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E-Commerce and Traditional Retail Business Models in India

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ABSTRACT :

Traditional retail models rely on a low-capital, family-owned ethos, combining low margins, frequent purchases, cash transactions, easy credit, and localized merchandise assortments. Operating as small supermarkets of assorted merchandise, they cater to basic needs with credit, home delivery, and personalized service, often within rural and suburban contexts that predicate the higher importance of neighborhood presence and credit availability. Low degrees of technical and accounting standardization have prevailed for over a century. Recently, such business configurations face disruption from large retailers, malls, supermarkets, and online e-commerce; the ascendant middle class and economic shifts have crystallized preferences for mall shopping and discounted online pricing. In response, large retailers have begun establishing small-format stores to extend their reach.

Keywords: E-commerce, Kirana Stores, Competition, Digital payment, Supply Chain

1. Introduction

India's e-commerce sector recently crossed the $100 billion mark and continues its remarkable trajectory toward the $350 billion projection for 2030. Globally, India ranks as the tenth-largest retail market and the second largest internet user base, accounting for 19% of the world's online consumer population. Once considered a capital-heavy and logistically challenging domain, online retail now leverages a vibrant ecosystem of multiple platforms, innovative technology, policies, and startups. This sector has attracted $34 billion in venture capital investment over the last decade.

Traditional retail has been the principal driver of Indian economic growth. Accounting for over 95% of retail transaction value through a heterogeneous spread of mom-and-pop stores that enjoy high consumer trust, this sector continues to hold significant sway. Nonetheless, these entities confront formidable pressures from the deepening reach of e-commerce.

2. Overview of E-commerce in India

The adoption and use of E-commerce in India have seen a rapid surge in the last decade. India is now the third-largest online retail destination in the Asia-Pacific region, after China and Japan. With a user base expected to exceed 700 million by 2023, the number of online shoppers in India is projected to reach 175 million, highlighting the immense potential for E-commerce in the country. India's E-commerce market was valued at US$50 billion in 2018 and is projected to expand to US$200 billion by 2026. The compounding effect of rising internet and smartphone penetration and organized retail also assisted the E-commerce growth. E-tailing, or electronic retailing, refers to the selling of goods and services over electronic systems like the Internet and other computer networks. Since E-commerce is conducted using electronic networks, transport facilities, and telecommunication infrastructure, E-tailing involves the entire supply chain of online shopping and selling of goods and services. The industries that provide support services to E-tailing are call centers, online marketing, online advertising, payment gateways, logistics, warehousing, inventory management, and others. The increasing acceptability of online shopping has urged organizations both in India and abroad to foray into E-commerce platforms and use E-tailing in their business models.

3. Traditional Retail Landscape

India's conventional retail formats, such as kirana and neighborhood general stores, have a significant cultural and economic presence. This channel accounts for roughly 90 percent of national trade in consumer goods. The traditional business model emphasizes low capital investment, family ownership, low margins, frequent customer purchases, dependence on cash transactions, easy credit terms, and localization of merchandise based on ethnicity. Such stores operate more like small supermarkets, competing by meeting locality-specific demands through merchandise, credit, home delivery, and personalized service. Levels of technical and accounting standardization are generally low.

4. Comparison of Business Models

The business model of Indian e-commerce companies differs structurally from that of traditional small retailers. Online firms primarily act as platform providers enabling sales rather than as direct retailers or marketplace operators; they usually contract delivery services to third parties or, in some cases, maintain their own fleets. E-commerce companies focus their product selection between wholesalers or national distributors and the final customer and collaborate with local traders only when the supply chain joins the platform at the last mile.

Traditional small retail stores maintain an integrated business model, handling inventory, sales, and often direct customer service. They typically own their stock, purchase from wholesalers or the open market, and sell directly to consumers, who prefer to purchase items immediately rather than waiting for delivery. Customer engagement in small traditional stores is predominantly face-to-face, relying on physical location and personal interaction, whereas online retailers depend on digital channels to connect with their customers.

4.1. E-commerce vs. Traditional Retail

Electronic commerce (e-commerce) represents an alternative business model to traditional retail, whereby business is conducted entirely through electronic means, especially the Internet. E-commerce allows organizations or individuals to conduct business without geo-digital constraints, facilitating remote trading and transaction globalization. In developed countries, the rapid growth of urbanization and the requisite business environments spurred the evolution of various business models, with the most popular channels for retailing being the supermarket, convenience store, e-commerce, direct-selling, and departmental store. In developing countries such as India, the traditional model dominates due to the country's vast rural population and generational opportunity to participate in the formal economy. However, with the urbanization of cities such as Gurgaon and Bangalore, 21st-century growth patterns replicate those of industrialized countries. The Indian primary retail market of several million small traditional shops undergoing industrialization towards 21st-century business models casts the dominant Indian suppliers and competitors into the role of the emerging e-tailer.

4.2. Customer Engagement Strategies

Customer engagement is among the foremost aspects that distinguish e-commerce business models from their brick-and-mortar counterparts. Traditional small retail stores in India are generally characterized by minimal capital investment, family ownership, low margins, frequent purchases, cash transactions, easy credit, and localized merchandise. Unlike large supermarkets, these establishments function more like small supermarkets that fulfill the daily needs of their immediate community by offering carefully selected merchandise, personalized credit, home delivery, and personalized service. Customer loyalty stems chiefly from interaction with helpful sales personnel, convenient home-shopping options, clean surroundings, attractive offers, and high-quality merchandise; in contrast, factors such as travel convenience and overall location ranking as less significant. Random or stochastic process models define inventory management and customer patronage for such shops, which exhibit low levels of standardization and represent the archetypal "mom-and-pop" or general stores catering closely to local preferences. Consequently, they face formidable challenges from organized big retailers, supermarket chains, malls, and the simultaneous rise of online e-commerce platforms.

5. Technological Impact on Retail

The retail environment in India is being transformed by increasing digitalization, offering consumers enhanced benefits, and requiring retailers to adopt new technologies to meet shifting needs. Digital payments have become an integral element in strengthening customer relationships for small retailers, but the pace of adoption remains slow due to the difficulty of assessing technological benefits and the absence of clear indications for digital integration. Micro-entrepreneurs continue to rely heavily on traditional cash-based transactions and remain unfamiliar with technological alternatives. Even when aware of small-scale digital solutions, skepticism about convenience and long-term efficacy persists, as does apprehension about increased transparency leading to higher taxation. Concerns about transparency disadvantages suggest that small store owners may not fully understand the benefits of data sharing and control over their operations. These factors collectively constrain small retailers in overcoming challenges such as competition from larger players with integrated supply chains and e-commerce platforms that have implemented some community-supportive features. Nevertheless, market competition and evolving consumer expectations at the local level create opportunities for innovation that can help small retailers remain relevant and competitive.

The supply chain also plays a fundamental role in the success or failure of retail businesses. Retailers, regardless of their category, lack direct engagement in the production of products, which are instead manufactured and delivered by producers. Therefore, a reliable, timely, and day-to-day coordination of the supply chain between retailers and product manufacturers is essential to providing consumers with the best experience and satisfying their preferences. The traditional model employs a push-based approach that links suppliers and retailers through procurement ordering, while online and offline models usually adopt a pull-based approach that is proactive and direct. Large traditional retailers potentially overcome the coordination and information problems created by the push-based system, although push methods make it challenging for suppliers to engage directly with consumers. The limited development of B2B online channels has resulted in minimal integration with B2C systems, indicating that the current demand-driven supply order system only partially achieves pull status and does not replace the push mechanism entirely. In general, retail customers are supported by an effective and flexible supply chain, which has therefore become a central activity for retailers in maintaining a competitive advantage and justifying coerced cooperation among all stakeholders.

5.1. Digital Payment Systems

Digital payments strongly support the progressing digital economy in India and encourage fundamental developments in technology, infrastructure, and regulatory frameworks. The resulting payments ecosystem accommodates all participants and situations, facilitating the transition to a cashless world. Public digital payments must provide an experience as convenient as cash, establish a healthy competitive environment for innovation, and enable all participants to flourish. E-commerce enables customers to buy desired products online, attracting customers through visual content and detailed product information. The innovative supply chain helps sell products from rural and poorer Indian regions while offering significant time savings to customers.

5.2. Supply Chain Innovations

India's retail sector has evolved significantly over the past few years, propelled by strong GDP growth, expanding disposable incomes, rising urbanization, and flourishing startups. Driving noteworthy changes within the sector, the technologies of e-commerce and digital payments have made considerable advances with both long-term and disruptive effects on retail models.

In the supply chain, e-commerce models have implemented three innovative mechanisms: (1) direct supply-chain operations, (2) vendor-managed inventory, and (3) single-point supply-chain ownership. Direct supply-chain operations involve the elimination of intermediaries. Vendor-managed inventory scopes out the overall market demand, allots the demand to specific sellers, and subject to a cap, appeals to a seller to meet the delivery requirements. Single-point supply-chain ownership assigns entire supply-chain responsibilities to one entity. By contrast, traditional retail chains continue to employ more conventional structures such as mall portals, wholesale markets, and distribution networks.

6. Consumer Behavior Analysis

The Indian retail landscape has undergone a stark metamorphosis, with traditional retail confronting competition from rapidly emerging e-commerce platforms. Consumer purchase behavior has shifted accordingly, and the B2B and B2C e-commerce models differ markedly in how the purchase experience impacts buying decisions. The influence of social media and reviews cannot be overstated, as these channels shape the perception of both business models and the shopping experience, affecting not only purchase decisions but also the growth of the retail industry as a whole by influencing consumer satisfaction, retention, and overall development.

6.1. Shifts in Buying Patterns

The retail landscape in India has undergone a stark metamorphosis over the years. Traditional brick-and-mortar retailing faces staunch competition from the rapid emergence of e-commerce platforms, which revolutionize the Indian retail industry by aligning with evolving consumer preferences. An analysis of B2B and B2C e-commerce platforms reveals differing purchasing patterns: in B2C markets, ease of payment and value-driven return policies are prioritized, while bulk purchases are important in B2B e-commerce markets. On-time delivery remains a critical factor common to both markets.

6.2. Influence of Social Media

Social media's influence on consumer behavior and shopping patterns has been a significant subject of study, especially in a context like India's where social media usage has been rising continuously and keenly. There is a steady academic stream on the topic that concentrates on the India of the present-day. Several of these works combine social media influence with a paradigm-shift from traditional commerce to e-commerce, showing the far-reaching effect that modern digital influence methods can have across an entire market, in a substantial form.

Social media has a wide reach and can create intimate, ongoing relations with consumers, many of them satisfied 'liking' a brand promoter's blog on Facebook or the most recent YouTube video from a well-known vlogger, for example. This pull of social-media linkage can correspondingly serve a crucial social communication role, such as building social capital. Indian consumers have been noted to display extremely positive responses to such communications, through a span of social media sites and formats. Indeed, the consumer dimension of Indian commerce as a whole is fundamentally shaped by social factors, that is pressures and incentives operating through the medium of the consumer's social group(s). This holds just as for shopping in traditional retail structures as for e-commerce. Social media may represent the most fully articulated manifestation of these social influences on buying behavior.

7. Regulatory Framework

Regulatory aspects play a crucial role in shaping business environments for e-commerce and conventional retail enterprises. India has adopted a policy framework that regulates foreign direct investment (FDI) in multi-brand retail, permitting 100 percent FDI via the government approval route if certain conditions are satisfied. Conversely, the government has yet to finalize a policy regarding FDI in e-commerce.

Strategic FDI is considered beneficial for both commerce models, given that foreign expertise, technological advancements, and enhanced infrastructure increase marketplace vibrancy. The competitive landscape that follows serves as an incentive for domestic companies to strive relentlessly for excellence.

However, care must be taken to avoid predatory pricing and the monopolization of domestic suppliers through exclusive contracting arrangements that circumvent the policy framework.

In the absence of a defined policy concerning the flow of FDI into e-commerce, domestic enterprises may declare that the paybacks offered by such foreign entities, as demonstrated in the multi-brand retail case, are not forthcoming. This situation advantages e-commerce firms, particularly those already interoperating with the retail sector, as existing multi-brand retail regulations do not extend to them. Local investment estimates suggest that mergers and acquisitions (M&A) activities, triggered by foreign firms entering the industry, could reach US $10 billion by 2020. The benefits provided to domestic businesses, particularly those in the e-commerce sector, through policy implementation, are posited to greatly facilitate this transition.

The establishment of a favorable regulatory and policy environment was among the seven key pillars identified, which drive India's economic competitiveness according to the World Economic Forum. This foundation promotes economic development and international integration. Foreign investment represents the gateway for foreign markets to access the domestic environment and emerge as credible long-term players. Although the foreign e-commerce expansion policy remains in an indeterminate drafting phase, the absence of relevant and effective regulations hinders the balanced development of complementary models.

7.1. E-commerce Regulations

E-commerce has emerged globally as a key driver of business and wealth creation, and India is no exception. Internet-savvy consumers increasingly prefer convenience, affordability, and wider product range of online shopping, contributing to exponential growth in e-commerce revenue that is expected to increase further. Digital payments have reached 18 billion transactions per month in India, underlining the scale of the sector. Several government initiatives, such as “Make in India” and the Goods and Services Tax (GST), support online retail growth, and Indian start-up companies play an increasingly prominent role. As a consequence, 60 million Indians shopped online in 2019, nearly triple the number in 2016, and e-commerce annual revenues reached some $60 billion in 2020, making India the third-largest global e-commerce market after China and the United States.

The Indian e-commerce market occupies a unique space. Its 30–40 million regular online shoppers are significantly more involved in the online commerce ecosystem than those in Western or even Asian markets. Domestic players sensitive to local preferences hold a greater market share than international competitors, yet global corporations corresponding more directly with Indian aspirations remain highly competitive. Local companies therefore face a more difficult environment, but their ambition to capture emerging market opportunities is also greater. E-commerce giant Amazon entered India in 2013 and has since spent billions of dollars across fresh, lifestyle, and electronics to consolidate its position, yet is still struggling with understanding the nuances of India's retail market and consumer expectations.

India's current pace of online commerce expansion has resulted substantially from progressive regulatory reform. India is a constitutionally sovereign republic with a multi-tiered system of governance. Central legislation is developed by Parliament, which is organized bilaterally into the Upper House (the Rajya Sabha) and Lower House (the Lok Sabha). The Council of Ministers is determined by the Prime Minister on the advice of the President. E-commerce operates under a web of laws. The Indian Contract Act, 1872; the Sale of Goods Act, 1930; the Information Technology Act, 2000 (as amended in 2008); the Consumer Protection Act, 1986; and the Competition Act, 2002, together all regulate e-commerce aspects. Financial controls in the banking system are overseen by the Reserve Bank of India. Several very broad directives issued by the Ministry of Corporate Affairs have had a marked impact on domestic and foreign investment in e-commerce. In general, e-commerce companies have found India relatively permissive, although the country continues to balance external interests with policy preferences supporting domestic business. Regulations governing foreign direct investment (FDI) remain among the least restrictive globally, free of the ownership restrictions that characterize many other sectors.

7.2. Traditional Retail Laws

The legal framework regulating traditional retail in India constitutes pivotal determinants influencing the operational modes and expansion opportunities of traditional retailers. Indian laws lumped under the category “retailing” address facets such as property, insurance, advertising, and contracts. The absence of laws directly concerning retail, broadly interpreted, leaves interrelated legal areas constraining the activities of ancient retail formats governed by concepts in various legislation.

Retailers most commonly secure property rights through ownership or tenancy agreements neither of which is defined in the Civil Code but remain essential for establishing possession. Contemporary commercial leases lack formalization; their execution often involves informal contracts, primarily oral, once a series of comprehensive negotiations yield understanding between buyer and seller. Informal contracts governing tenancy of premises for retailing ordinarily persist indefinitely until explicit termination. Conventional retailers satisfy insurance requirements (fire, theft, loss, and employee compensation) through insurance contracts with providers. Responsibilities regarding advertising and packaging material use fall within respective scopes of regulatory Acts; for instance, the Drugs and Cosmetics Act stipulates regulatory compliance concerning the sale of drugs and cosmetics. Direct consumer contracts, frequently explicit in early days' store-to-consumer transactions, increasingly appear in implicit forms.

8. Challenges in E-commerce

Challenges encompass supply-chain fragmentation, slow last-mile deliveries that undermine customer experience, and growing concerns about service privacy and data protection. Several unique aspects complicate the Indian industry's shift to digital commerce.

Achieving inventory transparency across so many small-scale retail formats is a significant obstacle. Providing accurate real-time information about local availability to online customers is essential for delivering a frictionless browsing and purchase experience; otherwise, firms must offer guarantees or compensations to preserve trust. In the organized retailing sector, suppliers are often reluctant to grant third parties access to back-end systems, viewing it as competitive information. Similar apprehensions among third-party logistics (3PL) providers restrict their willingness to invest in innovation and transfer benefits to e-commerce firms. Vendors sometimes underreport inventory to avoid the administrative burden of reallocating stock to the online channel. Additionally, many supply chain practices throughout the industry remain uncommercial, suboptimal, or poorly coordinated. Large format stores mostly own and operate their supply chains, whereas small-scale stores procure goods multiple times a day. Reducing stock-outs or forced purchases at depots through e-commerce portals becomes impractical without mechanisms to directly link information technology (IT) systems of stores and supply chain partners.

8.1. Logistics and Delivery Issues

The supply chain also poses a considerable challenge for e-commerce firms. Product deliveries often require 4-5 days. Time-to-fulfilment emerges as a critical determinant for online buying behavior, exerting a stronger influence than traditional time or cost factors. Online shopping is generally preferred when the purchase is not immediately urgent, whereas customers seek physical outlets for essential commodities like food. Manjeet et al. 5 segment e-commerce logistics into three stages: first mile, middle mile, and last mile. The first mile begins with a field executive collecting the shipment from a pick-up or fulfilment center and delivering it to a pre-processing center. Shipments then pass through hubs serving as consolidation points. Middle-mile operations transfer goods from the origin city's hub to the destination city's hub, where they are sorted according to PIN codes and dispatched to respective distribution centers. Last-mile operations involve pickups from distribution centers followed by final delivery to customers. Transportation costs peak during middle-mile transit, underscoring the importance of strategically located hubs and optimal mapping to distribution centers. The industry relies on economies of scale, consolidating shipments at hubs before onward movement.

8.2. Cybersecurity Concerns

Cybersecurity issues attract increasing attention from governments worldwide. Cybercrime causes untold losses in terms of business continuity, intellectual property theft, public safety, national security and customer confidence. India's domestic security censors have often pointed to cyberattacks against government targets, which have grown considerably during the Covid-19 lockdown period in 2020. Targets include corporate servers and e-commerce websites where disruptions have been observed. A lack of appropriate awareness and prevention methods threaten commonly used platforms.

9. Challenges in Traditional Retail

The traditional retail model of small stores relies on low capital investment, family ownership, low margins, frequent low-value purchases, dependence on cash transactions, easy credit, local merchandise based on ethnicity, home delivery, and personalized service. These stores operate with low technical and accounting standards and compete by serving local community needs. One of the most popular retail models in India for decades has been the kirana store, which is responsible for the vast majority of household purchases. Such a model is under threat from large retailers, malls, supermarkets, and online e-commerce players since the growth of the middle class and other economic changes have shifted retail preferences. Large retailers are therefore establishing small-format stores similar to kirana stores to capture market share from them. Disruptive trends such as mobile and digital technologies, the Internet of Things, crowdsourcing, and the make-in-India initiative strongly impact small stores. Studies show consumer loyalty is influenced primarily by helpful staff, cleanliness, attractive offers, and product quality, whereas location and convenience are less critical factors. Rural and suburban consumers continue to prefer small stores because they provide access to credit. Digitalization entails adopting new technologies and training staff accordingly, but penetration remains limited in small retail stores. This limitation hampers organizational performance and reduces the ability to understand and respond to customer needs, leaving traditional retailers vulnerable in a rapidly changing commercial landscape.

9.1. Competition from E-commerce

The advent of e-commerce in India has placed significant pressure on the traditional retail sector. This new format challenges the resilience of the established business model and is transforming customer preferences and support. Despite their enduring cultural and economic importance, traditional retail outlets are confronted with the need to evolve if they are to survive this competition.

Over the last five years, India's online retail sector has experienced rapid growth. Major B2C companies such as Amazon, Flipkart, Paytm, and Snapdeal have set up business units, warehouses, and distribution facilities to establish their presence and capture the emerging consumer market. Technology platforms that integrate payment, transport, and tracking capabilities underpin the success of this sector, enabling e-commerce companies to expand the traditional reach of the high-street retailer by delivering products directly to customers' homes. Other services, such as travel bookings and film tickets, have also transitioned to online platforms, with digital channels now representing one of the fastest-growing mediums in the Indian economy. Consumer preference studies note that e-commerce platforms have reshaped buying behavior, with on-time delivery emerging as a critical factor and Indian e-commerce substantially increasing revenues in recent years. E-commerce is widely viewed as the future of both B2B and B2C markets, compelling platforms to offer a complete retail experience to attract and retain customers.

9.2. Inventory Management

Inventory management is the process of planning and controlling the ordering, storage and use of components or finished products. Efficient inventory management is a critical factor that leads to retail success as the customers can select the desired product from shelves and buy it without long waiting times. Both e-commerce and traditional retail stores are trying to optimize their inventory processes to offer the best possible customer experience. The challenge is to select which products and how much of them should be stored in stock at each single store and in the warehouse.

In the e-commerce retailing model, the business optimizes the inventory for a big number of locations, hundreds or thousands of warehouses and local pick up points. The e-commerce vendor needs to locate the e-shops using proximity services in order to eliminate the need of shipping and storage from a centralized warehouse. Robust inventory management strategies are used to match the variation in both demand and supply and keep minimal inventory levels at both vendor and warehouses.

10. Future Trends in Retail

The Indian retail landscape is in the midst of an unprecedented transformation driven by the rapid expansion of e-commerce platforms and the evolution of traditional retail formats. Apart from omnipresence, omnichannel retailing offers a continuum of options for the consumer to enter and exit the “shopping funnel” by moving among channels such as physical stores, websites, social media, and mobile devices. Online marketplaces, social media platforms, digital payment providers, mobility platforms, logistics and delivery platforms, and data analytics companies are creating ecosystem driven synergies that enable these omnichannel journeys. Tickle a 360-degree retail as a service solution provides an ecosystem of retail capabilities spanning omnichannel commerce, inventory management, customer engagement, and financial services to retail partners.

Increasing awareness, rapid urbanization, demand for convenience, competitive business models, and improving digital infrastructure are fueling digital adoption by consumers and retailers. Sustainability increasingly ranks as a priority among customers who want a brand’s behavior to reflect their personal views. Retailers and brands are progressively embedding sustainability throughout their operations to establish long-term credibility with consumers.

10.1. Growth of Omni-channel Retailing

The potential to serve customers through multiple channels has led to the emergence of omni-channel operations. These provide diverse formats and varying price points typically, a combination of cart size, delivery methods, and trust enhancing convenience and choice. Retailers traditionally reliant on brick-and-mortar stores have added e-commerce capabilities. Conversely, pure-play e-commerce companies have begun opening physical outlets, warehousing them selectively to meld the advantages of both formats.

10.2. Sustainability in Retail Practices

The growing awareness of corporate responsibility among businesses has led many retailers to adopt sustainable retailing across their operations. As a retail operation becomes more sustainable, the natural environment is protected and natural resources are saved for future use; financial returns improve through the appeal of a strong sustainability proposition to customers; operational costs decrease by minimizing waste emission and energy and materials consumption; and, social capital is enhanced through the improvement of local and global communities.

Retailing is a highly complex and interactive activity involving a wide range of external organizations, infrastructures, and regulatory frameworks designed to protect and assist the interests of each party. A complete understanding of retail ethics requires knowledge of each of the separate but highly interdependent external organizations and an understanding of how different retailers choose and manage their relationships with each of the external bodies involved. Indeed, the retailer’s relationship with any one or combination of these external groups will be influenced by the ethical stance adopted by the senior management team within the organization toward the generation and distribution of wealth. One primary responsibility of the external operational elements centers on the establishment and maintenance of national infrastructure such as taxation, investment opportunities, research and development, and investment incentives pricing strategies and regulations, competition laws and their enforcement, product and purchase safety, informed consumer choice, distribution, and consumer protection are also of direct concern to the retail organization. Further areas of concern cover property law, intellectual property rights, collection of consumer and retailer data, privacy frameworks, and internet use.

11. Case Studies

India’s retail sector comprises a vast number of neighborhood stores, which remained the preferred shopping venue for a majority of the population until the arrival of e-commerce platforms. These stores, generally run under the unorganized sector, depend on easy credit terms and provide home deliveries, focus on low inventory investments and fast turnover, and offer a personalized shopping environment.

E-commerce entered India in the first decade of the millennium. While Amazon began its operations in 2004, India witnessed a host of home-grown shopping sites around the same time. Issues with payments and deliveries kept e-commerce from gaining widespread acceptance until just before the proliferating spread of smart phones. None of the first wave of e-commerce businesses have managed to survive India’s increasingly competitive market. Flipkart, Myntra (which it acquired), Snapdeal (which it formed an alliance with), ShopClues and Paytm Mall remain the key home-grown platforms in the country. Amazon and eBay conduct their Indian operations through separate legal entities. Alibaba’s investment in Paytm Mall and the launch of its wholly owned subsidiary, AliExpress, have helped the Chinese giant establish a significant footprint in India. International brands, Mac cosmetics, Patrick Pomell, The Body Shop, IKEA, Zara, and more continue to operate their Indian businesses exclusively through e-commerce platforms. E-commerce offers advantages such as competition-driven daily deal offers, swift delivery comparable to main cities, and shopping that can be performed at the customer's convenience.

11.1. Successful E-commerce Ventures

India has witnessed significant progress in e-commerce, following the footsteps of its Western counterparts. The sector is bustling with activity, characterized by numerous portals and platforms competing to capture the attention and wallets of the youthful population, with adults comprising 55% of online shoppers.

Several payment options, including credit cards, online transfers, cash-on-delivery, and gift cards, enable a streamlined shopping experience. Major players such as Snapdeal, Flipkart, and Myntra continually innovate and diversify their offerings to maintain competitive advantage. E-commerce frequently wins over traditional brick-and-mortar retail by offering, on average, a 33% cheaper shopping alternative. Home delivery and the availability of detailed product specifications further incentivize consumers to shop online. Mobile technologies play a pivotal role; according to a report by IAMAI, approximately 291 million users in India accessed the Internet through mobile devices at the end of 2015, providing a substantial potential customer base.

The growth trajectory of e-commerce in India is robust, with revenues surging by 88% between 2009 and 2012. The sector has expanded beyond apparel, consumer electronics, books, and jewelry to include health supplements and a variety of other offerings. These upward trends have attracted substantial investment, with companies such as Flipkart, Snapdeal, and Amazon raising $5 billion in venture capital to fuel further expansion. Some online retailers, like Snapdeal and Myntra, have even unveiled exclusive products and brands as a strategy to circumvent the limitations imposed by physical retail.

11.2. Traditional Retail Success Stories

India's traditional retail industry is well established and consists mainly of small family-operated stores. The 15 million Kirana stores provide an estimated 85 percent of the daily requirements for around 450 million customers. The traditional business model relies on low capital investment, family ownership, low margins, frequent customer purchases, dependence on cash transactions, easy credit terms, and localization of merchandise based on ethnicity, home delivery, and personalized service. Limited technological adoption and low degrees of accounting standardization remain the norm. These stores operate like small supermarkets, competing by meeting local community needs through merchandise, credit, home delivery, and personalized service. Consumer loyalty depends on factors such as helpful staff, home shopping, cleanliness, special offers, and product quality, whereas convenience and location exert negative effects. Rural and suburban consumers prefer small stores because credit is easier to obtain.

At the other end of the spectrum, local manufacturers and vendors, such as those producing textiles, produce, and take home food stuff fast moving consumer goods (FMCG), use traditional shops to get their products to market. Arrangements for on-time payment, reduced inventory levels, and space availability can present significant challenges in these circumstances. Worldwide transitions from a production push to a marketplace pull retail model, the advent of reduced turnaround retail, and go-to-market policies directed towards end customers can increase the current pressure on these vendors further. Despite widespread digital adoption in other sectors, small retail stores and their supply chains still exhibit limited uptake of digital and mobile technologies, partly due to a delayed realization of benefits. Their operation is increasingly threatened by large-format retailers, malls, supermarkets, and online e-commerce players. Growth in the middle-class segment, higher disposable income, and economic change have shifted retail preferences, compelling large retailers to establish small-format stores resembling kirana outlets to capture this market segment. Disruptive trends such as mobile and digital technologies, the Internet of Things, crowdsourcing, and the make-in-India movement continue to impact the small retail store segment.

12. Impact of COVID-19 on Retail

The COVID-19 pandemic affected most businesses, particularly retail. Economic forecasting at the early stages of the outbreak anticipated negative trends in both consumer spending and retail sales. The Global Web Index, which tracks internet users worldwide, forecasted as many as 53.5% of consumers globally would be buying online less frequently due to the pandemic. In China, fewer consumers expected to make online purchases increased from 7% to 14% within the first two weeks of the outbreak. When COVID-19 hit India, the country soon experienced supply side shocks due to extended lockdowns, which restricted e-commerce companies' ability to fulfill orders. The e-commerce marketplace, which has exhibited consistently high growth for the past decade, began to stagnate. For many retailers, digital engagement is not the result of explicit digital investments, but rather a confluence of in store digital infrastructure, a digitized workforce, inventory compliance, and a culture of digital adoption. The emergence of the COVID-19 pandemic has brought forth a stark realization of what retail digital engagement actually entails. Considering the existing ambiguity surrounding digital engagement, paired with the various challenges retailers faced throughout the pandemic, surge analysis to identify the direct influence that the pandemic exerted on digital retail engagement was conducted. This sheds further light on why e-commerce sectors saw surges in revenue when digital engagement grew by a mere 1.6% and 11.1%. On the consumer end, digital adoption and big data technologies offer an inclusive platform for pandemic information dissemination, vaccine rollout, and general well-being. The outbreak not only exposed the vulnerabilities of extensive physical networks, but provoked a shift in consumer behavior towards increased internet usage and online shopping. However, given the risks and economic stagnation that followed, online sectors are influenced to recompensate for losses through innovative contemporary business models through differentiation in services, product quality segmentation, and market development underpinned by omni-channel approaches. Consumers interested in fulfilling the requirements of contemporary norms shift from offline to online channels. Although some uncertainty persists about whether trends lean towards a full online transition or a systematic change to an omni-channel approach, the data suggest the integration of digital and physical dimensions in retail remains crucial, particularly during unprecedented disruptions.

12.1. Shifts in Consumer Behavior

The retail landscape in India has undergone a stark metamorphosis, with traditional retail facing stiff competition from the rapid emergence of e-commerce platforms. The concept of shopping is changing, and e-commerce platforms are more aligned with consumers' changing preferences. India, as a vibrant economy and a rapidly growing market, offers a large opportunity as a business hub; accordingly, venture capital investments have been substantial.

12.2. Adaptations by Retailers

Small Kirana stores have operated for many decades across urban and rural India. Their business model is low capital investment, family ownership, low margins, frequent cash-based transactions, easy credit terms, and merchandise tailored to local ethnicity, home delivery, and personalized service. Many Kirana stores operate more like small supermarkets, meeting local needs through merchandise, credit, and delivery. These stores have low levels of technical and accounting standardization. Large retailers, malls, supermarkets, and online e-commerce are threatening their market share; the middle class is increasing, and the disposable income of Indian consumers is growing. Large retailers like Reliance are simultaneously setting up large 'warehouse'-like stores and smaller stores similar to Kirana stores to compete effectively with Kirana stores across different consumer segments. Disruptive trends that impact small stores include mobile and digital technologies, the Internet of Things (IoT), crowdsourcing, and government initiatives such as the make-in-India movement. Consumer loyalty to small Kirana stores relies heavily on helpful and trustworthy staff, cleanliness, special offers, and product quality; location and travel convenience are less significant. Rural and suburban consumers prefer small stores due to access to credit. Digitalization associated with investments, training, and organizational change can improve performance, but its adoption remains limited.

13. Role of Startups in E-commerce

The Indian e-commerce market has rapidly emerged as one of the fastest-growing worldwide, attracting considerable investment and a growing consumer base. The startup ecosystem plays an essential role in this sector, facilitating the introduction of innovative, disruptive business models and effective market penetration. These new ventures have developed distinctive products and services, not only fostering original market solutions but also creating value for consumers through more effective engagement than existing options. Individual buyers have benefited from such innovations, with startups significantly contributing to the sector's ongoing expansion.

14. Investment Trends in Retail

According to Hazarika (2015), India attracted nearly half of the $3.5 billion invested in e-retailing in Asia in the first quarter of 2015, with a projected investment of $220 million in 2016-2017. Notable investments include Snapdeal's $627 million, Flipkart's $350 million, Amazon's $150 million, and Shopclues' $100 million. Traditional retailers like Future Group ($53.8 million) and Shoppers Stop ($10.9 million) also attracted significant funding. The venture capital investments are focused on organized retail, reflecting optimism about growth opportunities.

14.1. Venture Capital in E-commerce

Since the advent of e-commerce players in India, the sector has witnessed significant growth. The three largest e-commerce companies operate solely in the Indian market and receive substantial funding from Indian venture capital firms and the government. Indian retailers dominate the traditional retail sector, yet venture capital is considerably less common. Local investors tend to invest in e-commerce companies with international investors, while private families solely invest in traditional retailers. The formation of firms, public issuance of equity shares, and initial public offerings (IPOs) in e-commerce can be difficult for Indian entrepreneurs; e-commerce firms often prefer private funding from international investors or exit through acquisitions by large e-commerce or other types of firms.

14.2. Investments in Traditional Retail

Traditional retail is the most dominant form of retail, with virtually every Indian town and city supporting a wide variety of traditional retail formats, including street vendors, open-air markets, neighborhood grocery stores and other kiosks and sellers. Over 90% of all retail in India continues to be traditional. Such retail generally occupies less than 500 feet, and inventory is maintained in the same area.

Capital investments per outlet are typically less than USD 10,000. Large numbers of products, especially food and beverages, personal care, clothing and other soft goods including jewelry, are sold via such retail. Virtually all sales of FMCG (fast-moving consumer goods) products however still occur via traditional retailing. In recognition of this, the government of India has favored Foreign Direct Investment (FDI) in the retail sector earlier this year. Almost all Foreign Venture Capital Investment in companies that participate in the Indian market has nevertheless gone to E-commerce.

15. Conclusion

The study highlights the transformative role of e-commerce in India's retail sector, underscoring its potential to expand market reach and cater to a diverse customer base across the country. Simultaneously, traditional retail formats, characterized by low capital investment, family ownership, frequent low-value purchases, and dependence on cash transactions, continue to dominate, particularly in rural and suburban regions where credit facilities and personalized services are valued. Both models face distinct challenges and opportunities underpinned by their unique structural and operational features; while e-commerce benefits from enhanced market accessibility, traditional retailers leverage proximity and community-oriented services. Ultimately, the future of India's retail landscape lies in harnessing the complementary strengths of e-commerce platforms and conventional stores.

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