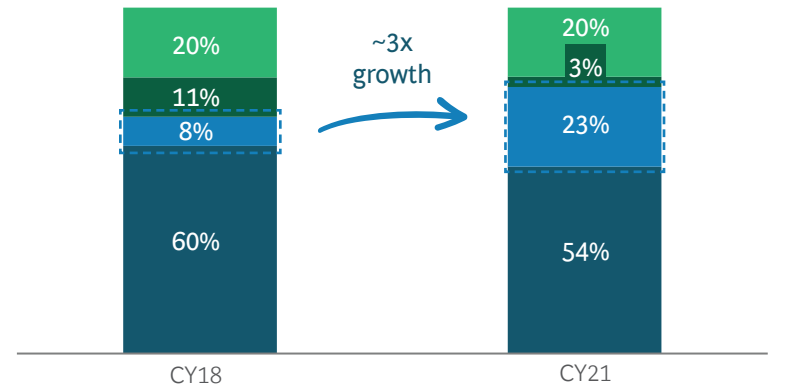
1.8x increase in time spent online, ~70% time spent on social media and photo/video apps

Average time spent per user across apps category (Hours)



3x increase in use of social media for online purchases

Most often used e-commerce channel<sup>1</sup> (response, %)



1. Q: Which of these platforms have you used most often in the last nine months to make an online purchase?

**Note:** Among urban (metro to tier 3 cities), adult online shoppers. Because of rounding, bar chart segment numbers may not add up to 100%;

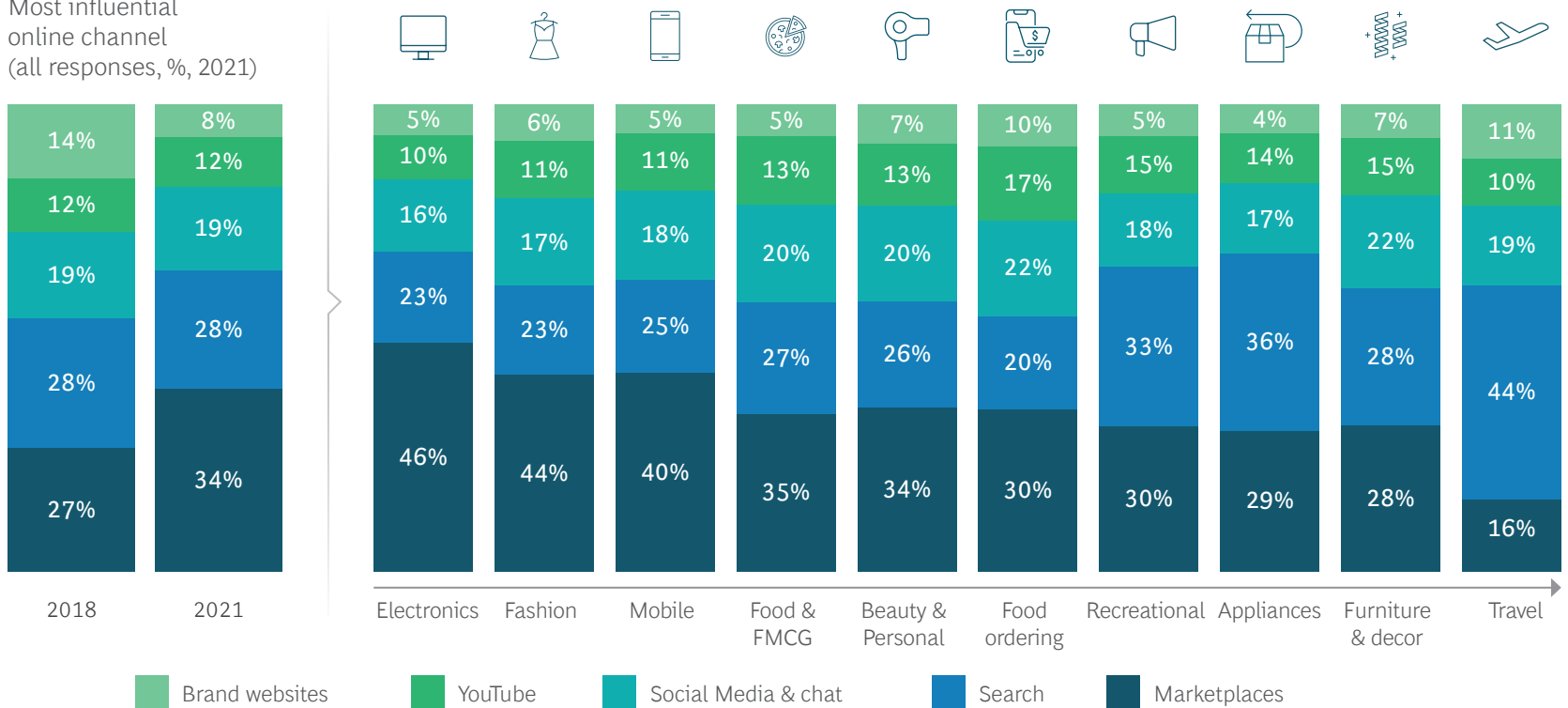
Consumer-to-consumer portals - Such as OLX and Quikr (similar to Craigslist in the US)

**Source:** Data.ai (prev. App Annie) stats for Indian internet users; BCG CCI Digital influence Study 2013-2017, 2021 surveys (N=10,000 to 20,000 each year, urban and rural coverage); BCG analysis

# Marketplaces overtaking search engines as new search sites<sup>1</sup> for select user categories

Q: From which of the following online platforms did you receive the information that most influenced your purchase decision?

Most influential online channel (all responses, %, 2021)



1. Search sites incl. search engines, online blogs & forums, and comparison websites

Note: These percentages are rounded to the nearest integer. Among urban (metro to tier 3 towns), adult, digitally influenced consumers.

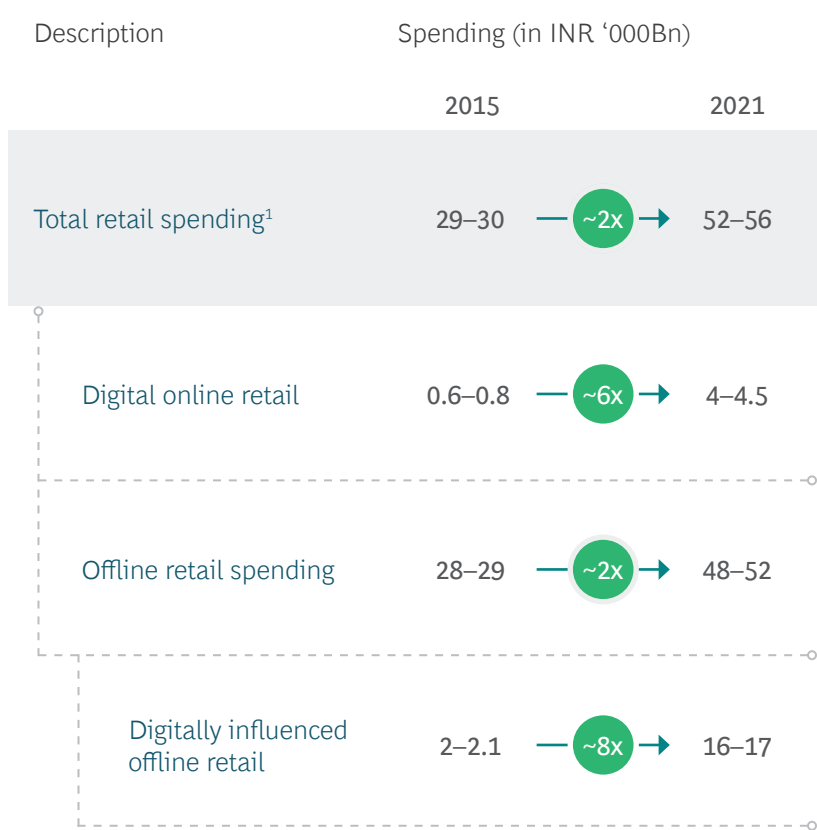
Electronics = desktops & laptops, tablets, PCs & mobile accessories; Fashion = apparel, footwear & accessories; Food & FMCG = fresh food (excl. food orders), staples, packaged F&B, health & nutrition products, homecare & alcoholic bev.; Beauty & personal care = skin and hair care, makeup, eye care, baby care & personal care; Recreational = toys, books, and movie tickets; Appliances = TVs, washing machines, refrigerators, ACs, water purifiers, and small appliances; Furniture & decor = furniture, home decor, lighting, wires, switches, sockets, building materials, and paints; Travel = air, train, and bus bookings & hotels

Source: BCG CCI Digital Influence Study 2013-2017, 2021 surveys (N =10k to 20k each year, urban and rural coverage); BCG analysis



# Digital influence growing: 6–8x growth in digitally influenced retail spending; leading to increased importance of omnichannel

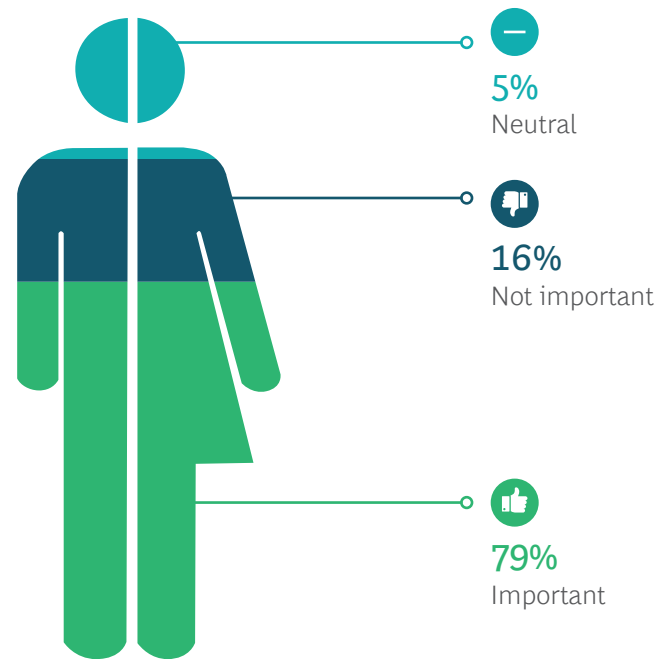
Digitally influenced spending has grown 6–8x over last 6 years



~80% of founders believe that omnichannel distribution is important

How important is Omnichannel distribution for building a profitable business?

% of survey respondents



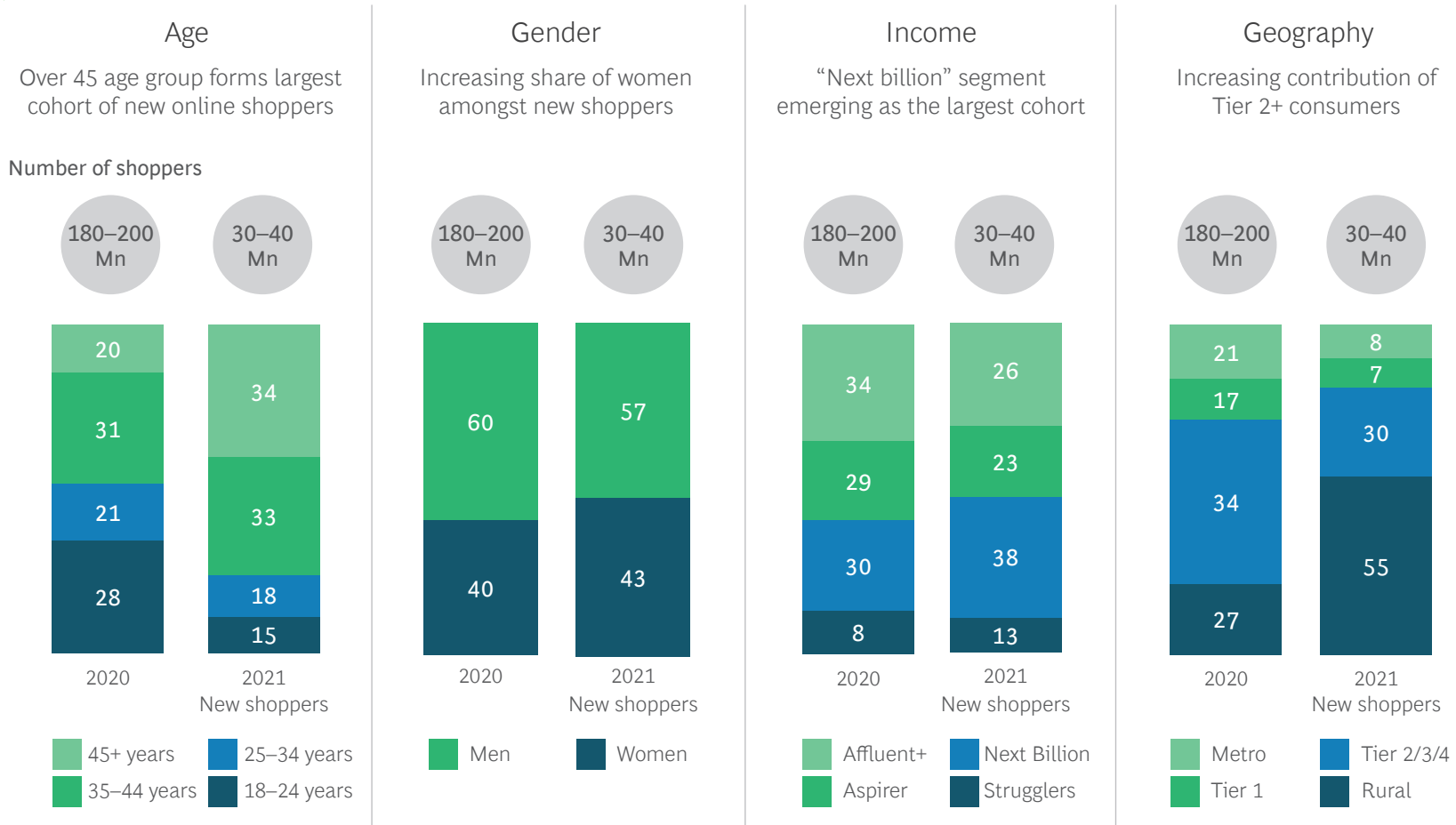
1. Among 18+ population; the online retail spending and digitally influenced retail spending shown are for product-only categories. Digitally influenced shoppers = consumers who have done online research before or at the time of purchase for at least one category during the calendar year. 1 USD = 80 INR

Q: In your opinion, how important is omnichannel distribution for building a profitable business? N = 19 as on 20th Jan 2023

Source: BCG CCI Digital Influence Study 2013-2017, 2021 surveys (N = 10k to 20,000 each year, urban and rural coverage); Oxford Economics; BCG Matrix ConsumerTech Founder Survey 2023; BCG analysis

# Democratization of online commerce with the rise of new online shoppers across age, income, gender and geography

Online shopper share by cohorts (%)

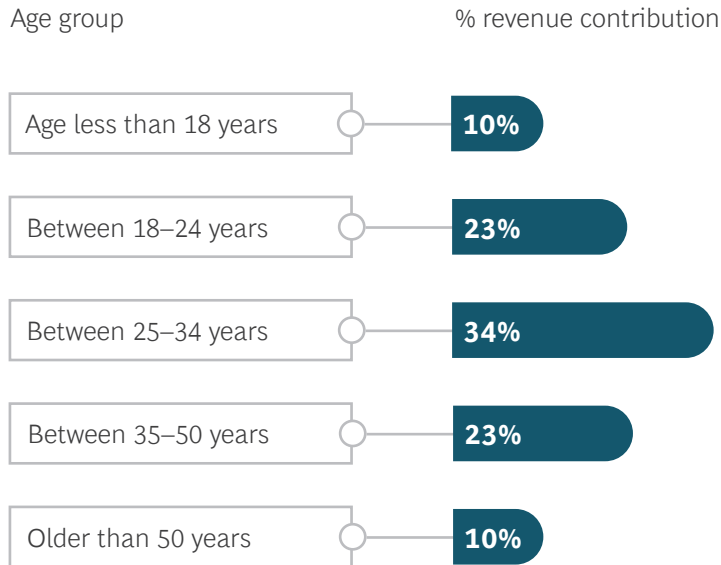


**Note:** The exhibit shows online shopper share % only among adults 18+ (metro to tier 3 cities) for age, gender and income and for adults 18+ (metro to tier 4 and rural) for geography. New shoppers = consumers who purchased online for the first time in the last 1 year; Struggler = annual income below \$2,000. Next billion = annual income between \$2,000 and \$6,999. Aspirer = annual income between \$7,000 and \$12,999; Affluent+ = annual income \$13,000 or more. Because of rounding, bar chart segment numbers may not add up to 100%.

**Source:** BCG CCI Digital Influence Study 2021 surveys (N = 10,000 to 20,000 each year, urban and rural coverage); BCG analysis

## Founders believe 35+ age group, Tier 2+ cities will drive demand in the next 3 years

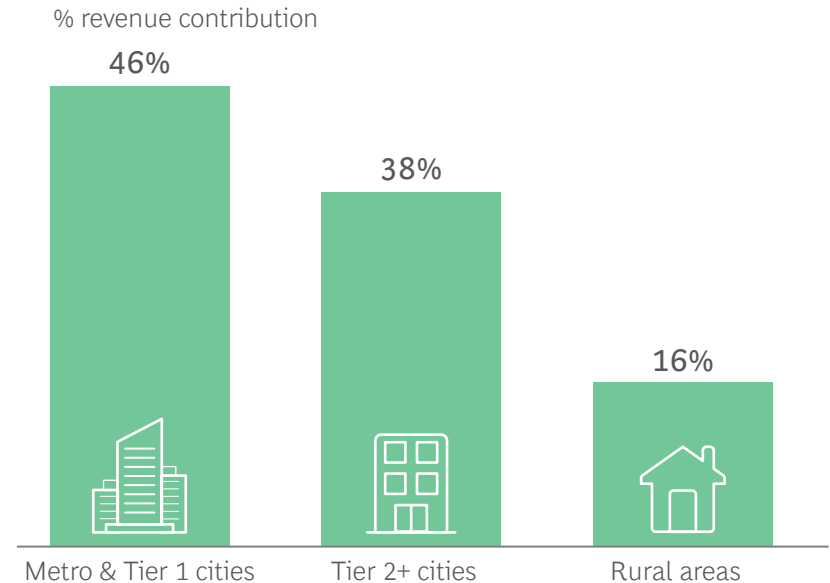
How much revenue will each age group contribute in the next 3 years?<sup>1</sup>



ConsumerTech startups will continue to focus on working professionals and young parents as they have significantly higher disposable income and are more open to trying newer brands and products.

— Founder, ConsumerTech startup

How much revenue will each geography contribute in the next 3 years?<sup>2</sup>



Discretionary spending is largely trending upwards in Tier 2/3 cities as consumers are becoming more brand conscious. We are expanding operations to these regions as we expect them to drive growth.

— Founder and CEO, ConsumerTech startup

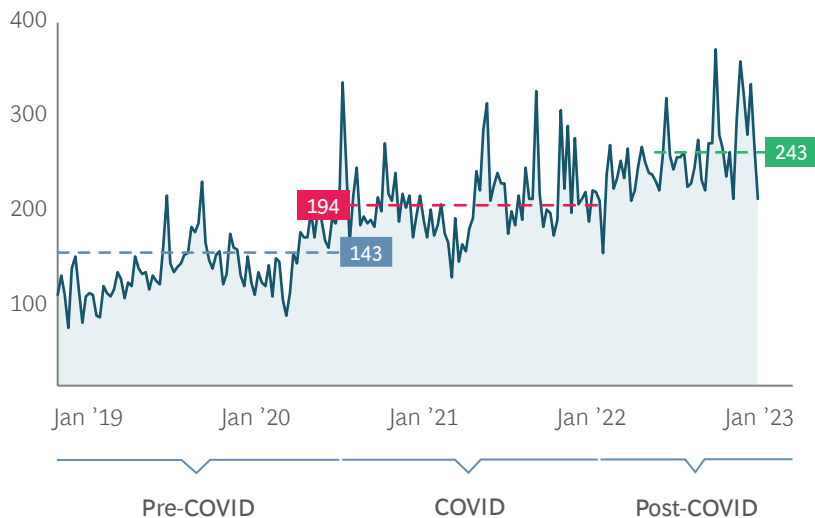
1. Q: How much do you expect customers from each of the following regions will approximately contribute to your overall revenue 3 years from now?  
2. Q: How much do you expect customers from each of the following age groups will approximately contribute to your overall revenue 3 years from now? N = 42 as on 20th Jan 2023  
Source: BCG Matrix ConsumerTech Founder Survey 2023; BCG analysis

# Consumers are increasingly looking for quicker gratification in the form of shorter delivery options



Customer expectation for faster delivery is continuing to increase over the years

Google search trends<sup>1</sup> in India, 2019–22  
(Scaled interest over time with Jan '19 as 100)



Quick commerce has gained share and accounts roughly 25-30% of the overall online grocery market in India



We launched a never seen before 24-hour delivery service in furniture category to meet the customer expectation for faster deliveries and installation.

— Founder,  
ConsumerTech startup



Quick commerce which emerged as a pandemic phenomenon has changed customer expectations. However, it is difficult to make unit economics work without large number of orders and higher AOVs.

— Founder,  
ConsumerTech startup

1. Google search trend volumes for trends related to quick commerce-‘fast delivery’, ‘quick delivery’, ‘deliver now’, ‘immediate delivery’, ‘express delivery’

**Note:** Numbers represent search interest relative to search volume at the start of Jan 2019. A value of 100 is the means that the term was as popular as on the first week of Jan 19

**Source:** Google search trends; BCG analysis



# New commerce models will provide an impetus to existing and new shoppers



Both existing online and offline shoppers looking for differentiated features (2021)

Online platform features	Non-online shopper	Existing online shopper
Option to buy online at discounted price if purchased in bulk	63%	76%
Option to buy online from local shops or known individuals	58%	75%
Option to buy online after negotiating a price with seller	56%	69%
Option to buy online after interacting with seller (queries, pics, videos, livestream, etc.)	55%	70%



New models emerging to cater to evolving needs of online shoppers



### Influencer and live/video Commerce

Leverages influencers' power to provide trusted reviews through live/video and nudging the customers

Xiaohongshu

Taobao Live



### Assisted and conversational Commerce

Enabling chat-based interaction with seller or leveraging trusted local contacts to aid online transaction, especially for new to-e-commerce customers

WeChat

Whatsapp for Business



### Group buying

Enables bulk discounts on collective group purchases

Pinduoduo

Dealshare

## Exemplars of new commerce models in China and South-East Asia



PinDuoDuo



Xiaohongshu (Little Red Book)



Shopee

Geography



China



China



South-East Asia

Type of Model

Group buying ecommerce

Community-based e-comm platform

E-commerce with in-app live streaming platform

Size of business

Pioneer in group buying e-comm: \$383Bn GMV in FY21, valued at ~\$120Bn currently

Seamless integration of product discovery and purchase, generating \$1Bn GMV through e-commerce in 2021

Generated >\$60Bn GMV in FY21 while handling ~2Mn orders on a quarterly basis

Key Attributes

Uniquely win customers in lower tier cities, has around ~750Mn monthly users of which 75% are from Tier 2 and below cities

160Mn+ monthly with >2/3rd female users generating user generated content

>2Mn hours of live video content with >5Mn views in the annual 9.9 Shopee sale

During 11.11 Festival in 2021, PDD reached ~\$6Bn GMV

Beauty led platform for cosmetics, skincare and fashion products

Leading ecommerce platform with SE Asia with >350Mn monthly users

Strategic moves to win

Low price: low acquisition cost; direct-to-market suppliers reduce cost of intermediaries

Popular influencer marketing platform for leading brands









Wide scale and distribution with core e-comm platform having >400Mn monthly sessions

Source: Press Search; BCG analysis

# New age commerce models have been able to scale significantly in China; but in a relatively nascent stage in India

Why did these new-age commerce models achieve traction and scale in China?

What will it take to take-off in India?

Metrics	 China	 India
Market size for new commerce (\$Bn)	~170	2–2.5
Share of online retail (%)	15–20	3–5
Users traffic (Number of monthly users in Mn)	<b>WeChat</b> (~1060) <b>Douyin - Tiktok</b> (~900) <b>PinDuoDuo</b> (~700)	<b>Instagram</b> (~300) <b>Meesho</b> (~110) <b>Josh</b> (~180)
<b>Large distribution platforms giving scale</b>	 Early adoption by super apps	 No clear integration with new commerce models, intermittent livestream events during sales
<b>High customer traffic and engagement</b>	 High DAU / MAU ratio (~0.6)	 Low DAU/MAU ratio (<0.2)
<b>Support ecosystem to drive the flywheel in motion</b>	 Presence of MCNs <sup>1</sup> to identify, train influencers and work with brands	 Limited number of players in influencer marketing agencies

 Favourable    
  Neutral    
  Non-favourable

1. Multi-channel networks

Source: Data.ai (prev. App Annie); CCI – Center for Customer Insight; Press search; Expert interviews; BCG research



Adoption by existing large platforms and integration of social commerce capabilities



Consistent growth in digital advertisement spend on influencer marketing

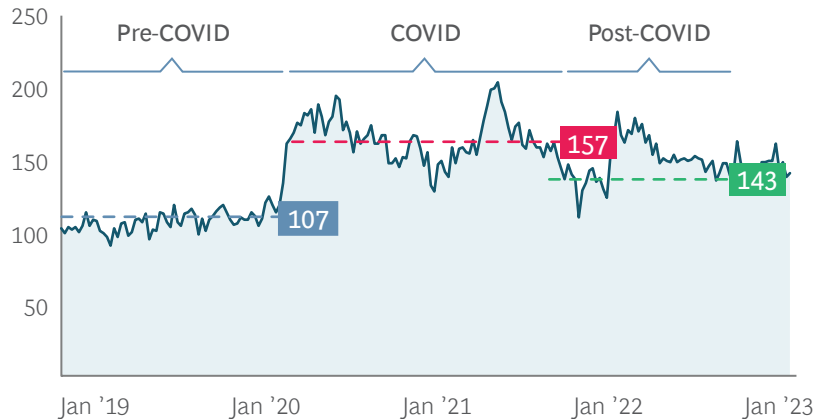


Deepening of creator support ecosystem with growth in multi-channel networks, content creation agencies, etc.

## Pandemic has shifted customer preferences towards healthier lifestyle choices

Sustained consideration towards healthier lifestyle choices with minor reset post-pandemic

Google search trends<sup>1</sup> for India, 2019–22  
(Scaled interest over time with Jan'19 as 100)



Consumer willingness to pay premium for healthier options yet to be determined



While we have seen an uptick in traffic of consumers, we are yet to see a similar uptick in sales. Consumers are still not yet fully convinced on the need to pay a premium for healthier options.

— Founder,  
ConsumerTech startup



Consumers are growing conscious of what ingredients are included in their food and are holding brands accountable. We are focusing on launching healthier options across our entire portfolio within the existing price ranges.

— Founder,  
ConsumerTech startup

1. Google search trend volumes for India on trends related to healthier food products, natural and chemical free beauty products, sustainable fashion, fitness

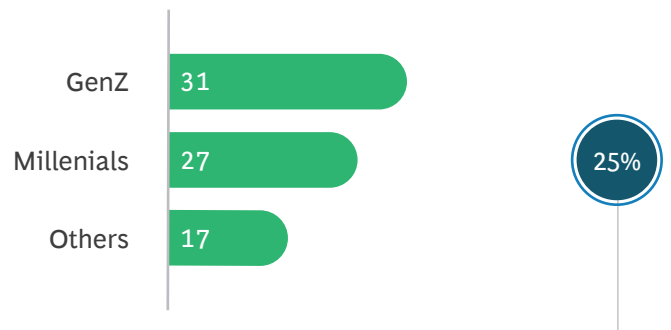
Note: Numbers represent search interest relative to search volume at the start of Jan 2019. A value of 100 means that the term was as popular as on the first week of Jan 19

Source: Google search trends; BCG analysis

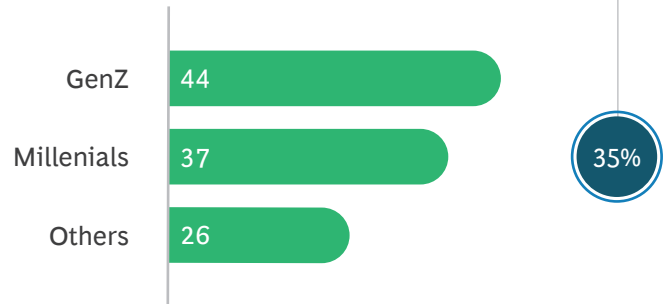
# Consumers becoming more aware about sustainability and re-commerce; but yet to become mainstream and gain significant traction

Increasing acceptability of second-hand goods among GenZ population but limited to certain categories of products

% of consumers likely to buy second hand goods

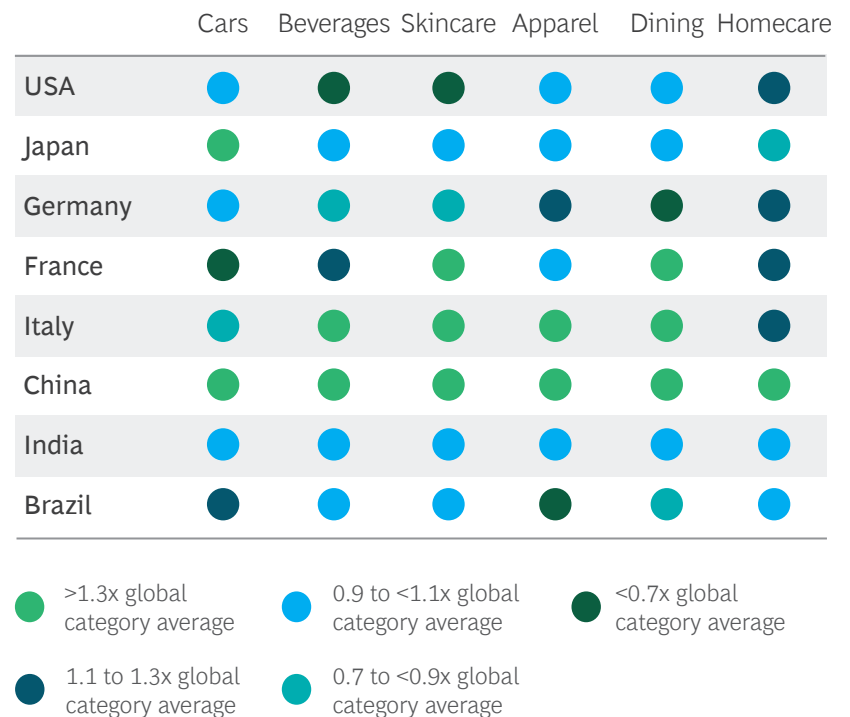


% of consumers likely to sell second hand goods



Consumers are increasingly becoming more conscious about sustainability but are unwilling to pay a premium

% of consumers who are buying sustainable products<sup>1</sup> (2022)



1. Q: How frequently do you engage in the listed purchase-related sustainable behaviors in this category?

**Note:** Market-representative sample only; n =11,971. Includes results from US, Japan, Germany, France, Italy, China, India, and Brazil. All numbers are based on consumers' self-reported behaviors and could be influenced by their perception of what is sustainable; n/a = not applicable.

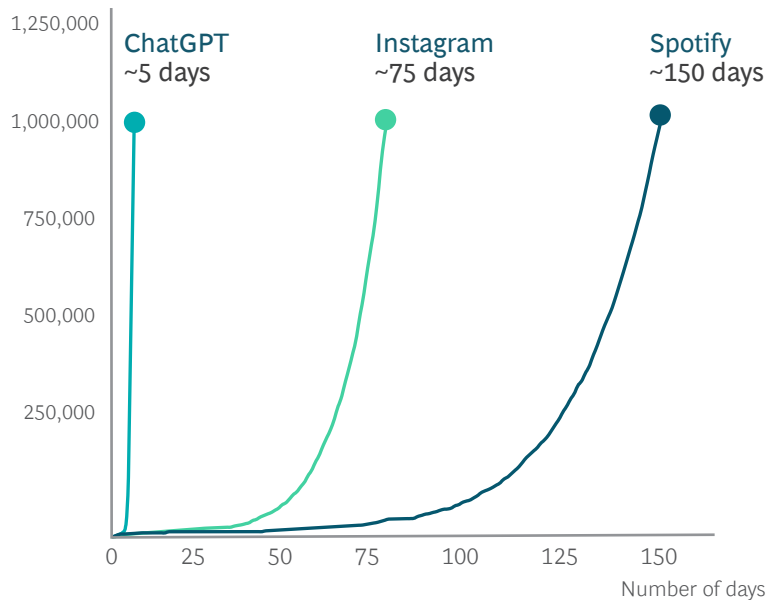
**Source:** Euromonitor and BCG (2022 market sizing); Altgamma; BCG-Altgamma True Luxury Global Consumer Insight Survey, 2021; BCG climate and sustainability consumer survey, June 2022; BCG analysis.



# Emerging technologies like Generative AI and ONDC have catalyzed broader public interest

Gen AI platform ChatGPT reached 1M users in 5 days, a fraction of the time it took previous viral hits

ONDC is slowly gaining traction across ecommerce and mobility, with other use cases currently under various stages implementation



Stylized path to 1Mn users\* (number of days from launch)  
\*Path is stylized to the 1Mn milestone

**GPT3 has already reached 100Mn monthly active users within 3 months of launch**

Gen AI applications in ConsumerTech have been increasing and seen across multiple use cases like - product descriptions, personalized marketing content, assortment planning, supply chain management, consumer sentiment analysis, design inspiration etc.

1. As of 13 Mar'23  
Source: Namma Yatri website, Expert interviews; BCG analysis



E-commerce



Merchants onboarded on ONDC



Mobility



Rides completed on ONDC mobility platform - Namma Yatri<sup>1</sup>



Auto-drivers onboarded on Namma Yatri<sup>1</sup>



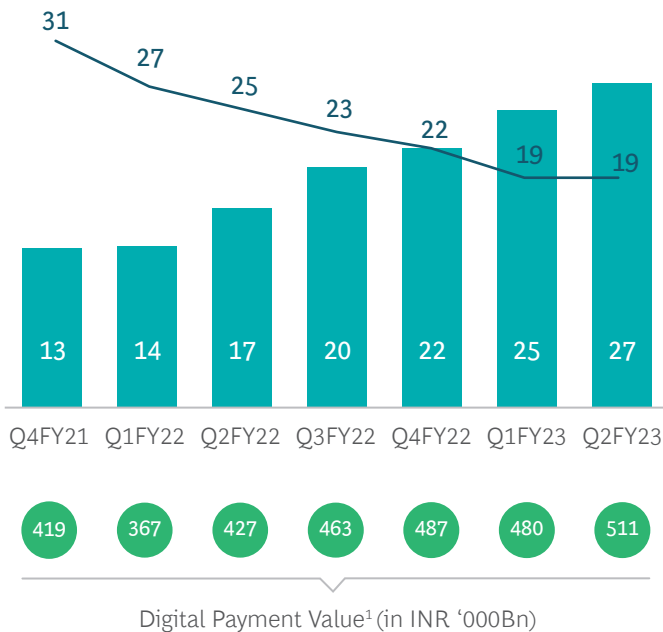
From October to December, we had around 1,000 merchants come live and ONDC scaled to approximately a 130 transactions a day. In the last 2 months, this has scaled to 20,000 merchants and 200–250 transactions a day. By April end, we targeting 5,000–10,000 transactions a day and hyperlocal deliveries in around a 100 cities.

— Senior executive, ONDC

# 2x growth in digital payment volume in 7 quarters, however cash continues to remain relevant especially in rural areas

Digital transactions have increased steadily with early signs of stabilization

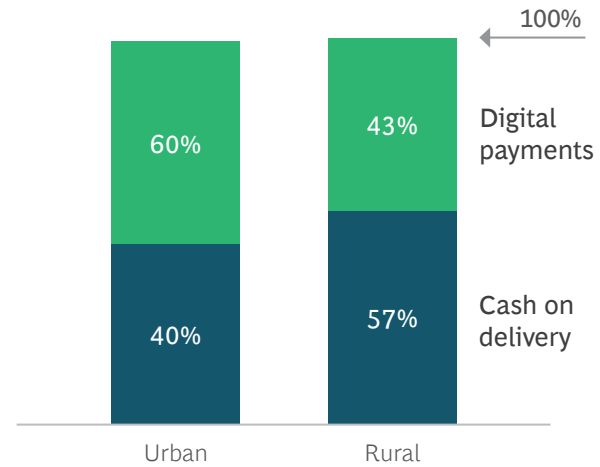
Digital payment volume (Bn)



— Average transaction value (INR '000)    ■ Digital payment volume (Bn)

Cash continues to be king, especially in rural areas

COD order share by geographies<sup>2</sup> (2021)



Though digital adoption is on the rise, rural consumers continue to rely on cash primarily due to lower trust in online payments and preference to test and check before any purchase.

— CXO, ConsumerTech startup

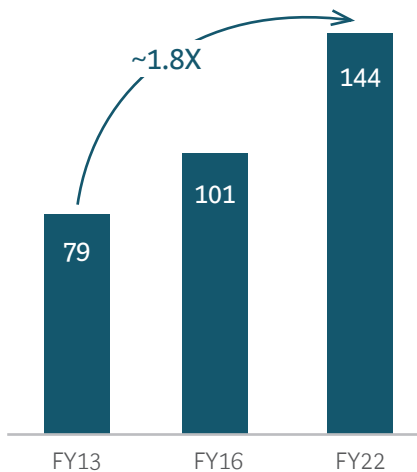
1. Digital payments include RTGS (customer and inter-bank transactions), retail electronic clearing – NEFT, IMPS, NACH (credit, debit and APBS), card payment transactions (excl. cash withdrawal), PPI payment transactions (excl. cash withdrawal), UPI (including BHIM & USSD), BHIM Aadhaar Pay, AePS fund transfer and NETC (linked to bank accounts);  
 2. BCG CCI Digital Influence Study 2013-2017, 2021 surveys (N = 10,000 to 20,000 each year, urban and rural coverage);  
 Source: PIB, RBI; NPCI; BCG analysis

# Rapid growth in physical infrastructure in the last decade has improved the ease of doing business by resolving logistical challenges



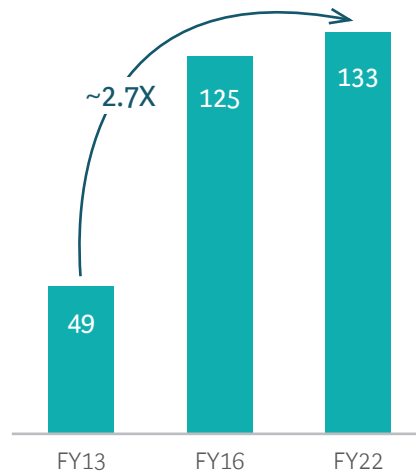
1.8X length of national highways in 10 years

Length of national highways ('000 Kms)



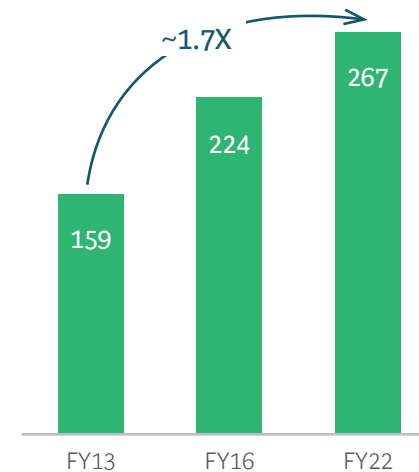
2.7X number of airports in 10 years

Number of Airports



1.7X air passenger traffic in 10 years

Air passenger traffic (Mn passengers)



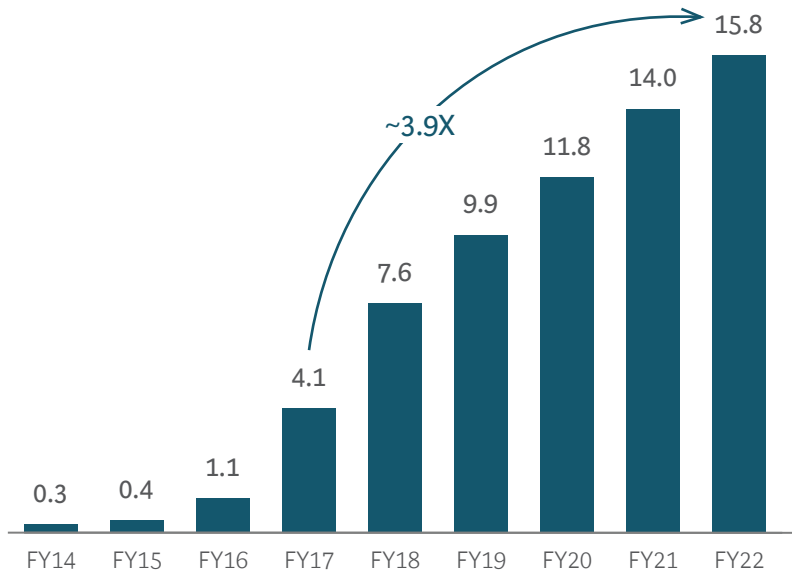
Note: Air passenger traffic includes inbound and outbound domestic and international traffic;  
Source: Ministry of Statistics and Programme Implementation, Govt. of India. (ON2985), AAI

# Growth in internet connectivity and improved data speeds have helped in increasing penetration of online commerce and social media apps



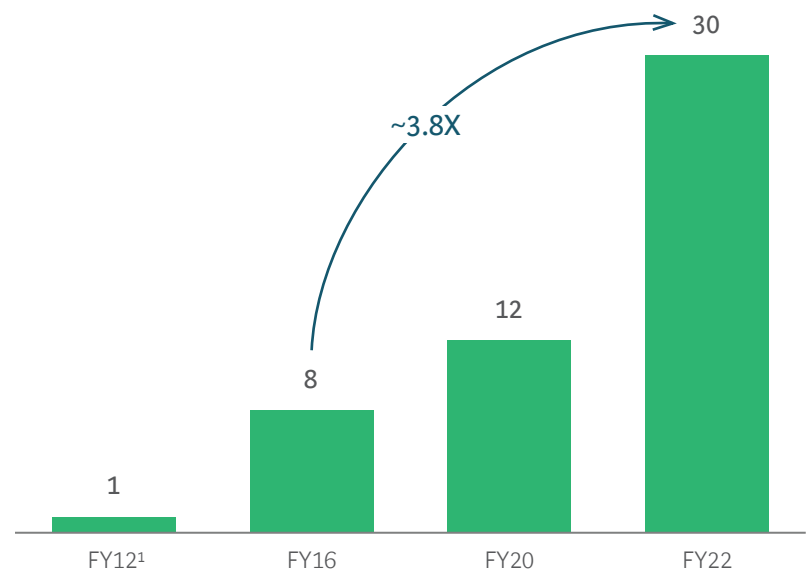
3.9X increase in data speed in 6 years

Average wireless internet usage per user per month (GB)



Rapid adoption of 4G and launch of 5G has increased data speeds<sup>1</sup>

Average mobile download speeds (Mbps)



Note: 1. Average internet speed (broadband + wireless) by Akamai

Source: Ministry of Statistics and Programme Implementation, Govt. of India. (ON2985), Statistics Division – Dept. of Telecom; Akamai; Ookla Speedtest

03/03

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# Implications for startups

- A. Scaling in 0-to-10 phase
- B. Driving sustainable growth in 10-100 phase







03/03

Implications for  
startups -

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**A.**

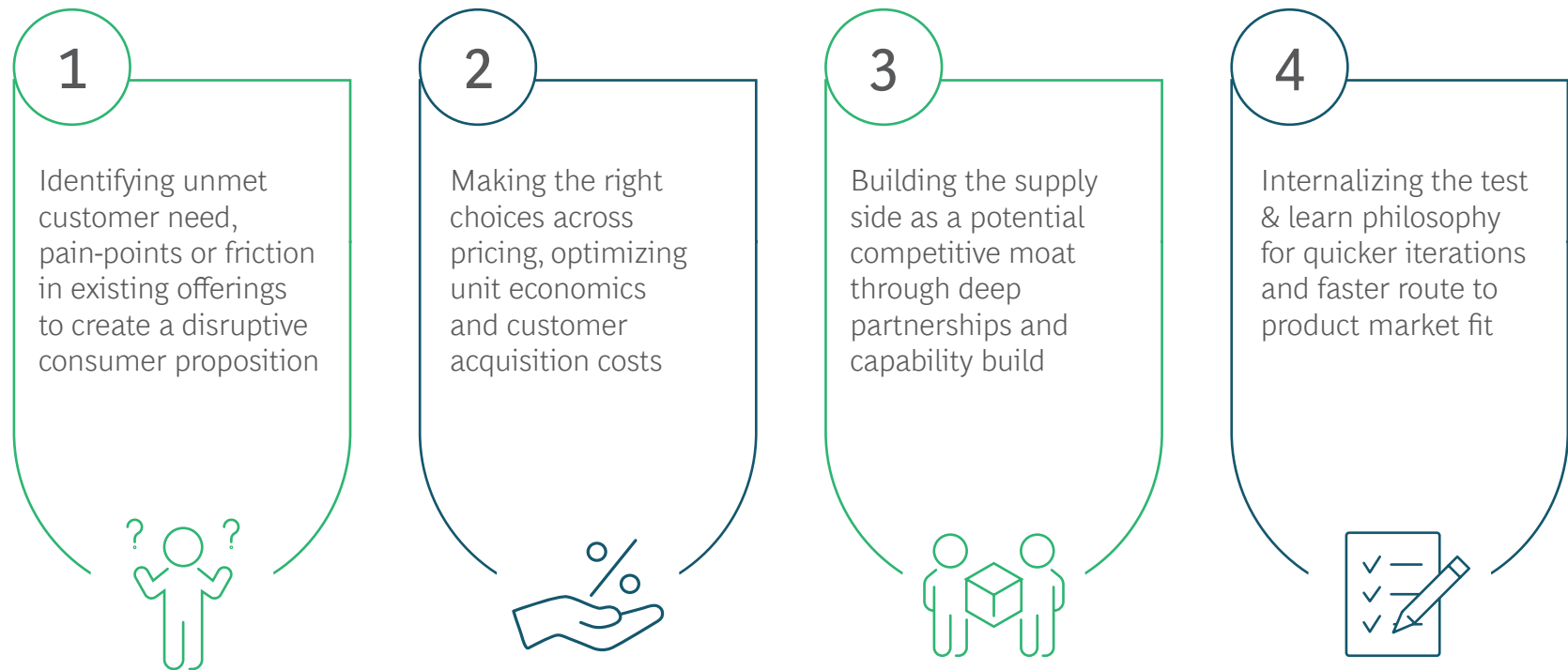
Scaling in  
0-to-10 phase





## Scaling in 0-to-10 phase | 4 key themes

Of every 100 startups that are born, about 10 surpass the seed funding stage & 2-3% attain a valuation of \$100Mn<sup>1</sup>. Analysis of the early stages of these successful startups and in-depth discussions with 25+ Indian founders reveal 4 critical factors during this stage of a startup's journey.



Source: 1. Traxcn investment data for India; BCG analysis

# 1. Identifying unmet customer need, pain-points or friction in existing offerings to create a disruptive consumer proposition



It is critical for founders to sharply define the problem basis the potential to disrupt the market. Disruption can mean targeting an untouched white space, creating a differentiated offering in an existing space or addressing friction points in existing market offerings. The true differentiator, irrespective of the path chosen, will be an approach focused on fundamental innovation.

A leading mattress brand disrupted the existing market by offering mass-premium mattresses at affordable prices. The traditional market was dominated by players who imported high volumetric foam from China at high logistics cost leading to **higher product pricing**. Moreover, the **competition offered 150-200 SKUs** with little to no differentiation among the products leading to unclear value prop for consumers.

- **Focus on E2E product development with limited SKUs** - 2 mattresses on Day 0 with 3 foam types and built an in-house foam manufacturing unit to produce superior specs and easy to deliver foldable mattresses at affordable pricing.
- **Flexible returns policy** - It also offered a first-of-its kind flexible returns policy (30-day, later extended to 100 days) to induce customer purchase.

A leading group buying ecommerce platform, gained traction in Tier 2/3 cities initially with a **simple to use user interface and straightforward transaction journey**.

- **Ensuring affordability for new online shoppers** - It aimed to ease the first time E-commerce purchases for online shoppers operating in Tier 2/3 cities. It aimed to fulfill the unmet needs of these customers by ensuring affordability across grocery SKUs.
- **Simplifying buying journey** - solving the issue of complicated transaction journeys through a simple to use user-interface, and building trust in the platform by referrals from existing customers.



The mattress market in India was dominated by inferior coir foam mattresses through contract manufacturing at the mass price points, as superior memory foam was imported from China and had high logistic cost. Seeing this gap, we quickly moved to inhouse manufacturing of memory foam to keep prices down and control quality. We complemented it with innovative content-led marketing to educate customers and best-in-class return policies to induce purchase.

— Co-founder,  
Leading D2C mattress brand

## 2. Making the right choices across pricing, optimizing unit economics and customer acquisition costs



It is important for startups to make a conscious choice between pricing, or optimizing unit economics and balancing customer acquisition. Since there are typically limited benchmark offerings for startup founders, it is imperative to use consumer insight to ascertain their willingness to pay to ensure no value is left on the table, and the right pricing level is set from the beginning.

A D2C electronic appliances player decided to focus on commanding a price premium with its differentiated and tech-led innovative fans and products basis customer willingness to pay.

- **Emphasis on continuous customer feedback** - Emphasis on continuous customer feedback.
- **Superior tech-led product** - BLDC motor vs AC or brushed motor; enabled it to priced at higher levels basis customer's willingness to pay.
- **Continued focus on product innovation** – The brand to fully capture category potential vs portfolio proliferation and stay ahead of competition.

A leading eye wear player optimized for affordability of good quality frames by backward integrating into production. The eyewear industry had a complicated supply chain with brands relying on 3rd party manufacturers, leading to high cost of production for eye frames and higher end prices for consumers.

- **Backward integration into manufacturing** - Control over manufacturing allowed it to lower costs, eliminate the middlemen and pass on the benefits to the consumers.



The Indian small appliances market has been dominated by local brands, with limited tech-led product innovation. We developed a superior BLDC technology in fans, which allowed us to offer better aesthetics and energy efficiency, for which our customers are willing to pay a premium”

— Co-founder,  
D2C appliances



### 3. Building the supply side as a potential competitive moat through deep partnerships and capability build



Building a deep partnership with the supply side value chain is one of the important ways to create a competitive, sustainable moat for the longer term. This complementary relationship is important for both product or services startups and can manifest in the form of core business elements, such as defining detailed SOPs and quality norms, standardizing sourcing, selecting the right set of partners, hands-on training and onboarding, and so on.

A home services player was faced with challenges of customer's reluctance in using at-home services owing to quality, lack of trust and safety concerns due to varying capabilities and limited standardization. So, it conducted hands-on training for their service partners via inhouse centers (50 centers & 200+ trainers) or external partnerships (e.g., MSDE, NSDC for certifications) across soft skills and hard skills.

- **Control over onboarding and background verification** - A strict onboarding process and background verification helped them in quality recruitment and authentic enrolments.
- **Performance monitoring system** to identify and blacklist workers with poor rating - It added 3-5K skilled supply working professionals to supply and while ensuring a minimum standard of rating (4.2+) across total supply.
- **Product innovations for better customer experience** - With product innovations like single use roll-on wax, it was able to ease the waxing process for service partners.

The furniture industry is highly unorganized and hyperlocal (sourcing, production and sales limited to <100 kms radius). With furniture being custom built for each order, it was difficult to achieve standardization and scale business and in such an industry an online furniture player introduced standardization.

- **Process and input material standardization** - It clearly defined quality norms and educated supply side to follow process SOPs for furniture finishes and catalog images.
- **Standardized raw material sourcing** – To maintain uniform product quality.
- **Vendor certification** - It also implemented vendor certification to ensure seamless scale-up.



The Indian customer is hesitant of at home-services due to quality, trust and safety concerns. Therefore, while there was sufficient quantum of supply in the market, it was not reliable. We could not have solved this only through an online platform. We invested behind rigorous training, standardization, equipment, devices etc. to ensure to ensure reliable and high-quality service standards.

— Chief Business Officer,  
Home services player

## 4. Internalizing the test & learn philosophy for quicker iterations and faster route to product market fit



It is important to have a flexible mindset of trying and failing fast before attaining true product-market. Iterate the offering in a smaller segment (e.g., target customer, geography), incorporate learnings from each iteration to refine, and codify these learnings to guide an efficient and structured scale-up.

An online only electronics player faced a unique problem in terms of being first mover in an unknown market (non-metro) with several product categories for consideration and need for quick scale-up to maintain first mover advantage.

- **Capex light approach** - It adopted a capex light approach to product development / manufacturing (via Chinese contract manufacturers) and customer acquisition (selling through marketplaces vs owned website).
- **Adopting a test & learn approach** – Launching pilots in a micro-market and codifying learnings for a structured scale-up. It also created a well-defined evaluation criteria to objectively identify successful products based on pilots (e.g., share of paid traffic, sustained order levels).
- **Low inventory levels** - It minimized Inventory to only manufacture minimum required volume (e.g., 100-200 pilot size) and iterate quickly. It was able to successfully establish a value brand in non-metro markets with multiple offerings (best-selling products in 8+ categories) and high customer stickiness (~20% share of repeat purchase).



While it seemed, there was significant potential to create a value brand across several appliances categories, we were wary since excessive inventory can really kill the business if you select a wrong category. So, we started with one category, iterated and finessed our business model (e.g., manufacturing, marketing, distribution etc.), and codified our learnings in a playbook. We have been leveraging these learnings to test potential products and learn from an experimental launch before launching at large scale.

— Co-founder,  
Leading D2C appliances

03/03

Implications for  
startups -

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**B.**

Driving sustainable growth  
in 10–100 phase



# Driving sustainable growth in 10–100 phase

2–3% of the 11,000+ startups formed in last 10 years have been able to achieve a valuation of \$100+Mn, and ~250 startups have been able to scale and grow beyond \$500+Mn. In-depth discussions with 25+ Indian founders reveal 6 key learnings from successful scale-up journeys.



## Sources of next wave of growth

1. Maximizing customer lifetime value by expanding offerings, driving loyalty through customer retention and focusing on cross-sell/up-sell

2. Expanding distribution across channels and geographies to target new customer archetypes

3. Evaluating international markets for entry



## Optimizing profitability

4. Driving path to profitability in key levers, e.g., customer acquisition costs



## Capability building for scale

5. Unlocking founder bandwidth to focus on strategic goals via organizational build-up

6. Harnessing the power of AI and analytics across the value chain

# Maximizing customer lifetime value by expanding offerings, driving loyalty through customer retention and focusing on cross-sell/up-sell



As companies reach meaningful scale, it is important to have a disproportionate focus on retaining existing customers and maximizing their lifetime value –

- Product/Service offering expansion
- Increasing share of wallet from existing customers
- Minimizing churn through targeted & personalized communications

A home interior and renovation player evolved from initial product marketplace offering to holistic product + services offerings to offer one-stop solution and capture larger share of wallet

- **Full-stack solution** - Faced with the challenge of customer complaints and drop-offs in customer journey, it built a full-stack tech-enabled solution delivered via a combination of in-house (e.g., branded products, pvt. label) and external supply across full customer lifecycle (e.g., design, product, installations, after-sales services).
- **Prioritization of focus categories** - It decided to go deep and offer end-to-end solution (product + services) in certain categories (e.g., kitchen, bathroom) while discontinuing rest (e.g., TV, rugs etc.) which led to maximizing core category potential via driving adoption across purchase lifecycle.
- **Expanding value capture** - Backward value chain integration (e.g., marketplace to contract manufacturing to in-house manufacturing). It also gradually expanded into cross-sell of other adjacent categories (e.g., garden, ) to drive deeper customer penetration.

As growth in new users started to slow down, a home services player decided to shift focus from **increasing penetration to increasing Share of wallet** from existing customers.

- **Shift to high frequency use cases** - It identified the need to move from planned purchase use cases to recurring ones. The focus was on increasing services with low ticket values but high frequency like regular cleaning instead of deep cleaning. This will help increase customer stickiness and retention.
- **Cross-selling new services** - It built a strategy to build on some head services and then cross-sell other services to the households like pushing for waxing in women, and eventually offering massage services , bathroom cleaning, AC (high recurring, no good differentiation).

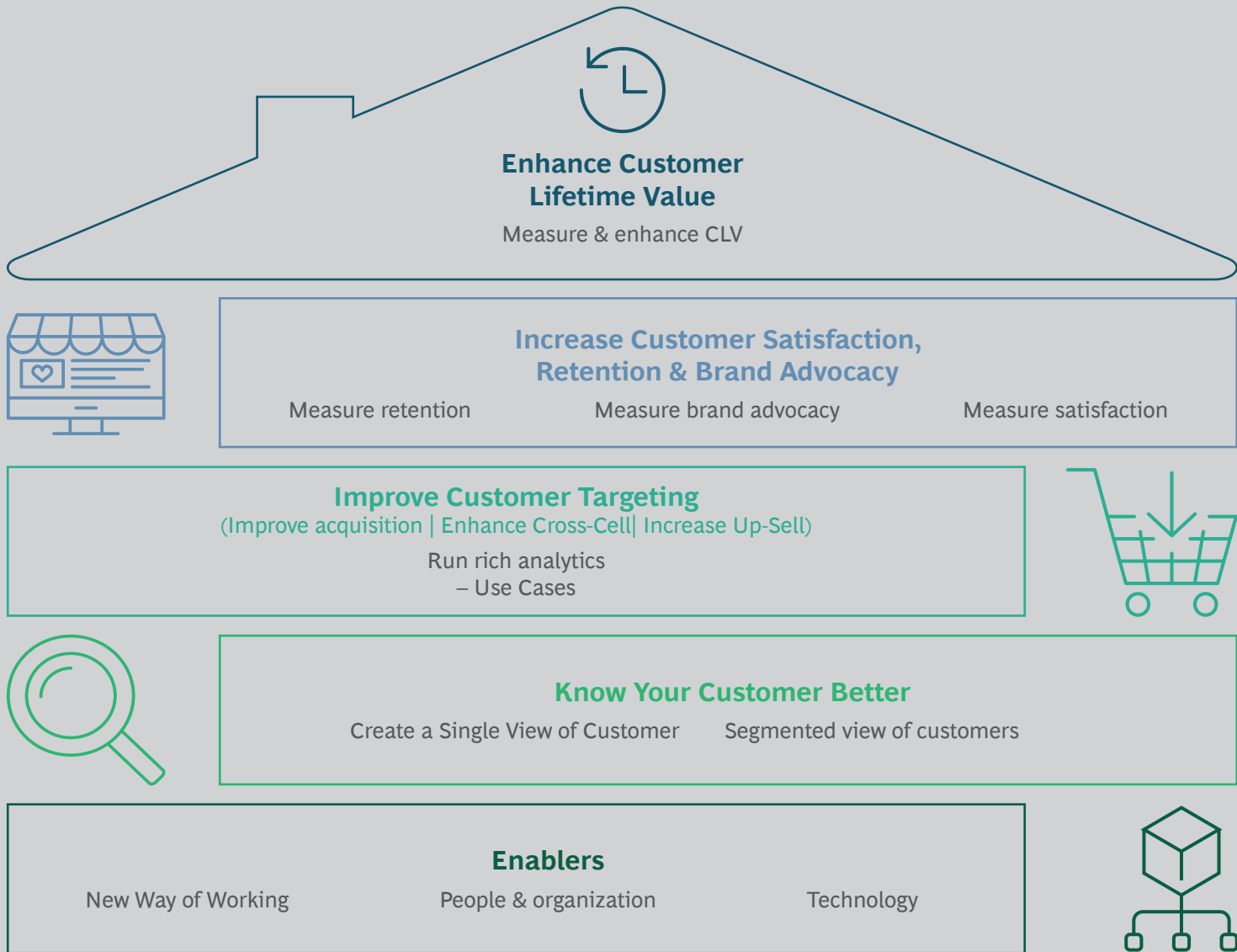


When we started as a marketplace, we had limited control on service output and quality & witnessed high funnel drop offs and customer complaints due to suboptimal service delivery. We realized that it was possible to provide better customer experience and drive higher retentions by participating in and controlling a larger part of the customer journey and becoming a one-stop solution for consumers

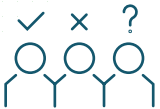
— Co-founder,  
Home interior player



# BCG Perspective: Enhance lifetime value realization from a customer across the complete journey



## Expanding distribution across channels and geographies to target new customer archetypes



Startups need to build a tailored market-by-market expansion approach, which will likely be distinct from their model in the early years.

- o Going deeper into existing markets (e.g., expanding into offline trade (traditional, modern or setting up EBOs)
- o Entering new markets (e.g., expanding into Tier2+ cities)

For instance, general trade for beauty products in tier 2+ markets, or modern trade in metro and tier 1 markets

A D2C toxin-free beauty and personal care brand successfully repivoted from **online only metro / tier 1 focused business to broad-based Tier1++ business and online + offline models** (~35% sales contribution from offline channel from 110K+ retail distribution points).

- o **Multi-channel presence** - It expanded from online only distribution to be present in channels (e.g., offline) where customers are shopping predominantly and built a multi-channel online / offline distribution play.
- o **Setting up EBO for deeper penetration** - It went deeper into existing core metro / tier1 market with offline expansion by setting up 35+ EBOs and 30+ MT store chains.
- o **Customized approach for targeting Tier 2/3 customers** – It followed a tailored approach for targeting Bharat customers via traditional distributor led model (created 450+ distributors), sachet economy (launching lower priced and volume SKUs for affordability) and running vernacular ad campaigns to ensure higher resonance.
- o **Ecosystem partnerships** - It also relied on ecosystem partnerships to acquire new customers (e.g., partnership with payment apps) and induce coupon-led purchases.

A leading online player for baby needs realized the need for an **offline presence to increase brand visibility and reach newer audience.**

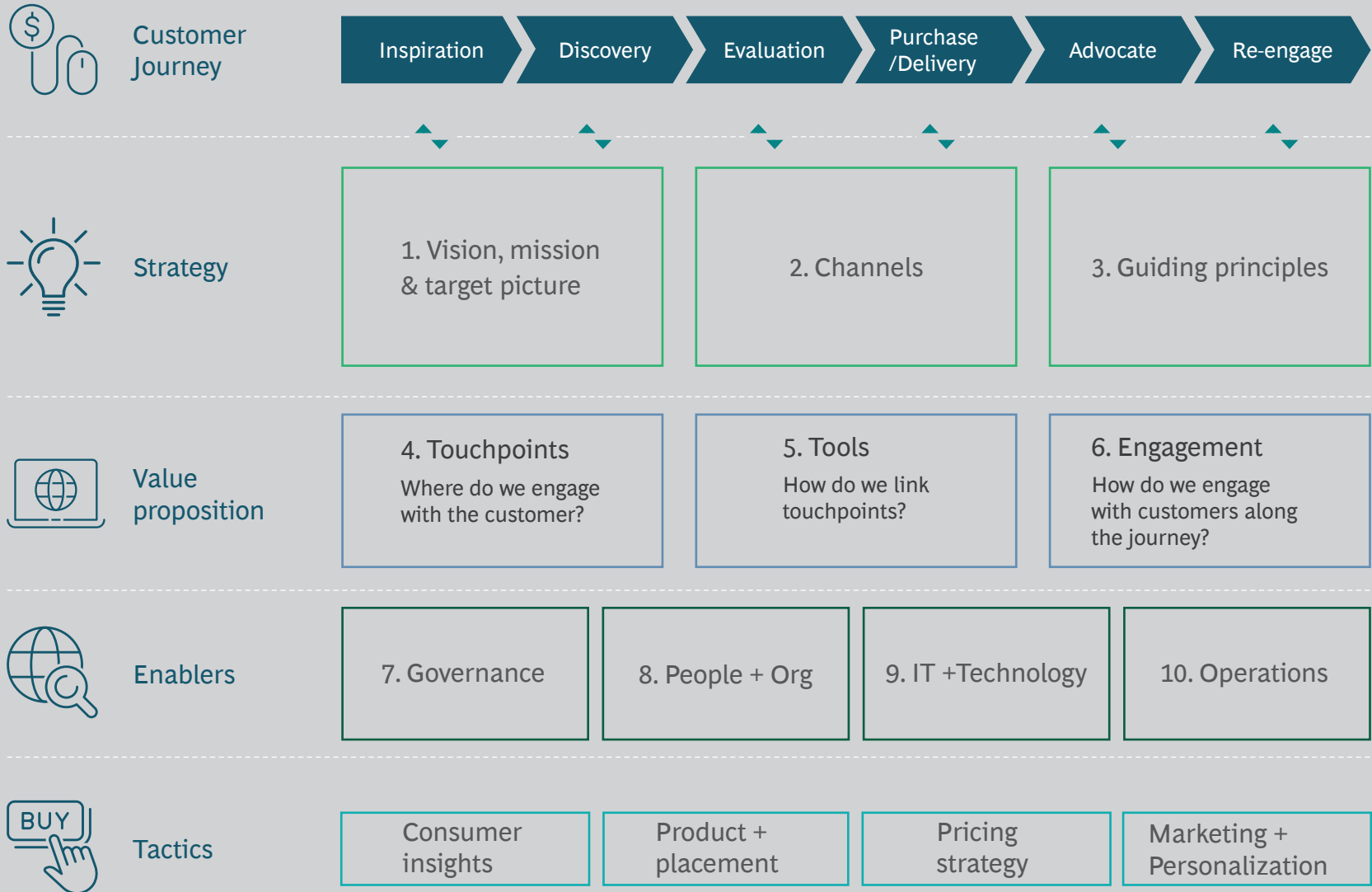
- o **Setting up Franchise stores** - It has so far expanded to 400+ stores on a FOFO model to expand distribution in Tier 2/3 cities along with Metros.
- o **Partnership with healthcare units** - It also partnered with hospitals for gifting new mothers and acquire customers.
- o **Large product portfolio** - It currently houses more than 1K national and international brands in the stores. It has worked on bringing more brands in the stores and increase portfolio.



Due to a large part of demand being driven by offline sales and Tier 2/3 markets, we realized it was critical for us to be present where our consumer shops. We thus decided to invest considerable time and expertise in scaling the offline channel, and targeting deeper parts of India

— CEO,  
D2C toxin free BPC brand

# BCG Perspective: Building blocks to shaping a holistic omnichannel strategy



## Evaluating international markets for entry



Successful international expansion strategy has two core elements - market prioritization and execution roadmap. Market prioritization requires a considered evaluation of key factors to prioritize the right markets - market size, competition intensity and right to win.

There are several things to be kept in mind as one embarks on execution –

- Pace of expansion (e.g., gaining meaningful scale in high priority markets vs opening too many fronts)
- Centralized set-up vs decentralized (e.g., every market has certain unique characteristics and having a dedicated in-region allows to adjust offering to suit the market)
- Mode of expansion (e.g., acquisition, setting-up from scratch, partnering with 3rd parties).

A used car marketplace player successfully scaled-up in multiple international locations (Middle east, Australia, Thailand) with meaningful business contribution (~20% revenue contribution).

- **Identifying target markets** - It realized the need to identify growth vectors to drive next wave of growth for the company which led to creation of a Structured approach to identifying markets basis mid-to-large TAM, low competition intensity, ease of doing business and macro stability.
- **Prioritization of markets** - It prioritized markets with strong fitment of core offering while having exceptionally high focus on consumer experience. It initially started with dedicated in-region teams to ensure market specific customizations.
- **Phase wise expansion** – It consolidated operations post achieving maturity for efficiency and built a staggered expansion roadmap to gain meaningful scale and getting early buy-in to ensure seamless expansion.

A leading Indian eyewear brand successfully expanded to SE Asia and Middle-east regions and it acquired another eyewear brand with a pan-Asian presence to further strengthen its footprint in international markets.

- **Focus on expansion beyond India** - The focus on international markets comes as it has emerged as a leader in the Indian market and wants to leverage the brand value among Indian diaspora.
- **Innovative marketing campaigns** - It launched free eye tests for people needing prescription glasses. It plans to further expand in this region by opening new stores and launching attractive offers.



We looked for international markets to identify future growth drivers and followed a structured approach to prioritize international markets in-fitment with our business model and ability to win. Our approach was to surgically target one market vs opening too many at one go, and leveraging learnings from initial scale-up for subsequent expansion.

— CEO,  
International division, Used car marketplace business

## Driving path to profitability in key levers, e.g. customer acquisition costs



Scale up phase requires a razor-sharp focus on driving path to profitability in the core business with

- Revenue mix optimization (product mix, channel mix, discounting and promos)
- Zero-based budgeting to eliminate inefficiencies across the value chain (e.g., spend consolidation and procurement cost optimization)
- Backward integration in matured / scaled categories to capture additional margin, supply chain, etc.

A beauty & personal care products marketplace achieved breakeven at unit level (CAC breakeven post 2nd purchase) and attained operational profitability (6% EBITDA margin) with better unit economics, scale led efficiencies and introduction of private label brands. The brand faced challenges with narrow margins on branded products and high customer acquisition cost due to high marketing spend and discounting.

- **Brand funded sales** - With a razor-sharp focus on path to profitability and driving sustainable growth, it relied on only brand funded sales and discounts and eschewed deep discounting model.
- **Focus on rationalizing marketing spends** - Emphasis on brand building and leveraging influencers for product discovery and acquisition, and vibrant user community to drive customer engagement.
- **Optimizing operations** - Regionalization of warehouses helped it reduce logistics cost and operational expenses and lower fulfilment costs.
- **Launch of private labels** - It also launched private label to drive margins; gradually introducing private label products across categories with better gross margin profile.



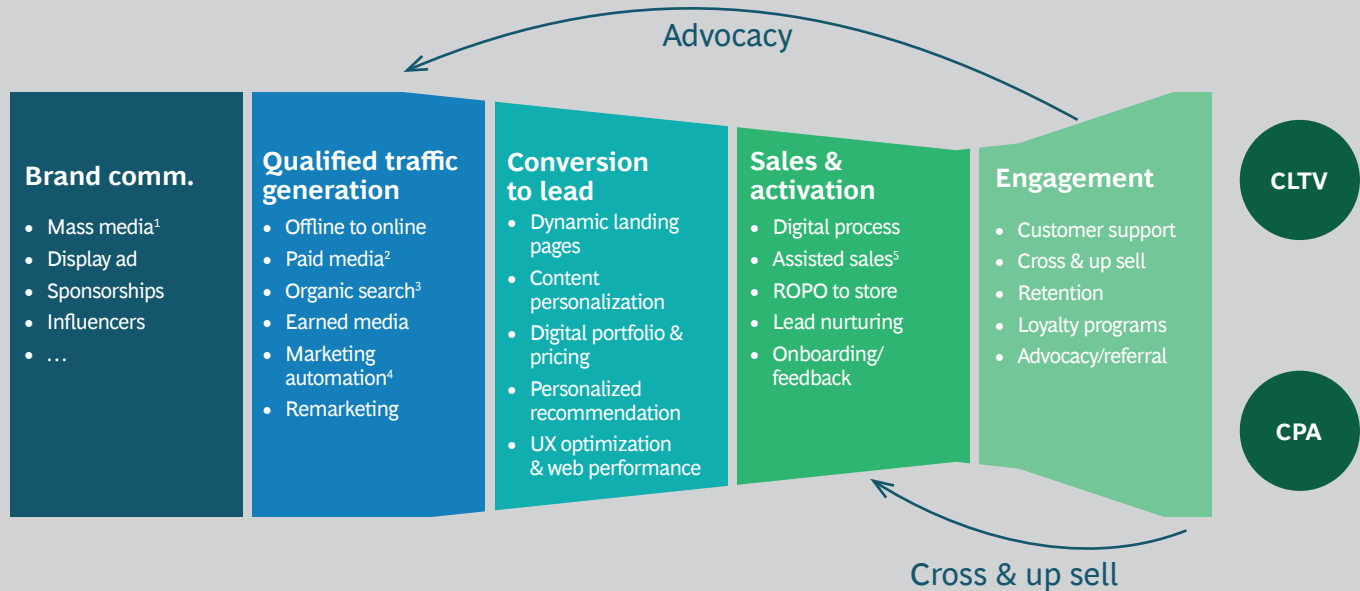
We wanted to build a business for the long term. We maintained a single-minded focus on achieving breakeven at both unit and group level.

— CEO,  
BPC Marketplace

# BCG Perspective: Levers to optimize customer acquisition costs



Driving impact



Building Capabilities

<b>Data, measurement &amp; insights</b>	Customer DNA Cross-channel personalization engine Privacy & legal (GDPR, e-privacy etc.)	Attribution model Dashboarding
<b>MarTech and AdTech</b>	Ecosystem & ownership Online measurement (Web analytics, tag manager etc.)	Digital activation (CRM, ad-fraud etc.) Automation (campaign & bidding)
<b>Content &amp; creatives</b>	Content production Content management Content at scale	Creative for performance Product & service creation Experience design
<b>Organization &amp; operating model</b>	Team profiles (digital advertisements etc.) Organization set-up	In-house/outsourced capabilities Optimization & multivariate testing

1. Newspapers, TV, etc. 2. SEM, social, affiliate marketing, programmatic, etc. 3. SEO, content marketing, branded content, etc. 4. Email, SMS, Push, etc.

5. Call center, customer support

Source: BCG Digital Acquisition



## Harnessing the power of AI and analytics across the value chain



Investing in technology capabilities is essential for a startup to scale, as it often can be a differentiator or a moat. Investing disproportionately in building tech capabilities enables businesses to achieve operational efficiencies, automate repetitive tasks, improve customer experience, and support innovation.

Moreover, data analytics enables brands to tailor marketing and sales efforts, create personalized experiences for customers (n=1). Leveraging customer data can help the brand understand customers' needs and preferences, gain insights into their customers' behavior, including purchase patterns, preferences, and engagement with the brand

A leading eyewear leveraged tech heavily to build **AR led 3D try-on features** on the website and app to induce trial among consumers who were used with the trial purchase behavior for glasses.

- **Leveraging tech for inventory management** - Using tech for managing inventory helped it to show availability in nearest store from the customer along with slots for eye testing, type of lenses, etc. The virtual try-on helped customers shortlist frames online before purchasing online / offline.
- **Tracking customer interactions** - It tracked customer interactions across online and offline channels to provide a seamless customer experience and nudge customers towards purchase through notifications. Tracking customer journey helped it to convert customers who visited offline stores but didn't purchase through notifications and reminders.

A leading beauty and personal care player is investing heavily in building its' **tech and data capabilities to leverage first party customer data** across the multiple beauty brands and content sites.

- **Tech enabled pricing decisions** - It is leveraging tech to determine the pricing and discounting strategy for its products across multiple channels.
- **Marketing optimization and data tracking** - It is also using data to optimize its marketing funnel and target right set of customers. It is partnering with marketplaces to get insights from marketplace dropships on areas with high order traffic.
- **Measuring efficiency in influencer ad spends** - It is using data to identify niche influencers to target certain segments. With its focus on tech, it can track RoAS on influencer marketing and allocate the budget accordingly.



We realized early on in our journey that tech can be differentiator in this business. We built our entire business around using tech to simplify the customer buying journey – through 3D try on, research online & purchase offline, order offline & deliver at home. All these initiatives were possible due to heavy focus on building tech capabilities and leveraging data analytics

— Vice President,  
Growth, Leading eyewear brand

# BCG Perspective: Advanced analytics and AI use cases across the value chain



Transform business process



Measure performance



Optimize support functions



Build new innovative services

## Insights to market

Predictive trend detection (e.g., for product dev.)

Consumer view & insight

Market view & Insight

R&D and testing acceleration (in-silico)

Product branding (e.g., naming, marketing, packaging)

Product personalization

Discovery & invention process

## Sourcing to shelf

Raw materials sourcing & traceability

Manufacturing analytics (incl. defect detection, quality)

Demand forecasting (prod & supply level)

Individualized store assortment

Dynamic, geo-localized, personalized price/promo

Data-powered sales activation

## Unknown to consumer advocacy

Precision media

Personalized consumer engagement

Personalized online experience

Customer services (e.g. chatbots)

ROI measurement /A&P allocation

Marketing performance analytics

Sales performance analytics

Financial performance predictions

Predictive success in recruitment

Talent retention & development

G&A transparency

IT helpdesk

Cybersecurity

AI-powered diagnostic & recommendation services

Voice control assistant

## Unlocking founder bandwidth to focus on strategic goals via organizational build-up



As the startup evolves, it is important to ensure founder bandwidth is optimally utilized across both strategic and operational aspects. Organization build-up has several critical elements and choices for founders - organization structure and recruiting, decision rights, key performance metrics and target setting and governance to track performance and drive course-correction as required.

A leading D2C meat player realized the need to have a future-ready organization to efficiently manage growing scale, while **unlocking founder bandwidth** to focus on strategic goals.

- **Building a future ready org** - It defined future ready organization structure with roles, key metrics and decision rights to seamlessly operate and manage growing scale.
- **Organization restructuring** – It organized all functions as project teams, basis the P&L (e.g., cost optimization sub-teams on improving COGS, procurement costs etc.) with well-defined targets in-alignment with overall startup targets.
- **Setting up of Founder's office** - The creation of founders' office helped it to track performance on an ongoing basis via a structure cadence and bring to surface key issues for founder's consideration. The founders created a large stock pool to attract and retain high quality talent.

The founders of an online home services player realized that the key to attracting senior talent is giving them **complete ownership of their division**, in terms of running the daily operations.

- **Focus on building right culture** - A combination of ownership, recognizing performance and rewarding employees helped the company create an overall positive environment with the employees focused on organization success.
- **Wealth creation for employees** - it conducted multiple secondary rounds to generate wealth and provide opportunities to employees to liquidate their stock options.



As we scaled our business rapidly, in order to align the entire organization, we undertook an org-wide restructuring exercise to set up every team as an item in the P&L to keep everyone aligned on key metrics of profitability. Moreover, we set up a Founders' office to drive governance and to track performance and drive correction on an ongoing basis.

— CEO,  
D2C meat player

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## Matrix India portfolio in ConsumerTech



foxtale



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