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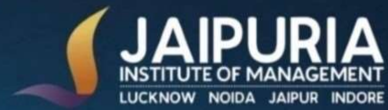

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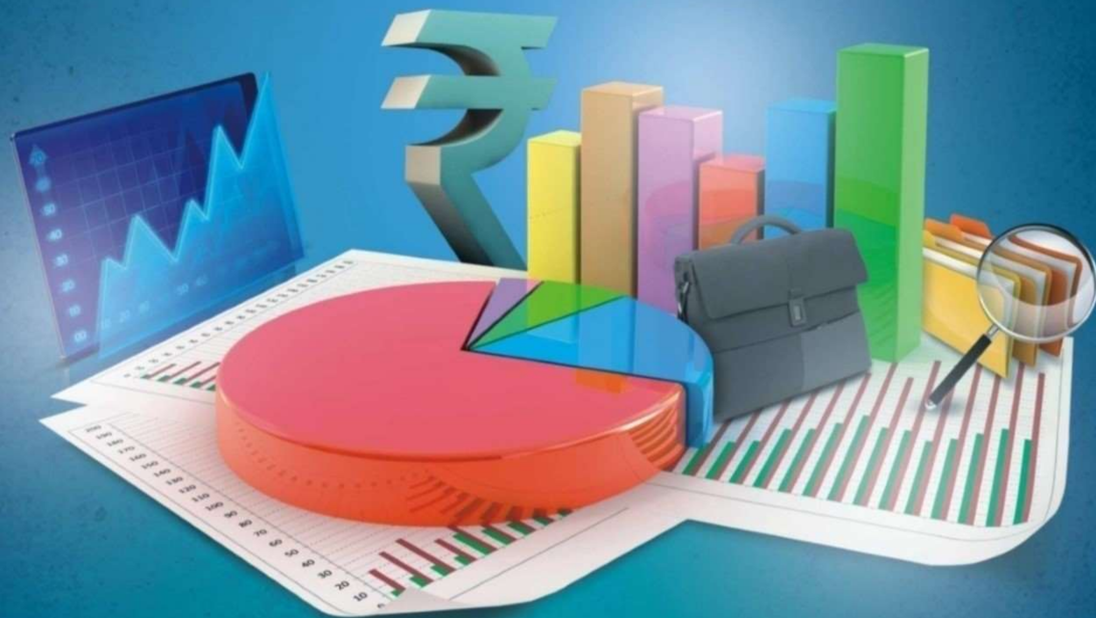
LATEST HAPPENINGS, DEVELOPMENT AND RESEARCH IN MANAGEMENT



Compiled by: **Dr. Jitender Sharma & Mr. Susheel Kumar**

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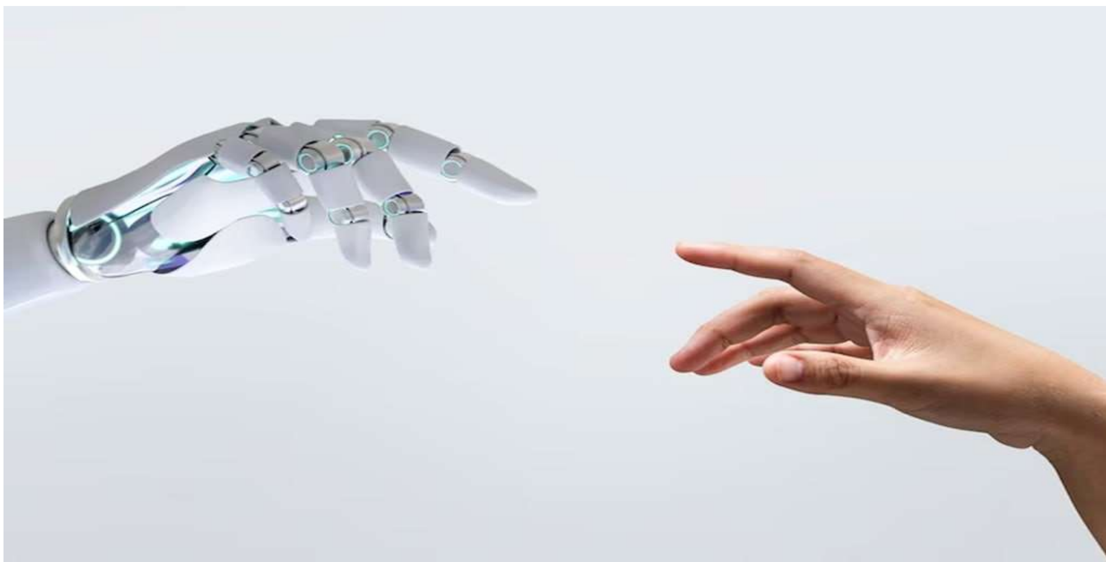
ARTIFICIAL INTELLIGENCE

Virtual companions, real consequences

It is imperative to set up legal frameworks and ethical guidelines that safeguard users, especially those most vulnerable, from unintended consequences of AI.

By Rohit Kumar Singh



The heartbreaking story of Sewell Setzer III, a 14-year-old boy in the US who took his own life after forming an emotional attachment to an artificial intelligence (AI) chatbot on Character.AI, has sparked debates about the ethical and legal responsibilities of AI developers. In the Indian context, this case raises profound questions about how our legal system should respond to similar tragedies involving AI.

AI's role in mental health: A double-edged sword

AI-powered chatbots are increasingly being used as companions, often designed to simulate human interaction and provide emotional support. While such systems

can be beneficial for individuals seeking companionship or mental health assistance, they also pose significant risks, particularly when interacting with vulnerable populations like teenagers.

In Sewell's case, his mother believes that his obsession with an AI chatbot based on a fictional character from Game of Thrones contributed to his mental decline. The chatbot responded in ways that may have deepened his emotional distress rather than alleviating it. This tragic incident highlights the potential dangers of emotionally intelligent AI systems that are not equipped to handle complex human emotions responsibly.

India's legal landscape: A lack of specific regulation

In India, the legal framework surrounding AI is still evolving. Currently, there are no specific laws governing the use of AI in emotionally sensitive contexts. However, existing laws such as the Information Technology Act (IT Act), 2000, and the Consumer Protection Act could potentially be invoked in cases where harm is caused by AI-based applications.

Under the IT Act, intermediaries (which could include platforms hosting AI chatbots) are granted certain protections from liability as long as they do not knowingly allow harmful content or interactions. However, this protection becomes murky when dealing with AI systems that can engage in personalised and emotionally charged conversations. If an AI chatbot were found to have contributed to a user's mental distress or suicide, could the platform be held liable under Indian law? The answer is far from clear.

Negligence and duty of care: Can developers be held accountable?

In India, negligence is typically defined as a breach of duty that results in harm to another person. To establish negligence, it must be proven that the defendant owed a duty of care to the plaintiff; the defendant breached that duty; the breach caused harm or injury.

In the case of AI chatbots, one could argue that developers owe a duty of care to users who may form emotional attachments to these systems. If the chatbot's responses exacerbate a user's mental health issues or fail to direct them toward professional help when needed, this could potentially be seen as a breach of duty.

However, proving causality between an AI interaction and a tragic outcome like suicide is legally complex. In India's current legal environment, it would be difficult to hold developers directly responsible unless there was clear evidence that they had knowledge of the risks and failed to take appropriate action.

The need for regulatory safeguards

India must work on specific regulations governing AI systems' ethical use in sensitive areas like mental health. Potential regulations could include:

• Mandatory safeguards: Developers could be required to implement safeguards in chatbots that detect signs of distress or suicidal ideation, and direct users toward professional help.

• Transparency requirements: Platforms should be transparent about how their algorithms work and what data is being used to simulate emotional responses.

• Ethical guidelines: Just as doctors and therapists are bound by ethical guidelines when dealing with patients, developers creating emotionally intelligent AI systems should follow ethical standards designed to protect users from harm.

Comparing international approaches: Lessons for us

The US, where Sewell's tragedy occurred, is also grappling with how best to regulate AI systems. There are calls for stricter oversight and clearer guidelines on how emotionally intelligent chatbots should interact with users. In Moffatt vs Air Canada, the British Columbia Civil Resolution Tribunal found Air Canada liable for misinformation given to a consumer by an AI chatbot on its website, and awarded damages. India can learn from global examples by proactively introducing regulations that ensure AI systems prioritise user safety — especially when interacting with vulnerable populations like children and teenagers. This could include requiring platforms hosting AI chatbots to conduct regular audits and risk assessments or mandating that these systems include built-in mechanisms for detecting harmful behaviour.

Call for collective responsibility

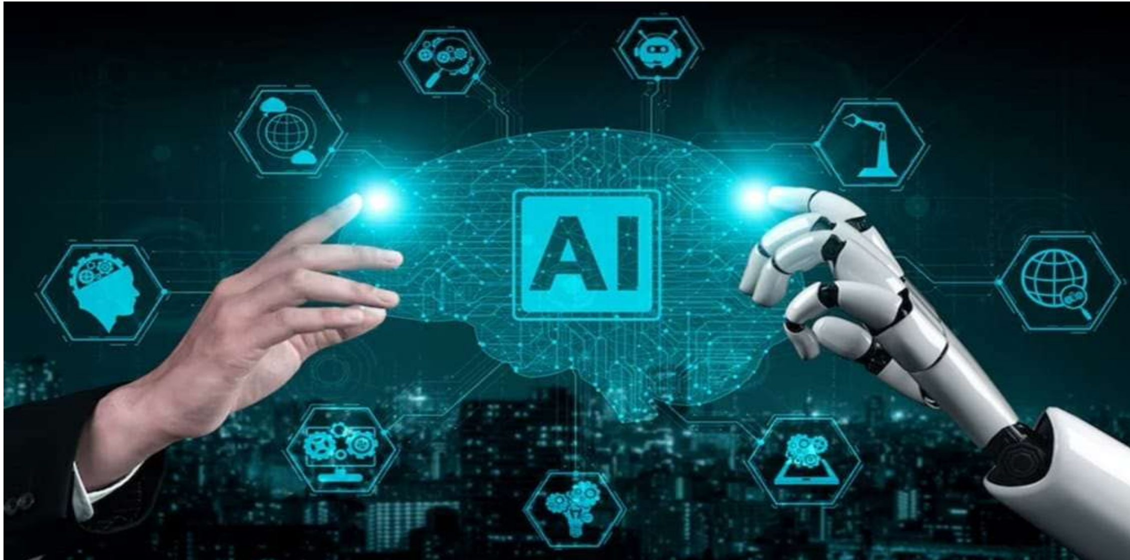
While regulatory frameworks are essential, addressing tragedies like Sewell Setzer III's requires a collective effort from all stakeholders. Parents need to monitor their children's online interactions closely, especially when using emotionally intelligent AI systems. Educators and mental health professionals must raise awareness about the potential risks posed by these technologies.

As we continue integrating AI into our lives in increasingly intimate ways, it is imperative that we establish legal frameworks and ethical guidelines that safeguard users — particularly those who are most vulnerable — from unintended consequences. The tragic death of Sewell Setzer III serves as a sobering reminder of the power technology holds over our lives — and the urgent need for accountability in its development and deployment. (FE02012025)

Budget ‘AI’ for digital skill training

There have always been exaggerated fears of mass destitution with each shift in technology.

Written by Shyamal Majumdar



Eamybeg, Buck, Penrod, Waterboy, and Bellgriffin were the last in their batch to lose their jobs to a big technology transition 103 years ago. According to a blog on Microsoft.com, on December 20, 1922, a sleek motorised engine formally replaced the horse-drawn one, creating an emotional moment for the station crew at New York’s Brooklyn Heights who could do nothing for their equine co-labourers. As horses vanished from a variety of other professions, so did the numerous jobs that relied on the horse economy. In 1890 there were 13,800 companies in the US in the business of building carriages pulled by horses. By 1920, only 90 such companies remained. By some estimates, that number has come down to single-digits now. Even as the horse industry collapsed under the burden of technology, another industry came to life. In 1903, the year Henry Ford founded Ford Motor Company, 11,235 automobiles were sold to Americans. That number went up to millions subsequently.

The US auto industry created new companies and jobs — and a lot of them. That cycle has been never-ending, which is both sobering and encouraging at the same time, especially when it comes to the impact on future jobs. It's sobering because there are so many factors that genuinely are unpredictable in a technology's infancy. It's encouraging because new technology invariably spawns new jobs as industry finds new ways to work with. For example, think of the supplementary industries that were created by automobiles. Filling stations, automobile repair, auto showrooms. And then, of course, the possibilities of living further from work, enlarging your housing by moving out where land was cheaper than it was in the central city. And then vacations. With automobiles, you could go to many more spaces. Or, consider the introduction of the personal computer and then, after it, the Internet, and now, mobile phone-based computing and smartphones, which has destroyed some jobs but created many others. There have always been fears of mass destitution with each sudden shift in technology, but the so-called losers have eventually been absorbed back into new industries. Also, research from the McKinsey Global Institute has concluded that, indeed, the application of these technologies will force millions of workers to acquire new skills, as the jobs they perform are rendered obsolete.

Yet, rapid advancements in the same technologies will create new opportunities for millions of workers, including many less-skilled ones. So when Microsoft chief Satya Nadella says while artificial intelligence (AI) is likely to displace certain jobs, it will simultaneously create new opportunities and facilitate accelerated learning, he is bang on. In a media interview, Nadella suggests that labour markets are dynamic entities capable of adapting to technological advancements. For instance, the World Economic Forum predicts that by 2025-end, AI will have displaced 75 million jobs but will also have generated 133 million new ones. That would be a big relief for a country like India which can't afford job cuts as employment itself is scarce. The Economic Survey of 2023-24 indicated that we need to generate approximately 7.85 million jobs annually in

the non-farm sector until 2030 to harness our demographic dividend. The FICCI-EY Future of Jobs 3.0 Report 2024 has pointed out areas like healthcare and energy which have seen massive changes in the way they function, leading to a surge in demand for tele-medicine specialists, healthcare data analysts, and AI-driven diagnostic experts.

The energy sector's sustainability transition is creating entirely new career paths. Solar energy technicians, smart grid managers, and carbon footprint analysts are becoming integral to the industry. As the Union Budget draws near, the government can draw lessons from successful examples from different countries in Europe on how they helped laid-off workers learn new skills so that they can be re-employed quickly. Take Sweden and Germany. They offer a similarly comprehensive suite of services to help displaced workers transition into new jobs, but they do it differently. In Sweden, it's a private sector-led model, and in Germany, it's done through the government, through public labour agencies. In Sweden, the worker-security councils are a system in which employers pay a small amount per worker into a private fund so that if the company downsizes and a worker is laid off, that individual goes to the worker-security council and they get a whole suite of services. And this is all privately run, but they get job retraining if they need it. They find out where other job openings are, what do they need to do to apply. It goes beyond simply providing income support to actually helping individuals find their next job. Germany has had a very successful government-run system that operates in many ways very similarly. Reforms that were implemented in the early 2000s, the so-called Hartz reforms, have enabled the country to reduce what was a relatively high unemployment rate, over 11%.

The Indian dilemma is well captured in the QS World Future Skills Index 2025 report released last week. The country was ranked second in terms of

preparedness for jobs of the future including AI and green skills, only behind the United States. There are, however, some parameters where India performed poorly. In terms of "skills fit", India scored 59.1, which is the worst among the top 30 countries overall. While the analysis gave India a full 100 marks on account of economic capacity, the country fared the worst when it came to the parameter of future-oriented innovation in sustainability, both of which are sub-parameters under the larger umbrella of "economic transformation". Here, India scored just 15.6 out of 100. In comparison, the G7 countries scored 68.3, EU countries scored 59, APAC countries scored 44.7, and African countries scored 25.4. Overall, India scored 58.3 on this parameter, which is the lowest among the top 30 countries overall. So major public investments are needed for education and skill-based training. This is necessary as employers expect 39% of key skills required in the job market will change by 2030. There should thus be a growing focus on continuous learning, and upskilling and reskilling programmes.

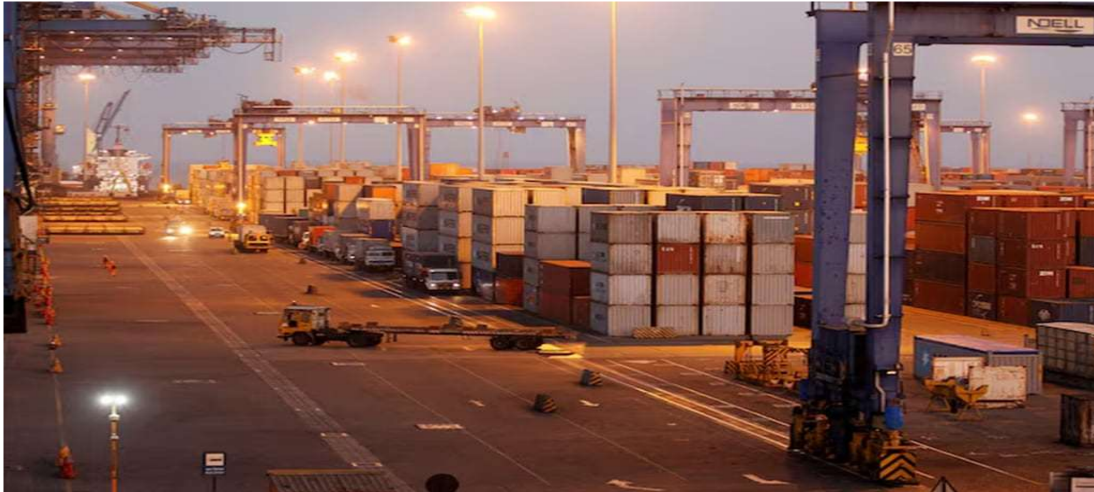
It's a fact that global Google searches for "is my job safe?" have doubled in recent months, as people fear that they will be replaced with large language models. The fear can only be minimised through public investment in digital skills for a large number of people, as well as digital highways that allow regions to participate in new economic opportunities. (FE21012025)

INTERNATIONAL TRADE

Navigating trade challenges

In 2025, India's trade policy should Focus on services, US and joining the CPTPP.

By Amitendu Palit



Indian trade policy needs to prepare for navigating complex challenges in 2025. The challenges will arise from a combination of factors. These include President Trump's assumption of office as the US President; a stagnation in global economic growth and consequent lower demand for manufacturing exports; possibilities of far-reaching political changes impacting trade with major partners; and a lower rate of domestic economic growth.

President Trump's decisions on tariffs will impact prices of various exports to the US. For India too, the tariffs will be meaningful given that the US is its largest export market. If Trump tariffs are levied on several of the US' major trading partners, then an interesting scenario will emerge where these partners will explore ways of circumventing tariffs for accessing the US market. The likely outcome, as already demonstrated by China, will be to relocate production to locations from which exporting to the US won't attract tariffs. India might need to explore similar options too.

Tariffs will impact export competitiveness with US consumers finding the products becoming more expensive. The erosion of market access in the US will be compounded by slower economic growth in many parts of the world and its effect on demand for Indian exports. Some indications in this regard are already

visible through lower growth of traditional "hot" Indian exports like gems and jewellery, and petroleum products. More political turbulence, including changes in governments in India's key export markets in Europe and West Asia, can further affect the prospects of exports. A projected lower level of domestic economic growth will impact capacity utilisation of manufacturing exports, which, as it is, will be impacted by the other mentioned changes.

India's trade policy will need to adjust according to the challenges. One of the most important goals in this regard should be to make trade policy move out of its excessive focus on protecting interests of manufacturing exports. India's service exports are performing commendably. It is time that the trade policy and domestic industrial policy work in tandem to encourage more service exports.

In the foreseeable future, service exports are unlikely to encounter the kind of problems that goods exports are facing. Globally, trade is concentrating more among geopolitically aligned blocks. This tendency will increase as international relations become more fragile and contentious. Unilateral protectionism and reciprocal actions in the form of tariffs and non-tariff restrictions are also going to increase. This will variously impact price competitiveness and market access for manufacturing exports. Furthermore, new frontier measures like the Carbon Border Adjustment Mechanism (CBAM) will spring up across the world, hitting carbon-intensive exports like steel and energy products.

India's focus on manufacturing exports should be selective and on items that can navigate geopolitical currents deftly. Semiconductors, critical minerals, food products, and pharmaceuticals are some of these. Politically, India has worked out alliances with countries with whom it can trade effectively in these items. But non-strategic exports might face access hurdles and start declining. In this regard, trade policy must not be reactive and should take a long-term objective view.

Two specific areas of engagement demand attention. The first of these is with the US. With the US likely to look at trade relations with India exclusively, as it will for all of its partners, India must also do so. While negotiating with the US, defensive interests like recovering Generalised System of Preferences (GSP) shouldn't be the priority. The US Congress hasn't renewed the GSP programme since it expired on December 31, 2020. The possibility of it being restored by the Trump administration is remote. Even if it is restored, for India, which was scrapped of the benefit while it existed, getting GSP-like preferential access will entail large market access trade-offs that would stir domestic discontent. India also shouldn't be obsessed with securing more H-1B visas. The current anti-immigration sentiment in the US is unlikely to see the new government agreeing to a wholesome support of the H-1B scheme. The US big tech's favourable disposition towards Indian professionals should ensure that H-1B continues to remain a source of mobility for the skilled Indian without any overt lobbying.
With the US, however, India must, in the scope of any likely bilateral trade deal, seek to obtain more support for developing integrated global capability centres (GCCs). GCCs are driving the robust growth in Indian service exports and generating domestic jobs. Global US businesses, such as Microsoft, Deloitte, Citi, Amazon, and Walmart, are running GCCs in India. These hubs have the potential to power India's services export growth to new heights by exploiting the synergies with local start-ups in various areas.

It is also time for India to work on joining a high-quality rules-based trade framework like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The framework will provide deep preferential access to three G7 member markets — Japan, Canada, and the United Kingdom (UK). It will also provide similar access to other CPTPP member markets, like Australia, New Zealand, Mexico, Peru, Chile, Singapore, Brunei, Vietnam, and Malaysia, over and above what India currently has through existing bilateral and regional

agreements with some of these countries. The new access can compensate some of the potential access loss in the US market.

The CPTPP is arguably the best example of a 21st century new-generation trade agreement. Its rules will help Indian exports to upgrade and modernise. It will bring new export opportunities, not just for goods, but also for services like financial, business, travel, and miscellaneous, and support further domestic growth of GCCs. Joining the CPTPP should be a priority moving ahead. (FE01012025)

Economics

How 'final' are GDP estimates?

Drawing firm conclusions on GDP numbers based on NSO's first advance estimates is tricky.

Written by Madan Sabnavis

The 6.4% GDP growth estimate of the National Statistical Office (NSO) has drawn myriad responses on the state of the economy. It has now been used as a basis for conjecturing the final numbers which will come out in May. Several forecasters are talking of a scaling down of this number. At times there is a bit of an exaggeration with economists talking of a significant slowdown. A couple of points are relevant here.

The first is that after averaging 8% for the last three years, the growth number this year had to be lower and hence when the government stood by its forecast of 6.5-7% for the year and the Reserve Bank of India (RBI) lowered it to 6.6% in the December policy, it was expected. Therefore, slower growth was already a known fact and the number only was on the table for discussion. Now, the NSO has drawn up these forecasts based on extrapolations. Hence this is just an improvement over what it does at the beginning of the year when there is absolutely no data available and the forecasts are based on models which make several assumptions. This advance estimate is based on the knowledge of the first half of the year or eight months' data for the variables involved. Therefore, it is not based on any specific collation of data from various entities. This year has been unusual as elections were held, which has held back spending by the government and had an impact on private investment too.

But such a forecast is necessary because it has to be used in drawing up the Budget. The revised fiscal ratios will be based on a revised GDP number in normal terms, which will be around `2 lakh crore lower than what was estimated at the beginning of the year. The past is important because for FY26, the GDP forecast has to be made. It can be around 10.5% again, which will then feed into the Budget model where tax ratios are juxtaposed with these GDP numbers.

The Excel files of economists have already run fresh forecasts based on the 6.4% number for both FY25 as well as FY26. The important question here is, how good are the first advance estimates of the NSO considering that they come when only nine months of the year are over and are available for an even shorter period?

To give us an idea, the table provides the forecasts for GDP at four points of time. There is a first advance estimate in January, followed by the second advance estimate in February and the provisional estimates out in May. There is also the ultimate number which comes with a lag of a year — which is what will be seen in any time series chart of India's GDP growth rate.

The first thing that strikes the reader is that the final numbers tend to be at some variation with the earlier estimates. This means that while more data comes in and the assumptions or extrapolations are replaced with actual data, revisions would be made that can lead to different conclusions. In 2016-17 for instance, which was the year of demonetisation, growth was projected at 7.1% on three occasions but ended up at a high of 8.3%.

The final estimates have shown varying patterns compared with the first advance estimate. In four of the seven years, the final numbers were better including 2020-21 during Covid-19. On two occasions, it came in lower while it was spot on for 2022-23. Therefore, it would be hard to ascribe a direction for the final GDP growth numbers based on past data. This is because the revisions would be coming from different sectors at various points of time. Therefore, it may be difficult to assume that the final number will be better though it is tilted in this direction based on the seven observations.

In fact, even the May provisional estimate may not provide the certainty in the estimate as data is still in the process of being absorbed. In the last four years, the

provisional estimates were better than the first advance estimates on three occasions.

Therefore, drawing any firm conclusions on the final GDP growth numbers based on the NSO's first advance estimates is tricky. The economy has a very large unorganised sector on which data is not readily forthcoming, which leads to several imputations. The goods and services tax has brought about significant progress in terms of formalisation of the economy where several micro, small and medium enterprise (MSME) units have got registered. Similarly, borrowings by MSMEs from the financial system would entail providing data on their finances, which also helps in getting closer to their value addition to the GDP numbers.

It is not surprising that several forecasts have been lowered after the NSO brought out its first advance estimates. There is always a "follower" reaction whenever there is any estimate on growth by either the government, the NSO or the RBI. The rationale would be puzzling given that the economic environment prevailing till January was known and did not trigger any revision in forecasts or even overall view on the state of the economy. It would be of interest to see how the second advance estimates in February would view the economy. (FE13012025)

Boost private consumption

Upcoming budget needs to reset medium-term priorities, focus on human development.

By Janak Raj

The Indian economy is passing through a critical phase. Apart from addressing the immediate challenges facing the economy, the upcoming Union Budget also needs to boost India's growth potential over the medium term by resetting priorities. The following are some of the specific areas which the Budget could focus on.

First, the slowing down of private consumption is worrying, especially because if the slowdown persists, it will further delay the revival of the private capex cycle. It is, therefore, imperative to give a boost to private consumption. The forthcoming Union Budget will do well to provide a significant relief to the middle class, whose purchasing power has been eroded significantly due to persistently elevated inflation of the past few years without hardly any income tax relief. To make up for the loss in revenue, the government needs to focus on improved compliance. It is intriguing that only a small portion of the population (less than 7%) files tax returns.

Second, it is important to continue the fiscal consolidation process, not only to free resources from the rising interest burden but also to create the fiscal space for dealing with any future shock. Even after five years of relentless fiscal consolidation, the debt-gross domestic product (GDP) ratio remains elevated and

requires further reduction in the primary deficit. Alongside, the government needs to continue to improve the quality of expenditure, as it has done in the past, to counter the contractionary impact of fiscal consolidation.

Third, historically, India has prioritised economic growth with a relative neglect of human development. Empirical evidence as well as the experience of many advanced economies suggest that human development plays a pivotal role in economic development. It is, therefore, imperative to place human development at the centre of policymaking. Despite being one of the fastest-growing economies in the world since the several years, India lags its peers in key health and education indicators. Public spending on health (excluding water and sanitation) in India is at an abysmally low level of 1.4% of GDP, and it is nowhere close to the target of 2.5% of GDP set for 2025 in the National Health Policy 2017. While states have stepped up health spending in recent years, health spending by the Centre has stagnated at 0.2-0.3% of GDP in the last 35 years, other than 2020-21 and 2021-22 when health spending increased to 0.4% of GDP. Likewise, India's public spending on education at 4.6% of GDP remains far below the target of 6%, which was first articulated in the National Policy on Education, 1968, and reiterated in all subsequent education policies, including the one in 2020. India cannot be expected to realise its full economic growth potential by ignoring human development. The forthcoming Budget, therefore, is an opportunity to prioritise human development by sharply raising the allocations both for health and education.

Fourth, divestment in government equity in central public sector enterprises (CPSEs) is not only important to unlock their value, but also to raise revenue and reduce the fiscal deficit. The government has always missed the disinvestment targets since 2010-11, other than in 2017-18 and 2018-19. Of 272 operating CPSEs in March 2024, 66 are listed on the stock exchanges. Many of them have now become favourites with investors, with their market capitalisation rising

more than three-fold in three years from Rs 12.2 lakh crore in March 2021 to Rs 37.2 lakh crore in March 2024, following the re-rating of several CPSEs by the market. This excludes public sector banks and insurance companies, whose valuations have also improved significantly. The government needs to take advantage of this to divest equity in them in a calibrated manner, the proceeds of which could be earmarked for spending only on health and education. The government could publicly announce its intention to do so, which can also help blunt any opposition to privatisation. Disinvestment can also create a positive sentiment and help kick-start the private capex cycle.

Fifth, saving is a function of income and saving in a particular instrument is a matter of risk-return perception of investors. Therefore, government policy should be neutral to various savings instruments. However, at present, there are different tax rates and incentives on different instruments such as bank deposits, small savings instruments, life insurance policies, provident funds, and capital market instruments, which distort the risk-return perception of investors. Bank depositors in particular are hugely disadvantaged for several reasons. First, bank depositors pay explicit income tax on deposits at the marginal rate of tax, which investors in most other savings instruments do not. Second, bank depositors also pay implicit tax as banks earn no interest on the cash reserve ratio maintained by them with the Reserve Bank of India and earn less than the market interest rate on government securities acquired to maintain the statutory liquidity ratio. This burden is ultimately passed on to depositors. Third, bank depositors get no benefit of the distinction between short- and long-term investments. While the rationale of such distinction in the case of equity investments is to discourage short-term/speculative investment, such benefits are also available in the case of debt mutual funds. Fourth, bank depositors do not get the benefit of deduction of up to Rs 1.5 lakh under Section 80C of the Income Tax Act, 1961. The Budget needs to provide some immediate relief to bank depositors, which will also help boost consumption. Over the medium term, the government needs to take a holistic

view of all taxes and incentives on various savings instruments with a view to rationalising them to ensure that they do not distort the risk-return perception of investors.

To sum up, it is important to focus on the domestic economy even as we make efforts to navigate the challenges emanating from the uncertain and unpredictable external sector. While addressing the immediate challenges facing the economy, the Budget needs to raise the medium-term growth potential of the economy by prioritising human development. (FE01012025)

FINANCIAL TRADING SYSTEMS

The future of algo trading

SEBI proposal seeks to strike a balance between regulatory concerns and interests of stakeholders.

By Sandeep Parekh

Last month, the Securities and Exchange Board of India (SEBI) proposed significant changes to its framework governing algo trading. To recap quickly, algorithmic trading, or algo trading, refers to any trading activity that automates trades, and does not require manual intervention to place any orders, or monitor prices.

There are two ways in which one can carry out algo trading. The straightforward method is to use the algorithms provided by the stock broker. The other route is through application programme interface (API), which enable electronic systems to connect with each other. Think of it as a data pipe which carries your algorithm. APIs enable the transmission of information, and as a result, a third party can create a code that will execute itself on the broker's platform.

In the context of algo trading, third parties provide their algo on say, platform X, which is connected to the broker's platform through an API. Thus, orders placed by the client on platform X get passed on to the broker. Now, while a broker can identify that an order is coming in through an API, it cannot verify that the order is an algo order.

In 2021, concerned with the rise of unregulated algos, SEBI proposed to treat all API orders as algo orders. This was a flawed departure from its mission to encourage innovative and digital solutions in the securities market, as the regulator's proposal would have saddled connectivity between brokers and other sophisticated players linked to them for non-algo purposes. It appears that the proposal has been scrapped, and after extensive consultations with the industry, a more practical approach has been proposed. With respect to API orders, SEBI has suggested that an order per second (OPS) threshold be specified, and that all API orders above such threshold would be treated as algo orders.

Second, SEBI has proposed to bring "algo providers" (APs) within the regulatory ambit. These would be agents of stockbrokers, similar to the present "authorised person" or the erstwhile sub-broker concept. APs would also have to register with the stock exchange and get their algos approved by the exchange. This would ensure that the broker is responsible for customer grievances, and the redress mechanism deployed by SEBI would be available to AP clients. Individuals who design their own algos would also have to get them approved by the stock exchanges through their broker.

The regulator has also sought to categorise algos into white box and black box algos. White box algos, also known as execution algos, are those which execute orders based on fully transparent algorithms, where the logic, decision-making processes, and underlying rules are accessible and understandable to users and replicable. Black box algos are those whose logic is not known to the user and is not replicable. For providing black box algos, one would be required to register as a research analyst, and for each algo a research report would have to be maintained. In case of any change in the algo logic, it would have to be registered afresh, along with a new report.

The proposed framework places significant responsibilities on stockbrokers. They would have to put systems in place to detect, identify, and categorise all orders above the specified OPS threshold as algo orders. They would also have to ensure that they can distinguish between algo and non-algo orders. Further, brokers would no longer be permitted to offer open APIs, to ensure identification and traceability of the vendor and end user. Whether such restrictions are required in view of measures like the OPS threshold may require more thought. APIs have uses beyond algo trading. The proposed circular should not stand in the way of such use cases.

The stock exchanges would also have to do a fair bit of work. First, they must define the roles and responsibilities of brokers and empanelled vendors, and lay down the criteria and process of vendor empanelment. A turnaround time must be specified for registration of algos, including a fast-track registration for some such as white box algos. Further, the exchanges would have to deploy additional resources. They would be required to conduct post-trade monitoring of algo orders and trades, and put in place a standard operating procedure for algo testing. Further, they must have the ability to use a kill switch to stop malfunctioning algos. They would also have to supervise/inspect that stockbrokers have the ability to distinguish between algo and non-algo orders, as well as issue detailed operational modalities on the roles and responsibilities of stockbrokers and APs, including risk management systems for API orders.

The present proposal thus seems to be more carefully thought out, and seeks to adopt an approach that strikes a balance between the interests of stakeholders and SEBI's concerns. In another positive move, in its last board meeting of 2024, SEBI's board granted approval for the recognition of a "Past Risk and Return Verification Agency" (PaRRVA), which shall carry out the verification of risk-return metrics inter alia for algo trading.

There are still some points which may require rethinking as algo trading picks up, such as SEBI's earlier question of whether an algo should be a facility provided by a research analyst, investment adviser, or a separate class of regulated entities altogether. With the proliferation of artificial intelligence (AI), roles, responsibilities, risks, and liabilities are getting redefined.

However, there are few items that may require consideration soon, if not now. For instance, algos may be designed by AI. Risks that may arise due to such instances must also be deliberated upon, along with the roles and responsibilities

of the elements involved. While there may never be one right answer, and regulation of something as innovative as algos or AI-based algos is bound to create some unnecessary bureaucracy, it is important for the regulator to at least have a grip on something that could have systemic impact on the markets. (FE02012025)

BUSINESS DEVELOPMENT

Strategic alliances with our global Bharatiyas: A boost to Act East Policy

The Global Indian connection in large corporations has been reaping benefits for India, whether in consumer space or in core industries like metals & iron & steel.

By Subrat Tripathy

The 18th Pravasi Bharatiya Divas (PBD) convention to be held in Bhubaneswar from January 8-10 perhaps gives us an opportune moment to look at the Indian diaspora and evaluate its true potential in giving shape to the Prime Minister's dream of a Viksit Bharat.

Estimated to be the world's largest, the Indian diaspora with 35.42 million people residing outside India as of November 2024 includes 15.85 million NRIs and 19.57 million PIOs. It has a significant impact on India's economy, contributing around 3.5% of the country's GDP through remittances. In 2023, India retained the top spot with remittances of $120 billion, nearly two times ahead of Mexico ($66 billion) and China ($50 billion). Remittances are critical for any country since they help cushion the adverse impact of any fall in foreign direct investment

and higher trade deficit. For India too, the steady flow of remittances has been hugely beneficial and it is estimated to top $124 billion in 2024 and touch $129 billion in 2025.

Apart from the sheer numbers, what also works in India's favour is the diverse composition of these remittance inflows which is predicted to provide steadiness in case of economic downturns. The United States, United Kingdom, and Singapore, which collectively account for 36% of total remittance flows to India, are the primary destinations for highly skilled Indian migrants in the IT and services industries. The UAE accounted for 18% of India's remittance flows while Saudi Arabia, Kuwait, Oman, and Qatar, collectively accounted for 11% of India's total remittances.

The diversification of India's migrant pool, between a large chunk of highly skilled migrants working in high-income OECD markets and less skilled migrants in the GCC markets, could impart stability to remittance inflows in the event of external shocks.

Leveraging Connections

Based on the theme "Diaspora's Contribution to a Viksit Bharat", the PBD convention is expected to witness 7,500 participants, including NRIs from more than 50 countries. The Pravasi Bharatiya Samman Awards will be conferred by the President of India.

However, even as the optics is focused on celebrating successful Indians abroad, it is perhaps time we move a step ahead and turn our attention towards the real 'equity' that they can bring in. While it is important to drum up noise on the inflow of funds, we would do well to look beyond finance. The first step would

be to identify the qualities and traits that we need to harness and imbibe from these successful people.

Once we engage with them to enlist the skills that set them apart and contribute to their success, we can request them for guidance and mentorship in developing a training programme and impart the required expertise to aspiring youth and talented entrepreneurs. Transferring new knowledge and skill, leadership training, sharing of experiences, creating new businesses, and spurring entrepreneurship would be some of the notable benefits from these exchanges.

Such conventions also offer networking opportunities to the Indian community across the world to share their experiences in various fields. We need to ensure how India gains from these interactions, leverage their goodwill and professional network to work out deals in India's favour. Diaspora can help act as valuable bridges between their adopted countries and their homelands, facilitating strategic connections.

The Global Indian connection in large corporations has been reaping benefits for India, whether in consumer space or in core industries like metals & iron & steel. In newer and more challenging segments like semiconductors, EVs, AI, and Renewable Energy too, it can help India grab the right investments. In this, Global Indians have an important role to play telling the world about the new India that is emerging. Perception about India has changed, more so in the last couple of years. The China-plus-one strategy that promises to transform India into a manufacturer for the global markets is one of the primary reasons prompting many foreigners to look at fruitful work stints in India.

Act East

Finally, the PBD convention aligns with India's 'Act East Policy,' aimed at fostering economic and cultural ties with Southeast Asia. In many ways,

Bhubaneswar provides the perfect backdrop for the grand event. Rich in natural resources, Odisha's strategic coastal location and its growing prominence as a metal & mining hotspot, tourism hub, its port-based infrastructure has generated a lot of enthusiasm.
With its natural deep-water ports, including Paradip, Dhamra, and Gopalpur, Odisha is poised to emerge as a major maritime hub, driving economic growth, generating employment, and boosting trade. By leveraging its port infrastructure, Odisha can unlock its vast potential in industries such as manufacturing, logistics, and tourism, propelling the state towards a prosperous and sustainable future.

This needs to be transformed for action on the ground. No wonder, the Chief Minister of Odisha Mohan Charan Majhi called it a pivotal moment in the state's journey to become a hub for global investment and cultural exchange. Let Odisha show the way! (FE08012025)

CONSUMER BEHAVIOUR

Re-shaping the consumer behaviour

High fintech adoption isn't just a trend but a game changer in India; three 'S's will define 2025 for the sector — security, sustainability, and scalability.

By Akash Sinha

When you walk up to your local store to buy groceries for the week, chances are you'll likely reach for your phone and not your wallet when you make a payment. Truthfully, you're probably no longer walking up to a store but placing an order with the same phone on an app. Payments and shopping habits in India have had a paradigm shift.

Today, the Indian consumer across tiers is shopping for their daily, monthly, and even large yearly purchases online. To now reach one of the fastest-growing consumer bases in the world, businesses catering to Indians have few options but to go digital.

In a country like ours, where financial inclusion rates still lag behind global counterparts, high fintech adoption, which brings access and choice to millions, isn't just a trend but a game changer. By adding more people into the fold of digital India's promise, fintech has moved from being an enabler of convenience to an active financial partner — for people, businesses, and the economy.

Consider its impact with the rise of embedded finance, a trend we will see grow in 2025. With financial products increasingly becoming available on non-financial platforms, fintech can reach people who previously may not have had easy access to financial services. This could be the large audience on ride-hailing apps, food delivery apps, or even e-commerce platforms. By bringing new fintech features to where digital consumption already exists, embedded finance can make transacting in the digital economy an omnichannel experience. Some estimates peg the potential of the embedded finance market at $320 billion in revenue by 2030.

Similar potential is true for India's cross-border payment ecosystem as well. Until now, the movement of money internationally through India has been a fairly complicated process. However, the recent payment aggregator cross-border

licensing framework introduced by the Reserve Bank of India promises to simplify this process. In turn, we can expect a seismic shift in how India interacts with the world with respect to consumption. For Indian entities, this means no longer limiting their ambitions to immediate markets but instead taking their business to the world with ease — a great move to improve competition. On the other hand, for Indian consumers, this translates to increased choice, with global businesses being able to reach them with seamless international payments. By 2030, India's cross-border e-commerce market is projected to reach $2 trillion — a prediction fuelled by growing consumer demands and a large appetite for international payment solutions.

However, this demand and rise of online consumption hasn't been without challenges. As of last year India, saw 1.1 million registered cases of financial fraud. Also, with India being one of the top victims of identity fraud globally, there's a need to secure consumer privacy and trust in digital services too. Growth, ultimately, would be less meaningful without sustainability and security. One of the ways this will manifest in 2025 is with fintech companies indexing heavily on verification products and sophisticated fraud risk detection systems. Fintech companies are also at the right touchpoint — connecting businesses to customers through payments — to play a crucial role in the digital security ecosystem. We are already seeing businesses gravitate towards proactively using security measures to mitigate risks. But what will come to make fintech security products promising is the fact that artificial intelligence, leveraged for scanning transaction data in real time, can also learn in real time, thereby evolving with changing fraud tactics.

As businesses across the country navigate this rapid, vibrant landscape, they're also realising that consumers with digital savvy want more customisation in their payment experience. At the end of the day, when consumers can buy what they want when they want to, they would also like to pay how they want. This often

leads to businesses having multiple payment integrations on the back end leading to reduced operational efficiency. It's at this stage that payment orchestration platforms become indispensable. In India, the market size for payment orchestration platforms is expected to grow at a compound annual growth rate of 25.7% from 2024 to 2030. In essence, these platforms help businesses manage multiple payment integrations while significantly reducing costs. They also increase success rates by directing transactions to the most suitable gateways, reducing overall payment failures. Whether the business is in the direct-to-consumer segment, an enterprise, or an e-commerce entity, payment orchestration adds an edge by helping them be consistently successful with their payments.

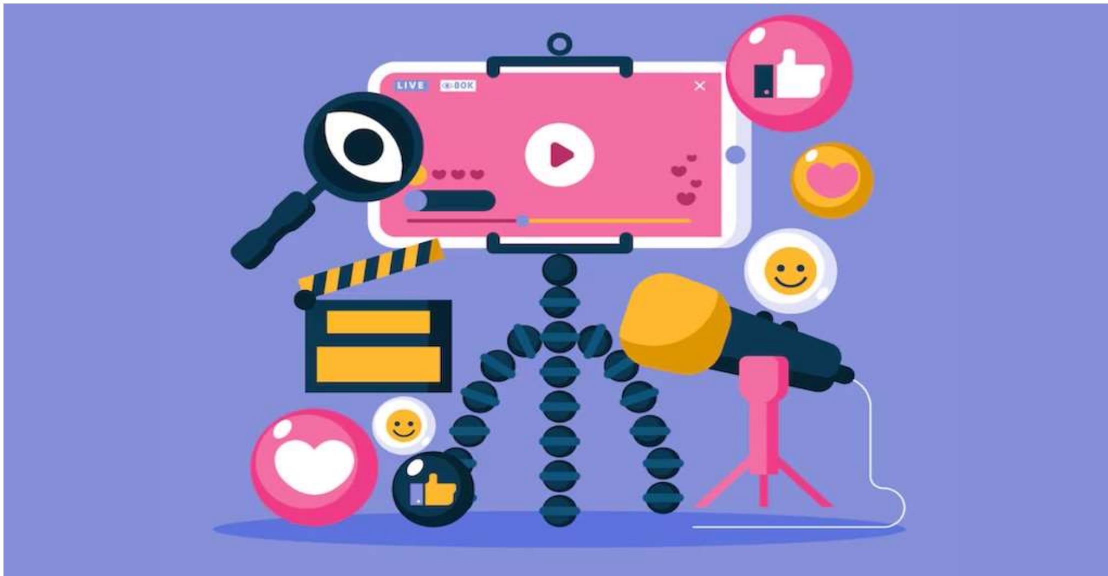
There are few ecosystems in India's tech landscape that have seen multiple inflection points for growth the way fintech has. As we step into 2025, the sector has a choice to make on how they supplement this high growth with the 3 'S's of a maturing space — security, sustainability, and scalability. With trends leaning towards building on access, inclusion, and better experiences, in 2025 fintech entities have a real opportunity to fully grow into the role of partnership that communities, businesses, and governments have trusted them with through the last decade. (FE09012025)

ADVERTISING MANAGEMENT

Why do ads follow you online?

Welcome to the world of behavioural retargeting, where your online actions are the breadcrumbs leading advertisers straight to you.

Written by Gopika Nair



Have you ever had the eerie sensation of the internet reading your mind? You browse for a new pair of shoes, and suddenly, every website you visit bombards you with ads for that pair. Coincidence? Hardly. Welcome to the world of behavioural retargeting, where your online actions are the breadcrumbs leading advertisers straight to you. “We tailor our targeting to reach specific audiences by analysing interests, behaviours, past interactions, and purchase history. Our ad strategy focuses on both attracting new customers and retaining existing ones. We use tools like Meta Suite and Google Ads to segment audiences and optimise communication, ensuring that our message reaches each group. This method allows us to make data-driven decisions that improve the success of our marketing and overall engagement,” Mihir Jain, sales and marketing director, Insight Cosmetics, told Brand Wagon Online.

Suspect 1: Cookies

It all starts innocuously enough. You visit a website, perhaps eyeing those sleek sneakers. Unbeknownst to you, that site plants a tiny data file in your browser called a cookie. This isn’t the chocolate chip kind; it’s more like a digital Post-it note that says, ‘This user showed interest in sneakers.’ As you continue your

online journey, this cookie whispers your past behaviour to advertising networks, allowing them to serve you ads related to your previous interests. Furthermore, 70% of online shoppers are likely to abandon their carts, making them prime targets for retargeting campaigns, according to Statista, a market research firm.

Real-Time Bidding

The power behind these ads lies in Real-Time Bidding (RTB), a process that enables brands to bid for ad space on the websites you visit. This auction happens in milliseconds—faster than you can close the tab in frustration. But why invest so heavily in chasing potential customers? Because it works. Retargeting ads boast a 10x higher click-through rate (CTR) than standard display ads, according to AdRoll. By serving ads to users who've already shown interest, brands increase their chances of converting browsers into buyers. After all, it's easier to convince someone who's already intrigued than to start from scratch.

However, the mechanics of retargeting are evolving. Third-party cookies—the backbone of this strategy—are walking on a thin rope, with Google's on-and-off 'situation ship' with these. With consumers questioning the extent of privacy being invaded by third-party cookies, companies are scrambling to develop cookie-less alternatives. Enter first-party data, where brands use insights collected directly from their own platforms, and contextual targeting, which places ads based on the content of the page rather than user behaviour. For example, a fitness blog might host ads for protein shakes, regardless of the reader's cookie trail.

Consumers, meanwhile, are growing warier of being digitally tailed. 81% of Americans feel that they have little control over the data companies collect, as per a 2023 Pew Research study. "This privacy-conscious world no longer appreciates brands learning about them through such a "backdoor." There's

probably an impact for businesses primarily selling advertising at a massive scale, but there are just a few such big players. The rest will benefit far more from a solid first-party strategy, which begins with having a good CDP," Raahul Seshadri, director – Engineering, Web Engage, said. In response, regulators have stepped in with privacy laws like the General Data Protection Regulation (GDPR) in Europe and the Digital Personal Data Protection Act (DPDP Act) in India. So, the next time you spot an ad for the blender you googled last week, remember it's not your device spying—it's martech doing its job. Whether you find it creepy or clever, retargeting ads are a testament to the digital age's unmatched ability to merge technology, psychology, and commerce.

As the industry races towards a privacy-conscious future, one question will linger: Will ads still feel this personal, or will they finally give us some breathing room? For now, the only certainty is that your browsing history isn't as private as you think. (FE09012025)

MARKETING MANAGEMENT

Why 2025 will be the year of hyperlocal

In recent years, the Indian consumer landscape has undergone a remarkable transformation, powered by deep mobile and internet penetration.

By Sandeep Singh

By Sandeep Singh

The landscape of Indian consumers has evolved significantly. Heightened internet penetration has blended digital activities with physical experiences, giving rise to 'phygital' journeys. Customers today explore products online, and find easily accessible offerings to meet their multifaceted needs, leading to potential queries and purchases. This surge in customer involvement in the digital last mile has prompted brands to focus more dedicatedly on personalized customer engagement which can be achieved by combining stores with the advanced technologies of today while maintaining the warmth of human interactions.

As brands increasingly embrace this shift, a critical question emerges – In the digital-first era, how will physical retail unfold in the coming times? How can brands economically sustain a presence that meets these evolving customer expectations?

Modern Hyperlocal Dynamics – Elevating Customer Experience With Advanced Technology Gone are the days when brands would remain focused on mass marketing, treating everyone the same. Personalization has taken center stage, shifting from a mere strategy to a necessity. Brands, particularly the ones that operate through multi-location retail networks, are reinventing themselves with this philosophy. They are aiming to offer targeted, frictionless omnichannel experiences that leverage technology to strengthen customer understanding and enrich human connections, with delightful engagement overall. Local market penetration is now about precision, not just scale.

The increasing availability of advanced capabilities such as various forms of Artificial Intelligence (AI) is compelling retailers and multi-location brands to explore innovative ways to enhance personalization and customer experience. Today, easy-to-use technology is making it simpler for retailers to evaluate

trends, improve customer engagement, and gain a competitive edge in crowded local markets.

Looking Towards 2025 – Enhanced Engagement, Nuanced Segmentation, Tangible Growth

India's digital ecosystem is reshaping the way brands and customers interact and perceive one another, creating an environment that is both sophisticated and deeply personal.

With retailers exploring ways to solidify customer interactions and repeat purchases through the influence of digital infrastructure, brands need to now focus on improving innovation and technology implementation. This requires a holistic approach, ensuring that frontline workers at the local retail level are fully prepared and equipped.

For instance, with access to capabilities such as conversational AI, every retail outlet will be able to ease customer communications, analyze interactions generated through wide-ranging channels, and establish much deeper levels of engagement, eventually developing greater awareness of customer sentiments and concerns, and predictions around potential requirements. It is through the deployment of advanced software, that multi-location brands will be able to further segment their audiences, re-engage them, deliver memorable experiences, and form long-lasting associations.

Given the kind of competition brands face today, there is a distinct need to stay differentiated and unique. This is where capabilities that provide actionable insights and enable data-driven decision-making, can help multi-location brands stay ahead. With access to high-quality data that paints a clear picture of various aspects, brands will be able to segment customers and re-engage them better

through personalized outreaches. While technology becomes the enabler, the store gains new prominence delighting customers at every step of the way. Furthering overall impact, brands will be able to simplify complicated business processes, crack competitive advantages particularly in overcrowded local markets, unlock hidden growth opportunities, and strengthen customer loyalty.

The Next Wave of Digitally-Powered Hyperlocal Marketing In today's hyper-competitive market, physical stores have emerged as critical differentiators. By harnessing the influence of 'digital', brands can position their stores as strategic assets for customer retention and experience creation. These virtually-enabled touchpoints allow brands to forge emotional connections with stores that represent the brand and its desire to embrace customers. Brands can thus not just offer products or services but can ensure to deliver the best of personalized experiences and journeys.

The future demands a delicate balance—brands must blend technological sophistication with genuine human authenticity. Brands that will utilise relevant touchpoints to form meaningful associations, understand customers, classify them with data-driven approaches, effectively evaluate customer interactions using digital offerings, and re-engage authentically, will be positioned to lead the next wave of customer experience and growth.

Ultimately, brands that can read and respond to this complexity will be equipped to lead the next wave of customer engagement. (FE07012025)

BRAND MANAGEMENT

Challenges loom for D2C brands as consumer giants eye acquisitions

Scaling up has seen many hurdles; sharp decline in seed-stage funding complicates things further.

Reports that Hindustan Unilever is looking to acquire Minimalist, a start-up in the beauty and personal care (BPC) space, for about $350 million is evidence of the difficulties direct-to-consumer (D2C) brands face in scaling up. This is not the first time that consumer giants are showing interest in buying out brands; about two years back ITC had picked up a big stake in Yoga Bar, with an intention to buy more from the promoters in due course. At the time Yoga Bar was available in 6,000 retail outlets across the country and boasted gross margins of about 45%. But revenues were just about Rs 100 crore. As the Yoga Bar promoters said in an interview to this paper, the support from ITC in terms of cash investments and a distribution network of four million outlets had prompted their decision to sell out. Building an offline presence, a channel that most start-up managements acknowledge is now critical to reach more buyers, can be quite challenging as Honasa Consumer has discovered. The revamping of the company's offline distribution, entailing a shift to the direct distributor model from the super-stockist model, didn't go down too well. The cost of the adverse impact on the

inventory of about Rs 40 crore has been significant for a business that posted an operating profit of Rs 137 crore in FY24.

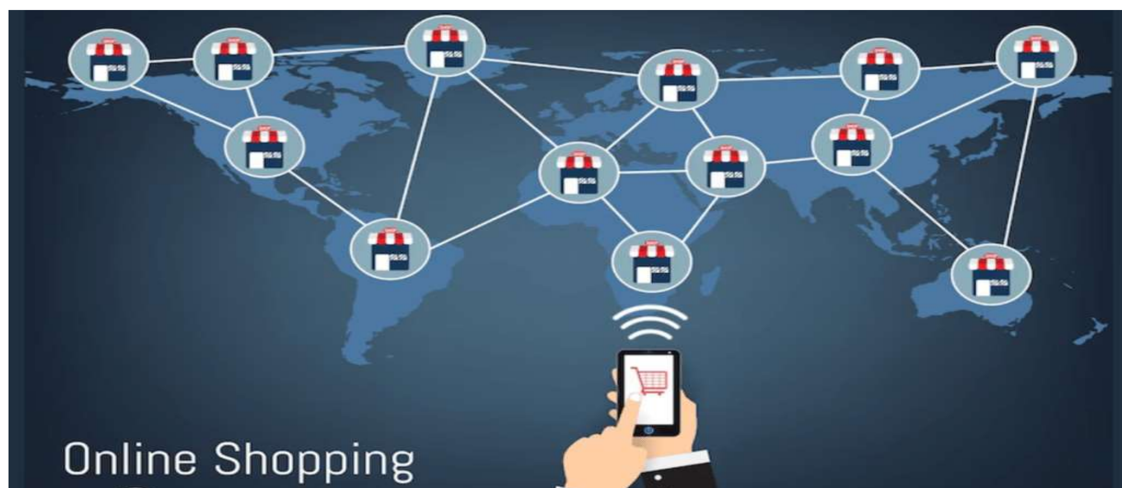
Even where there is no plan to build an offline distribution channel and D2C brands can get traction online, both on their own sites and also on platforms such as Flipkart or Nykaa, it is not easy to make money. Minimalist, one of the few profitable firms in the BPC space, did fairly well in FY24 to post Rs 374 crore in revenues but its profits were just Rs 10 crore. For their part, legacy offline players across sectors appear to be willing to pay top dollar for a strong online brand offering promoters a deal they simply cannot resist. That probably explains the sale of a 27% stake in Caratlane by promoter Mithun Sacheti to Titan for Rs 4,621 crore sometime back.

For all the success stories of top companies buying out start-ups, however, investments in seed-stage funding fell to less than $1 billion in 2024 with the number of rounds plummeting by 40% to 925. To be sure, the total investments in 2024 were up only by 6% at $11.1 billion. But even in 2023, investors didn't seem to be as risk-averse; they put in more than $1 billion in seed-stage investments across 1,545 rounds. In 2024, though, there was a fair bit of reluctance to support yet untested businesses. Just about 395 start-ups got first-time funding rounds compared with 665 in 2023. One doesn't blame the investors for turning cautious; more money was being made available to businesses than was probably needed and at valuations that were clearly unjustified. However, the fall in seed-stage funding is somewhat disappointing because that is what keeps innovation alive. It's possible that there are not too many good ideas out there, but the few promising ones shouldn't lose out for want of capital. That could hurt the ecosystem at a time when a new breed of entrepreneurs is working on some exciting business models. While valuations have corrected hurting returns, initial public offerings have given investors handsome exits. Some of the dry powder could perhaps be ammunition for seed-stage ventures. (FE10012025)

Retail Media 2025: The big leap or a bandwagon?

The report claims that onsite RMNs could achieve gross margins as high as 70%, making them a potentially high-reward venture for retailers.

Written by Shailja Tiwari



In the advertising ecosystem, retail media networks (RMNs) are positioning themselves as a lucrative avenue for brands and retailers. According to *Retail 2025: 10 Trends Shaping the Retail Media Market*, a report by Coresight Research sponsored by Criteo, the global retail media market is projected to reach $179.5 billion by 2025, representing an annual growth rate of 15.4%. While these figures indicate significant promise, the report also underscores the mounting challenges facing RMNs as competition heats up and expectations rise.

What does RMN mean? An RMN is when retailers use their own websites and apps to show ads to customers based on the data they collect about shopping habits. It allows brands to target specific customers more effectively, while retailers make extra money by selling ad space on their digital platforms. Think of it as retailers turning their online presence into an advertising space for brands.

The profitability puzzle

The report claims that onsite RMNs could achieve gross margins as high as 70%, making them a potentially high-reward venture for retailers. Flipkart, for instance, has reportedly leveraged its first-party data to craft targeted, localised ad campaigns tailored to India's diverse consumer base. By employing artificial intelligence (AI) and machine learning, the platform enhances ad performance while driving higher returns.

Globally, similar trends are evident. Amazon's AI-powered Video Generator and Gopuff's personalised ad-targeting platform exemplify how advanced technologies are reshaping the retail media landscape. These innovations reportedly enable advertisers to optimise campaigns in real time, tapping into consumer preferences with greater precision.

"Retailers that are seeing the most growth and that have been able to ride out the inflation storm and pullback of consumer spending with the least impact are those who have intelligently diversified their revenue streams and that have invested in developing advanced retail media networks," Deborah Weinswig, CEO, Coresight, said.

Technology: The driving force

AI, as highlighted in the report, is at the forefront of RMN innovation. It allows for next-generation ad automation and personalisation, using real-time behavioural and transactional data to customise content at scale. Programmatic advertising complements this by automating ad placement across multiple RMNs, reportedly improving operational efficiency and campaign performance.

"In recent years, Martech has evolved from isolated tools into interconnected ecosystems, enabling seamless omnichannel experiences and personalized

customer engagement. According to a new report by Coresight Research sponsored by Criteo, Retail 2025: 10 Trends Shaping the Retail Media Market, the global retail media market will total $179.5 billion in 2025. We believe advancements in AI, automation, and data-driven personalization will drive Martech's transformation, powering the next wave of retail media growth. AI algorithms will optimize bidding strategies, enable real-time campaign adjustments, and enhance ad spend efficiency—shifting focus from impressions to measurable outcomes. Moreover, predictive analytics and machine learning will further empower brands to anticipate consumer behavior, refine messaging, and deliver impactful, personalized advertising and product recommendations" said Medhavi Singh, Country Head, Criteo India.

The diversification of ad formats is another trend cited in the report. From digital coupons to connected TV (CTV) ads, RMNs are increasingly catering to evolving consumer preferences. Examples include Currys and Roku using CTV to engage streaming households and Instacart partnering with Ibotta to integrate digital coupons directly at checkout. These developments reflect the industry's shift toward more interactive and engaging advertising solutions.

Market shifts and consumer insights

Coresight Research emphasises the transformative potential of RMNs as full-funnel advertising tools, allowing brands to seamlessly connect with consumers across various touchpoints. By leveraging first-party data and closed-loop attribution, retailers reportedly gain deeper insights into campaign effectiveness and consumer behaviour.

In India, this is particularly relevant as digital shopping adoption accelerates. The report suggests that RMNs will play an increasingly central role in bridging online and offline shopping experiences. However, trust and transparency remain

critical as data privacy regulations tighten globally. Measurement standardisation, another focus of the report, is reportedly gaining momentum, with advertisers demanding clearer metrics to assess their return on investment.

Competitive pressures

The report warns that the intensifying competition among RMNs could challenge their ability to maintain differentiation. Partnerships with platforms like Google and Vizio, as seen with Instacart and Walmart, are reportedly aimed at expanding ad reach and creating cross-platform advertising ecosystems.

Emerging RMNs, with their innovative and agile solutions, are also expected to disrupt the ecosystem. For Indian retailers, the opportunity to capitalise on a growing digital-savvy consumer base is significant, but so are the risks of falling behind in innovation and differentiation.

A cautious optimism

The figures and trends outlined in Coresight Research's report paint a picture of immense potential for RMNs, but they also reveal a double-edged sword. While high margins and technological advancements offer promising prospects, the challenges of sustaining innovation, fostering trust, and navigating an increasingly competitive market are substantial.

As the retail media market edges closer to its projected $179.5 billion valuation in 2025, the question remains: will RMNs solidify their role as a cornerstone of advertising, or will they falter under the weight of heightened expectations? According to the report, the next few years will be critical in determining whether RMNs can deliver sustainable value in an ever-changing advertising landscape. (FE14012025)

SOCIAL MEDIA MARKETING

How social media is transforming food businesses

Today, social media platforms have transformed how restaurants connect with their audiences, with culinary influencers playing a pivotal role in this shift.

By Sameer Mohammed

The culinary world has always been dynamic, but the rise of social media has amplified its evolution in remarkable ways. Today, social media platforms have transformed how restaurants connect with their audiences, with culinary influencers playing a pivotal role in this shift. These influencers, with their ability to create visually compelling content and engaging narratives, have reshaped the food industry. While their influence offers new opportunities for growth and connection, it also presents unique challenges that food businesses must navigate thoughtfully.

Culinary influencers: Redefining the dining experience

Culinary influencers are more than just content creators; they are storytellers who bring food to life through visuals, videos, and personal anecdotes. Their posts showcase not only the aesthetics of a dish but also the emotions and experiences it evokes. By doing so, they create a bridge between restaurants and potential diners, making the dining experience more relatable and aspirational.

For restaurants specializing in unique culinary offerings, influencers provide an invaluable platform to share their vision. Through their content, these influencers highlight the creativity and artistry behind dishes, whether it's an innovative fusion of flavors or a meticulously crafted cocktail. They become ambassadors of the dining experience, reaching audiences that value not just taste but also innovation and presentation.

How social media shapes food trends

Social media platforms like Instagram, TikTok, and YouTube have revolutionized how people discover, engage with, and enjoy food. These platforms have become virtual dining rooms where users can explore diverse cuisines, discover trending dishes, and gain inspiration for their next dining adventure.

A single post featuring a visually stunning dish or an expertly crafted cocktail has the potential to go viral, driving curiosity and increasing foot traffic to restaurants. The phrase "You eat with your eyes first" has never been more relevant. Influencers understand this concept deeply, and their ability to capture the visual appeal of food is a key reason for their impact.

For instance, a beautifully presented sushi platter or a colorful drink can quickly attract attention, generating buzz and setting new trends. These visual stories not

only inspire diners but also encourage restaurants to invest more in presentation, knowing that aesthetics play a crucial role in modern dining culture.

Building engagement through collaboration

Collaborating with culinary influencers is a powerful strategy for food businesses to tell their stories authentically. These partnerships go beyond simple promotion, offering an opportunity to build a genuine connection with audiences. Through collaborations, restaurants can host exclusive tasting events, provide behind-the-scenes glimpses of kitchen craftsmanship, and share the inspiration behind their menu creations.

Such collaborations enable food businesses to showcase their personality and values while allowing influencers to create content that resonates with their followers. The authenticity of these interactions ensures that the audience's engagement feels organic, leading to deeper connections and long-lasting impressions.

Benefits of collaborating with culinary influencers

Partnering with culinary influencers offers several tangible benefits for food businesses:

Increasing Brand Awareness: Influencers have the ability to present a restaurant's offerings to a larger and more diverse audience. Their posts can reach potential diners who might not have otherwise discovered the establishment.

Establishing Credibility: A positive recommendation from a trusted influencer builds confidence among diners. People often look to influencers for guidance, and their endorsement can significantly impact a restaurant's

reputation.

Cultivating Community: Collaborating with influencers allows restaurants to connect with vibrant food-loving communities. This sense of belonging fosters loyalty and encourages repeat visits.

Driving Innovation: Engaging with influencers keeps restaurants attuned to current trends, pushing them to innovate and stay relevant in a competitive market.

Navigating the challenges

While the rewards of influencer marketing are substantial, it's not without challenges. Food businesses must navigate these carefully to ensure successful partnerships:

Balancing Trends with Authenticity: Staying true to a restaurant's culinary philosophy while adapting to emerging trends can be a delicate act. Authenticity should never be compromised for the sake of fleeting popularity.

Handling Feedback: Influencers often share their honest opinions, which can include constructive criticism. Viewing such feedback as an opportunity for growth rather than a setback is essential for continuous improvement.

Evaluating ROI: Measuring the effectiveness of influencer collaborations can be challenging. Clear goals and metrics should be established beforehand to assess the impact of these partnerships.

The Future of Culinary Influence

As the influence of culinary trends continues to rise, the relationship between social media, influencers, and food businesses will only deepen. To thrive in this

evolving landscape, restaurants must embrace new technologies and trends while staying true to their core values.

The future of dining lies in creating meaningful and memorable experiences. Interactive content, such as live cooking demonstrations or virtual tours of the kitchen, can provide audiences with a deeper connection to the food and the people behind it. Personalized services, such as curated tasting menus or custom dining experiences, can further enhance customer satisfaction and loyalty.

Ultimately, the role of culinary influencers will continue to evolve, but their impact on the food industry is undeniable. By fostering genuine collaborations and focusing on authenticity, food businesses can leverage this influence to build stronger connections with their audiences and create dining experiences that go beyond the plate.

Experience the perfect blend of innovation, artistry, and flavor. Let dining be more than just a meal; let it be a journey where taste meets creativity, guided by the vibrant voices of culinary influencers. Whether you're a food enthusiast or a curious diner, there's a story waiting to be discovered, shared, and savored. (FE11012025)

Thank You...