



SPURring growth in FMCG, retail and e-commerce sectors in India

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Foreword

**Harsha Vardhan Agarwal**

Senior Vice President,
FICCI Vice Chairman
Managing Director,
Emami Limited

FICCI, in collaboration with Deloitte, is proud to present the report on "SPURring growth in FMCG, retail and e-commerce sectors in India" for the FMCG, retail and e-commerce sectors.

As we approach the 2024 festive season, India's retail, FMCG and e-commerce sectors are poised for significant transformation. India's economy has demonstrated remarkable resilience, with the consumer sector playing a pivotal role in its growth story. The country's retail market continues to expand, driven by rising disposable incomes, rapid urbanisation and a burgeoning middle class. The FMCG sector is set for sustained growth, with government initiatives aimed at stimulating consumption and creating employment opportunities expected to boost growth. The e-commerce sector has been witnessing rapid growth, driven by increasing internet penetration, smartphone adoption, changing consumer preferences and government initiatives such as Digital India and UPI.

Consumer behaviour is evolving rapidly, with several key trends emerging:

- Premiumisation: As disposable incomes rise, there is a noticeable shift towards premium and luxury products across various categories.
- Personalisation: AI-driven personalisation is becoming increasingly sophisticated, with retailers leveraging analytics to offer tailored product recommendations and experiences.
- Hyperlocal services: Demand for quick commerce and hyperlocal delivery is surging, especially in urban areas, reshaping last-mile logistics.
- Health and wellness: After the pandemic, there has been a heightened focus on health and wellness products, influencing choices across food, personal care and lifestyle categories.
- Sustainability focus: Ethical considerations are significantly influencing consumer choices, particularly among younger demographics.

As we delve into the trends for 2024–25, it is clear that the Indian retail, FMCG and e-commerce sectors are on an innovation and growth trajectory. This report aims to provide valuable insights to stakeholders on the opportunities and challenges ahead in India's vibrant consumer market.

Foreword



**Kumar
Venkatasubramanian**

Chair FICCI FMCG
Committee
CEO, Procter & Gamble
India

Innovation, resilience and growth are the hallmarks of India Inc. The last few years, especially the post-pandemic era, have been a testament to our industry's resilience and adaptability. As the industry navigated the rapidly evolving external landscape, several new trends emerged that are creating opportunities and reshaping the future of FMCG in India. As a key stimulator of our consumption-led economy, the FMCG sector plays a pivotal role in driving double-digit growth and realising the vision of *Viksit Bharat*.

Studies estimate India to have the highest per-capita income growth in the world at 5.4 percent per annum during 2024–33, driven by growing urban populations, increased production through technological advances, rising income levels and other macroeconomic factors. Furthermore, after witnessing a decline driven by the pandemic, the Indian FMCG sector is rebounding, with a peak value growth of 12.2 percent in mid-2023. This resurgence is evident not only in urban markets, which lead in revenue but also in rural areas that are now bouncing back after a good monsoon season and softening inflation. Consumer behaviour has recently undergone a paradigm shift driven by digitisation and increased disposable incomes. Nearly half of India's population today has access to the Internet, which means more consumers today are digitally savvy than ever before, which is creating new opportunities for businesses and fuelling digital transformation in the country, which is also reflected in the growth of other sectors.

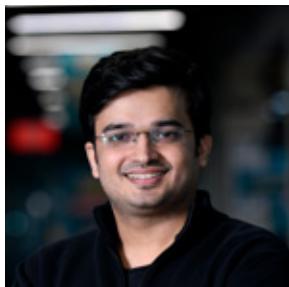
Today, new channels such as quick commerce and e-commerce are growing in popularity as they offer increased convenience to consumers. This underscores the need for stronger multi-touchpoint channel strategies and customising offerings by channel to cater to unique consumer cohorts. In addition, more urban consumers today are shifting towards premium products, which highlights the increasing demand for quality products that meet the consumers' needs. We must continue to innovate and adapt to leverage the opportunities presented by this dynamic landscape. Premiumisation, reinventing the rural playbook, productivity and digital transformation are some key focus areas for the industry.

We must continue to innovate and adapt to use the opportunities presented by this dynamic landscape. Premiumisation, reinventing the rural playbook, productivity and digital transformation are some key focus areas for the industry. The Indian FMCG sector is at an inflection point, with a bright future earmarked by the right macroeconomic factors. Despite a challenging global landscape, India's economy stayed resilient. India solidified its position as the world's fifth-largest economy, showcasing its significant economic strength and becoming one of the fastest-growing major economies. As an industry, we can now serve consumers with the right propositions that meet their needs and aspirations.

Effective collaboration between all stakeholders, including the government and industry bodies, is crucial as we move forward. Policy interventions that align with the evolving needs of the FMCG, retail and e-commerce sectors will be instrumental in driving sustainable growth in service to consumers across our country. FICCI and Massmerize provide a platform for this very strategic collaboration. This report, built around the theme 'SPUR – Stimulate Performance, Unleash Results,' offers valuable insights into omnichannel trends, premiumisation, rural resurgence, consumer experiences and more, along with corresponding recommendations for growth.

I would like to express my gratitude to the authors and contributors of this report for their meticulous research and insightful analysis. I am confident that the findings presented here will serve as a valuable resource for industry stakeholders, policymakers and businesses seeking to thrive in the Indian FMCG market.

Foreword



Siddharth Shah

Chair FICCI e-commerce Committee,
Co-founder,
Managing Director and
Chief Executive Officer of
API Holdings

The e-commerce landscape in India has been a beacon of innovation, growth and adaptability, especially in the post-pandemic era. As India rapidly progresses towards becoming a digitally empowered economy, the e-commerce sector plays a transformative role in shaping consumer experiences, driving economic growth and enabling new business opportunities across the country. This evolution has been fuelled by technological advancements and the growing aspirations and needs of India's consumers.

India's e-commerce industry is expected to continue its remarkable trajectory. This growth is driven by the widespread adoption of digital infrastructure, increasing internet penetration and a significant shift in consumer behaviour. Today, nearly half of the country's population is online, with a rising number of consumers turning to digital platforms for shopping, banking, entertainment and education. Growth is coming not just from key urban centres but is also being driven by Tier 2 and 3 cities. Integrating AI, big data and personalised experiences is no longer just a trend but a standard by which businesses can thrive in this dynamic market.

Newer business models such as Direct-to-Consumer (D2C), quick commerce, loyalty, and subscription-based services have gained popularity, offering unparalleled convenience to consumers. The rise of online shopping among urban and rural populations and increasing disposable incomes have set the stage for e-commerce to bridge the gap between brands and consumers. Premiumisation, hyper-local logistics and multi-channel experiences are critical drivers for enhancing consumer engagement in this digital era.

As businesses, we must stay agile to capitalise on the growing demand. We must leverage the opportunities provided by technological innovation, consumer insights and the rapid expansion of logistics and payment ecosystems. Moreover, sustainable practices are becoming increasingly important as consumers seek brands that align with their values of environmental and social responsibility.

Collaboration between government, industry and digital platforms will be essential for crafting policies that enable sustainable and inclusive growth. This report delves into emerging omnichannel trends, digital transformation, consumer behaviour and the future of e-commerce in India. The insights and recommendations offered will undoubtedly serve as a roadmap for businesses to harness the full potential of e-commerce and serve consumers more effectively.

I extend my appreciation to the contributors of this report for their in-depth analysis and research. I believe this document will be instrumental in guiding stakeholders as we collectively shape the future of e-commerce in India.

Foreword



Anand Ramanathan

Partner, Consumer
Products and
Retail Sector Leader,
Deloitte India

As we leave H1 FY25 behind, India's consumer sector stands at a pivotal juncture, characterized by resilience, innovation, and transformation. The Indian economy has demonstrated remarkable strength, with real GDP expanding by 6.7% in Q1 FY25, despite global economic headwinds. This growth is underpinned by robust domestic demand, improving rural consumption, and a thriving services sector. The IMF's upgraded GDP growth forecast of 7% for FY25 further underscores India's economic strength and potential. This report offers a comprehensive analysis of the current landscape and future outlook for the e-commerce, FMCG, and retail sectors, providing valuable insights for industry leaders navigating this dynamic environment.

Our analysis reveals several key trends shaping the consumer landscape:

- India's middle income households are expected to grow significantly by 2030, fueling the demand generated due to aspiration led consumption
- The FMCG market is experiencing heightened competition from D2C brands, private labels resulting in a heightened focus on new product development/ R&D customized to the needs of young India and middle India
- The FMCG market is expected to witness volume growth on the back of easing inflation, better monsoons and revival in rural demand
- The retail sector is adapting to evolving consumer preferences through omnichannel strategies, tech enabled experiential selling and innovative product offerings.
- With rising aspirations, especially among young consumers in metros and non-metros, value retail companies are creating new labels and brands to cater to these price-sensitive segments.
- The e-commerce sector is witnessing rapid expansion into Tier 2 and 3 cities, driven by increasing internet penetration and rising disposable incomes.
- The growth in Quick commerce is disruptive leading to a reexamination of many existing paradigms of consumption, production and distribution

Across these consumer sectors, we observe common threads of driving premiumization, accelerating new product development and the adoption of digital at scale. The rise of new commerce, the integration of AI and the increasing influence of social media are resulting in new business and operating models. Exports continue to be a growth lever for consumer companies driving manufacturing investments from both an FDI inflow as well as domestic private investment standpoint. M&A across sectors is an effective lever for industry cost structures to become more competitive and drive higher levels of investments in new product development.

Our recommendations for growth span across the FMCG, retail, and e-commerce sectors, offering actionable strategies for businesses to thrive in this evolving landscape. For FMCG companies, we emphasize the importance of product innovation driven by consumer data, adopting eco-friendly practices, and leveraging Gen AI for enhanced consumer experiences. In the retail sector, we advocate for enhancing in-store experiences, focusing on high-frequency and high-value

customers, and optimizing omnichannel strategies to convert online browsers into in-store buyers. For e-commerce players, we recommend deepening penetration into Tier 2 and 3 markets, improving logistics and supply chain efficiency, and implementing hyper-personalized marketing strategies. Across all sectors, we stress the importance of premiumization, sustainability initiatives, and leveraging technology to drive operational efficiency and customer engagement.

As we look to the future, it is clear that targeted reforms and policy changes are essential to ensure a long-term boost in consumer spending and rural demand in India. The government's strategy should focus on controlling inflation, enhancing credit access, implementing tax incentives, improving rural development, ensuring social security access, and enhancing financial literacy. These measures aim to increase disposable income, stimulate consumption, and provide a safety net for vulnerable populations. Simultaneously, efforts to attract investment in goods production should concentrate on streamlining processes, fostering innovation, promoting sustainability in consumer products, enhancing supply chain efficiency, and leveraging digital marketing. Key initiatives such as the Goods and Services Tax (GST), National Logistics Policy, and Production Linked Incentive scheme have already laid the groundwork for improvement. However, further action is needed to simplify regulations, develop specialized manufacturing clusters, support research and development, and promote sustainable practices.

In conclusion, the Indian consumer sector stands at the cusp of transformative growth, driven by innovation, digital adoption, and evolving consumer preferences. As we navigate this dynamic landscape, collaboration between government and businesses will be crucial in unlocking India's full potential. By aligning policies with market needs and fostering an environment of innovation and sustainability, the consumer industry can aid the government in creating a prosperous future for India.

We trust that this report will serve as a valuable resource, providing you with the insights needed to make informed decisions and achieve your business objectives in the coming year.

Leadership Insights

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Indian consumers are evolving – they are digitally savvy, more informed, willing to experiment and explore. We see a rising demand for clean-label, toxin-free and sustainable products. Consumers are willing to trade up and pay a premium. Digital marketing is enabling brands to target the right audience and Q-commerce now ensures that the product reaches the consumer in under 10 minutes.

The insights presented in the FICCI report highlight the transformative trends shaping the FMCG industry and underscore the need for companies to adapt and innovate to cater to the evolving Indian consumer.

Harsha Vardhan Agarwal

Senior Vice President, FICCI
Vice Chairman and Managing Director at Emami Limited

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Innovation, resilience and growth have been hallmarks of India Inc. The FMCG sector is at the helm, driving double-digit growth and embracing digital transformation. As India's economy rebounds, consumer behaviour shifts and opportunities arise, effective collaboration and strategic interventions are crucial to drive sustained and well-rounded growth. This report provides valuable insights on the trends, opportunities and tips on accelerating growth in the Indian FMCG market.

Kumar Venkatasubramanian

Chair FICCI FMCG Committee and
CEO, Procter & Gamble India

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I have personally witnessed the transformative power of digital commerce in healthcare. Today, digital health is playing a very pivotal role in providing access to affordable healthcare across the length and breadth of India in every town, village, city and to every Indian. Today, many patient-centric solutions such as access to digital health records, remote doctor consultations where doctors are unavailable, personalised medication management, evidence-based management and data analytics have been empowered on account of digital healthcare in India.

As we move ahead, it is incumbent upon all players in the ecosystem to collaborate with regulators to strengthen the backbone of digital healthcare in India, with a large focus on ensuring data privacy and data security for Indians. We believe it is extremely important for us to foster an environment deeply rooted in trust and pave the way for sustainable growth and innovation in our industry, ultimately leading to a healthy and vibrant India and a *Viksit Bharat* by 2047

Siddharth Shah

Chair for FICCI e-commerce Committee; and Co-founder, Managing Director and Chief Executive Officer of API Holdings



India's food and beverage sector is a critical engine behind the country's impressive 8.2 percent growth in FY 2024, driven by evolving consumer preferences and heightened spending. The shift towards packaged goods is catalysing expansion not just within F&B but also across key sectors like packaging and logistics. This synergy is reshaping the industrial ecosystem, offering new opportunities that are integral to India's continued economic trajectory.

Nadia Chauhan

Co-Chair FICCI FMCG Committee and Joint Managing Director, Parle Agro



Since launching our e-commerce marketplace more than a decade ago, we have remained committed to investing and innovating in India, driven by our customer obsession and a vision of transforming lives and livelihoods. Through our continued investments here, we have had a substantial impact in India by digitising over 6.2 million small businesses, enabling almost US\$13 billion in exports, and creating more than 1.3 million direct and indirect jobs. We support the government's vision of a "*Viksit Bharat*" and remain committed to supporting the government in its effort to drive the growth of the country's digital economy.

Chetan Krishnaswamy

Co-Chair FICCI E-Commerce Committee and Vice President, Public Policy, Amazon India



With rising disposable income and a growing focus on quality and lifestyle upgrades, premiumisation is set to accelerate across cities in India. The retail sector is witnessing positive trends as consumer preferences are moving towards higher-end experiences and products.

Rajesh Jain

Managing Director and CEO, Lacoste India



The future of healthcare demands forward-thinking patient-centric solutions. Digital technology is redefining healthcare, and in India, we have the opportunity to create new-age healthcare models not just for our citizens but the entire global south. As this industry takes off, it is imperative that we work with the regulators and the ecosystem to co-create a regulatory system which fosters innovation while ensuring all necessary checks and balances are in place. Events like Massmerize are crucial for fostering collaboration, addressing emerging trends and enabling us to develop this sector responsibly.

Prashant Tandon

Co-Founder and CEO, TATA 1mg



As India becomes increasingly digitised with over 700 million active internet users, it is crucial that the benefits of e-commerce reach beyond Tier-1 cities, as the report mentioned. While metro cities have seen the transformative power of e-commerce — such as seamless access to electronics within minutes through quick deliveries, our focus must now shift to empowering the MSMEs of Bharat — our economy's growth engines that power over 30 percent of the GDP. By fostering their innovation and supporting them through technology, we can ensure that their potential reaches every nook and corner of the country, thereby enabling them to thrive and grow in our evolving digital economy.

Saahil Goel

MD and CEO, Shiprocket



The Indian FMCG industry has always been a key driver for economic growth, significantly contributing to job creation, and the industry will play an important role in achieving India's vision of Viksit Bharat. The rise of 'Many Indias' with a growing aspirational urban and middle class, the government's proactive efforts to control inflation, and the augmenting of infrastructure, especially in the rural areas, has further accelerated the growth. Within the FMCG industry, health and wellness is an emerging trend, with self-care and preventive health gaining popularity among consumers. As India continues on its path to becoming the third-largest economy in the next few years, the FMCG industry will play a pivotal role in strengthening India as an attractive investment destination with global capabilities and innovations.

Manish Anandani

Managing Director – India, Kenvue



The story of New India and aspiring Bharat is driving premiumisation across markets. As a leading brand in the footwear industry, Bata India is driving this transformation. With the growth of the Indian economy, expanding digital connectivity and the deepening influence of social media, consumers from Metros to Tier 3 cities are seeking products with a promise of premium quality and yet accessible. The industry must meet the rising aspirations by offering premium products that are on-trend with global styles while also embracing the abundant opportunities for growth and innovation.

Gunjan Shah

Managing Director and CEO, Bata India



Executive summary: FMCG, retail and e-commerce

The global economic landscape is showing signs of improvement, with fears of a recession in the US quelled by recent economic data. Supply chains are gradually adjusting to geopolitical uncertainties, and the International Monetary Fund (IMF) projects global growth to slow down in FY25, albeit at a more moderate pace than previously anticipated. In this context, India's economy has demonstrated remarkable resilience, with real GDP expanding by 6.7 percent in Q1 FY25¹ despite global headwinds. The IMF has upgraded India's GDP growth forecast for FY25 to 7 percent, citing the economy's bright outlook and strong domestic demand.

Inflation, which has been a significant concern for policymakers and consumers alike, is expected to moderate gradually as supply chain disruptions ease and commodity prices stabilise. This, coupled with the anticipated stability in monetary policies, will likely boost consumer confidence and spending. Private consumption is expected to improve further, driving economic growth.

Across the retail, FMCG and e-commerce sectors, several key trends are shaping the consumer landscape. The FMCG market is experiencing heightened competition from D2C brands and private labels, resulting in a focus on new product development and R&D customised to the needs of young and middle India. The sector is expected to witness volume growth due to easing inflation, better monsoons and a revival in rural demand. The retail sector is adapting to evolving consumer preferences through omnichannel strategies, tech-enabled experiential selling and innovative product offerings. Value retail companies are creating new labels and brands to cater to price-sensitive segments, especially among young consumers in metros and non-metros. The e-commerce sector is rapidly expanding into Tier 2 and 3 cities, driven by increasing internet penetration and rising disposable incomes. The growth in

quick commerce is disruptive, re-examining many existing consumption, production and distribution paradigms.

In the FMCG sector, affluent consumers are shifting towards premium products, and companies are looking to focus on this trend through innovation-led new product development. Rural markets are seeing green shoots of consumption growth, and companies are focusing on driving direct distribution reach and habit formation to drive sustainable long-term growth consumption as well. Digital transformation and the use of GenAI are gaining traction to enhance supply chain efficiency and personalise consumer engagement. The food and beverages industry is witnessing a growing appetite for authentic regional flavours and a willingness to pay higher prices for health-focused, natural and organic products. The home, beauty and personal care sector is evolving rapidly, influenced by premiumisation, digital transformation, eco-consciousness and rising consumer expectations. The consumer healthcare market is driven by increasing health awareness and demand for natural and ayurvedic solutions.

To drive growth in the FMCG sector, companies could:

- Focus on R&D and new product development, especially in health-focused and premium categories
- Implement micro-cluster level decentralised decision-making to align with consumer preferences across business functions
- Adopt a robust content marketing strategy centred on storytelling, education and entertainment
- Cater to Gen Z consumers through their preferred channels while customising their products and managing the overall brand experience

In the retail sector, consumer behaviour insights reveal a growing demand for premium products, value-for-money options and personalised experiences. Omnichannel retailing, integrating online and offline channels, is becoming increasingly popular. Sector-specific trends show a growing appetite for sustainable and ethically produced apparel, compact and lightweight furniture options for renters, and the rapid growth of quick-service restaurants and food delivery platforms.

Retailers can capitalise on growth opportunities by:

- Focusing on the premiumisation trend driven by aspirational consumption while continuing to target premium customers, high-frequency shoppers and high-value customers
- Driving faster product innovation and devising effective expansion strategies using data from D2C platforms, POS, CRM, social media and other internal systems
- Exploring partnerships with quick commerce platforms and increasing delivery speed through express delivery options wherever viable
- Converting online browsers to in-store buyers to improve conversions and drive higher bill values
- Enhancing in-store experiences and promoting upgrades and complementary products

India's e-commerce sector is witnessing rapid expansion into Tier 2 and 3 cities, the emergence of quick commerce and increasing consumer demand for personalised experiences and fast delivery. Digital transformation, omnichannel retailing, logistics and supply chain innovation, and hyper-personalised marketing are key trends shaping the e-commerce landscape. Sector-specific insights reveal the growing influence of social media and influencers, the rising popularity of subscription-based models and the increasing demand for eco-friendly and sustainable practices.

To thrive in the e-commerce sector, companies could:

- Drive premiumisation to cater to affluent consumers and improve profitability
- Drive deeper penetration into Tier 2/3 markets through customised offerings and supply chain optimisation
- Optimise consumer experience and drive personalisation in product recommendations and content
- Offer innovative loyalty programmes, customised subscriptions and rental models
- Deploy GenAI use cases to enhance consumer experience and improve overall productivity
- Adopt eco-friendly practices and highlight sustainability initiatives

As we navigate this dynamic landscape, collaboration between government and businesses will be crucial in unlocking India's full potential. The government's recent budget initiatives aimed at boosting consumer spending and supporting consumer businesses through demand-side measures such as personal income tax relief and supply-side measures such as reduced input costs and export incentives. Targeted reforms and policy changes focused on controlling inflation, enhancing credit access, implementing tax incentives, improving rural development, ensuring social security access and enhancing financial literacy are essential for a long-term boost in consumer spending and rural demand.

In conclusion, the outlook for the Indian FMCG, retail and e-commerce sectors remains optimistic, supported by improving global economic conditions, easing inflationary pressures and stabilising monetary policies. As consumer confidence and spending grow, businesses must navigate challenges adeptly, adapting to evolving consumer preferences, embracing digital transformation and maintaining a customer-centric approach. Compliance with emerging regulations will also be a critical success factor. The government's proactive measures to boost consumer spending, support businesses and improve ease of doing business are expected to drive economic growth. By embracing innovation, using market opportunities and staying attuned to the evolving landscape, businesses can position themselves for sustained growth in this dynamic market.





Economic outlook

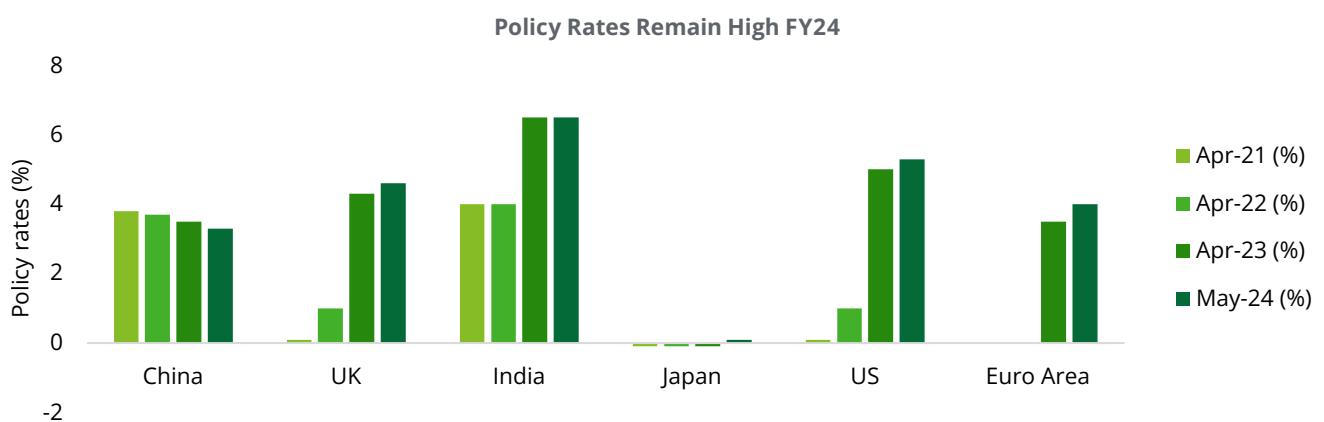
India's economy demonstrated remarkable resilience in FY24, maintaining robust growth despite global economic headwinds. Its real GDP has expanded by 6.7 percent² in Q1 FY25, driven by strong domestic demand and improved private consumption prospects, particularly in rural areas. The IMF has upgraded India's GDP growth forecast for FY25 to 7 percent³, citing the economy's bright outlook and momentum carried forward from the previous year. However, India must remain vigilant in managing inflation, with the Economic Survey conservatively projecting growth between 6.5-7 percent⁴ for FY25.

If global recession fears do not materialise and India keeps inflation in check, the country is poised to emerge as an economic superpower amid the evolving global landscape. International agencies and rating firms view India as a beacon of growth, with the economy expected to remain the fastest growing among major emerging markets in the coming years. In the following sections, we look back at economic trends from last year, their impact on India and the outlook for FY25.

Global economic landscape (FY24 review and FY25 outlook)⁵

Key global trends in FY24 and its impact on the Indian economy

- **Elevated inflation levels in major economies:** Global inflation surged in FY24, driven by factors such as supply chain disruptions, increased energy prices and the conflict in Ukraine.



Source: Economic Survey of India 2023–24

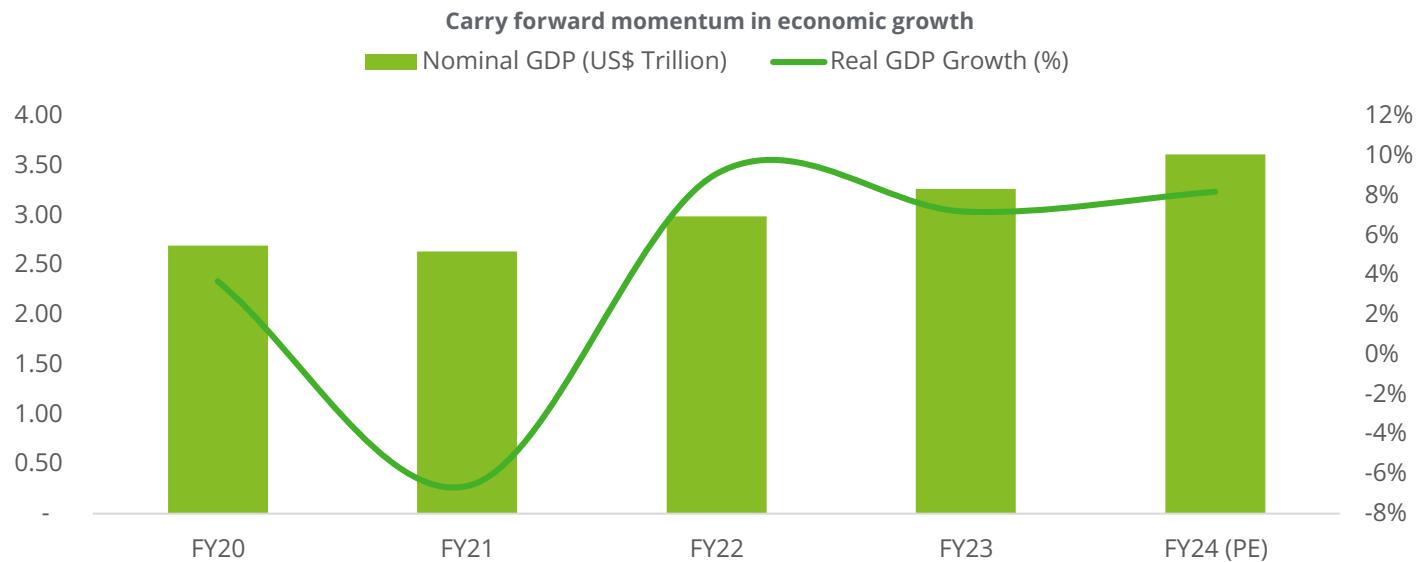
- **Tightening of monetary policies by central banks:** Central banks responded to rising inflation by raising interest rates, leading to tightening global financial conditions.
- **India imported inflation pressure:** India faced significant imported inflation due to rising global commodity prices.
- **Rupee depreciation:** The Indian rupee depreciated against the US dollar, partly due to tightening global financial conditions.
- **Reduced risk of recession in the US:** Data on unemployment in the US, investor activities, stock market volatility and exchange rate fluctuations are increasingly leading to fear of a recession in the US, which could impact global economic activity, but the recent data on retail sales in the US has somewhat quelled the fears.
- **Adjustment to geopolitical uncertainties:** The turmoil in Ukraine, Israel and Bangladesh continue to simmer, but globally, the supply chains are gradually adjusting to these crises.
- **Potential for a global economic slowdown:** The International Monetary Fund (IMF) projects global growth to slow down in FY25, as tighter monetary policies and ongoing geopolitical risks weigh on economic activity.⁷

Global outlook for FY25

- **Rate cut by US Federal Reserve:** The Federal Reserve cut its benchmark interest rate by 0.50 percentage points, lowering the target range to 4.75–5 percent. This marks the first-rate reduction in four years as the Fed pivots from battling inflation to supporting economic growth amid signs of a softening labour market.⁶

Indian economic performance (FY24 review and FY25 outlook)

Key highlights of FY24⁸⁹

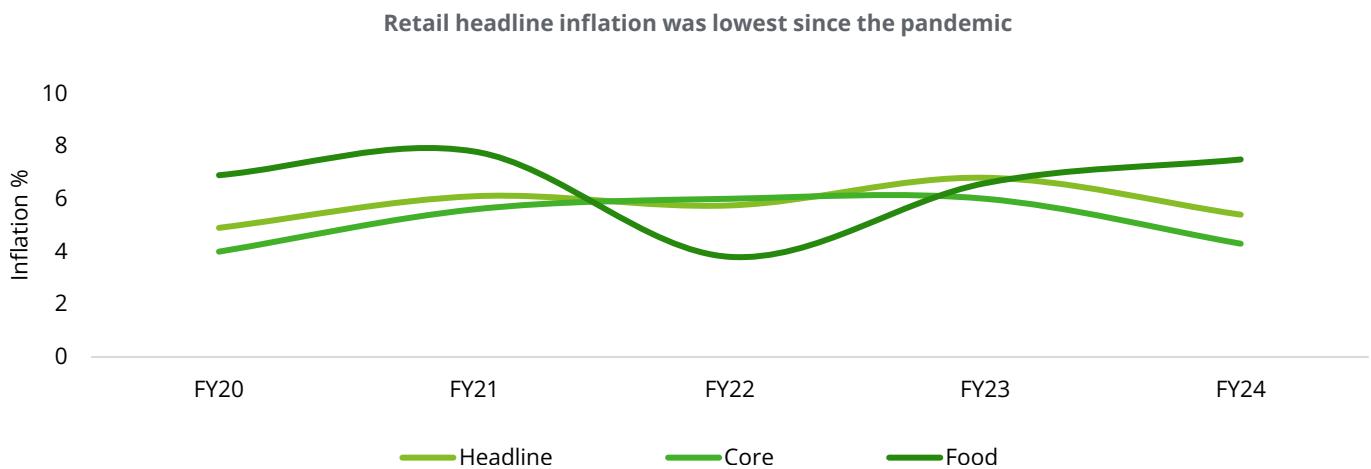


Source: Economic Survey of India 2023–24

- Strong GDP growth:** India's GDP is estimated to have grown by 7.6 percent in FY24,¹⁰ driven by robust domestic demand and a recovery in investment.
- Resilient domestic demand:** Private consumption and government spending remained strong in FY24, supporting overall economic growth.
- Growing digital economy:** The digital economy continued

to expand rapidly, driven by increasing internet penetration, smartphone usage and digital payments.

- Government initiatives to boost manufacturing and infrastructure:** The government continued to drive several initiatives to promote manufacturing and infrastructure development, such as the Production Linked Incentive (PLI) scheme and the National Infrastructure Pipeline (NIP).



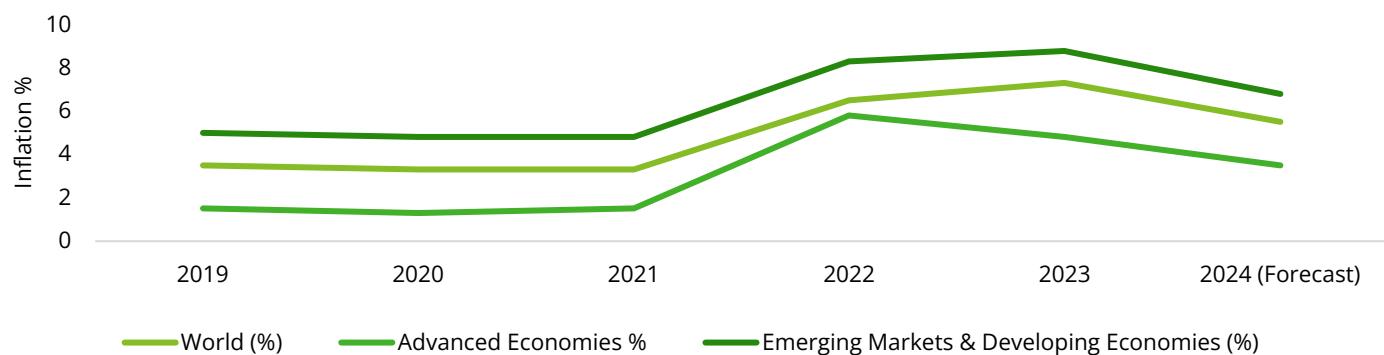
Source: Economic Survey of India 2023–24

- **High inflation (especially food and fuel):** Inflation remained elevated in FY24, particularly for food and fuel items, impacting household budgets and consumer spending.¹¹

Economic outlook of India for FY25¹²

- **Growth momentum expected to continue:** The Indian economy is expected to maintain its growth momentum in FY25, supported by continued domestic demand and government policy measures.

Declining inflationary pressures across countries



Source: Economic Survey of India 2023-24

- **Inflation expected to moderate:** Inflation is projected to gradually moderate in FY25 as supply chain disruptions ease and monetary policy tightening takes effect.
- **Focus on infrastructure development and digitalisation:** The government is expected to continue prioritising infrastructure development and digitalisation initiatives in FY25.
- **Potential risks from the global economic slowdown and geopolitical tensions:** The global economic slowdown and ongoing geopolitical risks could challenge India's growth outlook in FY25.

India's economic outlook for FY25 remains optimistic, driven by private consumption¹³ which bodes well for the retail, e-commerce and FMCG sectors. These sectors are poised for growth, driven by increasing digital adoption, rural demand recovery and expanding market opportunities. To capitalise on these opportunities, businesses must adapt to changing consumer behaviours, leverage technology and prioritise innovation and localisation. By embracing agility and adaptability, these sectors can navigate the dynamic economic landscape and contribute to India's continued economic progress.



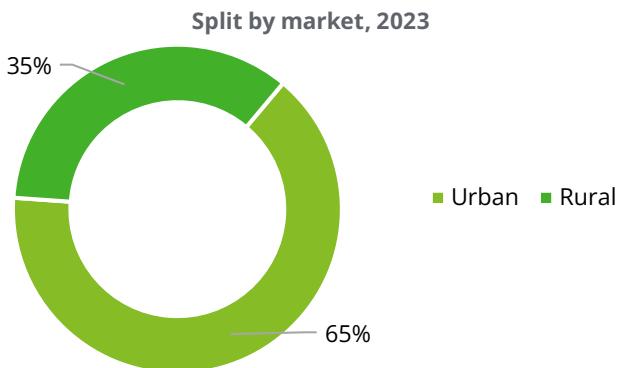
FMCG

Overview of the FMCG sector in India

The Fast-Moving Consumer Goods (FMCG) industry, the fourth-largest¹⁴ sector in the Indian economy plays a crucial role in the country's economic prosperity. In 2023, the FMCG market was valued at US\$144 billion,¹⁵ contributing ~3 percent to the GDP.¹⁶ Additionally, the FMCG industry is a significant employment

generator, providing direct jobs to ~3 million people and accounting for 8.4 percent of the total factory employment in the country.¹⁷ The industry's growth has attracted substantial Foreign Direct Investment (FDI), reflecting global confidence in its potential.

Split of the market



Despite urban markets contributing around 65 percent¹⁸ of the overall FMCG revenue, the rural market remains a critical focus due to the stark discrepancy between its urban share of India's population and its lower contribution to revenue. This gap underscores the untapped potential in rural regions, where increasing disposable incomes and improved distribution channels could drive high-value purchases. Additionally, targeting rural consumers early is strategic, as purchasing habits formed in these regions often persist even when individuals migrate to urban areas, making rural market penetration a long-term investment for sustained growth.

Source: Business Standard

Reflecting on the past year



Source: NielsenIQ

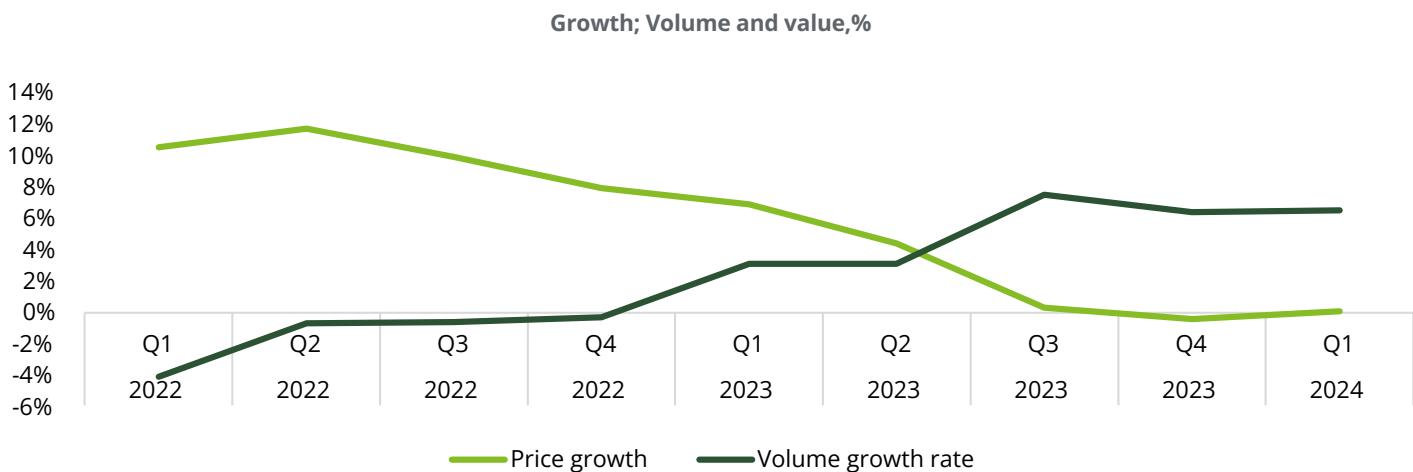
The FMCG sector showcased its resilience by swiftly recovering after the pandemic and entering a rapid growth phase in 2022, largely driven by the easing of lockdown restrictions and a low base effect. FMCG companies have navigated through uncertainties to achieve double-digit value growth, peaking at 12.2 percent year-on-year in CY Q2 2023. However,

signs of distress began to appear as volume growth lagged and remained in the red before only picking up in 2023. As volume growth begins to align with value growth, an evolving consumer dynamic that is likely to shape FMCG growth strategies is manifesting.

Emerging trends shaping the FMCG sector

Trend 1: Affluent up-trading and unaffluent down-trading

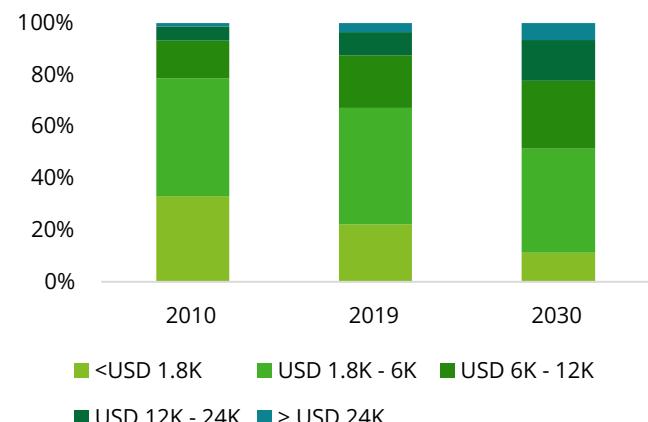
Price impact on consumption



Source: Price Growth – Business Today Article, Volume Growth - NielsenIQ

The FMCG sector has been impacted by a sustained rise in costs of commodities, fuel and freight due to global challenges. Additionally, unseasonal rainfall and the effects of El Niño further exacerbated agricultural production challenges in India, leading to increased input costs for manufacturers. In response, FMCG companies had been forced to pass these price increments on to consumers, resulting in price-led growth throughout 2022 and H1 2023. The sustained double-digit price increases, often outpacing inflation, have begun to strain consumer purchasing power leading to a pullback in consumption. This decrease is evident from the negative growth volume rates observed throughout 2022, with volume declining by as much as 4 percent in Q1 and remaining negative until the end of Q3. While there are early signs of volume growth in 2023, the price increases have led to divergence between rural and urban consumers.

Splits by number of households' annual income



Source: Inc42, Converted from INR to USD using exchange rate of USD 1=INR 83

In 2010, there were 79 million households with annual household income of less than US\$ 1.8K. This number declined to 64 million by 2019 and is expected to decrease to 40 million by 2030, reflecting a significant upward economic shift.¹⁹ Households are increasingly moving towards higher economic segments, with households projected to grow 2.1 times from 2019 levels.²⁰ The elite and affluent segments are expanding the fastest, indicating a broader trend of rising income and economic mobility across the population.²¹

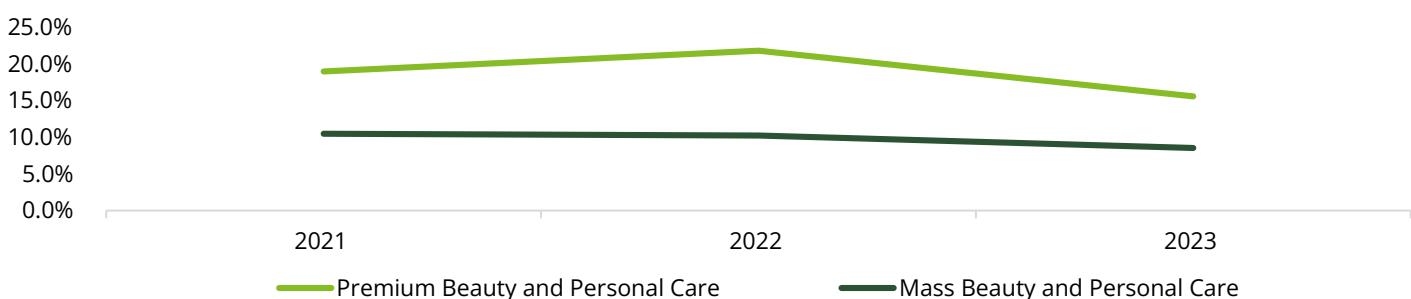
Affluent vs unaffluent divergence

The combined effect of elevated consumer prices and sluggish post-COVID income recovery has significantly dampened consumption levels among low-income households. This strain became apparent when unaffluent consumption growth, which had previously outpaced the affluent segment, began to lag in FY22. In contrast, affluent households, though not immune to these challenges, saw a more moderate impact on their

consumption, supported by a slower but steady rise in income. As a result, affluent consumption has consistently outpaced unaffluent consumption for the past three years, underscoring a widening behavioural shift between these population segments.

A clear trend is emerging across multiple consumer goods sectors, starting with a noticeable shift in consumer behaviour between affluent and unaffluent segments. In the FMCG sector, affluent consumers increasingly opt for larger pack sizes, indicating an uptick in spending capacity, while unaffluent consumers are downtrading. This broader pattern of upgrading is evident in affluent markets, where higher disposable incomes drive a preference for premium goods that offer greater value. In contrast, unaffluent households are pulling back on expenditure, choosing unbranded or more affordable products.

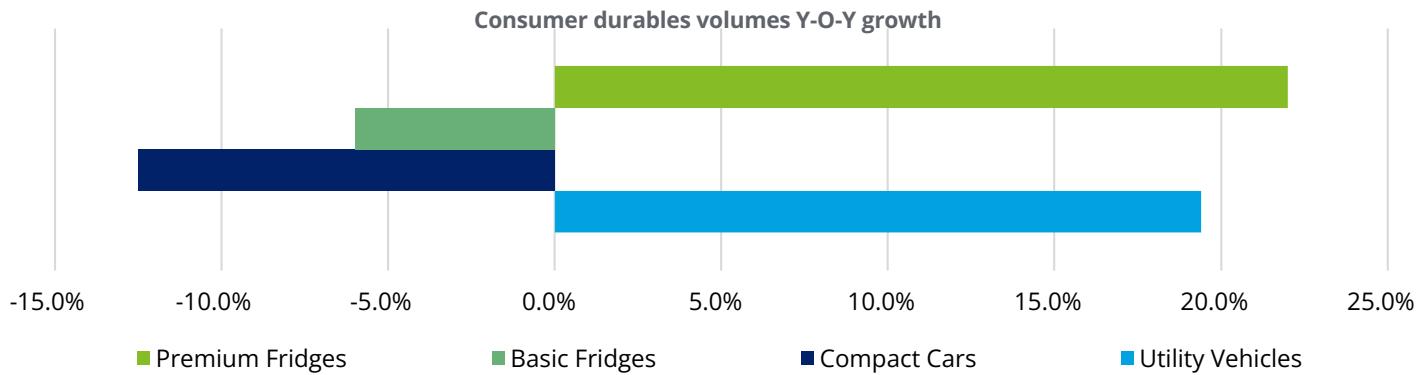
Beauty and personal care market growth



Source: Euromonitor

When consumers face financial constraints, they often prioritise spending on smaller, affordable luxuries that offer a sense of indulgence without a significant cost. In the beauty and personal care industry, this trend is seen as premium products consistently outpace mass-market options. Driven

by a desire for high-quality, innovative formulations and self-care, consumers continue to invest in premium segments, highlighting their preference for accessible luxuries that provide comfort and satisfaction, even in tight economic conditions.



Source: Business Today

This trend extends to other sectors as well. In the consumer durables market, premium refrigerators have clocked a robust 22 percent year-on-year growth,²² while basic fridges have seen a 6 percent decline.²³ Similarly, in the automotive sector, the demand for premium SUVs has surged by 19.4 percent year-on-

year,²⁴ whereas compact cars have faced a 12.5 percent drop in sales.¹⁰ These shifts underscore a growing divide in consumer preferences, with affluent consumers upgrading to premium products while unaffluent consumers increasingly favour more economical choices.



Trend 2: Redefining channels

The evolving preferences of the Indian consumer, who increasingly values the convenience of cashless, contactless shopping, along with a demand for greater choice and quicker access to products, are driving a significant shift in how FMCG

companies approach their go-to-market strategies. As these behaviours reshape the retail landscape, companies are compelled to rethink and redefine their distribution channels to stay competitive and meet the changing needs of their customers.

Traditional trade recovery



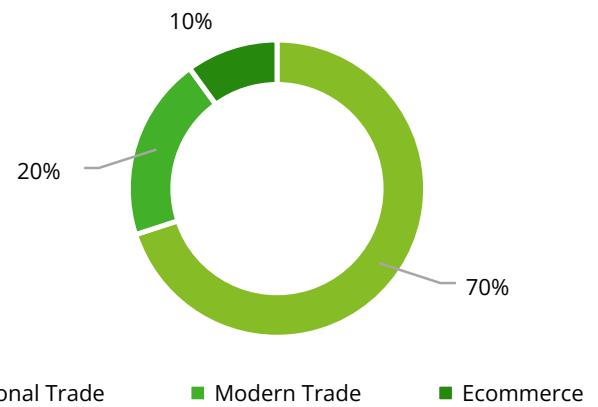
Source: NielsenIQ

Although traditional trade experienced a decline in the quarters following the pandemic, the sector has recently shown a significant rebound. Kirana stores, which are central to this channel, have adapted to changing consumer preferences by embracing digital payments, offering quick delivery services and extending credit to trusted customers. Despite the anticipated shrinkage, traditional trade's channel contribution continues to account for 70–80 percent of FMCG sales,²⁵ supported by a robust network of over 13 million stores across the country and remains the most profitable channel.²⁶

Quick commerce boom

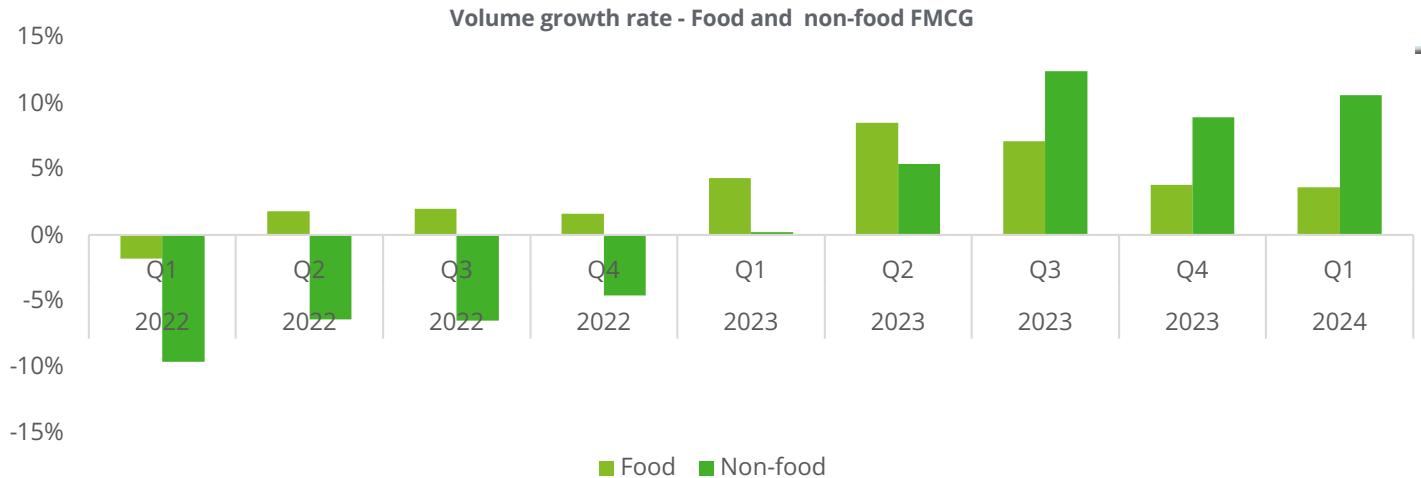
Quick commerce gained momentum during the pandemic and has rapidly become a preferred channel for urban consumers. About 18 percent of consumers prefer purchasing food and beverage items from Q-commerce channels.²⁷ The Q-commerce segment has grown by 230 percent from 2021 to 2023.²⁸ For large FMCG brands, in FY24, leading FMCG firms reported a nearly 2x increase in the share of quick commerce within their total e-commerce sales, reaching around 35 percent of online sales. This surge in quick commerce is anticipated to continue as consumers want to continue to purchase from Q-commerce channels.

Typical channel split



Source: Financial Express Article

Trend 3: Impulse driving F&B growth



Source: NielsenIQ

As the pandemic altered daily routines, households turned to at-home consumption and entertainment as the new normal. While out-of-home activities are gradually resuming, consumers continue to cook and entertain at home, a shift that remains influential in the FMCG sector. This trend has led to significant growth in indulgent, impulse categories such as chocolates and snacks, with pack sales across categories nearly doubling in Q1 2024²⁹ over a year ago. Chocolates and biscuits have seen remarkable consumption growth of 30 percent and 8 percent,³⁰ respectively. Additionally, the scorching summer temperatures across India have boosted soft drink sales, which grew by 19 percent year-on-year.³¹

A few categories are emerging as fast growers across regions. Asian consumers are increasingly seeking products that boost health and immunity, and health supplements have become one of the fastest-growing categories.

Trend 4: Home and personal care recovery

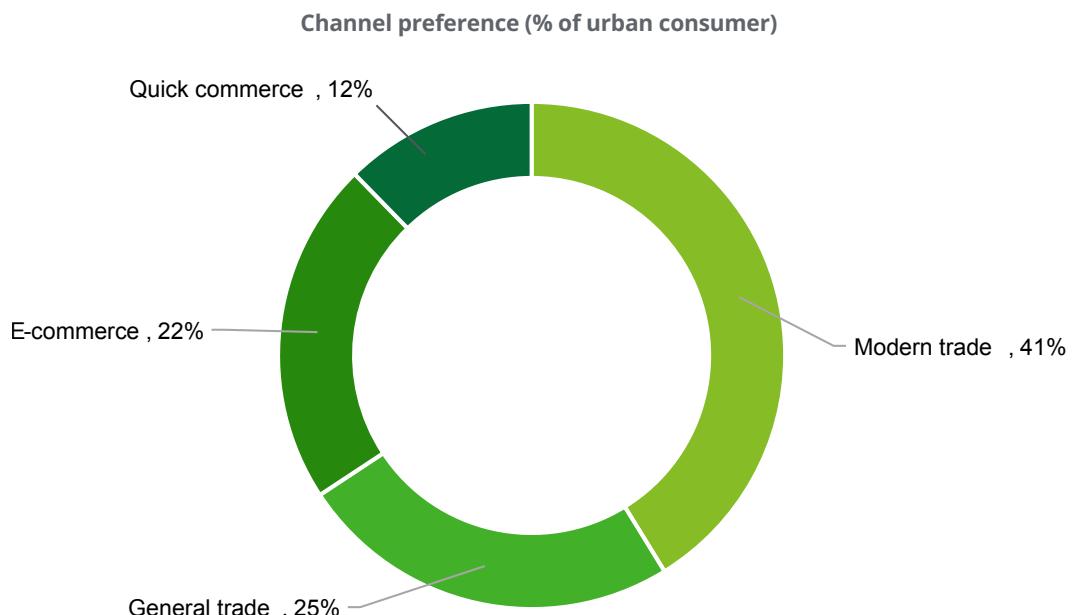
Non-food FMCG products began to see an uptick midway through last year, following a period of slower growth primarily led by increasing demand in rural India. Home and personal care products that had been declining during H1 2023 are experiencing a notable recovery. The growth is expected to continue, supported by both urban and rural households, as these categories regain momentum. In 2024, there was a particularly strong surge in sales of fabric softeners, now present in 1 out of 4 Indian homes, and washing liquids, which saw an impressive 50 percent volume growth³² over the past two years. As these emerging categories gain traction, they are set to play a significant role in driving future growth in the home and personal care segment.

Consumer behaviour and demand trends

Preference for alternate channels among urban consumers

According to a consumer survey, modern trade, which includes hypermarkets and supermarkets, is becoming the most preferred channel by urban consumers, which includes

consumers from metro and tier 1 cities.³³ While modern trade has been gaining traction and the growth driver, especially in urban markets, general trade remains resilient due to its deep penetration in rural markets.³⁴



Source: NielsenIQ

E-commerce preference

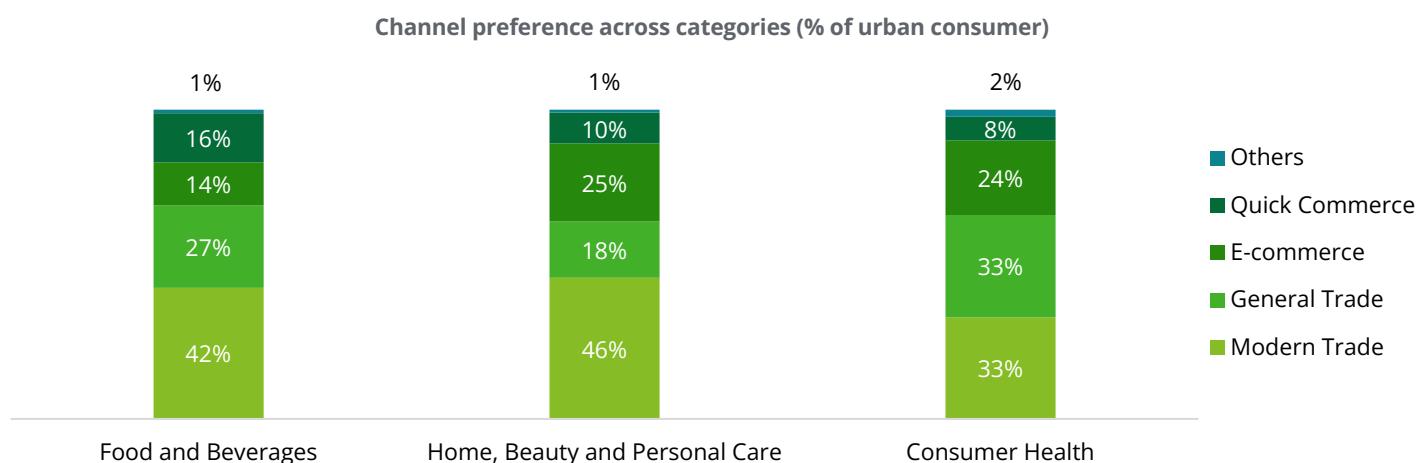
Consumers in India are increasingly turning to e-commerce as a preferred channel for purchasing FMCG products. With internet penetration rapidly expanding—projected to reach

907 million users by 2023—online platforms now account for 17 percent of overall FMCG consumption,³⁵ particularly among affluent and evolved buyers. This shift is driven by greater convenience, wider product availability and competitive pricing.³⁶

Channel preference across categories

According to the survey,³⁷ consumers tend to favour quick commerce over traditional e-commerce for food and beverages, as these items are often driven by impulse purchases or immediate needs. In contrast, home, beauty and personal care products are generally more planned purchases, making e-commerce the preferred option in these categories.

Modern trade maintains a consistently high preference across categories, as consumers appreciate the availability of large pack sizes for monthly grocery shopping and better prices and discounts. Regarding consumer health products, the higher preference for general trade can be attributed to the convenience of purchasing them alongside pharmaceutical items and concerns regarding product quality.³⁸

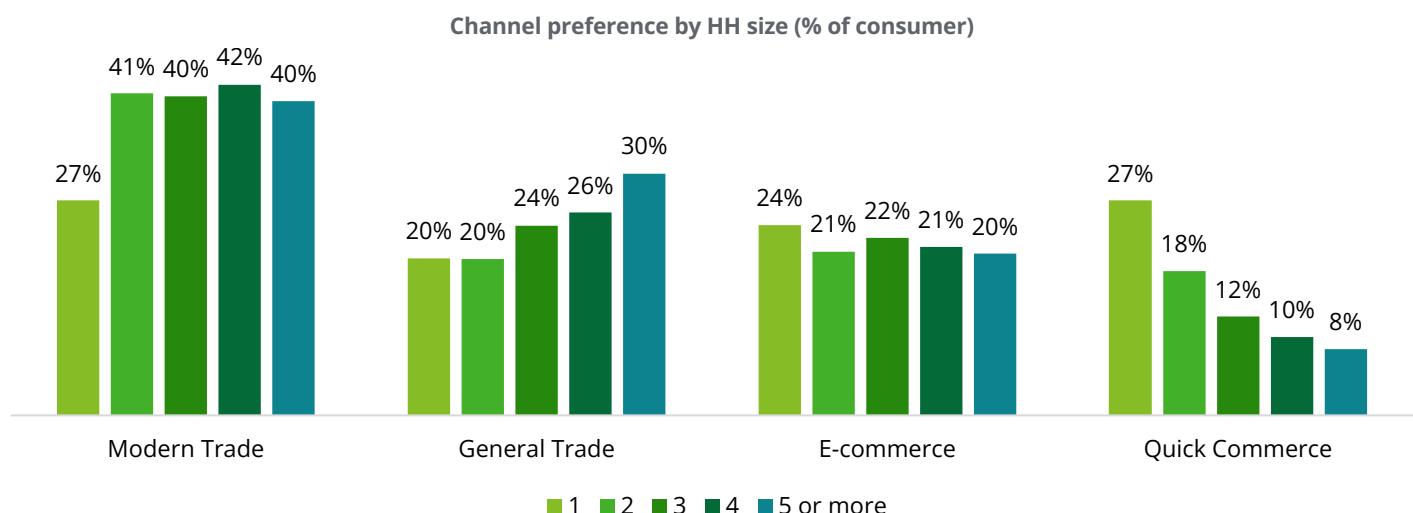


Source: Deloitte India Consumer Survey 2024

Channel preference by household size

The survey highlights a clear pattern in how household size influences shopping preferences. As household sizes shrink, there is a noticeable increase in the preference for quick commerce. Smaller households with both members working likely appreciate the convenience and speed of quick commerce, which caters to more immediate and flexible

consumption needs. In contrast, larger households tend to favour general trade. This could be due to the need for bulk purchases, better budgeting or a preference for more personalised service—factors often associated with general trade and modern trade. These findings show how the size of a household plays a key role in shaping consumer shopping habits across different retail channels.³⁹

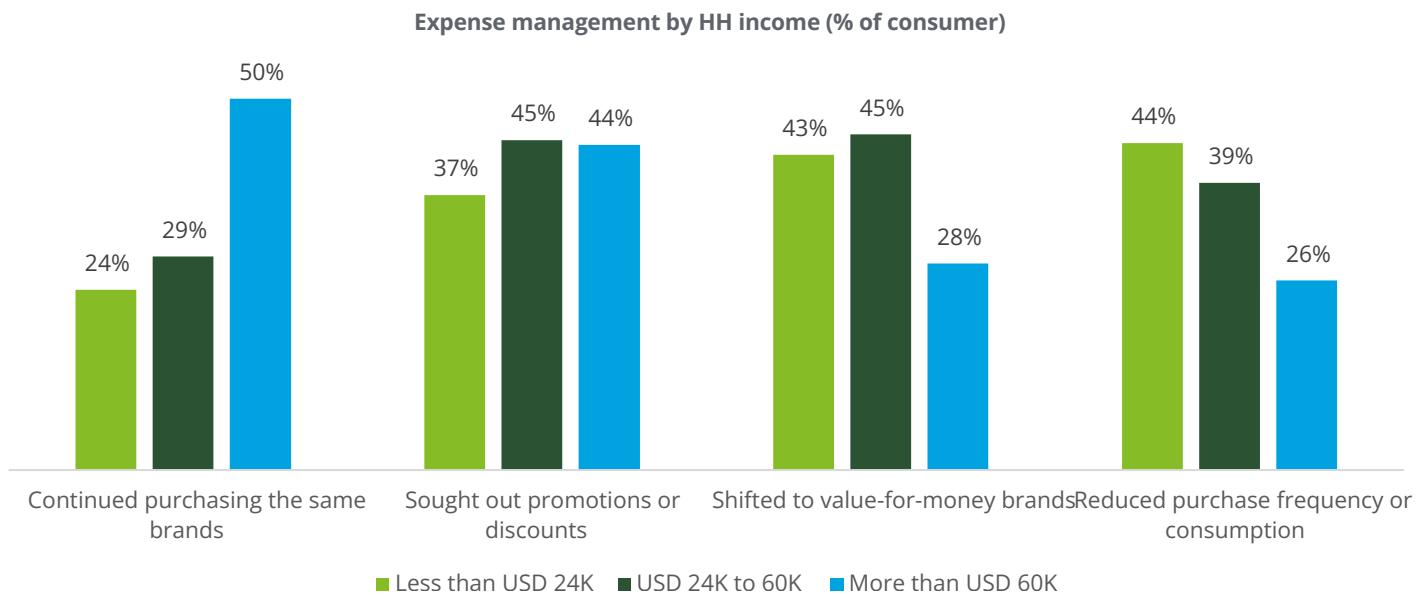


Source: Deloitte India Consumer Survey 2024

Expense management by HH income

Households with annual incomes of less than USD 24K are responding to inflation by reducing their consumption of FMCG products. This factor may be contributing to the observed lower volume growth levels. Meanwhile, a sizeable portion of

consumers with household incomes above USD 60K actively seek promotions and discounts while continuing to purchase similar brands. This behaviour likely drives their increased preference for modern trade and e-commerce channels, which typically offer more attractive deals and promotional offers compared with other retail formats⁴⁰



Source: Deloitte India Consumer Survey 2024



Supply trends

Premiumisation focus amid price sensitivity

As consumer preferences shift towards more sophisticated products, premiumisation has emerged as a core strategy for many FMCG companies, particularly in urban markets. Despite inflationary pressures and price sensitivity in lower-income segments, there has been a notable increase in demand for premium offerings that cater to health, wellness and lifestyle preferences.

Urban and affluent consumers driving growth

Products offering enhanced quality, health benefits and alignment with global lifestyle trends are gaining traction, particularly among middle- and upper-income consumers in metropolitan areas.

Product innovation to target premium segments

Companies are expanding their premium product portfolios to capitalise on this trend. A leading FMCG company, for instance, introduced new products such as cooling hair oils, shower gels and mosquito-repellent liquid vaporisers targeted at more affluent urban consumers.⁴¹ Major players focus on premium beauty and personal care products, catering to consumers looking for luxury and efficacy in their purchases.⁴²

The focus on premiumisation is set to continue to evolve as companies strike a balance between catering to price-sensitive consumers and tapping into the growing demand for high-quality, health-oriented and luxury products.

Relooking GTM (Go-to-Market) for rural markets

Rural markets, which traditionally serve as a major growth engine for FMCG companies, faced significant challenges in FY 2024 due to inflation, low wage growth and adverse weather conditions. Rural consumption growth slowed as rural consumers became more price-sensitive, and companies were forced to rethink their GTM strategies to remain competitive in these regions.

Expanding rural distribution

While companies have started expanding their rural coverage and channel visibility since last financial year, expanding their rural reach and increasing distribution points to capture more market share, large companies have gone a step further by developing innovative sales channel structures to serve rural markets better and maintain cost to sell. For example, many larger FMCG companies added over 200,000 retail outlets to their coverage network, reaching over 8 million outlets and presence in over 120,000 villages. In contrast, others increased their presence in under-served rural areas through re-engineered channel expansion of their existing urban models.⁴³

Tailored product offerings

Companies introduced smaller and more affordable pack sizes to cater to the heightened price sensitivity in rural areas. For instance, sales of smaller pack sizes for major brands in food and personal care categories increased by 15–20 percent in rural markets during the last quarter of FY 2024.⁴⁴ These tailored product offerings helped companies maintain their foothold despite the downturn in rural demand.

Looking ahead, FMCG companies must continue localising their marketing strategies and focusing on price-sensitive offerings to maintain growth in rural markets, especially as economic challenges in these regions persist.

Addressing commodity price inflation

In FY 2024, FMCG companies, especially those operating in India, faced significant headwinds from rising commodity prices. The average Consumer Price Index (CPI) inflation increased to 6.8 percent, compared with 5.8 percent in FY 2023, heavily impacting raw material costs.⁴⁵ Companies reliant on commodities such as palm oil, crude oil, wheat and edible oils bore the brunt of this price inflation. For example, crude oil prices rose from US\$78 per barrel in FY 2023 to US\$83 per barrel in FY 2024, significantly increasing transportation and logistics costs across the supply chain.⁴⁶

Companies with a significant presence in rural India faced higher input costs due to rising commodity prices and currency devaluation. Imported goods such as palm oil became more expensive, pressuring their margins.⁴⁷ Companies relying heavily on wheat and dairy experienced input price increases, especially in rural markets already experiencing demand contraction due to inflation and wage stagnation.⁴⁸

Selective price adjustments

Many companies opted for selective price hikes to pass on the increased input costs to consumers. However, these price increases were balanced carefully to avoid losing market share in a competitive environment. Despite this, operating

margins for several FMCG companies saw a 50–100 basis point compression due to inflation.⁴⁹

Procurement optimisation

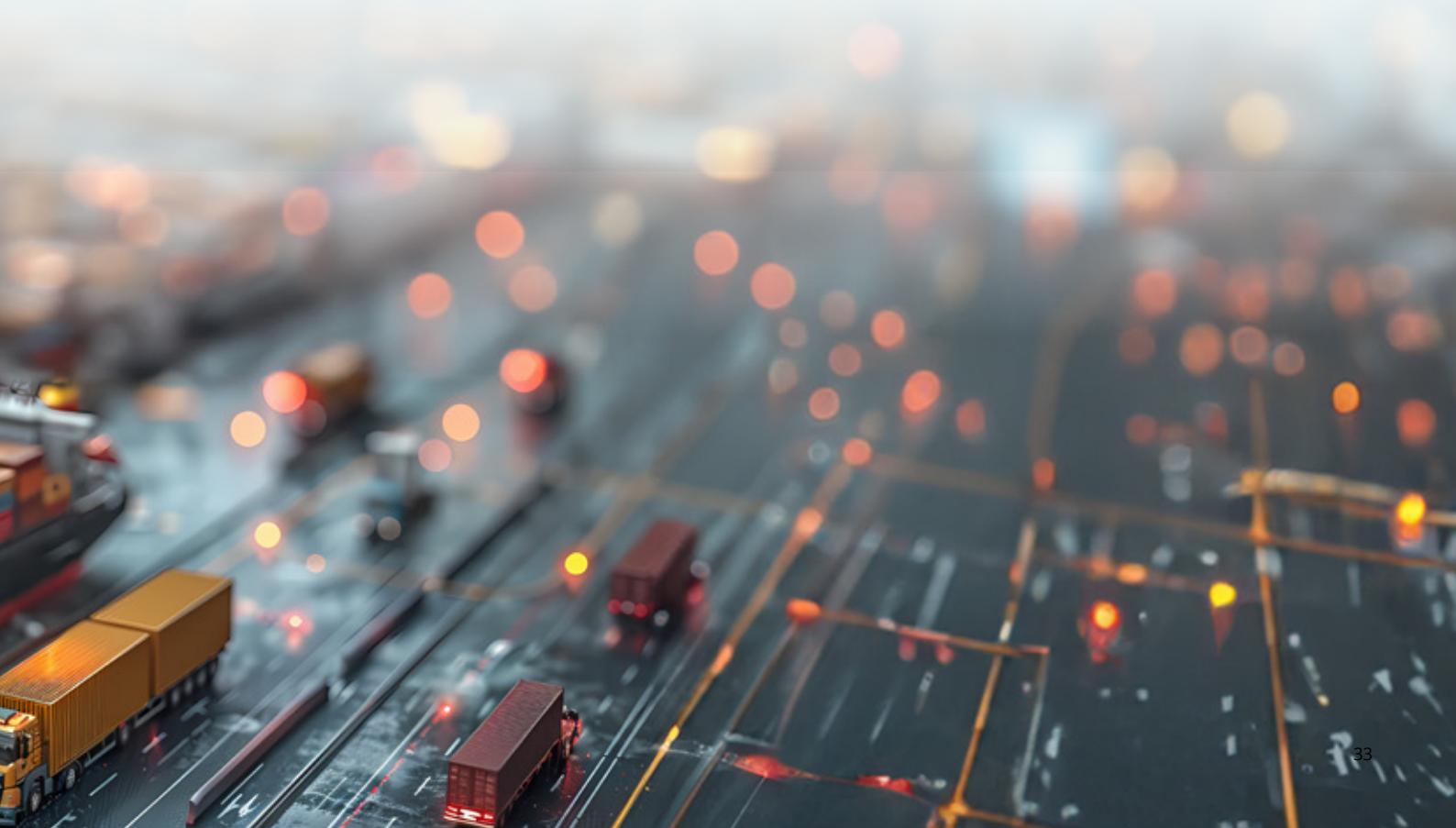
Large companies focused on hedging against price volatility by locking in long-term contracts with suppliers. Few of them also employed bulk-buying strategies to control input costs effectively; while others leaned on digital tools and AI to improve their procurement and inventory management systems.⁵⁰ The constant pressure of commodity price inflation has highlighted the critical importance of operational agility and cost control in FMCG, where price-sensitive consumers are unwilling to absorb continuous price hikes.

Digital transformation focus across the ecosystem

Digital transformation is no longer a choice but a necessity for FMCG companies seeking to stay competitive in an increasingly tech-driven world. From streamlining operations to engaging with consumers in real time, digital investments are reshaping how companies operate. In FY 2024, most companies intensified their focus on end-to-end digitisation to boost efficiency and enhance consumer experiences.

End-to-end digitisation of supply chains

Most companies have made significant strides in digitalising their supply chain management. By integrating AI and machine learning, these companies have enhanced demand forecasting accuracy, reduced inventory holding costs and improved overall operational efficiency.⁵¹ Several leading packaged food



players have commissioned new technologically advanced factories to improve production speed and quality, using automation for cost reductions.⁵²

AI-driven consumer insights and personalisation

Leading FMCG firms are deploying AI tools to gather real-time data on consumer preferences, allowing for more targeted product offerings and marketing campaigns.

Leading FMCG companies' own digital marketing tools, combined with AI, have enabled personalised outreach to urban consumers, especially for their premium product lines.⁵³ In the beauty and personal care segment, brands use AI-driven product recommendations and Augmented Reality (AR) for virtual product trials, helping consumers make better-informed decisions while boosting engagement.

Enhanced efficiency

The digitisation of logistics and supply chain operations has allowed companies to reduce costs and improve agility. For example, several leading players use AI-driven analytics to reduce inefficiencies and improve inventory management, helping the company navigate the challenges of commodity price inflation more effectively.

Consumer engagement

As digital tools enable more precise customer targeting, brands can create more personalised shopping experiences. Many leading players expanded into Direct-to-Consumer (D2C) channels, driven by AI and e-commerce platforms. This helped them reach a larger audience and provide customised services based on consumer preferences.⁵⁴

The increased focus on digital transformation across the FMCG ecosystem will continue driving operational efficiencies, cost savings and stronger consumer relationships across product categories, particularly in highly competitive urban markets.

GenAI use cases in FMCG

GenAI is rapidly reshaping the FMCG landscape, offering significant opportunities to enhance efficiency, optimise costs and better serve consumers. Deloitte's report on GenAI highlights its transformative role in solving complex problems such as supply chain disruptions and consumer behaviour shifts.⁵⁵ Companies are deploying AI to forecast demand with precision and personalise consumer engagement at scale.

Supply chain optimisation

Companies have adopted AI to drive efficiency. AI-driven demand forecasting models have helped these companies

reduce inventory holding costs by up to 20 percent.⁵⁶ This technology enables more accurate predictions of consumer demand, avoiding stockouts and overproduction. It also allows better resource allocation, especially during times of commodity price volatility.

The digitisation of logistics and supply chain operations has allowed companies to reduce costs and improve agility. For example, several leading players use AI-driven analytics to reduce inefficiencies and improve inventory management, helping the company navigate the challenges of commodity price inflation more effectively.

Personalised marketing and consumer insights

AI is critical in improving customer experiences through personalised interactions. For example, many leading personal care brands use AI tools to craft highly targeted marketing campaigns for their premium personal care products. They are also piloting AR shopping experiences to help consumers visualise how products look or feel before purchasing.⁵⁷ Similarly, a leading FMCG company has expanded its D2C channels using AI-powered platforms to offer consumers more personalised and faster services.

AI is set to become a key differentiator for FMCG companies that are heavily reliant on supply chain efficiencies and consumer engagement. Those who invest in AI tools across their value chains are likely to not only withstand inflationary pressures better but also lead in consumer-centric innovation, improving profitability and customer retention over the long term.

Sustainability and regulatory challenges

Sustainability is no longer a buzzword, it is a business imperative. FMCG companies are under mounting pressure to integrate sustainability into their operations, driven by consumer demand for eco-friendly products and stricter regulatory requirements. FY 2024 saw significant shifts in this area as companies navigated environmental challenges such as climate change while complying with new regulations around plastic usage and waste management. For most companies, setting and performing in the SDGs is now expected as a general norm, with most companies regularly updating their sustainability initiatives.

Sustainability will continue to be a key factor shaping the FMCG landscape, with companies that successfully integrate eco-friendly practices gaining consumer trust and potentially stronger brand loyalty.

Mergers & Acquisitions

Deal activity in the FMCG sector ⁵⁸	2020	2021	2022	2023
Number of deals with disclosed value	39	94	140	175
Total disclosed deal value (USD Mn)	3,616	7,153	9,456	10,530
Average deal value (USD Mn)	93	76	68	60

While overall deal activity, in terms of the number of deals and total deal value, has increased from 2020 to 2023, some key trends have been seen over the past 2-3 years.

Trends in M&A strategies

Shift in M&A strategies

In the years following the pandemic, FMCG companies faced significant disruptions to their business models, prompting a strategic shift in their approach to M&As. As the landscape stabilised, firms focused on reinventing their portfolios, targeting high-growth and emerging segments through M&A to stay competitive. Embracing an aggressive M&A strategy, conglomerates ventured beyond their core businesses, aiming to accelerate transformations and adapt.

As the pandemic disruption stabilised and new consumer behaviour patterns emerged, FMCG firms focused on reinventing their portfolios, using M&A to enter these high-potential emerging segments. M&A strategies were aggressive, with many conglomerates venturing beyond their core businesses, aiming to accelerate transformations and adapt to new market realities.

A key component of this shift was the integration of digital capabilities, with companies actively acquiring D2C brands to usher in necessary digital transformations and tap into the booming e-commerce market. The overarching priority for these firms was to drive revenue growth and reposition their portfolios within high-growth industries. For instance, FMCG conglomerates in the personal care sector swiftly moved to acquire D2C brands in the rapidly expanding wellness industry, underscoring their commitment to staying relevant and capturing new consumer segments.

Accelerating synergies

In recent years, FMCG companies have shifted their focus to accelerating synergies and realising value from past acquisitions. Positioned in high-growth industries, executives are now under pressure to extract tangible benefits from these deals, moving beyond initial expansion goals. As volume growth slowed and margin pressures increased, companies realigned their M&A strategies to prioritise core business operations and enhance their bottom line. The emphasis has shifted from diversification to maximising the potential of existing assets for sustainable value creation.

In response, firms have adopted a more defensive M&A strategy, characterised by caution and strategic alignment. This approach has led to three key trends: consolidating within core markets, focusing on acquisitions that align closely with long-term goals and prioritising operational integration to improve efficiency and profitability. This shift reflects the evolving priorities of FMCG companies as they aim to navigate a challenging market environment and consistently deliver value to shareholders.

Strengthening fortress

In 2022 and 2023, there was a significant shift towards M&A activity within core business categories for FMCG companies, with around 60 percent of deals focused on core areas compared with just 30 percent in previous years.⁵⁹ This trend reflects a strategic move by companies to strengthen their market positions and enhance profitability as they face increasing inflationary pressures. By acquiring firms that align closely with their primary operations, FMCG conglomerates aim to consolidate and use cost synergies, thereby protecting their bottom lines.

A clear example of this shift is seen in the primary food processing industry, including sectors such as spices, sugar and tea processing, which have seen a notable rise in M&A activity. This increase aligns with the broader consumer trend in India of moving away from loose products towards packaged goods, driving demand for consolidated operations within

these categories. As a result, companies are doubling down on their core strengths to navigate economic challenges and capitalise on growing market opportunities.

Strategic divestitures

FMCG conglomerates are increasingly evaluating their portfolios to identify and divest assets that do not align with their long-term core growth strategies. This strategic realignment involves carving out business segments that are not central to their primary operations, allowing companies to streamline their focus and optimise their resources.

In the last two years, major FMCG firms have taken significant steps in this direction, shedding non-core businesses to strengthen their market position and enhance their commitment to their core areas of expertise. These companies are better positioned to drive sustainable growth and maximise shareholder value by doing so.



Food and beverages

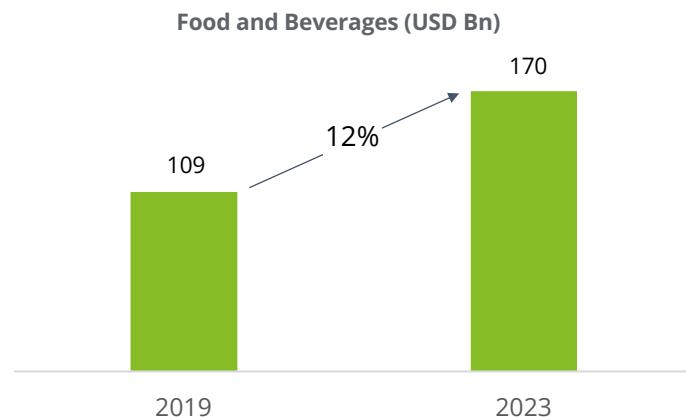
Overview of FnB

India's food and beverage sector is poised for significant transformation as the nation grapples with increasing food demand driven by a rising population and growing prosperity. However, FY 24 witnessed a decline in India's overall F&B exports due to several factors, including the Red Sea crisis and the Russia-Ukraine war. This year also saw domestic restrictions imposed on critical food commodities like rice, wheat, sugar and onion due to concerns regarding food security and increased prices.⁶⁰

Food inflation in India has increased over time and hit 9.4 percent in June 2024, influenced by factors such as weather conditions, agricultural productivity and supply chain disruptions.⁶¹ It has been a significant concern for both policymakers and consumers. To combat inflation, 75 percent of survey respondents took steps such as purchasing in bulk, shifting to value-for-money brands or reducing consumption frequency among food and beverage categories.⁶²

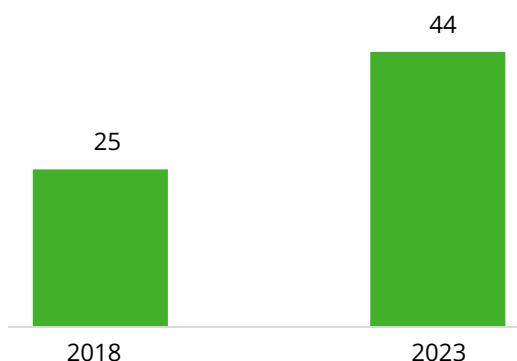
The sector is undergoing a transformation driven by the need for greater efficiency, food safety, traceability and sustainable packaging. The distribution landscape is expected to shift as consumers increasingly seek convenience and safety in their food purchases. To navigate these changes effectively, a collaborative approach involving various stakeholders—farmers, processors, logistics providers, retailers and technology innovators—is essential.

Market size and overview

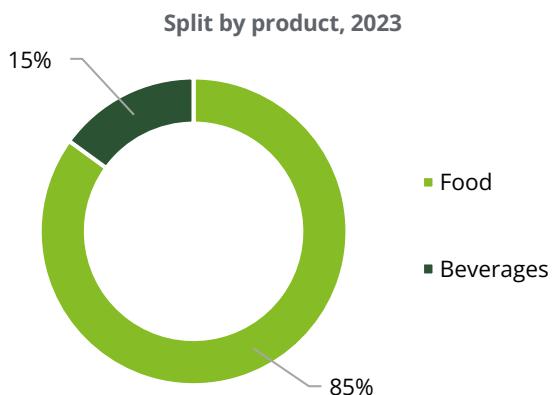


The F&B segment is essential for its economic impact and for shaping consumer lifestyles and preferences. In recognition of the sector's significance, the government has approved a new PLI scheme for the food processing industry, with a substantial budget outlay of US\$1.3 billion.⁶³ This initiative aims to bolster the sector's growth by providing financial incentives over six years, until 2026-27, to the beverage market.

Per Capita Spend on Packaged Food (USD)



In 2018, the per capita expenditure on packaged food in India was US\$24.9, which increased to US\$43.6 by 2023.⁶⁴ This expenditure is expected to post a CAGR of 11 percent from 2023 to 2027.⁶⁵ The rise in disposable incomes and the increasing number of women in the workforce are driving the demand for ready-to-eat and convenient 'on-the-go' products. Additionally, a growing preference for healthier ingredients is likely to boost the market for premium items such as baked snacks.



Source: Euromonitor

Within this vibrant landscape, innovation is driving the transformation of the food and beverage sector, reflecting a blend of local tastes and global trends. The market has seen an influx of new product launches, particularly those emphasizing health-conscious choices, such as low-sugar beverages and products made with natural and organic ingredients. The rise of local brands catering to domestic flavours demonstrates the strong preference among Indian consumers for culturally relevant products. Furthermore, online retail platforms have facilitated the rapid introduction and distribution of these innovative offerings, making them accessible to a broader audience.

Demand trends

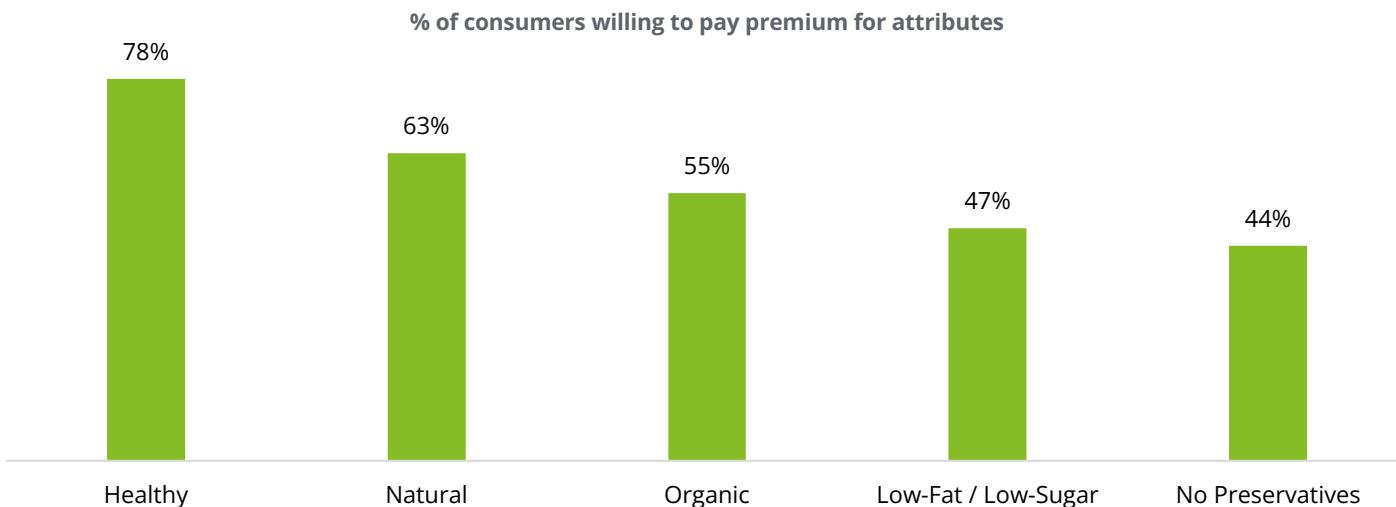
The demand trends in India's food and beverage sector are evolving rapidly, shaped by changing consumer preferences, rising health consciousness and an increased focus on sustainability. Indian consumers are increasingly prioritising nutrition, with a growing preference for protein-rich diets and organic, traceable food sources. This section explores the key demand trends influencing the market, highlighting the shift towards healthier, more sustainable food choices and the rising demand for convenience without compromising on quality and safety.

Rising demand for healthy Snacks

Emerging dietary preferences are reshaping the Indian consumer landscape, with a growing inclination towards healthy food and beverages. There is a noticeable shift towards healthier beverage options in India, including Kombucha, cold-pressed juices and plant-based milk alternatives. The demand is rising for products such as baked chips, protein bars and organic nuts, which offer nutrition and taste. Consumers are increasingly seeking foods with added health benefits, such as fortified cereals, probiotics and protein-rich snacks.

Willingness to pay a premium

After the pandemic, there is a higher willingness to pay more for products that guarantee health, safety and authenticity. As concerns over lifestyle diseases rise, more people are seeking chemical-free alternatives, especially in urban areas where disposable incomes are higher. According to a survey, 78 percent of consumers are willing to pay a premium for food and beverage products that claim to be healthy, 63 percent of consumers are willing to pay a premium for natural products and 55 percent for organic products.⁶⁶



Source: Deloitte India Consumer Survey 2024

Clean label and sustainable Foods

Consumers are increasingly demanding products with minimal and recognisable ingredients. The clean label trend is pushing brands to reformulate products to remove artificial additives and preservatives. The clean-label ingredients market posted a CAGR of 20.7 percent between 2018 and 2022 and is expected to continue growing.⁶⁷ Due to the growing demand, 5,000 clean-label products were launched in 2023 in India, accounting for 13 percent of the global product launches.⁶⁸ There is also a growing demand for sustainable food options, with consumers willing to support brands that engage in eco-friendly practices such as sustainable sourcing, minimal packaging and ethical labour practices.

Rising demand for regional flavours

The diversity of India's regional cuisines is increasingly reflected in the packaged food sector. Products such as Gujarati snacks, South Indian spice mixes and Bengali sweets are gaining popularity across the country. This shift indicates a growing consumer interest in authentic, region-specific flavours, driving demand for packaged foods that offer a taste of local culinary traditions.⁶⁹

Shift towards natural and less processed options

Indian consumers are increasingly aware of the health risks associated with ultra-processed foods, including links to

obesity, diabetes and heart disease. This has led to a decline in the consumption of highly processed snacks and a rise in demand for natural and minimally processed alternatives. Social media, influencers and health-focused online platforms have played a significant role in educating consumers about the potential negative impacts of ultra-processed foods, leading to more informed and health-conscious purchasing decisions.

Supply trends

Expansion of private label brands

Retailers in India are increasingly launching their own private label products, which are typically priced 25–40 percent lower than comparable branded items.⁷⁰ This shift is driven by the desire to offer cost-effective alternatives that appeal to price-sensitive consumers. In India, private labels represent 4 percent of total retail sales, of which 70 percent are of food categories.⁷¹ A leading FMCG player in India has aggressively expanded its private label portfolio across various categories, including food, apparel and household goods. Using its vast supply chain and retail network, it has introduced multiple private-label brands focusing on quality and affordability.

Increasing competition from local players

Small and local brands are increasingly challenging established players, taking significant market share in the F&B sector. Indian consumers are increasingly gravitating towards locally produced, culturally relevant and traditional food items. There is a growing preference for regional flavours, organic produce and artisanal products, which local players are well-positioned to provide.

- Research shows that 45 percent of Indian consumers prefer purchasing local brands over global ones for food and beverage products.⁷²
- In segments such as packaged foods, snacks and beverages, local brands directly compete with established players by offering similar products at more competitive prices.

- F&B brands now offer regional alternatives customised to the local taste preferences and their culture. Regional marketing and customer-centric marketing have been employed to reach the rural audience. Many advertising campaigns were launched in regional languages to reach the masses.

Alternative markets

Food brands are exploring the export market due to incentives such as the PLI scheme and the large presence of Indian diaspora abroad wanting Indian food products. The share of processed food exports in agri-exports has increased substantially from 13.7 percent in 2014–15 to 25.6 percent in 2022–23.⁷³ Domestically, brands are approaching the HORECA segment directly to customise their offerings and build long-lasting partnerships.



Home, beauty and personal care

India's Home, Beauty and Personal Care (HBPC) industry is at the cusp of significant transformation, poised to reflect evolving consumer behaviour and broader economic trends unique to the Indian market. With a market value running into thousands of crores across various sub-segments, HBPC represents a vital part of India's FMCG sector, contributing substantially to the nation's economy. As India continues to experience rapid urbanisation, growing disposable incomes and the expanding influence of digital platforms, the year ahead promises to be pivotal for this dynamic industry.

The home care segment exemplifies India's dual nature as a market that balances traditional values with modern aspirations. Over US\$7 billion as of 2023, the household surface cleaner market is expected to post a CAGR of 7 percent by 2028.⁷⁴ Eco-friendly cleaners are projected to post a 10 percent CAGR,⁷⁵ mirroring the increasing sustainability awareness, a trend influenced by global environmental concerns. However, the Indian market stands apart due to the regional variation in product adoption. In Metro/Tier 1 cities, premium and specialised products, such as multi-surface cleaners with added benefits such as antibacterial protection, are the mainstay. In contrast, rural markets continue to see dominance by traditional phenyl and detergents, though branded multi-surface cleaners are slowly penetrating as distribution networks strengthen. The dishwashing segment is increasingly inclined towards convenience, with liquids becoming the industry's norm across urban and rural markets. The laundry care segment is following the dishwashing category with a lag of around 2-3 years, with liquids becoming a clear winner in urban areas and showing signs of winning the rural market as well.

The beauty and personal care sector, with over US\$16 billion market size, is experiencing robust growth, with skincare, particularly anti-ageing products and sunscreens, expanding at impressive rates of 12 percent and 11 percent CAGR,⁷⁶ respectively. This growth reflects a consumer shift towards more sophisticated, preventative skincare solutions. Moreover, the demand for natural and herbal ingredients deeply rooted in Indian culture continues to drive innovation, with brands integrating local ingredients such as turmeric and neem into their offerings. This regional and cultural adaptability is a hallmark of the Indian market, making it unique among global FMCG sectors.

The industry's regional diversity mirrors the broader economic disparities in India. In Metro/Tier 1 cities such as Mumbai and Delhi, premium products with advanced formulations are highly favoured, driven by higher disposable incomes and global beauty trends. Meanwhile, affordability remains key in rural areas and Tier 2 cities, with traditional products still dominating, though modern branded goods are gradually gaining ground. This dual market structure—high-end and mass-market—parallels the larger Indian economy's dual nature, where luxury consumption coexists with a strong demand for affordable essentials.

The HBPC industry's future will be shaped by the rising focus on sustainability, regional-specific products and the continued growth of digital and e-commerce platforms. This sector contributes significantly to India's GDP and offers a glimpse into the evolving aspirations of Indian consumers, balancing tradition with modernity. With e-commerce expanding access to urban and rural consumers and innovation driving product evolution, the HBPC industry will remain a vital growth driver for India's FMCG landscape in the coming years.

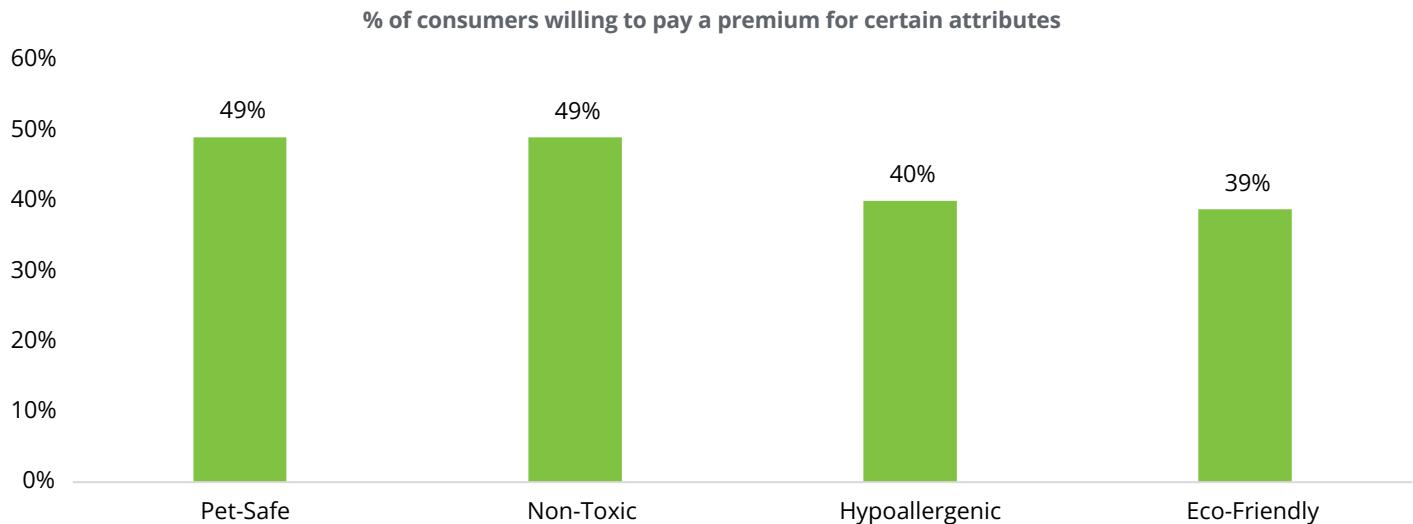
Market size and growth

USD Mn	2019	2023
Beauty and Personal Care	12,867	16,692
Home Care	5,145	7,395

Source: Euromonitor

Demand trends

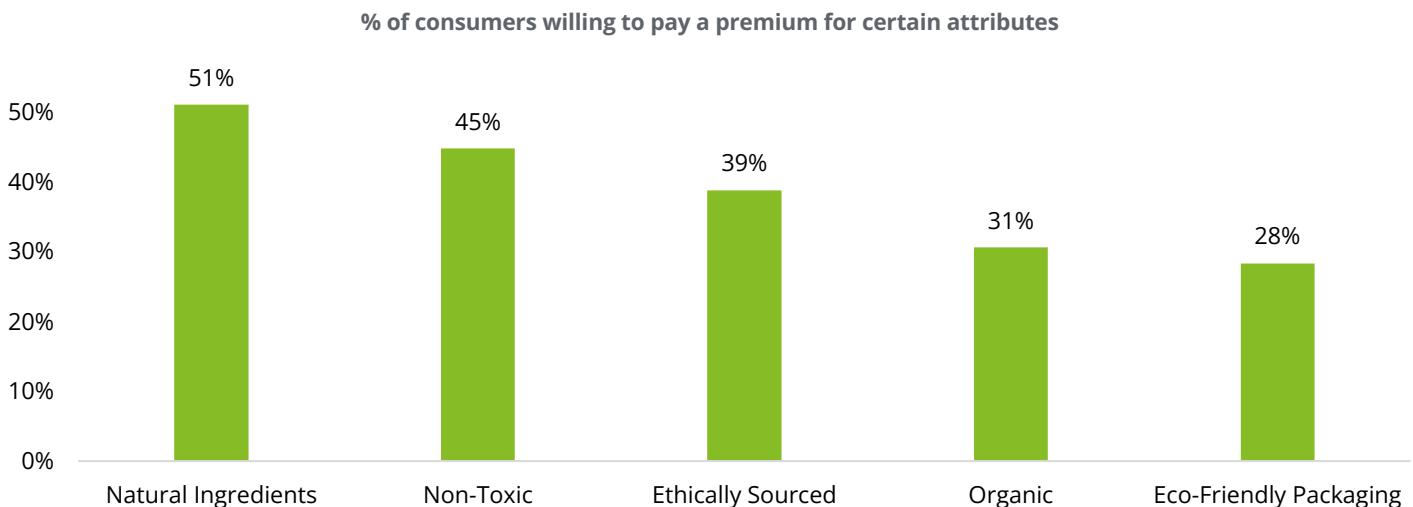
- Over the last year, ~45 percent of urban consumers have shifted to value-for-money brands or looked for alternate options to manage expenses in the category.
- Urban consumers plan to spend more on home cleaning, skin care, hair care, and bath and body products than other products in the category. This observation is also consistent across all ages, genders and geographies. Gen Z plans to increase their spending in the men's grooming segment.



Source: Deloitte India Consumer Survey 2024

- In home care products, consumers are willing to pay more premium for pet-safe, non-toxic, hypoallergenic and eco-friendly products. Antibacterial and biodegradable properties are the next most preferred qualities.
- Consumers prefer to purchase HBPC products from Hypermarkets, followed by E-commerce and general

trade. This goes hand in hand with HBPC purchases being primarily planned purchases in today's urban society, with very few impulse purchases in the category. That is the primary reason why quick commerce or private labels have not yet been able to make a significant cut into the market as modern trade and e-commerce channels have done.⁷⁷



Source: Deloitte India Consumer Survey 2024

- Urban consumers increasingly prefer buying products with natural ingredients, non-toxic products and ethically sourced, organic and eco-friendly packaging. This is also connected to the increased awareness among consumers in India about ingredients and consciousness to make healthier choices or at least make a non-harmful choice.⁷⁸
- This is also to the extent that people are ready to pay more premium for Natural and organic products with proper assurance and confirmation of those qualities. This is true across all genders, ages and geographies.⁷⁹



Supply trends

Product portfolio optimisation

Companies in the HBPC sector have been agile in optimising their product portfolios to meet diverse consumer demands. A few key strategies observed in 2024 include:

Flexible pricing and pack sizes: Brands have introduced smaller, more affordable pack sizes, especially for rural and Tier 3 markets. For example, category leaders have launched USD 0.12 sachets for toilet and surface cleaning products, providing rural consumers with affordable options while maintaining brand loyalty. In contrast, premium multi-pack offerings are available in urban markets.⁸⁰

Eco-friendly packaging and formulations: Environmental consciousness among consumers, especially in urban areas, has pushed companies to introduce sustainable packaging innovations. Several brands have launched concentrated refill packs in categories such as surface cleaners and detergents, reducing plastic usage and carbon footprints. In 2024, leading brands have expanded their premium offering portfolio with eco-friendly liquid detergents, available in refill pouches, targeting eco-conscious urban consumers.

E-commerce-specific offerings: After 2023, companies recognised the growing dominance of e-commerce channels and launched exclusive online-only products. For example, multiple new-age brands introduced specialised skin and hair care ranges through digital platforms, including smaller variants tailored for D2C e-commerce channels.

Premiumisation

Premiumisation has become a dominant strategy in categories such as skincare, hair care and home cleaning post-2023. The trend is driven by rising disposable incomes, increasing health and wellness awareness, and the demand for luxury products, especially in urban areas.

Anti-ageing and functional skincare: Premium brands have expanded their high-end skincare portfolios, focusing on anti-ageing, hydration and skin-brightening solutions. By late 2023 top brands introduced their serum and cream products popular in the US/European markets in India as well, targeting the premium segment with advanced skincare technology focusing on skin rejuvenation.

Premium household products: Premium surface cleaners and specialised products have gained traction in the home care segment. Key brands launched multi-surface disinfectant sprays with added fragrances and antibacterial properties, targeting the high-income segment that values convenience and premium hygiene solutions.

Haircare upgradation: Premium shampoos and conditioners have seen significant growth, often marketed as salon-quality. After 2023, brands launched a premium anti-dandruff range with added natural extracts, positioning themselves as a high-end alternative for urban professionals.

Influencer marketing

In and after 2023, India's influencer marketing has evolved into a critical driver of product discovery and consumer trust, particularly in beauty, personal care and home cleaning.

Beauty and skincare collaborations: Post-pandemic, skincare brands have tapped into micro-influencers and skincare experts on social media platforms. For example, many brands have launched specialised ranges in collaboration with well-known skincare influencers, amplifying their reach among millennials and Gen Z.

Regional influencer strategies: Companies have recognised the importance of regional influencers. In the case of several brands, we witnessed launch activities through an influencer-driven campaign targeting Tier 2 and Tier 3 cities, collaborating with regional household influencers to demonstrate cleaning hacks and efficacy.

Interactive digital campaigns: Post-2023, brands are focusing on interactive influencer campaigns to engage consumers. D2C brands have used live tutorials and social media influencers for their new makeup range, demonstrating real-time product efficacy, which led to an over 10 percent increase in direct sales.⁸¹

Digitalisation, GenAI and technology integration

AI-driven personalisation: After 2023, brands across the home care and beauty & personal care sectors are using GenAI to

offer hyper-personalised recommendations to consumers. Many brands have enhanced their e-commerce platform by integrating AI-powered virtual skincare advisors, which analyse consumer skin types and suggest personalised skincare regimens.⁸² This has been particularly popular in urban markets, where consumers seek tailored solutions.

Automation in supply chains: Large companies have already started implementing AI- and IoT-driven supply chain optimisation tools. These systems help predict demand patterns, automate inventory management and ensure timely product delivery, particularly for e-commerce orders. In 2024, leading brands reported around 15 percent improvement in order fulfilment times through AI-based logistics solutions.⁸³

Digital shelf and e-commerce growth: Digitalisation is driving growth in online channels, with brands focusing on optimising their "digital shelves" by using AI-driven pricing, promotions and stock monitoring. For example, post-2023, few leading brands have utilised AI algorithms to dynamically adjust pricing and promotional offers based on consumer behaviour and competitor activity on platforms such as Amazon and Flipkart.⁸⁴

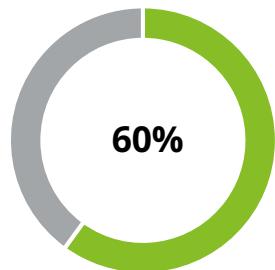
These advancements in digitalisation and technology improve operational efficiency and enhance consumer engagement and satisfaction, particularly in urban, tech-savvy markets.

Consumer health

There is a growing national focus on health in India, driven by concerns at both consumer and government levels. The government has been actively encouraging citizens to manage their fitness and well-being through initiatives such as the Fit India Movement and preventive health practices promoted by the Ministry of Health and the Ministry of AYUSH. These efforts reflect a commitment to enhancing the country's overall health standards. On the other hand, health-related stress is a growing concern among Indian consumers, particularly younger generations.

A survey by Deloitte found that over 60 percent of Gen Z and millennial Indians report being chronically stressed, with more than 48 percent attributing their stress to health-related issues, either due to their own poor health or concerns about their family's well-being.

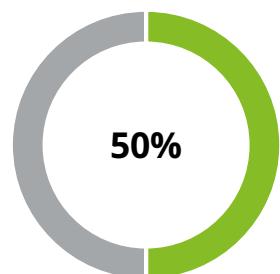
Percentage of Gen Z and millennial Indians report being chronically stressed



Source: Deloitte Global 2024 GenZ and Millennial Survey

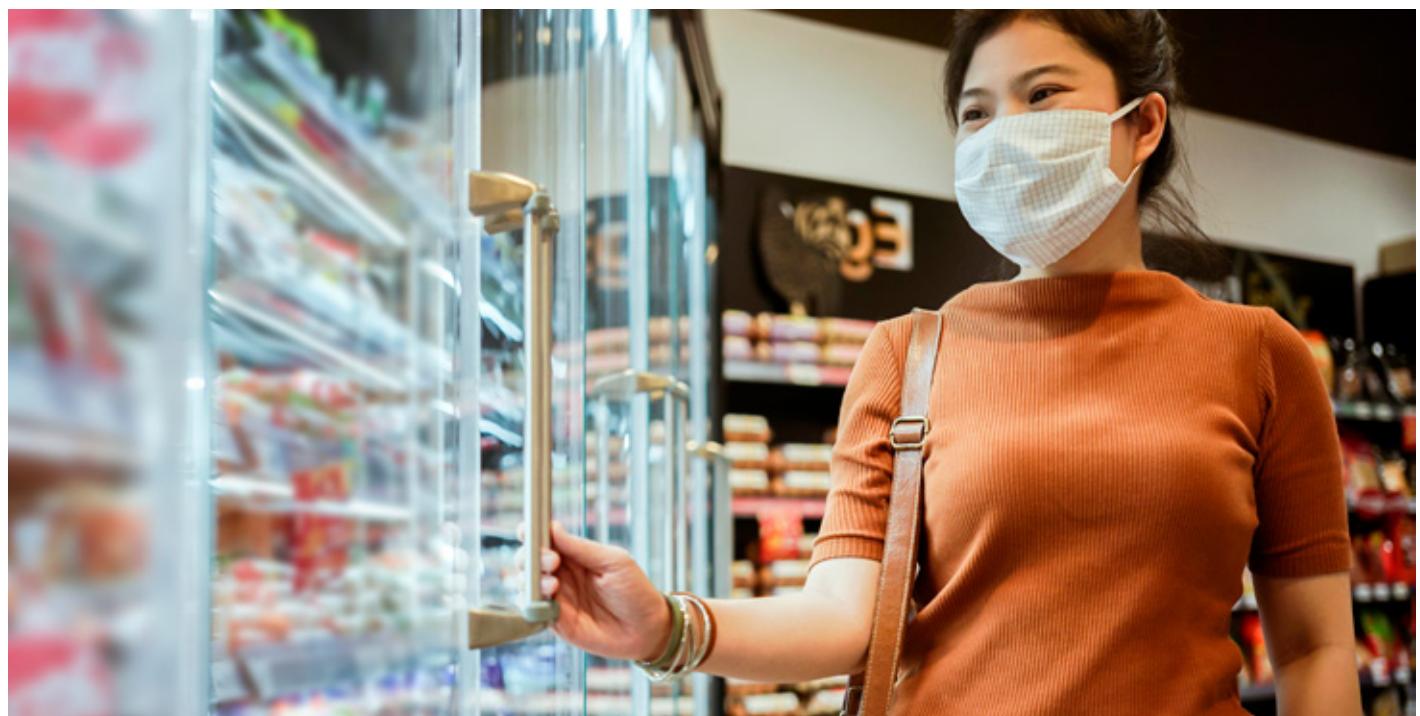
This concern is underscored by the fact that nearly 50 percent of Indian adults fail to meet WHO recommendations for adequate physical fitness, a significant increase from 2,000, when only 22.4 percent of adults were considered unfit.

Percentage of Indian adults failing to meet WHO recommendations



Source: Times of India

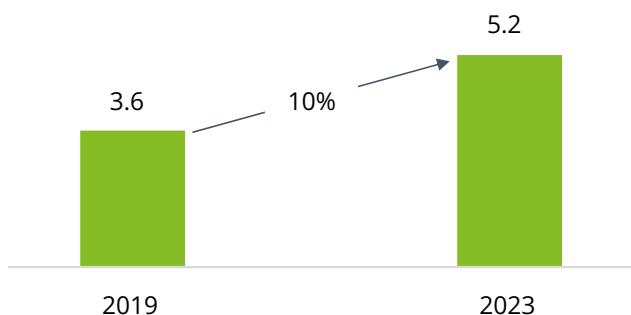
The growing gap between concern and action has led many Indians to turn to nutraceuticals and other consumer health products in a bid to proactively manage their health. As a result, India's nutraceutical market is experiencing high growth, with demand expected to double in the next five years.⁸⁵ This surge reflects a significant shift towards self-care, as individuals increasingly seek ways to pre-emptively address their health challenges.



Consumer health market and subsectors overview

In 2023, the consumer health market in India is being driven by rising health awareness among consumers and a transformative shift in priorities towards health and wellness following the pandemic. About 52 percent of consumers have increased their spending on consumer health compared with the previous year.⁸⁶ India presents a significant growth opportunity in this category, bolstered by strategic brand partnerships with prominent sports and fitness personalities.

Consumer health size (USD Bn)



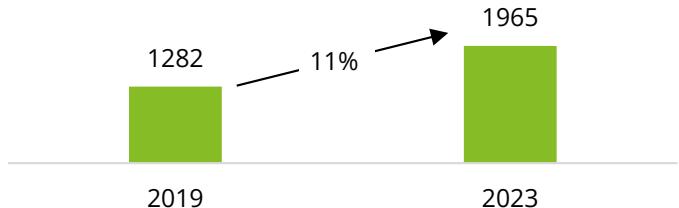
Source: Euromonitor

The consumer health market is also witnessing significant developments in distribution channels, with e-commerce and e-pharmacies playing an increasingly important role in providing accessible health products and professional guidance, further solidifying the industry's growth trajectory in India.

Vitamins and dietary supplements

Vitamins and dietary supplements hold the largest share of the consumer health market. This segment is dominated by the popularity of multivitamins, which are favoured for their convenience, cost-effectiveness and growing consumer awareness of preventive healthcare. The increasing focus on overall wellness and proactive health management drives demand in this category.

Vitamins and dietary supplements (USD Mn)

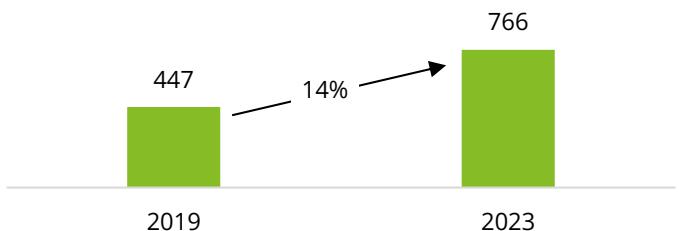


Source: Euromonitor

Weight management

The weight management segment is the fastest-growing category within the consumer health market, driven by increasing consumer demand for weight loss solutions. The meal replacements subsegment is particularly thriving, experiencing robust growth alongside weight loss supplements, which are gaining popularity due to their antioxidant benefits and targeted marketing strategies.

Weight management (USD Mn)

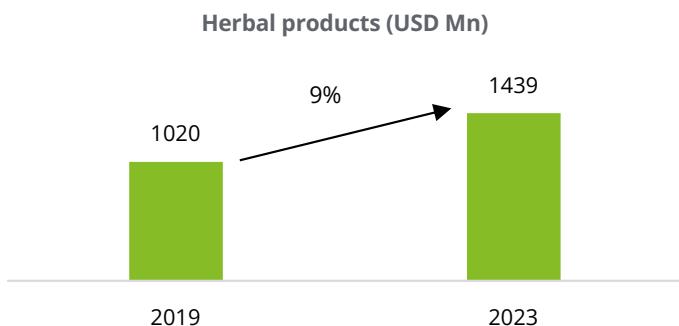


Source: Euromonitor

Herbal products

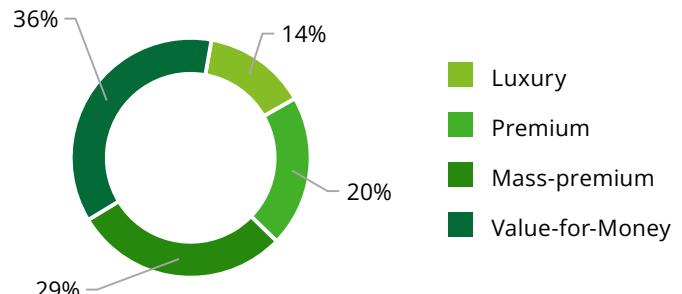
Herbal products in India have experienced steady growth in recent years, driven by a shift towards natural and familiar remedies. In addition, the evolving consumer landscape is marked by a growing ingredient consciousness, particularly

among younger generations. There is an increasing preference for products that feature natural and Ayurvedic ingredients such as neem, tulsi, ginger, mint and turmeric—elements deeply rooted in traditional home remedies.



Source: Euromonitor

Types of products preferred by consumers



Source: Deloitte India Consumer Survey 2024

Type of product preferred by consumers

Mass-premium and premium products together account for half of the consumer preferences in the healthcare category,

with mass-premium products appealing to 29 percent and premium options to 20 percent of respondents. This indicates a significant demand for high-quality offerings that balance cost and perceived value.

Factors influencing consumer preferences in health product purchases

Top 5 attributes a consumer will pay a premium for



Source: Deloitte India Consumer Survey 2024

Consumers are increasingly willing to pay a premium for health products that are free of side effects, recommended by doctors, and come from trusted brands. The top five attributes emphasize that trust plays a critical role in their purchasing decisions, with a strong focus on safety, credibility and reliability.

Changing consumer lifestyles and rising health consciousness
Changing consumer lifestyles, rising health consciousness and increasing incidences of health-related issues are key drivers of India's rapidly expanding consumer health and wellness market. As awareness of personal health grows, a notable shift has occurred towards natural and preventive treatments.

Key demand-side trends

- **Trust:** Research shows that Indian consumers are increasingly inclined towards natural and Ayurvedic solutions, with 36 percent strongly believing in the health benefits of Ayurvedic ingredients.⁸⁷ This preference extends to beauty and personal care products, where 30 percent of consumers prioritise items containing Ayurvedic components, driven by a perception of fewer adverse effects and no harmful chemicals.⁸⁸ The trust in natural treatments does not stop there; it also encompasses nutraceuticals, which are gaining favour over traditional medications for addressing minor health concerns such as allergies and cosmetic irregularities. This shift is fuelled by the belief that nutraceuticals offer a safer, side-effect-free alternative. In line with this trend, 61 percent of consumers are willing to pay a premium for consumer health products that ensure no side effects,⁸⁹ highlighting a broader movement towards safety, trust and natural solutions in health and wellness products.
- **Self-diagnosis:** With increased access to health information, self-diagnosis and self-medication are becoming more prevalent among consumers. This trend is evident as nearly 71 percent of Indian households reported using nutraceuticals in the past year, with around 69 percent doing so without a doctor's recommendation.⁹⁰ This shift highlights how consumers are taking a more proactive approach to managing their wellness. They favour over-the-counter health products as they navigate their health needs independently, driven by the convenience and perceived safety of these readily available options.
- **Health influencers:** Younger consumers are increasingly turning to social media health influencers and podcasts for advice on optimising and hacking their health, reflecting a growing trend towards digital guidance in wellness.

Surveys indicate that 56 percent of consumers trust health recommendations from influencers on Instagram, followed by 39 percent on YouTube and 6 percent on Twitter,⁹¹ showcasing the varying levels of influence across platforms. This trend is further underscored by the fact that 70 percent of consumers believe influencer marketing significantly impacts their purchasing decisions, highlighting the powerful role that digital platforms and personalities play in shaping consumer health choices and behaviours.⁹²

- **Dietary substitutes:** Growing awareness of dietary deficiencies is driving Indian consumers to seek quick solutions through nutraceuticals, particularly as more than 80 percent of the population⁹³ suffers from micronutrient deficiencies and unhealthy diets contribute to 56 percent of the country's disease burden.⁹⁴ Recognising these nutritional gaps, consumers—especially those in higher socio-economic and upper-middle-class segments—increasingly turn to dietary supplements as a proactive measure to address their dietary shortfalls. This trend underscores a broader movement towards using nutraceuticals as a convenient way to compensate for inadequate nutrition and improve overall health.
- **Rapid expansion of the consumer health industry**
Given the rapid growth rate of the consumer health industry, FMCG, personal care and pharmaceutical firms are expanding their wellness portfolios to capitalise on higher margin opportunities in consumer health compared with their traditional product portfolios.

Key supply-side trends

- **Personalisation:** Busy lifestyles frequently deter consumers from visiting doctors for non-critical issues such as skincare, haircare, stress management, sleep disorders and preventive treatments such as gut health and nutrient deficiencies. Recognising this gap, a surge of D2C companies has emerged, providing personalised at-home consultations that cater to these needs. These sessions, often led by medically trained personnel rather than doctors, offer tailored guidance and curate treatments specific to individual health concerns, making healthcare more accessible and personalised for those seeking convenience without compromising on quality care. This trend highlights the growing demand for customised, at-home health solutions that fit seamlessly into consumers' busy routines.
- **GenAI coaches:** GenAI is playing an increasingly pivotal role in democratising personal healthcare. Companies are using health data collected through their apps to train AI coaches that provide personalised healthcare guidance and product recommendations. This use of AI enables broader access to tailored health solutions, enhancing the overall consumer experience in personal healthcare.
- **Focus on taste and convenience:** Consumer research indicates that taste is a major driver of brand equity and affinity in the food and beverage sector. In response, companies are focusing on product innovation, making health products tasty and convenient. Traditional pills are being replaced with more appealing formats, such as nutrition bars in various flavours, effervescent tablets, gummies and dissolvable strips, catering to the growing demand for health products that are easy to consume and enjoyable.
- **Front-of-Package (FOP) labels:** The Food Safety and Standards Authority of India (FSSAI) has proposed an "Indian Nutrition Rating" system for front-of-package labelling, requiring food processing companies to display ratings based on the nutritional value of their products.⁹⁵ Surveys indicate that consumers favour a clear indicator for ultra-processed foods and prefer a red dot warning system over the proposed rating model. Responding to this trend, many companies are redesigning their packaging, prominently featuring ingredient lists on the front to better inform consumers.⁹⁶
- **Ministry of AYUSH initiatives:** The Ministry of AYUSH has received a 23.7 percent increase in budget allocation to bolster promotional and research activities aimed at formalising the AYUSH sector.⁹⁷ This enhanced funding has contributed to significant successes, including a boost in exports and introducing an AYUSH visa in 2023 to attract foreign nationals seeking traditional treatments in India.⁹⁸ Reflecting the growing acceptance and integration of AYUSH into the broader health and wellness landscape, NSSO surveys⁹⁹ reveal that 46 percent of rural and 53 percent of urban individuals used traditional AYUSH medicine in the past year. This trend underscores the increasing popularity and trust in traditional healthcare practices across diverse populations in India.



Future outlook

India is expected to be the world's third-largest consumer market by 2030.¹⁰⁰ India's FMCG market continues to grow as more individuals advance economically, making the benefits of progress accessible to a wider population. With a median age of 27, the country's population is increasingly consumer-driven, fuelled by rising ambitions. This trend has been further supported by government efforts to promote financial inclusion and create social safety nets.

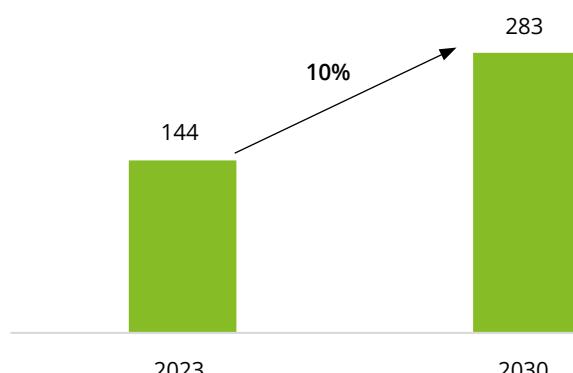
The future of the FMCG sector in India looks promising. Rising consumer awareness about health and wellness is boosting demand for organic foods, functional beverages and supplements. Quick commerce is reshaping how essentials are purchased, adding momentum to daily-use products, and sustainability is fostering demand for eco-friendly goods.

Growth drivers

Rural consumption increases and recovery

The rural market, which encompasses a substantial portion of India's population, is emerging as a vital growth area for the FMCG sector. Rural market accounts for ~39 percent of the FMCG market in India.¹⁰¹ Adversely impacted rural market growth in the last few years is back on a recovery track now due to enhanced infrastructure, improved connectivity, increased household income, FMCG companies' direct distribution focus and government initiatives focused on rural development. This has opened new avenues for FMCG companies to access this previously underserved market. Rural FMCG consumption showed a notable increase, surpassing urban consumption in the March quarter. While urban demand grew by 5.7 percent year-on-year, rural demand surged by 7.6 percent in March 2024.¹⁰²

FMCG market size (USD Bn)



Source: Euromonitor, Deloitte research and analysis

Increasing need for convenience

The increasing need for convenience is set to be a major driver of future growth in the FMCG market in India. As lifestyles become busier and consumer preferences shift towards ease and efficiency, demand for products that simplify daily routines is rising. This includes a growing appetite for ready-to-eat and ready-to-cook foods, single-serving packages and efficient online shopping options. The RTE/RTC food segment is projected to post a 9.23 percent CAGR through 2028.¹⁰³ Companies are responding by innovating in product formats and expanding their distribution channels to meet this demand, enhancing their appeal to time-strapped consumers and positioning themselves for sustained market growth.

Increasing focus on health

As consumers become more health-conscious, there is an increasing demand for products that support well-being. The FMCG sector's future will see a greater emphasis on natural, organic and functional foods. To address this trend, companies will focus on innovating in areas such as nutraceuticals,

fortified foods and dietary supplements. By 2030, India will have 370 million Gen Z consumers whose purchasing priorities will have shifted significantly.¹⁰⁴ This new generation of Indian consumers is highly aware, values health and nutrition, and enjoys greater disposable income. These evolving consumer preferences will continue to drive growth in these sectors.

Recommendation for growth

Using premiumisation to capture affluent consumer demand

Companies can capitalise on the growing premiumisation trend among affluent consumers by focusing on high-end products and enhancing their premium offerings. By introducing New Product Developments (NPDs) and innovative variants, companies can better meet the preferences of consumers willing to pay a premium. This strategy improves the overall product mix and drives profitability, using the increasing propensity of affluent consumers to choose premium products over standard options.

Differentiated approach for rural markets

Rural markets are showing promising signs of consumption growth, presenting an opportunity for companies to further expand their presence. By enhancing direct distribution reach, companies can ensure better availability and serviceability, fostering stronger connections with rural consumers. Additionally, focusing on habit formation and increasing the adoption of key categories can drive long-term, sustainable growth. By supporting the evolving needs of rural consumers and encouraging consistent usage, companies can build a solid foundation for continued success in these markets.

Driving category growth in India: Emphasizing innovation and NPD in FMCG

A shift towards focusing on NPD and innovation is becoming increasingly important for driving category growth. Companies can look to focus beyond distribution expansion and look at overall category development to drive growth. Consumers are looking to try out new products and, hence, have also started consuming more D2C brands. Indian consumers are also travelling globally and are exposed to various international cultures through OTTs. Companies can also look at getting inspiration from international markets and cuisines as well for developing NPDs.

Companies can also examine their overall portfolio and rejig their offerings to align with consumer expectations regarding health and safety, well-being and "good for you" products.

Consumption-based micro-markets: Tailored strategies for regional consumer behaviour

To drive the next wave of growth, FMCG firms can adopt a micro cluster-based strategy. Decentralising decision-making can give cluster heads the autonomy to create tailored strategies for their unique markets, allowing faster responses and more relevant offerings. Data-driven tools such as geospatial analytics and CRM tools can provide a deeper insight into sales patterns, helping identify under-served clusters and optimise channels. By aligning local decision-making with advanced analytics, companies can unlock new opportunities and drive growth across India's diverse consumer landscape.

Crafting connections: Using content marketing to build brand loyalty in the FMCG sector

To thrive in the competitive FMCG landscape, brands can adopt a robust content marketing strategy centred on storytelling, education and entertainment. Storytelling can help humanise the brand, forging emotional connections with consumers. Educational content can demonstrate product value, addressing consumers' needs and questions. Entertainment keeps audiences engaged, making the brand memorable. Additionally, content delivery through platforms such as social media, blogs and OTT is essential for reaching Gen Z, who prefer personalised, digital experiences. By aligning content strategies with these elements, FMCG players can effectively promote products while building long-term brand loyalty.

Engaging Gen Z: Understanding and meeting the preferences of India's next major consumer segment

With over 100 million Gen Z consumers in India,¹⁰⁵ this group plays a major role in the market. They are tech-savvy, value authenticity and are quick to adopt new trends. Understanding their preferences is crucial for businesses looking to connect with and cater to this important demographic.

Product: Gen Z consumers are typically keen on consuming healthy and safe products. They also prefer to buy products from companies that are environmentally conscious and follow good sustainability practices.

Channel: Gen Z consumers typically value the convenience of quick deliveries and digital-savvy solutions. They prefer to buy online rather than offline channels, which allows consumers to interact with brands and understand them while also getting quick deliveries.

Experience: Gen Z consumers in India are increasingly associating brands with the overall experience they provide rather than just the quality or features of the product. This generation values brands that align with their lifestyle, trends and social identity, with factors such as novelty, immediacy and the influence of social media playing key roles. They are drawn to trendy and current brands, catering to their desire for frequent updates and a sense of belonging in a fast-paced environment.

Companies can try to tailor their overall strategies across product portfolio sales, distribution and marketing to ensure that they can appeal to and cater to Gen Z consumers while also serving the needs of other consumer segments.

Exploring global markets: Using Indian heritage for international growth

Companies can look at targeting global markets as another avenue for growth. While many companies focus on international markets through exports focused on the Indian diaspora or acquisitions to cater to local markets, there could be scope to do more.

Companies can look at developing products based on Indian recipes and native ingredients and could use India's association with health and wellness as a country. A similar success story

is seen in how Korean brands have succeeded in the beauty and personal care space and how Korean food brands are now expanding their presence globally. Indian companies can look to derive learnings from Korean brand success and look at international markets as new avenues for growth.

Embracing digital transformation: Building sustainable advantages across the value chain

Digital transformation is no longer a choice but an imperative for companies. Digital transformation is impacting the entire value chain and is helping companies build sustainable advantages to drive profitable business growth. Companies can look at digital transformation to drive benefits across the themes of:

Visibility: Provide visibility on the performance of the company across different functions and different levels with the ability to slice and dice data to generate insights

Productivity: Drive improvements in the company's overall productivity through interventions such as automation, redundancy removal, etc.

Engagement: Engage with consumers and key internal and external stakeholders such as distributors, retailers, suppliers and work as business partners with them

Enablement: Enable internal teams with the right set of data and insights for informed decision-making

Harnessing GenAI for transformation: Revolutionising FMCG with comprehensive end-to-end integration

GenAI has the potential to transform the FMCG landscape with high-potential use cases across efficiency improvement, improving customer and consumer experience and driving innovation and growth. While many POCs are actively being undertaken by different companies across different use cases, transformative change can be realised by undertaking use cases across end-to-end processes. GenAI needs to be complemented with traditional AI to drive business benefits. The approach to GenAI needs to be comprehensive and aligned with the overall company strategy, while aspects around people, process, technology and data must be factored in as part of the overall operating model.



Retail

Retail sector overview

India's retail sector poised for rapid growth and global leadership^{106 107 108}



Source: Euromonitor International

- The Indian retail market was valued at around US\$953 in 2023
- This growth trajectory positions India as a frontrunner in the global retail landscape, with the second-highest absolute industry turnover growth projected in the Asia Pacific region.
- The retail sector's significance is underscored by its contribution of over 10 percent to India's GDP, highlighting its pivotal role in the country's economic fabric.
- The industry's resilience is evident in its swift recovery from the pandemic-induced disruptions, with footfalls surpassing pre-pandemic levels in FY23, signifying a resurgence in consumer confidence and spending.
- The industry is characterised by a high degree of fragmentation, with the top five companies accounting for just 14.5 percent of the total production value in 2022, suggesting ample room for growth and consolidation.

New product innovation, express delivery and omnichannel experience shaping retail

- Retail companies should focus on new product development to cater to the demand and distinct preferences of Gen Z and customers in non-metro cities
- Quick commerce is rapidly growing, with more consumers buying from quick commerce platforms, more quick commerce platforms being launched, and traditional e-commerce platforms providing express delivery options. Retail companies can increase or retain sales by launching private labels on quick commerce platforms or express delivery services on their own D2C platforms.
- D2C websites and apps now serve as marketing channels by engaging and educating customers about the brand and product portfolio, supporting quick and convenient product discovery, and driving traffic to stores.

Convenience stores and modern retail expected to gain ground in India's evolving grocery market¹⁰⁹

- Traditional grocery retailers (kiranas) dominate, accounting for over 90 percent of transactions.
- Modern retailers are gaining traction, especially in urban areas, driven by the expanding middle class.
- Convenience stores are witnessing rapid growth due to changing lifestyles and the need for quick and accessible shopping options.
- Convenience stores, particularly those offering 24x7 services and a diverse product range, present a lucrative growth avenue, especially with the entry of global brands

Traditional dominance, modern expansion; prospects of non-grocery retailing¹¹⁰

- In non-grocery retailing, traditional retailers dominate, but modern retailers are expanding, driven by India's conglomerates and the entry of foreign brands through joint ventures and partnerships.
- Favourable demographics and limited modern retail coverage in Tier 2 and 3 cities offer significant growth potential.
- Regulatory barriers, particularly high import tariffs on luxury goods, dampen consumer spending and limit foreign brand expansion.
- Modern retail, including department stores and specialty retailers, is expected to continue expanding, albeit with varying growth rates across regions and segments.

Consumer spending shifts: Consumption normalization and premiumisation trends in FY24¹¹¹

- Overall, consumer spending intentions witnessed a significant dip after October 2022, with a sharper decline for discretionary spending compared to non-discretionary spending. Spending intentions remained subdued in 2023-24. A large part of this dip resulted from fulfilling pent-up demand after the pandemic.
- In fashion and lifestyle, consumers indicated a reduction in spending as their existing wardrobes are meeting current needs. Financial constraints and minimalist lifestyle preferences are also reducing purchases.
- Growth in the consumer durables and electronics sector flattened as pent-up demand post-pandemic was fulfilled. Premium products fared better than mass-market segments.

- Dining out frequency is expected to reduce for 29 percent of consumers, strongly influenced by health concerns and pandemic-related behavioural changes.
- Grocery and food purchases were impacted by high food inflation, affecting consumer purchasing power, especially in rural markets. Volume growth remained sluggish though value growth due to inflation kept the category stable.
- The travel and hospitality sector remained strong driven by "revenge travel" and pent-up demand. Consumers plan to further increase travel frequency.
- Premium segments across categories such as beauty, fashion and consumer electronics grew faster than entry-level segments, driven by affluent consumers.
- Replacement purchases rather than new customer acquisitions are expected to drive demand for consumer durables, electronics and furniture in FY25, as many consumers already made purchases in FY24.
- Overall, a consumption normalization, especially in mass-market and entry-level products, while premium segments and experience-oriented services such as travel are faring relatively better, backed by demand from affluent consumers.

Technological innovations reshaping India's retail landscape^{112 113 114}

- The integration of technology, such as AI-driven personalisation, smart trial rooms and contactless payments, is reshaping the retail landscape, enhancing customer engagement and operational efficiency.
- Government initiatives, such as the Open Network for Digital Commerce (ONDC), aim to democratise e-commerce and empower small and midsized enterprises to participate in the digital marketplace.
- The emergence of quick commerce, offering delivery within 15–30 minutes, is redefining convenience and catering to urban consumers' fast-paced lifestyles.
- Leading supermarket chains are focusing on their own e-commerce sales and delivery systems to compete with quick commerce platforms.
- The adoption of vernacular languages in e-commerce platforms broadens accessibility and caters to a wider audience, particularly in rural areas.

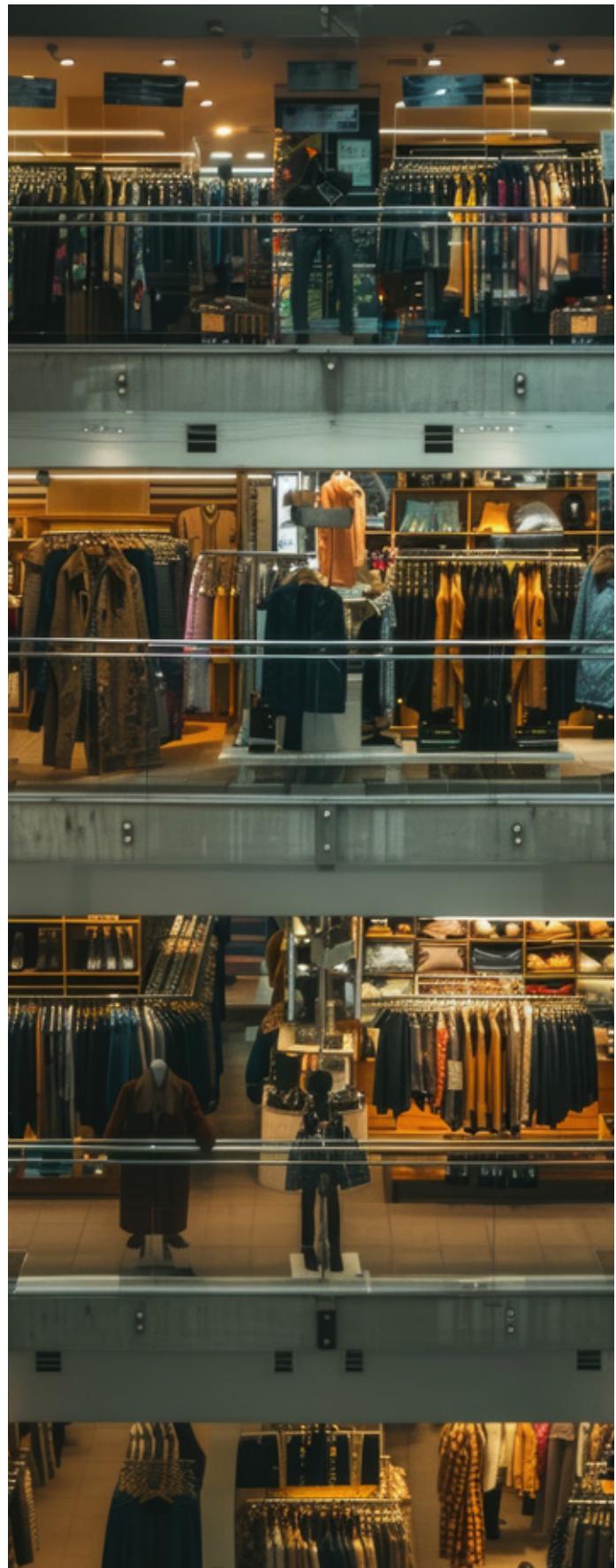
India's retail workforce: Challenges, opportunities and retention strategies

- The retail sector employs over 35 million people, accounting for around 8 percent of India's total workforce.¹¹⁵
- About 74 percent of the retail workforce has an educational level at or below the secondary school.¹¹⁶
- The high attrition rate among trained employees, especially in front-end roles, combined with low entry barriers for junior roles, makes retail stores a continuous training ground for semi-skilled resources.
- The lack of a clear trajectory for career-level elevation, long and uncertain working hours, low compensation, and competition for trained talent from other sectors that offer more lucrative roles and compensation are expected to keep the attrition rate high.
- Creating and communicating a clear career growth trajectory and providing training and opportunities for lateral movements within the organisation for experienced resources could help retain talent.
- Partnering with reskilling programmes such as Pradhan Mantri Kaushal Vikas Yojana (PMKVY)¹¹⁷ to train youth in tier 1 and tier 2 towns could help the industry find employable local talent readily. This could ease the process of expanding in these geographies and retain employees who might not want to migrate to other cities for work.
- Implementing recognition and rewards that acknowledge talent at the state and national levels could help drive performance and address employees' aspirations.

Prospects and outlook

India's retail sector is poised for robust growth and transformation in the coming years, driven by rising incomes, rapid urbanisation and a burgeoning consumer class. The sector's contribution to India's GDP and employment is significant, accounting for over 10 percent of the country's GDP and around 8 percent of the workforce. As the fourth-largest retail market globally, India offers immense opportunities for both domestic and international retailers.¹¹⁸

The future of India's retail landscape will be shaped by the convergence of physical and digital channels, with e-commerce playing an increasingly vital role. Tier 2 and 3 cities are emerging as key growth drivers, with online shopping gaining traction in these cities. Retailers who embrace omnichannel strategies, using technology to enhance customer experiences and streamline operations, will be well-positioned to capitalise on the evolving consumer preferences and market dynamics. As India continues its socioeconomic transformation, the retail sector is set to witness unprecedented growth, innovation and investment in the years ahead.

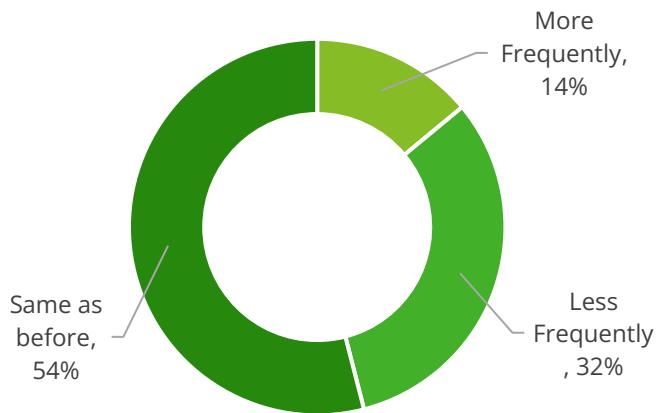


Fashion – Apparel, footwear, kids fashion

Insights from the consumer survey

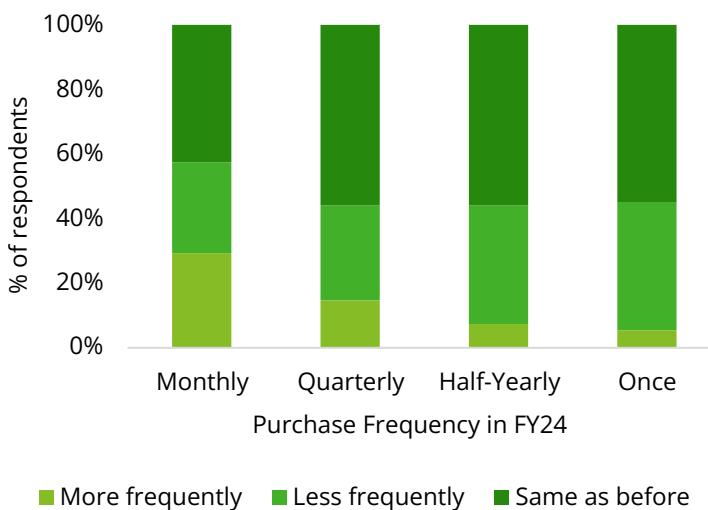
To gain insights into anticipated consumer shopping behaviour within the fashion (apparel and footwear) industry, Deloitte conducted a survey with 700 respondents. This survey aimed to capture the nuances of consumer behaviour, particularly considering the economic uncertainties and changing priorities that characterise the current market landscape.

Expected change in frequency of spend on apparel and footwear in FY25 compared with FY24



- About 14 percent of the respondents mentioned that they are likely to increase their shopping frequency for apparel and footwear, while 32 percent expected to reduce their shopping frequency in FY25.

Expected change in frequency of spend in FY25 compared with frequency of spend in FY24

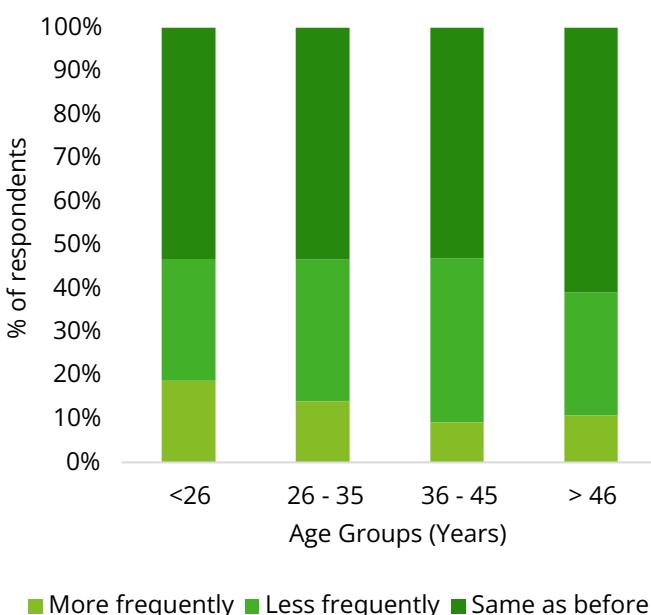


Source: Deloitte Retail Survey 2024

Source: Deloitte Retail Survey 2024

- The customers who had a higher frequency of purchases are significantly more likely to increase their shopping frequency further. Those with an already lower shopping frequency planned to further decrease their purchase frequency in FY25.
- Retailers can target frequent shoppers to drive engagement with store walk-ins and offer loyalty-driven rewards. They can also be targeted for upselling and cross-selling opportunities. Ensuring a smoother experience for such loyal customers becomes imperative.

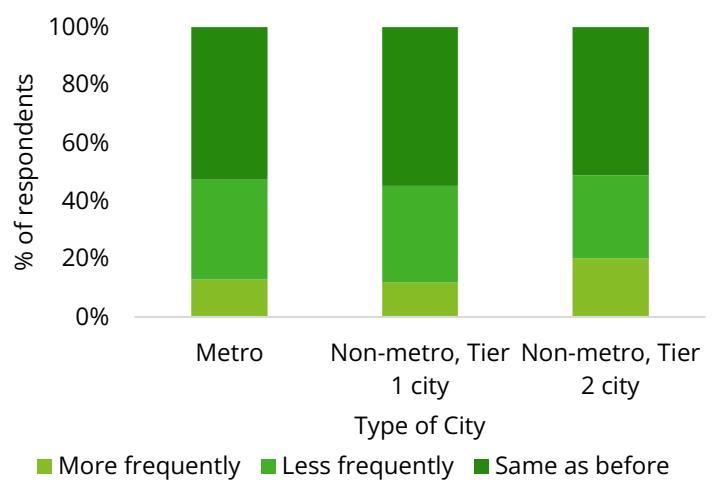
Expected change in frequency of spend in FY25 compared with frequency of spend in FY24 (by age group)



Source: Deloitte Retail Survey 2024

- Comparing across different age groups, the younger population expressed a higher inclination to increase their shopping frequency. In contrast, the respondents in higher age brackets are more inclined to reduce or maintain their existing frequency.
- Retailers need to tailor the approach for the younger age groups with respect to fashion trends, channel preferences, marketing strategies and retail experience.

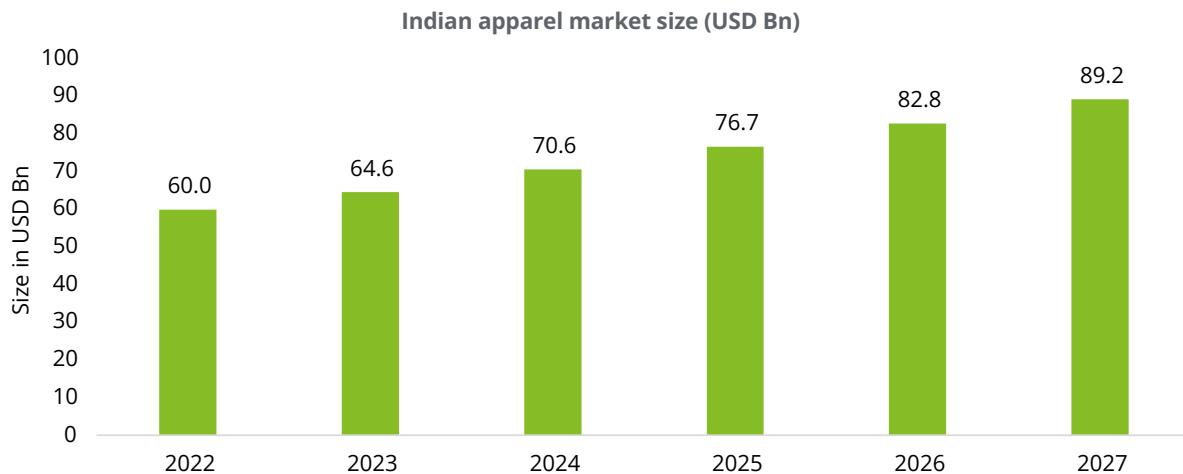
Expected change in frequency of spend in FY25 (by city type)



- Shoppers in Tier-2 cities were more likely to increase their shopping frequency than those from Metros and Tier-1 cities reflecting growth opportunities in emerging markets.
- Retail expansion and marketing plans must target the fast-growing Tier-2 towns.

Apparel

Indian apparel retail: Growth driven by online boom, premium fashion and store expansion



Source: Marketline

- The Indian apparel retail industry is forecast to post a CAGR of 8.3 percent between 2024 and 2027.¹¹⁹
- Growing demand for premium fashion items among the niche consumer group is expected to attract luxury brands to the Indian market during 2024–28
- Although shopping at malls will remain popular, online channels are expected to drive much of the growth, especially in the budget and mid-market segments.
- Online shoppers are continuously increasing, driven by improving digital infrastructure, thus driving online apparel sales.
- Despite a pandemic-driven online shopping surge, physical stores remain dominant, with a high percentage of shoppers preferring to shop exclusively in stores (malls, markets) for the “touch, feel and try” experience.¹²⁰



Source: Coherent MI

- The fast fashion industry is expected to grow faster than the apparel industry at a CAGR of 16.5 percent between 2023 and 2030.¹²¹

Rising demand for sustainable, personalised and versatile apparel^{122 123}

- Due to the growing awareness of environmental and social issues, there is a rising demand for sustainable and ethically produced apparel, with consumers seeking brands that prioritise eco-friendly materials, fair labour practices, and transparent supply chains.
- Despite the push for sustainability, fast fashion remains dominant, particularly among price-conscious consumers. Fast fashion brands offer trendy clothing at affordable prices, catering to the desire for frequent wardrobe updates.
- Consumers increasingly seek personalised and customised products that reflect their individual styles and preferences.
- The trend towards comfortable and versatile clothing continues to gain momentum. The rise of athleisure wear, which blends athletic and casual styles, reflects the growing preference for comfortable yet stylish clothing that can be worn in various settings.

Kid's wear

Shifting retail trends in India's kid's apparel market

- India is among the youngest nations in the world, with 306 million children aged between 0 and 12 in 2023, which is expected to remain constant until 2028.¹²⁴
- Within the organised offline brick-and-mortar market for childcare products, customer preference is shifting towards speciality mothers, babies and kids retailers, which offer a one-stop solution for children's needs.
- Customers are willing to pay a premium due to a shift in preference towards branded products and a rise in the quality of branded products offered in the market.
- There is a rise in clothing styles that are not specifically designed for boys or girls, often using neutral colours, patterns and cuts.
- Coordinated outfits for parents and their babies, mirroring each other's style, are rising. This trend allows parents to express their bond with their children and create adorable photo opportunities.

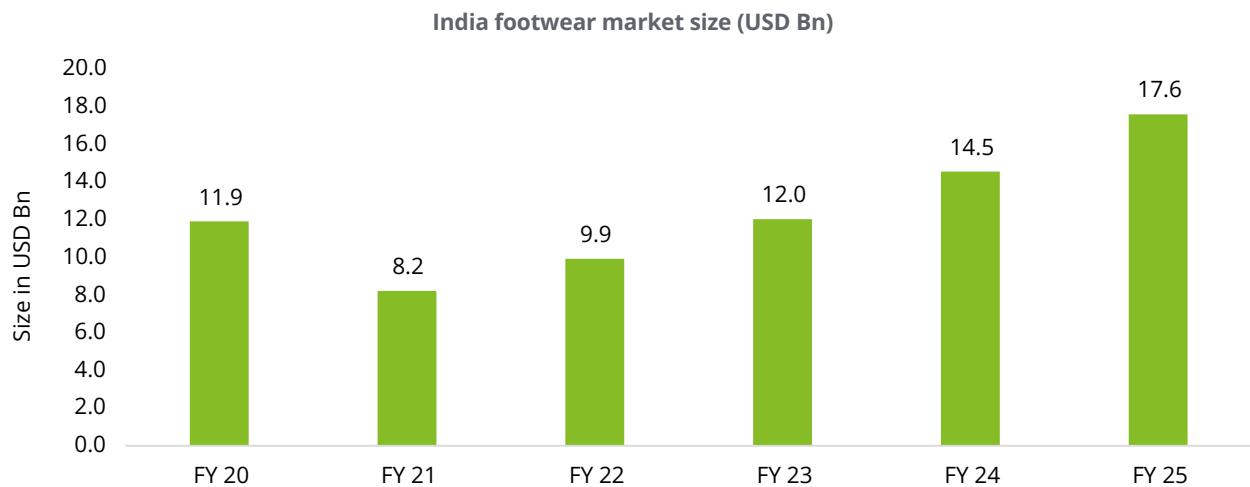
Brands expand in smaller cities, embrace smart apparel and multichannel strategies

- Many childcare product companies are expanding their presence in Tier 2 and Tier 3 cities because of increasing customer demand in these cities.
- Smart baby apparel is gaining traction in the market due to its ability to detect various activities of an infant easily.
- Prominent organised players are adopting a multichannel approach, utilising both traditional and modern distribution channels, which contribute to building awareness and enhancing the aspirational appeal of the brand.



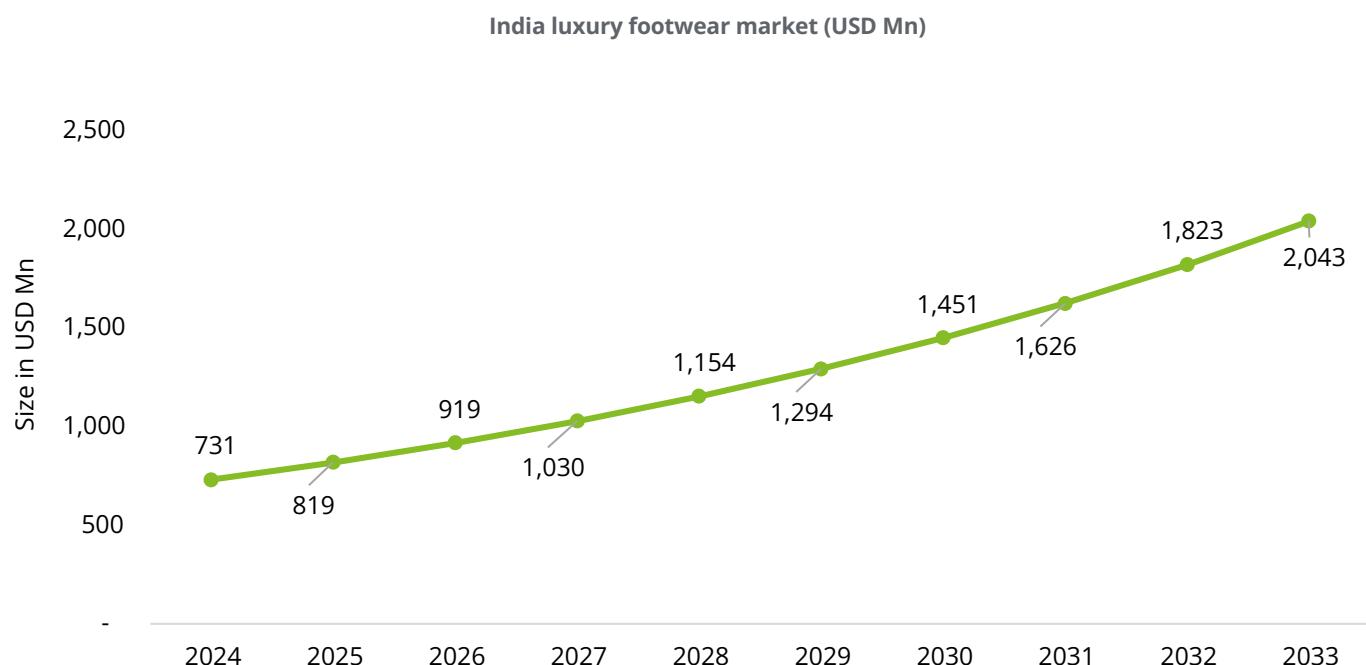
Footwear

Growth potential amid untapped demand



Source: DRHP, Metro Shoes

- The market size of the footwear industry is expected to exceed US\$17 billion by FY 2025, at a CAGR of ~21 percent since FY 2021.¹²⁵
- With increased awareness about health and fitness, casual footwear saw rapid growth.
- However, the average volume of footwear per person in India at ~1.9 pairs is still much below the global average of 3.2 pairs,¹²⁶ which indicates high potential for the penetration of footwear in India.
- Non-leather footwear accounts for more than 75 percent of consumption by volume.



Source: Custom Market Insights

- Luxury footwear, characterised by enhanced qualities such as material, durability, uniqueness and comfort, is gaining traction among Indian consumers.
- The Indian luxury footwear market is expected to post a CAGR of 12.1 percent from 2024 to 2033.¹²⁷

Footwear market driven by rural growth and fashion-forward trends

- Improving infrastructure and economic conditions in rural areas are boosting footwear demand.
- Consumer perception about footwear is witnessing a shift from a utility product to a fashion statement.
- There is an increasing preference for non-leather footwear, influenced by younger, fashion-conscious consumers with more disposable income.

Retail expansion, collaborations and technology adoption driving growth

- Companies are expanding their retail footprint indicating consumer preference of physically trying out footwear before buying.
- There is an increasing trend of collaboration between fashion and luxury brands and athletic footwear companies. This has led to a rise in sneaker culture, limited editions and the resale market.
- Major footwear brands are expanding their retail presence across the country by opening stores such as EBOs, sneaker studios and experience centres.

- Companies are using AI, ERP, analytics, CRM integration and digitalisation to increase efficiency and deliver better customer experiences.

India's fashion retail renaissance: Riding the growth wave

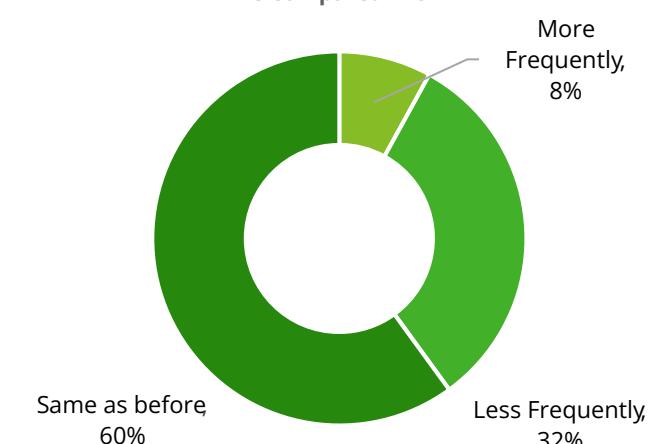
The Indian fashion retail industry is poised for a bright and promising future, with many factors contributing to its anticipated growth and success. Increasing adoption of e-commerce and a growing preference for branded apparel is expected to fuel the industry's upward trajectory. The footwear market is set to flourish, driven by the burgeoning demand for branded footwear, the expanding presence of organised retail, and the well-established network of branded merchants. Moreover, the surging popularity of sports and fitness activities will likely sustain the demand for sportswear, further bolstering the industry's overall growth. As consumers become more environmentally conscious, the demand for sustainable and ethical fashion is expected to rise, encouraging brands to embrace eco-friendly practices and materials. The seamless integration of technology in online and offline retail channels will undoubtedly play a pivotal role in shaping the apparel industry's future, elevating customer experiences and driving sales. While the industry's prospects are undeniably promising, it is crucial for fashion retailers to remain vigilant and adaptable in the face of potential challenges, such as shifting consumer preferences, slower growth in demand and intensifying competition. By staying attuned to market trends, embracing innovation and prioritising customer satisfaction, fashion retailers can confidently navigate the dynamic landscape and capitalise on the abundant opportunities that lie ahead.

Lifestyle – Jewellery, watches, eyewear

Insights from the consumer survey

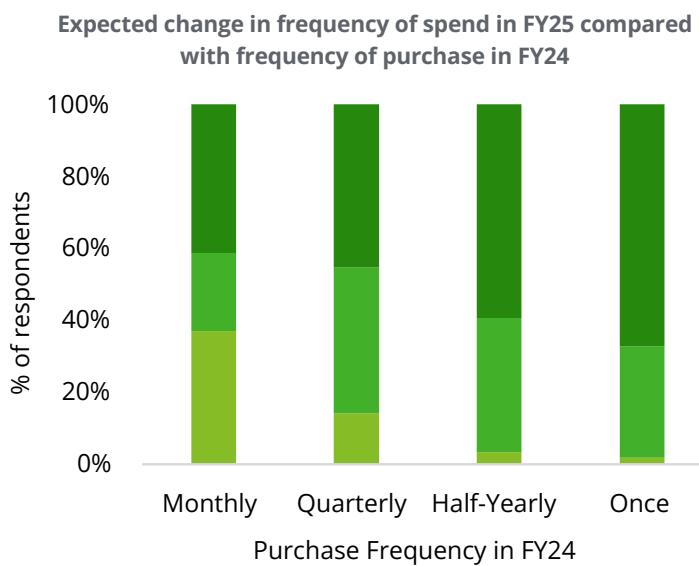
To gain insights into anticipated consumer shopping behaviour within the lifestyle (jewellery, watches, eyewear) industry, Deloitte conducted a survey with 700 respondents. This survey aimed to capture the nuances of consumer behaviour, particularly considering the economic uncertainties and changing priorities that characterise the current market landscape.

Expected change in frequency of spend on lifestyle products in FY25 compared with FY24



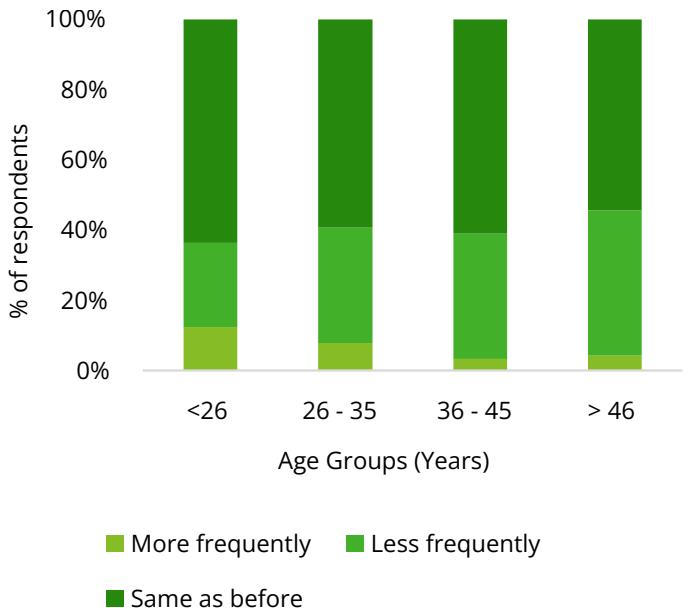
Source: Deloitte Retail Survey 2024

- A minor 8 percent of respondents expressed intent to increase their shopping frequency in FY25 while one-third of the respondents intended to decrease their frequency.



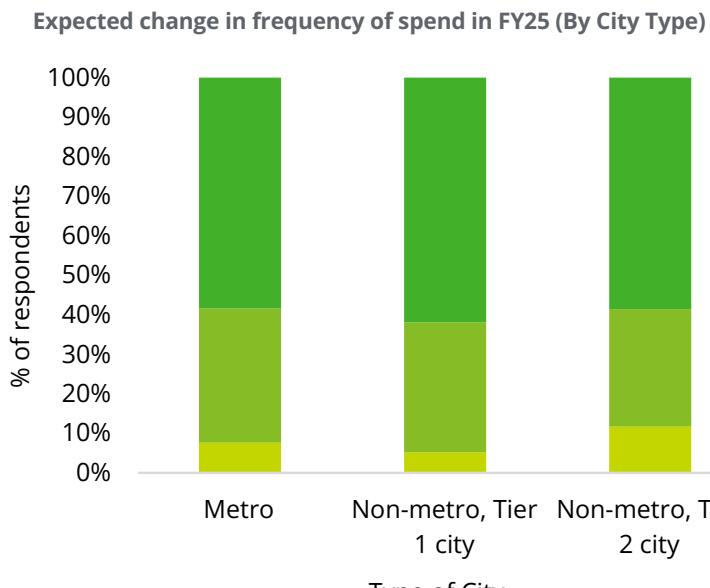
Source: Deloitte Retail Survey 2024

Expected change in frequency of purchase (By Age Group)



Source: Deloitte Retail Survey 2024

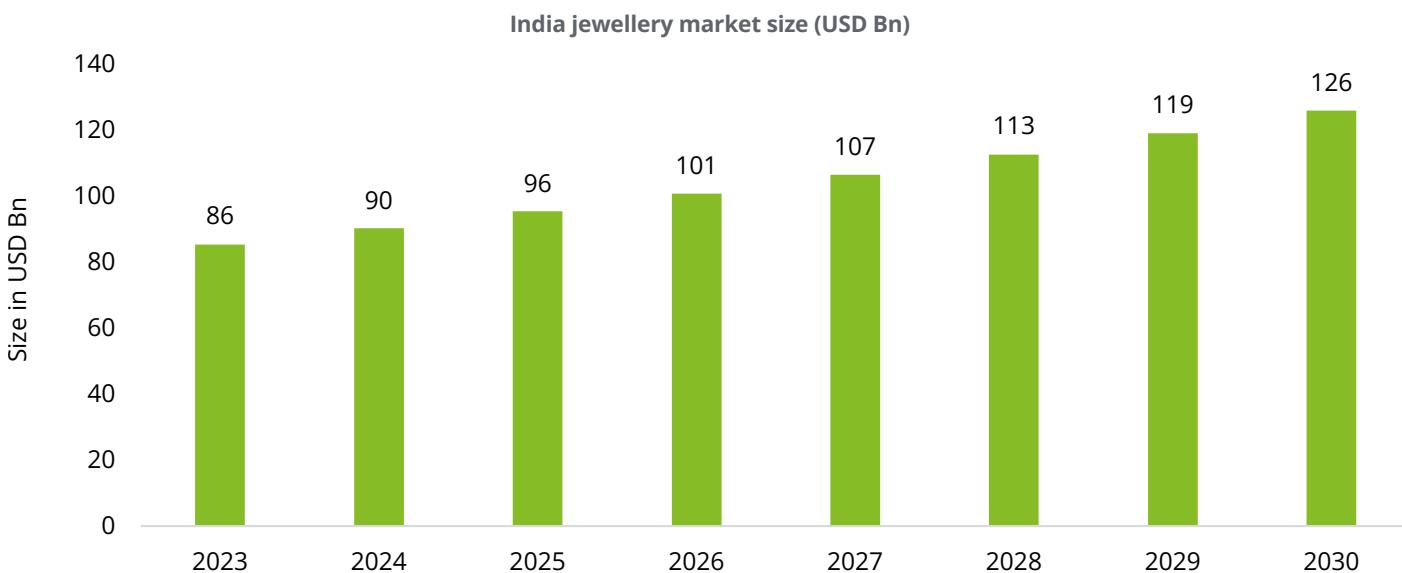
- Lifestyle products showed the same behavioural and demographic trends as apparel across shopping frequency, age and location.
- Customers with a higher purchase frequency are more likely to increase their purchase frequency in FY25 compared with customers with a lower purchase frequency.
- The younger population (below 35 years of age) was more likely to increase their purchase frequency compared with those above 36 years of age.
- Respondents in Tier-2 cities were more likely to increase their purchase frequency for lifestyle products such as watches and jewellery.
- The willingness of high-frequency shoppers to continue buying at an increasing rate implies that they see a high value in these products, whether through quality, prestige, personal significance or financial investments.
- Purchasing behaviour for low-frequency shoppers might be driven by practical considerations rather than emotional or status-related factors. This could indicate that these products are not as integral to their lifestyle, or they might prioritise other categories of spending. The economic uncertainty and impact of inflation, which is felt more acutely by consumers in the lower income range, could further impact low-frequency buyers.



Source: Deloitte Retail Survey 2024

Jewellery

Growth fuelled by duty cuts and rising demand



Source: GrandView Research

- The jewellery market is expected to reach US\$18.6 billion by 2030 at a CAGR of 5.7 percent.¹²⁸
- India's gold demand is expected to reach upward of 850 tonne this year.¹²⁹
- Domestic gold and silver demand is expected to increase due to a recent reduction in customs duty from 15 percent to 6 percent.
- Jewellery stocks rallied following the customs duty cut announcement, which is expected to lower import costs and boost domestic demand.
- The emergence of male-specific trends and styles in the fashion industry is opening up a new market for men's jewellery, particularly in the costume jewellery segment.
- Consumers are increasingly purchasing high-end jewellery for themselves rather than solely as gifts, blurring the lines between fine jewellery and fashion jewellery.

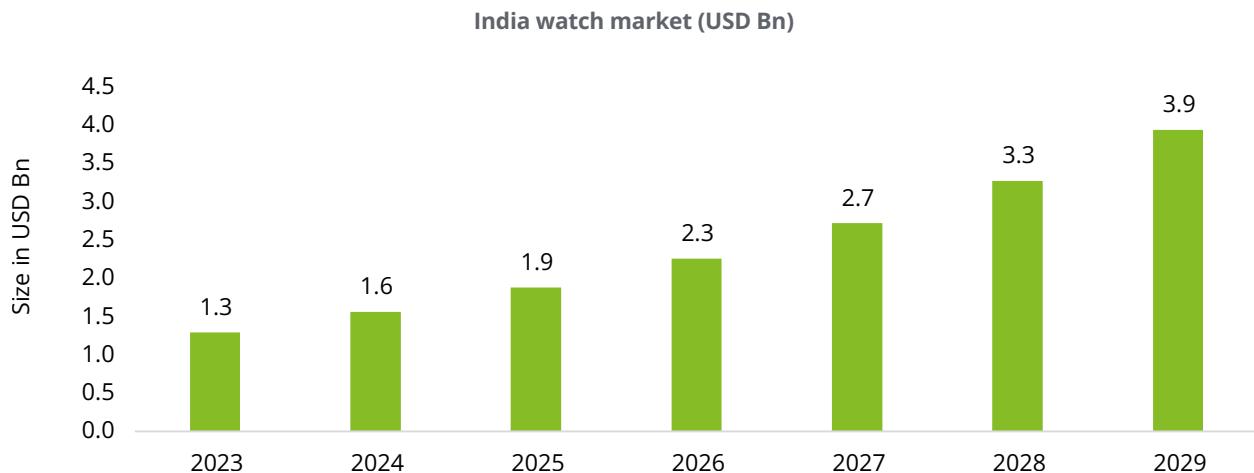
Rising demand for branded, ethical and male-oriented jewellery

- Consumers are increasingly opting for branded and certified jewellery from organised retailers.
- The pandemic accelerated online jewellery sales, particularly for fashion jewellery.
- Lab-grown diamonds are gaining popularity due to their lower price and ethical and sustainable appeal.
- The market is witnessing a growing demand for sustainable and ethical jewellery practices, including recycled gold and ethically sourced gemstones.



Watches

India's watch market grows; Luxury segment and smart rings on the rise^{130 131}



Source: Mordor Intelligence

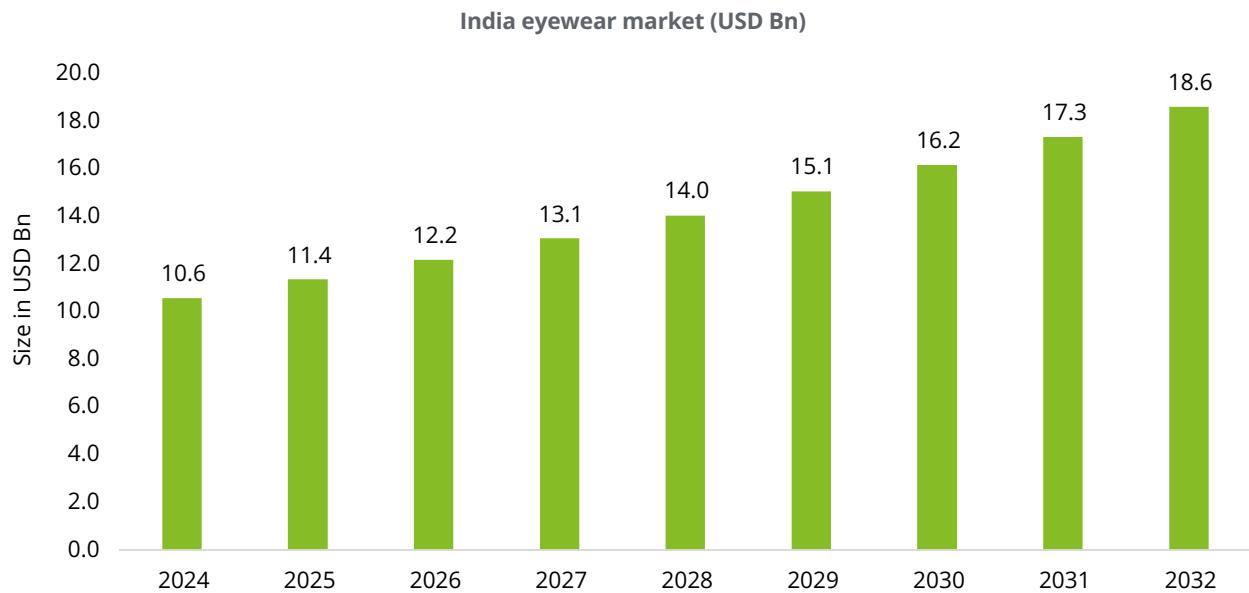
- The watch market in India is expected to reach ~US\$ 3.9 billion by 2029 at a CAGR of 20.32 percent.
- About 46 percent of watch sales in 2025 are predicted to be in the luxury segment, indicating increasing spending on watches.¹³²
- Consumers are increasingly prioritising personalization, artisanship, and brand value when making purchasing decisions.
- The smart ring category continues to grow, with more than 72,000 shipments in Q2 at an ASP of US\$204.6.

Rising demand for multifunctional, customisable and eco-friendly watches in India

- Demand for smartwatches that track health and connect to smartphones is increasing. Smartwatches are also becoming more multifunctional, with features such as music control, notification alerts and heartbeat tracking.
- Some trends in luxury watches include watch customisations, such as engravings and straps, and an increasing demand for metal bracelets.
- Consumers are increasingly favouring eco-friendly and ethically sourced materials, which is influencing the industry to shift towards more sustainable production.
- India is expected to be in the top 10 of Swiss export markets within a decade, reflecting the industry's optimism about the Indian market.¹³³

Eyewear

India's eyewear market is expected to grow rapidly, driven by ageing population and increasing vision problems



Source: IMARC Group

- The eyewear market in India is expected to reach ~US\$ 18.3 billion by 2032, at a CAGR of 7.3 percent¹³⁴
- The growth in the Indian eyewear market can be attributed to the increasing geriatric population, which is more prone to chronic eye-related diseases.
- Other eyesight-related disorders, such as dry eyes, chronic eye irritation and Computer Vision Syndrome (CVS), are increasing due to the rising exposure to digital devices that emit harmful light, which is impacting the market's growth.
- Integration of advanced features such as blue light filters and UV protection is gaining traction.
- The changing lifestyle patterns and increasing adoption of luxurious accessories among millennials strongly favour market growth.

Bright future for the lifestyle industry

The future of the jewellery, watches and eyewear industries looks bright, with exciting trends and innovations on the horizon. The growing emphasis on sustainability, ethical practices and personalisation is set to reshape these industries, catering to the evolving preferences of modern consumers. The rise of digital technologies, such as virtual try-ons and e-commerce, will continue to transform the shopping experience, making it more engaging and convenient for customers. As the global economy recovers and consumer

confidence rebounds, the demand for luxury goods, including jewellery and watches, is expected to remain strong, particularly among affluent consumers. However, businesses must remain agile and adaptable to navigate potential challenges and shifting market dynamics. By embracing change, using new opportunities and staying attuned to customer needs, the jewellery, watches and eyewear industries are poised for a promising future filled with growth, innovation and success.

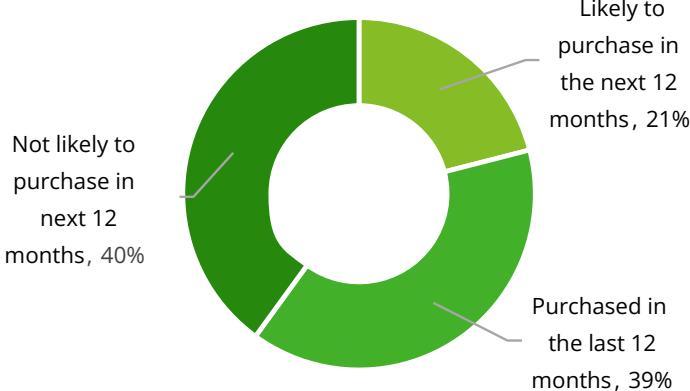
Consumer technology – Consumer electronics and durables

Insights from the consumer survey

To gain insights into anticipated consumer shopping behaviour within the smartphone/tablets market, Deloitte conducted a survey with 700 respondents. This survey aimed to capture the nuances of consumer behaviour, particularly considering the economic uncertainties and changing priorities that characterise the current market landscape.

Phone/Tablets

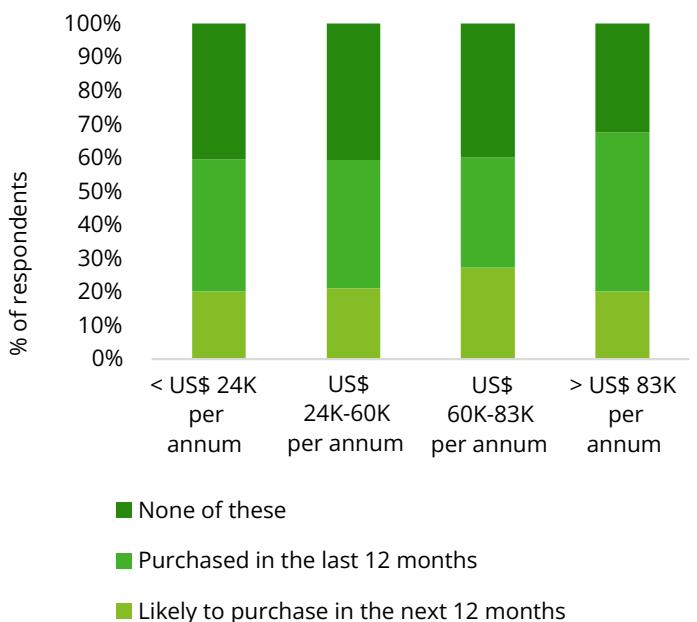
Expected likelihood of purchase of mobiles/tablets in FY25



Source: Deloitte Retail Survey 2024

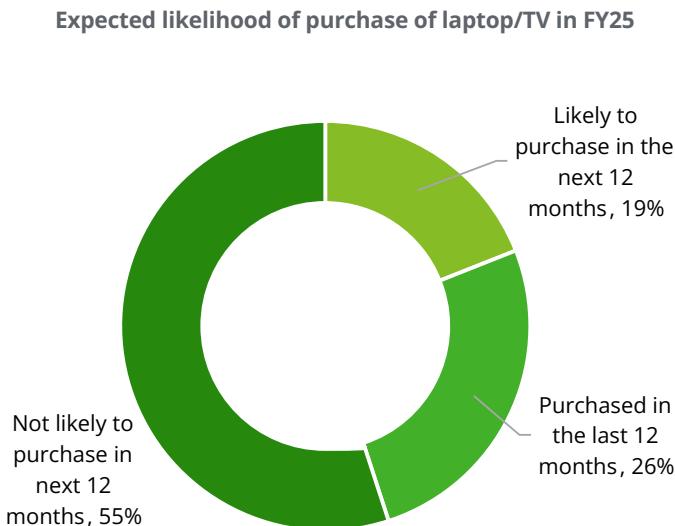
- About 21 percent of the respondents mentioned that they would likely purchase a mobile phone or tablet, while 39 percent had purchased in FY24.

Expected likelihood of purchase in FY25 (By Income Groups)



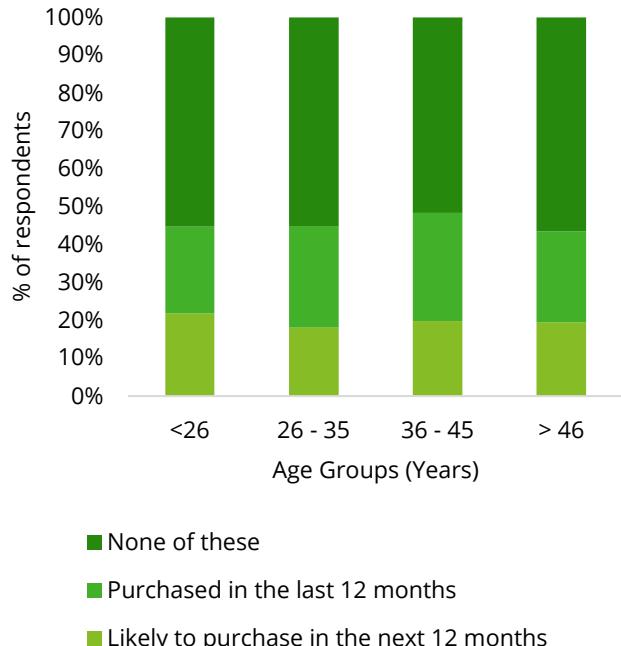
Source: Deloitte Retail Survey 2024

- Majority of respondents across income groups purchased a mobile or tablet in FY24, with a higher percentage observed among higher-income groups.
- Respondents in higher income groups were also more likely to make a purchase phone/tablet in FY25.

TVs/Laptops

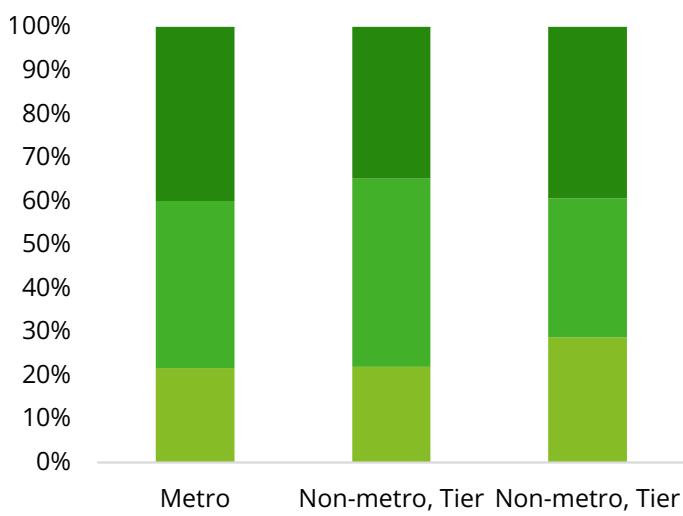
Source: Deloitte Retail Survey 2024

- About 26 percent of the respondents had purchased a TV or Laptop in FY24, while only 19 percent indicated an interest in purchasing in FY25.

Expected likelihood of purchase in FY25 (By Age Group)

Source: Deloitte Retail Survey 2024

- Majority of respondents in metros and Tier-1 cities cited that TV/laptop purchases were made in FY24, while Tier-2 cities showed a slightly higher likelihood of purchasing in FY25.
- Likelihood of purchase and previous purchase trends remained nearly uniform across age groups.

Expected likelihood of purchase in FY25 (By City Type)

- None of these
- Purchased in the last 12 months
- Likely to purchase in the next 12 months

Source: Deloitte Retail Survey 2024

Consumer durables

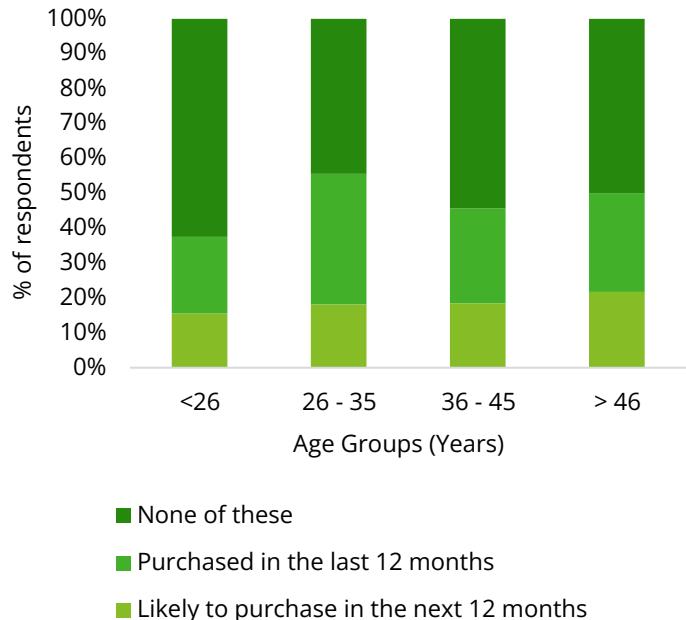
Expected likelihood of purchase of consumer durables in FY25



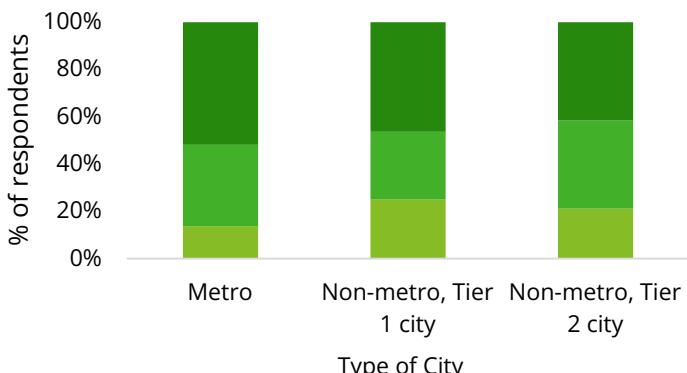
Source: Deloitte Retail Survey 2024

- About 32 percent of respondents had purchased household appliances in FY24. Considering the average life of consumer durables to be more than 5–10 years, which means only 10–20 percent of customers should purchase per year, the data shows that pent-up demand was met and only 18 percent of the respondents indicated an interest to purchase in FY25.

Expected likelihood of purchase in FY25 (by Age Group)



Expected likelihood of purchase in FY25 (by City Type)



- None of these
- Purchased in the last 12 months
- Likely to purchase in the next 12 months

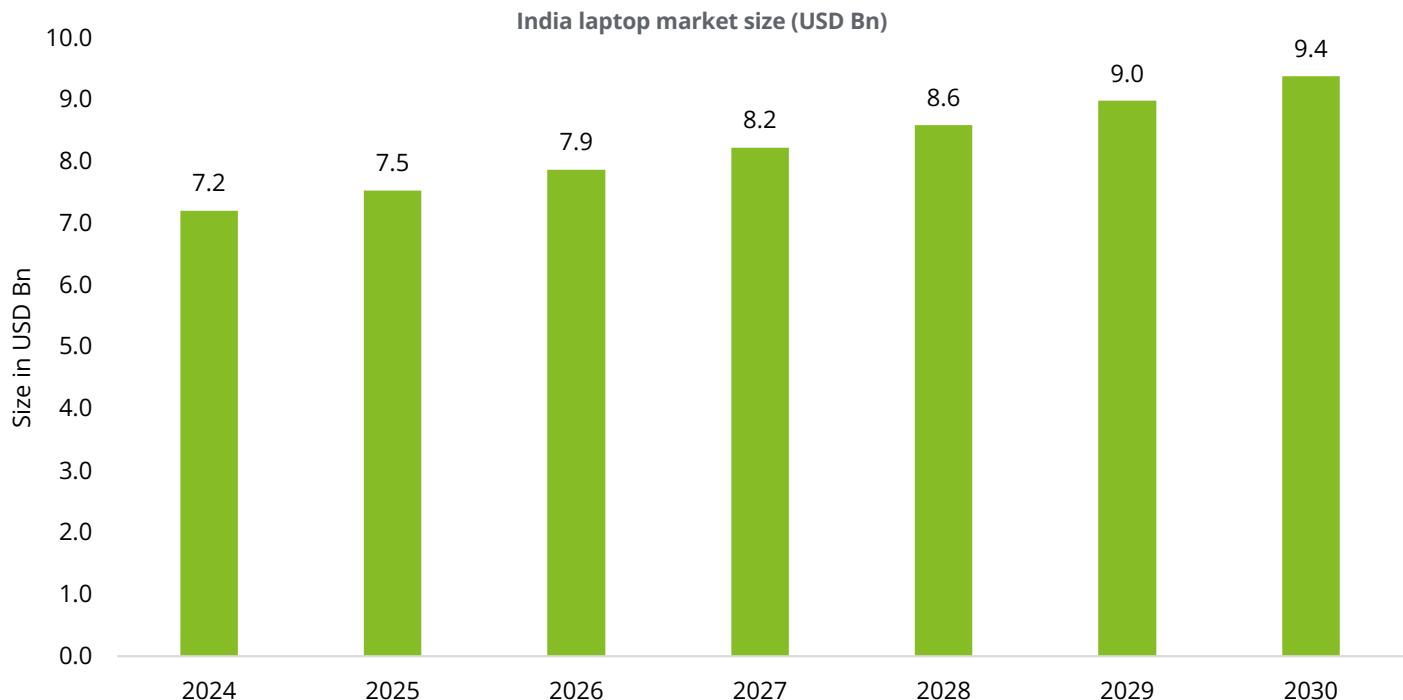
Source: Deloitte Retail Survey 2024

- Notably, most purchases in FY24 were led by the younger age group (26–35 years) in FY24, while the likelihood of purchase in FY25 remained uniform across all age groups.

- Respondents in the non-metro towns indicated a higher likelihood of purchasing consumer durables in FY25.

Consumer electronics

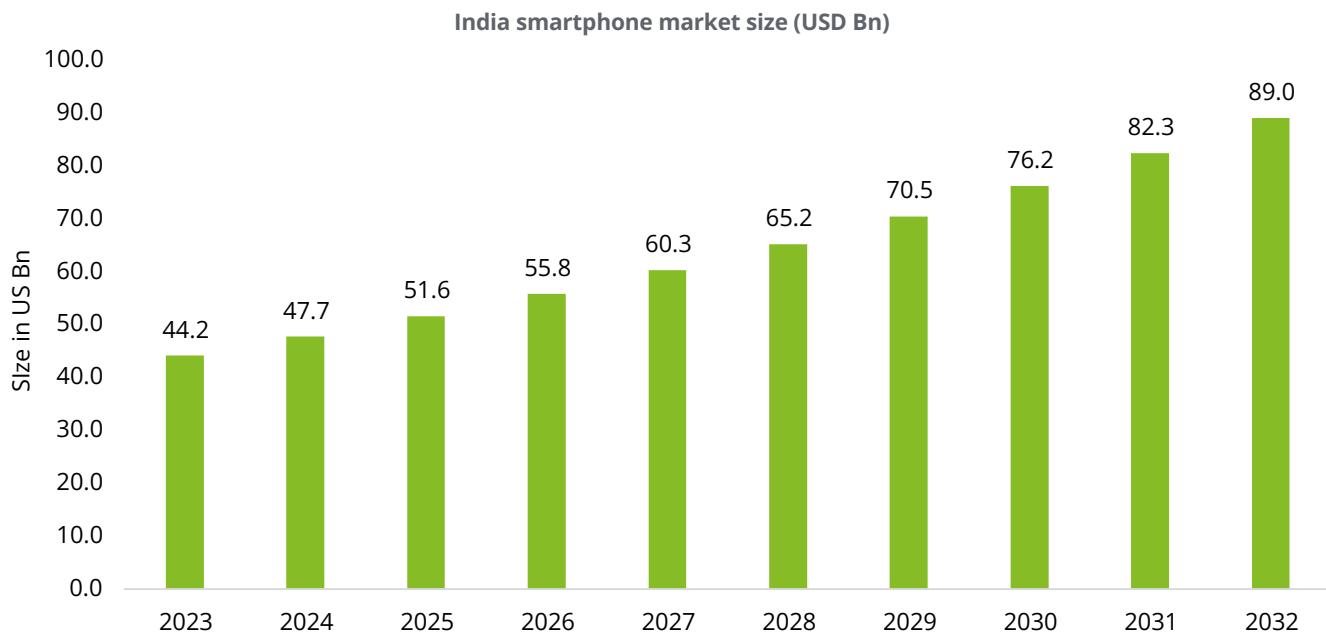
India's laptop preference shift: Sleek, versatile, digital



Source: Stellar Market Research

- The laptop market in India is estimated to post a CAGR of 4.5 percent to reach ~US\$9.4 billion by 2030.¹³⁵
- By application, the personal segment had the largest share of 55 percent, followed by business and gaming.¹³⁶
- The average weight of laptops sold in India has decreased by 200gm and thickness by 1.7mm in 2023 compared with 2022, reflecting the strong purchase intent to buy lighter, sleeker models.¹³⁷
- 2-in-1 laptops that can be used as tablets and OLED displays have been witnessing increased demand among working professionals who are increasingly replacing their full-keyboard laptops with 2-in-1 laptops.

India's smartphone surge marked by sturdy growth and 5G dominance^{138 139}



Source: Custom Market Insights

- The Indian smartphone market is expected to reach ~US\$ 89 billion by 2032, at a CAGR of 8.1 percent.
- The Indian smartphone market shipped 69 million smartphones in H1 2024, with a 7.2 percent YoY growth.
- The share of the entry-premium (US\$200–400) segment reached 30 percent, up from 22 percent, and registered the highest growth of 42 percent YoY.
- 5G smartphone market share increased to 77 percent in Q2 CY24, up from 49 percent Q2 2023.
- The super-premium segment (US\$800+) registered a 22 percent growth, with its share increasing from 6 percent to 7 percent.

Smartphones dominate consumer electronics market, 5G demand and longer lifecycle trends rise^{140 141}

- Mobile phones represent the largest category in the consumer electronics market, driven by increasing penetration and demand for better features.
- Consumers are increasingly using their smartphones to carry official documents such as Aadhar and PAN, flight tickets, boarding passes, etc.
- Consumers in metros prefer Large-Format Retail (LFR) stores over regular brick-and-mortar ones, besides the e-commerce platforms.

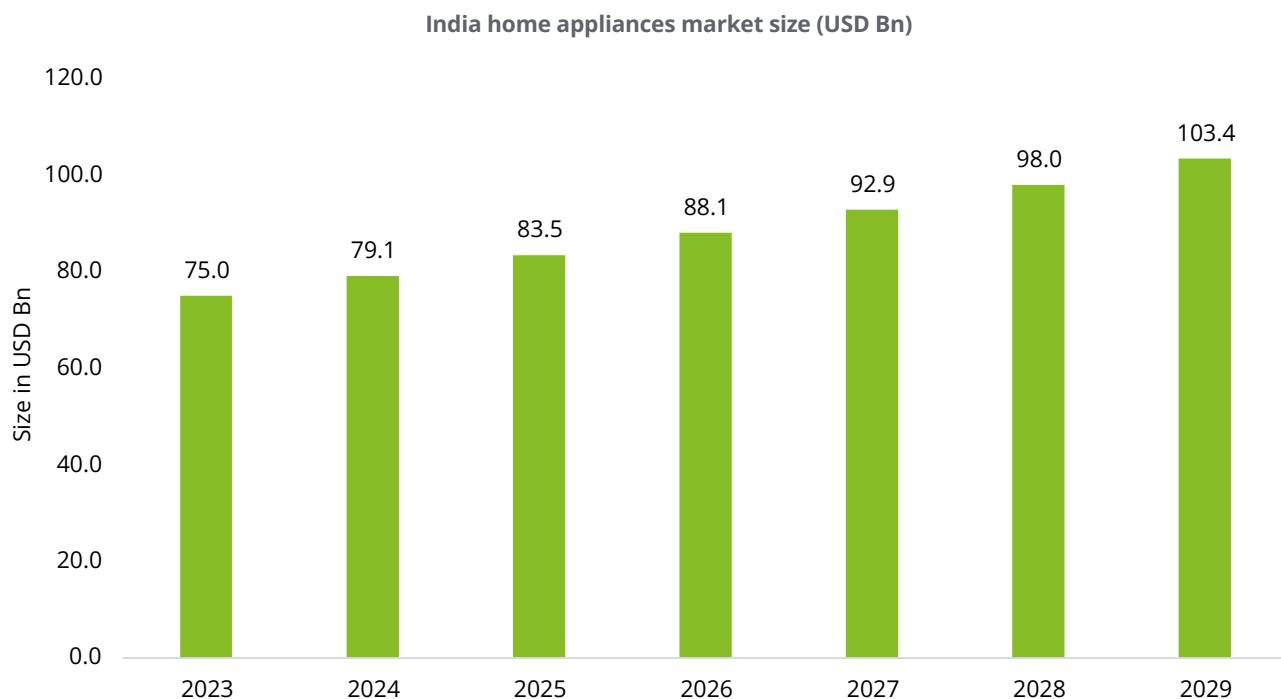
- Consumer interest in 5G devices is growing. Thus, chipmakers are pushing manufacturers to include 5G chips in their new smartphone lineup.
- In 2018, around 40 percent of people wanted to change their mobile phones within a year of purchase.¹⁴² In 2023, this number was down to less than 20 percent. About 61 percent of smartphone users in India changed their primary smartphones after at least two years of use.¹⁴³

5G, e-commerce and domestic manufacturing trend

- The share of the organised market in consumer electronics retail is expanding, driven by the growth of e-commerce and large organised retailers.
- With 5G-ready smartphones already reaching the affordable price bracket, brands are looking to further democratise the industry and are aiming at future-ready smartphones.
- Demand for larger batteries and faster charging will drive innovation in 2024.
- Domestic manufacturing of electronics, especially mobile phones, is increasing, driven by government initiatives and rising labour costs in China.

Consumer appliances

Robust growth fuelled by changing demographics and government initiatives



Source: Mordor Intelligence

- The Indian home appliances market is expected to reach ~US\$ 103 billion by 2029 at a CAGR of 5.5 percent.¹⁴⁴
- The growth is driven by rising income, single-person homes and job migration.
- Enhanced allocation for the Pradhan Mantri Awas Yojana, which aims to provide housing for all, will stimulate future demand for home appliances.

Shifting consumer landscape: Value, premiumisation and beyond^{145 146}

- Post-pandemic, there was a surge in demand for consumer durables due to lifestyle changes such as work-from-home. However, as people returned to offices, this demand slowed down.
- Consumers are becoming more value-conscious, seeking products that offer the best price, quality and technology.
- Consumers are increasingly looking for products with advanced features, energy efficiency and aesthetic appeal.
- There is a growing trend towards premiumisation, with consumers willing to pay more for high-end and feature-rich products.¹⁴⁷

Premium electronics surge amid mixed demand in H1 FY24

- In H1 FY24, while entry-level and mass segments remained flat or contracted,¹⁴⁸ there was significant growth in premium product sales across categories.
- Cooling product categories (ACs, coolers, fans and commercial refrigeration products) saw a significant demand uptick amid intense summer.
- Non-summer categories faced demand headwinds due to inflationary pressure, especially in semi-urban and rural areas.
- The television market is expected to witness continued growth, contributed by replacement demand, increasing preference for a second TV in households and upgradation to newer technologies.
- Pricing pressure remained severe as companies resorted to aggressive discounting and trade schemes to gain market share.
- The global trend of increasing online sales is also evident in India, with e-commerce platforms gaining significant traction in the consumer electronics market.

Bright prospects ahead for growth and evolution of India's consumer tech industry

The future looks bright for the Indian consumer durables and electronics industry, with several factors contributing to its continued growth and evolution. Companies are likely to focus on premiumisation and innovation to cater to the evolving needs and preferences of Indian consumers, offering products with advanced features and cutting-edge technologies. The untapped potential in Tier 2 and 3 cities presents a significant growth opportunity, as the penetration of consumer durables in these markets is still relatively low. While the smartphone

and television markets are projected to witness steady growth, driven by factors such as 5G adoption and the shift towards larger screen sizes, the industry is poised for expansion. Government initiatives aimed at boosting domestic manufacturing and exports are expected to further support the growth of the consumer electronics sector. However, companies must remain cautious and adapt to the slowdown in consumption to ensure long-term success in this highly competitive industry.

Home – Furniture, furnishing and décor

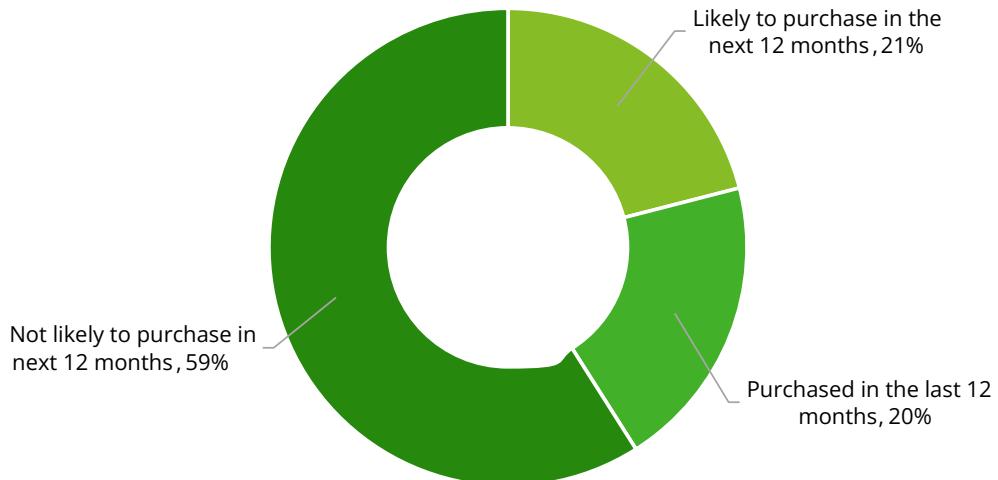
Insights from the consumer survey

To gain insights into anticipated consumer shopping behaviour within the furniture and home furnishings industry, Deloitte conducted a survey with 700 respondents. This survey aimed

to capture the nuances of consumer behaviour, particularly considering the economic uncertainties and changing priorities that characterise the current market landscape.

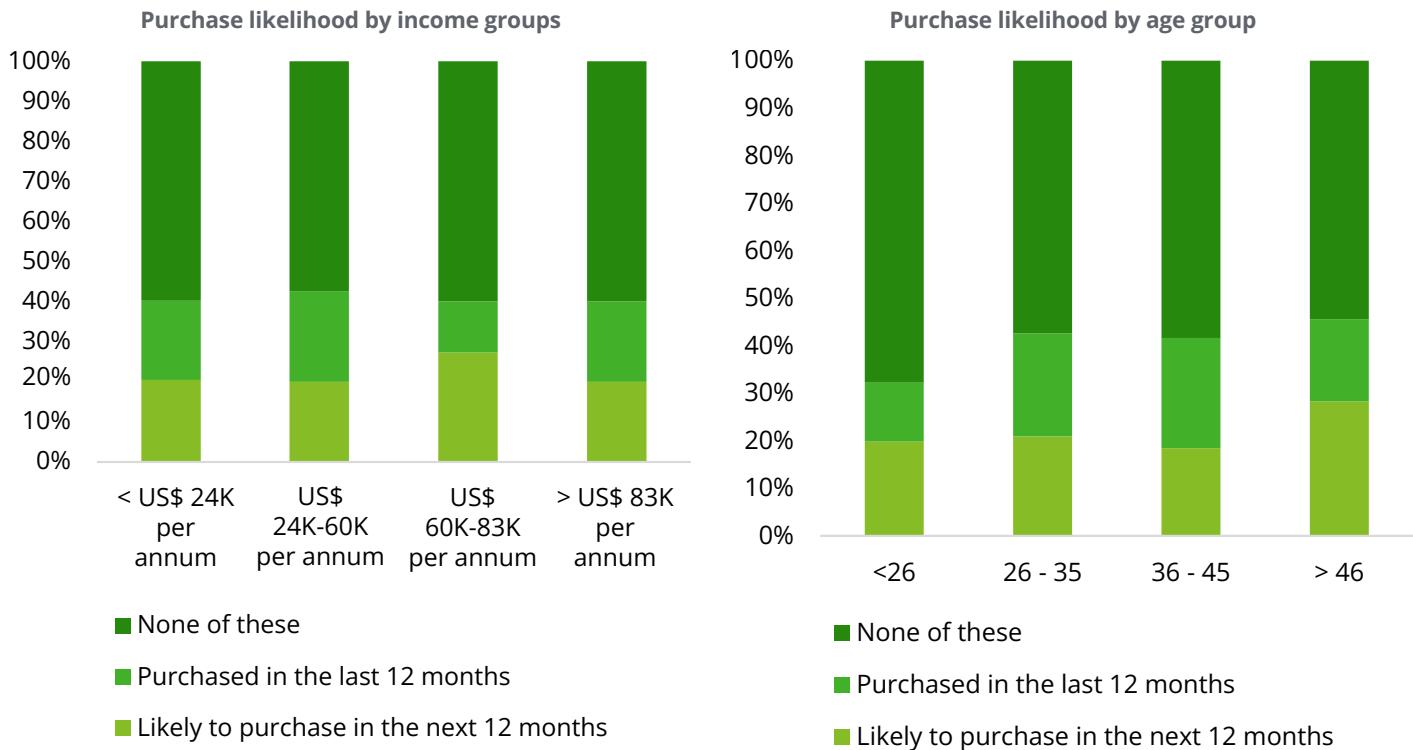
Furniture

Expected shopping behaviour in FY25



Source: Deloitte Retail Survey 2024

- About 20 percent of the respondents had purchased home furniture such as sofas, beds and tables in FY24. However, 21 percent of the respondents indicated a likelihood of purchasing in FY25.



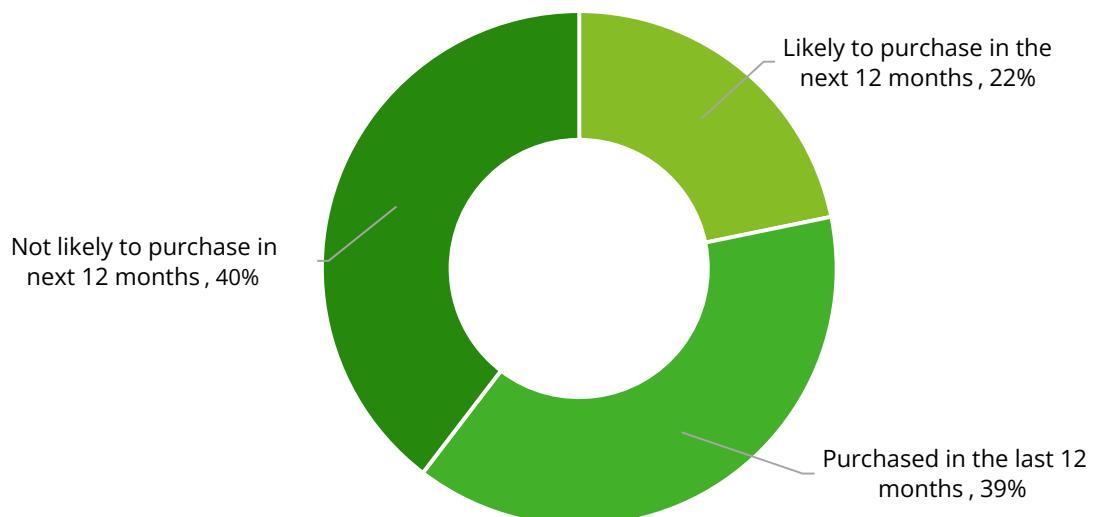
Source: Deloitte Retail Survey 2024

Source: Deloitte Retail Survey 2024

- While the purchase likelihood remained nearly uniform across age and income groups, the respondents in higher age brackets indicated a higher likelihood of purchasing home furniture in FY25.

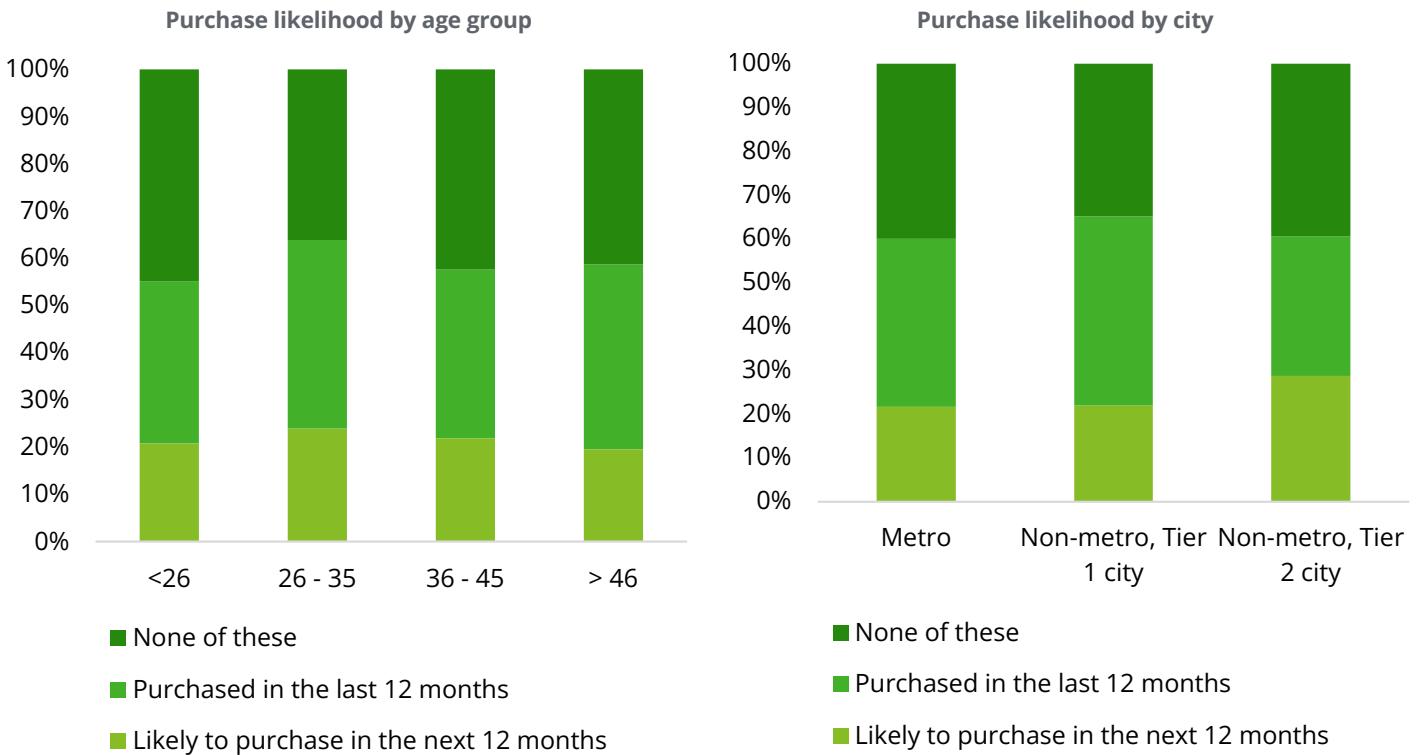
Home furnishings and décor

Expected shopping behaviour in FY25



Source: Deloitte Retail Survey 2024

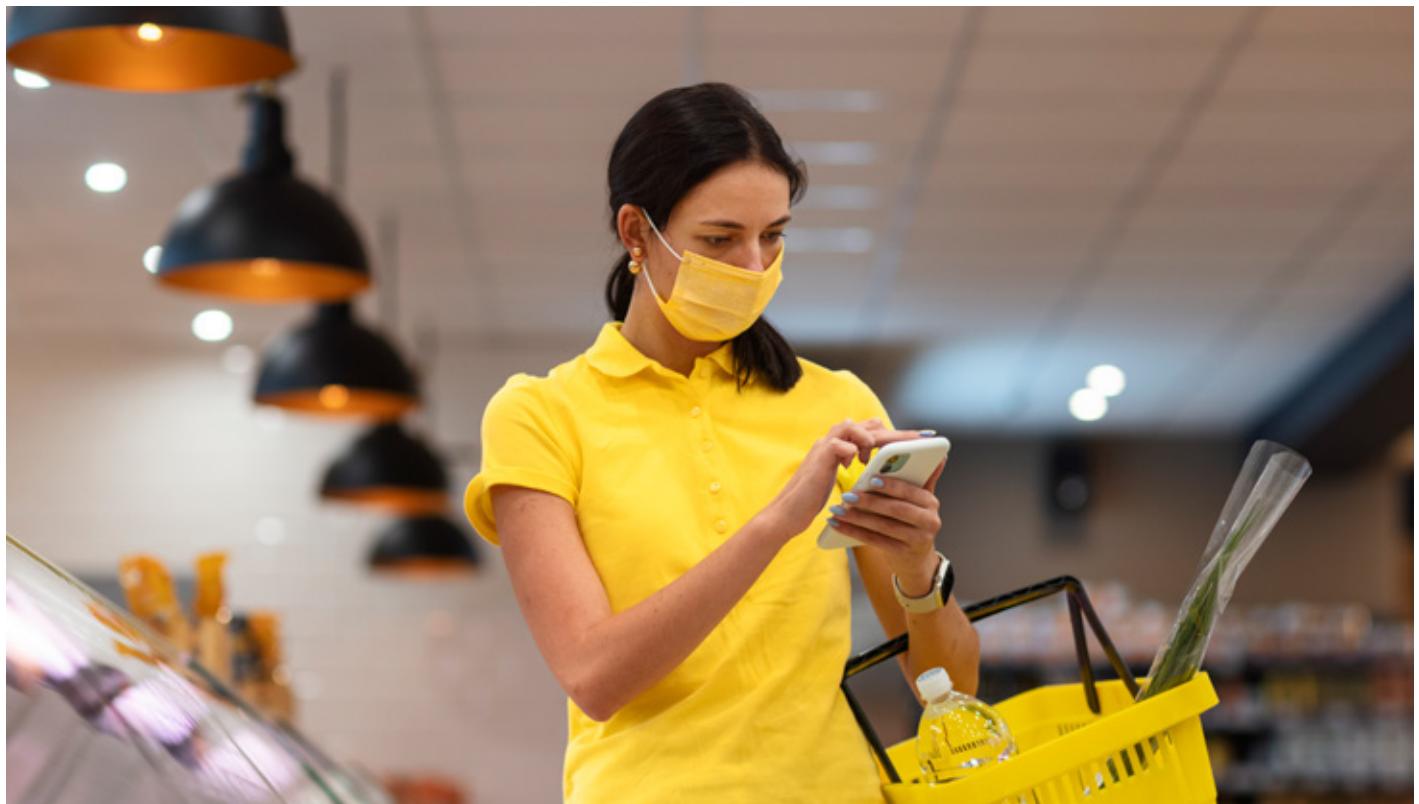
- Nearly 40 percent of respondents purchased home furnishings (bedsheets, curtains and home décor) in FY24, indicating a strong FY24 for the category, but only 22 percent intend to purchase in FY25.



Source: Deloitte Retail Survey 2024

Source: Deloitte Retail Survey 2024

- While the 26–35 age groups made higher purchases in FY24, the overall likelihood for FY25 remained uniform across all age groups. However, the residents in Tier 2 cities showed a stronger likelihood of purchase in FY25 than metros and Tier 1 towns. Significantly fewer people in these towns made a purchase in FY24.



Furniture

India's furniture market on the path of rapid growth



Source: Mordor Intelligence

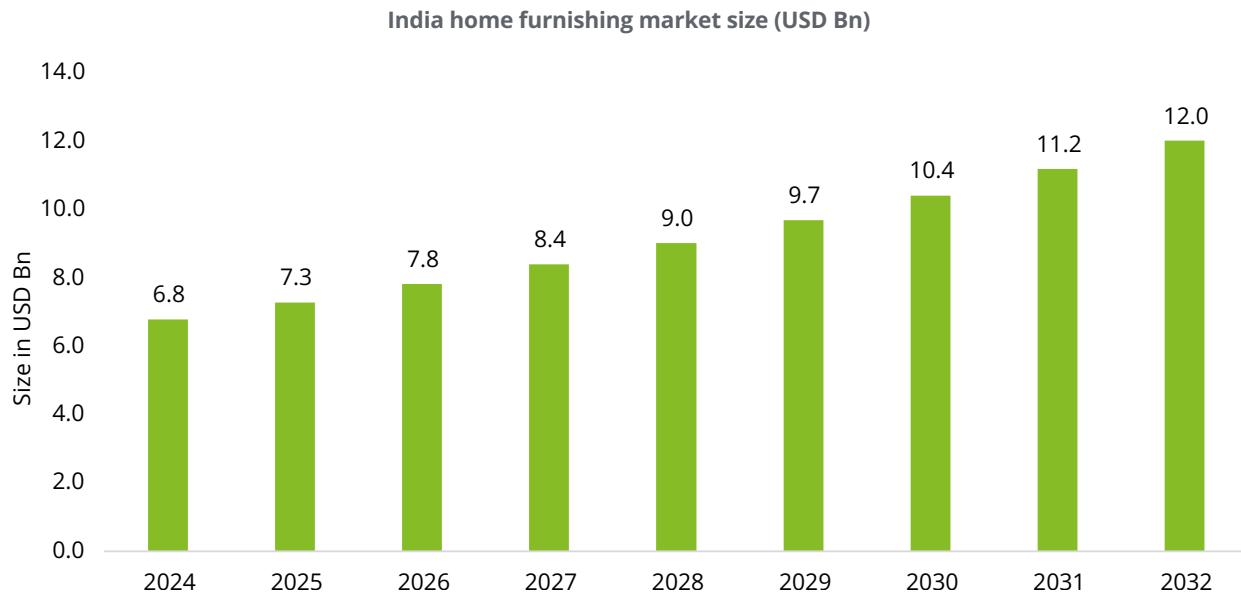
- The Indian furniture market is expected to reach ~US\$ 47 billion by 2029 at a CAGR of 10.8 percent.¹⁴⁹
- India is the fifth-largest producer, fourth-largest consumer and sixteenth-largest exporter of furniture.^{150 151}
- Consumers are increasingly opting for online platforms for product and price discovery. AR/VR-based features are improving conversions and reducing returns.
- Enhanced allocation for the Pradhan Mantri Awas Yojana, which aims to provide housing for all, will stimulate future demand for furniture.
- A growing consumer consciousness towards environmental sustainability is leading consumers to increasingly prefer sustainable furniture.
- Consumers are actively involved in social shopping, which has surged in popularity. It offers personalised yet accessible shopping experiences across various platforms.
- An increasing number of renters are looking for furniture that is compact, lightweight, easy to handle and move, and lighter on the wallet.
- About 51 percent of India's population will be living in urban areas by 2047, up from 31 percent in 2010, which will lead to a surge in demand for furniture products.¹⁵²
- Retailer websites with VR and 360-degree integration are fast becoming the first stop for prospective consumers.¹⁵³

Sustainability, urbanisation and the rise of D2C sales are transforming India's furniture landscape

- There is growing demand for office furniture due to expanding commercial sectors and people returning to offices.

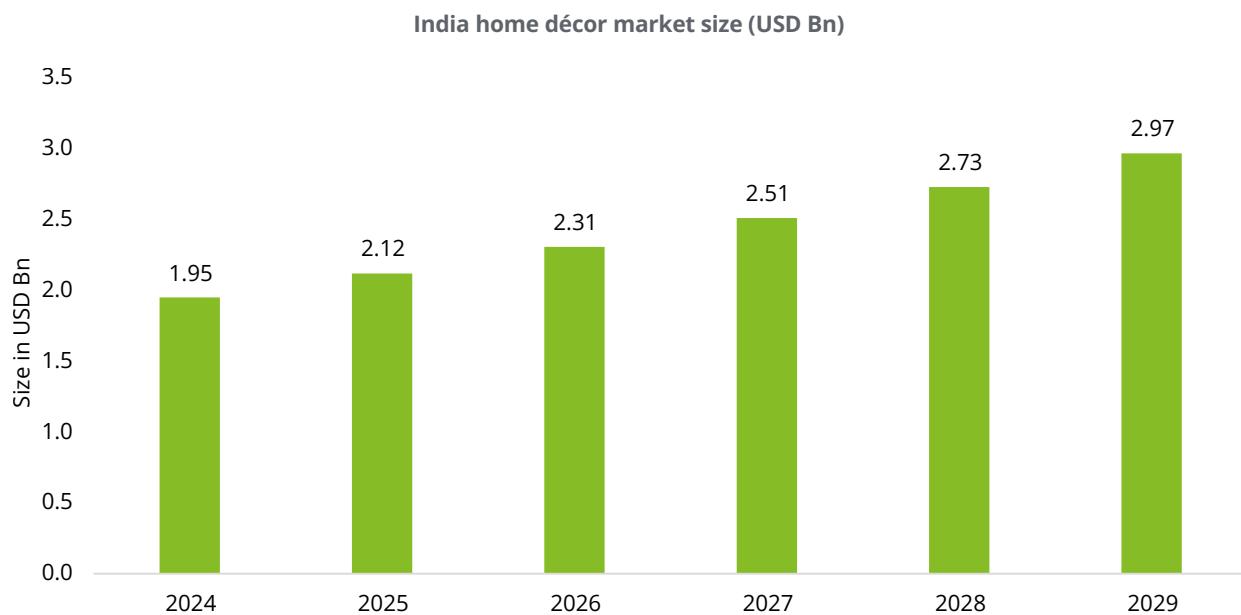
Home furnishing and décor

Rapid growth and expanding organised sector in the home furnishing market



Source: IMARC Group

- The Indian home furnishing market is expected to post a CAGR of 7.04 percent and reach ~US\$12 billion in 2032.¹⁵⁴



Source: Statista

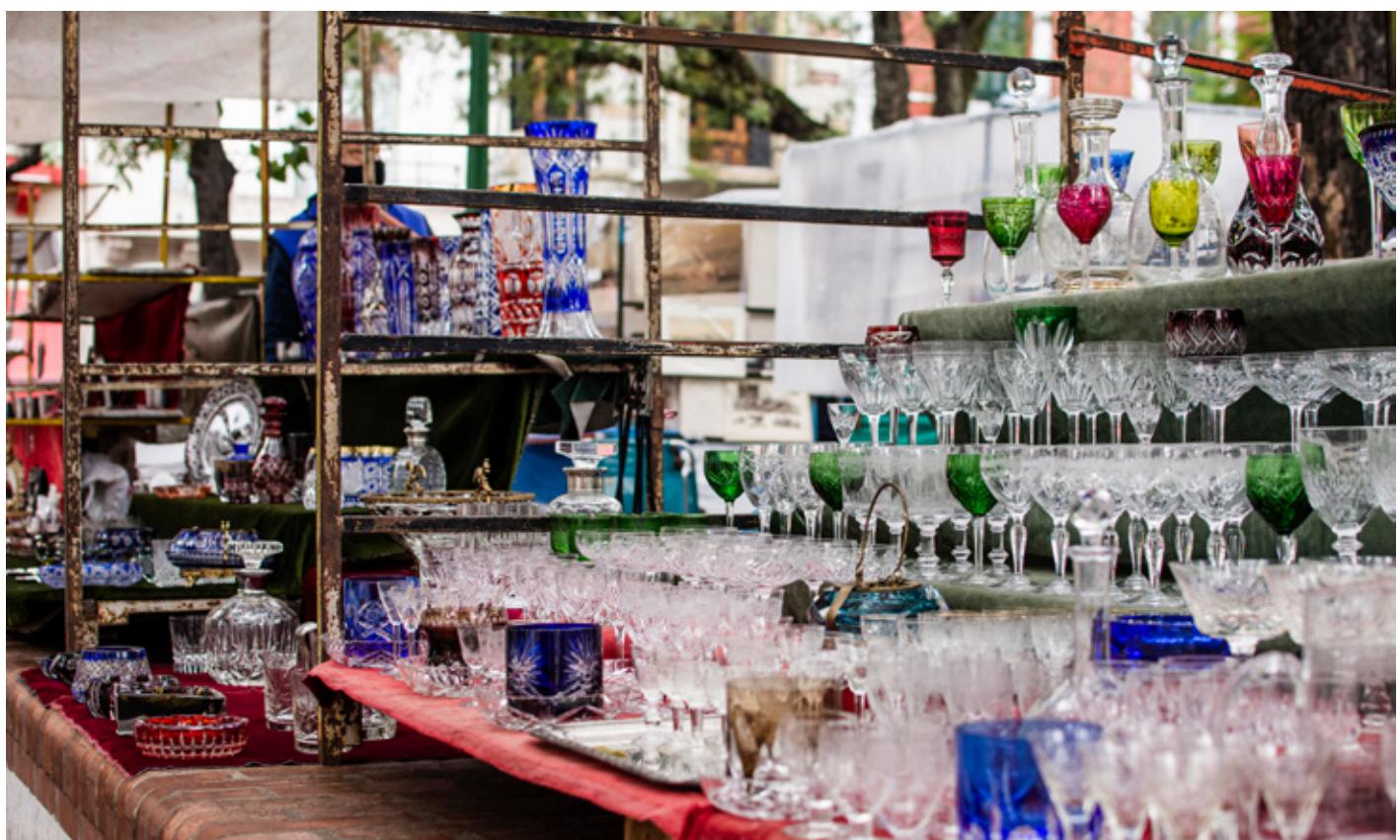
- In 2024, the revenue in the Indian home décor market segment is estimated to amount to US\$1.95 billion.
- It is projected to experience an annual growth rate of 8.78 percent (CAGR 2024–2029).¹⁵⁵
- The organised market share of furniture, furnishing, and décor is expected to reach ~30 percent by 2025.¹⁵⁶
- The share of D2C within the organised market is expected to reach 20 percent in the next three years from the current 14 percent.¹⁵⁷
- A growing middle class and a strong cultural emphasis on interior design drive India's booming market for home décor.
- The bedding market in India is expected to post a 5.05 percent CAGR during 2024–2029.¹⁵⁸

Shifting trends towards comfort, sustainability and personalisation

- Increasing preference of customers for large beds and mattresses and eco-friendly products.
- The work-from-home revolution has reoriented people's budgets towards spending on their home bedding products.
- Indian consumers are exposed to international designs through media and travel and seek unique and stylish home décor products.
- There is a rising interest in personalised and customised home décor items as consumers look to add a personal touch to their living spaces.
- Increasing focus on sleep and posture has led to an increase in demand for ergonomically designed products.

Growth and challenges amid evolving consumer trends

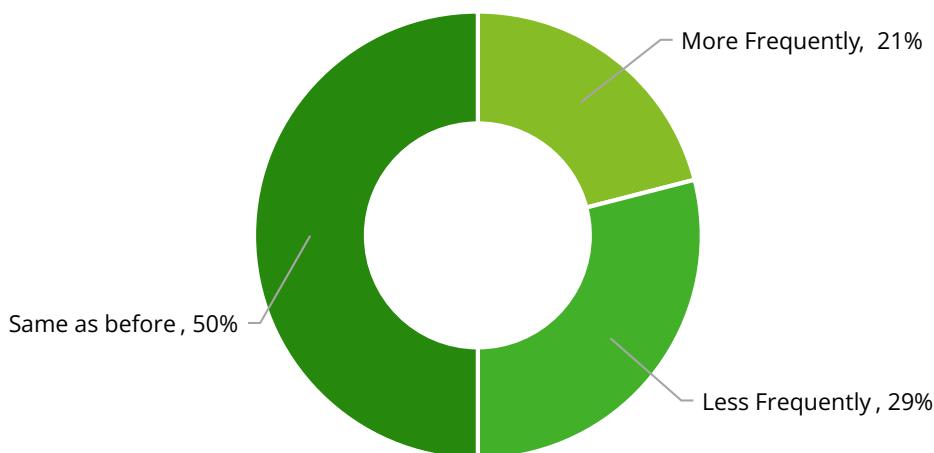
The outlook for India's home furnishing, decor and furniture market is quite promising. The expanding middle class is increasingly spending on stylish, functional furniture to enhance their living spaces. Trends such as sustainable chic, biophilic design and technological integration are reshaping the industry in exciting ways. However, amid this optimism, it is important to note that price sensitivity remains a challenge in the cost-conscious Indian market. Companies that balance affordability with evolving consumer demands will likely thrive in this dynamic and competitive landscape. Overall, while the long-term prospects appear bright, players will need to navigate challenges adeptly to capitalise on the market's immense potential fully.



Out of home food – In-store dining, online delivery services

Insights from the consumer survey

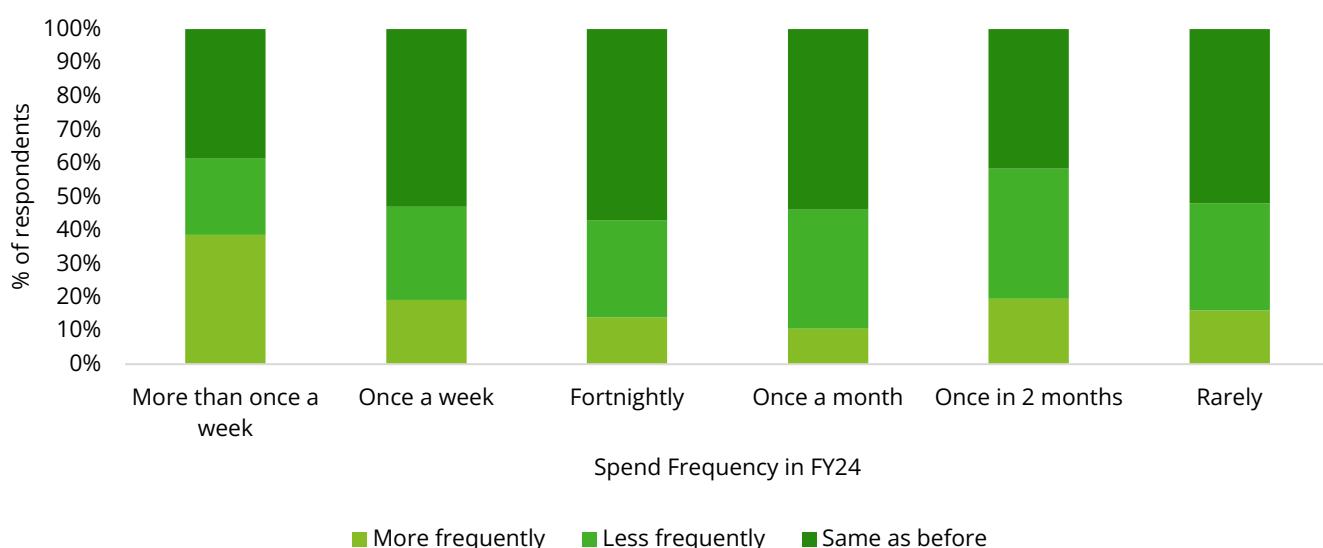
Expected change in frequency of spend on dining-out/ ordering-in in FY25 compared with FY24



Source: Deloitte Retail Survey 2024

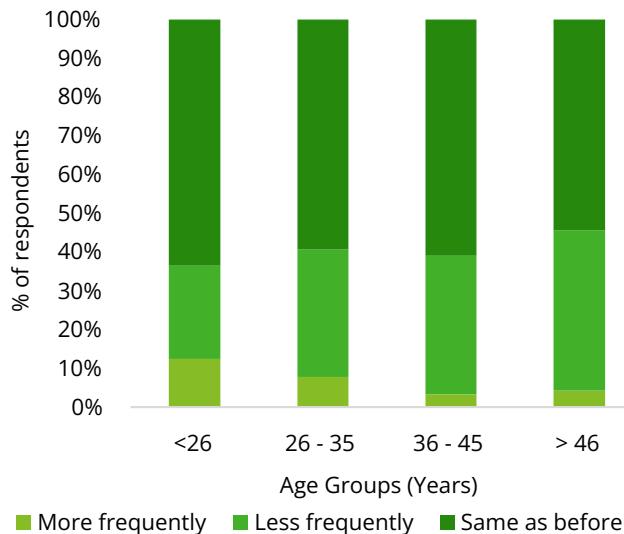
- About 21 percent of the respondents mentioned that they are likely to increase their frequency of dining out/ordering in, while 29 percent expected to reduce out-of-home food consumption frequency in FY25.

Expected change in frequency of spend in FY25 compared to frequency of purchase in FY24



Source: Deloitte Retail Survey 2024

Expected change in frequency of spend in FY25 (by age group)



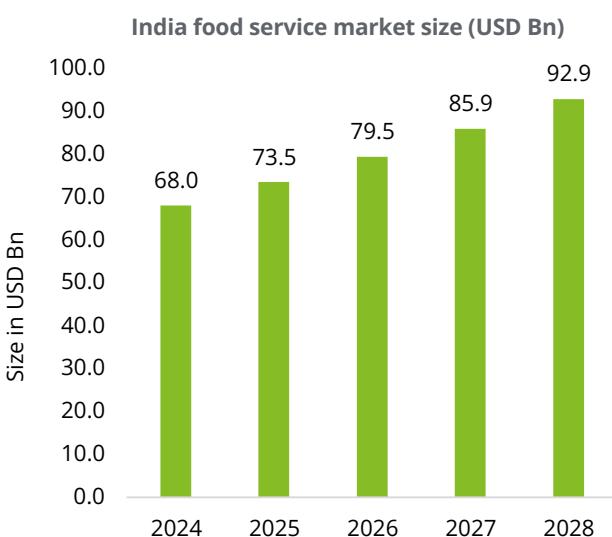
Source: Deloitte Retail Survey 2024

- Comparing against the frequency from FY24, those who dined out or ordered in more than once a week showed a significant likelihood to increase this consumption frequency. This was driven by their lifestyle, in which cooking at home is not always convenient or due to preferences for exploring new restaurants.
- Similarly, those with a lesser frequency of consuming out-of-home food intended to reduce this further, citing health or budgetary constraints. The preferences were nearly uniform across age groups.



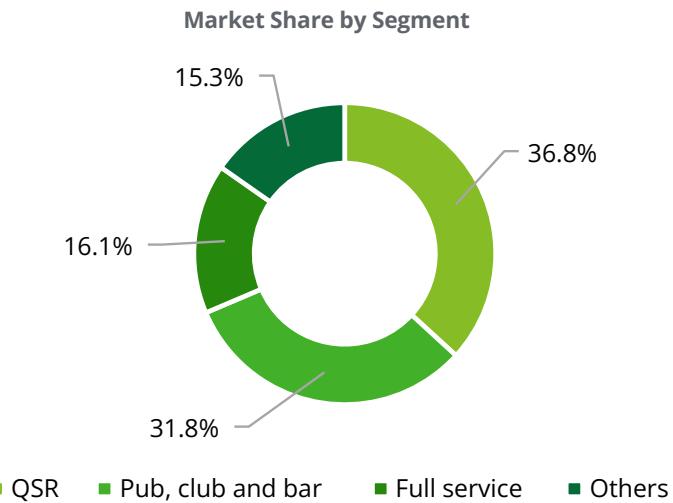
Out-of-home food

Rapid growth fuelled by quick-service restaurants and changing consumer habits^{159 160}



Source: NRAI

- The food service industry's performance is forecast to accelerate, with an anticipated CAGR of 8.1 percent over 2024–28.
- The industry is expected to be valued at ~US\$ 93 billion by the end of 2028.
- The growth of disposable income in India, driven by dual-income households, has led to more consumers eating out, thus driving growth in the industry.
- In addition, the increase in urbanisation and consumerism has led to more consumers eating out, with younger consumers leading these trends.
- Quick-service restaurants (QSRs) are booming in India. The country is witnessing continuous growth in the QSR chains' offering and expanding their presence, across developing cities across the country.



Source: Marketline

- The organised segment of the food services sector is expected to post a CAGR of 13.2 percent, achieving a market share of 52.9 percent by 2028.
- The unorganised segment's share is expected to drop to 47.1 percent from the current 56.2 percent.
- Dine-in sales and margins of QSRs under stress due to the rising popularity of food aggregators.
- Global fast-food chains are increasing their presence in India's smaller cities and looking to benefit from a younger demographic.

Rising demand for convenience and increased dining out

- The growing demand for convenience and consumers' increasingly busy lifestyles have increased the demand for home deliveries and takeaways.

- Post-pandemic, the change in consumer habits has further expanded the foodservice industry ecosystem.
- The average monthly eating out frequency has seen a 20 percent increase to 7.9 times in 2023–24 from 6.6 times in 2018–19, driven by growing consumption occasions and an increase in new eateries.¹⁶¹
- The number of food outlets in India increased from 5,178,411 outlets in 2018 to 5,452,178 outlets in 2023, indicating growth in the industry.¹⁶²

Restaurants to prioritise sustainability, personalisation and value in near future¹⁶³

- In response to increasing environmental concerns and consumer demand for sustainable options, restaurants are expected to prioritise eco-friendly practices and ethically sourced ingredients.
- Dining out is no longer about the food. Consumers are seeking unique and memorable experiences that go beyond the plate, driving the rise of immersive dining concepts.
- About 80 percent of consumers are more likely to patronise a restaurant that offers personalised experiences customisation will be a key differentiator for restaurants looking to stand out in a competitive market.
- With economic uncertainties and rising living costs, consumers increasingly seek value in their dining experiences. They want affordable options without sacrificing quality or the overall experience.
- Consumers are becoming more mindful of their health and well-being, which is reflected in their dining choices. They are seeking healthier and more sustainable food options, including fresh, locally sourced ingredients, plant-based alternatives and dishes with clear nutritional information.

Food delivery

Expansion beyond metros and app adoption in food services

- Tier 2 and 3 cities are driving growth as metros are nearing saturation. Food tech companies are tapping potential in India's non-metro cities and targeting them for expansion by offering vernacular interfaces, customised pricing, and hyperlocal menus.¹⁶⁴
- Brand operators are expanding their presence across e-commerce platforms and food delivery apps and improving technological innovations to increase consumer engagement.

Technology-driven, personalised dining experiences for consumers

- Technology such as online ordering platforms, mobile payment systems and AI-powered chatbots for customer service is expected to play a pivotal role in efficiency and convenience across the dining journey.
- As consumers seek more personalised dining experiences, restaurants will use data analytics and AI to tailor their offerings to individual preferences.
- The digital age has transformed consumer expectations. Diners now expect seamless digital experiences, from online ordering and mobile payments to personalised recommendations and loyalty rewards.

Embracing digital transformation and consumer centricity amid evolving consumer demands¹⁶⁵

India's restaurant and online food delivery market is poised for remarkable growth in the coming years, driven by increasing mobile internet access, falling data costs and a growing working population. The industry's outlook is optimistic, with digital transformation accelerating at an unprecedented pace. Online ordering, delivery and mobile payments are set to become ubiquitous, offering convenience and accessibility to consumers. However, amid this growth, restaurants must navigate challenges such as increasing consumer price sensitivity. To thrive, they will need to focus on providing value, affordability and unique dining experiences that resonate with their target audience. Additionally, the rising demand for healthier and sustainable food options presents an opportunity for restaurants to differentiate themselves by sourcing sustainable ingredients, reducing waste and offering transparency. While the future is bright, success requires adaptability, innovation and a customer-centric approach.



Recommendations for growth

As we look ahead to FY2024–25, India's economic landscape presents a compelling blend of resilience and untapped potential. Despite the looming shadows of a global slowdown and lingering inflation, the country is poised to remain a beacon of growth among major economies. The unwavering spirit of domestic demand, coupled with the guiding hand of supportive government policies, will serve as the bedrock for this growth trajectory. While inflation remains a watchful presence, its grip is expected to ease to around 5 percent, as the kinks in supply chains are ironed out and commodity prices find their equilibrium. The RBI, a steadfast guardian of economic stability, is anticipated to maintain a steady hand on the interest rate rudder, ensuring a conducive environment for growth.

As we delve into the consumer landscape, a tapestry of opportunities and shifting preferences emerges. Sectors that experienced a post-pandemic boom, such as beauty products, personal care, consumer electronics, and durables, may encounter a tempering of growth as the high base of purchases in the previous year sets a challenging benchmark for FY25. Amidst this backdrop, the rise of value-seeking buyers is a thread that weaves through various consumer businesses. Yet, intriguingly, the allure of premium products has outshone entry-level offerings in several sectors, including electronics and personal care. Companies that can unravel the secrets of their customers' premium preferences and harness them effectively will find themselves at the forefront of growth. The trailblazers who have already tapped into this trend in FY24 are well-positioned to reap the rewards in the coming year.

Moreover, a considerable proportion of customers across sectors have indicated that replacement purchases will be a key driver for their spending in FY25. This presents an excellent opportunity for companies to nurture and retain their loyal customer base while also encouraging upgrades and replacements where product performance or perceived value is expected to be enhanced. By capitalising on this trend, businesses can not only strengthen their customer relationships but also unlock new avenues for growth.

Key initiatives to drive growth in FY25

Lean towards product innovation for the next phase of the growth journey with special focus on demand from Gen Z and non-metros

- Focus on New Product Development (NPD) by using consumer data from the company's website/app, POS, CRM, and social media channels to identify gaps in the product portfolio, understand consumer preferences, and conduct preliminary product testing.
- Shrink the new product introduction cycle time and make the supply chain responsive to quickly respond to consumer trends

Utilise consumer behaviour shift towards quick commerce to increase or retain sales and market share

- Quick commerce is rapidly growing, with more consumers buying from quick commerce platforms, launching more quick commerce platforms and traditional e-commerce platforms providing express delivery options.
- Launch private labels on existing quick commerce platforms to increase visibility among the limited assortment on quick commerce to grow sales.
- Onboard selective highly seasonal products related to festivals, big events and important holidays on a quick commerce platform to capitalise on last-minute purchases by customers.
- Launch express delivery services on own D2C platform in partnership with 3PLs to retain market share and sales.

Aim marketing efforts on customers who generally buy or have bought premium product offerings in the last 2–3 years.

- Premium segments across categories such as beauty, fashion and consumer electronics grew faster than entry-level segments and are driven by affluent consumers.
- Target customers with a history of premium purchases through personalised marketing, exclusive product previews and elevated service experiences.
- Expand premium product portfolios and introduce new high-end brands to cater to the growing affluence and premiumisation trend.

Prioritise providing services and experiences within the retail store instead of purely transactional product sales.

- Implement experiential retail concepts such as product trials, interactive displays and personalised consultations to differentiate the in-store experience.
- Train store staff to provide high-quality product advisory and responsive customer service to build stronger customer connections.
- Host engaging in-store events, workshops and product launches to drive footfall and dwell time.

Concentrate marketing efforts on generating sales related to product upgrades or complementary products.

- Analyse customer purchase patterns to identify opportunities for cross-selling related products or upgrading to premium variants.
- Run targeted campaigns promoting product bundles, upgrade offers or extended warranty packages to drive incremental revenue per customer.
- Educate customers about complementary products and the latest upgrades through engaging content and guided selling to trigger additional purchases.

Focus on customers with higher purchase frequency as they are more likely to buy again.

- Identify and target customer segments that shop more frequently across categories through data analysis of purchase history and loyalty programme insights.
- Engage these high-frequency shoppers with personalised offers, exclusive loyalty benefits and tailored product recommendations to drive repeat purchases.

Prioritise customers with higher average bill value as they are more likely to be able to afford premium products.

- Analyse customer data to identify segments with higher spending per transaction.
- Offer premium product ranges, bundled deals and upselling recommendations to encourage higher-value purchases from these customers.
- Provide exclusive experiences and privileges to high-value customers to build loyalty.

Focus on customers who had purchased during or before the pandemic and might be open to replacement purchases.

- Replacement purchases rather than new customer acquisitions are expected to drive demand for consumer durables, electronics and furniture in FY25.
- Identify customers who bought products 2–3 years ago and engage them with targeted campaigns highlighting new features, upgraded models or attractive exchange offers.
- Use predictive analytics to estimate when customers are likely to be ready for replacements and reach out proactively.

Target the mass market segment customers by providing value-based offers and if possible, discounts.

- Offer value-for-money combos, larger pack sizes and discount schemes to appeal to price-conscious mass market consumers, especially in Tier 2/3 cities.
- Use the growing quick commerce channel for unplanned or small-ticket purchases by mass market customers.

Bring ecommerce platform dropped-out customers to the store and incentivise them to buy from the store as in-store average bill value tends to be higher than the e-commerce portal.

- To drive higher bill values, offer a wider assortment, product customisation options, in-store product trials, or installation services for store purchases.
- Integrate in-store appointments and video shopping assistance to give online customers a reason to visit the store for an enhanced experience.

In conclusion, FY2024–25 promises to be a year of resilience, opportunity and evolving consumer dynamics for India. By navigating the challenges with agility, understanding the nuances of customer preferences and using the power of domestic demand, businesses can chart a course towards sustainable growth. The key lies in staying attuned to the market's pulse, embracing innovation and delivering value that resonates with the aspirations of Indian consumers. As we embark on this exciting journey, let us seize the opportunities that lie ahead and shape a future that is not only prosperous but also inclusive and transformative for all.



E-commerce

E-commerce outlook

As of FY23, the Indian e-commerce market was valued at US\$85 billion.¹⁶⁶ Electronics is the leading category in terms of percent contribution to overall GMV, followed by fashion and accessories and the FMCG category. It is further followed by categories such as BPC, which shows promising growth.

In 2023, India's e-commerce sector made significant contributions to the country's GDP and employment landscape. According to a report by the India Brand Equity Foundation (IBEF), the e-commerce sector contributes approximately 8 percent¹⁶⁷ to India's GDP, reflecting its growing economic impact. The sector's expansion is driven by

increasing digital adoption, rising consumer spending and the proliferation of online retail platforms.

In terms of employment, the e-commerce industry has created substantial job opportunities. As reported by a new report by the Pahle India Foundation highlighted that e-commerce in India has created 15.8¹⁶⁸ million jobs directly and indirectly, including 3.5¹⁶⁹ million for women, with expectations of further growth. This includes roles in logistics, customer service, technology, marketing and associated services such as warehousing, delivery and digital marketing.

These contributions underscore the pivotal role of e-commerce in India's economic development and job creation. The sector's growth is anticipated to continue, driven by increasing internet penetration, digital payments and evolving consumer preferences.

India's e-commerce sector witnessed remarkable growth, driven by accelerated digital adoption and changing consumer behaviours. There was a surge in online shopping spurred by increased internet penetration, the proliferation of smartphones and enhanced digital payment systems. The sector benefited from a rise in demand for convenience and a diverse range of products, from fashion to electronics. Investments from both domestic and international players further fuelled this expansion, making e-commerce a pivotal component of India's retail landscape. This growth can be attributed to several key factors that collectively created an environment conducive to expanding online retail and digital transactions.

Pandemic-driven surge

The most prominent catalyst for the e-commerce boom in FY21–22 was the COVID-19 pandemic. With lockdowns, social distancing measures and general health concerns, consumers turned to online platforms for shopping more than ever before. This shift was particularly evident in essential categories such as groceries, healthcare products and everyday household items. Even as restrictions eased, the convenience of e-commerce, combined with lingering concerns over physical shopping, sustained this heightened level of online activity.

Digital adoption and internet penetration

India saw a rapid increase in digital adoption, fuelled by the growing penetration of smartphones and affordable internet services. Internet users in India have grown by 10 percent YoY, reaching 759 Mn in 2022 and the country has the highest data consumption rate globally at 14.1 GB per person every

month.¹⁷⁰ These factors have contributed to widespread awareness and adoption of online commerce and have driven its growth. E-commerce companies also focused on expanding their reach into tier 2 and tier 3 cities, offering localised content, regional languages and easy payment options to attract a wider audience.

Government initiatives and digital payments

Government initiatives aimed at promoting digital payments and financial inclusion also played a crucial role. The proliferation of platforms such as Unified Payments Interface (UPI) made online transactions more accessible and secure, encouraging more consumers to purchase online. India has seen the fastest jump in the APAC region in the share of non-cash payments during e-commerce transactions reaching 58 percent in 2023 compared with 20 percent five years ago.¹⁷¹ With the growing traction in mobile commerce, digital payment solutions constituted one-third of all online payments in 2021 and this share is expected to increase significantly.¹⁷² Additionally, government policies promoting digital literacy and infrastructure development in rural areas further supported this trend.

Rise of D2C brands and new business models

The e-commerce landscape has also benefited from the rise of D2C brands that use online platforms to reach customers directly without the need for traditional retail channels. There has been a 25 percent increase in new brands entering the D2C space in 2023.¹⁷³ The D2C market is expected to post a CAGR of 38 percent from 2023–27.⁸ The emergence of numerous start-ups and niche brands that capitalised on the growing consumer preference for unique, specialised products available online is expected to drive future growth. Moreover, innovations in business models, such as subscription services and social commerce, added to the momentum of e-commerce growth.

Growth normalisation in FY23

Normalisation post-pandemic

As the pandemic's impact began to wane, consumers gradually returned to physical stores, leading to a moderation in online shopping. The reopening of malls, retail outlets and markets provided consumers with more shopping options, reducing the exclusive reliance on e-commerce that was seen during the pandemic. This return to normalcy and high consumption owing to pent-up demand after the pandemic-induced lockdowns impacted the e-commerce growth rates.

Inflationary pressures and economic uncertainty

FY23 was marked by inflationary pressures and broader economic uncertainties, which impacted consumer spending. Rising prices of essential goods and services squeezed disposable incomes, leading to more cautious spending behaviour. The private final consumption expenditure growth has progressively declined in the past two fiscal

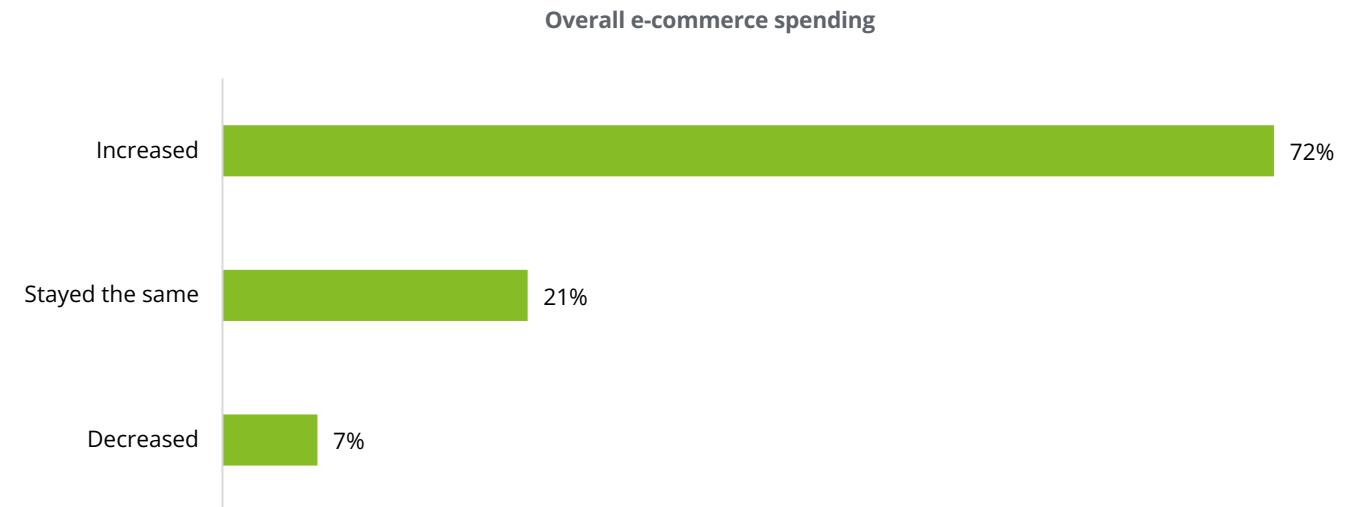
years from more than 10 percent in 2021–22 to 6.8 percent and 4 percent, respectively, in the past two fiscal years.¹⁷⁴ Consumers prioritised essential purchases over discretionary items, affecting the overall growth of the e-commerce sector, particularly in non-essential categories such as fashion and electronics. This shift was especially prevalent in non-metro cities that suffered from inflation, affecting rural demand more than urban demand. The e-commerce sector has seen a higher YoY order volume growth from Tier 1 cities in FY23 at 31 percent compared with Tier 2 and Tier 3 growing at 23 percent and 22 percent, respectively, in the same period.¹⁷⁵

In summary, while FY22 was characterised by significant growth driven by a surge in digital adoption and pandemic-related factors, FY23 saw a slowdown across all major categories due to inflationary pressures and demand normalisation post the high FY 22 growth base. Companies are now focusing on driving sustainable consumption-led growth and profitability improvement.



Consumer behaviour and demand trends

Increasing preference for e-commerce



Source: Deloitte India Consumer Survey 2024

In a survey conducted by Deloitte with 1,400+ respondents, 72 percent of respondents indicated that they have increased their e-commerce purchases over the past year. The primary reasons for this shift include better prices than offline stores,

convenience, easy returns, refunds and exclusive offers from D2C brands. Additionally, 37 percent of respondents noted that e-commerce has led to more impulse buying, resulting in higher spending on online platforms.

Reasons for increase in e-commerce spending



Source: Deloitte India Consumer Survey 2024

Due to rising inflation, consumers are increasingly seeking better prices, convenience and easy return processes, which are key drivers boosting their e-commerce spending. Online shopping provides a cost-effective alternative to traditional retail, appealing to price-sensitive shoppers looking to maximise value. The convenience of shopping from home and hassle-free return policies further enhance the attractiveness of e-commerce platforms. However, beyond just price and convenience, consumers also value the exclusive offers and personalised experiences provided by e-commerce players. These exclusive deals differentiate online platforms from offline stores and enhance the overall user experience, making it a significant factor in driving e-commerce growth. This trend indicates that while cost savings are crucial, the holistic shopping experience and unique benefits offered by online platforms play a pivotal role in influencing consumer behaviour and increasing e-spending amid economic pressures.

D2C brands are gaining popularity

The D2C journey has become more accessible for brands and consumers alike, thanks to reduced technological barriers and a growing preference for this business model. Consumers are increasingly drawn to D2C brands primarily due to the differentiated products and enhanced consumer experience. The direct communication from the brands to the consumer and focus on content have also helped build trust for D2C brands. Traditional brands have been either acquiring prominent D2C brands or choosing the organic route of launching their brands online and building their own D2C platforms.

Quick commerce

Quick commerce is revolutionising retail by offering rapid, on-demand delivery of goods, typically within 30 mins. By leveraging advanced logistics and real-time inventory management, quick commerce meets the growing consumer demand for convenience and immediacy. This model addresses the needs of modern shoppers who value fast, reliable service and are willing to pay a premium for it. With streamlined operations and optimised delivery networks, quick commerce platforms efficiently handle orders, ensuring quick turnaround times. As a result, consumers enjoy a seamless shopping experience with minimal wait, reflecting a significant shift

towards more agile and customer-centric retail solutions. About 45 percent of consumers reported purchasing groceries online via quick commerce across India. In Metro and Tier-1 cities, this trend is even more pronounced, with 49 percent and 47 percent of consumers using quick commerce, respectively, for their grocery needs. Furthermore, 50 percent of female respondents indicated they shop through quick commerce, compared with 43 percent of male respondents.

Case study

One of the e-commerce companies rebranded to focus on quick commerce has pioneered the concept of 10-minute grocery delivery in India. The platform operates a network of dark stores strategically located to ensure that orders can be fulfilled within minutes. The model has resonated with urban consumers who value speed and convenience, particularly for daily essentials. The success of this model has led to increased competition in the quick commerce space, with new players entering this space.¹⁷⁶

Growth of Tier 2 and Tier 3 cities

E-commerce adoption in India has expanded beyond the Tier 1 cities, with major e-commerce platforms focusing on capturing these markets. Tier 2 and Tier 3 cities are emerging as key growth drivers, with consumers in these areas increasingly turning to online platforms for a wide range of products. Consumer demand has been shifting towards Tier-2 and Tier-3 cities, leading to an increase in the share of shoppers from 53.6 percent to 62.9 percent in Tier-2 and Tier-3 cities combined.¹⁷⁷

Respondents mentioned better prices, convenience, easy returns/refunds and exclusive offers as some of the major reasons for the increase in online purchases in Tier 2 and Tier 3 cities. About 37 percent of respondents mentioned that AI/voice-activated devices have made online shopping easier for consumers.

Case study

An e-commerce platform has implemented a "Bharat" strategy focused on catering to the unique needs of consumers in Tier 2 and Tier 3 cities. The company introduced services such as cash-on-delivery, easy returns and local language¹⁷⁸ support to make e-commerce more accessible. It also expanded its delivery network to include remote areas, ensuring that consumers outside major urban centres access the same products and services as metros. The platform stated that it has sent over 150 million¹⁷⁹ personalised and curated WhatsApp messages to entice customers from Tier 2 and beyond cities.

Sustainability and eco-consciousness

Indian consumers are increasingly favouring brands that demonstrate a commitment to sustainability. This trend is evident in the demand for eco-friendly products, sustainable packaging and ethical business practices. About 93 percent of Indian travellers are prioritising eco-conscious adventures.¹⁸⁰

According to a Deloitte survey, 92 percent of millennials and 89 percent of Gen Z believe businesses should do more to empower consumers to make sustainable purchasing decisions.¹⁸¹

About 49 percent of respondents preferred sustainable and organic groceries, which is notably higher among consumers

in Tier 2 towns. Additionally, 24 percent of respondents choose sustainable or eco-friendly fashion options. In the beauty and personal care category, 63 percent of consumers prefer organic products. Half of the consumers purchasing electronics online are looking for energy-efficient appliances and 44 percent desire eco-friendly packaging when ordering food delivery online.

The online marketplace offers sustainable and eco-friendly products, from home decor to personal care items. Platforms have seen a steady increase in sales, driven by consumers prioritising sustainability in their purchasing decisions.

Case study

A food delivery company has introduced an Eco Saver Option, where deliveries are delayed by 5-10 minutes to increase the chances of bundling multiple orders and optimising delivery routes. To encourage consumers to choose this eco-friendly option, the company offers a discount on the bill.¹⁸²

Case study

One of India's leading fashion e-commerce platforms launched the initiative to cater to the growing demand for sustainable fashion. The initiative features a curated collection of eco-friendly products made from sustainable materials and ethical production practices. It also introduced eco-friendly packaging and partnered with brands that share its commitment to sustainability.



Online reviews and Influencer-driven purchases

With the rise of the digital economy and a tech-savvy population, consumers are increasingly turning to influencers to guide their purchasing decisions. This shift has transformed the e-commerce landscape in India, as consumers view influencers as trusted voices who provide authentic insights and recommendations. Influencers, particularly those with niche followings, offer a relatable and personalised touch that resonates deeply with audiences.

In a country where personal recommendations hold significant weight, consumers appreciate influencers' genuine reviews and experiences, often finding them more persuasive than traditional advertisements. For many, especially Gen Zs, Millennials and higher income groups (55–65 percent), online research and reviews are now integral to their decision-making process.¹⁸³

Social media platforms such as Instagram and YouTube have become key spaces where influencers connect with consumers. Indian influencers, known for their extensive reach and engaging content, skilfully use storytelling, tutorials and reviews to create buzz and drive traffic to e-commerce platforms. As a result, consumers feel more connected to the products and brands they discover through influencers, further embedding this trend in the evolving e-commerce ecosystem.

Case study

A beauty and wellness e-commerce platform has heavily leveraged influencer marketing to drive sales.¹⁸⁴ Collaborating with beauty influencers on platforms such as Instagram and YouTube has reached a wide audience and built trust with potential customers.

Demand for fast delivery

The expectation of fast and free delivery has become a standard in Indian e-commerce. Consumers, especially in metro cities, expect their orders to be delivered within a day or two and often free of charge. This trend has led e-commerce companies to invest heavily in logistics and delivery infrastructure.

Consumers are showing a growing preference for faster delivery across various categories. About 59 percent of the respondents prefer faster delivery for groceries, 51 percent for fashion and apparel, 43 percent for beauty and personal care, 43 percent for electronics and 48 percent for health and wellness products.

Case Study

A large e-commerce company has set a high bar for delivery standards with its membership. It offers benefits such as free one-day and two-day delivery, which have become major selling points for the service. Its extensive warehouse network and partnerships with third-party logistics providers have enabled it to meet these delivery expectations, significantly contributing to its market dominance.¹⁸⁵



Supply trends

Generative AI

Generative AI (GenAI) is reshaping e-commerce in India by improving customer experiences, streamlining operations and fostering innovation. In e-commerce, GenAI is showing traction with use cases focused on enhancing personalisation, automation of content creation and improving customer service through chatbots. Some other use cases seeing traction include demand forecasting, inventory optimisation and creating virtual try-ons, providing innovative and efficient solutions. Here are some key applications and examples:

Personalised customer experiences

GenAI enables highly personalised shopping by analysing consumer behaviour and preferences to provide real-time product recommendations. For instance, a major fashion e-commerce platform utilises AI-driven personalisation to suggest outfits and styles specifically curated for each user, enhancing engagement and boosting conversion rates.¹⁸⁶

Content creation and marketing

AI assists in generating product descriptions, blogs and social media content, easing the burden on marketing teams while ensuring a consistent brand voice. A content creation platform uses AI to help e-commerce brands create compelling content at scale.

Visual search and virtual try-ons

AI-powered visual search allows customers to find products by uploading images, while virtual try-ons let users see how items would look on them. An eyewear brand uses AI for virtual try-ons, enabling users to visualise eyewear on themselves before making a purchase, thus enhancing the user experience.

Inventory and demand forecasting

GenAI aids e-commerce companies in forecasting demand with greater accuracy, leading to optimised inventory management and fewer stockouts. A major e-commerce company employs AI for inventory management, improving product availability and operational efficiency in warehousing.¹⁸⁷

Customer support

AI-driven chatbots and virtual assistants provide round-the-clock support, answering customer queries quickly and accurately. Many companies are using chatbots to enhance customer service and lower operational costs.¹⁸⁸

Case study

A leading beauty and wellness e-commerce platform in India utilises GenAI for personalised product recommendations and targeted marketing campaigns. By analysing user interaction data, AI helps predict what products a user is likely to purchase next. This personalised approach has significantly boosted their conversion rates and customer satisfaction, showcasing the potential of AI in enhancing e-commerce strategies in India.

Omnichannel experience

Omnichannel delivery mechanisms allow customers to pick and choose from the comfort of their homes while assuring a physical presence in the vicinity. Tailored delivery experiences that are tailor-made to their preferences and the availability of a store nearby for any assistance can be extremely comforting. The key is to identify the peculiarities of a region to customise all aspects of the retail experience to suit the clientele. These aspects include product assortment, store design, visual merchandising, layout and staff interactions. In the age of multichannel retail, the store next door should be available to the customer at the click of a button.

Companies are emphasizing providing a unified shopping experience that connects online and offline channels. This trend is particularly evident among leading offline retailers, who are integrating their physical stores with their digital platforms. Orders grew by ~58 percent for those utilising omnichannel technology, compared with around 45 percent¹⁸⁹ for "ship from store" services in FY2023.

Case study

One of the large conglomerates has successfully integrated its online and offline presence. Customers can browse products online and pick them up from a nearby store or return items purchased online at physical locations.¹⁹⁰

Case Study

A large conglomerate has embraced a "phygital" strategy, combining physical and digital shopping experiences. The platform offers customers the option to shop online and pick up products from physical stores or to return products bought online at these locations. It also leverages data from both online and offline channels to provide personalised recommendations and a more cohesive shopping experience.¹⁹¹

Experience management

E-commerce companies are focusing on improving consumer experience by using different technologies such as:

AR/VR

AR/VR technology is helping the e-commerce industry by providing immersive experiences and enabling virtual product trials, resulting in reduced return rates. The implementation of AR/VR has shown a significant decrease in product returns by 20–40 percent and a 3 percent increase in cart conversion rates.¹⁹² Additionally, AR/VR can assist consumers in navigating malls or large departmental stores, while interactions and 3D experiences are further enhanced with 5G's advanced low-latency and high-bandwidth connectivity.

Metaverse

The four dimensions of service quality in metaverse retail are product, store, customer experience and 3D platforms.

Virtual storefronts

Stores are transitioning to the digital world with virtual stores and new virtual boutiques, altering the traditional shopping experience.

Enhanced customer experience

The use of VR headsets has evolved customer experience, facilitating at-home product trials and exploration and reducing the need for physical store visits.

Customer engagement with 3D platforms

To foster customer engagement, 3D platforms are being utilised to establish immersive communities and host virtual fashion shows.

Case study

An eyewear retailer uses AR for virtual try-ons, frame selections, lens prescription measurements and more, leading to double-digit growth in online conversions. The brand also witnessed an increase in positive App Store and Play Store reviews.

New growth drivers

Rise of social commerce

Social commerce is a unique retail model that harnesses the power of social networks and communities to facilitate product sales, particularly in the fashion, home and decor categories. This approach involves incentivising small-scale suppliers and empowering women, as most resellers in this space are women.

Social commerce primarily targets tier 2 and 3 cities, focusing on affordable and non-branded products. The key drivers of profit and growth in this sector include a wide supplier base that provides access to affordable and unbranded products

and the strength of the reseller network. Social commerce platforms often rely on advertising revenue rather than commission-based models to generate profits. The expansion of social commerce is driven by the growing impact of social media on consumer buying decisions and the rise of micro-influencers, who are instrumental in promoting products to specific, niche audiences.

Case study

A leading fashion e-commerce platform has integrated with Instagram, resulting in a substantial increase in traffic and sales from social media, especially among younger consumers. This approach capitalises on the rising trend of social commerce, providing a seamless shopping experience that connects social media with e-commerce.

Voice commerce

It is gaining traction as more Indian consumers use voice assistants to shop online. Many e-commerce platforms have integrated voice shopping into their platforms, allowing users to search and purchase products using voice commands in multiple Indian languages.

Case study

A major e-commerce player's voice shopping feature has seen a surge in adoption, especially in Tier 2 and 3 cities, where consumers find voice commands more convenient than typing. This technology has enhanced user experience and expanded the reach to non-English-speaking consumers, driving growth in these regions.¹⁹³

Personalised recommendation

One of the most significant trends in the online commerce space is the emphasis on personalisation. D2C brands use data analytics and AI to create highly personalised shopping experiences. For instance, one of the Indian beauty brand uses customer data to offer tailored product recommendations and personalised beauty consultations through its online platform.

Consumers prefer a personalised shopping experience as one of the major features of purchasing online 65 percent of the respondents prefer personalised recommendations for groceries, 64 percent for fashion and apparel, 47 percent for beauty and personal care and 38 percent for health and wellness.

Case study

A popular D2C brand in the beauty and personal care space uses AI-driven algorithms to recommend products based on a customer's skin type, concerns and previous purchases. For example, if a customer has previously purchased a skincare product for oily skin, it might recommend related products like a suitable moisturiser or sunscreen.

Case study

India's leading fashion e-commerce platform uses AI to personalise the shopping experience. By analysing customer behaviour, preferences and purchase history, its algorithms recommend products tailored to individual users. This approach has resulted in higher conversion rates and increased customer loyalty.

Growth in private labels

The growth of private labels in e-commerce in India has been remarkable, driven by evolving consumer preferences, competitive pricing and strategic brand positioning. Private labels—brands owned and sold exclusively by retailers—have gained traction as consumers seek value-driven alternatives to established brands. E-commerce platforms have capitalised on this trend by expanding their private label portfolios across various categories, including fashion, electronics, home goods and groceries.

One key factor fuelling this growth is the increasing price sensitivity among consumers, who are looking for quality products at lower prices. Private labels offer competitive pricing by eliminating intermediaries and using data-driven insights to tailor products to consumer needs. The rise of digital-first brands and the growing trust in online shopping have created a conducive environment for private label success.

Retailers also invest in marketing and exclusive product lines to differentiate their private labels from competitors, enhancing their appeal to a broader audience. Integrating advanced analytics and consumer feedback loops allows e-commerce platforms to continuously refine their private label offerings, aligning them more closely with market demand.

Moreover, private labels benefit from high visibility on e-commerce platforms, often featured prominently in search results and recommendations, which boosts their discoverability. As consumers become more comfortable with these alternatives, private labels are expected to continue their upward trajectory, reshaping the competitive e-commerce landscape in India.

Case study

A major e-commerce firm has 14+ private labels, with 10,000+ products in groceries, furniture, home furnishing and electronics, where 10–15 percent of sales come from private labels.¹⁹⁴

Sustainability focus

Consumers have increased demand for sustainable or eco-friendly products. About 63 percent of beauty and personal care respondents prefer sustainable products, 50 percent of electronics, 49 percent of groceries and 38 percent of fashion and apparel.

Eco-friendly packaging

E-commerce companies in India are transitioning to eco-friendly packaging solutions, such as biodegradable materials, recycled paper and reusable packaging. This practice aims to reduce plastic waste and the environmental impact of packaging materials.

Consumers are making conscious choices to reduce waste, such as skipping disposable cutlery and returning packaging materials for reuse. For instance, a leading food delivery aggregator allows customers to opt out of disposable cutlery. Additionally, consumers increasingly opt for energy-efficient appliances, reflecting their commitment to reducing energy consumption and promoting sustainability.

Case study

A major Indian e-commerce player introduced eco-friendly alternatives such as paper shreds, recycled paper bags and carton waste material, replacing unsustainable packaging options. The company executed multiple initiatives for 100 percent ethical sourcing and reducing plastic packaging in its supply chain. It delivered over 75 percent of units in sustainable packaging and witnessed thrice the jump in the number of sellers switching to sustainable packaging. Joined and undertook hands-on multiple initiatives for 100 percent ethical sourcing.¹⁹⁵

Green delivery options

Designed to reduce the environmental impact of the last-mile delivery process. These options include using EVs and bicycles and optimising delivery routes to minimise fuel consumption and emissions. Some companies also offer customers the choice of slower shipping methods, which allow for more efficient batching of orders, reducing the number of trips needed.

Case study

A major e-commerce platform has introduced green delivery initiatives by incorporating EVs into their logistics fleet and offering eco-conscious consumers the option to choose environmentally friendly delivery methods at checkout. It aims to a 100 percent transition of its last mile fleet to electric vehicles by 2030.¹⁹⁶

Easy credit access

The rise of easy credit access and Buy Now, Pay Later (BNPL) options has significantly driven growth in e-commerce spending in India. These payment solutions have made it easier for consumers, especially in Tier 2 and Tier 3 cities, to purchase essentials without immediate financial strain.

Another key driver of increased consumer spend in India is the rising use of credit cards. Recent RBI data shows a 26 percent Y-o-Y increase in credit card spending, reaching US\$18 billion in February 2024.¹⁹⁷ Additionally, the total number of credit cards issued by banks in India surpassed 100 million in February, with 1.1 million new cards added since January.¹⁹⁸

Consumers reported that easy access to credit has increased e-commerce spending. Among the respondents, 31 percent prefer using easy credit options or BNPL for high-value categories such as electronics, while 19 percent prefer these options for grocery purchases.

Case study

A major food service delivery platform integrated with a BNPL provider to make premium groceries more affordable to consumers. This integration allows users to buy groceries and other essentials without upfront payment, providing a seamless shopping experience. Enabling consumers to pay in instalments has reduced the barrier to purchasing higher-value or premium products, leading to an increase in average order sizes and customer retention.¹⁹⁹

Rise of subscription models

The subscription model has gained traction in India's e-commerce sector due to its ability to offer convenience, cost savings and personalised experiences. This model involves customers paying a recurring fee to receive products or services regularly. It is particularly effective in industries where customers seek regular replenishment or exclusive product access, particularly in categories such as groceries, personal care and digital content.

D2C brands in India, particularly in the beauty and wellness segments,²⁰⁰ have also embraced the subscription model. For instance, brands in beauty personal care offer subscription plans for their products, providing consumers with regular supplies of their favourite items while building brand loyalty.

About 38 percent of respondents prefer subscriptions for fresh groceries, 26 percent for fashion services, 27 percent for health and wellness products and 21 percent for online food delivery.

Case study

One of the largest online grocery platforms offers subscription services for regular deliveries of essentials such as milk, bread and eggs. This model has been well-received, especially by urban consumers looking for convenience.

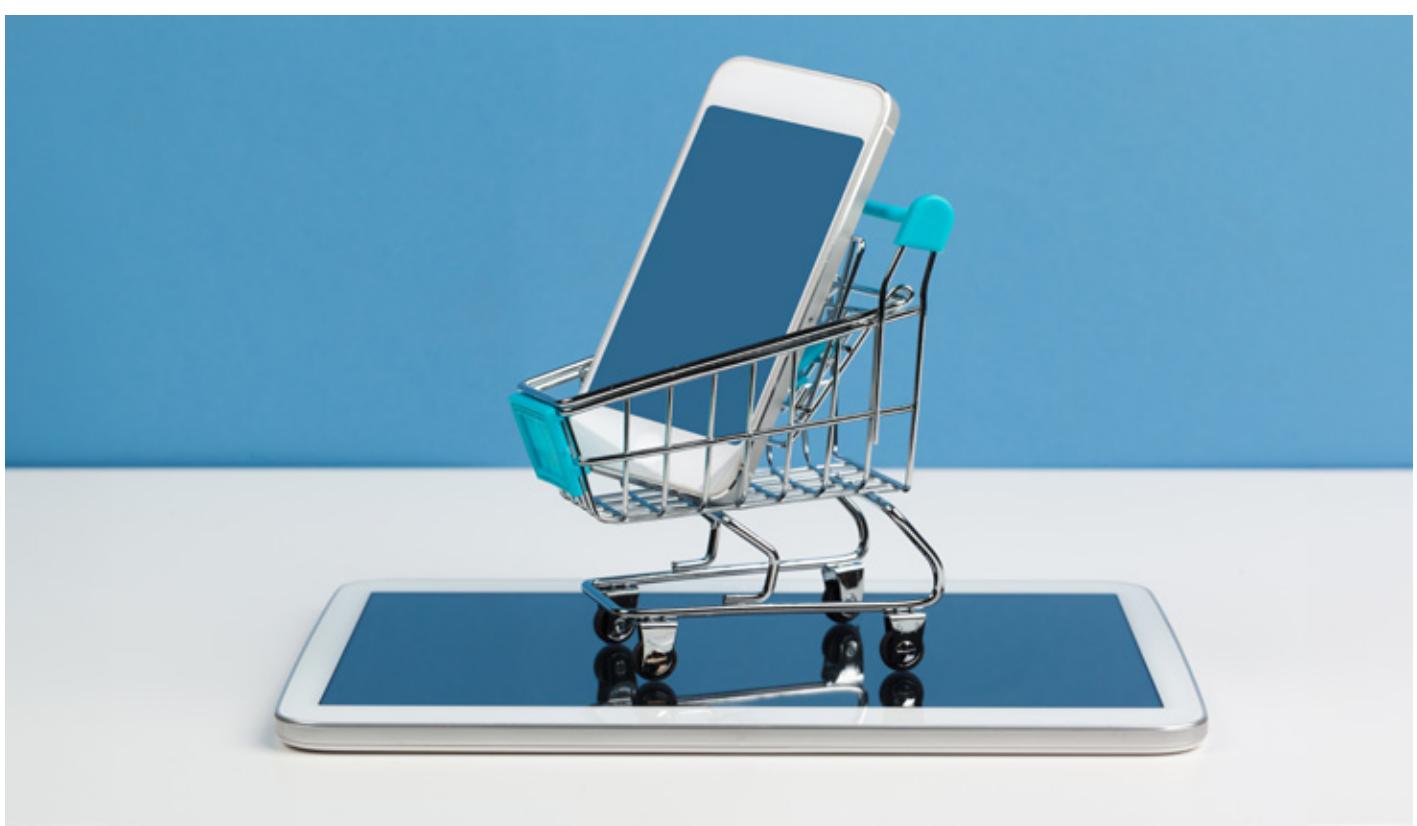
Electronics

The online electronics industry in India is experiencing robust growth, driven by increasing digital penetration and consumer demand for convenience and variety. As of 2023, the online electronics category is valued at US\$40 billion. This category is the biggest category contributing to 47 percent of overall e-commerce.²⁰¹ This sector encompasses various sub-categories, including consumer electronics, home appliances, mobile devices and computing products. Consumer electronics cover items such as TVs, audio systems and cameras. Home appliances include refrigerators, washing machines and air conditioners. Mobile devices feature smartphones, tablets and accessories while computing products include laptops, desktops and peripherals. In 2023, smartphone sales contributed to 45 percent of GMV of online electronics sales; television contributed to 29–30 percent, whereas for washing machines, it is 18–19 percent.²⁰² The industry is characterised by diverse e-commerce players. Pure-play electronics retailers specialise exclusively in electronics and home appliances and have both offline and online presence. Multi-brand marketplaces offer various electronics from various brands, catering to diverse consumer needs. D2C brands focus on selling their products directly to customers, enhancing brand engagement and customer service. Key trends driving online electronics include a growing preference for smart and connected devices which integrate seamlessly with IoT ecosystems. **Sustainability** is also gaining traction,

with eco-friendly and energy-efficient products in demand. Omnichannel retailing is becoming prevalent, blending online and offline experiences for a more comprehensive shopping journey. Additionally, advancements in AI and AR are improving product recommendations and virtual try-ons, enhancing the overall consumer experience.

For example, an Indian e-commerce platform for reselling products saw tier 2+ cities significantly outpace tier 1 cities in orders for electronic accessories, with more than double the number of purchases. It saw significant orders for products such as Bluetooth headphones and earphones, power banks, smart speakers, screen magnifiers and keyboards from Indian cities such as Alwar (Rajasthan), Bettiah (Bihar), Pursurah (West Bengal), Rajahmundry (Andhra Pradesh), Sind Kheda (Maharashtra) and Sirsa (Haryana). As content creation rises in popularity, products such as selfie sticks, ring lights, microphones and tripods have surged to the top of the electronics category.²⁰³

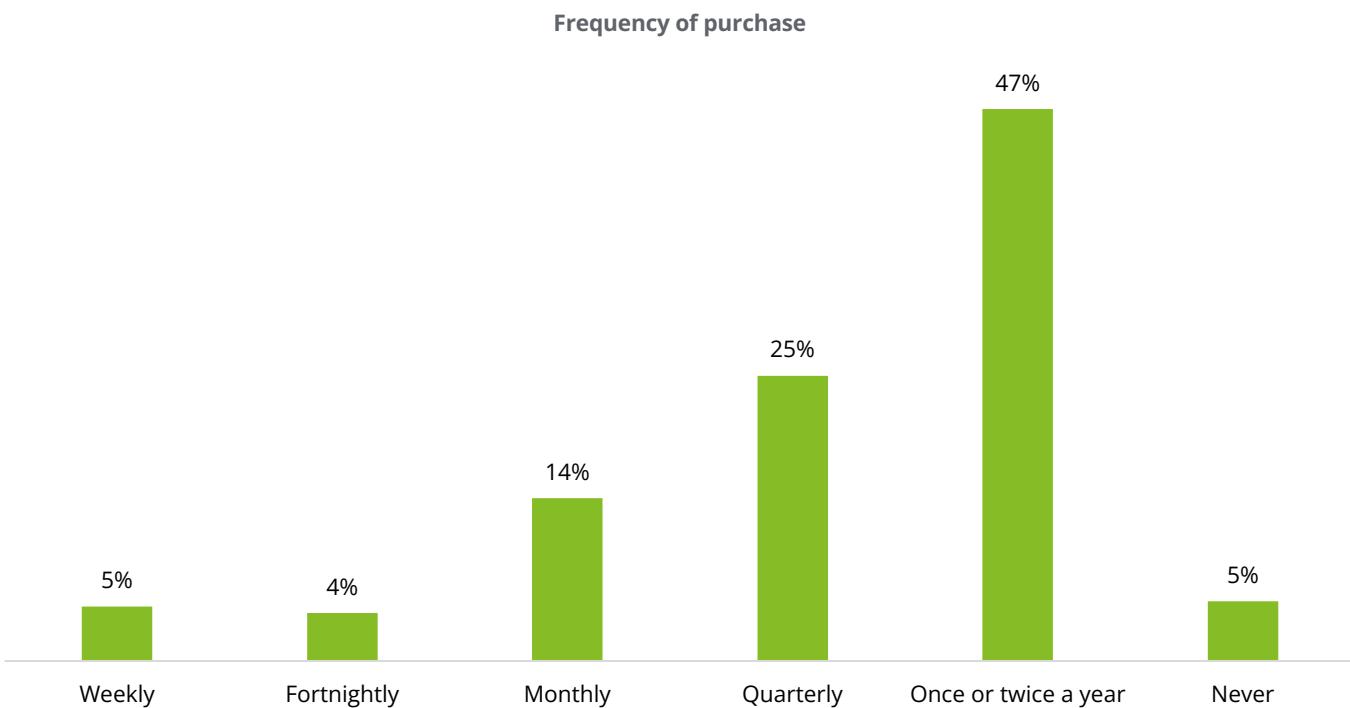
A global e-commerce giant said smartphones, electronics and home appliances are generally its biggest categories during its flagship sale day. These sales events have driven significant traffic to e-commerce sites and highlighted the growing trend of price sensitivity among Indian consumers.



Changing buying behaviour

The consumer behaviour for online electronics shopping in India has shifted significantly due to technological advancements and evolving preferences. The rise of smartphones and high-speed internet has boosted e-commerce, making e-commerce platforms central to electronics purchases. Consumers increasingly engage in omnichannel shopping, researching products online before buying in-store, exemplified by offline retail chains offering services such as Buy Online, Pick Up In-Store (BOPIS). Personalisation is key, with AI-driven recommendations

enhancing user experience, as seen with tailored suggestions from many e-commerce platforms. Sustainability is also gaining importance, with brands introducing eco-friendly products. Additionally, reviews and social proof, influenced by tech influencers and customer ratings, are crucial in shaping purchase decisions. Price sensitivity remains high, driving demand for discounts and deals during major sales events. The emergence of tech-savvy younger generations and their preferences for cutting-edge technology further impact demand trends. Overall, the online electronics market is evolving with a focus on convenience, personalisation, sustainability and competitive pricing.



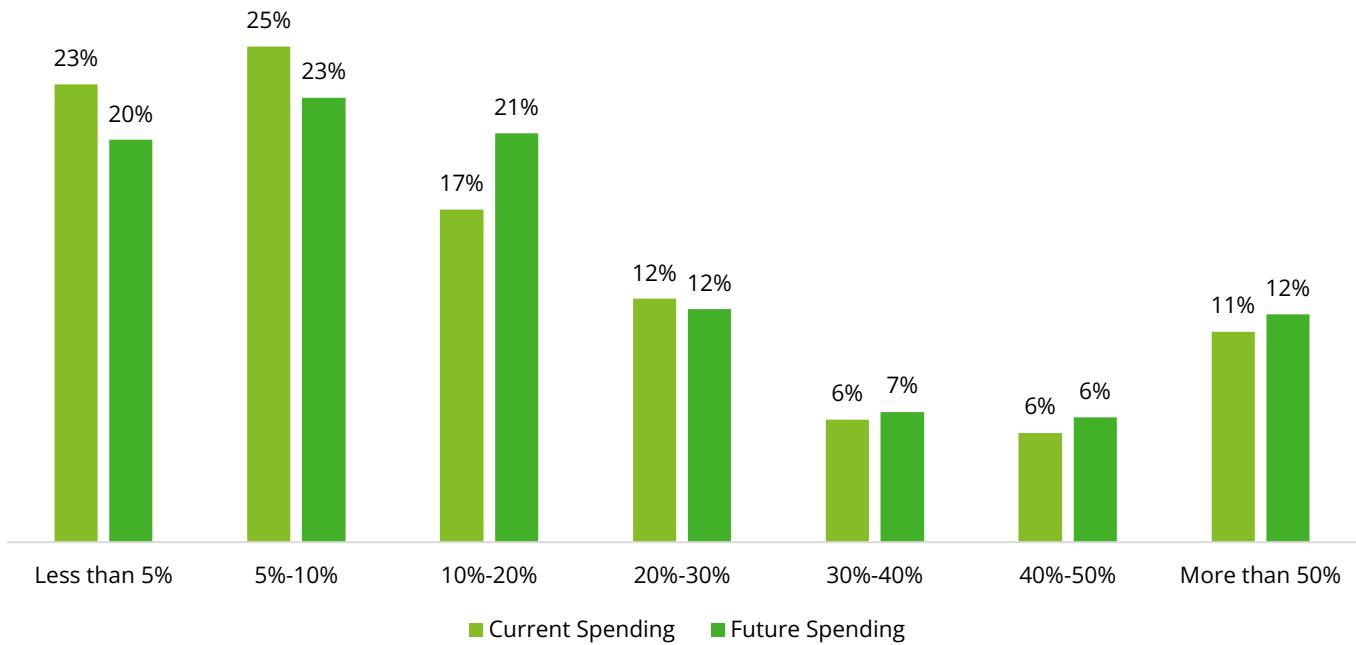
Source: Deloitte India Consumer Survey 2024

Frequency of purchase

- 47 percent of respondents buy electronics once or twice a year, followed by 39 percent who purchase either at least quarterly
- 43 percent of males buy gadgets monthly or quarterly, compared with 28 percent of females

- 64 percent of females buy electronics once or twice a year or never purchase online, unlike 48 percent of their male counterparts
- Gen Z prefers to be a more frequent monthly buyer online, unlike Millennials and Gen X, who prefer buying once or twice a year

Current vs Future Spending on Electronics



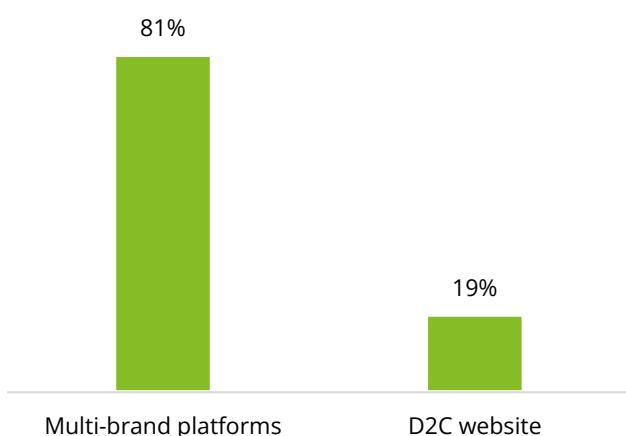
Source: Deloitte India Consumer Survey 2024

Spending pattern

- 65 percent of respondents allocate less than 20 percent of their electronics budget to online shopping.
- 37 percent of males allocate more than 20 percent of their electronics shopping budget to online purchases, compared to 28 percent of females.

- Online electronics spending in metro areas is expected to rise, with the percentage of shoppers allocating more than 10 percent of their spending online projected to increase from 51 percent to 57 percent.
- Gen Z is expected to increase its share of online spending from 31 percent to 35 percent of respondents. At the same time, Millennials and Gen X are anticipated to grow their online electronics spending at a slower rate.

Preference for online channel to purchase electronics



Preferred channel

- Marketplaces dominate electronics shopping across cities, with D2C growing but still secondary
- 23 percent of females prefer D2C websites for certain electronic accessories compared with 17 percent of males
- 22 percent of Gen Z prefer D2C websites compared with 17 percent of Millennials

Source: Deloitte India Consumer Survey 2024

Factors leading to increased electronics spending

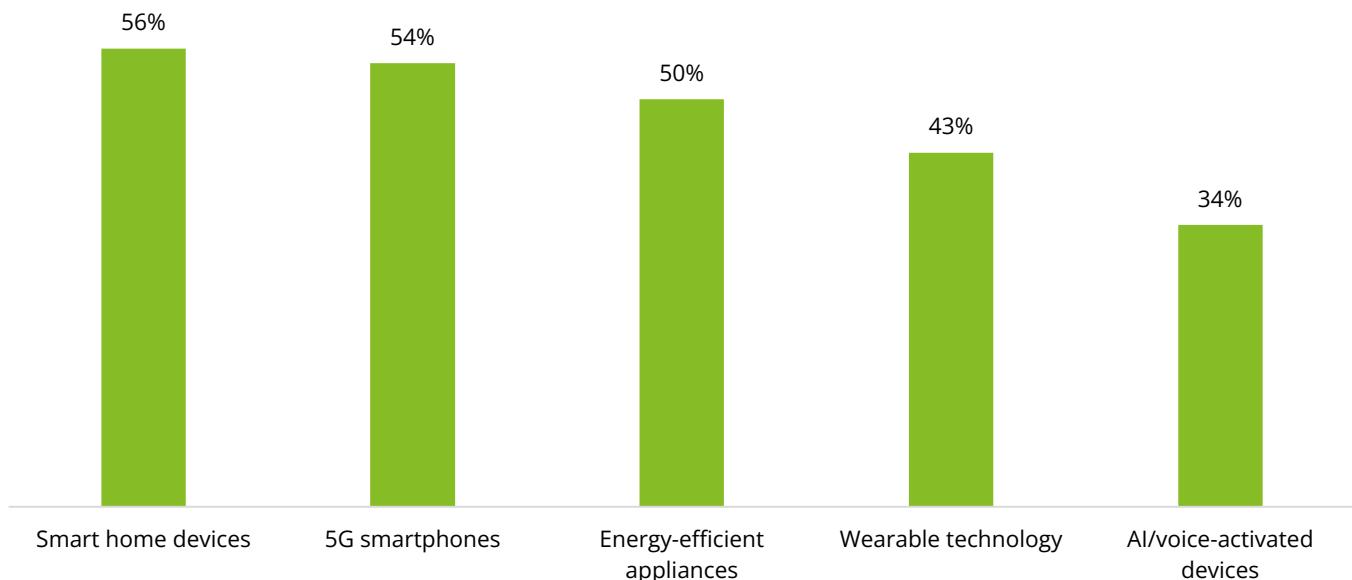


Source: Deloitte India Consumer Survey 2024

Factors leading to increase in spending

- 50 percent of females prioritise online reviews and ratings, compared with 46 percent of males
- Among Tier 2 respondents, 55 percent value extended warranties, 35 percent prioritise easy credit options and 24 percent prefer eco-friendly products
- 52 percent of respondents in metro areas and 68 percent of Tier 1 respondents heavily rely on reviews and ratings
- Gen X values a wide product range and strong after-sales support, while Gen Z and Millennials prefer user reviews, ratings and easy credit options

Emerging Trends in electronics



Source: Deloitte India Consumer Survey 2024

Emerging trends

- 24 percent of males show greater interest in gaming hardware, compared with 18 percent of females
- Respondents across cities are environmentally conscious and prefer energy-efficient devices
- 56 percent of Gen X and 52 percent of Millennial respondents are adopting energy-efficient devices more quickly than 45 percent of Gen Z
- 31 percent of Gen Z respondents prefer gaming hardware, compared with 19 percent of Millennials

Performance trends and supply trends

Omnichannel shopping experience

The omnichannel shopping trend is becoming more pronounced, reflecting a preference for a seamless integration between online and offline experiences. They prefer the comfort and convenience of omnichannel to be able to go to the store to check and buy online, see reviews and descriptions online and then buy from the store.

Case study

A global consumer electronics brand has been focusing on strengthening its omnichannel and D2C capabilities to serve customers across multiple touchpoints. It has built its D2C with assisted commerce and integrated with a telesales agent. For its PC business, it sold 30 percent of overall sales online with a TAT of 7 hours only.²⁰⁴

A global search engine and technology services provider has partnered with two major offline retail chains to make its product range available in 150 stores and 15 cities, ensuring faster order fulfilment.²⁰⁵

Influence of reviews and social proof

Reviews and social proof play a crucial role in shaping consumer behaviour. Indian consumers increasingly rely on product reviews, ratings, and influencer recommendations

before making purchasing decisions. This shift underscores the importance of social validation in the decision-making process. In India, more than half of the customers use online reviews and ratings when buying consumer electronics.

Case study

Major e-commerce platforms feature customer reviews and ratings, significantly impacting consumer trust and purchase intent. For instance, a smartphone model's high rating and positive reviews can greatly influence potential buyers. Additionally, tech influencers on social media platforms provide detailed reviews and unboxings, shaping consumer perceptions and driving demand.

Rise of the new consumer segment

The online electronics market in India is witnessing the emergence of new consumer segments, including younger, tech-savvy millennials and Gen Z. These segments are characterised by their digital nativity and demand for cutting-edge technology and innovative features. Between 2021 and 2023, the overall PC market declined by 6 percent from 14.8 million units to 13.9 million, whereas the gaming category sales nearly doubled from 428,000 units to 888,880 units.

The segment now constitutes almost 10 percent of the overall PC market.²⁰⁶



Additionally, the rise of smart home technology is attracting tech enthusiasts who seek to integrate IoT devices into their homes. Products such as smart speakers, smart thermostats and home security systems are gaining traction among these consumers. As of CY 2023, internet penetration in India has reached ~55 percent of the population, paving the way for a substantial increase in connected home device usage. Currently, the penetration rate for these smart devices is a tad below 10 percent, including entertainment and non-entertainment categories, but this is expected to grow alongside improved internet access.

Case study

The popularity of gaming among the younger demographic has driven demand for high-performance gaming laptops and accessories. Brands have capitalised on this trend by launching gaming laptops with advanced specifications tailored to this audience. A major Laptop manufacturing company cited that gaming devices are a vehicle of monetisation for gamers and content creators, and the device performance is directly linked to their earnings. They support esports players through various affordability programs, resulting in this segment contributing to 22–25 percent of their overall laptop sales.

An Indian company known for energy-efficient ceiling fans, almost 10 percent of its Fans sold on an e-commerce platform are smart fans (Wi-Fi-enabled voice controlled), and more than 70 percent are premium fans (priced greater than US\$ 420).

Flexible credit pushes online electronics shopping and premiumisation

Credit schemes such as zero-down payments, no-cost EMIs and pay-later options have been key in driving consumer sales this festive season. One out of four purchases made during the major online shopping festival were through EMI, and three out of four products were sold through no-cost EMIs. A global e-commerce major's digital payment service usage rose 2.4 times compared with the same year ago. Two major handset manufacturers had a zero-down payment option for their premium phones this year. These financing deals have made it easier for consumers to switch to more premium products.

Case study

An online electronic store saw only 20 percent of their consumers pay with cash, while 45–50 percent of payments are made through paper financing, around 20–25 percent through credit cards and the rest through UPI payments.

During its festive sale season, a global e-commerce giant sold 2.5 times more smartphones in the premium segment compared with last year, driven by affordability options such as no-cost EMI and exchange offers. Premium appliances, including ACs, washing machines, and refrigerators, also grew 2.5 times, with over 45 percent of customers preferring to upgrade to premium appliances.²⁰⁷



Fashion

India's online fashion e-commerce industry has experienced explosive growth, driven by changing consumer behaviours and technological advancements. As of 2023, the online fashion market was valued at US\$16 billion. It is the second-largest category contributing 19 percent of overall e-commerce.²⁰⁸ This sector encompasses various e-commerce players, including pure-play online retailers, multi-brand marketplaces and direct-to-consumer (D2C) brands. Pure-play online retailers focus exclusively on fashion and offer a broad spectrum of apparel, accessories and footwear. Multi-brand marketplaces provide a range of fashion options from various brands, catering to diverse customer preferences. D2C brands specialise in creating exclusive collections and building direct relationships with their customers. Current trends shaping the online fashion landscape include a growing demand for personalised shopping experiences driven by AI and data analytics. Sustainability is also a major focus, with eco-friendly and ethically produced fashion gaining traction. Additionally, the rise of social commerce and influencer partnerships is transforming how fashion brands engage with consumers.

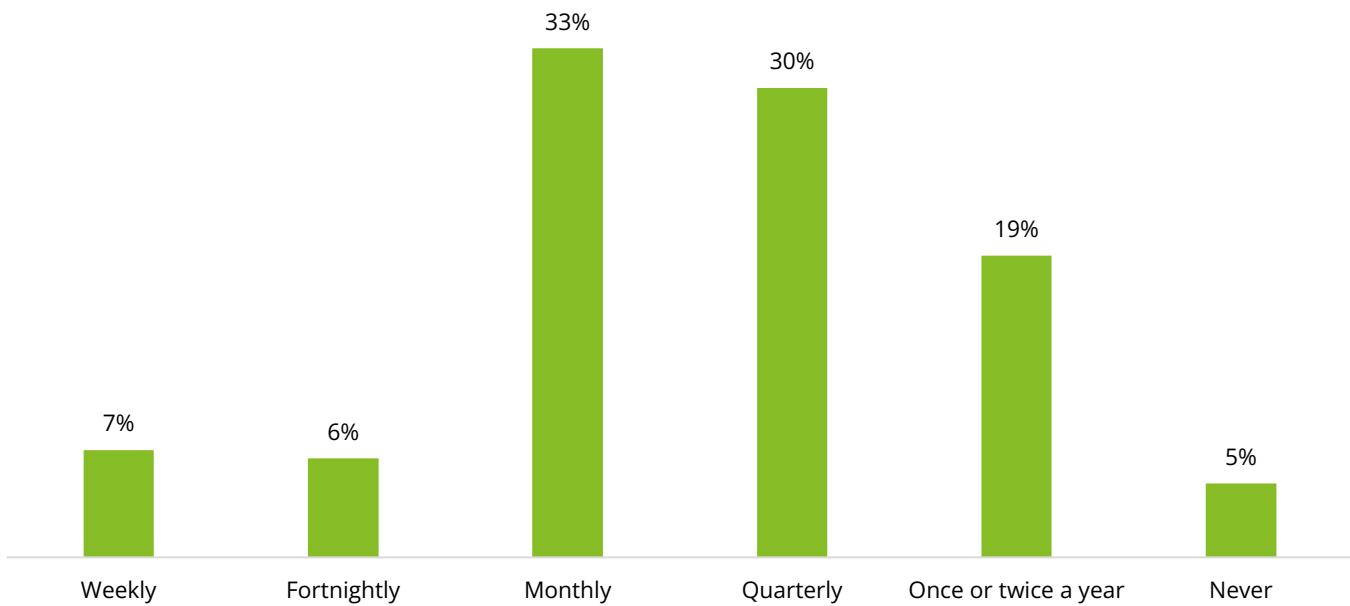
Augmented Reality (AR) and virtual try-ons are enhancing the

online shopping experience, allowing customers to visualise products more effectively. As the industry evolves, these trends and player types are redefining the future of fashion e-commerce in India.

Changing buying behaviour

The Indian fashion e-commerce consumer is evolving rapidly. Millennials and Gen Z dominate online fashion shopping, accounting for a significant portion of the customer base. While women traditionally make up a larger share of online fashion shoppers, men's fashion e-commerce is witnessing significant growth. Tier-II+ cities are experiencing a boom in online fashion shopping, indicating expanding reach beyond metros. While a segment of consumers seeks premium and luxury brands online, a significant portion remains value-conscious, seeking deals and discounts. Social media platforms significantly influence online fashion buying behaviour, with trends and recommendations driving purchases.

Frequency of fashion purchase

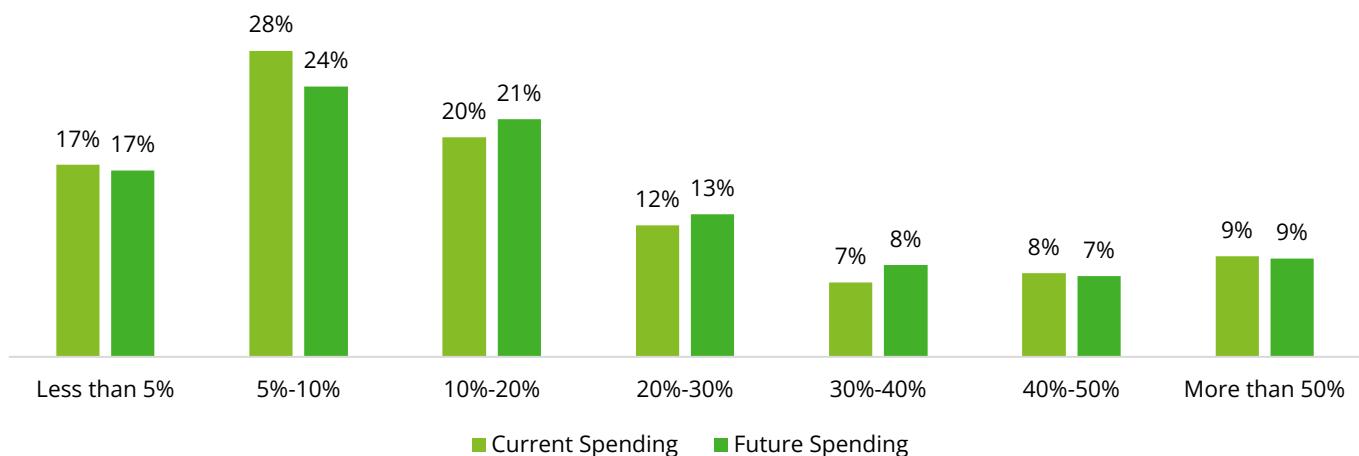


Source: Deloitte India Consumer Survey 2024

Frequency of fashion purchase

- 76 percent of respondents prefer buying fashion and apparel (F&A) at least at a quarterly level.
- 56 percent of females typically purchase F&A at least at a monthly level, unlike 42 percent of males.
- 39 percent of Gen Z buy online, unlike 20 percent of Gen X.

Current vs future spending on fashion

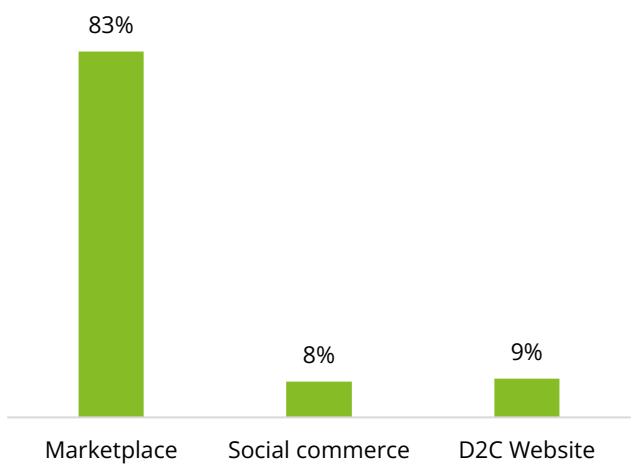


Source: Deloitte India Consumer Survey 2024

Spending pattern

- 65 percent of respondents allocate less than 20 percent of their total F&A budget to online shopping.
- 41 percent of females tend to allocate more than 20 percent of their F&A budget for online shopping compared with 33 percent of males.
- 37 percent of males are expected to allocate greater than 20 percent of their F&A budget online in the future compared with the current 33 percent.
- Metro cities are likely to further increase their online F&A expenditure, with 38 percent of metro respondents allocating more than 20 percent of their F&A budget online, unlike the current no of 34 percent.
- Gen Z is expected to significantly increase their online F&A spending from the current 29 percent to 37 percent in the future. Meanwhile, Gen X is expected to adopt better online shopping pushing up this no from 44 percent to 65 percent.

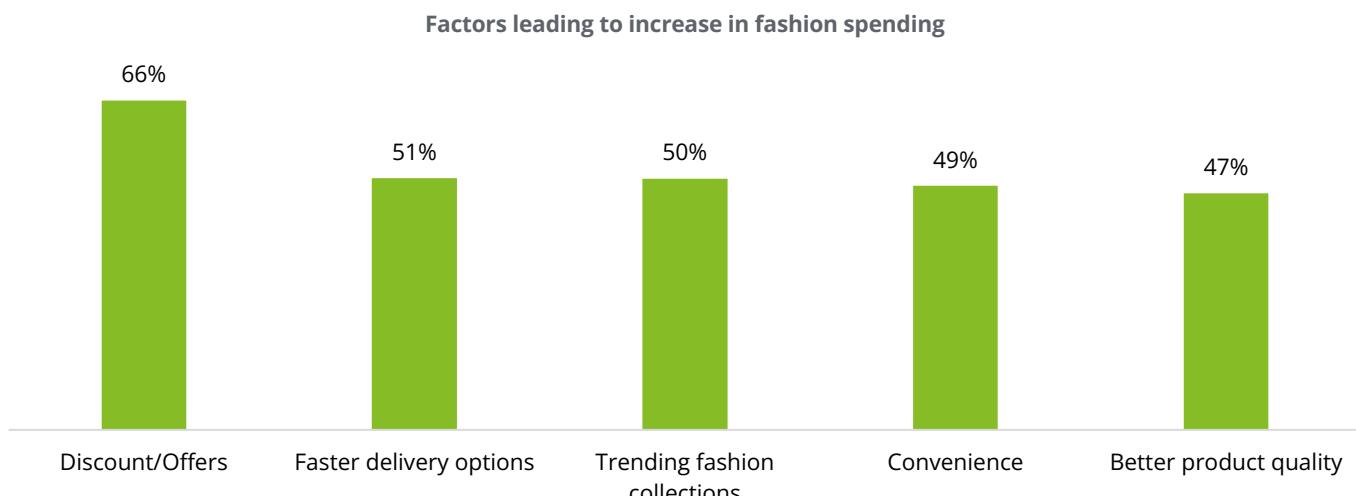
Preference for Online Channels for Fashion



Source: Deloitte India Consumer Survey 2024

Preferred channel to purchase

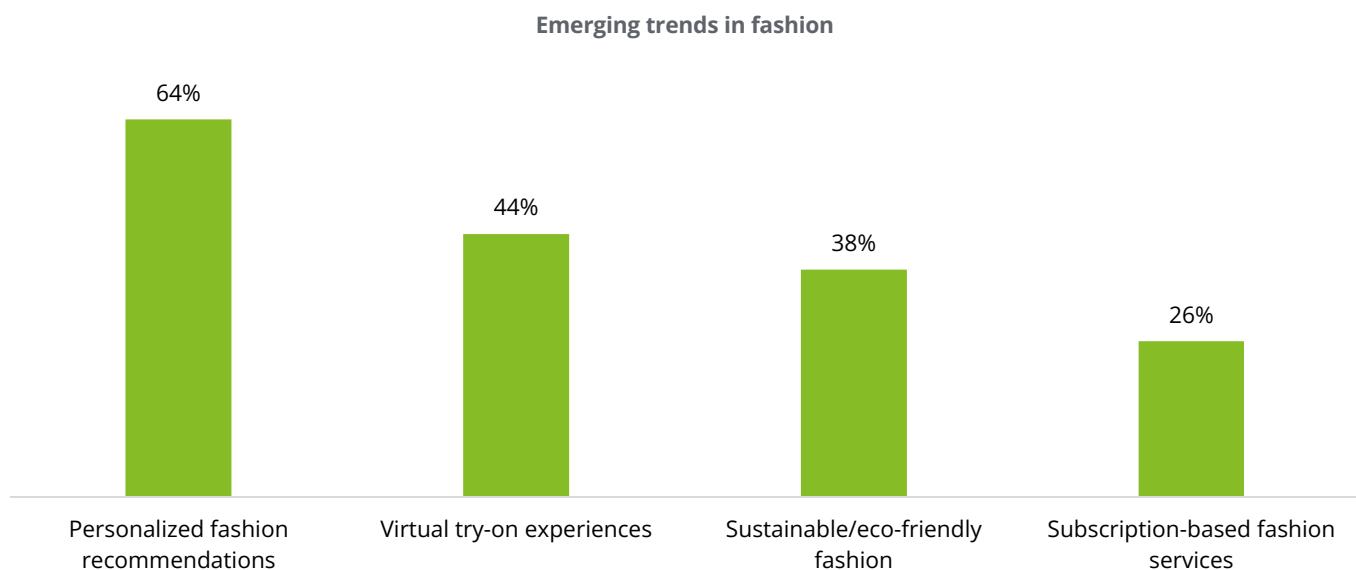
- 83 percent of respondents prefer marketplaces for fashion and apparel shopping across cities, although social commerce and D2C websites are gaining traction.
- Growing preference among males for D2C websites, where 9 percent of males prefer D2C compared with 6 percent of females.



Source: Deloitte India Consumer Survey 2024

Factors leading to increase in fashion spending

- 58 percent of female respondents prefer trendy clothes compared with 48 percent of males, also 56 percent of females preferred faster delivery options compared with 48 percent of males
- In Tier-2 cities, 72 percent of respondents expected better discounts and offers, 54 percent voted for fast fashion and 52 percent preferred having flexible return policies
- 53 percent of Gen Z prefer trendy clothes compared with only 37 percent of Gen X
- 56 percent of Gen X wanted more flexible return policies, unlike 46 percent of Gen Z



Source: Deloitte India Consumer Survey 2024

Emerging trends in fashion

- About 67 percent of women respondents showed a stronger preference for personalised recommendations, unlike 62 percent of men and 48 percent of women wanted a virtual try-on feature compared with 43 percent of men
- In Tier-2 cities, 71 percent of respondents wanted personalised fashion recommendations, unlike 63 percent of their metro city counterparts.
- About 41 percent of Millennials tend to favour eco-friendly products, unlike 33 percent of Gen Z. In comparison, 28 percent of Gen Z is interested in subscription-based fashion services, unlike their 19 percent Gen X counterparts.

Performance trends and supply trends

Indian e-commerce companies have adopted various strategies to drive growth in the fashion category. Some of the key areas that companies have focused on include:

Personalisation and data-driven insights

E-commerce platforms are using data analytics and AI to offer personalised recommendations and improve user experience. Instead of overwhelming users with choices, e-commerce apps are moving towards curated offerings such as daily essentials, occasion—or festival-specific collections, trending products, etc. Personalised recommendations based on individual preferences are also gaining prominence.

Case study

A major e-commerce platform launched initiatives such as the luxury product storefront and the Exclusive D2C storefront to cater to diverse buying and browsing behaviours, ensuring a personalised experience for each user. This approach is crucial in today's competitive e-commerce landscape, where customer experience is paramount. This data-driven approach ensures a personalised experience that resonates with a wider audience. It reduced marketing costs with five different storefronts for each consumer class.

India's premier fashion, beauty and lifestyle destination has been on a strong growth trajectory, growing notably faster than the online fashion market since H2 of CY 2023, with GMV growth nearing ~2X of the market during the recent festive by using AI and data analytics to personalise shopping experiences.²⁰⁹ By analysing customer behaviour, they offer

personalised recommendations, tailored collections and dynamic pricing. This approach not only enhances customer satisfaction but also increases conversion rates. As a result of the above initiative, the e-commerce platform saw a 33 percent surge in Monthly Active Users (MAU), rising from 45 million in 2021 to 60 million by the end of 2023 alongside strong customer growth.²¹⁰ Its marketing expenses in FY'23 went up by 35 percent, as it has been experimenting with new features and verticals to increase the app's usage and attract new customers, such as those from the Gen Z age group.²¹¹

Rising focus on D2C brands

Indian fashion e-commerce platforms are showcasing a growing number of homegrown brands, catering to local tastes and preferences. D2C brands use digital platforms to engage with consumers through targeted marketing, personalised recommendations and efficient service. This direct engagement fosters a deeper connection, allowing brands to collect valuable data on customer preferences and trends, which they use to refine their offerings and respond quickly to market demands.

Case study

India's leading fashion e-commerce platform offering trendy clothing, accessories and footwear with a focus on style and affordability announced plans to support the growth of 100 fashion D2C startups and onboard 200 exclusive Indian fashion and lifestyle D2C brands onto its platform in the coming year. This strategic move will not only strengthen its product portfolio but also empower emerging brands to reach a wider audience, fostering a dynamic and competitive e-commerce landscape. It reported that 51 percent of the business came from the brand's retail portfolio and the balance, 49 percent, from its own and exclusive brands, highlighting the importance of exclusive collaborations. Its huge international brand portfolio also helped improve the average billing value.²¹²

Stronger customer engagement using digital connect

Interactive formats such as live-streaming fashion shows and video reviews are gaining popularity, influencing buying decisions. E-commerce platforms are making online shopping more experiential through features such as virtual trial rooms, videos by influencers on styling products and interactive product visualisation in 3D. These features bridge the gap between physical and online shopping.

Case study

A global e-commerce giant, over the eight weeks of its flagship sale event, ran more than 1,000 livestreams on its app. It onboarded 300 influencers, including comedians, celebrities, lifestyle influencers and sportspersons, to host the livestreams. Nearly 10 percent of all visitors to its app watched a livestream during the first week of sales. Its most popular livestream had close to 500,000 unique viewers.²¹³ An Indian e-commerce giant has also introduced a short video platform-like shopping interface, which allows consumers to browse videos and buy products. This product enhances the online shopping experience for high-value or technical products, where customers seek clarity and for style-led categories, such as fashion and beauty, where consumers seek inspiration.

Omnichannel strategy

The lines between online and offline retail are blurring. Brands are integrating online and offline experiences to offer a seamless shopping journey. The omnichannel approach boosts e-commerce fashion sales by providing a seamless shopping experience across online and offline platforms. This integration allows customers to effortlessly browse, purchase and return items through various touchpoints, increasing convenience and driving higher engagement and sales.

Case study

A major e-commerce platform seamlessly integrated up 4,000 stock points for last-mile fulfilment, bringing down logistic costs at the operational level. Also, return rates were reduced to around 28 percent of orders from 35–36 percent earlier.²¹⁴

Two Indian conglomerates with e-commerce arms integrated their offline retail points as fulfilment centres for online orders

as part of their omnichannel strategy, allowing customers to shop seamlessly across online and offline platforms. They created services such as "Order Online," "Collect at store," "Try at store," and "Easy return," enhancing convenience and improving the overall shopping experience.

Localised partnership content and vernacular marketing

E-commerce companies in India are increasingly leveraging vernacular content and language to connect with diverse regional audiences, making online shopping more accessible and engaging. By incorporating local languages in their websites, advertisements and customer support, these platforms cater to varied linguistic preferences, enhance user experience and boost sales. Additionally, collaborations with local artisans enable e-commerce firms to offer unique, regionally crafted fashion items.

Case study

An Indian social commerce platform enabling small businesses and individuals to sell fashion and home products via social networks operates on a 0 percent commission model, providing a lucrative proposition for its sellers. Almost 80 percent of sellers are local business owners. By curating a diverse range of unique, high-quality products at competitive prices, nearly 95 percent of products are unbranded. It effectively caters to the preferences of its diverse customer base.²¹⁵ The company's unwavering commitment to inclusivity is evident in its strategic focus on servicing tier 3 and tier 4 cities, extending its reach to new-to-e-commerce users. Offering products at affordable prices not only empowers sellers but also enables millions of customers across India's heartland to access a wide variety of goods at low costs, further democratising e-commerce for all.



Grocery

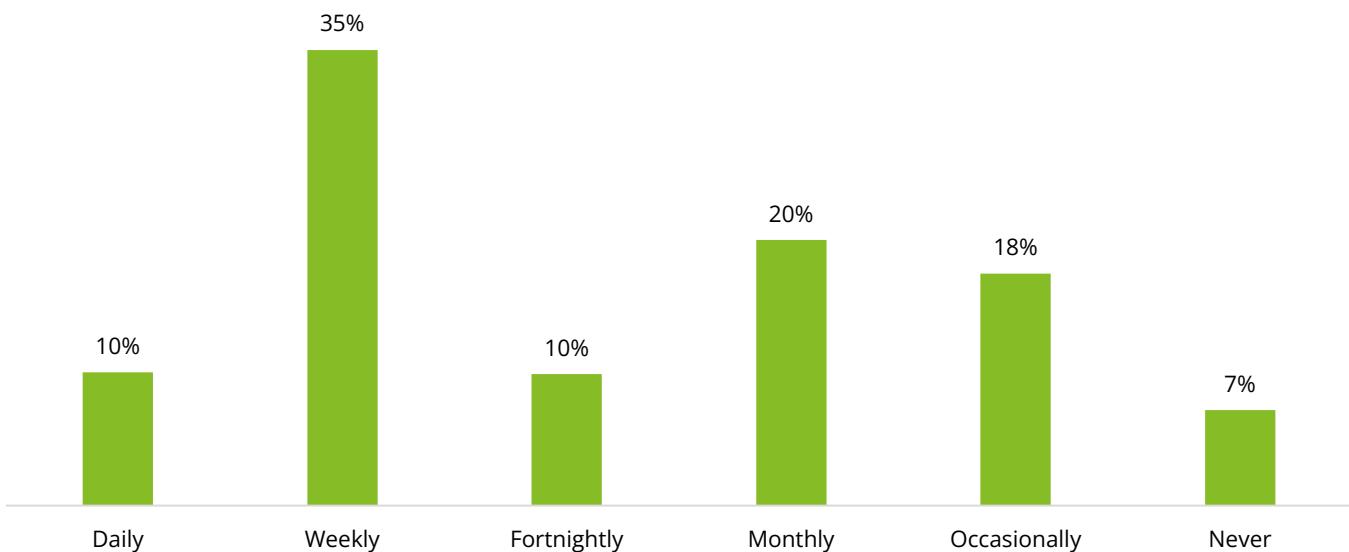
In 2023, the grocery market was valued at US\$464 billion,²¹⁶ with e-commerce contributing US\$10 billion,²¹⁷ representing less than 1 percent of the total market. Grocery accounts for 24 percent of household expenditure.²¹⁸ Over 90 percent of Indian grocery stores are kiranas, while supermarkets make up around 9 percent and online groceries account for less than 1 percent.²¹⁹ There are 13 million Kirana stores in India.²²⁰

Traditional and online grocery platforms are evolving to meet shifting consumer preferences. Kirana stores are now embracing digital payments and personalised offers to retain customers. Despite tech upgrades such as the Point-of-Sale inventory billing and tracking system, they still rely on their strengths—strong customer relationships, bargaining and offering credit.

On the other hand, online grocery retailers attract consumers through greater convenience and competitive pricing. They provide flexible delivery options such as quick commerce and same-day and scheduled deliveries, catering to the busy lifestyles of Indian consumers. The rise of quick commerce has further transformed the online grocery landscape in India.

Due to the rapid rise in quick commerce, the quick commerce market is expected to reach US\$5 billion²²¹ by 2025. Many new entrants in India might want to ride the boom in quick commerce. A major e-commerce company has recently entered the quick commerce space with 100 dark stores across top cities ahead of its sale.²²² A major ride-hailing cab service provider has joined the quick commerce race and will challenge the existing quick commerce players, further intensifying the competition.²²³

Frequency of ordering online grocery



Source: Deloitte India Consumer Survey 2024

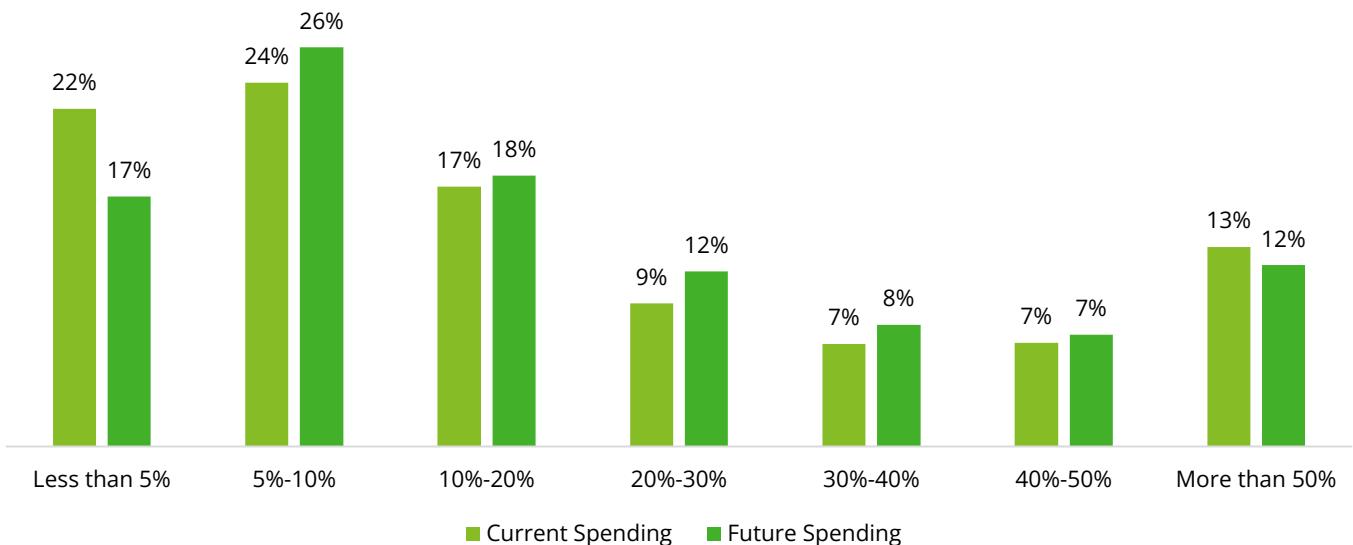
Frequency of purchase

- About 45 percent of respondents prefer buying groceries at least at a weekly level.
- Around 48 percent of the respondents buy groceries at least

weekly in Metro cities, while this is 44 percent in Tier-1 and much lower at 31 percent for Tier-2.

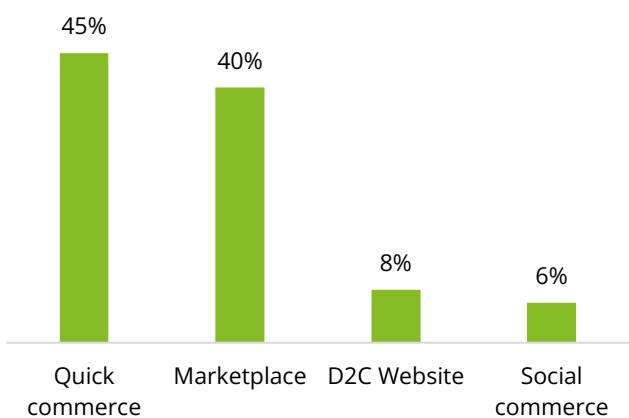
- About 45 percent of Gen Z and 46 percent of Millennials purchase groceries online every week.

Current vs future spending on grocery



Source: Deloitte India Consumer Survey 2024

Preferred channel for ordering online grocery



Source: Deloitte India Consumer Survey 2024

Spending pattern

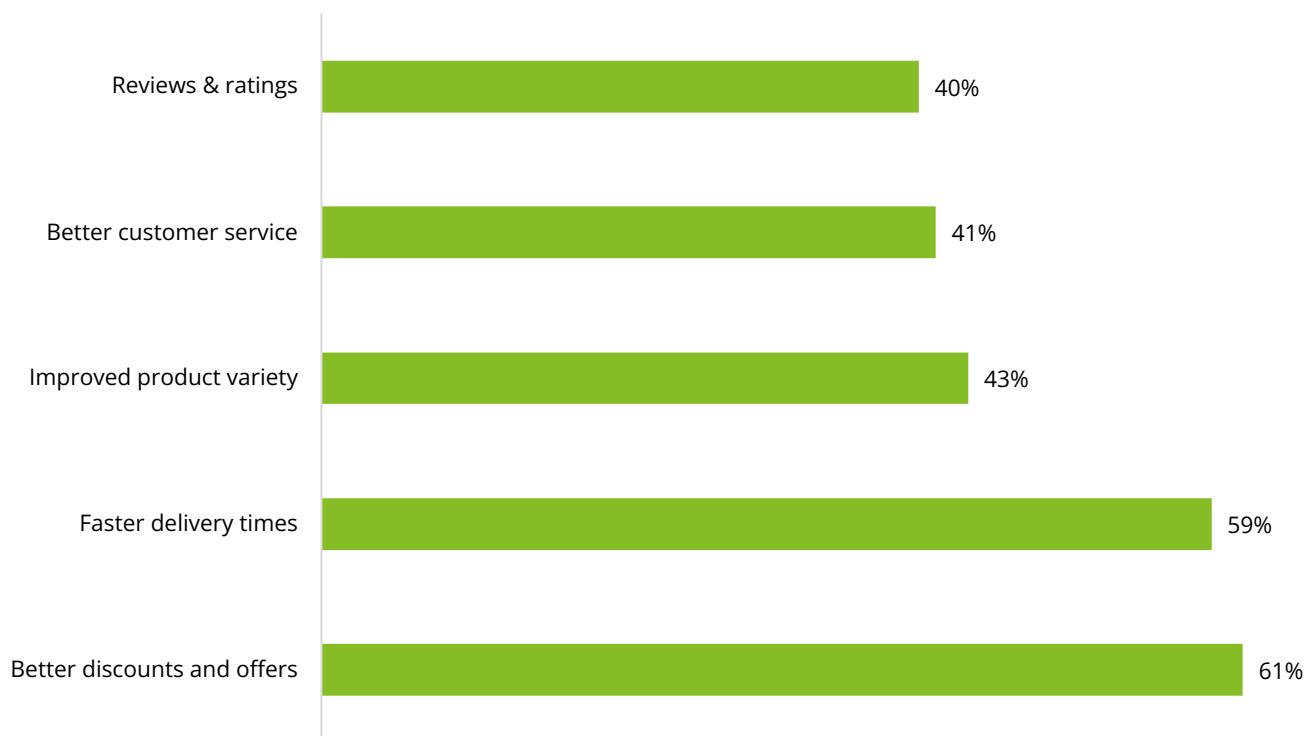
- Currently, 64 percent of respondents spend less than 20 percent of their total grocery budget online.
- In Metro areas, 38 percent of respondents and in Tier-1 cities, 40 percent of respondents allocate more than 20 percent of their grocery budget to online shopping, compared with just 24 percent in Tier-2 cities.
- Tier-2 city respondents plan to increase their online grocery spending, with those spending more than 20 percent of their grocery budget online expected to rise from 24 percent to 31 percent.
- Gen Zs are expected to boost their online grocery spending, with 53 percent estimating they will allocate more than 10 percent of their budget online, up from 46 percent currently.

Preferred channel to purchase groceries

- Quick commerce has become the preferred channel for grocery shopping in metro cities, with 49 percent of respondents favouring it over marketplaces, which remain significant at 38 percent.
- In Tier-1 cities, 47 percent of respondents prefer quick commerce for grocery shopping, while 36 percent choose marketplaces as their top option.

- In Tier-2 cities, 51 percent of respondents prefer marketplaces for their shopping, compared with 34 percent who favour quick commerce, making marketplaces the most preferred channel by a significant margin.
- Quick commerce is most preferred among single-person households, with 69 percent of respondents choosing this option. However, preference declines as household size increases, dropping to 59 percent in two-person households and further to 39 percent in households with more than five members.

Factors leading to an increase in online grocery purchase



Source: Deloitte India Consumer Survey 2024

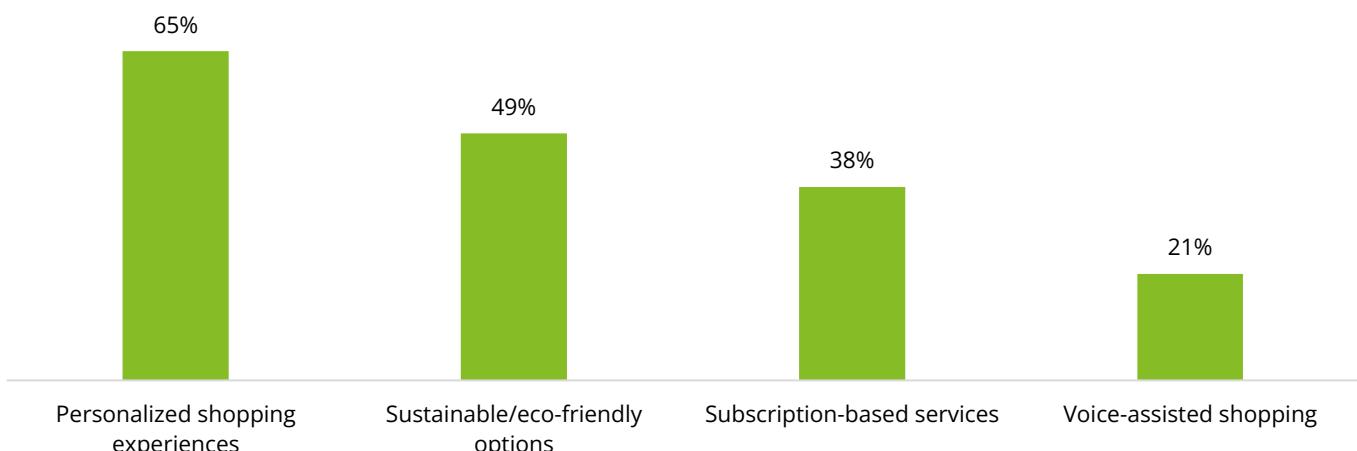
Demand drivers for increasing grocery spend

- About 66 percent of female respondents prefer faster turnaround times, compared with 57 percent of male respondents.
- In Tier-2 cities, 62 percent of respondents prioritise better discounts and offers, while 50 percent consider reviews and

ratings as key factors driving their grocery purchases.

- About 72 percent of Gen X respondents prioritise better prices and 50 percent value a wide assortment, while Gen Zs and Millennials tend to be more price sensitive.
- Reviews and ratings are important to 43 percent of Gen Z respondents and 37 percent of Millennial respondents.

Emerging trends in online grocery



Source: Deloitte India Consumer Survey 2024

Emerging trends in groceries

- About 65 percent of respondents prefer a personalised shopping experience, with recommendations and nudges for grocery cart creation emerging as key trends.
- In Tier-2 cities, 58 percent of respondents prefer organic and eco-friendly products, compared with 47 percent in Metro and Tier-1 cities.

- Subscription services are becoming increasingly important, especially for fresh products, with 39 percent of respondents in Metro and Tier-1 cities favouring this option.
- Half of Millennials (50 percent) and 48 percent of Gen Zs prefer organic and sustainable products.
- 23 percent of Gen Z respondents prefer voice-assisted shopping, compared with just 10 percent of Gen X.

Supply trends

Quick commerce boom

The demand for instant delivery has fuelled the rise of quick commerce, promising groceries within 10–30 minutes. Popular in urban areas for its speed and convenience, this trend drives smaller, frequent purchases over large, weekly hauls. As quick commerce grows, it is cutting into the market share of traditional e-commerce channels, pushing platforms to enhance their quick delivery offerings to stay competitive. The grocery sector maintained strong adoption, avoiding significant slowdowns seen in other e-commerce sectors.

About 45 percent of respondents prefer ordering from quick commerce apps, with females showing a higher preference than males. Among those who favour quick commerce, 69 percent cite living alone and ordering on a need basis rather than stocking up as their main reason. The preference for quick commerce tends to decrease slightly as household size increases.

Quick commerce has started cannibalising traditional online grocery channels such as slotted and next-day deliveries. One of the e-commerce companies has seen overall growth plateau, though their quick commerce segment has rapidly expanded, now contributing 50 percent to their revenue. This share is expected to grow to 70–80 percent within the next year.²²⁴

Slotted delivery

Slotted delivery for groceries involves scheduling specific time slots for the delivery of orders, offering customers the flexibility to choose a convenient delivery window. This model helps manage delivery logistics efficiently, reduce congestion during peak times and optimise last-mile delivery costs. In India, where urban density and traffic congestion pose significant challenges, slotted delivery has gained popularity, particularly among e-grocery platforms.

About 32 percent of respondents prefer slotted delivery, making it a key factor in shifting their spending from offline to online. Females show a higher preference for slotted delivery compared with males. This delivery model is more popular among consumers in Metro and Tier-1 cities than in Tier-2 cities. Gen X favours slotted delivery as they tend to plan their purchases, whereas Gen Z, who are more inclined towards impulse buying, prefer quicker delivery options.

Case study

A pioneer in the Indian e-grocery market has effectively implemented slotted delivery to enhance customer satisfaction and operational efficiency. Offering multiple time slots throughout the day allows customers to select delivery windows that fit their schedules, thereby reducing missed

deliveries and enhancing the overall customer experience. This system also helps it manage its delivery fleet better, ensuring that deliveries are grouped and routed efficiently.

Personalised shopping

Personalised shopping experiences in the grocery sector are revolutionising how consumers interact with brands, with technology playing a key role in tailoring offerings to individual preferences and behaviours. Personalisation involves using data analytics, AI and machine learning to provide customised recommendations, promotions and shopping experiences that cater to each shopper's unique needs. This approach enhances customer satisfaction, fosters loyalty and increases the likelihood of repeat purchases. Many now provide smart shopping lists based on past purchases, simplifying the reorder process for essentials.

About 65 percent of the respondents mentioned they preferred a personalised shopping experience in grocery stores, which also increases cart value. This is important across respondents of different cities, genders and age groups.

Case study

A major grocery platform exemplifies personalisation in grocery shopping through its "Smart Basket" feature. This feature suggests items based on previous purchases and frequently bought products, simplifying the shopping process for regular customers. The platform's personalised notifications on discounts and restocked items help customers make informed purchasing decisions, further enhancing their shopping experience.

Subscription model

Companies use the subscription model to stabilise demand, optimise operations and cut costs. One of the morning grocery delivery applications boosts supply chain efficiency by delivering early in the morning, minimising last-mile challenges and ensuring fresh products consistently reach consumers. Additionally, snack brands have started offering subscription services to consumers. Snacking brands use data and analytics to personalise the snacks for consumers based on their preferences, lifestyle and other parameters.²²⁵

About 38 percent of the respondents mentioned the subscription model as the reason for the increase in the shift towards purchasing groceries online. They opt for items such as fruits, vegetables, milk and other products, leading to savings costs. Females have a higher preference for subscriptions compared with males. Subscription services are majorly preferred by Gen X and Millennials.

Sustainable and ethical choices

E-commerce grocers in India have adopted sustainable and ethical practices by focusing on reducing waste, promoting local sourcing and minimising carbon footprints. One key approach is implementing eco-friendly packaging, such as biodegradable or reusable options, to replace plastic. A major grocery platform introduced green bins and reusable crates to minimise plastic usage. Encouraging bulk buying and refillable products also helps cut down on single-use packaging.

Nearly half (49 percent) of respondents desired to purchase sustainable or eco-friendly products, with a higher preference observed among females than males. In Tier-2 towns, the preference for eco-friendly products is even more pronounced, with 59 percent of respondents indicating a preference for sustainable options—significantly higher than in Metro and Tier-

1 cities. Millennials and Gen Zs are strongly inclined towards sustainable products and willing to pay a premium for them. Reducing food waste through advanced inventory management and offering near-expiry discounts, "Smart Bachat Club," encourages consumers to buy near-expiry products at lower prices, thus reducing food wastage.

Increase in share of private labels

The share of private labels in the e-commerce grocery sector in India is steadily increasing as retailers seek to differentiate themselves and enhance profitability. Private labels allow e-commerce grocers to offer unique products at competitive prices, improve margins and foster customer loyalty. This trend is driven by the growing consumer trust in private brands and their increasing preference for value-for-money options. For one of the platforms, private labels now contribute 35–37 percent of total revenue, boosting profitability significantly.²²⁶



Food delivery

Size of the sector and historical growth

The online food delivery market in India was estimated at US\$7 billion in 2023, with the top 50 cities contributing 70 percent of the industry's consumption.^{227 228} Post-pandemic, as more people moved back to urban areas and workplaces opened, online food services saw an uptick due to working professionals with high disposable incomes ordering in more out of convenience.

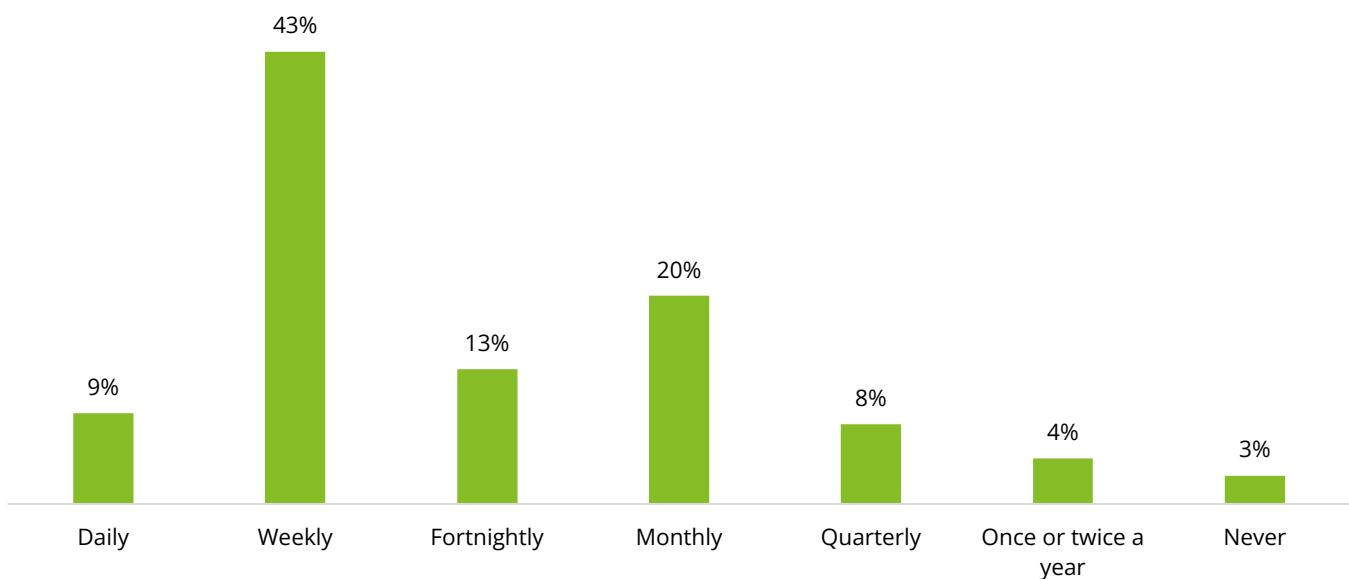
Changing buying behaviour

With urbanisation accelerating, more people are living in densely populated cities and metropolitan areas. The food

delivery platforms have ~66 million users among the urban population.²²⁹ The fast-paced lifestyle in these regions often leaves little time for home-cooked meals, driving a growing demand for food delivery services as an easy alternative.

There has been a rise in food consumption driven by factors such as increased road connectivity leading to consumers from smaller cities travelling to larger cities for recreational activities such as shopping and dining as well as higher disposable income. Additionally, rural households now spend relatively the same percentage (~10 percent) of their total spending on beverages and processed foods as their urban counterparts, jumping sharply from what it was earlier.²³⁰

Frequency of ordering food online

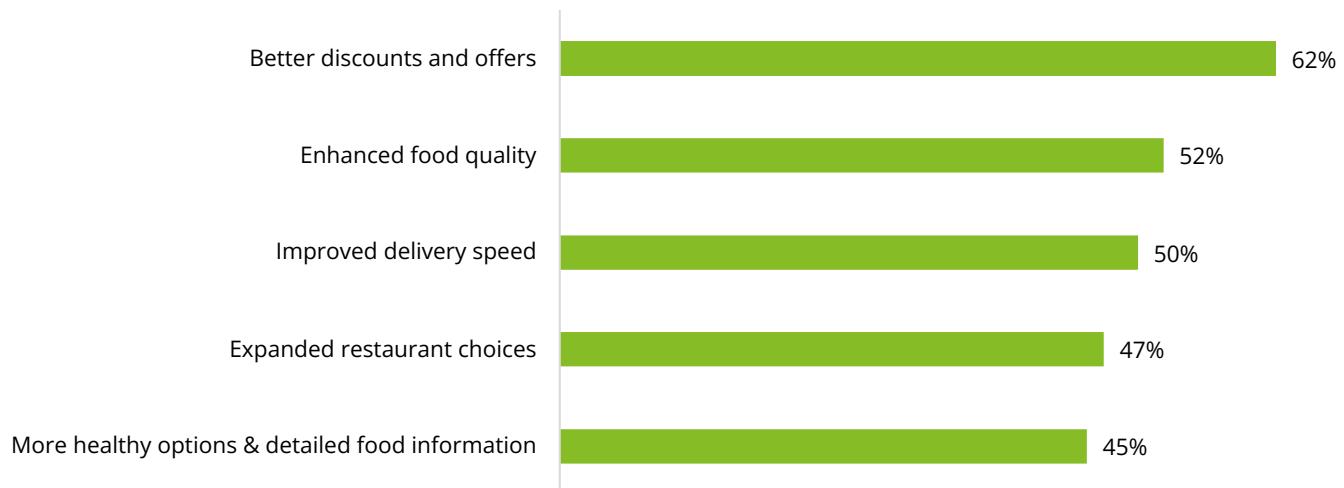


Source: Deloitte India Consumer Survey 2024

Frequency of purchase

- About 52 percent of respondents order food online at least at a weekly level.
- About 55 percent of male consumers order food online at least weekly compared with 48 percent of females.

Factors leading to an increase in online food ordering



Source: Deloitte India Consumer Survey 2024

Demand drivers for increasing spend

- A higher percentage of females prioritise a wide variety of restaurants (52 percent) and more health-conscious options (49 percent) than their male counterparts, at 45 percent and 44 percent, respectively.
- About 56 percent and 69 percent of Gen X value wide variety and better offers, respectively
- Around 55 percent of Gen X prefer health-conscious options, compared with 46 percent of Millennials and 43 percent of Gen Z.
- About 23 percent of Gen Zs and 20 percent of Millennials prefer subscription services over 12 percent of Gen X consumers.



Consumer behaviour and demand trends

Increasing eating out frequency

The pandemic-induced lockdowns accelerated the adoption of online food delivery services, driving a change in consumer behaviour. As restrictions eased, eating out—both ordering in and dining out—surged past pre-pandemic levels, evolving from a special occasion activity to a convenience-driven norm. According to the NRAI report, 2018–19, the average monthly eating out frequency has increased by 20 percent since 2018–19 to reach 7.9 times in 2023–24. Ordering in frequency stands at 4.2 times per month, while dining out frequency stands at 3.7 times per month.²³¹ The preference for convenience and expansive variety in food is leading to the growing trend of eating outside among Indian consumers, fuelling India's eating-out market.

Rise in demand for healthier food options

With consumers becoming increasingly health-conscious, there has been a substantial shift in their preferred dietary choices. This has led to the emergence of specialised platforms focusing on vegetarian, vegan, gluten-free or organic options and aggregators introducing customer filters and categories for the same. Consumers increasingly prefer to indulge in their favourite food but mindfully opt for healthier alternatives such as plant-based options or guilt-free ice cream. A food aggregator reported a 124 percent increase in orders for millet-based dishes in 2023.²³²

Appetite for new cuisines in tier 2 and tier 3

Driven by greater exposure to different cultures through travel, movies and social media, consumers are exploring global flavours in these cities. Korean cuisine, for example, accounted for 5 percent of total searches in tier 2 regions.²³³ Food delivery platforms have expanded operations into these regions, offering international dishes that were earlier limited to metros. This trend is particularly driven by younger generations, who are more experimental and influenced by social media.

Performance trends and supply trends

Subscription-based models driving customer loyalty

Food delivery and D2C meal-prep companies offer subscription-based food delivery models to increase retention driving higher consumption. With new customer growth slowing down, the food aggregator platforms focus on increasing the frequency of existing customers to drive growth.

Case Study

A leading online food delivery company introduced a restaurant loyalty programme in July 2024 to incentivise customers who order frequently. At the time of launch, 4,000+ restaurants were already live on the programme.²³⁴ The platform already sees almost 40 percent of its food delivery GOV come from high-frequency loyalty membership members.²³⁵

Introduced value formats

With the increasing workforce population, especially in metro cities and students living on their own, there was a need for services that offered fresh, home-cooked meals and more affordable offerings that could be used for daily meals. Leading food delivery platforms capitalised on this by launching programs that onboarded home chefs and provided healthy, fresh meals at economical prices.

Case study

In late 2023, a leading food delivery player launched its programme offering higher discounts and free delivery in 15 cities. The programme targets students and freshers who are looking for more affordable food delivery options.

Launch new offerings

Innovation is one of the major pillars that companies are investing in to acquire new customers and help retain existing ones. Food delivery companies have been introducing new offerings, such as teaming up with a railway service provider this year to introduce online food delivery on trains, enabling easy ordering via the consumer's PNR. Features such as group ordering, where people in groups can add food items to a cart via a link and a pre-order option enabling customers to schedule their meals, are being launched to continuously enhance the customer experience.

Case study

A leading food delivery player rolled out five new offerings for its consumers in 30 days and this pace is expected only to grow more; it recently expanded its discount service as well as introduced other features that improve customer experience, such as personalised suggestions, from restaurants users have never tried to new cuisines and dishes that put a fresh spin on their favourites. It has also recently launched its new app for ordering home-cooked food via home chefs and tiffin service providers.²³⁶

Environmental concerns

Embracing sustainable practices, platforms in the sector are addressing environmental concerns through various ESG initiatives, such as adopting eco-friendly packaging, integrating electric vehicle fleets for delivery and optimising delivery routes to reduce fuel usage. Companies are letting consumers drive some of these initiatives, for example, letting them opt for a more environmentally friendly bundled order delivery with slightly increased delivery times.

Case study

A prominent player has committed to fostering innovation in industry-wide ESG practices through its initiative about plastic-free orders. The company acknowledges restaurants supporting its mission with a “Plastic-Free Orders” banner on its app. It completed 3.6 million plastic-free orders across eight cities within four months of the announcement.²³⁷

Technological advancements

AI-driven interventions are contributing immensely to helping companies implement use cases such as hyperlocal targeting to make online ordering systems smarter and efficient, using customer data to offer personalised experiences based on their geographic radius.

Case study

In 2020, a leading aggregator’s parent company invested in AI and robotics to enhance its delivery operations, which included developing autonomous delivery vehicles and drones for last-mile delivery.

Rise of cloud kitchens

The rise of cloud kitchens, also known as ghost kitchens, has introduced a new dynamic to the industry. Driven by the increased demand for food delivery, these kitchens are enabling small-scale restaurants to efficiently handle online orders. This innovative model has facilitated the rapid expansion of food delivery services, even in areas with limited dining options, while keeping costs low for these restaurants. Many high-traffic restaurants on these platforms do not have any physical restaurants and are running their operations only through cloud kitchens.



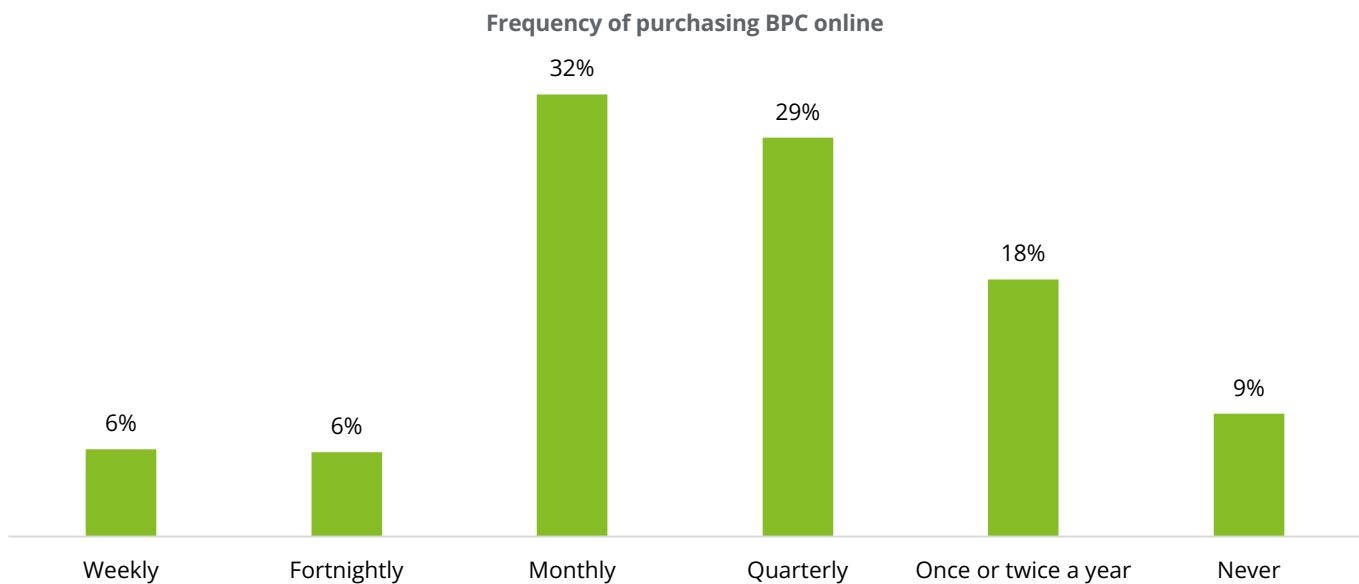
Beauty and personal care

India's online Beauty and personal care (BPC) e-commerce industry is rapidly expanding, driven by increasing digital adoption and consumer demand for convenience. As of 2023, online BPC market was valued at US\$3.5 billion.²³⁸ Though this category is contributing to only 4 percent of overall e-commerce, it is one of the fastest-growing categories. This sector includes various e-commerce players, such as pure-play online retailers, multi-brand marketplaces and D2C brands. Pure-play online retailers focus exclusively on beauty and personal care products, offering a broad range of skincare, makeup and grooming items. Multi-brand marketplaces provide extensive BPC product selections from numerous brands, catering to diverse consumer needs. D2C brands specialise in creating and marketing their exclusive products, allowing for direct customer engagement. Several key trends are driving the growth of online BPC sales in India. Personalisation is at the forefront, with AI and data analytics enabling brands to offer tailored product recommendations and solutions based on individual preferences and skin types. Sustainability is increasingly significant as consumers demand eco-friendly, cruelty-free and ethically sourced products, pushing brands to adopt greener practices. Social commerce is also on the rise, with influencers and social media platforms playing a crucial role in product discovery and marketing. Additionally, virtual try-ons and augmented reality are enhancing the online shopping experience by allowing customers to visualise and test products virtually. These trends are enhancing customer engagement and shaping the future of the BPC e-commerce landscape in India.

Changing buying behaviour

The buying behaviour in e-commerce for BPC has undergone a significant transformation, driven by technological

advancements and evolving consumer expectations. Today's consumers are increasingly influenced by digital touchpoints, seeking convenience and personalised experiences. Online reviews, social media endorsements and influencer recommendations heavily impact purchasing decisions, as consumers rely on peer feedback and expert opinions to guide their choices. The rise of Augmented Reality (AR) and virtual try-ons has revolutionised how people explore beauty products, allowing them to visualise results before buying, thus enhancing confidence in their purchases. Additionally, the demand for sustainability and ethical practices is shaping purchasing behaviour, with consumers gravitating towards brands that prioritise eco-friendly packaging, cruelty-free testing and transparency in ingredient sourcing. Subscription models and direct-to-consumer (DTC) approaches are also gaining traction, offering convenience and tailored experiences while building brand loyalty. Furthermore, integrating Artificial Intelligence (AI) for personalised recommendations and targeted marketing has become a key factor in enhancing the shopping experience. These changes reflect a shift towards a more informed, conscientious and technologically engaged consumer base, driving the evolution of e-commerce strategies in the BPC sector. The consumer demand in the category is being fuelled by innovation across categories such as coloured cosmetics, especially led by new-age brands proliferating online. For example, a major homegrown e-commerce platform witnessed significant expansion in the beauty and personal care category, with a substantial 1.2–2X growth driven by evolving consumer demands.²³⁹ There is a noticeable trend towards self-care, particularly in skincare and haircare routines, so the brand is expanding its presence in tier 2+ markets. A global e-commerce giant plans to bring access to quality beauty products to the last pin code in India. It saw 80 percent of new beauty customers coming from tier 2+ towns.²⁴⁰

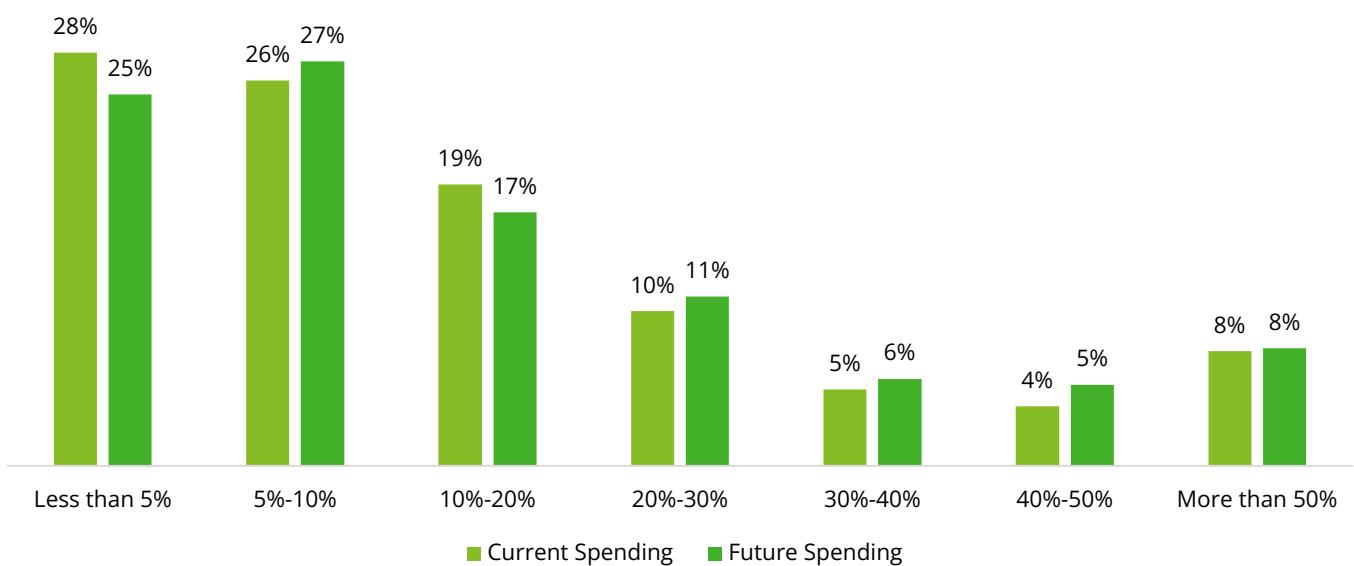


Source: Deloitte India Consumer Survey 2024

Frequency of purchase

- About 73 percent of respondents prefer buying BPC products at least at a quarterly level.
- Around 65 percent of females purchase BPC items either at a monthly or quarterly level, unlike 58 percent of males.

Current vs Future spending on BPC

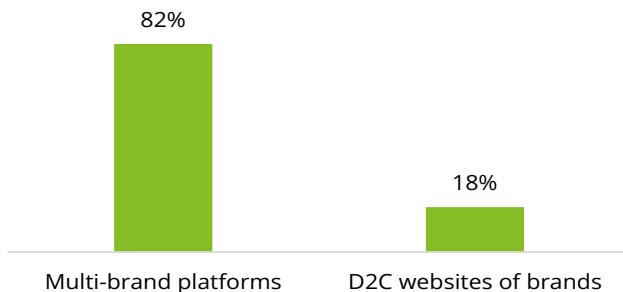


Source: Deloitte India Consumer Survey 2024

Spending pattern

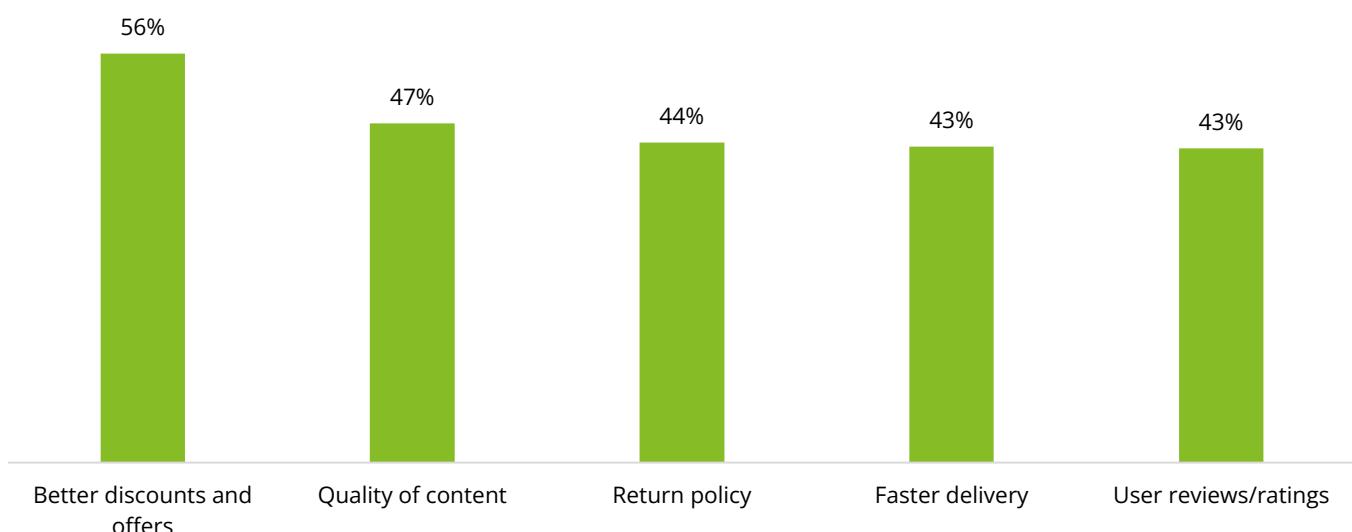
- About 73 percent of respondents allocate less than 20 percent of their total BPC budget to online shopping.
- About 32 percent of females allocate more than 20 percent of their BPC budget for online shopping compared with 25 percent of males.
- Around 31 percent of respondents are expected to allocate more than 20 percent of their BPC budget to shop online in the coming time compared with the 27 percent currently.
- Gen Z's online spending of over 20 percent of their BPC budget is expected to rise from 25 percent of respondents currently to 31 percent in the future.

Preferred channel for purchasing BPC online



Source: Deloitte India Consumer Survey 2024

Factors leading to increase in spending in BPC



Source: Deloitte India Consumer Survey 2024

Preferred channel to purchase BPC online

- About 82 percent of respondents prefer marketplaces for BPC shopping, with D2C as a distant but growing competitor.

- Around 19 percent of males prefer shopping on D2C websites, unlike 14 percent of females.
- D2C is catching up faster among Gen Z, where 23 percent prefer D2C compared with 16 percent of Millennials and 11 percent of Gen X.

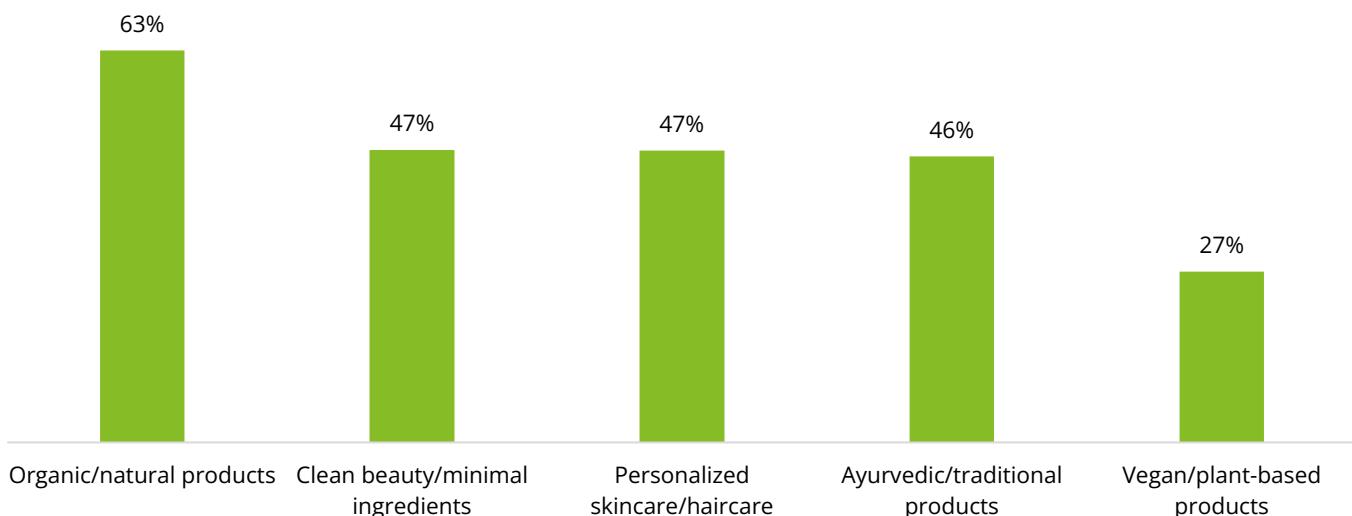
Factors leading to increased spends

- Primary drivers include better discounts, quality content, faster delivery and reviews/ratings.
- About 63 percent of female respondents prefer better discounts than 54 percent of males. Also, 51 percent of females preferred faster delivery options compared with 41

percent of males and 49 percent of females valued reviews/ratings more than 41 percent of males.

- Better prices are the primary common factor across all ages; 48 percent of Gen Z values quality content most, 45 percent of Millennials focus on reviews/ratings most and 45 percent of Gen X prefer improved product range most.

Emerging trends in BPC



Source: Deloitte India Consumer Survey 2024

Emerging trends in BPC

- There is a growing trend towards organic/natural products and personalised skincare and haircare recommendations.
- About 52 percent of women respondents showed a stronger preference for personalised skin/hair care, unlike 45 percent of men and 58 percent of females who want clean beauty and minimal ingredients compared with 42 percent of males.
- About 28 percent of respondents in Tier-2 cities prefer High-tech beauty tools as compared to 24 percent in Metros and Tier-1 cities.
- Around 66 percent of Gen X respondents prefer Ayurvedic/organic products, unlike 39 percent of Gen Z.
- About 50 percent of Gen Z is more inclined towards personalised skin/haircare recommendations, unlike 45 percent of Gen X.

Performance trends and supply trends

Personalisation and data analytics with better customer engagement

Companies are increasingly focusing on personalised beauty solutions tailored to individual preferences and skin types. Consumers can complete a detailed quiz about their skin type, concerns and beauty preferences to receive tailored product suggestions. Certain brands allow users to choose from a range of natural ingredients to formulate products that address their unique skin concerns and preferences. In contrast, some brands offer a virtual try-on and skin analysers on their website, allowing users to test different shades of makeup products digitally, thus helping customers select products that best match their skin tone. These advancements empower informed decision-making, enhancing India's contemporary beauty and lifestyle landscape.

Brands offer live chat support and personalised beauty consultations through their website and app. They also host interactive beauty workshops and tutorials featuring influencers and experts to engage customers and offer valuable advice. Some also create a "Brand Community" on social media for direct interaction with consumers, where users can share their experiences and receive personalised advice. Subscription models and loyalty programs further enhance engagement by providing exclusive perks and tailored experiences. These strategies improve customer satisfaction and foster deeper connections, ensuring a more personalised and responsive shopping journey.

Case study

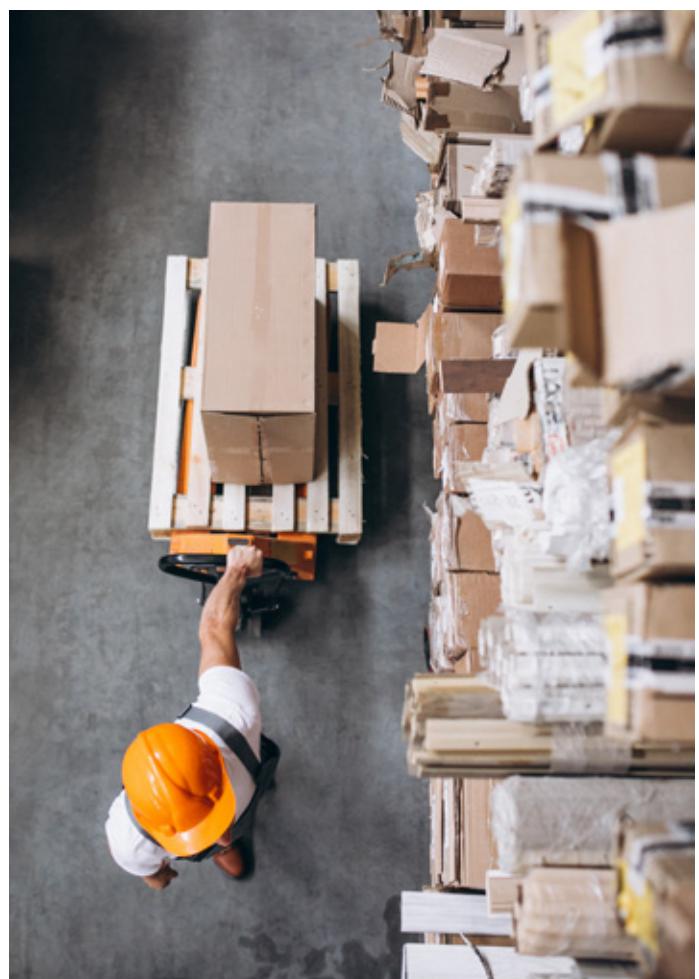
A global e-commerce giant introduced Skincare Advisor—a cutting-edge tool that provides personalised skincare solutions tailored to individual skin concerns and preferences. Integrated seamlessly into search functionalities, customers can complete a brief survey about their skin type and goals. The tool then delivers a customised set of product recommendations spanning cleansers, treatments, moisturisers, sunscreens and eye care, enabling customers to discover products perfectly suited to their unique skincare needs through an intuitive guided experience.

Omnichannel strategy and warehouse expansion

Players are focusing on driving an omnichannel strategy in the BPC industry to create a seamless shopping experience across online and offline channels to boost sales. By integrating e-commerce platforms, physical stores and social media, brands offer a unified customer experience, allowing consumers to shop, research and engage with products flexibly. For instance, a customer might browse a brand's website, receive personalised social media recommendations, pick up products in-store or opt for home delivery. This cohesive approach enhances convenience, builds customer loyalty and drives online sales by meeting consumer expectations in a dynamic retail environment.

Case study²⁴¹

An Indian beauty and personal care e-commerce platform expanded its warehousing capability to 44 in FY24 from 18 in FY21. This led to a 19 percent reduction in fulfilment cost per order, an 18 percent reduction in Order-to-delivery time and a 24 percent reduction in split shipments. With an expansion in GT outlets working as hyperlocal fulfilment centres for online orders, its Online business has grown by 27 percent in FY24 over FY23.



Influencer marketing and social commerce

There is heavy reliance on social media influencers and digital platforms to drive brand awareness and sales. Brands collaborate with micro and macro influencers on social media platforms to promote their natural and toxin-free products and partner with beauty influencers and makeup artists to highlight product tutorials and reviews.

Case study²⁴²

An Indian fashion and lifestyle digital marketplace launched a new marketing campaign that further strengthened its positioning as the ultimate premium and luxury beauty destination. Through the campaign, it published reviews of real customer posts using the hair and skin analyser AI tool. The brand also posted a 5X increase in traffic and a 20X increase in demand through its proprietary social commerce platforms. It saw more traction coming from the Gen Z audience, who were the early adopters and faster social commerce adoption across non-metro towns.

Case study²⁴³

An Indian beauty platform offering clean, innovative skincare used on the content-creator-commerce mode to post unprecedented growth. The company has a large top-of-the-funnel audience and community with its own content and social and influencer assets. A significant 30 percent of content and conversations across its platforms are related to its products. This substantial interest translates into 30 million MAUs (Monthly Active Users) transitioning to the Group's commerce product pages, representing a significant 20 percent of the top-of-funnel traffic. This traffic converts 5 percent of customers. With this initiative, the company reduced marketing costs from 75 percent 3 years ago to 30 percent. It also has an impressive return on investment: with repeat orders increasing from 35 percent to 65 percent.

Creating digital storefronts dedicated to D2C brands

Many brands bypass traditional retail channels to establish direct relationships with consumers through their websites, apps or marketplaces. Consumers increasingly prefer brands that offer personalised products, transparency and direct

engagement. D2C brands capitalise on these preferences by providing high-quality, niche products often unavailable in traditional retail. The digital-first approach allows these brands to leverage data-driven insights to understand customer preferences and deliver tailored experiences.

Case study²⁴⁴

A global e-commerce giant launched Global Beauty Store, a storefront that gathers over 60 international beauty brands with over 5,000 products from Korea, Japan, France, the US and the UK. The Global Beauty Store's contribution to its overall business has steadily increased, attracting almost 2.5 times more visits than its main page. It also launched a special store to better serve the growing demand for specialised skincare solutions.

Growth of men's segment

Spending on BPC by men was significantly lower than that of women. However, in recent years, men have become more aware and conscious of their looks and hygiene and have demonstrated a keen interest in BPC categories (beyond shaving), such as shower gels, face wash and body lotions.

Case study²⁴⁵

An Indian fashion and lifestyle digital marketplace had 20–25 percent of the recent additions to the portfolio focused on men's BPC products. The men's BPC segment has been growing at almost double the rate. There has been a noticeable increase in men purchasing hair care products, including styling products and specialised shampoos and conditioners, with the cohort experiencing 3 times the previous year's growth (H1 2023). Approximately 25 percent of users using the AI-powered skin analyser tool were men, this sustained engagement from the male demographic reaffirms the positive reception. Its beauty platform witnessed a 200 percent year-over-year (YoY) growth in men's skincare products in 2023. It also launched a special programme to support the growth of digital-first beauty and grooming brands, thus expanding its selection fourfold.

Health-tech and Pharma

Size of the sector and historical growth

Historically, traditional retail channels have dominated pharma retail sales; however, there's been a consistent shift towards e-commerce. This growth in usage of online channels in the industry has been driven by the wide adoption of digital services during the pandemic owing to increased convenience evident by the online pharma market in India being valued at US\$1.5 billion in 2023.²⁴⁶

Prescription medicines hold the majority share of the e-health market. Other key segments include OTC medicines, diagnostic tests and telemedicine services.

The pandemic saw consumers becoming increasingly aware of health and immunity, leading to significant growth in the sector. E-pharmacies saw their customer base and transaction volume skyrocket during the pandemic as people became reliant on online services for medicines and lab testing to avoid visiting pharmacies and hospitals due to the risk of contamination. Telehealth services offered by various e-pharma companies saw significant traction as consumers bought medicines and health devices and booked lab tests and consultations online. There has been a continued focus on

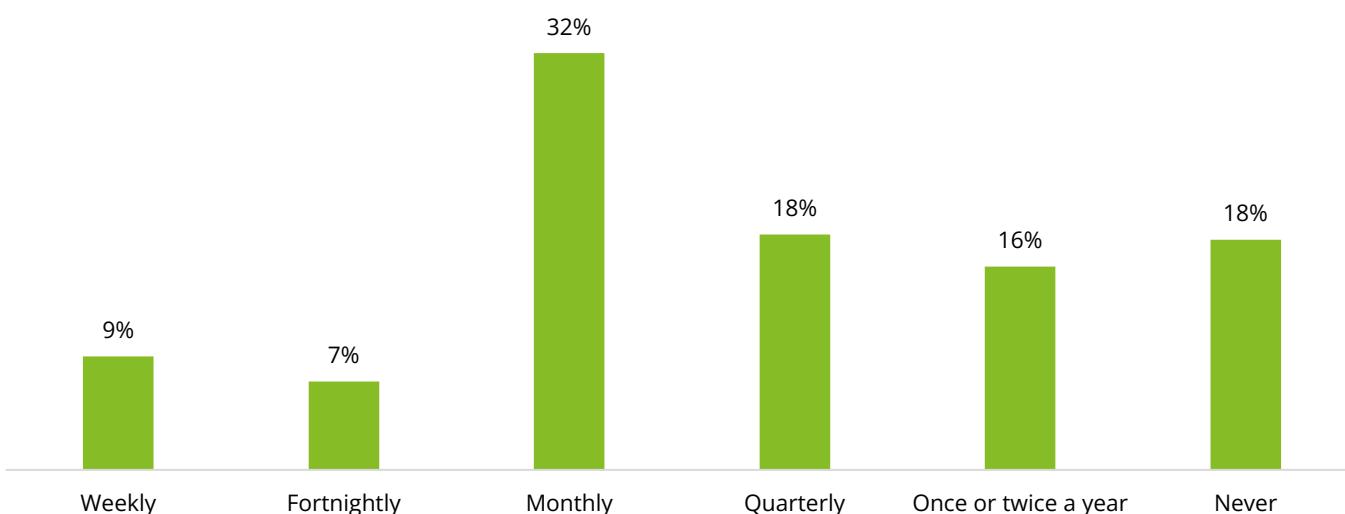
health post the pandemic, with consumer preferences shifting towards more healthy, organic products in other categories as well, such as grocery and beauty.

Changing buying behaviour

After the pandemic, the shift in orders from online to offline was evident as companies saw their growth reducing significantly. While this is marked by the normalisation of the significant growth registered during the pandemic, there has also been increased competition from local offline pharmacies evidenced by the drop in digital sales growth observed by companies. Customers increasingly prefer to visit physical stores that offer instant consultations and medicines without the hassle of online orders.²⁴⁷

However, a significant portion of consumers who shifted online during the pandemic hasn't completely shifted back to offline pharmacies owing to convenience, better discounts and the increased stock availability of 95 percent compared with 65 percent availability in the unorganised segment.²⁴⁸ This has led to most customers in the sector, especially urban and tech-savvy consumers, opting for a hybrid model to order medicines and book medical services.

Frequency of purchase for H&W



Source: Deloitte India Consumer Survey 2024

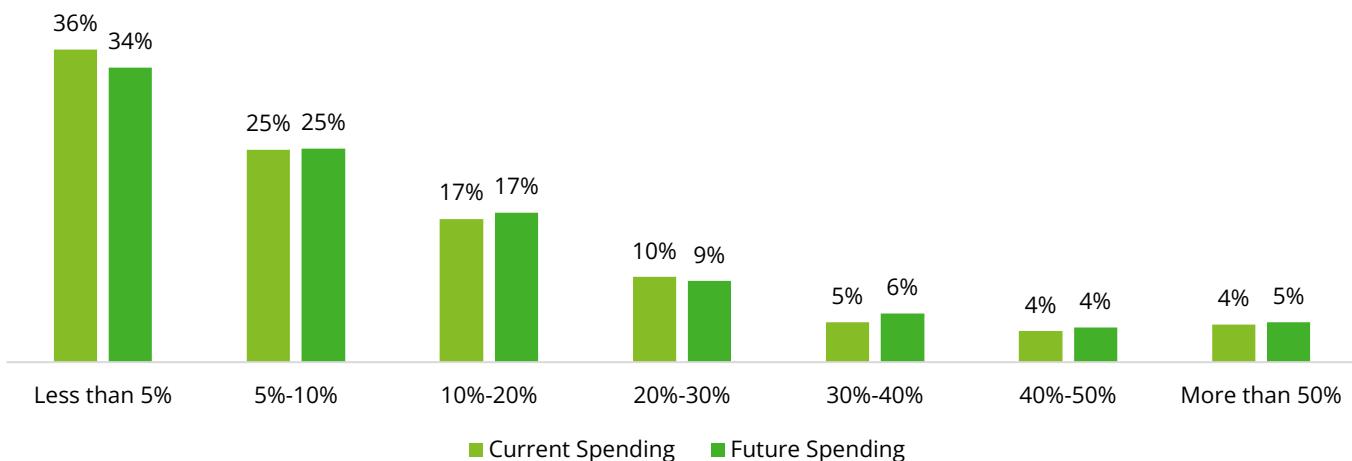
Frequency of purchase

- About 48 percent of respondents make planned online purchases of medicines at least at the monthly level.
- Around 48 percent and 53 percent of Metro and Tier 1 consumers, respectively, tend to make at least monthly

planned purchases of medicines, unlike 43 percent of Tier 2 consumers.

- About 50 percent of Gen Z and 48 percent of Millennials prefer making at least monthly planned purchases compared to 41 percent of their Gen X counterparts.

Current vs Future spending on Online H&W



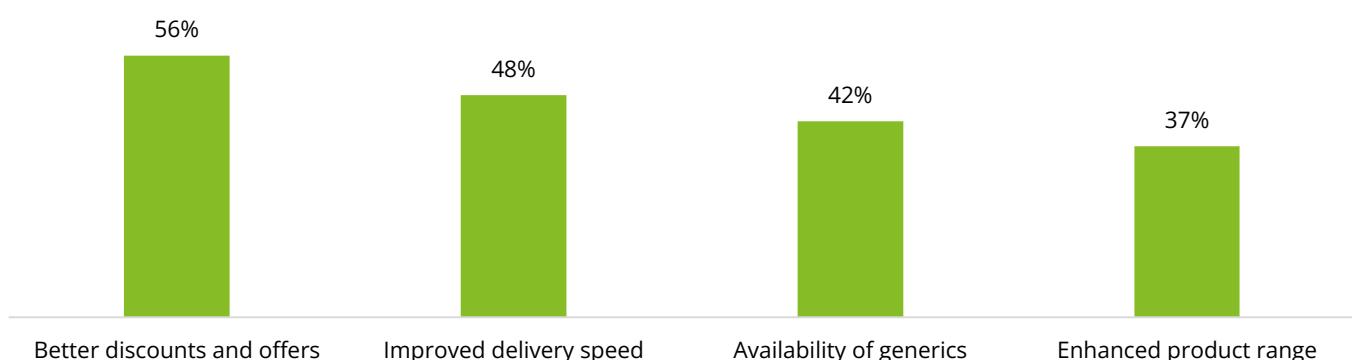
Source: Deloitte India Consumer Survey 2024

Spending pattern

- About 77 percent of customers allocate less than 20 percent of their total pharma budget to online shopping, showing significant headroom for growth.

- People in Tier 2 are slowly gaining confidence in ordering products online. They will gradually increase their spending on H&W products online, with 19 percent of them planning to spend more than 20 percent of their H&W budget online compared with 15 percent earlier.

Factors that will increase spending for H&W

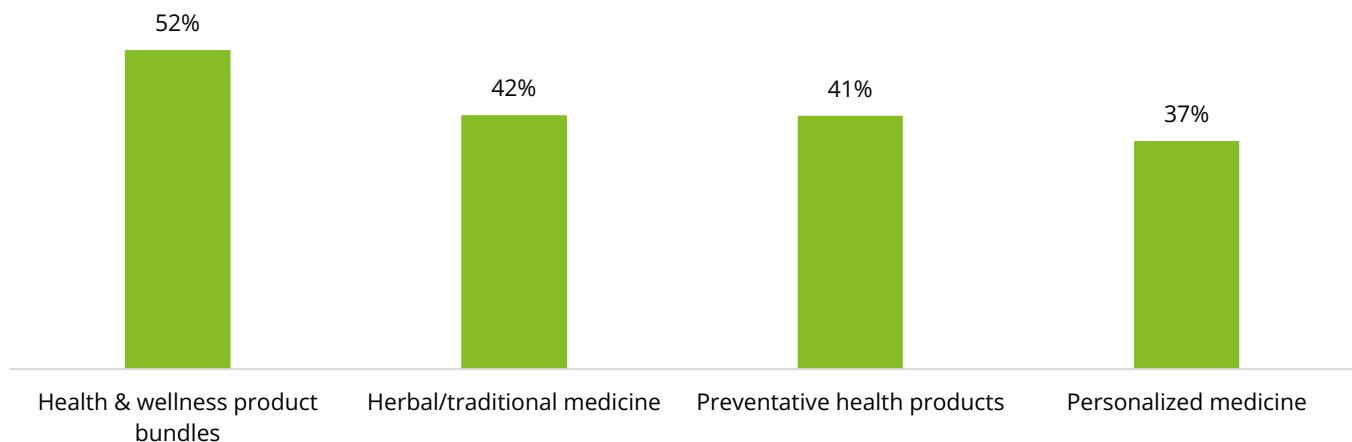


Source: Deloitte India Consumer Survey 2024

Factors that will increase spending

- About 51 percent of females emphasize quick delivery compared with 46 percent of males, whereas 58 percent of males prioritise better discounting compared to 52 percent of females.
- Tier 1 and 2 consumers are more price-sensitive, leading 24 percent and 26 percent of them to spend more on subscription services compared with 19 percent of metro consumers.
- 66 percent of Gen X consumers value competitive pricing, and 53 percent of them prefer extensive availability of generics compared to 50 percent and 43 percent of Gen Z consumers, respectively.

Emerging trends in H&W



Source: Deloitte India Consumer Survey 2024

Emerging Trends in H&W

- Medicines are recurring expenses, driving demand for bundled offers, which provide better value for money for 52 percent of consumers.
- In Tier 1 & Tier 2 cities, there is a growing demand for traditional medicine, with 46 percent and 48 percent of Tier 1 and Tier 2 consumers, respectively, showing a preference for herbal medicines, while 38 percent of metro consumers seek personalised medications.



Consumer behaviour and demand trends

Increased focus on preventative healthcare

Post-pandemic, consumers have become more health-conscious, increasing the demand for wellness products such as vitamins and immunity boosters. Alternative health solutions such as natural and ayurvedic products have also gained traction as interest in holistic wellness has increased, leading to higher sales of these products on e-pharmacies. Nutraceuticals have seen a huge boost, with companies seeing an uptick in supplements and nutritional products owing to consumers' increased focus on their diet and exercise.

Rising expectations of authenticity from e-pharmacies

With consumers increasingly using e-pharmacies, trust and reliability of the medicines being sold are crucial factors influencing their behaviour, especially in non-metro cities, buying online due to the wider availability and authenticity of medicines. E-pharmacies help reduce the threat of counterfeit medicines with strict quality controls in place. Hence tier 2 consumers prefer buying from them even if they have to wait longer. Brand Loyalty is emerging as a significant trend owing to this, with consumers becoming more and more familiar with platforms delivering quality service and products, resulting in higher purchase rates.

Primary growth drivers across tiers



Metro & Tier 1: Convenience key

Customers value the ease of getting medicines delivered online



Tier 2 & 3: Availability and authenticity matter

Consumers prioritize access to a wide range of authentic medicines, even if it takes longer

> 30%

Share of E-pharmacy sales coming from non-metros

Performance trends and supply trends

Building brand loyalty through Loyalty programmes

Various players in the e-Pharma sector have launched loyalty programmes designed to retain customers and increase order frequency. E-pharmacies are building brand loyalty among consumers by offering benefits such as free delivery, extra discounting, complimentary consultations and exclusive offers. These subscription plans incentivise customers to earn reward points and increase their spending on these platforms, helping increase the average order value driving sustainable growth and improving customer retention.

Case study²⁴⁹

A leading e-pharmacy offers up to 10 percent cashback on every order, including diagnostic tests, early access to sales and free delivery as its loyalty programme benefits. The company has seen more than half of its sales come from loyal members, especially from customers with chronic illnesses whose spending on medicines is a recurring expense.

Expanding market reach through private labels

Various e-pharmacies in the sector have introduced product ranges under their brands, particularly in the healthcare and wellness categories. These private labels present a huge opportunity as they have higher margins and companies have higher control over the supply chain, quality and pricing, allowing them to offer these products at lower prices than established brands. This additional revenue stream with higher margins helps drive profitability within these firms and build brand recognition and trust among consumers.

Integrating wellness as a value proposition

Catering to the rising consumer interest in preventive healthcare, which accelerated post-pandemic, e-pharmacies have been expanding their product assortment to include wellness products as well. The range includes vitamins, minerals, dietary supplements, proteins, energy bars and health beverages for fitness enthusiasts.

This strategy also helps companies in cross selling their products to their customer base. For example, a customer buying heart medication could be recommended omega-3 supplements that help support their cardiovascular health.

During an online consultation, a doctor can suggest nutritional supplements to support a patient's health. By positioning themselves as a comprehensive health & wellness platform, e-pharmacies are strengthening their position as a one-stop healthcare solution.

Technological advances

Technological interventions are transforming India's e-pharma industry, improving operational efficiency and customer experience through sophisticated delivery and supply chain systems.

The integration of telemedicine in e-pharma platforms has positioned companies to offer a seamless yet comprehensive healthcare experience, all from the comfort of the consumer's home. This is especially significant for underserved communities in remote areas. Virtual consultations with healthcare professionals, receiving prescriptions on the app and purchasing medicines all on the same platform have made telemedicine convenient, attracting users to these platforms.

Using AI for predictive analytics, optimising stock levels and personalising product recommendations has helped reduce operational inefficiencies while maintaining customer satisfaction. These technologies help predict demand trends, leading to better inventory management and helping prevent product substitution, as they can hold more SKUs – almost 50,000 compared with 5,000 for offline stores.²⁵⁰

Optimising the supply chain to avoid delays and ensure the products reach the customer reliably is a key component of e-pharmacies. Technological advancements in logistics, such as route optimisation and automated dispatch systems, have helped improve the efficiency and speed of last-mile delivery.

Investing in Tier 2,3 growth opportunity

Online pharma companies have identified tier 2,3 cities as the new revenue growth segments. Tier 2,3 consumers are keen on having a wide assortment of products available, which e-pharmacies can provide. Additionally, the authenticity of the products being sold by e-pharmacies is an additional enabler driving growth. E-pharmacies are already making investments to reduce delivery times, leading to many consumers coming from tier 2,3 cities for players. E-pharmacies are planning to capitalise on these high-potential markets by investing in supply chain operations and optimising logistics to cut down their delivery timelines pan-India.

Outlook and recommendations for growth

The Indian e-commerce market is expected to reach US\$325 billion in 2030, growing at a robust 21 percent CAGR (2023–30).²⁵¹ This exponential growth will be driven by the following factors:

- **Digital payment ecosystem:** The widespread adoption of digital payment methods is making online transactions more accessible and seamless for consumers.
- **Ease of credit access:** The broader access to credit options is encouraging more customers to shop online.
- **Infrastructure development and logistics availability:** The improved logistics & infrastructure support across the country has led to faster and more efficient order deliveries.
- **Consumer Preference for convenience:** The growing demand for easy and convenient shopping experiences is driving consumers towards e-commerce.
- **Omnichannel and personalised experiences:** Companies are offering more personalised and seamlessly integrated online and offline shopping experiences for better customer engagement.

To leverage the potential of the booming e-commerce market, companies can focus on some key strategies such as:

Premiumisation

The premium segment of the market across FMCG and retail sectors has been growing faster than the mass segments. Companies can leverage premiumisation trends to target premium consumers with specific product offerings and provide them with an elevated experience. Partnerships and tie-ups with premium product players could be another route that companies can take to drive growth.

Drive growth from Tier 2,3 cities

Tier 2,3 cities have seen a rise in the number of shoppers across e-commerce segments. Companies can increase these users' purchase frequency and average bill value by offering customised products and improving overall experience through personalisation, local language content and after-sales support. Consumers from Tier 2 and 3 cities are also willing to try new models, such as social commerce, which companies can explore to drive growth. Supply chain infrastructure development in Tier 2,3 cities, improving product availability and reduction in delivery timelines would be needed to realise potential.

Experience management

Overall consumer experience is a key driver for e-commerce growth. Companies can focus on improving consumer experience across the entire buying process, from awareness to post-purchase and loyalty. Using key technology enablers such as AR/VR and Metaverse can help provide experiences similar to physical retail and bridge the gap between online and offline. Personalisation is a key theme that companies can focus on and look to provide 1-1 experiences to consumers. Personalised product recommendations, targeted offers and personalised content are areas that companies can look to focus on to ensure stronger consumer connection and engagement.

Loyalty programmes

Companies can look to provide loyalty programmes that provide not just financial benefits but also non-financial benefits that appeal to consumers through aspects such as gamification. Companies can look at personalising loyalty programmes as well. They can look at innovating through consumer involvement in loyalty programmes, such as the selection of benefits and comparison with friends and/or other consumers. Exclusive benefits being provided to loyal consumers is another key lever that could be used to drive growth.

Subscription and rental models

Companies can look to offer subscription models that can drive sales in sectors such as grocery, health & wellness, online food delivery and beauty personal care in India. Offering personalised content and automatic product replenishment simplifies purchasing and fosters customer loyalty through convenience and potential savings. These services can also provide businesses with stable revenue, enabling investments in personalised experiences. Additionally, regular interactions can enhance top-of-mind awareness about the brands for subscribers.

While rental models are popular globally, they are not as prevalent in India. Companies can look to offer rental-based solutions to provide affordable access to premium products in fashion, electronics and home furnishing, attracting cost-conscious consumers and promoting sustainability. Together, these models support innovation and growth in the Indian market.

Payment innovation and ease of credit access

Companies can integrate payment solutions offering a unified experience by directly connecting loyalty programmes, discounts and promotions to payment methods. Mobile wallets and Buy-Now-Pay-Later (BNPL) options can transform transactions, making high-value purchases more accessible. Companies can use innovations such as biometric authentication and voice-activated payments that will simplify online shopping further. Mobile payment platforms and digital wallets may cater to users without traditional banking services, enabling quick, secure checkouts. Regional payment solutions and digital credit options may meet diverse consumer needs, boosting confidence, conversion rates and repeat purchases, ultimately driving growth across India.

GenAI

Companies can use AI-driven technologies to enable dynamic pricing, optimise supply chain management, and enhance customer support. AI algorithms can be used to adjust prices in real time based on demand and competition, while GenAI improves inventory management and logistics. AI chatbots can

be used to streamline order tracking and return with context-aware responses. Recommendation engines can be leveraged for browsing and purchase history to suggest products, and GenAI can further personalise content. AI may also be used by companies to strengthen fraud detection by analysing transaction patterns and boosting marketing effectiveness through targeted campaigns and tailored content.

Sustainability

ESG practice is popular globally but is steadily picking pace in India. Companies can focus on strategies like carbon footprint labelling, circular packaging, and food waste reduction, which are still underutilised in India. As demand for sustainable products grows, companies may need to emphasize eco-friendly features such as recycled packaging. Innovations in packaging design, take-back schemes and circular economy principles will help reduce waste. Additionally, companies can leverage sustainable logistics such as EVs and route optimisation, which may minimise carbon emissions. Companies may embrace product refurbishment and recycling, fostering a more sustainable consumption model.





Regulatory Updates

Legal metrology

The Legal Metrology Act/Rules are administered by the Department of Legal Metrology, Ministry of Consumer Affairs, Food and Public Distribution. These regulations govern the declarations to be specified on packaged commodities for consumer welfare.

Legal Metrology (Packaged Commodities) Amendment Rules, 2023²⁵²

- Additional types of packages have been defined, namely
 - 'Combination Package', 'Group Package' and 'Multi-piece package', with definitions as under [effective from 1 April 2024]:
 - Combination package refers to a package intended for retail sale, containing two or more individual packages, or individual pieces, of dissimilar commodities.
 - Group Package refers to package containing two or more individual packages, or individual pieces, of similar, but not identical (whether in quantity or size) commodities. E.g., a package containing similar commodities of different brands.
 - Multi-piece package refers to a package containing two or more individual packaged or labelled pieces of the same commodities of identical quantity, intended for retail sale, either in individual pieces or the package as a whole.
- The requirement for mandatory declaration of unit sale price for a combination package, a group package or a multi-piece package has been removed [Effective from 1 April 2024].
- The rules exempt spare parts and accessories used for servicing (with a warranty) and not sold to end customers from displaying the month and year of manufacture/pre-package/import.
- For electronic products, the declaration of the month and year of manufacture must be clearly visible on the retail package. [Effective from 1 January 2024]
- With respect to the garments and hosiery sold in loose or open at the point-of-sale, the size of the product must be mentioned in metric notation (centimetres (cm) or metres (m)), depending on the case OR internationally recognisable size indicators such as S, M, L, XL, XXL and XXXL along with details in metric notation in terms of cm or m, as the case may be. [Effective from 1 January 2024]

- For loose commodities ordered through e-commerce channels, where consumers are aware of the ordered commodity, its type and quantity, the following information needs to be provided:
 - Name and address of manufacturer/marketer/brand owner/importer/seller.
 - Details of the country of origin or manufacture, in addition to the above details, in case of imported goods.
 - Consumer care email ID and phone number.
 - Retail sale price of the package inclusive of all taxes in the Indian currency.
 - Net quantity in terms of standard unit of weight or measure or number of commodities, as the case may be.

[Effective from 1 January 2024]

Jan Vishwas (Amendment of Provisions) Act 2023

Under the Jan Vishwas (Amendment of Provisions) Act 2023,²⁵³ seven sections of the Legal Metrology Act, 2009 have been decriminalised to replace the original fee and imprisonment with an increased fine:

- Section 25: Use of non-standard weight or measure
- Section 27: Manufacture or sale of non-standard weight or measure
- Section 28: Any transaction in contravention of the prescribed standards
- Section 29: Quoting or publishing of non-standard units
- Section 31: Non-production of documents
- Section 34: Sale or delivery of commodities by non-standard weight or measure
- Section 35: Rendering services by non-standard weight, measure or number

Consumer protection

The key regulator for this sector is the Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution.

Consumer Protection (Direct Selling) (Amendment) Rules, 2023²⁵⁴

Amends the definition of 'direct selling entities' to include a principal entity which sells or offers to sell goods or services through a network of sellers (instead of the term 'direct sellers' mentioned in the earlier rules) where a network of sellers would refer to a network of direct sellers formed by a direct selling entity to sell goods or services for the purpose of receiving consideration solely from such sale.

The Guidelines for Prevention and Regulation of Dark Patterns, 2023²⁵⁵

The Central Consumer Protection Authority (CCPA) notified the above guidelines on 30 November 2023. The guidelines shall supplement any laws or regulations pertaining to dark patterns, in force at the time being.

- The Guidelines define dark patterns as practices or deceptive design patterns in user interface or user experience interactions of platforms designed to mislead or trick users into performing unintended actions by influencing and impairing their decision-making or choice.
- They prohibit platforms offering goods and services in India, advertisers and sellers from engaging in dark pattern practices.
- CCPA shall be responsible for settling disputes related to the interpretation of dark patterns. Failure to comply with CCPA directions shall be punishable with imprisonment of up to six months, a fine of up to INR20 lakh, or both.
- The Guidelines define various types of dark patterns such as false urgency, basket sneaking, confirm shaming, forced action, subscription trap, trick questions, interface interference, bait and switch, drip pricing, disguised advertisement, nagging, SaaS billing, rogue malware, etc.

Guidelines called "Endorsements Know-hows!" for celebrities, influencers and virtual influencers on social media platforms.²⁵⁶

The guidelines, released on 6 March 2023, aim to prevent individuals from misleading their audience when endorsing a product. They include the following provisions:

- Endorsements must be made in simple and clear language, and terms such as "advertisement," "sponsored," "collaboration" or "paid promotion" can be used.
- Individuals must not endorse any product or service that they have not personally used or experienced or in which due diligence has not been done by them.
- For paid or barter brand endorsement, any of the following disclosures may be used: "advertisement," "ad," "sponsored," "collaboration," or "partnership." However, the term must be indicated as a hashtag or headline text.
- Disclosure made by influencers and celebrities must be placed in the endorsement message in a clear and prominent manner, without mixing them with a group of hashtags or links.
- For endorsements in a picture, disclosures should be superimposed over the image in a clear manner, while for those made in a video or a live stream, they should be made in both audio and video format and displayed continuously and prominently during the entire stream.

Additional guidelines for celebrities, influencers and virtual influencers in the field of health and wellness.²⁵⁷

These guidelines were released as an extension to the Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022. Under these additional guidelines, certified medical practitioners and health & fitness experts holding certifications from recognised institutions must disclose that they are certified health/fitness experts and medical practitioners when sharing information, promoting products or services or making any health-related claims.

Drugs, medical devices and cosmetics

Drugs, medical devices and cosmetics in India are regulated by the Drugs and Cosmetics Act 1940, Drugs and Cosmetics Rules 1945, Medical Devices Rules 2017, New Drugs and Clinical Trial Rules 2019 and Cosmetics Rules 2020.

The cosmetic sector is regulated by the Drugs and Cosmetics Act 1940, the Drugs and Cosmetics Rules 1945, and the Cosmetic Rules of 2020. The CDSCO (Central Drugs Standard Control Organisation) is the central authority responsible for regulating cosmetics in India.

The Cosmetics Rules 2020²⁵⁸

Regulate the import, manufacture, labelling, sale and distribution of cosmetics in India. The rules provide for the following:

- It classifies cosmetics into product categories for the purpose of license permits to manufacture for sale and import.
- It elaborates on aspects such as the type of equipment to be used, the premise, storage and manufacture instructions to be complied with.
- It specifies the particulars to be compulsorily displayed in the manufacturing records, e.g., name of the product, name of ingredients and batch size. Additionally, specifications on standards (BIS) to be maintained for production have also been given.
- It introduces a new concept of a “new cosmetic”, which is defined as “a cosmetic containing a novel ingredient that has not been used anywhere in the world or is not recognised for use in cosmetics in any literature.” It also specifies the import rules for new cosmetics.
- Changes (compared to the 1945 Rules) with respect to introduction of new forms, reduction in statutory fee has been introduced.
- Import-related compliances have been streamlined through the provision of making a single licence application and seeking a single registration certificate to import one or more cosmetics produced by the same manufacturer into a single production facility.
- Specifies cases under which import of cosmetics is prohibited.
- For a cosmetics manufacturer for sale or distribution, the applicant will have to furnish a self-declaration confirming compliance with good manufacturing practices and other instructions.
- Stringent mandates to ensure consumer safety have been imposed, such as a declaration of all ingredients of the product, prohibition on import/ manufacture of cosmetics not complying with safety and quality standards, prohibition on adding certain raw materials to cosmetics and prohibition on import of cosmetics containing dyes, colours and pigments (except those allowed by BIS)
- It introduces the concept of a voluntary recall mechanism wherein a manufacturer can order a withdrawal of a cosmetic from the market if it is believed that it negatively impacts the consumer.
- With respect to cosmetic licences, the Rules classify the type of cosmetic licence, provide the requirements for getting a licence and inspection before granting a licence.
- The rules also specify the requirements for factory premises, labelling and packing of cosmetic products and testing of cosmetic samples.

Per CDSCO's announcement on 9 August 2024²⁵⁹

Companies submitting applications online through the SUGAM portal can now submit applications for a maximum of 50 products, and numerous applications can be filed for 50 products each. This has been done to expedite the handling and processing of applications within the timeframe specified under the Cosmetics Rules 2020.

Under the Jan Vishwas (Amendment of Provisions) Act 2023

Two sections of the Drugs and Cosmetics Act, 1940 have been decriminalised in the following manner:

- Section 29: Replaced the original fine with an increased fine for usage of Central Drugs Authority reports for advertising of any drug or cosmetic.
- Section 30: Replaced the original fine and imprisonment with an increased fine for subsequent offences

Medical Devices Policy 2023²⁶⁰

The policy lays down a roadmap for accelerated growth of the medical devices sector while promoting safety and quality. It aims to achieve universal access to quality medical devices, improve clinical outcomes for patients, develop a resilient supply chain by encouraging domestic manufacturing, and facilitate training and skilling of manpower for the use of medical device technologies.

Six broad areas of intervention under the policy are:

- **Streamlining of regulatory framework** through initiatives such as Single Window Clearance System for Licensing of Medical Devices, enhancing the role of Indian standards such as BIS, and designing a coherent pricing framework.
- **Enabling infrastructure** through the establishment and strengthening of large medical device parks and clusters equipped with world-class common infrastructure facilities in proximity to economic zones with logistics connectivity as envisioned under the National Industrial Corridor Programme and the proposed National Logistics Policy 2021.
- **Facilitating R&D and innovation** through centres of excellence in academic and research institutions, innovation hubs, 'plug and play' infrastructures and support to start-ups while complementing the proposed National Policy on R&D and Innovation in the Pharma- MedTech Sector in India.
- **Attracting investments** in the sector and promoting domestic manufacturing through encouraging private investment, new financing models and using government initiatives.
- **Developing human resources** to ensure a steady supply of skilled workforce across the value chain, such as scientists, regulators, health experts, managers and technicians. This shall be done through skilling, reskilling, and upskilling professionals in the medical device sector, introducing dedicated multidisciplinary courses for medical devices in existing institutions and developing partnerships with foreign academic/industry organisations to develop medical technologies.
- **Brand positioning and awareness creation** through setting up of a dedicated Export Promotion Council to look into the various market access issues, learning from best global practices for manufacturing and skilling and promoting knowledge-sharing forums for various stakeholders.



National Single Window for Medical Devices²⁶¹

In a move to streamline the import, clinical investigations, and testing of medical devices, the Centre has launched the National Single Window System (NSWS). It shall facilitate applications for the certificate of registration and licences to manufacture or import medical devices for various purposes, including clinical investigations, tests, evaluations, demonstrations and training.

In a move to streamline the import, clinical investigations, and testing of medical devices, the Centre has launched the National Single Window System (NSWS). It shall facilitate applications for the certificate of registration and licences to manufacture or import medical devices for various purposes, including clinical investigations, tests, evaluations, demonstrations and training.

The draft New Drugs, Medical Devices and Cosmetics Bill 2022²⁶² revise and unify the laws governing the import, production, distribution and sale of drugs, medical devices and cosmetics, ensuring their quality, safety, effectiveness, performance and regulating clinical trials for new drugs and the investigation of medical devices.

The Bill deals with the following aspects:

- Introduction of new terms such as over the counter drugs, rare diseases recall.
- Recognition of medical devices as a distinct category with a separate technical advisory board for the same.
- Set up medical device testing centres at the central and state levels.
- Regulations for medical devices, investigational medical devices and clinical trials of investigational medical devices.

- Stringent requirements for conducting clinical trials and compensation to participants in case of mishaps.
- Provisions for regulating online pharmacies to protect consumers from counterfeit or unregulated products.
- Stricter safety standards for cosmetics and prohibitions on the use of certain harmful substances in cosmetics in alignment with international standards.
- Higher penalties for violations related to manufacturing, selling and distributing drugs, medical devices and cosmetics.
- Introduction of concepts of issuance of improvement notices in case of certain violations, compounding of offences that are not punishable with imprisonment only or with imprisonment and fine, summary trials by designated courts for minor offences, constitution of 'Special Courts' by the central and state governments.
- Mechanisms to regulate new and emerging technologies such as personalised medicine, gene therapy and AI in healthcare.
- Enhanced pharmacovigilance measures to monitor the safety of drugs and medical devices post-marketing such as mechanisms to report adverse events and withdrawal of unsafe products from the market.
- The Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy ("AYUSH") framework has been made more comprehensive.
- The central government is empowered to regulate or restrict the import of essential drugs in emergencies arising from epidemics or natural calamities in the public interest.
- Drugs to induce miscarriage is added to the list of drugs whose manufacture is prohibited.

Self-declaration certificate-advertising

- In line with Supreme Court directions published on 7 May 2024,²⁶³ all advertisers and advertising agencies must submit a self-declaration certificate before publishing/broadcasting any advertisement on television, radio, print, or digital media. The proof of uploading the same must be made available to the concerned broadcaster/printer/publisher/platform.
- Per the Ministry of Information and Broadcasting (MIB) press release of 3 July 2024,²⁶⁴ features to enable submission of the self-declaration include:
 - A new feature on the Broadcast Seva Portal of MIB for TV and radio advertisement.
 - A feature on the Press Council of India's portal for print and digital/internet advertisements.
 - A new advisory issued on 3 July 2024 limits an annual self-declaration certificate to be uploaded only by advertisers and advertising agencies operating in the food and health sectors.
 - Ongoing advertisements, which were published before 18 June 2024, do not require the self-declaration.

Digital India Act²⁶⁵

The Ministry of Electronics and Information Technology (MeitY) released a presentation on the broad contours of the proposed Digital India Act (DIA), which shall succeed the Information Technology Act, 2000. The DIA proposes to regulate a vast array of digital enterprises, including social media websites, AI-based platforms and e-commerce enterprises.

Some of the key aspects that shall be covered under the DIA are as follows:

- Age-gating mechanism for regulating addictive technology for protecting minors' data on social media, gaming and betting apps.
- Incorporation of "mandatory do not track" requirement to prevent targeting minors.
- Moderation of fake news published on social media platforms.
- Adjudicatory and appellate mechanisms for accountable and responsive digital operators.
- Algorithmic transparency and periodic risk assessments by digital entities.
- Content monetisation rules for platform-generated and user-generated content.

(The draft for the DIA is not publicly available)

Draft Digital Competition Bill, 2024²⁶⁶

The Ministry of Electronics and Information Technology (MeitY) released a presentation on the broad contours of the proposed Digital India Act (DIA), which shall succeed the Information Technology Act, 2000. The DIA proposes to regulate a vast array of digital enterprises, including social media websites, AI-based platforms and e-commerce enterprises.

Some of the key aspects that shall be covered under the DIA are as follows:

The Ministry of Corporate Affairs (MCA) published the draft Digital Competition Bill, 2024 (DCB) on 12 March 2024. The draft bill is a part of the Report presented by the Committee on Digital Competition Law, which was set up in February 2023 to evaluate the need for an ex-ante competition framework for digital markets in India.

The committee stated that the current ex-post framework under the Competition Act, 2002, does not facilitate timely redressal of anti-competitive conduct by digital enterprises. Some of the key aspects are as follows:

- The definition of Core Digital Services includes online search engines, online social networking services, video-sharing platform services, cloud services, and advertising services. The Central Government shall have the power to amend the list of Core Digital Services based on market studies and emerging global practices.

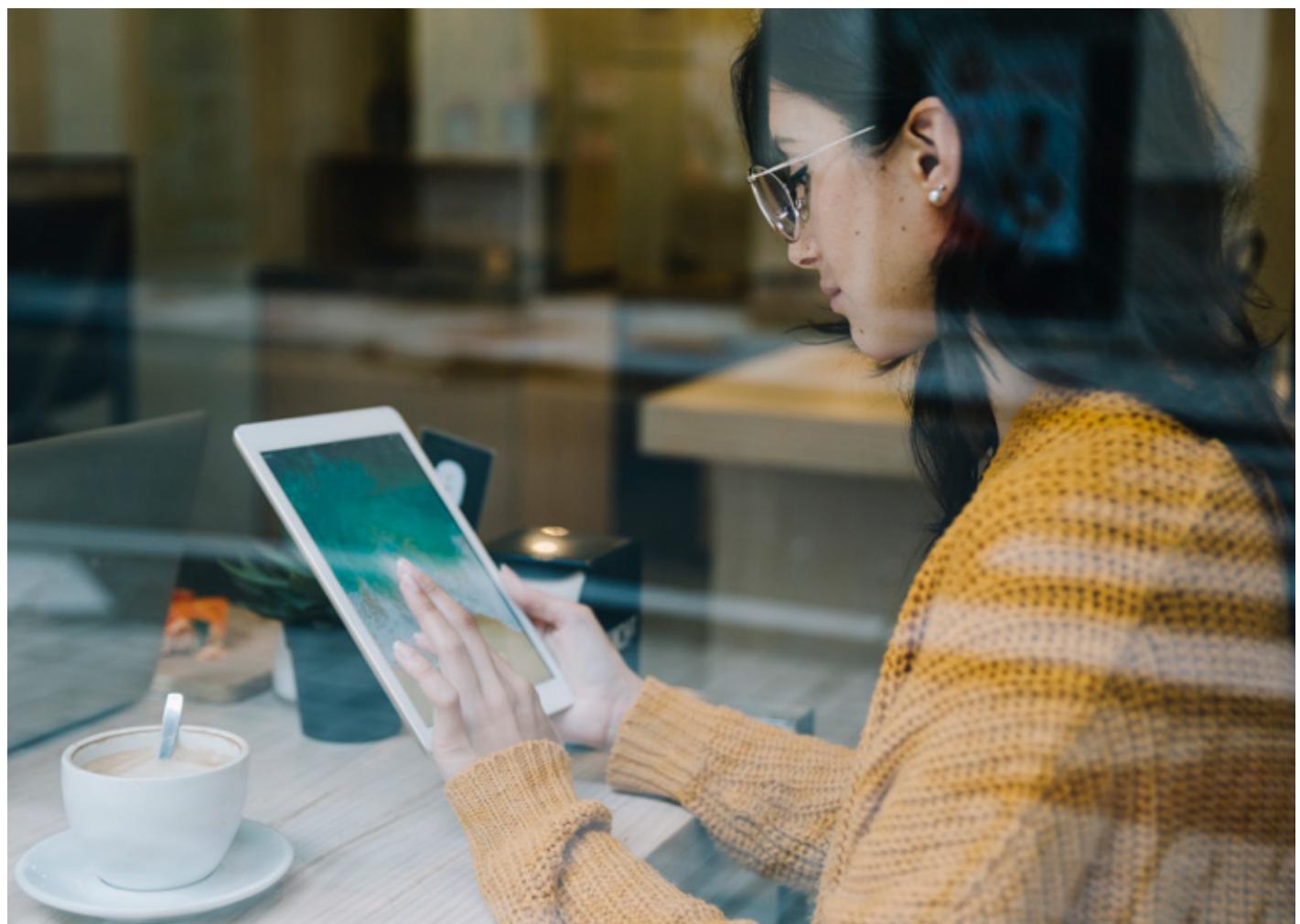
- An enterprise will be classified as Systemically Significant Digital Enterprise (SSDE), as designated by CCI, based on the following tests:
 - **Significant financial test:** If it meets any of the following financial thresholds (in each of the immediately preceding three financial years):
 - turnover in India of not less than INR4,000 crore (~US\$500 million); OR
 - global turnover of not less than US\$30 billion; or
 - gross merchandise value in India of not less than INR16,000 crore (~US\$2 billion); OR
 - global market capitalisation of not less than US\$75 billion, and

- **Significant spread test:** If it meets any of the following user thresholds in each of the immediately preceding three financial years in India:
 - the core digital service provided by the enterprise has at least one crore end users; OR
 - the core digital service provided by the enterprise has at least 10,000 business users.

Furthermore, if the CCI is of the opinion that an enterprise has a significant presence with respect of a Core Digital Service, the CCI may classify an enterprise as an SSDE.

- Key Obligations of SSDEs include:
 - Comply with regulations and requirements as may be prescribed for each of the Core Digital Services.
 - Notify the CCI and seek CCI approval upon meeting the threshold prescribed for SSDEs under the DCB.
 - Establish a complaint-handling mechanism.

- **Self-preferencing:** Not directly or indirectly favour products/services/lines of business of its own or of its related parties or any third party with whom the SSDE has manufacturing arrangements.
- **Data usage:** Not rely on non-public data of business users and not intermix or cross-use the personal data of end-users or business users without their consent.
- **Third-party application:** Not restrict users from downloading, installing, operating or using third-party applications/software on an SSDEs Core Digital Service.
- **Anti-steering:** Not restrict business users from communicating with or promoting offers to their end users for separate third-party services.
- **Tying and bundling:** Not require or incentivise users to use products/services of the SSDE, its related parties or any third party with whom the SSDE has manufacturing arrangements.



Digital Personal Data Protection Act, 2023 Framework

The Digital Personal Data Protection Act (DPDPA) of August 2023 is a significant piece of legislation in India that aims to regulate the processing of personal data and preservation of "right to privacy". It introduces a comprehensive framework to protect the privacy and rights of individuals while also ensuring that organisations handle personal data responsibly. It establishes Data Protection Authority (DPA) as a regulatory and compliance overseer within India. It outlines the basis of the processing of personal data, privacy notice & consent

management, data breach notifications, data fiduciary roles and responsibilities, privacy rights of individuals, grievance management, cross-border transfer of data and other key data protection regulations as its salient features²⁶⁷. The Act primarily deals with personal data that is stored in the information systems of any organisation in the digital format. The act has evolved from the erstwhile PDPDB 2018, which now stands withdrawn.

Applicability of the Act



Territorial applicability

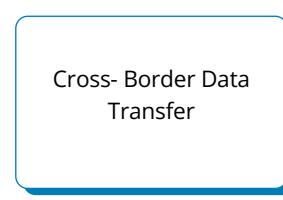
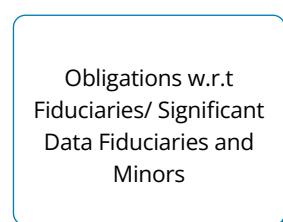
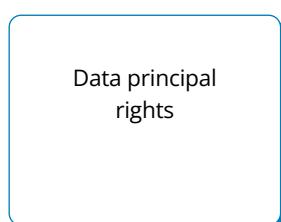
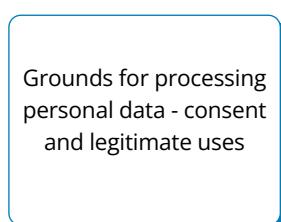
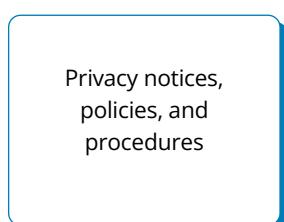
Processing personal data within the territory of India and processing data abroad for services offered to individuals in India



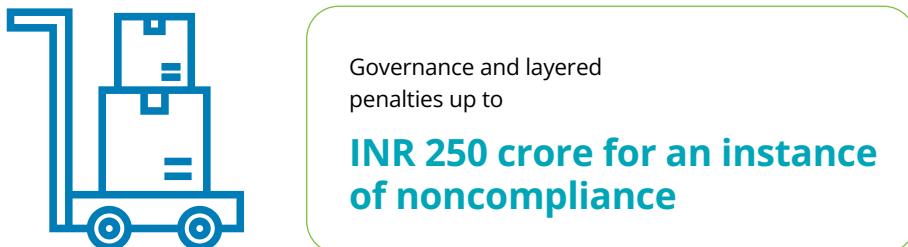
Material applicability

Data collected in digital form and digitized data which is initially non-digital, subsequently digitised

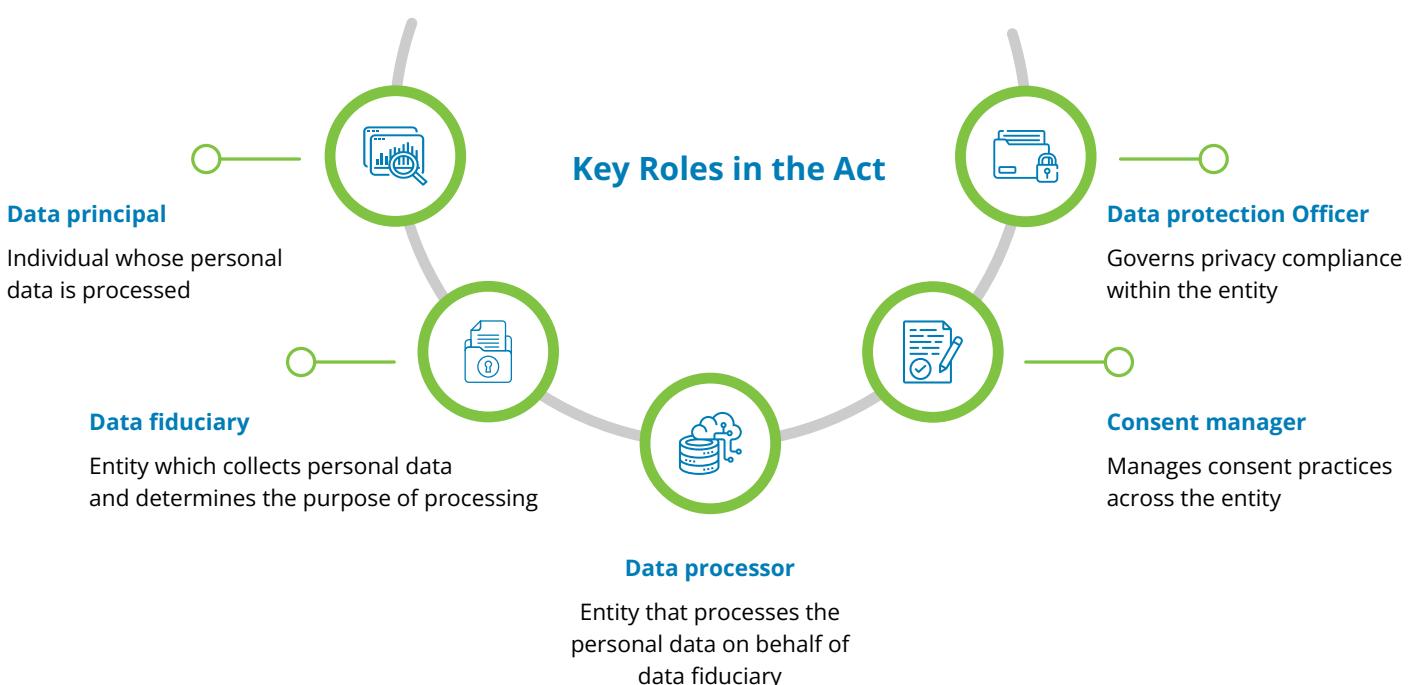
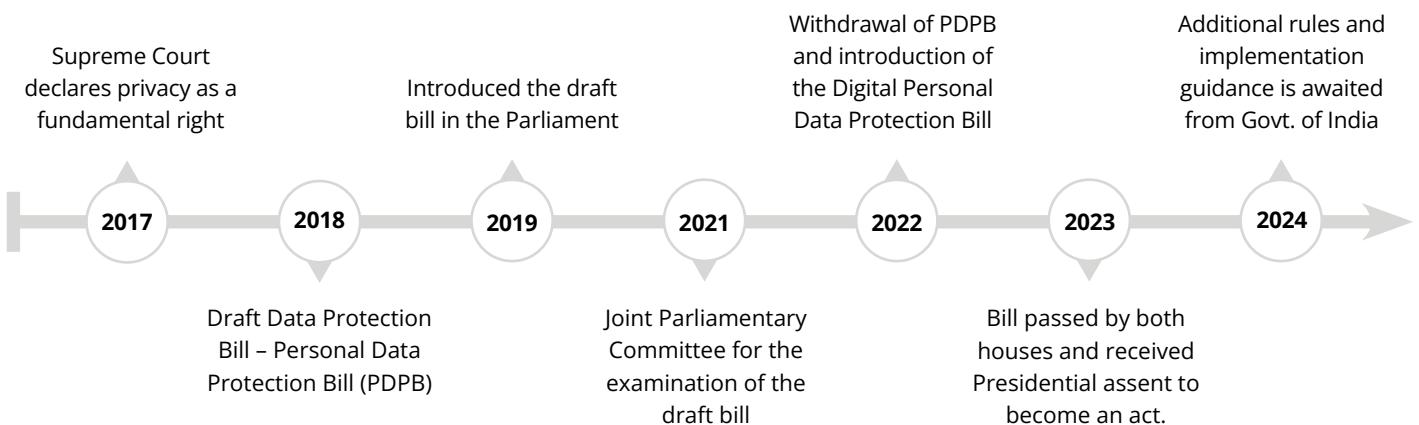
Overview of compliances under the Act



Regulatory penalties



DPDPA embarks the onset of data privacy and data protection regime in India. It highlights the organizations to protect digital personal data and safeguard the rights of individuals²⁶⁸



Key privacy principles

Privacy principles are fundamental guidelines that govern the collection, use and disclosure of personal data. They are designed to protect individuals' rights and ensure responsible data handling practices. The impact of DPDPA compliance on organisations is expected to have far-reaching consequences for organisations within the FMCG, e-commerce and retail industries, wherever any kind of personal data processing is taking place. Such organisations must ensure their business

practices, collection and processing of personal data are tightly aligned with privacy principles laid down by DPDPA. These privacy principles have also been defined in a manner which is consistent with privacy regulations around the globe; this ensures optimal interoperability and compliance for organisations, whose personal data processing landscape is spread across different geographies.

Privacy principles

Illustrative instances where FMCG and retail consumer industry would feel impact

Purpose limitation



Data should be collected for specified, legitimate purposes and not used in ways incompatible with those purposes.

Retail, e-commerce and other similar organisations are using customer data collected for loyalty programmes. The data as such collected needs to be used only for those purposes and not for unrelated marketing activities or third-party sharing without explicit consent.

Storage limitation



Personal data should not be kept longer than necessary and should be securely deleted when no longer needed.

All organisations need to implement policies for retaining customer data for only as long as necessary and providing options for data removal upon request.

Lawfulness, fairness and transparency



Data collected shall have a proper legal basis, and individuals should be informed about the data collection practices, including what data is collected, how it is used and who has access to it.

All retail, FMCG, e-commerce organisations need to provide clear information about how consumer data is used for product recommendations, targeted advertising and loyalty rewards and inform consumers of any data-sharing practices through a privacy notice.

Accuracy and accountability



Personal data should be accurate and kept up to date, and the organisations must be accountable for their data protection practices.

All retail, FMCG, e-commerce organisations should ensure that customer profiles in loyalty programmes or marketing databases are kept up-to-date to provide relevant offers and avoid errors in communication.

Data minimisation



Only collect and retain the minimum amount of personal data necessary to fulfil a specific purpose.

All organisations are expected to collect only necessary campaigns, preferences, collection.

Basis of processing

DPDPA provides six grounds of processing for organisations, which is legal justification for collecting, using and sharing personal information. These are:



1. Consent

The consent given by the data principal shall be free, specific, informed, unconditional and unambiguous with clear affirmative action and shall signify an agreement to the processing of her personal data for the specified purpose and be limited to such personal data as is necessary for such specified purpose.

2. Contractual obligations

Processing of data necessary for compliance with contractual obligations

3. Legal obligations

Processing may be necessary to comply with a legal obligation to which the data fiduciary is subject.

4. Vital interests

Processing may be necessary to protect the vital interests of the data subject or another natural person.

5. Public interests

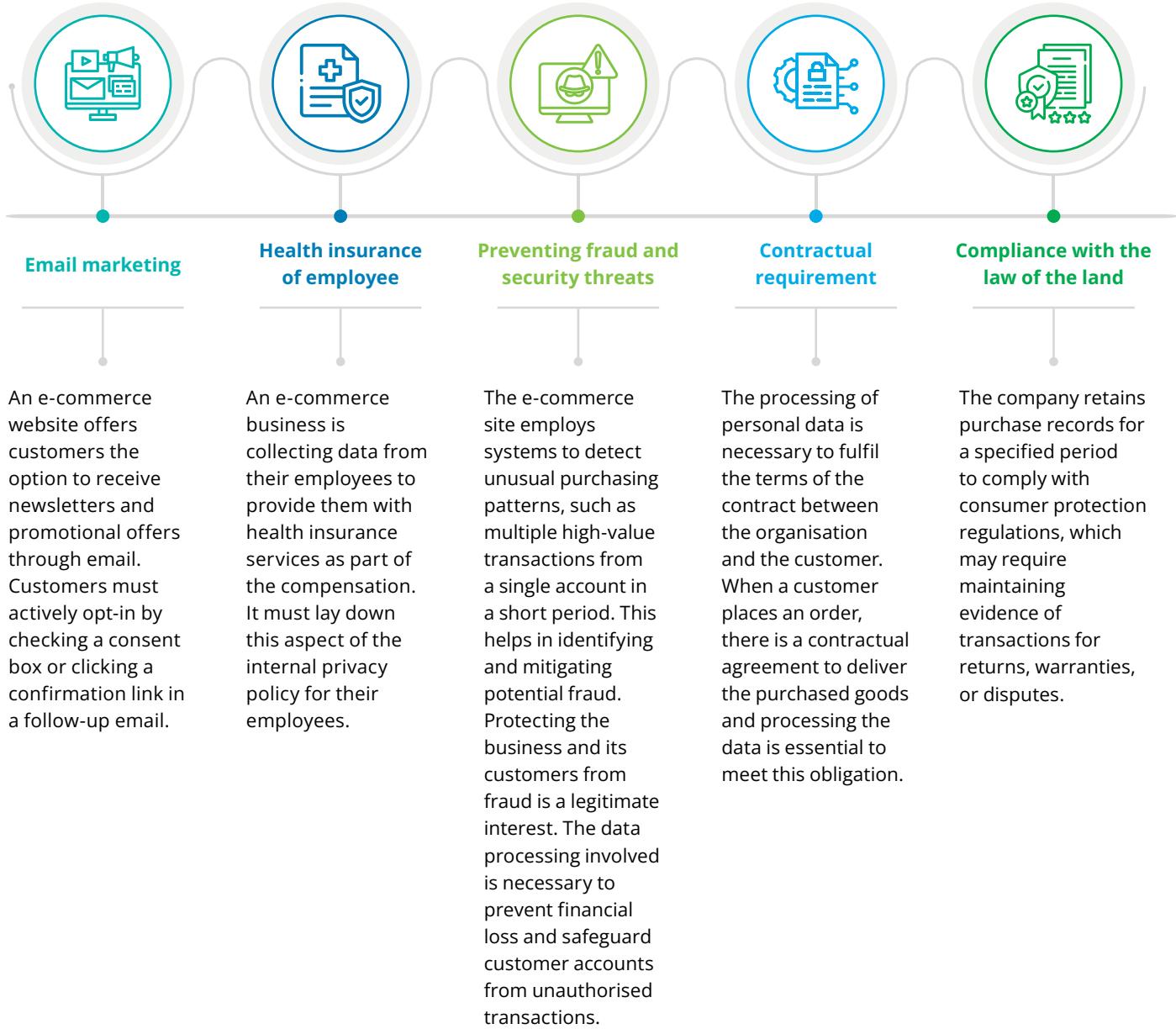
Processing may be necessary for a task carried out in the public interest

6. Legitimate interests

Processing may be necessary for the legitimate interests pursued by the data fiduciary or a third party unless overridden by the interests or fundamental rights of the data subject.



An illustrative example of how e-commerce organisations would need to link their business processes with basis of processing



Privacy notice and consent

Privacy Notice

DPDPA mandates that data fiduciaries provide individuals with a clear, concise and easily understandable privacy notice. This notice informs individuals about how their personal data is collected, used, shared and protected. Emphasis is also on key privacy rights any data principal will enjoy and enforce, contact details of DPO, recipients of data, data retention and purposes of processing. Examples- website privacy notice, privacy notice hosted at the data collection channels, data entry forms, cookie policy, etc.

Key features of the notice



A notice is required to be presented to the data principal by the data fiduciaries at the time or before collecting the personal data and it must provide a description of what personal data is collected and for what purpose.



The notice has a retrospective effect, which means that for personal data collected before the rollout of the Act, Data fiduciaries shall provide a detailed notice to the data principal and describe what personal data has been collected and the purpose of processing, as soon as it is reasonably practicable.

Consent

Emphasis is placed on data fiduciaries to obtain valid, informed, specific and unambiguous consent from data principals before processing their personal data. This consent has to be explicit, granular and requires affirmative action from individuals before their data is collected. This is the Opt-in mechanism of consent. Although DPDPA does not distinguish between opt-in and opt-out, the "explicitness" of consent warrants this to be an "opt-in" kind of consent. Opt-out consent assumes that users have consented to data collection unless and until they choose to explicitly "opt-out". Examples: Cookie preferences of customers can be recorded through cookie banners.

Key features of Consent



It is imperative for the data fiduciaries to raise a request for consent in plain and clear language with the contact details of the DPO.



The Act also focused on the right to withdraw consent and the ease of withdrawal. It shall not affect the lawfulness of the processing.



The Act has made room for a 'Consent Manager' as a registered entity to give, manage, review and withdraw consents on behalf of the data principals.

Value Chain - Focus Areas	DPDP applicability	Personal Data Categories
Data Collection at online websites, mobile applications, in-store data collection when customer visits	<ul style="list-style-type: none"> • Privacy Notice • Privacy Consent 	<ul style="list-style-type: none"> • Consumer Data • Derived Data • Payment Card details • Govt. Issued identities • Cookies
Customer Registration	<ul style="list-style-type: none"> • Security of Processing 	<ul style="list-style-type: none"> • Consumer Data
Customer registration are done at the sales counter/billing desk using personal information (PI). PI is entered in Billing and Customer Relationship Management system	<ul style="list-style-type: none"> • Data minimization • Grievance redressal mechanism 	<ul style="list-style-type: none"> • Consumer preferences • Derived Data • Payment Card details • Govt. Issued identities
Customer order processing		<ul style="list-style-type: none"> • Consumer data
Customer order is processed from warehouse and handed over to delivery partner	<ul style="list-style-type: none"> • Purpose Limitation • Data Minimization • Security of Processing 	<ul style="list-style-type: none"> • Consumer address details • Consumer payment details • Customer Behavior data
Delivery of customer order to desired location	<ul style="list-style-type: none"> • Secure Access • Data Leakage Prevention • Encryption, Masking etc. 	<ul style="list-style-type: none"> • Consumer Data • Consumer preferences
Customer support	<ul style="list-style-type: none"> • Data transfer 	
Post sales service and support is provided for any servicing or support queries	<ul style="list-style-type: none"> • Data retention and deletion • Third Party Risk Management 	<ul style="list-style-type: none"> • Consumer Data • Consumer preferences

Data Creation Touchpoints			Data Processing and Usage	Data Storage and Reporting
E-Commerce	FMCG	Retail		
• E-Com Portals	<ul style="list-style-type: none"> Sales showroom E-com portals 	<ul style="list-style-type: none"> Retail Store Billing Systems 	<ul style="list-style-type: none"> AI-ML business intelligence based platforms Applications and ERP Third party data processors and sub processors 	<ul style="list-style-type: none"> ERP Cloud/ Servers Third party cloud service providers Shared Drives
• Web/ Mobile/ Kiosks	<ul style="list-style-type: none"> Billing Systems Point of Sale Distributors 	<ul style="list-style-type: none"> Point of Sale Distributors 		
Billing and Customer Relationship Management (CRM) systems			<ul style="list-style-type: none"> Consent management platform Validation of Aadhar and PAN by C-KYC organizations Storage of customer details 	<ul style="list-style-type: none"> Cloud/ Servers
Order Management System, Dealer Management System, Payment System			<ul style="list-style-type: none"> Storage of customer details Storage of payment details Sharing of personal data with partners and delivery vendors 	<ul style="list-style-type: none"> ERP Cloud/ Servers Third party cloud service providers
Distribution, Empanelment and Transportation		Order fulfillment		<ul style="list-style-type: none"> Cloud/ Servers
Post sales servicing or support queries		Customer services		<ul style="list-style-type: none"> Third party cloud service providers ERP CRM Cloud/ Servers Third party cloud service provider

Privacy by design

A proactive approach for data protection emphasizing on incorporating privacy considerations into the design and development of systems, products and services from the

outset of application and platform development. This concept is rooted in the idea that privacy should be built into a system's architecture, rather than being an afterthought.

Key principles of privacy by design

1. **Proactive, not reactive:** Privacy should be considered at the earliest stages of development, not as an add-on after the system is built.
2. **Privacy as a default setting:** Systems should be designed to protect privacy as the default, with user consent required for data collection and processing.
3. **Privacy as a continuous process:** Privacy should be an ongoing concern, requiring regular review and updates as systems evolve.
4. **Security by design:** Privacy and security should be integrated from the beginning, ensuring that data is protected from unauthorised access and misuse.
5. **Openness by design:** Transparency and accountability should be built into systems to foster trust and facilitate privacy compliance.
6. **Accountability by design:** Clear responsibility for data protection should be assigned within organisations.



Impact of DPDPA on personal data processing and sharing activities

Since protecting privacy was not regulated in India, this has become a key topic for organisations in their technology roadmap; these are the few challenges that we have come across in supporting organisations in their privacy journey.

- 1 Insufficient privacy governance and key personnels managing the data privacy embedded within organisations
- 2 Lack of appropriate data discovery, quality, governance and management tools to manage and govern data and its uses
- 3 Lack of comprehensive data encryption, access management and application security
- 4 A platform to manage consent and data subject rights is not present. Consents are deemed implicit consent rather than prescribed explicit and granular consent
- 5 Appropriate safeguards over data sharing with third parties, vendors and partners are not in place
- 6 Organisations have less security control over their vendors and third-party service providers. Organisations lack a comprehensive third-party risk management programme
- 7 Privacy by design adoption is still in its infancy. Organisations do not adhere to privacy-enabling techniques unless and until there is a regulatory requirement to do so
- 8 Organisations have embarked on the adoption of LLM and SLMs for their AI engines and are using raw data with personal data attributes in an insecure manner for large-scale processing of data

Way forward

The Digital Personal Data Protection Act will enforce data protection measures on the FMCG, e-commerce and consumer retail industries processing personal data. Due to the lack of any other applicable regulation/legislation, DPDPDA will become a baseline guide for the protection of data. The penalties alone will lead to organisations evaluating their risk to customer data and privacy over and above their existing risk management processes. Meanwhile, guidance from the Government has been pending for a long; it will only make a case for all the technology owners, CISOs and DPOs to make a case for investing heavily into privacy enabling/ enhancing technologies, consent management platforms and ultimately incorporating privacy by design philosophy in their development programme. DPDPDA implementation should see a positive trend in organisations adopting and quite possibly developing their own data protection standards. Organisations may also foster some R&D towards advanced data protection measures that would also enable them to use the existing data set of customers present with them in a more privacy-focused manner. DPDPDA rules will focus on criteria for significant data fiduciaries, consent manager roles, data protection authority formation, and, most importantly, a guideline for managing the consent of minors.

A single important aspect of the rules will be the date for Compliance with DPDPDA, which should be taken very seriously by all organizations. Typically, an organisation should kick start their DPDPDA compliance journey. This journey would involve conducting a data discovery exercise, setting up privacy governance and management structures, onboarding the right tools for managing customer consent, right to access data, grievance management, encryption and embedding consent managers and Data protection officers (only for significant data fiduciaries) within their respective organisations. This consumer sector will encounter two scenarios

1. Large organisations may be classified as Significant data fiduciaries, the mandate will be to appoint a DPO, conduct a privacy impact assessment, ensure data visibility, protection & security, and honour customer preferences and consent, appoint a consent manager and ensure a robust privacy governance structure
2. Medium to small organisations are classified as data fiduciaries, the mandate will be to ensure data visibility, protection & security, and honour customer preferences and consent, appoint a consent manager and ensure a robust privacy governance structure



Government initiatives to boost spending

Consumer spending, which accounts for 60.4 percent of the GDP, is a pivotal factor for sustained economic growth²⁶⁹. Recognising this, the Indian government has implemented a series of policies to stimulate overall consumption, particularly focusing on rural areas.

Budget initiatives so far

Initiatives to boost consumer spending (the demand side)

The budget for FY 2024–25 introduced several targeted measures to increase employment and income levels significantly. These measures, including tax reductions, initiatives to boost farmer income and employment-linked incentives, are expected to enhance consumer spending and drive economic growth. We categorise the policy initiatives as

1. Measures to increase purchasing power, which are direct support to consumption:-

- **Increase personal income tax relief:** The government increased the standard deduction from INR50,000 to INR75,000 and provided tax exemptions for incomes up to Rs 7 lakh under the new tax regime.²⁷⁰ This significant tax relief will increase disposable income for the middle-income group, enabling greater spending on essentials, FMCG, retail and other consumer goods. Thus, it will boost overall consumption and contribute to economic growth.
- **Enhance farmer income:** The Union Budget 2025 emphasized natural farming and the cultivation of climate-resilient crops to cut costs and enhance yields, thereby improving farmer incomes. Investments in post-harvest infrastructure, such as the Agriculture Infrastructure Fund and PM Kisan Sampada Yojana, will likely strengthen market access and increase farmers' spending capacity.²⁷¹

2. Measures to boost jobs and skills, which are indirect support to consumption:

- **Create employment opportunities:** The government has introduced three employment-linked incentive schemes: direct benefit transfers for first-time

employees, incentives for manufacturing job creation and support for new worker hires. With a total allocation of INR1.1 trillion, these initiatives are expected to increase disposable income, drive demand for goods and services and stimulate economic growth.²⁷²

- **Invest in rural development and infrastructure:** A substantial INR2.7 trillion has been allocated for rural development to improve living standards and consumption.²⁷³ This includes investments in natural farming, crop insurance and agricultural research to boost productivity and reduce costs. Additionally, investments in rural infrastructure, education, healthcare and digital connectivity are being increased with (one of) the objective of creating jobs, raising incomes and stimulating rural demand.
- **Expand National Infrastructure Pipeline (NIP):** The government has increased infrastructure spending, with capital outlay rising from INR3.4 trillion in FY20 to INR11.1 trillion in FY25.²⁷⁴ Given the strong multiplier effect infrastructure spending has on job and income creation, this sector has had strong growth in job creation. With a focus on building roads and highways in relatively less connected and developed regions (such as the North-East regions and Bihar, among others), this budget has ensured that job creation is more broad-based and inclusive.
- **Support MSMEs:** Recognising the crucial role of MSMEs, which create 60–70 percent of employment in the economy, the government enhanced support for these businesses to stimulate growth and jobs.²⁷⁵ The budget raised MUDRA loan limits for borrowers from INR10 lakh to INR20 lakh and introduced a credit guarantee scheme covering up to INR100 crore per applicant.²⁷⁶ Easier access to finance will help improve cash flows and help MSMEs scale up.
- **Invest in skills:** To address workforce skill gaps, the government has allocated INR60,000 crore to train 20 lakh youth through 1,000 industrial training institutes and INR63,000 crore for internships in 500 top companies, benefiting over one crore youth over five years.²⁷⁷ These measures aim to create jobs among fresh graduates and youth, thereby boosting India's demographic dividend.

Initiatives to support consumer businesses (the supply side)

In addition to supporting the consumption demand side, the government has implemented measures to ensure affordable and equitable access to consumer goods by incentivising businesses to boost production and improving the ease of doing business.

1. Reduce input costs

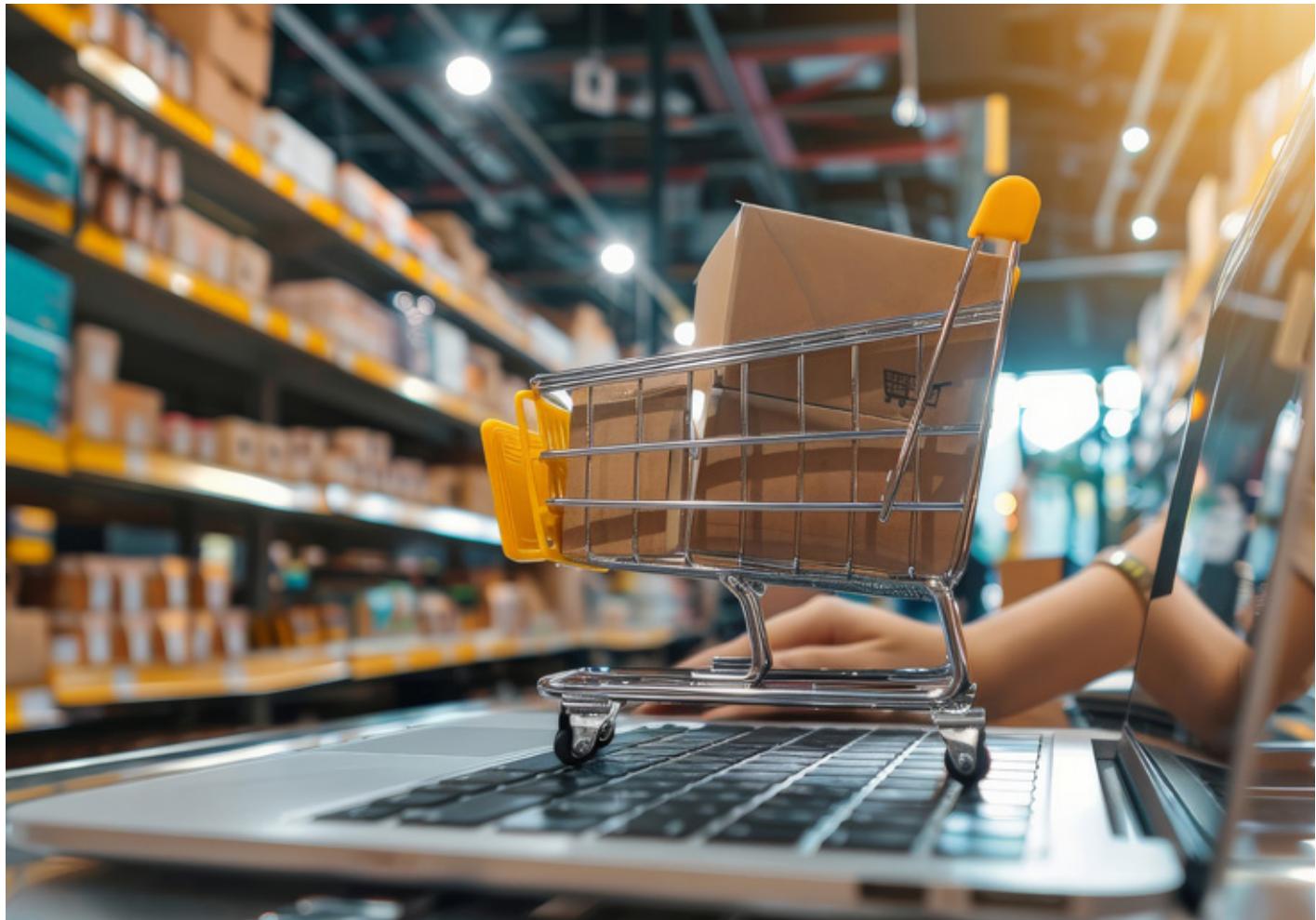
- **Announced exemptions on leather, textile and footwear exports:** The government has announced exemptions on wet white leather, crust, finished leather and accessories for textile and leather garments and footwear exports.²⁷⁸ These exemptions are expected to reduce production costs for manufacturers, leading to lower consumer prices and stimulating demand through increased variety and customisation.
- **Implementing customs exemption/reduction on critical minerals:** Reductions in Basic Customs Duty (BCD) on critical minerals and oxygen-free copper for high-tech electronics will likely lower raw material costs and production expenses.²⁷⁹ These cost savings may even be passed on to consumers through reduced prices for high-tech products.

2. Boost to exports

- **Reduction in BCD:** Reducing BCD from 30 percent to 10 percent on real down-filling material used in manufacturing textile and leather garments for export is expected to lower production costs and make Indian products more competitive internationally.²⁸⁰
- **Establish e-commerce export hubs:** Establishing e-commerce export hubs through public-private partnerships (PPPs) will enable MSMEs and traditional artisans to access international markets.²⁸¹ This initiative aims to improve market access, increase exports and provide consumers with a broader range of products, potentially leading to lower prices.

3. Support to R&D

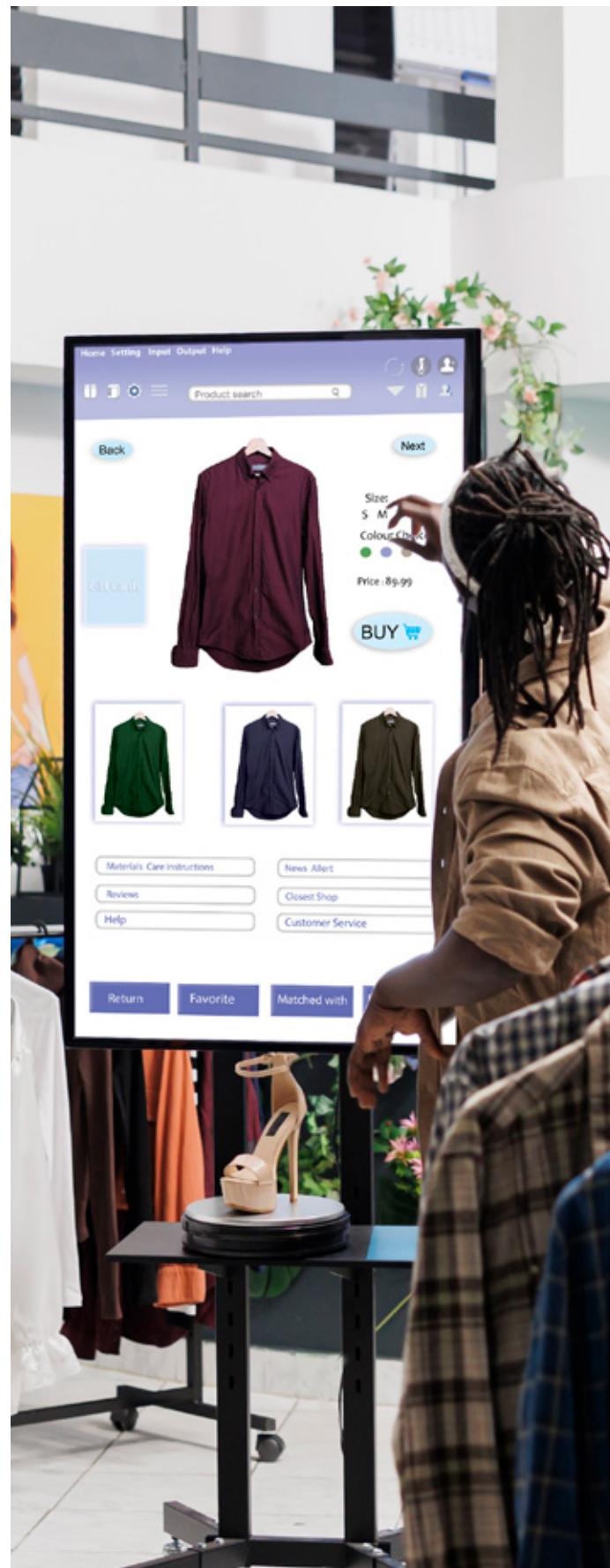
- The Union Budget 2025 focuses on enhancing R&D through the Anusandhan National Research Fund and a INR1 trillion financing pool for private sector R&D.²⁸² These investments are expected to drive innovation, increase production and ultimately boost consumer spending by advancing technologies and improving productivity.



Looking ahead: The next steps

To ensure a long-term boost to consumer spending and rural demand, the government will need to implement focused reforms and policy changes. Some of these measures could be

- **Control inflation:** High prices can erode consumer confidence and reduce spending. Policymakers can improve the supply chain by improving infrastructure connectivity, providing technical assistance to farmers to increase agricultural production and reducing dependence on critical imports.²⁸³ Effective inventory management can help minimise losses due to spoilage for perishables.
- **Boost credit access:** Reducing interest rates on loans and digitising the lending process can make borrowing more affordable for consumers and investors. The RBI can incentivise banks to offer preferential rates for home loans, education loans and loans to small businesses. Allocating a portion of loans to priority sectors such as agriculture and education can also stimulate economic activity in rural regions.²⁸⁴
- **Implementing tax incentives:** Lowering income taxes for middle and lower-income brackets can increase disposable income and stimulate consumption.²⁸⁵ Targeted tax breaks for specific goods or services, such as appliances or electronics, can further encourage investment and spending.²⁸⁶ Tax holidays for specific consumer industries or regions can attract investment and boost production and innovation in certain goods subsectors.²⁸⁷
- **Improve rural development:** Strengthening rural development through agricultural reforms and agri-tech infrastructure can boost farm productivity.²⁸⁸ The government's initiatives, such as Pradhan Mantri Kisan Samman Nidhi (PM-KISAN), National Rural Livelihoods Mission (NRLM), and National Rural Health Mission (NRHM), have shown promise.²⁸⁹ Effective execution and transparency are crucial, along with implementing land reforms, upgrading irrigation systems, and fostering rural entrepreneurship.
- **Ensure social security access:** Strengthening social security programs can provide a safety net for vulnerable populations, encouraging spending rather than saving. Successful social security initiatives such as the Pradhan Mantri Jan Dhan Yojana (PMJDY) for



basic banking, the Pradhan Mantri Awas Yojana (PMAY) for affordable housing and the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) for farmer income support should be expanded and made more efficient through better service delivery and simplified application processes.²⁹⁰

- **Enhance financial literacy:** Financial literacy helps consumers make informed spending and saving decisions. Government initiatives such as the National Financial Literacy Mission should be integrated into educational programmes and supported by nationwide campaigns and digital resources.²⁹¹

Similarly, for goods producers, the government will have to focus on attracting investment by improving the ease of doing business, enhancing service delivery and increasing technology adoption.

- **Streamlining processes:** Simplifying regulations and procedures can improve the ease of doing business. Implementing an online single-window system for permits, licences and approvals can reduce time and costs.²⁹² Steps taken include implementing the Goods and Services Tax (GST), streamlined environmental clearances and promoting digitalisation. The government could streamline regulations further, enhance digital platforms for permits, reduce bureaucratic red tape and offer targeted incentives.²⁹³
- **Foster innovation:** Tax incentives and subsidies for R&D in FMCG and retail sectors could encourage innovation.²⁹⁴ The government can facilitate partnerships between businesses, academia and research institutions, offer training in innovation management and support patent filings and IP protection.²⁹⁵

- **Promote sustainability in consumption products:** Policies encouraging retail and consumer companies to introduce a range of natural and organic personal care products will also be a big step towards sustainability.²⁹⁶ Policies such as promoting certification schemes for sustainable products, incentives to manage the lifecycle of their products, including recycling and disposal, developing and enforcing standards for product sustainability and launching public campaigns to educate consumers can encourage growth in sustainable products and choices for consumers.^{297 298}
- **Enhance supply chain efficiency:** The Indian government has implemented reforms such as the National Logistics Policy, improved infrastructure through PM Gati Shakti and provided incentives such as the Production Linked Incentive scheme to enhance supply chain efficiency. These initiatives are great for boosting production and reducing business costs.²⁹⁹ To further improve supply chain efficiency in India, the government can encourage investments in digital infrastructure, expand cold storage facilities, standardise packaging and labelling, promote smart logistics and incentivise R&D in supply chain technologies.^{300 301}
- **Leverage digital marketing:** The government has enabled FMCG companies to enhance their digital marketing efforts by expanding broadband connectivity and offering affordable internet access. Further support could include providing business training and resources, creating incentives for digital adoption and developing digital marketing standards.³⁰²

In conclusion, the Indian government can play a vital role in fostering an environment that is conducive to sustained and broad-based consumer spending growth

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Note: For latest year, conversion factor for INR to USD done using exchange rate of USD 1=INR 83. For historic conversions we have used rates from EIU Viewpoint.

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