

The Rise of Digital Bazaars in India



Marketplaces are a mega opportunity that will have
a lasting impact on India's growth story in the next five years

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Executive summary

India presents itself as one of the most exciting places globally for marketplaces to thrive—with large offline markets and more than \$2 trillion of consumption expenditure, rising disposable incomes driven by middle-class expansion, and an increasingly digitised base of online shoppers and small businesses. Today, marketplaces in India are ubiquitous across every major business category, contributing more than \$100 billion in gross merchandise value (GMV); delivering heightened convenience and a plethora of choices to 200 million to 230 million online shoppers; and offering logistical and financial support to more than 6 million micro, small, and medium enterprises (MSMEs), enabling them to buy and sell goods or services online. Moreover, marketplaces have reimaged existing value chains by consolidating fragmented demand and supply, eliminating intermediaries, and offering pan-India reach to businesses. The overall economy has also benefitted immensely, as marketplaces have improved financial inclusion by providing traditionally underbanked segments with greater access to capital. Marketplace models like e-commerce, food delivery, and ride-hailing platforms have also provided a major boost to the gig economy by creating more than 3 million jobs.

This has allowed India to cultivate a vibrant and successful marketplace landscape, demonstrated by the sheer breadth of more than 300 funded marketplaces across multiple categories (retail, education, healthcare, travel, financial services, etc.). As of today, around 20 marketplaces have achieved more than \$1 billion in GMV, and many players have turned profitable.

As a result, marketplaces have also seen significant traction with investors in recent years. 2021 was a landmark year for marketplaces, as funding reached \$16 billion (growing four times compared to 2018 funding), more than 135 companies raised funding, and more than 45 companies drew Series C+ capital. Recently, investor confidence in this model has been further bolstered by marquee exits via a slew of marketplace initial public offerings (IPOs) such as Nykaa, Zomato, and Policybazaar, among others.

While the marketplace model is popular across multiple categories, upstream business-to-business (B2B), fintech, and shipping and logistics are some of the most exciting areas. These sectors show evidence of successful marketplaces as well as significant headroom for growth for new or emerging players:

- ▶ **Upstream B2B marketplaces** such as Fashinza are marketplaces connecting brands/manufacturers/service providers with vendors/suppliers for inputs. These were driven by a spike in digitisation of MSMEs, consolidation of fragmented buyer/supplier base, and significant improvement in supply chain efficiencies. Future growth is expected to be bolstered by government schemes like Production Linked Incentive (PLI) and a large cross-border opportunity.
- ▶ **Fintech marketplaces** such as Yubi gained traction as they accelerated financial inclusion and literacy for underbanked MSMEs and new-to-credit customers, provided greater access to capital and diverse investment products to retail investors, and enabled better capital utilisation for lenders.

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- ▶ **Shipping and logistics marketplaces** such as BlackBuck saw a surge of tech-based players strengthening the logistics ecosystem by building innovative business models that solve for long-haul and short-haul inefficiencies and address demand and supply side pain points.

Going forward, in addition to the next-generation marketplaces in above-mentioned areas, we expect the next wave of scale marketplaces to emerge in two major categories:

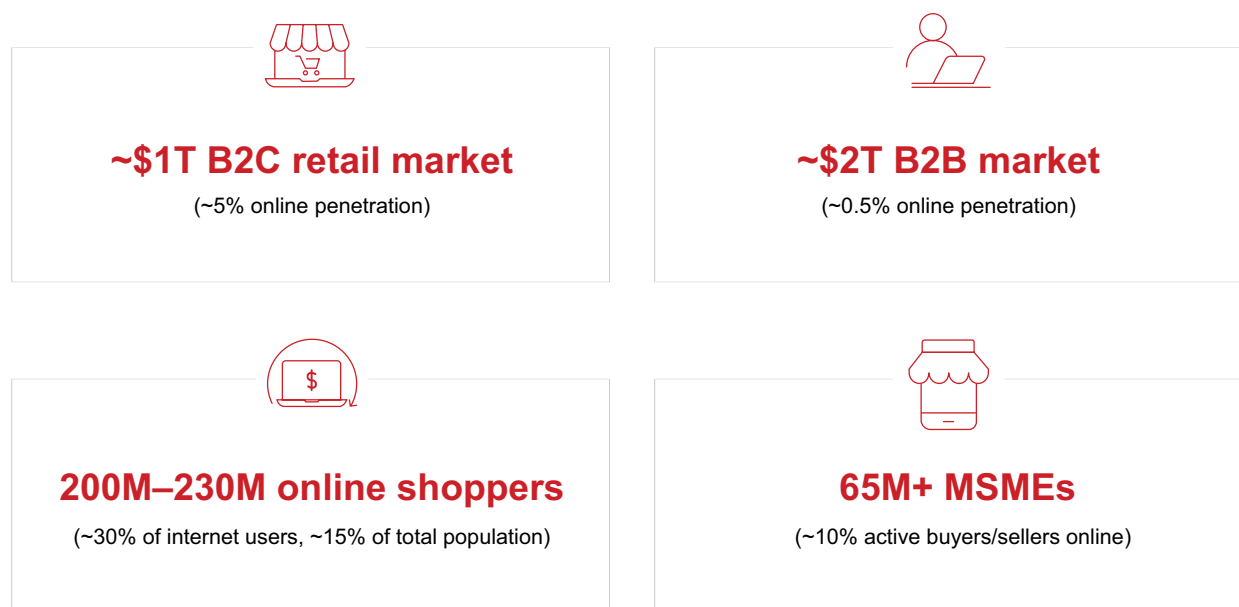
1. **Bharat-first:** Increasing Tier-3+ (T3+) participation has resulted in the gradual adoption of innovative e-commerce models (e.g., focus on voice/vernacular technologies to drive adoption in T3+ consumers and farm-focused agritech marketplaces to empower farmers in Bharat).
2. **Global cross-border opportunity:** A large addressable market (approximately \$1 trillion exports by 2027) and favourable government initiatives present a tremendous opportunity for cross-border marketplace players.

Further, evidence of success in mature markets such as the US and China indicate that categories such as gaming, caregiver services, real estate reservations, creative content, and Web 3.0 are potential white spaces in India for marketplaces to emerge in.

With tailwinds from strong macro factors and continued investor support, Indian marketplaces are a mega opportunity that will have a lasting impact on the India growth story in the next five years. Marketplaces are slated to collectively achieve more than \$350 billion in GMV, create \$400 billion to \$500 billion in enterprise value, reach 400 million to 450 million online shoppers, enable more than 15 million MSMEs to grow their businesses online, and create 7 million jobs by 2027.

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Figure 1: India presents a large addressable market, growing online shopper base, and increasingly digitised MSMEs, making it conducive for marketplaces to thrive



Note: Figures above are CY22 estimates
 Source: Forrester; CRISIL; market participant interviews; Bain analysis

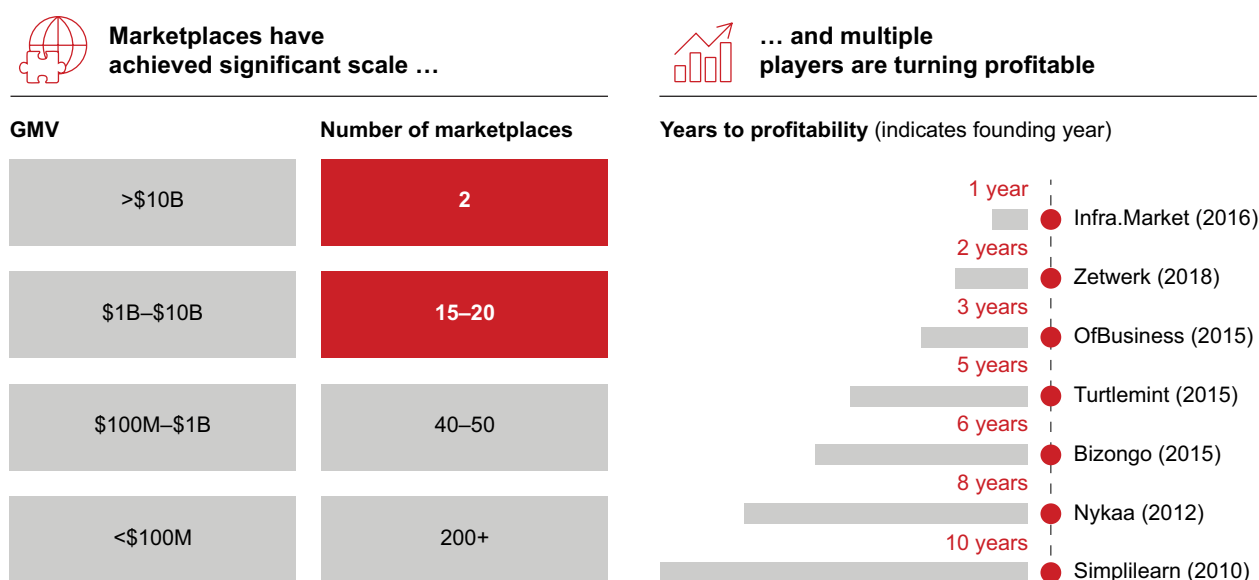
Figure 2: Marketplaces have been successful, as they create enormous value for individual buyers, businesses, and the Indian economy



Source: Bain analysis

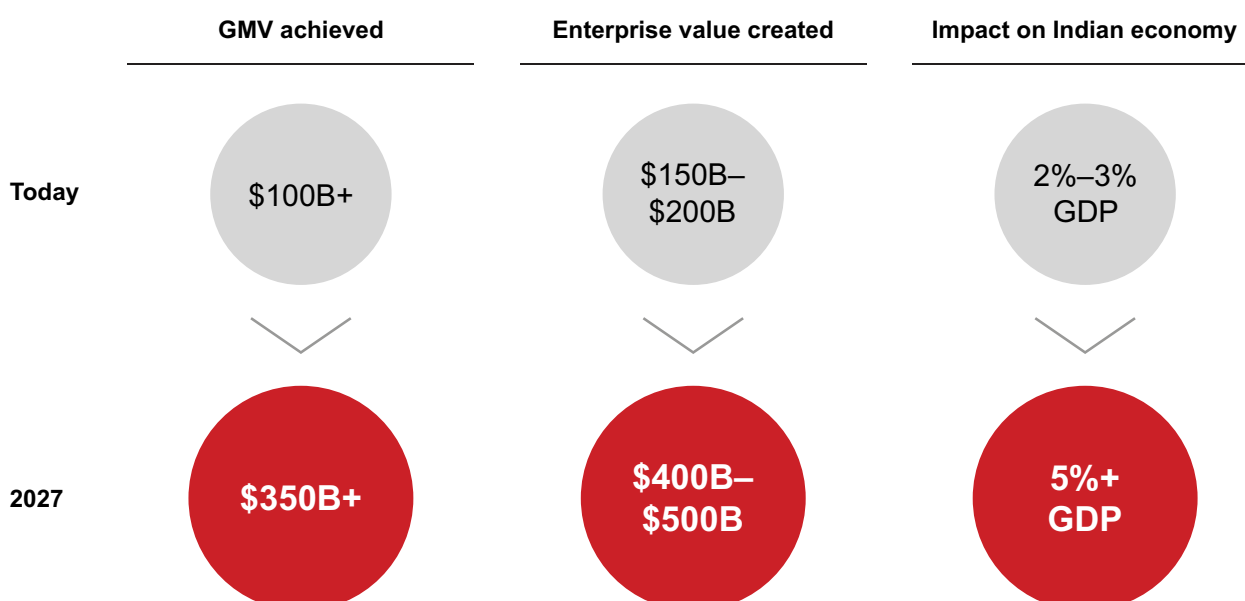
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Figure 3: There is clear evidence of success, with 20+ marketplaces in India reaching more than \$1B in GMV and many players also turning profitable



Notes: Includes marketplaces that track and report GMV, excluding fintech marketplaces and listings/classifieds platforms; GMV is as per latest available data; marketplaces mentioned above are illustrative and not exhaustive; Nykaa sources beauty and personal care products directly from brands or their authorised distributors and operates a managed marketplace for their fashion business
Sources: VCC Edge; Ministry of Corporate Affairs; secondary research; Bain analysis

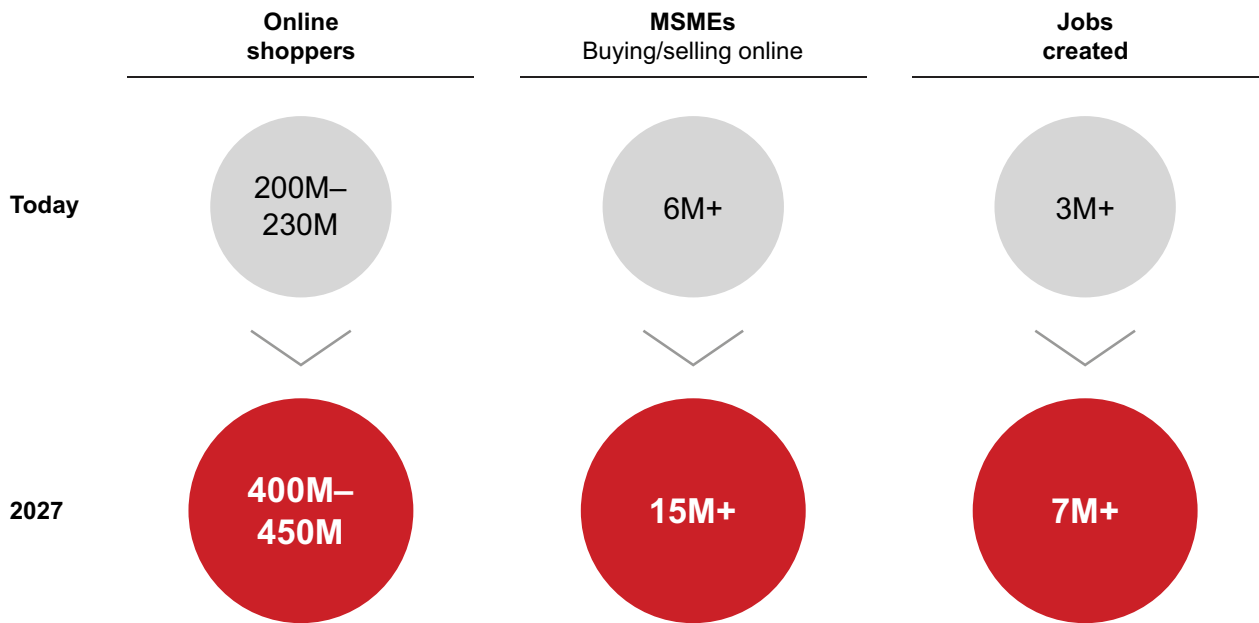
Figure 4a: In the next five years, marketplaces will contribute significantly to India's growth story



Note: Impact on economy has been calculated as GMV achieved/estimated GDP of India, GMV calculation for impact on economy does not include GMV of B2B marketplaces and automobiles platforms to exclude sales of intermediate goods and second-hand vehicles similar to GDP calculations
Sources: IMF World Economic Outlook, Tracxn, secondary research, Bain analysis

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Figure 4b: Marketplaces in India will significantly empower MSMEs and create jobs



Note: MSMEs buying/selling online refer to MSMEs that are active sellers/buyers on online marketplaces

Sources: Forrester, Ministry of Micro, Small and Medium Enterprises, India Council for Research on International Economic Relations, Bain analysis

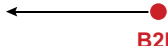
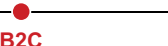
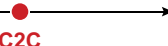
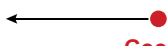
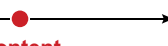
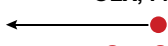
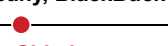
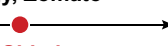
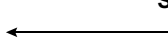
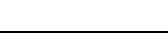
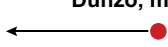
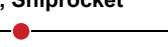
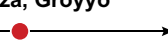
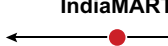
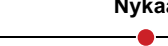


Introduction to marketplaces

- ▶ Marketplaces can be of various types and exist across six key dimensions:
 - **Business model:** Marketplaces could be B2B, B2C, or Consumer to Consumer (C2C)
 - **Product type:** Marketplaces may offer goods, services, or content
 - **Number of participants:** Marketplaces could be one-sided, two-sided, or N-sided
 - **Level of management:** Marketplaces may be fully managed or unmanaged
 - **Geographic density:** Marketplace operations could be hyperlocal, regional, or global
 - **Revenue streams:** Marketplaces monetise via subscription/listing fees, take rate or margins, value-added services (VAS), or advertisements
- ▶ Marketplace models exist across a wide spectrum of listings-only platforms to full-stack marketplaces:
 - **Listings only:** Discovery-only platforms monetising marketplace participants via a listing or subscription fee
 - **Listings platforms with transactions enabled:** Platforms facilitating discovery as well as end-to-end transactions while earning a take rate or commission
 - **Full-stack marketplaces:** Platforms exercising relatively higher control over user experience by partially owning inventory and managing fulfilment and logistics; these marketplaces earn take rate/margins and are relatively more capital intensive
- ▶ Across models, marketplaces have established a ubiquitous presence in India in categories such as horizontal B2C e-commerce, vertical B2C e-commerce, B2B e-commerce, edtech, online food delivery, automobile platforms, fintech, shipping and logistics, classifieds, healthcare services, and professional services, among others.

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Figure 5: Marketplaces vary among many dimensions

Key characteristics	Illustrative examples		
Business model Defined by type of buyer and seller participants in the marketplace	OfBusiness, Zetwerk  B2B Marketplaces connecting businesses with other businesses (e.g., raw material suppliers with manufacturing businesses)	Flipkart, Amazon  B2C Marketplaces connecting businesses to end consumers (e.g., brands/retailers with end consumers)	Impact Guru  C2C Marketplaces connecting consumers to other end consumers
Product type Defined by the core offering of the marketplace	Medikabazaar, Infra.Market  Goods Marketplaces listing primarily goods (including raw materials, finished consumer goods, etc.)	Urban Company, Ola  Services Marketplaces listing primarily service providers (online travel agents, ride hailing apps, etc.)	BookMyShow, WinZO  Content Marketplaces connecting users with content (gaming, entertainment apps, platforms for content writers, etc.)
Number of participants Defined by number of stakeholders in the network/involved in a transaction	OLX, FreeUp  One-Sided Marketplaces connecting a homogenous group of users for buying or selling goods/services	Urban Company, BlackBuck  Two-Sided Marketplaces connecting two distinct user groups, typically buyers and sellers	Swiggy, Zomato  N-Sided Marketplaces connecting more than two user groups (e.g., restaurants, consumers, and delivery executives)
Level of management Defined by marketplace's control on buyer and seller matching, quality of goods/services, vendor onboarding checks, etc.	Spinny, Bizongo  Fully managed marketplaces Marketplace matches users and actively facilitates the transaction (product cataloguing, price guidance, etc.)	BankBazaar, Quikr  Unmanaged marketplaces Limited intervention by marketplaces; matching is done by buyers using the seller information provided	
Geographic density of business operations Defined by proximity of buyers and sellers	Dunzo, magicpin  Hyperlocal/local Marketplaces connecting buyers/sellers in a micro-market or a limited geographical radius	Meesho, Shiprocket  Regional/national Marketplaces sourcing products/services and connecting customers/suppliers across India	Fashinza, Groyyo  Global/cross-border Marketplaces connecting manufacturers/exporters with suppliers/customers in India or abroad
Revenue streams Defined by the monetisation strategy of the platform and fees, commissions, etc. collected from/dispursed to its participants	IndiaMART  Subscription/listing fee Marketplaces charging participants a periodic subscription fee to use/list their products/services on the platform	Uber  Take-rate/margins Marketplaces charging seller/service provider a percentage of transaction value or earning a margin on inventory bought from manufacturers/suppliers	Nykaa  VAS Marketplaces charging a fee or premium for VAS, such as logistics services or credit options
			Swiggy  Ad monetisation Marketplaces earning revenue via paid advertisements on their websites, applications, etc.

Notes: Marketplaces mentioned above are illustrative and not exhaustive; Nykaa sources beauty and personal care products directly from brands or their authorised distributors and operates a managed marketplace for their fashion business
Source: Bain analysis

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Figure 6: Marketplace models exist across a wide spectrum, from discovery platforms to full-stack marketplaces

Marketplaces exist across a wide spectrum	Listings only	- Typically, discovery-only platforms connecting buyers/consumers to third-party sellers/service providers - Monetise participants (typically sellers) via a listing or subscription fee and potentially via ads	(e.g., IndiaMART, WedMeGood)
	Listing platforms with transactions enabled	- Have the ability to facilitate end-to-end transactions between third-party sellers/service providers and buyers/consumers - Receive a take rate/commission per transaction	(e.g., EaseMyTrip, Policybazaar)
	Full-stack marketplaces	- Offer a wide assortment from a broad base of third-party sellers and exercise higher control over user experience via partially owning inventory and managing fulfilment and logistics - Earn margins on owned inventory/receive a take rate on third-party inventory	(e.g., Flipkart, Nykaa)
Other models (non-market-place)	Customer-focused online retailers/service providers	- Platform is the sole seller/service provider; no other third-party sellers/service providers present on platform - Full control over customer experience via tight curation of supply and delivery (e.g., holding select inventory in own warehouses, supply standardisation via franchise model, and employing service providers) - Earn margins on inventory sold/services provided	(e.g., Zepto, OYO)
	Production-led models	- Companies owning design and production within the value chain; typically have unique brand identity and leverage direct and indirect channels to acquire customers/businesses - Earn margins on own manufactured products	(e.g., boAt, Mamaearth)

Notes: Marketplaces mentioned above are illustrative and not exhaustive; Nykaa sources beauty and personal care products directly from brands or their authorised distributors and operates a managed marketplace for their fashion business
Source: Bain analysis

Figure 7: In India, marketplaces have established a ubiquitous presence across categories

Horizontal B2C e-commerce  Horizontal platforms (e.g., Flipkart, Amazon)	Vertical B2C e-commerce  Vertical platforms (e.g., Nykaa, Myntra)	B2B e-commerce  Downstream (e.g., Udaan, Ninjacart) Upstream (e.g., OfBusiness, Zetwerk, Venwiz, Bizongo, Infra.Market, Power2SME)	Edtech  Online educational platforms (e.g., Unacademy, Eruditus)
Online food delivery  Restaurant discovery and food delivery platforms (e.g., Zomato, Swiggy)	Automobile platforms  Used 4 wheeler/2 wheeler platforms (e.g., CarDekho, Spinny)	Fintech  Insurance aggregators (e.g., Coverfox, Policybazaar) Financing/lending (e.g., Yubi, Vayana) Wealth management and investment platforms (e.g., Wint, INDwealth)	Shipping and Logistics  Trucking, on-demand, and last-mile delivery platforms (e.g., BlackBuck, Porter)
Other 			
Classifieds (e.g., recruitment platform Apna, real estate platform NoBroker, and others, such as IndiaMART, Quikr, WedMeGood) Gaming platforms (e.g., WinZO)	Healthcare services (e.g., Practo, MediBuddy) Creative services (content writers, designers, social media influencers) (e.g., Pepper Content)	Entertainment (e.g., BookMyShow) Professional/home services (e.g., Urban Company)	Travel and Mobility (e.g., EaseMyTrip, Ola, Uber) Sports and fitness networks (e.g., Sportido, Fitrr)

Notes: Marketplaces mentioned above are illustrative and not exhaustive; "Other" includes segments that are relatively less salient (i.e., do not contribute significantly to total deal value or volume in 2021); Nykaa sources beauty and personal care products directly from brands or their authorised distributors and operates a managed marketplace for their fashion business
Source: Bain analysis



Evolution of Indian marketplaces

- ▶ Consumer behaviour has evolved significantly over the past five years. More consumers are discovering products and services online, are not loyal to one brand or platform, and are willing to pay a premium for convenience. Consequently, marketplaces have matured over time and have created a one-stop-shop ecosystem, built personalised solutions, and strengthened in-house logistics.
- ▶ Small businesses are increasingly becoming digitised. About 10% of the universe of 65 million MSMEs today are active buyers and sellers on online marketplaces. Marketplaces add immense value to businesses by consolidating supply, widening customer bases, and providing access to capital and reliable logistics support.
- ▶ In this context, marketplaces have had a significant impact on the Indian economy by democratising online shopping, expanding access to essential services, and enabling greater financial inclusion for underserved individuals and small businesses. Marketplaces have helped reimagine supply chains by eliminating intermediaries, strengthened the logistics infrastructure, and fuelled job creation for the gig workforce.
- ▶ Policymakers have undertaken multiple initiatives to strengthen the marketplaces ecosystem. The Government e-Marketplace was launched in 2016 to provide transparency in public procurement. Recently, the Open Network for Digital Commerce was introduced to enable platform-agnostic commerce. The Open Credit Enablement Network provides a framework to digitise the lending value chain, and a series of PLI schemes and free trade agreements (FTAs) were introduced to boost manufacturing and exports.
- ▶ Investors have doubled down on marketplaces with strong funding traction despite Covid-19. 2021 was a momentous year for marketplaces. Between 2018 and 2021, deal value quadrupled, reaching approximately \$16 billion in total funding, while deal volumes doubled. Funding activity was largely driven by high-value deals: more than 135 companies raised funding, of which more than a third drew late-stage (Series C+) capital.
- ▶ The year 2022 saw moderated funding activity with tempering of 2021 highs. Marketplace funding in 2022 amounted to about \$4.5 billion in the first ten months. Measured dealmaking is expected in the near term given rationalisation of valuation multiples and muted equity markets due to global uncertainties and lower investor confidence.

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Figure 8: Consumer behaviour has significantly evolved over the past five years, with greater digital influence, more choices, and increasing preference for convenience

			
The consumer is always online	The purchase journey begins online and is digitally influenced	Consumers are not loyal to one brand or platform	Convenience becoming important beyond only “value”
• More consumers are online now than earlier – 450M+ users on social media applications, 400M+ users consuming video content – Online shopper penetration (as % of internet users) at 30% in 2021 vs. 23% in 2018	• As consumers spend more time online, they are beginning to discover products/services online – 62% of urban consumers discover products online before making any purchase (online or offline) – Increasing discovery of financial products online (e.g., 13M–14M average monthly visits on Policybazaar to compare insurance products)	• Consumers tend to use multiple brands or platforms in parallel – Consumers look for choices and evaluate multiple options before finalising a purchase – 50% of social commerce shoppers are brand agnostic	• Shoppers are increasingly seeking convenience (vs. solely value/discounts) as they mature, especially in metro and Tier-1 cities – Increasing willingness to pay a premium for convenience (e.g., additional commission and delivery charges on food delivery platforms such as Swiggy, Zomato)

Sources: Forrester; SimilarWeb; Bain analysis

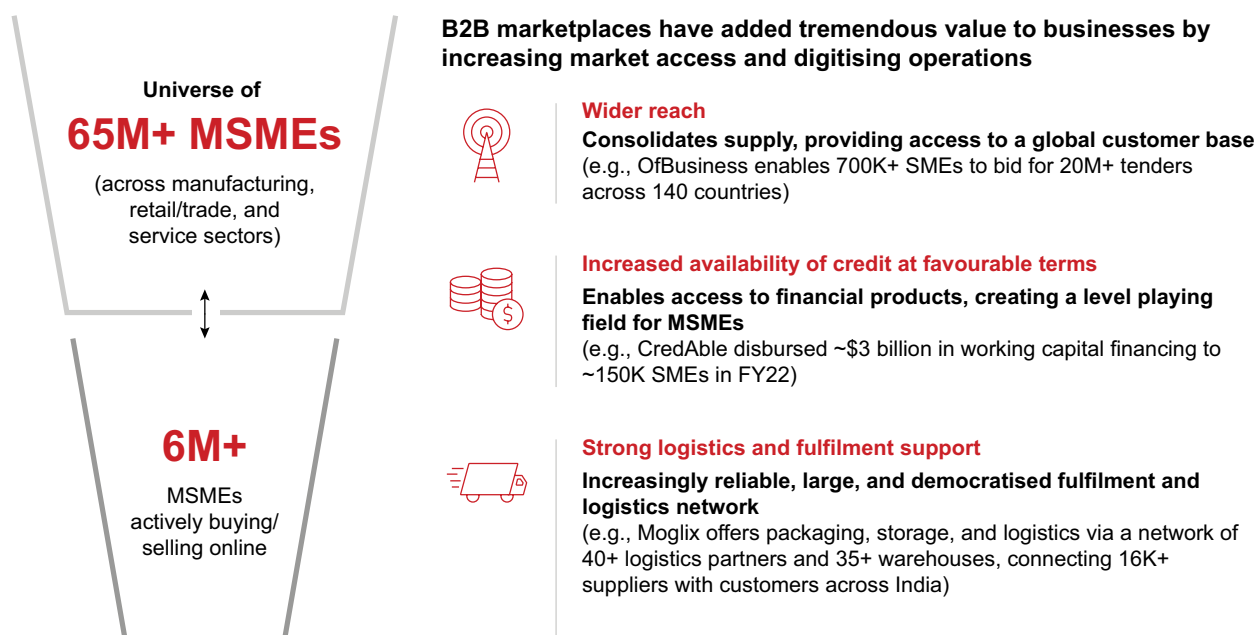
Figure 9: As a result, marketplace models have matured over time by investing in building an ecosystem, increasing personalisation, and strengthening in-house logistics

		
Ecosystem strategy: Creating a one-stop shop	Personalisation in offerings: It's all about “me”	Control of the end-to-end supply chain
SELECT EXAMPLES		
• Swiggy: Expanded its core offering of delivering food to now “delivering convenience” across categories – Swiggy has built multiple adjacent offerings to capture a greater share of customer’s wallet and increase recall via grocery delivery (Instamart), concierge/on-demand services (Genie), restaurant discovery (Dineout), and a marketplace for direct-to-consumer (DTC) brands (Minis) • NoBroker: Expanded core listings offering to other ancillary services – Offers moving and packing, painting and cleaning services, along with an option to pay rent via the app, providing an end-to-end experience for renters	• Purple: Provides an in-store-like experience to its users through its personalised app experience and unique content on beauty advice – Rich customer experience driven by AR and digital tools providing personal match score and personalised recommendations – Deep content available to aid shopper education and discovery via Purple magazine and Beauty Studio, which includes 1:1 audio/video consultations with certified beauty experts, etc.	• Flipkart: Ensures high control over its logistics and fulfilment operations with an in-house logistics arm, Ekart – Wide distribution network of 55+ fulfilment and 2,000+ distribution centers – Strong differentiation, with ~99% pincode coverage given higher T2+ focus

Note: Marketplaces mentioned above are illustrative and not exhaustive
Source: Bain analysis

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Figure 10: A large number of small and medium-sized enterprises (SMEs) have also become digitally enabled in the past five years and have greatly benefitted from the advent of multiple B2B marketplaces



Sources: Ministry of Micro, Small and Medium Enterprises; India Council for Research on International Economic Relations; Bain analysis

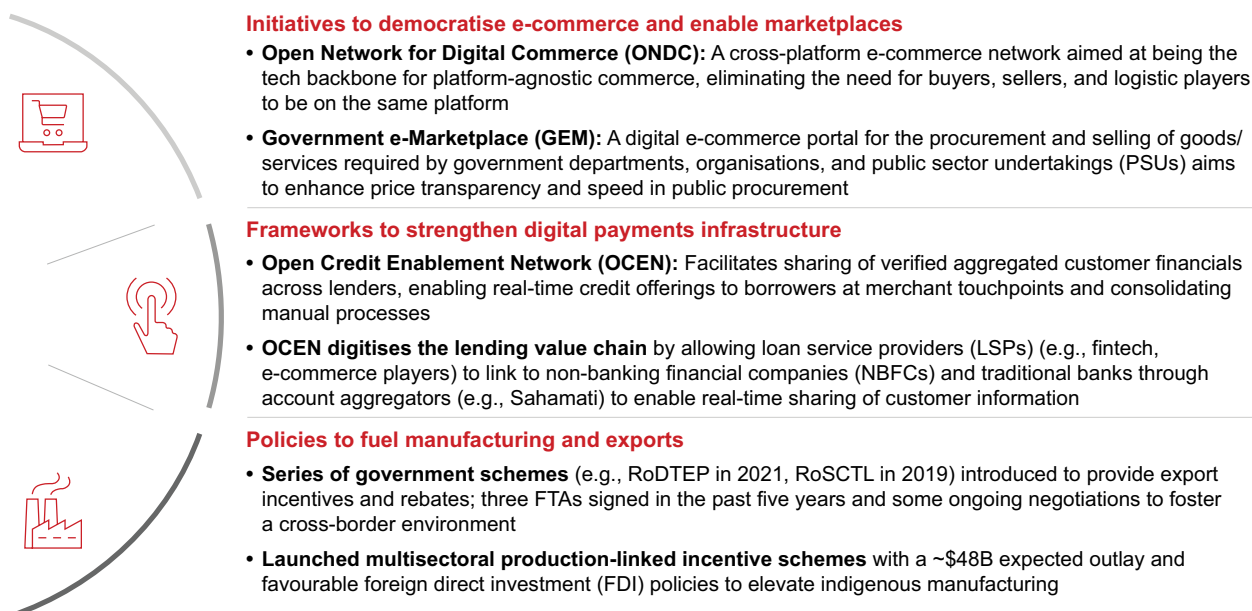
Figure 11: Marketplaces have also had a significant impact on the Indian economy



Note: Marketplaces mentioned above are illustrative and not exhaustive
Source: Bain analysis

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Figure 12: Policymakers are undertaking initiatives to build enablers, providing further tailwinds to marketplaces



Notes: RoDTEP=Remission of Duties and Taxes on Export Products; RoSCTL=Rebate of State and Central Taxes and Levies; FTAs signed with Mauritius in February 2021, UAE in February 2022, and Australia in April 2022 (FTAs with UAE and Australia are signed but yet to be implemented)
Sources: Ministry of Commerce and Industry; secondary research

Figure 13: As investors have doubled down on the marketplace model, there has been a significant uptick in funding activity in 2021 despite Covid-19

	2018	2021	YTD 2022
Deal values have quadrupled from 2018–2021	~\$3.5B	~\$16B	~\$4.5B
Deal volumes have doubled from 2018–2021	~100	~200	~130
More companies have raised funds ...	~80	~135	~110
... and drawn late-stage capital (Series C+)	30+	45+	30+

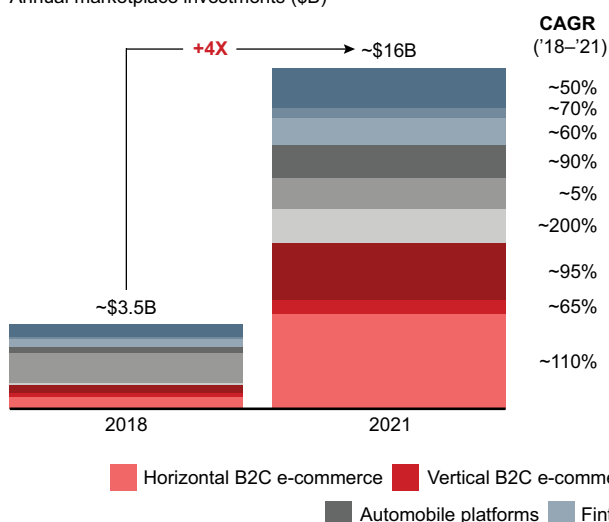
Notes: Deal value refers to aggregate funding received by marketplaces; YTD (Year to Date) 2022 data through October 2022; late-stage funding refers to Series C and above where funding stage is known
Sources: Tracxn; Crunchbase; Bain PE VC deals database; Bain analysis

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Figure 14: 2021 was a monumental year for Indian marketplaces, with record highs in investing activity—deal value quadrupled and deal volume doubled vs. 2018

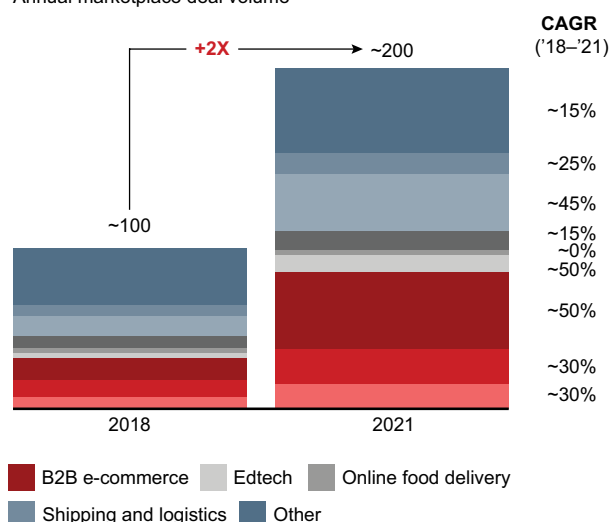
Deal value has quadrupled from 2018–21

Annual marketplace investments (\$B)



Deal volume has doubled from 2018–21

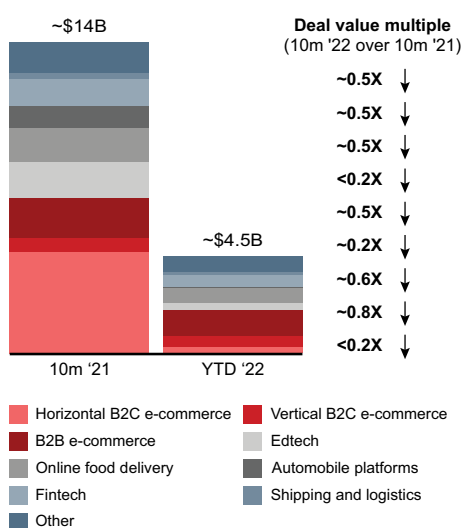
Annual marketplace deal volume



Notes: Deal volume includes deals with undisclosed deal values; "Other" includes travel and mobility platforms, healthcare services, classifieds, professional services, entertainment, sports and fitness, creative content, and gaming marketplaces
Sources: Tracxn; Crunchbase; Bain PE VC deals database; Bain analysis

Figure 15: Funding activity has been moderate in 2022 YTD, given tempering of 2021 highs, valuation corrections, and muted sentiments in global public markets

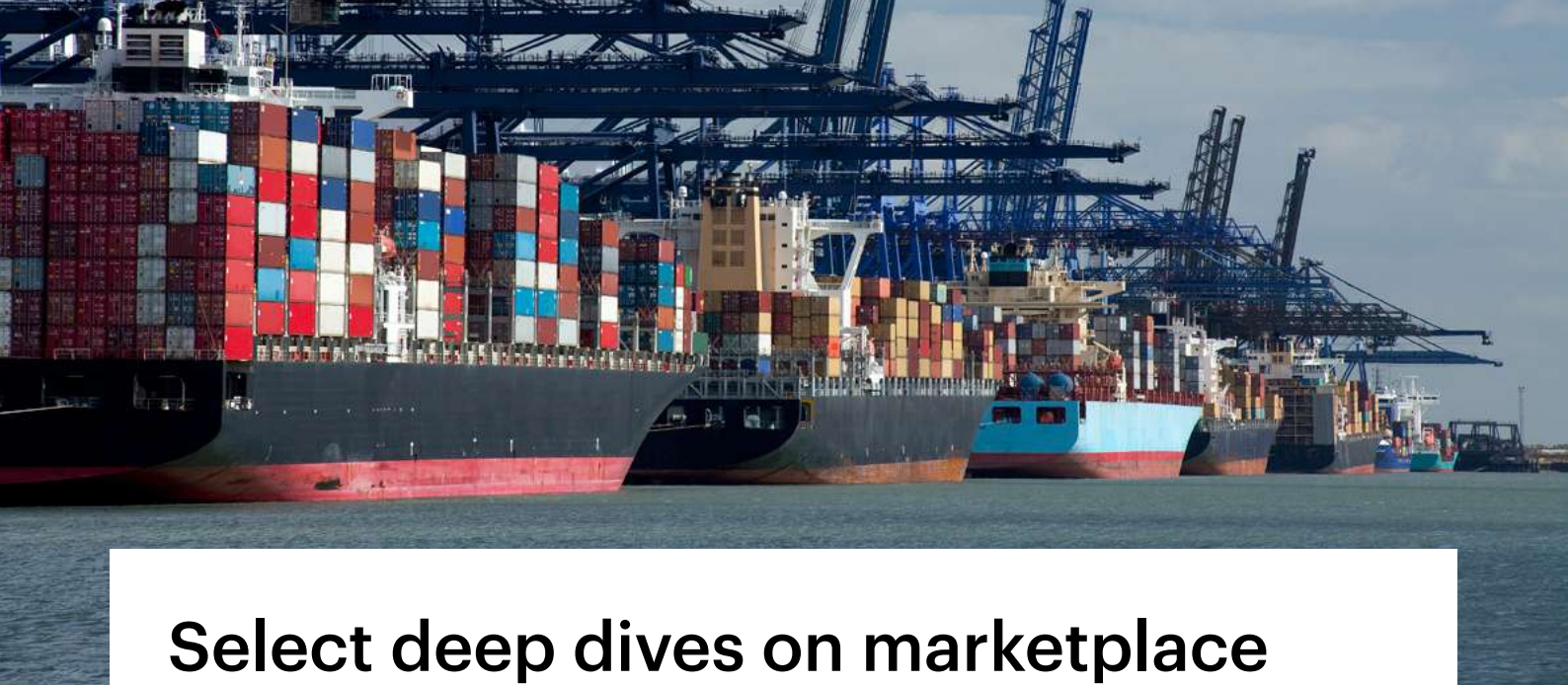
Annual marketplace investment (\$B)



Measured dealmaking and slight moderation expected in the near term

Tempering of 2021 highs 	Funding activity expected to continue at a slower pace after a record number of deals and exits in 2021; deal volumes doubled in 2021 while average deal value tripled to ~\$80M vs. 2020 Going forward, investors are likely to focus more on unit economics, proven models, and founders who are able to balance growth and profitability
Moderated valuations 	Dealmaking likely to be more measured , and valuation multiples will see some degree of rationalisation Funds in India are anticipating corrections from last year's high valuations; valuation multiple compressions in the US markets expected to trickle into some sectors (~26% PE compression in S&P 500 in June 2022 vs. January 2022 levels)
Muted equity markets 	Public markets expected to stay muted in the near term , driven by global uncertainties (e.g., inflation, supply chain disruptions) and lower investor confidence - As Indian equity markets declined ~9% in H1 2022, companies considering listing are likely to adopt a wait-and-watch approach depending on market recovery - IPO momentum expected to moderate as SEBI proposes stricter listing norms

Notes: Ten-month (10m) 2021 and YTD 2022 data through October; "Other" includes travel and mobility platforms, healthcare services, classifieds, professional services, entertainment, sports and fitness, creative content, and gaming marketplaces; SEBI=Securities and Exchange Board of India
Sources: Tracxn; Crunchbase; Bain PE VC deals database; Bain analysis



Select deep dives on marketplace segments

- ▶ Upstream B2B, fintech, and shipping and logistics are attractive segments with significant growth potential.
 - **Upstream B2B:** Rapid scale was driven by an approximately \$1 trillion addressable market, a growing base of digitised MSMEs, and scope for disintermediation. Marketplaces have empowered small businesses by consolidating fragmented buyers/suppliers, improving capacity utilisation, streamlining logistics management, and providing financial support.
 - **Fintech:** A large number of underbanked MSMEs, low insurance penetration, and increasing financial literacy have driven the proliferation of fintech marketplaces. These marketplaces provide better utilisation of capital for lenders and a vast choice of financial products for borrowers, especially new-to-credit customers, enabling greater financial inclusion.
 - **Shipping and logistics:** An approximately \$200 billion addressable market and supply chain inefficiencies have resulted in a surge of tech-based shipping and logistics marketplaces. These have strengthened the logistics ecosystem by reaching traditionally unserviceable markets and enhancing experience for shippers, fleet operators, and drivers.
- ▶ Going forward, T3+ cities and exports are exciting areas for marketplaces to emerge in. In addition, there are multiple categories, such as gaming, caregiver services, and Web 3.0, where marketplaces have scaled in the US and China, which can be potential white spaces for India.
 - **Bharat opportunity:** Historically there has been limited activity catering to T3+ consumers and small businesses in Bharat due to subpar shopping experience and unfavourable unit economics. Given increasing T3+ participation, marketplaces have begun to invest in voice/ vernacular technologies and have increased focus on agritech solutions supporting millions of farmers in Bharat.

The Rise of Digital Bazaars in India

- **Global opportunity:** Massive opportunity exists for manufacturers, as exports from India are expected to reach about \$1 trillion by 2027. Recently, there have been a slew of cross-border marketplaces driven by government initiatives to boost domestic manufacturing and a global impetus towards supply chain diversification.
- **Potential white spaces:** Gaming, caregiver services, real estate reservations, creative content, and Web 3.0 segments are currently nascent in India but are potential white spaces for marketplaces to emerge in, given examples of scale marketplaces in mature markets such as the US and China.

Figure 16: Upstream B2B, fintech, and shipping and logistics are attractive marketplace segments with significant growth potential



1

Upstream B2B

~\$1T addressable market with significant headroom for online penetration and massive potential to address critical buyer/seller pain points



2

Fintech

\$400B+ addressable financial services market with growth in demand from user base (retail consumers, MSMEs) using digital platforms for financial products discovery



3

Shipping and Logistics

Continued disruption of the \$200B+ logistics market with tech innovations to improve efficiencies and consolidate supply

Notes: Market sizes above are CY22 estimates; B2B market comprises upstream, downstream, and cross-border; upstream B2B marketplaces refer to marketplaces connecting brands/manufacturers/service providers with vendors/suppliers for inputs; downstream B2B marketplaces refer to marketplaces connecting brands/manufacturers/channel intermediaries with retailers/small enterprises for sale of consumer products; cross-border marketplaces refer to marketplaces connecting brands/intermediaries/manufacturers with merchants located in other countries for international trade
Source: Bain analysis

The Rise of Digital Bazaars in India

Figure 17a: Upstream B2B is a \$1T+ opportunity with high margin potential; fragmented supply, need for disintermediation, and government initiatives are key growth drivers

Funding snapshot



Annual funding (\$M)



Investment highlights



Significant deals in 2021

- OfBusiness (\$800M)
- Zetwerk (\$480M)
- Infra.Market (\$238M)
- Bizongo (\$170M)
- Moglix (\$120M)

Market overview: Key categories



Raw materials

are used directly in production of finished goods across industries (e.g., Infra.Market)



Packaging

materials to protect goods, such as corrugated cartons, laminates, pouches (e.g., Bizongo)



Maintenance, repair, and operations (MRO) supplies

needed for the maintenance and repair of the facility/plant/office (e.g., Moglix)



Manufacturing services

include fabrication of steel parts, apparel manufacturing (e.g., Zetwerk, Venwiz)

Growth drivers: The India opportunity



~\$1T+ addressable market and fragmented base of 65M+ MSMEs with limited negotiating power, resulting in more opportunities for online marketplaces to address buyer/seller pain points (e.g., pan-India reach, access to credit)



Presence of multiple intermediaries and high margin leakage along the value chain, allowing online marketplaces to consolidate supply, increase efficiencies, and lead to better financial outcomes for buyers and sellers



Government initiatives to improve capex outlay and fresh investments with ~\$48B PLI outlay planned over five years starting from 2021, enabling economies of scale and favourable FDI policies and improving the ease of doing business

Emerging trends: What's next?



Multi-category play to deepen share of customer's wallet, and applying learnings to win in multiple categories (e.g., Moglix has expanded to packaging and construction raw materials)



Cross-border driven by increasing salience of China +1 strategy to diversify operations to other low-cost manufacturing hubs in Asia (e.g., Fashinza, Groyyo are offering apparel manufacturing in India to US fashion brands)



Investments in vertical integration to increase control on supply and capture a greater part of the profit pool (e.g., OfBusiness has acquired manufacturing units across multiple key categories)

Sources: Tracxn; Crunchbase; Bain PE VC deals database; Bain analysis

The Rise of Digital Bazaars in India

Figure 17b: Upstream B2B marketplaces have added significant value by offering a strong value proposition to both buyers and sellers

Buyer value proposition

Single point of contact for supplies



Acts as a single point of contact to evaluate and source from fragmented supplier base

Reliable supply



Provides reliable supply capacity year-round along with timely deliveries

Strong customer service/project management experience



Proactively manages customer relations with periodic follow-ups with project stakeholders

Price discovery and competitive prices



Allows price discovery/comparison across vendors and potentially better prices (especially for smaller customers)

Ensured product quality



Coordinates design requirements and ensures reliable quality checks

Favourable credit terms



Typically provides credit (usually for 30 to 60 days) for even small/new customers along with option of working capital financing

Supplier value proposition

Large pan-India customer base access



Offers access to pan-India customer base with minimal sales and marketing effort from the supplier

Streamlined logistics management



Provides strong logistics support (self/third party) and coordinates effectively for timely deliveries

Reduction of credit risk



Aids in on-time payments through customer receivables securitisation (letter of credit, etc.)

High installed capacity utilisation



Enables utilisation of surplus capacity during periods with lower demand from direct customers

Favourable credit terms



Offers up-front payment to the supplier (and advances in case of manufacturing suppliers) along with options of working capital financing

Reliable supply and better pricing structure



Deep relationships between manufacturing services platforms and raw material traders ensures priority supply at competitive rates

Source: Market participant conversations; Bain analysis

The Rise of Digital Bazaars in India

Figure 18a: Low penetration of financial/insurance products, digitisation of user base, and easy-to-use digital platforms have led to growth of fintech marketplaces

Funding snapshot



Annual funding (\$M)



Investment highlights



Significant deals in 2021

- Policybazaar (\$463M)
- Groww (\$334M)
- Paytm Insurance (\$123M)
- Yubi (\$90M)
- Vayana (\$38M)

Market overview: Key categories



Financing and lending platforms

Enabling financing (including consumer loans and enterprise financing) with lenders/investors (e.g., CredAble)



Insurance platforms

Listing insurance providers and products offered (e.g., Turtlemint, Coverfox)



Wealth management platforms

Online investment platforms for third-party products like mutual funds, fixed deposits, bonds, and other fixed income securities (e.g., Groww)

Growth drivers: The India opportunity



Large base of underbanked MSMEs: ~65% of MSMEs borrow from informal sources; headroom for growth in insurance penetration (current penetration is 3%–4% of the population), and untapped high-net-worth individuals/affluent segments shifting wealth from physical to financial assets provide tailwinds for fintech marketplaces in India



Digitised user base and increasing financial literacy: More consumers are now online and are using mobile/online channels, resulting in increased awareness, education, and discoverability of financial products



Ease of comparison on digital platforms: Customers are increasingly accessing easy-to-use marketplaces to evaluate insurance policies, mutual funds, and financing options of multiple players before making a purchase

Emerging trends: What's next?



Regulatory norms for digital lending platforms focused on increased transparency around interest rates, processing charges, and guidelines for recovery practices and investor grievance redressal frameworks



Embedded VAS offering, such as accounting services and analytics, payment services, regulatory compliances, and customer-centric recommendations, enhancing lending and investment experience for users

Note: Enterprise financing refers to short- and long-term debt
Sources: Tracxn; Crunchbase; Bain PE VC deals database; Bain analysis

The Rise of Digital Bazaars in India

Figure 18b: Fintech marketplaces connect a wide pool of borrowers and lenders, and offer increased access to a wide range of investment and insurance products



Financing and lending

- **Greater financial inclusion** for new-to-credit customers by connecting them to a wide pool of lenders
- **Better utilisation of capital** for lenders driven by availability of a wide range of investment opportunities
- **Lower interest rates** vs. existing informal credit sources for MSME borrowers
- **Superior customer experience** with faster turnaround time (TAT) for the entire loan process driven by digital documentation workflows and VAS



Insurance

- **Greater degree of transparency and convenience** in buying insurance policies (vis-à-vis offline agents)
- **One-stop-shop platform** to make an informed choice by allowing users to compare multiple policies across various parameters online
- **End-to-end support pre- and post-purchase** via VAS across multiple policies held by the customer



Wealth management platforms

- **Increased financial education and a vast choice of investment products**, even for low-ticket-size investors
- **AI-based recommendations** to objectively compare and invest in, based on personal financial goals and risk appetites
- **Increased asset under management (AUM) for wealth managers** driven by a wider pool of retail investors, including first-time buyers
- **Simplified tracking** of portfolio performance with easy-to-use, intuitive dashboards

Note: Marketplace categories listed above are illustrative and not exhaustive
Source: Bain analysis

The Rise of Digital Bazaars in India

Figure 19a: Shipping and logistics is a large, unorganised industry ripe for disruption by marketplaces investing in tech-based innovation to drive efficiencies

Funding snapshot



Annual funding (\$M)



Investment highlights



Significant deals in 2021

- Shiprocket (\$301M)
- Porter (\$103M)
- BlackBuck (\$67M)
- Pickrr (\$12M)

Market overview: Key categories



Third-party logistics aggregators

Platforms providing unified shipping solutions, typically e-commerce focused (e.g., Shiprocket)



Intercity players

Logistics aggregators that enable matching between shippers and truckers (e.g., BlackBuck)



Intracity players

Logistics aggregators focused on 4 wheeler demand and supply for transport within a city (e.g., Porter)



Last-mile logistics providers

Platforms providing on-demand/scheduled deliveries (typically B2C) (e.g., Shadowfax)

Growth drivers: The India opportunity



Large market opportunity and underlying demand growth for efficient logistics driven by growth in overall trade levels with high exports and manufacturing, increasing salience of D2C and specialised e-commerce players



Inefficiencies in the existing supply chain with a highly fragmented supply (limited visibility, need for just-in-time planning, lack of price transparency) as well as demand (small D2C brands, export-oriented SMEs)



Increasing need-based segmentation of different shippers (e.g., SMEs, e-commerce players), presenting an opportunity for multiple archetypes to offer distinctive value propositions (intercity/intracity /last mile-distribution, etc.)

Emerging trends: What's next?



Emergence of innovative business models solving short-haul inefficiencies like intracity on-demand trucking (e.g., Porter) and asset-light shipping as a service (e.g., Shiprocket)

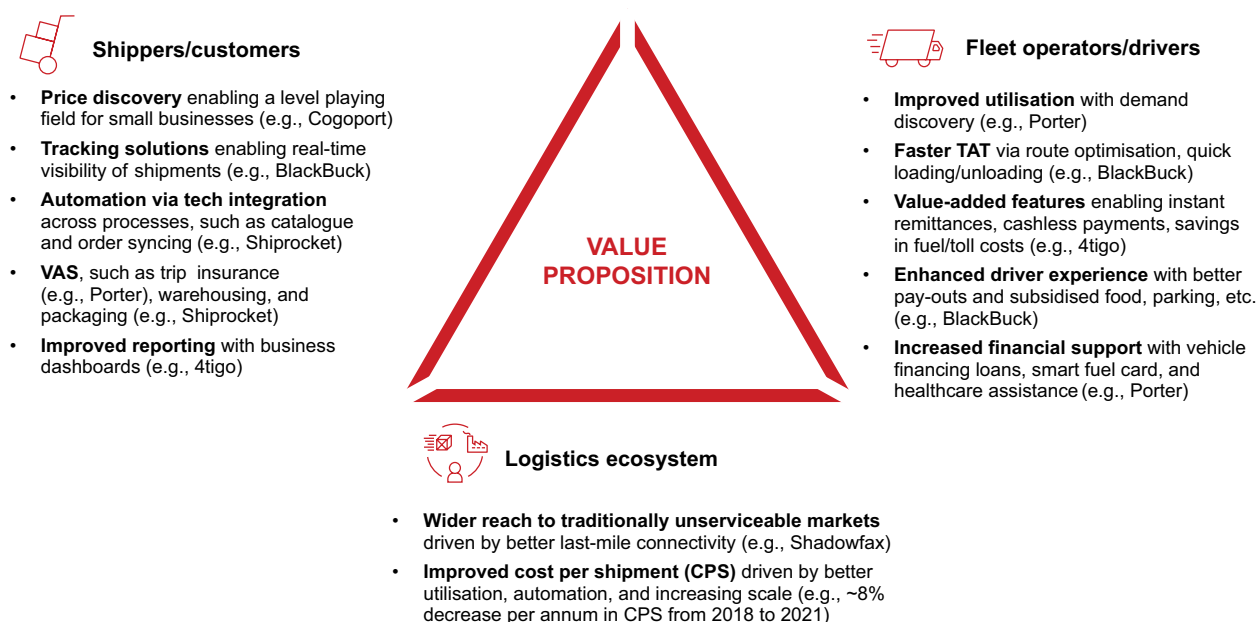


Emphasis on automation: Use of Internet of Things, smart sensor applications to improve visibility and tracking across the supply chain, and sophisticated analytics that use data to provide real-time business insights

Notes: Marketplaces mentioned above are illustrative and not exhaustive; categories such as B2C e-commerce logistics and B2B express logistics are outside the purview of this report given limited presence of marketplace models
Sources: Tracxn; Crunchbase; Bain PE VC deals database; Bain analysis

The Rise of Digital Bazaars in India

Figure 19b: Shipping and logistics marketplaces offer enhanced value proposition via integrated platforms, financial support, and VAS to all stakeholders



Note: Marketplaces mentioned above are illustrative and not exhaustive
Source: Bain analysis

Figure 20: Going forward, focus on Bharat, cross-border opportunities, and other existing white spaces are expected to gain traction



Note: Metro area/Tier-1 category covers top 50 cities based on population, Tier-2 category covers next 100 cities, and the rest of India is classified as Tier-3/smaller cities
Source: Bain analysis

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Figure 21: Bharat is a largely untapped opportunity given existing challenges; however, marketplaces are increasingly starting to address the Bharat opportunity

Large opportunity and growing participation from T3+ cities ...



... but marketplace activity is still limited due to existing challenges

- **High trust deficit:** Perception of better reliability from offline channels
- **Poor app experience:** Low phone storage space, unreliable Internet speeds, and lack of comfort with non-vernacular platform interfaces
- **Leaky supply chain:** Limited real-time information resulting in high wastage, especially in agri businesses
- **Unfavourable unit economics:** High salience of small-ticket items, low order density, ~1.5X longer distances and 2X–3X higher CPS

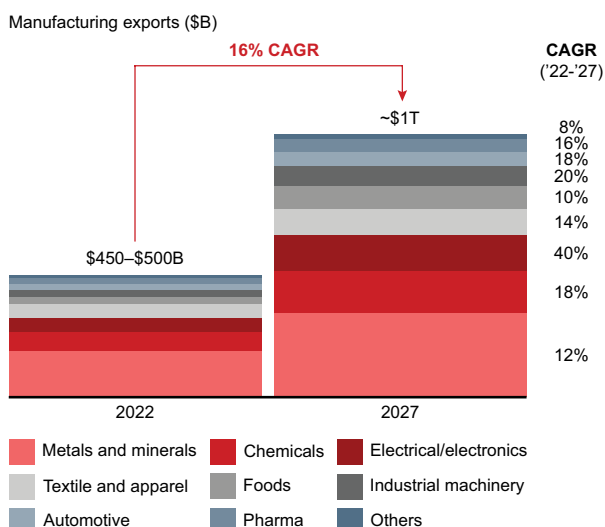
Marketplaces are actively investing to address the Bharat opportunity

- **Efforts to reach vernacular shoppers (70% from T3/smaller cities)**
 - Flipkart is investing in voice/ vernacular technologies; acquired Liv.ai, which converts speech to text in 10 Indian languages
- **Increasing salience of farm-focused marketplaces supporting millions of farmers in Bharat**
 - Agricultural input platforms providing quality procurement and financial solutions (e.g., BigHaat, Agrim)
 - Tractor and farm equipment platforms (e.g., Tractor Junction) that connect tractor buyers and sellers

Notes: Metro area/Tier-1 covers top 50 cities based on population, Tier-2 covers next 100 cities, and the rest of India is classified as Tier-3/smaller cities;
 *this metric pertains to the period of June 2021–April 2022
 Source: Bain analysis

Figure 22: Manufacturing exports from India are expected to reach ~\$1T by 2027, fuelled by mega trends that got fast-tracked during the past two years

Exports are expected to become a ~\$1T market opportunity by 2027



Significant tailwinds from macro trends and government expenditure ...

- **Global impetus on supply chain diversification:** Countries are turning to India to diversify operations as they adopt a China +1 strategy to mitigate supply chain risk
- **Government initiatives improving overall thrust on capital expenditure:** \$48B PLI outlay expected in the next five years, three new FTAs signed in the past five years
- **Increasing capex cycle expected:** In the next five years, capex is projected to be ~6X times higher vs. the past five years

... leading to increasing salience of cross-border marketplace players

- **Captain Fresh (founded in 2019):** Expanded operations to US, Middle East, and Spain, connecting international retailers with Indian farmers and fishermen
- **Fashinza (founded in 2020):** Connects global fashion brands to manufacturers in India, providing end-to-end apparel manufacturing solutions
- **Groyyo (founded in 2021):** Connects manufacturers with fashion and lifestyle brands across nine countries and offers digitised manufacturing processes

Sources: Ministry of Commerce; IHS Markit; WTI; Euromonitor; CRISIL analyst reports; Bain analysis

The Rise of Digital Bazaars in India

Figure 23: Potential white spaces in India includes gaming, caregiver services, real estate reservations, creative content, and Web 3.0, which have scale marketplaces in US and China

Global analogues			India landscape	
 Gaming	Connect gamers with creators/publishers to play, buy, and/or sell games	Mythical games Roblox	Emerging category with platforms enabling third-party publishers to list games (e.g., WinZO, MX Player Games)	
 Caregiver services	Connect caregivers like babysitters, pet sitters, care companions, etc. with families	Honor WeeCare UrbanSitter SitterCity	Nascent category with limited presence of emerging marketplaces (e.g., Broomees, BookMyBai)	
 Real estate reservations	Offer reservations for parking spots, office spaces, events to individuals and businesses	SpotHero ParkWhiz Breather PeerSpace	Nascent category with limited presence of emerging marketplaces (e.g., Park+, CoFynd)	
 Creative content	Connect consumers to content creators (musicians, celebrity content, etc.)	Cameo MasterClass Kuaikan Manhwa Ximalaya FM	Upcoming category with some content writing and influencer discovery marketplaces (e.g., Pepper Content, Qoruz)	
 Web 3.0	Allow users to browse, create, buy, sell, auction NFTs and crypto collectibles	OpenSea Magic Eden	Upcoming category with emerging NFT and cryptocurrency marketplaces (e.g., WazirX)	

 US marketplaces
 China marketplaces
 Valuation >\$1B

Note: Marketplaces mentioned above are illustrative and not exhaustive
Source: Bain analysis

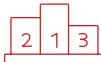


Winning formula and key learnings for founders

- ▶ **Indian markets have received continued interest from investors.** This has been driven by the presence of large, unorganised, offline industries with significant headroom for growth in e-commerce penetration, fuelled by rising disposable incomes and middle-class expansion. Marketplace models in India have shown evidence of scale, driven by strong network effects, clear path to profitability, and multiple successful exits, including stock exchange listings and acquisitions by retail behemoths. Investor confidence in Indian marketplaces has also been bolstered by scale global analogues of similar models in mature markets such as the US and China.
- ▶ **Investors use two key vectors to identify winning marketplaces:** a large, attractive market and a differentiated business model. The size of the addressable market, fragmentation of buyers and sellers, and potential for value add and disintermediation are key criteria to establish market attractiveness. Marketplaces must also have a clear value proposition, strong monetisation potential, and a focus on unit economics to build a defensible business model.
- ▶ **Key learnings for founders:**
 - As they scale their core business, we recommend early-stage founders leverage opportunities arising from industry-wide disruption or evolving customer behaviour. Additionally, a sharp focus on product-market fit is critical, as is identifying the true constraints between the demand and supply side. Continuous tracking of critical business metrics is also crucial to assess the health of the business.
 - As the business matures, late-stage founders should focus on building strong, defensible moats for sustained growth, aim to create a differentiated offering to drive user stickiness, and chart a clear path to profitability with a strong focus on unit economics for long-term success.

The Rise of Digital Bazaars in India

Figure 24: PE/VC investors find Indian marketplaces attractive due to robust macro factors, rising penetration, scalable models, evidence of profitability, strong exit opportunities, and global analogues

					
Robust macroeconomic trends	Rising e-commerce penetration	Scalable model with non-linear growth	Path to profitability	Strong exit opportunities	Successful global analogues
Presence of sizeable unorganised offline markets (\$2T offline B2B market, \$1T B2C retail market) and growth in total consumption from ~\$2T in FY21 to ~\$3T in FY26, led by increased demand from an additional 4M affluent and 33M mass affluent households	Significant headroom for e-commerce penetration to grow; current penetration in India at ~5% of retail is lower vs. other mature markets (~32% in China and ~20% in the US) and is expected to double in the next five years	Marketplace models demonstrate non-linear growth and enjoy higher return on assets (RoA), driven by the asset-light model, limited to no inventory risk and strong network effects	Indian marketplaces have shown evidence that the path to profitability and high return on capital employed (RoCE) exists, driven by underlying unit economics, scale efficiencies supported by tech innovations, and play in adjacent categories	Initial proof of scale in India with a slew of exits via listings (e.g., IPOs of Nykaa, Zomato, CarTrade, Policybazaar, EaseMyTrip, IndiaMART)	Presence of scale analogues with proven business models in mature markets such as China and US (e.g., Chinese e-commerce giant Alibaba [~\$1.2T GMV], US grocery delivery player Instacart [~\$25B GMV], and food delivery player DoorDash [~\$25B GMV])

Note: Low income: <\$4K, mass: \$4K–\$8K, mass affluent: \$8K–\$16K, affluent: >\$16K basis income per household in real terms; Nykaa sources beauty and personal care products directly from brands or their authorised distributors and operates a managed marketplace for their fashion business
Source: Bain analysis

Figure 25: Market attractiveness and business model differentiation are the key vectors that investors look at to evaluate marketplaces

1 Attractive market Opportunity	Large total addressable market and serviceable addressable market	Fragmented base of sellers and buyers	High channel margins and multiple intermediaries	High scope to improve quality of service	Successful global analogues
2 Differentiated business model	Clear value proposition	Strong supply chain control	Repeat purchase behaviour/retention	Stakeholder trust and advocacy	Clear monetisation potential (take rate, margins, credit, VAS, etc.)
	Strong network effects driving non-linear growth	Unit economics and path to profitability	Ecosystem of offerings and VAS	Attractive adjacencies (relevant for mature marketplaces)	Experienced leadership team

Sources: Industry participant interviews; Bain analysis

The Rise of Digital Bazaars in India

Figure 26: Moreover, there are some unique winning characteristics relevant for different marketplace segments

 Upstream B2B • Efficient working capital management - Moglix allows active management of working capital days (esp. accounts receivables) below target thresholds and minimisation of non-performing assets (NPAs) • Usage of technology as a differentiator - Bizongo enables business via supply chain automation (digitising multi-location logistics, automating demand planning, optimising inventory management) • Ability to offer credit and financial solutions - OfBusiness' robust credit arm offers financial support to suppliers/buyers (e.g., supply chain financing)	 Fintech • Robust and innovative underwriting model - Vayana uses nontraditional/surrogate data (e.g., transaction data, utility and other bill payments) to get a granular view of the business and determine borrower's creditworthiness and repayment ability • Superior data analytics driving customer retention - Groww invests in analytics to gather rich customer data and build an advisor relationship to increase customer retention	 Shipping and logistics • Value to shippers with a lower CPS - Porter provides high supply availability, price visibility, and scale in focus cities, resulting in favourable economics • High supply stickiness - Shiprocket offers financial solutions, VAS (e.g., warehousing, packaging) • Use of technology to drive efficiencies - BlackBuck allows app-based communication and real-time serviceability via geo-tracking and enables route optimisation
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Note: Marketplaces mentioned above are illustrative and not exhaustive; Nykaa sources beauty and personal care products directly from brands or their authorised distributors and operates a managed marketplace for their fashion business.
Sources: Industry participant interviews; Bain analysis

Figure 27: We recommend early-stage marketplace founders consider six key aspects as they build and scale their core business

 Timing is key—"why now?" Identify opportunities arising from an industry-wide disruption, evolving customer behaviour, or shifting channels. For example, cross-border players like Fashinza and Groyyo have capitalised on the pandemic-induced supply chain challenges and built a "design to delivery" platform addressing key pain points of global fashion brands	 Identifying the true constraint (demand vs. supply) Identify your "true" customer and differentially invest resources behind it to build a winning business model and achieve scale. For example, Ola and BlackBuck prioritised winning with their supply side, while Spinny focused on a differentiated buyer experience to attract demand onto the platform	 Iterating to achieve product market fit Use test beds for multiple iterations early on to prevent failure of business due to premature scaling. Many successful marketplaces have taken 6–12 months to achieve product-market fit (PMF). For example, Swiggy continuously iterated and first improved in one micro market before expanding operations to cover all of Bengaluru
 Being ready to operate at scale from Day 1 Heavily leverage technology for interfacing with demand-supply, and invest in digitised internal processes that are ready to scale from Day 1. For example, Swiggy switched from manual to automated internal processes in the early stages to be ready to operate at scale	 Tracking critical business metrics Build clear understanding of key operational requirements and associated costs to assess health of the business. For example, fundamental metrics in B2C businesses include LTV/CAC and in B2B businesses include working capital and debt requirements—which should be top of mind for founders from Day 1	 Building a repeatable playbook Ensure that the business model is replicable in other categories/regions to seamlessly drive future growth. For example, Ola first started services in Bengaluru and Mumbai, and eventually built a tested playbook to consolidate supply and garner demand. After 2 years, Ola was able to run pilots and expand operations to 5 other cities, by using learnings and best practices from its existing operations

Note: CAC=Customer Acquisition Cost; LTV=Lifetime Value
Sources: Industry participant interviews; Bain analysis

The Rise of Digital Bazaars in India

Figure 28: As the marketplace scales, we recommend founders develop a strong business moat, create stickiness, and focus on path to profitability



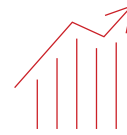
Creating defensible moats

Invest in future-proof moats to drive growth (e.g., Zetwerk heavily leveraged technology to build sophisticated project management tools, significantly reducing TAT for vendors)



Building stickiness

Craft a differentiated value proposition to drive stickiness (e.g., BlackBuck introduced toll tags, fuels cards, etc. to improve supply retention, resulting in increased touchpoints and platform recall; Urban Company recently awarded stocks worth INR 150 Cr to thousands of service partners via the Partner Stock Ownership Plan)



Clear path to profitability

Emphasise value addition over discount-driven subsidised pricing, razor-sharp focus on unit economics and understanding the true cost of negative contribution margins (e.g., Nykaa has been consistently profitable since FY20, posted ~24% gross margins and ~4% EBITDA margins in Q1 FY23)

Sources: Industry participant interviews; Bain analysis

The Rise of Digital Bazaars in India

Glossary: Definition of Indian marketplaces covered in this report

Marketplace

Online platforms that connect buyers and sellers of goods or services and provide infrastructure to facilitate a transaction



Presence of multiple buyers and sellers; the primary business of the platform is to initiate a transaction between a buyer and a seller



Operations primarily in India (i.e., majority of either buyers or sellers are in India), including cross-border players serving either buyers or sellers abroad



Provides at least one of the following:

- Facilitates interaction between buyers and sellers
- Provides the ability to transact and make payments
- Provides logistics to facilitate movement of goods
- Provides VAS for buyers (e.g., buy now, pay later [BNPL] and equated monthly instalment [EMI] options) and sellers (e.g., dashboards and data analytics)

Notes: Marketplaces as defined in this report exclude matrimonial and dating websites, given no transaction takes place and aggregators with franchise models that treat supply as exclusive; social media, and Crypto are not under the ambit of this report
Source: Bain analysis

The Rise of Digital Bazaars in India

Appendix: List of Indian marketplaces mentioned in the report

Sector	List of marketplaces
Horizontal B2C/C2C e-commerce	Amazon, Flipkart, FreeUp, MagicPin, Meesho, OLX
Vertical B2C e-commerce	Dunzo, Myntra, Nykaa, Purple
B2B e-commerce	AgriBazaar, Bizongo, Captain Fresh, Fashinza, Groyyo, Infra.Market, Moglix, Ninjacart, Power2SME, Udaan, Venwiz, Zetwerk
Edtech	Eruditus, Simplilearn, Unacademy
Online food delivery	Swiggy, Zomato
Automobile platforms	CarDekho, CarTrade, Spinny
Fintech	BankBazaar, Coverfox, CredAble, Groww, Impact Guru, INDWealth, Paytm Insurance, Policybazaar, Turtlemint, Vayana, Wint, Yubi
Shipping and logistics	4tigo, BlackBuck, Cogoport, Pickrr, Porter, Shadowfax, Shiprocket
Classifieds	Apna, CoFynd, IndiaMART, NoBroker, Park+, Quikr, WedMeGood
Gaming platforms	MX Player Games, WinZO
Healthcare services	MediBuddy, Medikabazaar, Practo
Caregiver services and creative content	BookMyBai, Broomees, Pepper Content, Qoruz
Entertainment	BookMyShow
Professional/home services	Urban Company
Travel and mobility	EaseMyTrip, Ola, Uber, Rapido
Sports and fitness networks	Fittr, Sportido
Web 3.0	WazirX

Note: The contents of this report are based on an analysis of 300+ funded marketplaces in India



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