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Finance

Fixing India’s trade finance bottleneck

Rules-based stumbling blocks to trade finance access must be smoothened out

By Dhriti M Pipil

India’s export engine is revving — but it’s running low on fuel. As the country sets its sights on reaching $2 trillion in exports by 2030, bolstered by merchandise exports of $437 billion in FY 2023-24 and a series of new trade agreements, the ambition is clear. Yet, a critical vulnerability threatens to stall this momentum: a fragile and underdeveloped trade finance ecosystem.

According to the Directorate General of Foreign Trade, export credit covered only 28.5 per cent of the $284 billion required to support current shipment volumes. RBI data further reveals a 41 per cent drop in export credit disbursed under priority sector lending between 2021 and 2023, from ₹19,861 crore to ₹11,721 crore. This is not a statistical anomaly — it reflects structural neglect at a time when global trade is more volatile and capital-intensive. The financing squeeze is most acute for MSMEs, which contribute nearly 40 per cent of India's goods exports but remain locked out of affordable, timely credit.

FINANCIAL STRAIN

The cracks in India's trade finance system are no longer subtle. Between March 2023 and March 2024, outstanding export credit shrank from ₹2,27,452 crore to ₹2,17,406 crore — a decline that cuts to the core of India's export competitiveness. Exporters are being squeezed by a confluence of challenges: rising input costs, surging freight rates as shipping lanes shift around conflict zones, and delayed remittances from global buyers navigating economic uncertainty. Just when the need for working capital is most acute, banks are retreating — playing it safe.

Despite advances in e-invoicing, e-way bills, and customs digitization, there is still no integrated platform where banking, shipping, customs, and insurance data flow seamlessly

While exports account for over 20 per cent of India's GDP, export credit remains a marginal fraction of overall bank lending. Unlike MSMEs, which benefit from mandated Priority Sector Lending (PSL) targets, exporters have no dedicated credit safeguards. If India truly aspires to build an export-driven economy, it must rethink this imbalance. The expiry of the Interest Equalisation Scheme in 2023 further deepened the crisis, leaving smaller exporters without vital subsidized credit. Alarmingly, many exporters remain unaware of basic financing options like post-shipment finance or receivables discounting, underscoring a broader failure in financial literacy among the businesses that fuel India's trade ambitions. Importers, too, face mounting pressure. As shipping costs and currency risks escalate, their capital needs are rising — but banks remain fixated on collateral, not trade flows. This rigidity persists even in critical sectors like pharmaceuticals, where firms importing APIs to fuel exports face no targeted financial support. In today's global trade environment, liquidity is leverage, and India risks falling behind without it.

MISSED PROMISE OF FACTORING

India's banking system, when it comes to trade finance, is constrained by outdated regulations and rigid risk norms. A quintessential barrier is the Reserve Bank of India's refusal to recognise private trade credit insurance for capital relief. Unlike their counterparts in Europe or Singapore, Indian banks cannot reduce capital requirements by insuring trade
exposures through global insurers.

Only ECGC coverage qualifies — this no longer meets the needs of a modern export economy. This regulatory blind spot penalizes banks for offering flexible, risk-sharing tools like factoring and nudges them toward traditional, collateral-heavy
lending. At a time when global trade has shifted towards open account transactions, where payment follows delivery and trust replace guarantees, India's exporters need tools like factoring that offer immediate liquidity and transfer buyer risk. Yet factoring remains underused and largely restricted to large corporates, often with recourse and backed by collateral,
diluting its intended value.

The consequences are stark. According to 2023 Global Factoring Statistics, Europe accounts for 67 per cent of global factoring turnover, China €634.6 billion, while India lags far behind at just €17.38 billion, under 0.5 per cent of global share. This reflects a systemic failure to modernize trade finance and unlock liquidity for the exporters.

India has taken commendable steps to digitize trade finance through platforms like TReDS and the upcoming Bharat Trade Net. However, structural barriers continue to limit their impact.

TReDS adoption remains low, hindered by limited SME awareness, poor documentation standards, and buyer reluctance to expose payment practices. Even fintech lenders often default to collateral-heavy models, side-lining asset-light exporters who need the most support. India's broader digital trade ecosystem remains fragmented. Despite advances in e-invoicing, e-way bills, and customs digitization, there is still no integrated platform where banking, shipping, customs, and insurance data flow seamlessly. Internationally, India's digital trade tools super from weak legal enforceability. India's delay in adopting the UNCITRAL Model Law on Electronic Transferable Records (MLETR) stems from a cautious regulatory mindset, outdated laws that still assume paper-based commerce, and fragmented institutional ownership

across ministries. Until this legal and systemic fragmentation is addressed, fintech will remain an underleveraged tool in bridging the trade finance gap.

WAY FORWARD

Exporters — especially MSMEs — require timely, adorable credit to scale, modernise, and remain competitive in a world of open account trade. This calls for regulatory clarity and political will: recognizing private trade credit insurance for capital relief, integrating fragmented digital platforms, mandating broader participation on TReDS, aligning Indian law with global standards like MLETR, and building MSME financial literacy and risk mitigation tools. (FE11052025)

Securing the financial sector of India

A proactive approach for robust cyber defence strategies is essential for its stability and trust.

By Amar Patnaik

In the digital era, cybersecurity transcends mere information technology (IT) concerns to become a strategic cornerstone essential for maintaining the integrity and stability of a financial institution. Last year alone, India's financial sector faced over 1.3 million cyber-attacks. The 54th report on "Digital Payment and Online Security Measures for Data Protection" by the Parliamentary Standing Committee on IT highlighted the need for tackling frauds and cybercrimes in the financial sector which faces a barrage of sophisticated attacks almost every day, compromising the security of vast amounts of sensitive data. There is a rise in cybercrimes related to digital payments with fraudsters increasingly exploiting vulnerabilities in real-time transaction systems.

The financial impact of these frauds amounted to Rs 5,574 crore in the first 10 months of 2023 alone, more than double of the Rs 2,296 crore reported in all of 2022. According to the Reserve Bank of India (RBI) Financial Stability Report (December 2023), cyber incidents are distributed disproportionately among regulated entities with scheduled commercial banks accounting for 69%, followed by 19% in case of urban cooperative banks, and 12% in non-banking financial companies and the fintech sector. As financial services deepen their digital footprint, they have become prime targets for sophisticated cyber threats.

Social engineering, data leakage, and ransomware attacks are rising, with threat actors selling leaked data on dark web platforms. This trend exposes financial institutions to large losses and threatens trust in and stability of the financial system. To maintain financial sector reliability, these vulnerabilities must be addressed.

Forging alliances: Power of collective vigilance

Public-private partnerships bring together the sharpest minds in government, finance, and technology. Together, they can establish a cybersecurity alliance as a bulwark against cyber threats to the financial sector. For example, the UK's National Cyber Security Centre collaborates closely with financial institutions through the Financial Sector Cyber Collaboration Centre to share cyber threat information and best practices. This cooperation has been crucial in responding to threats like the Log4Shell vulnerability. In the United States, the treasury department last year launched "Project Fortress", a new public-private partnership to defend the financial system from cyberattacks. This initiative includes tools for financial institutions to scan for cyber vulnerabilities and share threat intelligence through the Cybersecurity and Infrastructure Security Agency's Cyber Hygiene tool and a new automated threat information feed. These successful models provide a blueprint for India to develop its own robust cybersecurity alliances. By sharing threat intelligence and pooling defensive strategies, we are not just preparing to respond but ready to pre-empt sophisticated cyber threats. While the Indian Computer Emergency Response Team (CERT-In) provides essential advisories and information-sharing, it lacks automated, real-time threat intelligence and proactive vulnerability scanning that is necessary for a robust defence.

Build technological superiority

Artificial intelligence (AI) and blockchain must be better integrated into cybersecurity frameworks to address emerging cyber threats in India's financial industry. The RBI uses AI to monitor and analyse real-time data, but not for cyber threats. It also recommends blockchain innovation for cross-border payments, but adoption needs to improve. The government should invest in AI-driven predictive analytics, anomaly detection, and automated threat hunting in financial institutions to fill these gaps. The government may also encourage wider usage of blockchain technology by promoting data integrity, safe transactions, and setting clear norms and standards. Collaboration between the RBI and the National Payments Corporation of India, pilot programmes, and capacity-building will help achieve technological dominance and resilience against sophisticated cyberattacks.

Integration of cyber liability insurance

According to a Deloitte report, India's cyber insurance market, projected to expand at 27-30% compound annual growth rate over the next few years, highlights a critical need for integrating cyber liability insurance into cybersecurity strategies. Despite the Insurance Regulatory and Development Authority of India's rules, smaller institutions need more policy clarity and coverage standardisation. Insurance providers must offer these products because cyber dangers are becoming more frequent and complicated, making cyber insurance imperative for risk management. High returns in an expanding market incentivises such insurers.

Globally, successful government cyber insurance integrations offer useful insights. Germany's cyber insurance claim ruling specifies coverage and policyholder responsibilities, setting a precedent. The Federation of European Risk Management Associations encourages stakeholders to work together to balance insurers' risk appetites and business purchasers' coverage needs. This includes creating unified European Union's cybersecurity standards for small and medium enterprises and incentivising cybersecurity investments through public awareness campaigns and government backing. India could think on similar lines.

Enhancement of RBI regulatory sandbox

While the RBI's current regulatory sandbox framework tests functional viability and regulatory compliance, it lacks a focused mechanism for rigorous testing against sophisticated and evolving cyber threats. Two strategic RBI regulatory sandbox enhancements are proposed.

First, new financial products must undergo extensive cybersecurity simulations to assess their resilience to data breaches and advanced persistent attacks. Second, the sandbox needs a mechanism for periodic security reviews and scenario-based policy testing to secure existing financial products. Periodic reviews will uncover vulnerabilities that have arisen since launch owing to evolving cyber landscape. Additionally, scenario-based policy testing should be broadened to thoroughly evaluate and improve cybersecurity policies for new and existing financial products.

A call to action

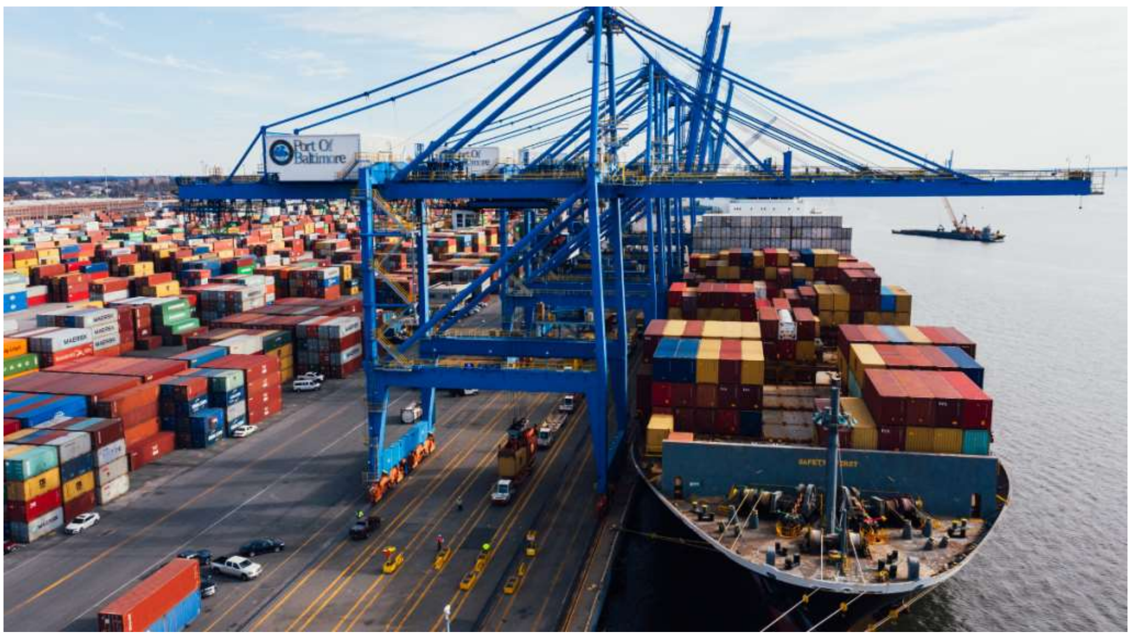
The stakes have never been higher. As the financial sector evolves, so must our strategies to protect it. By implementing these robust measures, we can ensure that our financial institutions are safeguarded against current threats and prepared for future challenges. This proactive approach is essential for maintaining the financial sector's stability, integrity, and trust in the face of evolving cyber threats. (FE19052025)

ECONOMICS

Linking economic and security strategies

India’s economic strategy vis-à-vis to Punjab (& perhaps in other ways for other border states with minority populations) has reduced national security while being directly suboptimal

By Nirvikar Singh



Economic strategies and security strategies are inevitably linked to each other. Residents of the earliest large towns built walls to protect themselves from marauders, and used some of their economic surplus to finance those walls as well as military capabilities such as training defense forces and providing them with weapons.

The post-World War II security order allowed countries like Japan, South Korea, and Germany to grow economically under security umbrellas fashioned and led by the United States, reducing their need to spend on their own national security.

India chose a different path, and its own distinct security strategy, which in some ways was more successful than its economic strategy. The world in which these choices took place began to change with the collapse of the Soviet Union and the rise of China, and those changes are now accelerating dramatically.

India began to shift its economic strategy in the late 1980s, with gradual acceleration of those shifts over time, including the moderately "big-bang" reforms of 1991. More recently, its security strategy has also shifted, including its membership in the Quad, along with the US, Japan, and Australia. The reason and the focus for such shifts is, of course, China, which has quickly followed its economic success with political assertion. Countries in China's geographic neighbourhood (and the US, which is omnipresent since the last World War) see China's moves as a threat. Taiwan has good reason to be worried, but in other cases China's leaders may well justify their actions as protecting their own national security.

National security does not just mean defence capabilities narrowly conceived. Cybersecurity is conceptually close to traditional defence, as is access to resources for any form of defence. But food security stands out. In a world without threats or risks of trade disruption, a country does not need to be self-sufficient in food. But in the world as it is, food security has extra importance. Energy is another example of an economic good that is fundamental for the functioning of an economy in any circumstances, but represents a dimension of security that has extra importance in a risky world.

India is facing immediate challenges on two fronts. One is the chaos of current US trade policy. The other is its dispute with Pakistan. The dispute with Pakistan has obviously affected India's economic strategy, since trade with Pakistan, or trade that goes through Pakistan, is severely restricted by national security concerns. But arguably, there have been aspects of India's security strategy that have been counterproductive, while also being suboptimal as economic strategy. (FE30052025)

GDP numbers augur well

Growth of 6.5% over 9.2% in FY24 reflects a strong foundation; the demand side must be worked out.

By Madan Sabnavis

The National Statistics Office's (NSO) estimates on GDP for FY25, at 6.5%, are the same as the second advance estimates and hence does credit to its forecasting skills. Thus, there are no surprises for the market, and it will be business as usual. The NSO's accuracy in forecasts need to be commended given that the exercise is quite mammoth due to the considerably large unorganised sector in the economy.

The internals for the year as well as the fourth quarter are quite impressive, especially as the last quarter has posited growth of 7.4%. All through the year, various high-frequency indicators such as goods and services tax collections, e-way bill issuances, purchasing managers' index, and export of services have been sending very positive signals. The high base effect of 9.2% growth in FY24 was supposed to bring down the rate, so 6.5% is an impressive number.

Agriculture has been the big winner with growth of 4.6%, which suggests a good monsoon resulting in a stable kharif crop followed by a similar rabi crop can keep the rural economy ticking. In fact, this is a necessary condition for attaining sustainable growth over a longer period. As the monsoon forecast for FY26 is positive, indications are that rural consumption should continue to tick this year. This would be the supply side of the sector, and given the increase in minimum support price across the board for the kharif season — it will probably be replicated for rabi crops — higher output should result in higher income for farmers.

Manufacturing, however, has been the only segment that has registered relatively much lower growth than the previous year. Growth at 4.5% comes over 12.3%, so there is a big base effect. But it is also known that corporate profits have been under pressure this year due to demand-side factors. In fact, the manufacturing story is quite skewed with infra-oriented industries like steel, cement, engineering, and energy faring well while consumer-oriented ones delivered a mixed performance. High inflation has been the main factor militating against demand. With households spending more on food items, there is less money left for discretionary spending. Thus, the fast-moving consumer goods sector has been particularly affected. This will need monitoring in FY26. Revival of consumption is expected with the government's fiscal incentives on the tax front.

Related to the slower growth in manufacturing is the slight decline in the gross fixed capital formation rate at current prices from 30.4% to 29.9%. Here too, investments made by companies have been rather narrow-based with industries like power, steel, and cement showing an increase in the face of good demand.

Thus, both manufacturing growth and capital formation will be inexorably linked in FY26.

The construction sector has been one of the drivers of growth — it reflects both the contribution of housing as well as the government push on capex. The housing sector has gone through difficult times with interest rates being high over the last two years. There was an uptick in premium houses while the middle class stayed away. Government spending on roads, bridges, and irrigation works has been the major drivers of construction, which has kept growth ticking. Given the spare capacity, there is immense potential to expand construction in India. This trend may be expected to prevail in FY26.

The services sector has registered growth of 7.2% against 9% last year. The trade, transport, hotels, and communication segment has grown by 6.1%, which does not adequately capture the high level of spending by people on "services experience". There has been a spike in spending on travel tourism and experiences, which should have resulted in higher growth in the segment. Financial services and real estate also registered lower growth of 7.2% on a high 10.3%, mainly due to the slow growth in deposits and credit in FY25. The movement of savings to the capital markets did come in the way of deposit growth. Public administration and other services maintained 8.9% growth with both the Centre and states meeting revenue budgets.

The fact that the Indian economy clocked growth of 6.5% over 9.2% (FY24) reflects a rather strong foundation. This would provide sufficient buffers to counter the global uncertainty building up periodically. Being a largely domestic-oriented economy, maintaining growth in the region of 6.5% would not be a problem. The challenge would be to move to the 7%-plus territory.

For that to happen, the demand side must be worked out. So far, the focus has been on the supply side, where the Reserve Bank of India has been lowering rates to push up investment. But investment is a result of higher capacity utilisation rates that can be achieved only when consumption increases and companies need to infuse fresh capital. This process normally takes at least one or two years. It can be hoped that FY26 will provide this initial push to consumption.

The heartening fact is that official data hints at the creation of more jobs. But they need to be in high-value production and services where income is typically higher. Right now, the jobs are concentrated in construction, logistics, retail, etc. which do not provide the wherewithal for high discretionary consumption. As the economy keeps growing, this matrix will change. It can be hoped that overall growth will be more broad-based with the manufacturing sector providing a major push. (FE31052025)

The balance sheet of trust: India Inc.'s next competitive advantage

In a trust-driven economy, India needs a reputation rating system as rigorous and consequential as financial credit ratings.

By Srinath Sridharan

Reputation is often described as the balance sheet of trust — its assets intangible yet invaluable. In today's corporate climate, reputation is no longer a mere derivative of performance; it has become a fundamental determinant. For companies aspiring to be resilient, global, and credible, reputation must be recognised not as optics, but as vital operating capital. Yet, despite its profound strategic significance, reputation remains insufficiently understood and inconsistently managed within many boardrooms and executive teams.

Too often, reputation is treated as a downstream output, managed by communications teams with limited power and late-stage access. What should be a forward-looking function is frequently relegated to reactive messaging. This structural marginalisation does not stem from malice, but from a dated worldview — one in which communication is seen as style rather than substance, where brand is an embellishment, and narrative is a postscript to operational strategy.

This limited view no longer serves. In fact, it constrains enterprise resilience. Markets are quick to detect reputational inconsistencies. Investors reward companies that demonstrate maturity in public posture, consistency in stakeholder engagement, and credibility under pressure.

This reality is especially consequential for India's fast-evolving corporate sector, where new-age founders, next-generation successors, and ambitious professionals are shaping bold business narratives. A single misstep — on governance, employee treatment, compliance tone, or stakeholder dialogue — can fracture belief in the institution.

Reputation is fundamentally an IOU — a solemn obligation owed to stakeholders that embodies commitment to integrity, consistency, and transparency. Much like a financial IOU, a strong reputation creates a reservoir of trust that can be drawn upon in times of adversity, enabling organisations to navigate challenges with greater resilience and credibility. Conversely, neglecting this implicit debt risks eroding stakeholder confidence, inflicting damage that is difficult to repair. Leaders who appreciate reputation as an IOU understand that it is a strategic asset requiring vigilant stewardship, ongoing investment, and unwavering accountability.

To harness this strategic function, boards must first redefine how they perceive the communications charter. Communications should be integrated with legal, policy, risk, and investor relations — not functioning in isolation. This alignment demands that the function itself evolve, both in structure and in stature.

Herein lies a deeper challenge — one that communication leaders themselves must confront. Many in the function have not done enough to understand the depth, structure, and commercial realities of the businesses they represent. Unlike their peers across the CXO spectrum — finance, operations, risk, or compliance — communications leaders often fall short in business fluency, market insight, and commercial articulation. As a result, they are seldom invited to strategic conversations like business planning, growth modelling, or scenario discussions.

This must change. But the onus lies as much within the function as outside it. Communications leaders must undertake serious introspection. Corporate recognition will not be granted on legacy entitlement or stylistic command. It must be earned through relevance. Relevance comes from investing in commercial literacy, regulatory awareness, capital markets understanding, geopolitical context, and sectoral insight.

Boards must recognise that communication, when properly structured, is not a storytelling function — it is a strategic signal management system. It alerts leadership to shifts in sentiment, stakeholder mood, and regulatory interpretation. Boards must ask not only for brand metrics but for scenario maps, narrative cohesion, and stakeholder intelligence. They must move beyond assessing how companies look, and begin to understand how they are being interpreted.

Investors, too, need to broaden their evaluation frameworks. In a data-rich, trust-poor world, narrative discipline matters. Incongruence often points to internal misalignment, and the market penalises perceived instability.

Fortunately, some CEOs are already leading this transition. They no longer view reputation as a derivative of success, but as a condition for it. These leaders integrate communication strategy into core decision-making.

To future-proof India's corporate landscape and secure its stature on the global stage, we need a reputation rating system — one as rigorous and respected as financial credit ratings. Such a framework would transform reputation from a soft sentiment into a measurable asset, encouraging enterprises to treat stakeholder trust as seriously as capital structure.

This system would offer investors, regulators, and the public a clear lens into a company's ethical standing, resilience, and public credibility — factors that often remain hidden behind financial statements. In an age where perception shapes capital, compliance, and continuity, India's businesses must bring the same discipline to reputation that they do to revenue. It's time to make reputation not just visible, but verifiable. (FE17052025)

Investment

Is outbound FDI rising at the expense of domestic capex?

India's outbound FDI surged to $29B in FY25 even as domestic private capex remains subdued. With net FDI inflows plunging and global expansion rising, concerns grow over weak investment sentiment at home, policy uncertainties, and challenges to driving a strong domestic capex cycle.

By N Chandra Mohan

India’s net foreign direct investment (FDI) inflows merit serious attention as they dramatically plunged to $353 million last fiscal. This is due to record levels of repatriations and disinvestments and rising outbound FDI despite healthy gross inflows. Net FDI inflows were as high as $44 billion in FY21 and have been sharply reducing since then, especially over the last two fiscals. While repatriations and dividends have been commented upon, less attention has been paid to India Inc’s investments abroad which rose almost threefold to $29 billion in FY25 from $11 billion in FY21. The concern is that Indian firms are expanding globally — which should be welcomed — while they are hesitant to invest domestically. At a time of adverse global headwinds due to policy-related uncertainties, a private sector-led investment push will no doubt bolster India’s GDP growth but there is no evidence so far of a virtuous capex upswing. In this milieu, India’s outbound FDI is intriguingly gathering strength.

The question naturally is the whys and the wherefores of this process. The global expansion of India's conglomerates, however, is not of recent provenance as in the late 1960s and 1970s the Aditya Birla Group made pioneering forays into Thailand and other economies of the Association of Southeast Asian Nations (ASEAN). Analysts consider this as part of a first wave of investments by India Inc during the pre-liberalisation era. The group later targeted the US with investments of $15 billion including a $4-billion green-field expansion plan currently underway. Post-liberalisation, the Tata Group acquired London-based Tetley Tea in 2000, Anglo-Dutch steel manufacturer Corus in 2007, and Jaguar and Land Rover in 2008. Pharma and information technology companies, too, have made acquisitions overseas.

India Inc has no doubt developed a global footprint but the top destinations for outbound FDI are tax havens like Singapore and Mauritius. As for Singapore, it would be tempting to infer that India's investments in the city-state are a base to foray into the rest of ASEAN. But that doesn't seem to be the case as there is a receding FDI footprint. The Tata Group, for instance, has exited from its manufacturing presence. It took over NatSteel in Singapore in 2004 and two years later Millennium Steel in Thailand. To sell its pick-up trucks in the region, Tata Motors chose Thailand for its entry point in 2008. Seventeen years later, it has sold its stake in NatSteel while retaining the wire business. In July 2018, Tata decided to stop assembly operations in Thailand.

Policy attention is certainly warranted by rising outbound FDI while corporates are not investing in the country. Last fiscal, official data highlights the continued subdued growth in private investments. So, too, does data of the Centre for Monitoring Indian Economy. The portents for an upswing in the private capex cycle are not bright. The Union finance ministry's latest monthly review cites the results of the ministry of statistics and programme implementation's forward-looking survey on private sector capex investment, according to which intended capex is lower in FY26 than in FY25 — attributed to a "cautious approach by respondents in declaring future investment plans". Corporates are not driving overall growth as there is still a lot of excess capacity in the system as the demand environment remains highly challenging.

In manufacturing, capacity utilization rates rose marginally to 75% in Q3 FY25 from 74.7% a year earlier. They need to go up much further to a point where private industry requires additional capacity. Private investments also depend on a more stable policy and regulatory framework. A cyclical upswing cannot be set in motion so long as investors, both domestic and foreign, face serious difficulties in doing business on the ground, especially in the various states. So, while the animal spirits of India Inc remain depressed for domestic investments, their rapidly growing overseas investments together with the disenchantment of foreign investors who are disinvesting have impacted net FDI flows. (FE31052025)

Artificial Intelligence

All eyes on AI: Brands are watching you watch them

Experiential marketing has always been hard to measure. AI changes that. Brands can now attribute ROI not just to footfall or impressions, but to biometric engagement, dwell time, and adaptive conversions

By Gopika Nair

In 2024, BMW invited art lovers to engage with its 8 Series Gran Coupé through a generative AI-powered campaign that curated visuals in real time based on users' interests. By relying on social listening algorithms and targeting niche communities, BMW delivered 23% higher engagement per dollar spent compared to traditional campaigns. This wasn't just about art or cars, it was about the dawn of AI-driven brand storytelling.

Experiential marketing, long defined by flashy kiosks and selfie booths, has entered a new epoch. Artificial Intelligence (AI) has quietly and rapidly moved from a "backend" tool to the frontlines of marketing strategy, personalising experiences at scale, automating decision-making in real time, and converting once-passive engagements into immersive brand journeys.

"Earlier, it was all about touchscreens or cute selfie stations. Today, AR, VR, AI, and spatial computing aren't accessories anymore. They are the experience," Sindhu Biswal, CEO and Founder of Buzzlab, told financialexpress.com. "The big shift is data. We're no longer guessing what clicks. We're reading facial cues, tracking dwell time, and analysing emotion. The tech has gone from sideshow to stage."

AI today is doing what experiential marketing has always strived for. It’s making people feel something, but now at a scale and precision that was unimaginable a few years ago.

Take Nike’s House of Innovation, where store layouts and offers change in real time based on customer profiles. Or PepsiCo’s Times Square activation, where computer vision-modified light, scent, and sound were adjusted 14 times per minute based on crowd mood, resulting in a 213% surge in social shares.

“AI powers immersive, intelligent and emotionally resonant experiences,” Snehil Gautam, Chief Growth & Marketing Officer at Housing.com and PropTiger.com, commented. “Our virtual site visits, AI-based recommender engines, and 3D walkthroughs don’t just show homes, they show lifestyles, customised to a user’s aspirations.”

The operational efficiencies are equally compelling. AI-powered bidding systems now reduce customer acquisition costs by up to 34%, while generative tools slash content creation costs by 40–60%. Starbucks’ Deep Brew, for instance, not only reduced menu design costs by 31% but also boosted average order values through hyper-personalised upselling.

Hyper-personalisation is no longer a buzzword, it’s a baseline. “AI isn’t just enabling personalisation, it’s turning it into a superpower,” Biswal said. “In the old world, personalisation meant your name on a Coke bottle. Now, two people walk into a kiosk and walk out with entirely different experiences, offers, content, products, crafted just for them.”

According to a recent report, major experiential campaigns now generate 2.7 petabytes of data annually. Advanced neural networks parse this deluge to drive 89% accuracy in participation forecasting, enabling dynamic changes in lighting, music, and even product displays based on foot traffic or emotional cues.

"At Housing.com, our AI tools match users with homes not just based on price or size, but commute preferences, lifestyle patterns, and even natural light requirements," Gautam added. "That's hyper-personalisation at work."

Campaigns that feel like conversations

It's this ability to create deeply personal, even emotional moments that separates successful AI-led campaigns from cold, automated ones. Cadbury's "Not Just a Cadbury Ad", which generated customised Diwali videos starring Shah Rukh Khan for thousands of kirana stores, is often cited as a case in point.

"AI doesn't just automate, it amplifies," Raghav Bagai, Co-founder of SW Network, said. "It makes one message feel like a million. And when it's rooted in emotion and context, that's where the magic lies."

Experiential AI also enables interactive storytelling. Proto Hologram's multilingual AI avatars at CES 2025 changed exhibit suggestions mid-conversation based on attendees' gaze and tone, increasing dwell time by 41%. At the same time, brands like Under Armour are using avatar tech to deliver custom workout holograms based on social data.

The tech stack that powers the magic

Machine Learning drives the predictive core, sifting through behaviour patterns to adapt experiences in real time. Computer Vision powers virtual try-ons and gesture-based navigation. Natural Language Processing (NLP) enables responsive, multilingual brand conversations. Augmented and Virtual Reality remain the showstoppers, turning booths into full-blown storyscapes.

"The combination of these technologies creates fluid, evolving, user-specific experiences," Meher Patel, founder of Hector, explained. "From Myntra's

MyFashionGPT to Asian Paints' mood-sensing colour recommendations, the synergy of AI with immersive tech transforms transactions into connections."

Balancing automation with emotion

Still, over-automation carries risks. "AI can calculate, but it cannot feel," Biswal warned. "Over-personalise and it gets creepy. Rely too much on algorithms, and everything starts to feel sterile, soulless."

Bagai echoed this sentiment: "The sweet spot is when AI supports the idea, not replaces it. AI should enable stories, not write them." Gautam too flagged the importance of balance: "Too much automation can erode the human touch. Data privacy, algorithmic bias, and emotionally flat interactions are very real risks. The real impact comes when AI precision is paired with authentic, human storytelling."

The skill gaps and the road ahead

The rapid evolution has created a capability vacuum. Reports suggest that 78% of consumers globally express concern about AI data usage, pushing brands to adopt federated learning (which keeps data on devices) and dynamic consent platforms.

Marketers are also increasingly expected to navigate regulation. From the EU's AI Act and California's Emotional Privacy Act, to India's very own and latest DPDP Act, AI use in public-facing campaigns now demands transparency, consent management, and fairness testing. Brands like Coca-Cola and Sephora have responded with algorithmic fairness protocols and region-specific AI implementations.

The future is invisible, adaptive, and human

Experiential marketing has always been hard to measure. AI changes that. Brands can now attribute ROI not just to footfall or impressions, but to biometric engagement, dwell time, and adaptive conversions. But the bigger story is this: AI is turning experiential from an art into a science.

It's not that human creativity is being replaced, far from it. But the brands winning in this new paradigm are the ones where the storytelling is still led by humans, even as the delivery is powered by code. As Patel put it, "The best experiences happen when the tech fades, and the emotion shines."

"AI is a powerful tool," Bagai said. "But the story still needs a storyteller." (FE30052025)

Artificial Intelligence challenge for competition law

AI offers unparalleled efficiency, innovation, and insights. On the other hand, it throws up a worrying number of potential risks.

By Vinod Dhall

In April, the government announced the selection of Bengaluru-based Sarvam to develop India's first home-grown artificial intelligence (AI) large language model (LLM); it is expected to be ready in six months. This is part of the government's multi-dimensional plan to foster the growth of AI in India, including foundational LLMs, compute capacity, large data sets, and AI talent. Countries across the globe are making similar efforts. For instance, the European Commission (EC) recently put out a report outlining the European Union's (EU) integrated strategy to establish Europe as a "leading AI continent". The global race is on, currently led by the US and China.

AI is often referred to as the cornerstone of the fourth Industrial Revolution that is expected to reshape the landscape of industries, finance, governance, and, in fact, society as a whole. AI offers unparalleled efficiency, innovation, and insights. On the other hand, it throws up a worrying number of potential risks such as entrenched bias, ethical concerns, deepfakes, and worsening inequalities. Naturally, therefore, there is a call for regulation, at least in a calibrated manner. One area of heightened regulatory worry is the relationship between AI and competition/antitrust law. This has engaged the attention of competition agencies and governments across countries; the effort has been to identify potential areas of concern and the search for remedial measures.

Recently, leading competition authorities in the US, EU, and UK put out a joint statement on competition in generative AI (GenAI) foundation models and AI products. The joint statement, while acknowledging AI as a technological inflection point with the potential for unparalleled benefits to society, identified areas where growing AI power can hinder competition; it has suggested principles for protecting competition. Individual authorities from these jurisdictions have undertaken studies on the possible damaging effects on competition and put out informative reports. This includes the US Fair Trade Commission's report on partnerships between cloud service providers and AI developers, the UK

Competition and Markets Authority's report on foundation models and the EC's report on competition in GenAI and virtual worlds. The broad observations and conclusions from these are along similar lines and are usefully summarised in the EC's report.

The reports note that the development and deployment of AI call for huge amounts of costly resources — including in the form of supercomputing infrastructure such as graphics processing units and cloud capacity. Another critical input is vast amounts of high-quality data needed for the development and ongoing training of the models. The availability of AI talent and know-how is a major constraint. Access to these inputs requires serious money. The reports observe that such resources are not within the reach of most AI companies. This puts the large and incumbent big tech players in a very advantageous position compared to others. The competition law question is whether the possession of these facilities can be leveraged to thwart competition in both upstream and downstream markets by denying access to certain parties or by giving access to select players either via exclusivity or preferential treatment.

An incumbent digital major may, for example, sew up an exclusive licensing agreement for securing high-quality data from an upstream source, which may make the data unavailable to competitors. Another cited example is of a data player active both in AI development and cloud capacity denying access to its cloud to other developers or deployers or providing access preferentially to certain parties. The EU study expresses similar concerns over downstream markets too, where AI applications are deployed and commercialised, for example, by having exclusivity conditions or through tying/bundling restrictions, self-preferencing, or lock-in strategies.

These competition authorities have, in particular, taken note of acquisitions or investments by large digital players in smaller AI developers. Such arrangements do have the beneficial effect of providing the small players access in both the upstream and downstream markets and facilitating the development as well as distribution of AI systems. These also provide emerging developers much-needed capital and inputs such as large data sets and computing power. Additionally, it provides them distribution channels and access to customers. To the large digital player, it provides intellectual property and skilled manpower. In that sense, this is a win-win situation. However, the downside that competition authorities see with such arrangements is that these may create high levels of concentration and foreclose access of competitors to critical paths to development or deployment.

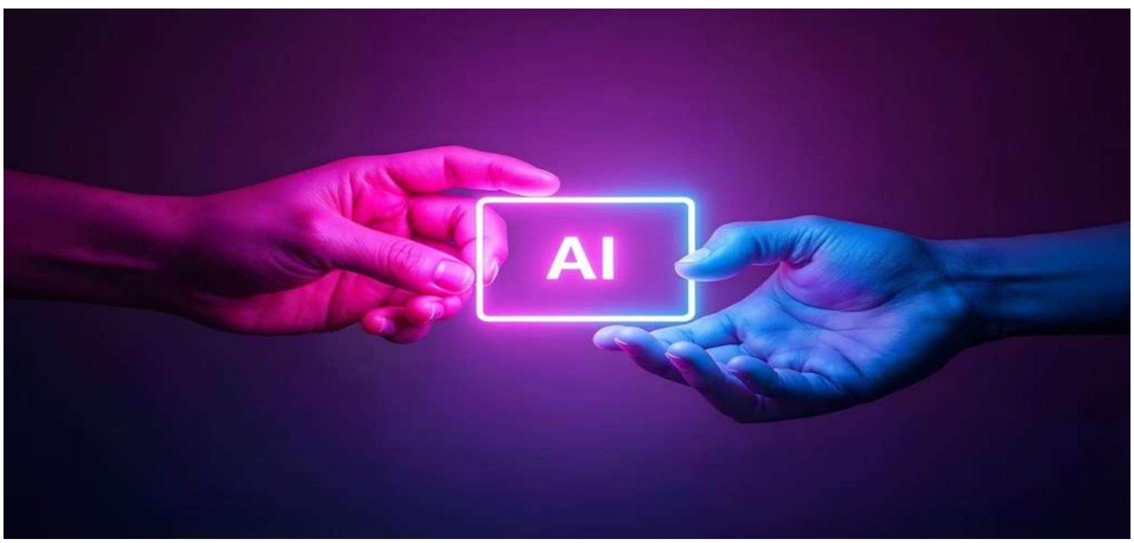
Authorities have examined (from the merger control perspective) some high-profile investments. For example, in the partnership between Microsoft and Inflection, (like other such deals) Microsoft inter alia obtained a licence for Inflection's intellectual property rights and acquired practically all its staff including its two founders. The question that arises is whether this deal amounts to a merger under competition law and if so, whether it would adversely affect competition. The EC's view was that the deal amounted to a structural shift in the market (and hence a merger) because Inflection's position in the relevant markets for GenAI foundation models and chatbots stood transferred to Microsoft. However, the European Court of Justice has prohibited the EC from examining merger cases which fall below the EU's merger revenue threshold.

Looking at the rapid emergence of AI in India, supported by the government, the Competition Commission of India (CCI) will sooner or later be confronted with cases in AI markets both on the merger front and antitrust complaints, such as those mentioned above. The regulator will face the issues that have been engaging overseas authorities. This will require a deeper understanding of these markets and a nuanced and balanced approach that avoids an overreach or over-regulation that may thwart innovation or improved services, and, on the other hand, not allow competition in these markets to be chilled. To this end, the CCI has commissioned a study which inter alia aims to help understand key AI systems and markets and emerging and potential competition issues. However, the reports released by other competition authorities can provide valuable insights into emerging competition issues in AI as well. (FE20052025)

Artificial Intelligence needs a new report card

Without robust, context-sensitive benchmarks, we risk importing flawed models from global tech giants and deploying them in environments they were never designed for.

By Rohit Kumar Singh



We live in an age captivated by the rapid ascent of artificial intelligence (AI). Machines that can write poetry, generate stunning artwork, and even hold conversations are becoming commonplace. It feels like we are on the cusp of something revolutionary. But how do we actually know how smart these AI tools are becoming? How do we measure their progress? Just like students take exams, AI developers rely on tests called “benchmarks” to grade their creations. These benchmarks have become the de facto report card for AI, guiding trillions of dollars in investment and shaping the future of the technology.

But what if the tests are flawed? What if the report card isn't telling the whole story? Imagine using a third-grade spelling test to assess a university professor's overall intellect. They would ace it, sure, but it wouldn't tell you much about their ability to conduct complex research or lecture on quantum physics. According to a growing chorus of experts, we might be facing a similar situation with AI. The benchmarks we have relied on, some with rather colourful acronyms like "Hella Swag", are increasingly seen as inadequate rulers for measuring the burgeoning capabilities of modern AI.

The 'Wild West' of AI testing

Researchers are sounding the alarm. Many common benchmarks, they argue, are "easily gamed, outdated, or do a bad job of taking stock of a model's actual skills". Think of it like IIT-JEE-specific intensive coaching at Kota: AI models can become very good at scoring high on specific benchmarks without necessarily developing broader, more flexible intelligence. A revealing study called Better Bench evaluated popular AI tests and found that their quality left much to be desired. Anka Reuel of the Stanford Institute for Human-Centered AI paints a stark picture, describing the current situation as "kind of like the Wild West when it comes to benchmarks".

When AIs ace the test

This reliance on outdated tests becomes particularly problematic as AI models get more and more intelligent at lightning speed. Alice Gatti, a researcher at Center for AI Safety, notes that advanced AIs are now "routinely 'acing' earlier benchmarks like MMLU (massive multitask language understanding)", a previously challenging test covering diverse subjects. When the best student in the class gets 100% on every test, the tests stop being useful for measuring further growth. To address this, Gatti and her colleagues developed a formidable new benchmark called "Humanity's Last Exam" (HLE). They gathered nearly 3,000 complex multiple-choice and short-answer questions from leading experts across numerous fields — questions designed to be difficult even for human specialists and specifically "Google-proofed" to prevent simple look-ups. For now, HLE reveals that the best AIs still struggle with truly expert-level reasoning.

Measuring answers vs. asking questions

Perhaps the biggest challenge lies in what we are measuring. Are we assessing true understanding, reasoning, and creativity, or just the ability to regurgitate information and find patterns? True intelligence isn't just about having the right answers; it's also about curiosity, critical thinking, formulating new ideas, and understanding context. Our current benchmarks often fall short of evaluating these deeper cognitive abilities. We need tests that probe not just what AI knows, but how it thinks.

Why should the average citizen care about any of this?

Because the benchmarks being used today aren't just academic tools. They directly influence how AI is adopted in everything from education and healthcare to criminal justice and financial services. If an AI system is labelled "safe" or "human-level" based on weak tests, it could be deployed in ways that harm people or reinforce bias. In India, where AI is on its way to being integrated into governance, welfare delivery, and digital public infrastructure, the risks are even more acute. Without robust, context-sensitive benchmarks, we risk importing flawed models from global tech giants and deploying them in environments they were never designed for. What's needed is not just stronger evaluation standards, but Indian participation in creating and governing them.

As AI becomes central to public decision-making, our frameworks for evaluating it must evolve. We need benchmarks that are not only harder but also smarter —

tests that reflect the complexity of human language, values, and context. That means involving ethicists, domain experts, and yes, everyday users — not just engineers — in the design of these tests. The old saying goes: "What gets measured gets managed." If we measure AI with the wrong yardsticks, we will manage it badly. And in a world where AI is making life-changing decisions — from who gets a loan to how a disease is diagnosed — we can't afford that.

So, the next time you hear that an AI system passed some test with flying colours, ask a different question: was it the right test? (FE21052025)

Supply Chain Management

A key driver of India's economic ambitions

Comprehensive logistics parks, AI-driven custom clearances, and a national logistics e-marketplace will enhance our global competitiveness.

By Sumita Dawra

In a rapidly evolving global trade environment, it is crucial to prioritise logistics efficiency as a key component of India's strategic framework, alongside investments, trade, and supply chain integration. Strategic infrastructure development and digital innovations can greatly enhance our trade competitiveness whether India aims to serve global markets or deepen supply chain integration.

While India's logistics sector is undergoing a transformation, driven by substantially enhanced capital investment in infrastructure, digitalisation of services, and regulatory reforms, it is timely to amplify this momentum. This would be relevant both for a more efficient inward movement of raw materials and components to manufacturing centres, as well as the outward movement of finished goods to the markets.

In a world impacted by the US tariffs, as well as the window of the 90-day tariffs pause, let us look at new trade opportunities before India. Indian freight forwarders have reported a surge in requests for quotations (RFQs) from domestic companies that are receiving new inquiries from US buyers. To fulfil aspirations of enhanced exports to US, our largest export market, India's logistics system must be prepared to handle the expected volumes.

Regardless of how the next three months unfold, it is essential to look beyond immediate developments and adopt a longer-term strategic perspective — especially as we prepare for a bilateral trade agreement with the US, aiming for over $500 billion in bilateral trade by 2030, in line with India's broader export target of $2 trillion by that year.

Given this context, it is critical to speed up the establishment of comprehensive logistics parks for products with high-export potential — such as electronics, textiles, garments, footwear, and electrical machinery. Simultaneously, the deployment of cutting-edge technology, including artificial intelligence-driven customs clearance systems at major ports, particularly for key export sectors like generic pharmaceuticals, textiles, and electronics, would significantly enhance the speed and efficiency of logistics operations.

These parks are designed to integrate multiple logistics related services at or near manufacturing hubs. This would include warehousing, packaging, inland container depots, customs clearance, and multimodal connectivity (rail and road). The parks would also integrate support services such as skill development centres, trade facilitation offices, and logistics innovation hubs.

To strengthen sector-specific logistics parks, a focused strategy should include rapid identification of suitable sites; speedy approvals and clearances; targeted investments in modern warehousing infrastructure; and the availability of a skilled workforce to manage digitised logistics operations.

A quick way forward would be to identify and undertake focussed improvements in road, rail networks, and last-mile connectivity gaps to ports, airports in strategic manufacturing clusters. This will facilitate Make in India and the upcoming National Manufacturing Mission too. Similarly, we need more port-led industrial zones, such as the multi-product special economic zone (SEZ) at Jawaharlal Nehru Port Authority, Mumbai, where businesses related to manufacturing, food processing, trading, warehousing have come up. Port-led SEZs help lower logistics costs significantly as well as help build transhipment related businesses.

Simultaneously, we need to develop applications on digital platforms to track movement of goods across various modes of transportation. A national e-marketplace for meeting logistics needs at competitive prices in real time would be an innovative and timely intervention to scale up logistics efficiency and support the exports thrust.

To enable real-time tracking of consignments and provide HSN code-level visibility into commodity flows, India has already launched the Unified Logistics Interface Platform (ULIP). This is a digital gateway that integrates over 30 logistics-related government systems. Standardised, nation-wide applications could be built on the ULIP platform to track and trace goods, bringing about an immediate improvement in supply chain efficiency, production planning, and last-mile deliveries.

India also uses the Logistics Data Bank (LDB) to track and trace export-import (EXIM) containers. Almost 3,000 RFID (radio frequency identification) readers installed at all major routes on roads and rail, including dedicated freight corridors, capture data on movement of containers. The data analytics gives useful feedback on port dwell time for containers, speed analysis of container movement, performance benchmarking across states, transit time, etc. Such a data-driven approach can help improve road and rail infrastructure for EXIM movement across states by highlighting the choke points in the transit route.

As the logistics sector becomes increasingly tech-enabled, it will be accompanied by a sharp rise in demand for a digitally skilled logistics workforce that covers various aspects like handling transportation, packaging, warehousing, customs operations, technology-enabled platforms at ports, and EXIM documentation, etc. At the same time, the logistics evolution is also opening exciting opportunities for start-ups and information technology service providers in fields like automation, predictive analytics, and supply chain visibility solutions.

India's ambition to become a global manufacturing and export leader depends on how effectively it harnesses the strengths of its logistics ecosystem. Major initiatives such as the GIS-enabled PM Gati Shakti National Master Plan, dedicated freight corridors, multimodal logistics parks, digital platforms like ULIP, and proactive state-level logistics policies are laying the foundation for a logistics-driven growth strategy. With focused implementation, these reforms can enhance India's ranking in the Global Logistics Performance Index and drive the Viksit Bharat goal of a $32-trillion-plus economy by 2047. (FE20052025)

Retail Management

Reframing India's retail industry

Like JCPenney, Indian retailers need to subvert narrative of 'just another traditional brand.'

By M Muneer

The Indian retail industry is at a critical crossroads. Proliferation of e-commerce, accelerating digitisation, a consumer base that is increasingly getting younger, and the shriller cries for diversity and personalisation necessitate a reframing of the sector for growth, and even survival. Conventional marketing appears to be failing, going by the struggles of the sector.

If the experience in developed economies is anything to go by, the answers might seem embedded in the local context. Inspiration can also come from unexpected places. Take the case of the recent reinvention of JCPenney, the US department store chain that once represented a bygone era of suburban shopping. It was long dismissed as stale and out of touch. Its new strategic repositioning can offer relevant lessons for Indian retailers seeking to redefine themselves for the next generation of shoppers.

At the heart of JCPenney's bold move was a campaign that challenged consumer assumptions head-on. Surprisingly unbranded ads that featured polished, fashion-forward visuals of model shots, lifestyle images, clean aesthetics. Each ad included a QR code, which, when scanned, revealed that the products came from none other than JCPenney. The idea was simple and sharp: break the bias before the brand is revealed. By stripping away the traditional branding, the campaign forced consumers to judge the clothing on its own merit: Contemporary, stylish, relevant. The surprise of discovery flipped expectations and created an emotional payoff.

From Shoppers' Stop and Lifestyle to Trends and Westside, this approach holds great potential given their obvious traditional or budget-conscious positioning. Imagine a campaign where saris are photographed in edgy, high-fashion settings, or where a kurta is styled like a global streetwear piece. Such re-imaginings are not gimmicks — they are powerful cues that help reposition the brand in the minds of a new generation. If the product quality is sound, all that remains is to change the frame through which consumers view it. Like JCPenney, Indian retailers need to subvert the narrative that they are "just another traditional brand" and prompt consumers to look again, and differently.

JCPenney’s revival wasn’t just visual. It leaned heavily into cultural aspects by partnering with designer Prabal Gurung to launch the iMPOWER collection, a line rooted in inclusivity and empowerment. The collection offered a wide range of sizes and styles and was modelled by people from various backgrounds and body types. This was not simply a symbolic gesture, but a commercial strategy aimed to open the brand to a broader, more diverse audience.

This idea is profoundly relevant for India, where diversity is everywhere, from streets to wards to districts — regional, linguistic, economic, and aesthetic. Yet, marketing and merchandising still cater to a narrow interpretation of who the “ideal” consumer is. There is an enormous untapped opportunity in speaking the truth: complex, multi-ethnic, and proud of it. Brands that embrace broader sizing, represent a range of skin tones and body types, and showcase regional identities in authentic, contemporary ways will drive inclusion, and hence loyalty.

Digital transformation was another key piece of JCPenney’s playbook. When the Big Billion Day sales started by Flipkart in 2014, one of the leading retail chains wanted to go digital as a knee-jerk reaction, and failed miserably. Recognising that consumer behaviour had shifted irreversibly post-Covid toward digital-first experiences is key. JCPenny has invested heavily in e-commerce, mobile optimisation, and social engagement much beyond a website which most Indian retailers did. It went much beyond selling online, and crafted a cohesive digital identity that complemented its in-store experience. In doing so, it reintroduced itself to a younger, tech-native audience.

With the explosion of internet penetration and smartphone access, digital presence is non-negotiable. The next big brand will not be built just through store footprints or billboard campaigns; it will be through compelling Instagram content, frictionless mobile shopping, and sharp data-driven personalisation.

Indian retailers need to look beyond just digitising categories and focus on creating brand worlds online — spaces that are immersive, interactive, and designed to build community.

Private labels are another area where JCPenney carved new ground. Developing in-house brands allowed the company greater control over design, pricing, and positioning. These labels became tools for differentiation — unique product lines that couldn't be found elsewhere. For Indian retailers, particularly those operating across categories, private labels represent a powerful lever. They allow for faster experimentation, better alignment with consumer preferences, and healthier margins. More importantly, private brands give retailers the chance to tell their own stories. The Westside-Zudio combo from Tata Group has mastered this strategy well and carved out a sweet spot for themselves with 1,000 stores and 100 million customers according to the company.

Perhaps the most underrated aspect of JCPenney's strategy was its focus on hyperlocal marketing. The brand moved away from generic national messaging and tailored its efforts to connect with local communities. By aligning with regional events, collaborating with local influencers, and adjusting product selections to match local tastes, it created a more intimate relationship with its consumers.

India, in many ways, is a continent disguised as a country. A campaign that works in Chennai might fall flat in Chandigarh. A product that's a bestseller in Mumbai may not find the same traction in Lucknow. Understanding and responding to these differences is no longer a luxury; it's a requirement. Retailers that treat India as a unified market will miss the micro-moments that drive true loyalty. The future belongs to those who can think nationally but act locally, blending brand consistency with cultural relevance.

The lesson from JCPenney isn't just the usual copy-paste tactic — it's about mindset. It's about challenging assumptions, moving with agility, and meeting consumers where they are, not where they were. All the ingredients for a delicious dish are there: a booming market, an increasingly aspirational consumer, and a vibrant culture to draw from. What's needed is a willingness to surprise — to subvert the expected, to reframe the familiar, and to make people look twice. Because in that moment of reconsideration lies the real magic of marketing. (FE02052025)

Marketing

When search starts selling: What Google's new move means for Indian D2C

Google did not invent frictionless checkout. Amazon perfected it. Shopify powered it. Startups from Bolt to Fast tried (and failed) to universalise it.'

By Sunil R. Nair

This week, Google announced a suite of shopping features that has sent a ripple through the global e-commerce world and should send a small shockwave through Indian D2C boardrooms. With its new AI-powered search and in-line checkout experience, Google is not merely improving product discovery. It's attempting to *own the entire transaction flow*, from query to conversion, all within the search interface itself.

To some, this sounds like old wine in a slightly more AI-shaped bottle. Didn't Google Shopping already do this? Didn't marketplaces already disintermediate brands? Yes. But this time, the stakes are higher. Because now, Google is combining search dominance with generative AI, building agentic shopping journeys, and compressing the funnel so tightly that for many brands, the homepage and checkout page may no longer be the frontline, it might just be the postscript.

Intent is Being Rewritten, Not Just Routed

In India, Google remains the front door of the internet. It is where searches for “best baby shampoo,” “affordable kurta sets,” or “LED TV under ₹25,000” happen in the millions, daily. Historically, this traffic was channelled to brand websites, marketplaces, or publisher lists. But with Google’s latest moves, the goal is no longer to *redirect* that intent. It is to *monetise* it directly, with the transaction taking place right inside the search results, assisted by AI agents and backed by integrations with checkout providers.

What does this mean for Indian D2C brands? In short: you may still own the product, but you could soon be renting the customer.

The Algorithmic Bazaar

If Google succeeds in collapsing search, discovery, and checkout into one seamless journey, brand websites risk becoming digital brochures, validating the purchase after it’s already made elsewhere. This means your first-party data, cross-sell opportunities, loyalty programs, and even upsells get pushed out of the critical path.

This is not theoretical. It is already playing out in adjacent industries. In travel, OTAs have evolved from discovery tools into transaction engines. In crypto and finance, AI agents handle complex decisioning and execution. The same infrastructure logic is now arriving for commerce.

Imagine the impact on categories like skincare, electronics accessories, or health supplements in India: high-volume, low-differentiation segments where intent is easily captured, but loyalty is hard-earned. If brands become mere SKUs in Google's checkout layer, what happens when the bidding starts? If price, not brand, becomes the key variable, we will soon see an *algorithmic bazaar*, where visibility goes to the highest bidder, and customer relationships are auctioned in real-time.

The D2C Illusion: Direct Until It Isn't

This also forces a larger reckoning for the Indian D2C movement. Many of our new-age brands have already walked back the "direct" in D2C, embracing marketplaces for scale, relying on Meta and Google for discovery, and outsourcing logistics to third parties. What Google's new features do is simply crystallise that shift. You may still be a brand, but you are increasingly a *plug-in* to someone else's platform.

That's not necessarily a bad thing, provided you optimise for the new rules.

What Indian Brands Can Do Now

First, treat your website not as a sales channel, but as a trust channel. Conversion may happen elsewhere, but credibility still starts with you.

Second, invest in content that educates, entertains, and differentiates. This isn't about SEO anymore, it's about story. The one thing Google can't (yet) generate on your behalf is your brand's emotional narrative.

Third, demand visibility into data. If transactions occur within Google, what gets passed back to the brand? What attribution, what profiles, what retention hooks are still within your control?

Fourth, get serious about owned audiences. SMS, WhatsApp, community platforms, loyalty programs, these are not vanity tools. They are your insurance policy against platform dependency.

Fifth, experiment with Google's own ecosystem. Integrate deeply. Explore video commerce through YouTube and on your own brand.com. Play the game but know which part of the board you still control.

This Is not the End, It's the Great Compression

To be clear, Google is not killing D2C. But it's accelerating its transformation. Indian consumers will still care about where their products come from, which influencer they saw it with, and whether your serum actually smells like haldi or hospital disinfectant. But the path to that trust is getting shorter, faster, and platform-mediated.

In this new reality, attention will remain scarce, choice will remain overwhelming, and trust will become the most defensible moat. Platforms will own convenience. Brands must double down on conviction.

And the businesses that can balance both? They're the ones that w'll outlast this new wave of AI-led commerce. (FE28052025)