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Across jurisdictions, competition authorities have been treating the online marketplace platforms as distinct markets, separate from offline channels of distribution. This has traditionally been justified on the so-called differentiated characteristics of such digital platforms like network effects, search functionalities, data advantages, convenience, and scale efficiencies. This segregation of online and offline commerce into separate markets, however, warrants closer scrutiny..

Quite visibly, the retail economy no longer operates in silos between online and offline channels. Consumers today move seamlessly between online marketplaces, quick commerce applications, and physical retail stores, often within the purchase journey of a single product. They routinely switch between channels in response to changes in pricing, experience, quality, delivery timelines, product availability, and after-sales support. In fact, offline retailers aggressively monitor and respond to online pricing strategies, while digital platforms themselves are investing heavily in localised fulfilment, physical retail presence, and rapid delivery infrastructure to compete for the same customers.

Sellers similarly deploy integrated, omnichannel strategies, dynamically allocating inventory, advertising expenditure, pricing, and fulfilment capabilities across both digital and offline channels to compete for the same pool of consumers. Brands and sellers themselves treat online and offline retail not as separate businesses, but as necessary components to service the same customer demand. This is evident from both sides in Indian retail. Digital-first brands such as Lenskart and Nykaa have expanded substantially into physical retail through experience-led stores. This shows that offline presence, even more so today, plays an important role in discovery, trials, customer trust and conversion. Conversely, traditionally offline players such as Croma and Modern Bazaar now increasingly offer sales through online channels, allowing consumers to browse, compare and purchase outside the physical store environment. New‑age direct-to-consumer brands, especially in India, are increasingly preferring offline and omnichannel retail rather than pure online distribution.[1] One can now argue that the distinction between "online" and "offline" commerce, which was once commercially meaningful, is increasingly becoming artificial. In modern retail, the more relevant competitive question is not whether a sale takes place online or offline, but whether the channels compete for the same consumers, products, sellers and purchase occasions.

With changing market realities, competition authorities should drop the presumption of segregated online and offline markets for retail goods. Instead, this prompts authorities to go back to the drawing board and resume evidence-based analysis to redetermine if shoppers and sellers on e-commerce platforms are genuinely insulated from offline constraints. The Competition Commission of India ("**CCI**") is currently at the cusp of navigating this intricate balance in its ongoing inquiry into the Indian e-commerce sector. While the CCI has expressed a *prima facie* view that online marketplaces operate as a distinct space, relatively insulated from brick-and-mortar constraints, recent trends in modern retail suggest a more integrated landscape. Emerging empirical evidence indicates that the lines are blurring, with online platforms and traditional offline channels increasingly competing for the same consumer base.

I. What Really Is a 'Relevant Market' Definition?

As in most jurisdictions, under the Competition Act, 2002 ("**Competition Act**") a relevant market comprises a relevant product market and a relevant geographic market. The Competition Act requires the CCI to assess substitutability of products/services based on characteristics such as consumer preferences, price, end use, production processes, and distribution channels. It is a well-established principle that market definition is a necessary prerequisite for identifying and defining the boundaries of competition between firms, which has also been upheld by the Supreme Court of India in *CCI v Coordination Committee of Artists*

[1] See "*As D2C brands go offline, can omnichannel growth stay profitable?*", available at: (https://www.exchange4media.com/marketing-news/as-d2c-brands-go-offline-can-omnichannel-growth-stay-profitable-154605.html).

and Technicians of WB Film and Television & Ors.[2] A market definition serves to establish the framework within which competition is assessed by a regulator. The failure to properly define a relevant market based on robust evidence can render a competition assessment incomplete.[3]

The fundamental economic inquiry underlying market definition is substitutability. The traditional '*small but significant non transitory increase in price*' ("**SSNIP**") test asks whether consumers would switch to alternative products or channels in response to a hypothetical price increase. Increasingly, competition authorities are recognising the wider spectrum of parameters on which competition occurs for instance, quality, innovation, fulfilment, and consumer experience. In the case of digital markets however, competition authorities frequently define markets merely based on certain 'unique' features of online marketplaces which are merely the mode of sale, as opposed to conducting an economic assessment of competition in relation to the product/ service which forms part of the underlying retail transaction. An assessment of the integrated online and offline market for each product/service would also be in line with emerging commercial realities, as consumers increasingly complete purchases interchangeably through both channels with ease, based on their preference.[4] In fact, consumers often purchase the same product through offline stores and online channels (depending on contextual purchase journeys and motives of the consumer).[5]

II. Economic and Empirical Evidence Against Rigid Channel Segregation

The empirical evidence increasingly challenges the presumption that online and offline retail channels operate in insulated markets. The Boston Consulting Group in its recent study titled "*$300 Billion Connected Commerce How clicks and bricks are defining the future of India's E-commerce*" ("**BCG Report**"),[6] Deloitte in the study titled "*The $250 Billion Commerce Frontier"* ("**Deloitte Report**"),[7] and Bain in its study titled "*How India Shops Online 2025*" ("**Bain Report**")[8] find that modern retail competition is increasingly omnichannel, with consumers and sellers moving fluidly between online and offline channels. This is also reflected in how consumer purchase journeys differ across product categories. For instance, a consumer purchasing clothes may browse online for variety and discounts, visit a store to assess fit and fabric, and then complete the purchase either online or offline depending on availability, price and convenience. By contrast, high involvement products such as washing machines, refrigerators etc., may involve online price discovery and review comparison, followed by offline inspection, installation related discussions, or dealer led assistance before purchase. These category specific journeys demonstrate that online and offline channels often operate as competing touchpoints within the same retail ecosystem. Based on market reports, it is demonstrable that consumers do not have crystallised preferences for products, and switch rapidly from online / offline basis the offerings provided, thus highlighting that any transaction concluded through either channel is not competitively isolated from the other channel.[9]

A. *Online retail remains a minority of overall retail*

India's e-retail penetration remains relatively modest despite rapid digital growth. The Bain Report estimates that India's e-retail market reached approximately USD 60 billion in gross merchandise value in 2024 and still constituted only around 6-7% of total retail expenditure. Further, the Deloitte Report on e-commerce in India also detailed that the online retail sector holds 7-10% of total retail spends.[10] These statistics serve as a strong caution against mechanically excluding offline channels from the market definition when assessing an online marketplace platform.

A market definition confined exclusively to online marketplaces effectively treats over 90% of India's retail expenditure as competitively irrelevant. More

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2 See *Competition Commission of India v Coordination Committee of Artists and Technicians of W.B. Film and Television Investors* (2017) 5 SCC 17.

3 See *Hyundai Motor India Ltd v Competition Commission of India* [2023] NCLAT 11.

4 See Herbert Hovenkamp, '*Antitrust and eMarkets*', available at: (*https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4962651*).

5 ibid.

6 See *$300 Billion Connected Commerce: How clicks and bricks are defining the future of India's E-commerce*, available at: (https://www.bcg.com/publications/2026/india-clicks-and-bricks-are-defining-the-future-of-e-commerce).

7 See *The 250$ Billion Commerce Frontier*, available at: (https://www.deloitte.com/in/en/Industries/consumer/about/the-250-billion-commerce-frontier-deloitte-google-report.html)

8 See *How India Shops Online 2025*, available at: (https://www.bain.com/insights/how-india-shops-online-2025/).

9 See footnote 6.

10 See footnote 7.

importantly, the evidence demonstrates substantial overlap between online and offline shopping behaviour. In fact, 90-95% of online shoppers in India continue their purchase offline, while nearly half of offline shoppers conduct online research before making purchases.[11] Therefore, digital and physical retail channels are being seen as highly substitutable by consumers, who do not view them as distinct markets, but simply as interchangeable doors into a single commerce ecosystem to avail the most competitive offerings. As buyers seamlessly switch back and forth across these touchpoints, commerce has effectively collapsed into a single, borderless market. These patterns demonstrate that online and offline retail are competitive substitutes and must be assessed as a single market.

B. *Omnichannel retail architecture has eliminated functional separation*

Brands and sellers increasingly operate through integrated omnichannel strategies. Brands simultaneously distribute products through online marketplaces, direct-to-consumer websites, quick commerce applications, offline retailers, social commerce channels, and traditional distribution systems. There is indeed significant dissatisfaction due to rising platform commissions, advertising costs, and operational dependencies on large marketplaces. Seller attrition in response to decreased margins suggests that platform participation is contestable rather than indispensable. Importantly, sellers frequently alter inventory allocation dynamically across channels. If margins deteriorate online, brands can shift high-value inventory toward offline chains or direct channels. Such flexibility materially constrains marketplace conduct.[12] A narrow market definition to the exclusion of offline players would therefore not be in line with commercial realities that highlight suppliers' experiences of moving from online to offline marketplaces, and vice-versa.

Large retailers increasingly rely on integrated omnichannel infrastructure, including ship from store models, same day pickup systems, shared inventory pools, unified loyalty programmes, and local fulfilment architecture. Offline retailers are also increasingly digitising operations through the Open Network for Digital Commerce ("**ONDC**") integrations, social channels, WhatsApp-based catalogues, and rapid delivery systems. The result is that inventory management, fulfilment, pricing, and customer acquisition increasingly happens through an integrated architecture rather than isolated channels. ONDC, for instance, has been instrumental in reshaping the e-commerce ecosystem by enabling the rapid digitalisation of offline retail players, especially in tier-2 cities, enabling them to easily compete with online marketplaces to meet local demand.[13] Therefore, retailers themselves no longer operate in distinct online and offline commerce, making a competition law analysis premised on strict channel separation, increasingly difficult to justify. Further models such as 'buy online', 'return in store', 'reserve online', 'buy in store', 'buy online, pick in store', etc. have been deployed across brands, reflecting their view of online / offline channels as constituents of a single retail ecosystem.[14]

Ultimately, the integration of unified fulfilment infrastructures, the adoption of ONDC, and the dynamic shifting of inventory all demonstrate supply-side substitutability. As brands and retailers actively substitute between online marketplaces and physical stores, any credible market definition must question (if not reject), the artificial separation in support of a wider relevant market comprising both online and offline retail.

III. The Regulator's View on Relevant Market for Competition Assessment

In India, the decisional practice of the CCI on e-commerce market definition has evolved with economic realities. In 2014, the CCI first assessed online and offline sales channels as different distribution channels rather than separate relevant

[11] See The Mint, '*India's e-commerce market likely to more than double to $300 billion by 2030', available at: (https://www.livemint.com/companies/india-e-commerce-future-quick-commerce-msme-growth-consumer-spending-bcg-11771929077061.html)*

[12] See Ben Donovon, '*The Paradoxical Dependence of Amazon & its Sellers*', available at: (https://www.marketplacepulse.com/articles/the-paradoxical-dependence-of-amazon-its-sellers). Also see '*Uncovering the reasons behind consumers' shift from online to offline shopping*'. *Journal of Services Marketing*, *37*(9), 1201–1217, available at: (https://doi.org/10.1108/jsm-02-2023-0060). Also see CBRE Investment Management, 'Clicks to Bricks' (2021), available at: (https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/insights/articles/clicks-and-bricks/clicks-to-bricks.pdf).

[13] See Open Magazine, '*ONDC at Four: How India's Open Commerce Network Is Quietly Rewiring Digital Trade*', available at: (https://openthemagazine.com/business/ondc-at-four-how-indias-open-commerce-network-is-quietly-rewiring-digital-trade).

[14] See footnote 12.

markets.[15] It was observed that consumers could easily switch between online and offline channels in response to changes in pricing and availability. In another subsequent matter, *Mohit Manglani v Flipkart*, the CCI still did not consider online retail as a separate market.[16]

In relation to smartphones specifically, the CCI developed its jurisprudence through multiple cases from 2018 onwards. For instance, in *KC Marketing v OPPO*[17] and *Karni Communications v Vivo Mobiles,*[18] the CCI recognised the significant presence of brands across both online and offline channels and noted that restrictions relating to online distribution did not appreciably foreclose competition because offline channels continued to exert competitive constraints.

This approach towards the market however shifted in *Delhi Vyapar Mahasangh v Amazon Seller Services Private Limited and Flipkart Internet Private Limited,*19 largely a result of the contemporary regulatory and industry consensus evolving around 2019. In its *prima facie* order directing investigation while assessing vertical restraints against Amazon and Flipkart, the CCI noted the market to be those smartphones which are sold on online marketplaces in India . The order did not undertake any detailed substitutability analysis. Instead, it largely relied upon assumptions surrounding network effects and platform scale. Notably, the order did not explain why offline smartphone retail channels were excluded despite the continued significance of physical retail in India's electronics ecosystem. The distinction becomes even more significant because the exclusion of offline channels inflates the apparent market shares of online marketplaces. A narrow online-only market definition can therefore significantly alter dominance and foreclosure analysis. In any case, while that narrow framework reflected the market of 2019, the subsequent development of omnichannel commerce and open networks has fundamentally reshaped the retail industry. Reliance on outdated industry perspectives is no longer legally or economically tenable and it is therefore critical to align the market definition with today's commercial reality.

The CCI's decision in relation to online hotel bookings markets[20] is frequently cited in support of narrow online market definitions. A market for online intermediation services for hotel booking in India was defined in that case as online travel agencies providing search, comparison, booking aggregation, reviews, and visibility services, which were viewed as central to the service itself. The logic therefore of online travel aggregation market cannot automatically be transposed into retail goods marketplaces, however. Hotel booking platforms inherently operate as intermediation services, which may be considered unique, with no comparable alternatives *via* offline channels. Retail goods markets, by contrast, involve substitutable routes to purchasing the same underlying products where the change is only seen in the channel of purchase. Even in the context of online hotel booking, the evidentiary basis for excluding offline channels merits closer scrutiny. For instance, the CCI observed that the existence of multiple methods of booking for most customers, and the low levels of internet penetration in India, were insufficient evidence to suggest that consumers viewed online and offline booking channels as interchangeable. The CCI instead relied on certain product characteristics which, in its view, distinguished online booking from offline booking, i.e., there was reliance on the existence of functional differences between the channels, rather than an assessment of whether those differences were sufficient to impact consumer choice. An appellate challenge to this decision is currently pending, and it may impact the treatment of online and offline markets by authorities.

Globally, the European Commission ("**EC**") has revised its Market Definition Notice to adopt a more evidence-based approach to market definition, particularly in digital and multi-sided markets.[21] The revised guidance places greater emphasis on non-price competition, digital ecosystems, multi-homing, switching behaviour, and quality-based constraints, rather than rigid formal distinctions. This is especially important where one side of the market is zero-priced or where SSNIP is an imperfect tool, in which case the small but significant non-transitory decrease of quality may better capture substitution.

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15 See Case No. 17 of 2014.
16 See Case No. 80 of 2014
17 See Case No. 34 of 2018.
18 See Case No. 35 of 2018.
19 See *Dehi Vyapar Mahasangh v. Amazon Seller Services Private Limited and its affiliated entities* Case No. 40 of 2019.
20 See Case No. 14 of 2019.
21 See *Notice on the definition of the relevant market for the purposes of Union competition law (C/2024/1645)*, available at: (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202401645).

Previously, in the *Amazon Marketplace* and *Buy Box* investigations,[22] despite defining national markets for marketplace services supplied to third-party sellers, the EC helpfully noted that online retail stores may represent an alternative to marketplaces for consumers, thereby highlighting that online retail sales are also constrained by the offline segment.

The Australian Competition and Consumer Commission ("**ACCC**") has indeed expressly recognised that consumers view online marketplaces, online retailer websites, direct brand channels, and physical stores as substitutes for one another, depending on the purchase mission.[23] It recognises that seller-side platform services may, in some circumstances, constitute distinct competitive spaces but acknowledges that consumers often perceive online and offline retail as integrated alternatives.

IV. Conclusion – Move to a More Cohesive, Economically-Robust Market Definition for Retail

Against this backdrop, competition law analysis based on strict channel segregation risks becoming disconnected from economic and commercial reality. The stronger position is not that online marketplaces can never form distinct markets. Rather, regulators ought to stop presuming their distinctness without finding robust empirical evidence in relation to the product/service in question.

Where evidence demonstrates genuine marketplace-specific dependencies, narrow seller-side intermediation markets may well be appropriate. However, in retail goods markets, the regulators should carefully examine whether offline retailers, direct brand channels, quick commerce applications, and alternative digital routes continue to exert meaningful competitive discipline.

In India specifically, a market definition that excludes over 90% of consumer retail expenditure without a rigorous substitutability analysis, risks overstating market power and distorting competition assessment. As retail markets continue evolving toward integrated omnichannel ecosystems, competition law must similarly evolve towards more evidence-based, economically sound, and commercially realistic approaches to relevant market definition.

The future of competition analysis in online retail markets should therefore focus less on the existence of an online interface, and more on the actual competitive constraints shaping modern commerce.

22 See CASE AT.40462 - Amazon Marketplace and AT.40703 – Amazon Buy Box.

23 See ACCC's *Digital platform services inquiry Interim report No. 4 – General online retail marketplaces*, available at: (https://www.accc.gov.au/system/files/DPB%20-%20DPSI%20-%20March%202022%20-%20Full%20interim%20report%20-%2031%20March%202022.pdf).