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The Growth of Direct-to-Consumer (DTC) Brands: A Shift in Retail Strategies

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Abstract

Digital progress together with altering consumer behaviour and consumer demand for personalized retail have triggered a major transformation in retail that leads to the rapid expansion of Direct-to-Consumer (DTC) brands within India. DTC brands cut out conventional distribution channels through online platforms together with social media and analytics to build consumer relationships directly. Research investigates what drives DTC brand expansion in India through three key factors which are the rising internet penetration rates and digital payment systems as well as the move toward omnichannel retailing. Most Indian consumers now choose DTC brands because these brands offer affordable prices and clear product descriptions in addition to innovative new products. Various businesses including both startups and established names execute DTC strategies to improve consumer engagement as they work on supply chain improvement and better profitability. The research analyses positive examples of direct-to-consumer marketing models which operate within fashion, beauty, food and consumer electronics industries in India. The market continues to grow at a rapid pace but several barriers to growth remain including high customer acquisition expenses and transportation difficulties and strict industrial regulations. This paper analyses important industry developments and successful growth factors alongside obstacles that businesses need to understand when they want to succeed in India's transforming DTC market. The research indicates that retail in India will evolve to combine DTC brand operations through connected online and physical platforms to create better shopping experiences.

Keywords: Direct-to-Consumer (DTC), E-commerce, Retail Strategy, Consumer Behavior, Digital Transformation, India, Omnichannel, Brand Growth

Introduction

Direct-to-Consumer (DTC) serves as a transformative market approach within Indian retail which breaks traditional delivery systems while establishing new methods of engagement between consumers and brands. DTC brands operate by delivering products straight to consumers without middlemen such as wholesalers or distributors through online platforms and social networks and their own brand stores. The rise of DTC occurred because of digital technology evolution along with changing consumer demands and quick e-commerce adoption. India offers excellent conditions for DTC brands because of increasing internet usage and technological adoption among its population. The direct relationship between DTC brands and consumers enables them to meet contemporary consumer needs regarding personalization and convenience while giving full transparency through their data-driven insights. The COVID-19 pandemic triggered emerging startups and established businesses to adopt DTC models because it became necessary to have direct customer relationships. Major DTC brands in India such as Boat, Lenskart, Sugar Cosmetics and Mamaearth use social media campaigns as well as influencer

partners coupled with data analytics systems to boost their customer interactions and revenue streams. The advancement of digital payment solutions alongside better logistics networks made possible the smooth transaction process and delivery systems. The demand for eco-friendly local products has allowed numerous Indian homegrown DTC brands to find markets for their goods. The DTC model provides many beneficial aspects to businesses but its advantages come with steep customer acquisition expenses as well as highly competitive markets while brands need to constantly innovate to keep consumer interest. This document evaluates the expanding role of DTC brands in India together with the motivators behind this development and powerful organizational strategies alongside the critical obstacles that companies must manage to maintain their competitive position in today's evolving retail framework.

This paper explains the historical development of Direct-to-Consumer (DTC) Brands in the Indian market.

Pre-2010: Foundations of E-Commerce

- Traders alongside wholesalers and distributors controlled traditional retail through their physical stores network.
- Growth of early e-commerce platforms like Flipkart (2007) and Snapdeal (2010) sets the stage for digital commerce.
- Only limited payment options through digital channels, alongside a low internet penetration rate, currently restrict the growth of DTC business models.

2010-2015: Digital Revolution & Early DTC Brands

- The expansion of digital commerce became possible through the growing presence of smartphones together with decreasing internet costs from 3G to 4G technology.
- The rise of payments technology through Paytm (2010) together with growing digital payment systems motivated more customers to shop online.
- The direct-to-consumer (DTC) market receives major momentum after Lenskart (2010), Zivame (2011) and Sugar Cosmetics (2012) start providing product sales through direct consumer channels.

- The use of social media marketing on Facebook and Instagram develops into a fundamental method for customer engagement.

2016-2019: The Rise of DTC Startups

- The Jio revolution (2016) created a data cost revolution which allowed digital access to spread throughout India.
- The development of UPI (Unified Payments Interface) as a digital payment interface makes transactions easier to complete.
- The DTC deliveries improve substantially because Delhivery and Ecom Express increase their logistics and supply chain capabilities.
- Social media creators collaborate with brands through influencer marketing to create a major market expansion.
- DTC brands like Boat (2016), Mamaearth (2016) and WOW Skin Science establish their positions during this period.

2020-2022: COVID-19 Accelerates DTC Growth

- Lockdown conditions due to the pandemic have compelled conventional retailers to shift their businesses to digital frameworks.
- Personal care and health products along with home goods market growth increases the popularity of DTC brands operating directly from creators to consumers.
- Nykaa (IPO in 2021) together with Mamaearth secured unicorn status.
- Quick commerce services such as Blinkit and Zepto drive DTC industries to reevaluate their logistics management systems.

2023-Present: Consolidation & Innovation

- The rising market rivalry forces DTC companies to expand their retail scope through both digital and physical distribution channels.
- More companies implement AI automation systems with chatbots to create superior customer interactions.
- The market sees rising expansion of sustainable DTC brands that serve mindful consumers.
- Entry of global brands and acquisition of DTC startups by larger corporations.
- Companies direct their energy toward profitability enhancement and customer retention rather than following aggressive methods for gaining new customers.

Problems

1. Lack of Awareness and Understanding of the DTC Model Among Indian

Consumers Numerous Indian customers depend on conventional retail distribution while lacking understanding about DTC brand operations. Indian consumers find it difficult to understand the DTC model and advantages along with distinctive elements of this brand model which hinders its market entry success.

2. Operational and Logistical Challenges in Scaling DTC Brands

The advantage of interceding away from middlemen poses substantial challenges to DTC brands as they struggle with excessive acquisition expenses alongside delivery system inefficiency and difficult return processes. The research examines those operational limitations which threaten the lasting development of DTC brands in the Indian market.

3. The Effectiveness of Digital and Omnichannel Retail Strategies for DTC Growth

Indian DTC brands need innovative retail vision for expanding their market reach by performing influencer partnerships and implementing personalized promotions thus incorporating offline points of sale. Research will identify the most productive strategies used for sale increases and consumer retention by DTC brands operating within the Indian market.

Objectives

1. To comprehend the concept of Direct-to-Consumer (DTC) Brands in India
2. To study the challenges of Direct-to-Consumer (DTC) Brands in India
3. To investigate the strategies of retails in Direct-to-Consumer (DTC) Brands in India

Scope

This research dedicates its analysis to the Indian DTC (Direct-to-Consumer) brand growth with a specific focus on their transformation within the retail sphere. The research delivers a thorough examination of DTC models as well as their advantages and difficulties for Indian market adoption. Data collection will investigate both consumer knowledge about DTC brands alongside their purchasing preferences and their views regarding DTC brand products.

This research explores the obstacles DTC brands encounter in their operations through assessment of high customer acquisition prices together with delivery struggles and regulatory barriers and competitive pressure from conventional retailers alongside marketplace competitors. Additionally, the research explores ways to overcome operational obstacles such as inventory control problems and delivery difficulties at the final destination. The examination will investigate DTC brand retail methods for increasing consumer involvement and their retention levels as well as their profitability potential.

The research evaluates multiple digital marketing methods in addition to omnichannel and direct customer interaction techniques for maximizing growth achievements. The research will analyze various Indian DTC brands from different industries through case study analysis. The research results will aid entrepreneurs together with marketers alongside investors and policymakers to create sustainable development strategies for India's retail sector through DTC ecosystem analysis.

Limitations

1. The reliance on secondary data together with industry reports and case studies prevents the study from obtaining up-to-date trends and insights about emerging DTC brands in India.
2. The research mainly studied Direct to Consumer brands that belong to the fashion and beauty categories together with food and consumer electronics while omitting potential trends in other expanding sectors.
3. The research area mainly includes digital consumers located in urban areas while neglecting insights about Direct-to-Consumer adoption among non-digitally oriented customers in rural and semi-urban spaces.
4. The DTC landscape in India evolves swiftly under modern consumer behaviour patterns together with legislative transformations and technological innovations thereby creating a problem with time-sensitive data.
5. The research study evaluates short-term expansion strategies and market issues whereas it does not completely measure the extended sustainability and profitability aspects of Indian direct-to-consumer brands.

Data

1. The DTC market sector in India continues to grow steadily while reaching a value of \$55 billion in 2023. Recent market analysis by KPMG and RedSeer indicates that the Indian DTC market will expand to \$100 billion by 2025 from its present value of \$55 billion in 2023. The direct-to-consumer segment in India continues to expand at a 25% CAGR because consumers are becoming more digital and their purchasing habits are evolving.
2. Consumer Behaviour Trends for Indian consumers brand direct purchases have become the norm because they receive advantageous prices alongside personalized promotions (Source: Bain & Co.). Sixty percent of DTC customers in India belong to the age group between 18 to 35 years which demonstrates younger demographics show significant preference towards direct-to-consumer purchasing.
3. Challenges in the DTC Sector Profitability has experienced significant challenges because Customer Acquisition Costs (CAC) increased by 40% during the last five years. The delivery problems in 30 to 40 percent of Indian postal codes lead to service delivery inefficiencies in the market. The high rate of returns in DTC e-commerce reaches up to 20-30% which increases operational expenses for businesses.
4. Retail Strategies & Omnichannel Growth The social commerce sector drives DTC sales through 20% of direct transactions as WhatsApp and Instagram prove important platforms. Indian DTC brands now embrace omnichannel strategies by linking their internet sales operations with both retail outlets and showroom facilities throughout the nation.

The research "**The Growth of Direct-to-Consumer (DTC) Brands: A Shift in Retail Strategies**" in India receives support through these data points obtained from reliable publications which deliver an extensive framework:

1. The DTC market in India shows continuous growth¹

According to market research which has determined its present value and future projections.

- The projected market value of DTC operations in India will reach \$61.3 billion in FY27 while starting from \$17 billion in FY23 and demonstrating a compound annual growth rate (CAGR) of 38%.

- The upcoming growth projections indicate that FY27 will establish the retail sector with about 10 million direct and indirect employment opportunities.

2. Consumer Behaviour Trends²

- The India DTC market now shows an emerging trend of combining its online leadership with the growth of physical storefronts. Two Consumer Companies show the trend of offline expansion as Nykaa opened 78 new stores between FY21 to FY23 and Mamaearth brings in 35-36% of its business through retail branches.
- The adoption of Direct to Consumer retail varies based on the regions within the market. Metropolitan cities like Mumbai, Delhi, and Bengaluru lead due to better internet penetration and higher disposable incomes. The emerging growth areas in India consist of digital-active Tier-2 and Tier-3 cities encompassing Jaipur and Lucknow whose increasing disposable income is driving expansion despite infrastructure limitations.

3. Challenges in the DTC Sector

- Several industry experts have voiced sustainability doubts about fast growth patterns in sectors that include quick-commerce. TVS Capital Funds Chairman Gopal Srinivasan declared quick-commerce popularity as a short-lived trend based on capital funding yet unable to establish lasting economic viability³.
- The quick-commerce sector poses operational difficulties for Dunzo and other companies which causes financial instability even though they have shown initial marketplace success⁴.

4. Retail Strategies & Omnichannel Growth⁵

- The physical store expansion carried out by Nykaa illustrates this new trend direction. Several Indian DTC brands develop brand visibility through celebrity endorsements to improve their credibility. An actor turned brand ambassador position into business ownership of boAt by merging his musical interests with enterprise growth.
- Statistical data reveals how India's DTC market demonstrates both extensive development prospects and shifting customer trends together with operational difficulties and brand strategies that enable companies to succeed within the competitive environment.

Research Methodology

The paper uses secondary information that originates from Internet-based research including academic journals, research papers, government publications, industry reports, books, conference papers, and the Google Scholar and RBI report on the same topic.

Statistics Used

The Indian Direct-to-Consumer (DTC) market depicts noteworthy market expansion which demonstrates a major adjustment in current retail operations. Multiple statistics demonstrate this rising trend which shows an important shift in market dynamics.

Market Growth and Projections⁶

The DTC Indian market shows forecasts indicating a value of \$61.3 billion during FY27 and will expand from \$17 billion in FY23 with an estimated compound annual growth rate (CAGR) of 38%. FISCAL YEAR 27 will bring about 10 million direct and indirect employment opportunities across retail positions through this market expansion.

Consumer Behaviour and Adoption⁷

The quick-commerce section of DTC expanded rapidly between 2022 and FY25 from its initial \$300 million value to achieve \$7.1 billion. The gross order value of major players in Blinkit and Zepto along with Swiggy Instamart has increased by a factor of 24 through their combined efforts in the quick-commerce sector.

Challenges and Market Dynamics⁸

The quick-commerce expansion has caused antitrust probes because of discounting concerns that might undermine traditional retail operations.

The industry growth has triggered sustainability concerns that industry specialists identify as a potentially failing boom within quick-commerce. Strategic

Responses and Omnichannel Integration

Reliance and other major conglomerates continue entering the quick-commerce market by using their extensive retail networks to deliver fast services throughout the country⁹. More DTC brands use omnichannel platforms which unite their internet and physical operations to reach customers more effectively¹⁰.

The statistics demonstrate that Indian retail continues evolving dynamically because DTC brands lead this transformative shift.

Result & Discussion

1. Growth and Market Expansion of DTC Brands in India

The Direct-to-Consumer (DTC) market in India experiences exceptional growth projections according to Economic Times (2024) forecasts that it will surge from \$17 billion in FY23 to achieve \$61.3 billion by FY27 at a compound annual growth rate (CAGR) of 38%. The speedy market expansion demonstrates how consumers choose to interact with brands directly as well as experience customized shopping and gain access to competitive pricing. Quick-commerce models operating within the DTC segment have driven accelerated growth through their activities as noted by a 24-fold market increase from 2022 through 2025 (Reuters, 2024).

2. Changing Consumer Behaviour and Retail Strategies

People in India are now choosing DTC brands because they bring consumers direct interaction along with modern products and simplified digital shopping experience. Major DTC brands enhance their omnichannel strategy by expanding their physical locations according to data from Markets & Data (2024) which shows Nykaa increased their stores from 72 in FY21 to 150 in FY23 to support their online expansion. Social commerce platforms including Instagram as well as WhatsApp together with influencer marketing have become strong factors that drive 20% of direct-to-consumer sales in the market.

3. Several barriers exist for DTC brands to achieve massive growth

The rapid sector expansion produces several hurdles which affect the market. The high cost of acquiring new customers (CAC) presents a serious threat to DTC brands that want to grow sustainably because it has increased by 40% since 2019. The delivery services for nearly 30-40% of Indian pin codes encounter delivery obstacles which lower service quality and diminish customer loyalty. Fast-delivery platforms Swiggy and Zepto are facing antitrust investigations because of deep discounting practices and their business operations (Reuters, 2025).

4. Future Outlook

Strategic Adaptations for Sustainable Growth To handle these problems Indian DTC enterprises follow three main strategies:

Indian brands should unite basic retail elements with digital experiences to maintain revenue from traditional markets. Fundamental investment in artificial intelligence specification algorithms helps deliver superior customer satisfaction and keeps customers loyal.

The supply chain optimization will enable better delivery performance and operational savings through network development.

The brands boAt and Mamaearth demonstrate global expansion by moving into international markets which allows them to maintain their revenue growth.

Indian direct-to-consumer (DTC) businesses will maintain sustained growth in the long run by implementing advanced retail concepts and technological innovations while establishing physical locations to strengthen their consumer-focused system.

Conclusions

India sees an essential retail evolution taking place through Direct to Consumer (DTC) brands due to consumer preference modifications and digital improvements as well as new business structures. Independently operated brands will increase their market value from \$17 billion to \$61.3 billion during FY23 to FY27 while sustaining a 38% growth rate thus speeding up the traditional retail revival.

The growth of DTC brands in India has primarily depended on changing consumer behavior because 75% of Indian consumers now choose direct brand relations for better prices and personalized offers and individualized shopping experience. However, challenges such as high customer acquisition costs, logistics inefficiencies, regulatory scrutiny, and intense competition pose obstacles to sustainable expansion.

Leading DTC brands deal with these challenges through increased retail diversity and artificial intelligence personalization of services and global expansion of operations.

In conclusion, DTC revolution in India will transform retail operations through combinations of technological development and customer-focused strategies with mixed retail platforms. Companies which focus on operational efficiency and innovation will secure long-term

business growth while becoming leaders within India's developing retail sector.

Recommendations

Businesses should develop strategic plans while tackling challenges to support steady growth of Direct-to-Consumer (DTC) brands in the Indian market. The following strategies present recommendations to boost the power of DTC brands in the market:

1. Adopt a Hybrid Retail Model

The core strength of DTC brands comes from online sales but they should merge their operations with offline retail such as experience centers and flagships to earn customer loyalty. The brands Nykaa together with Mamaearth have applied omnichannel distribution models to build their market footprint.

2. DTC brands need to strengthen their strategies for both acquiring new customers and keeping existing ones

Brands need to invest in client retention systems especially loyalty programs and subscriptions and AI-powered personalization features to increase lifetime customer worth in response to the growing Customer Acquisition Cost numbers which rose by 40% in the past five years.

3. The boost of supply chain and logistics efficiency represents an important strategic move for companies

The delivery solution for the final leg of shipments in cities classified as Tier-2 or Tier-3 requires immediate attention.

4. The combination of data-driven marketing techniques and social commerce platforms should be implemented to reach maximum success

Social commerce through DTC represents 20% of sales so brands need to activate WhatsApp along with Instagram social media and collaborate with influencers to connect directly with consumers.

5. The company needs to execute pricing strategies while maintaining ethical standards along with ensuring compliance rules and guidelines

Proactive DTC brands should maintain transparent pricing plans and demonstrate fair competition as well as respect antitrust laws to prevent litigation and protect their enduring reputation.

DTC brands operating in India can utilize these approaches to carry out enduring expansion while building dedicated customer bases in the modern retail marketplace.

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Conflicts of Interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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