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International Business Expansion: Strategies for Entering the Indian Retail & E-Commerce Market

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Abstract

This thesis examines the strategic considerations and institutional factors that shape the expansion of international retail and e-commerce firms into the Indian market. It explores how globalization and digitalization have transformed traditional market entry dynamics, creating new opportunities while also amplifying regulatory and operational complexity. The research integrates key international business theories (including the OLI paradigm, Uppsala Model, Transaction Cost Economics, and the Cost-Control-Risk-Return (CCRR) framework) with International Political Economy perspectives such as Liberal Institutionalism and Constructivism. This interdisciplinary approach allows for a comprehensive analysis of how both firm-level capabilities and state-level institutional environments influence internationalization strategies. A comparative case study of Amazon and Walmart's entry into India serves as the empirical foundation, highlighting two contrasting approaches to expansion in a digitally driven, regulated emerging market. The analysis reveals that demographic and economic trends, Foreign Direct Investment regulations, and digital infrastructure play a critical role in shaping firms' strategic choices. It also demonstrates that market success is contingent not only on internal technological assets or capital strength, but also on the ability to adapt to India's unique and evolving business environment. The thesis concludes with a set of different strategic recommendations for companies entering India's fast-growing and competitive retail landscape.

Keywords: International Market Entry Strategies, E-Commerce and Retail, India Globalization and Digitalization, Foreign Direct Investment

Resumen

Esta tesis examina las consideraciones estratégicas y los factores institucionales que configuran la expansión de empresas internacionales del sector "retail" y del comercio electrónico en el mercado indio. Explora cómo la globalización y la digitalización han transformado las dinámicas tradicionales de entrada a mercados, generando nuevas oportunidades al mismo tiempo que amplifican la complejidad regulatoria y operativa. La investigación integra teorías clave de negocios internacionales (incluyendo el paradigma OLI, el modelo Uppsala, la Economía de los Costes de Transacción y el marco Coste-Control-Riesgo-Retorno (CCRR)) con perspectivas de la Economía Política Internacional como el Institucionalismo Liberal y el Constructivismo. Este enfoque interdisciplinar permite un análisis integral de cómo tanto las capacidades a nivel empresarial como los entornos institucionales a nivel estatal influyen en las estrategias de internacionalización. Un estudio de caso comparativo sobre la entrada de Amazon y Walmart en India sirve como base empírica, destacando dos enfoques contrastantes de expansión en un mercado emergente impulsado por lo digital y regulado. El análisis revela que las tendencias demográficas y económicas, las normativas sobre IED y la infraestructura digital desempeñan un papel fundamental en las decisiones estratégicas de las empresas. Asimismo, demuestra que el éxito en el mercado depende no solo de los activos tecnológicos internos o la fortaleza financiera, sino también de la capacidad de adaptarse al entorno empresarial único y cambiante de India. La tesis concluye con un conjunto de recomendaciones estratégicas ingresar en el dinámico y competitivo panorama minorista indio.

Palabras clave: Estrategias de entrada a mercados internacionales, Comercio electrónico y retail, India, Globalización y digitalización, Inversión extranjera directa

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Chapter 1

1. Introduction, Relevance and Justification, Objective and Methodology

1.1 Introduction

The contemporary global economy is characterized by unprecedented interconnectedness, driven by globalization and digitalization that have fundamentally transformed how businesses operate across borders. According to the McKinsey Global Institute (2016), approximately 360 million people participate in cross-border e-commerce annually, demonstrating the growing significance of digital platforms in global trade. This digital transformation has democratized globalization, making international expansion accessible without significant resources (Nițu, 2019), while creating new strategic imperatives for multinational corporations in emerging markets.

India represents a compelling case study for understanding these dynamics. As the world's fifth-largest economy with nominal GDP of approximately $3.6 trillion in 2023 (UNCTAD, n.d.) and third-largest by purchasing power parity (IMF, 2025; Srivastava, 2023), India has emerged as a strategic destination for international business expansion. The country's demographic dividend, median age of 28 years with over 40% of its 1.4 billion population under 25 (Silver et al., 2023), combined with rapid digitalization and evolving regulatory frameworks, presents both opportunities and challenges for international firms, particularly in retail and e-commerce sectors.

This thesis is fundamentally grounded in International Relations theory, specifically International Political Economy (IPE) perspectives examining the intersection of politics and economics in the global system. The research employs multiple IR theoretical frameworks: Liberal Institutionalism, which explains how international institutions reduce uncertainty and facilitate cooperation (Keohane, 1984); Constructivism, emphasizing how ideas, norms, and shared understandings shape international outcomes (Finnemore & Wendt, 2024); and World-Systems Theory, analyzing the global capitalist economy as an interdependent system structured through hierarchical divisions (Wallerstein, 2004).

The study bridges International Relations and International Business by examining how state-level factors (such as regulatory frameworks, institutional environments, and geopolitical positioning) interact with firm-level strategic decisions in international expansion. This approach recognizes that multinational corporations operate within complex webs of international institutions, agreements, and global governance structures that fundamentally shape their strategic options and operational constraints.

The retail and e-commerce sectors provide rich empirical field, representing industries where digital transformation has most dramatically altered traditional international expansion patterns. The rise of e-commerce giants like Amazon and Alibaba has reinforced digitalization's influence in shaping global commerce (Hart, 2010). However, this transformation occurs within regulatory frameworks reflecting national sovereignty concerns, economic development priorities, and evolving digital governance approaches.

India's regulatory approach to foreign direct investment in e-commerce, permitting 100% FDI in marketplace models while prohibiting inventory-based operations (Maheshwari & Co., 2024), exemplifies how states navigate tensions between capturing global economic integration benefits and maintaining domestic market control. This framework has forced major global players like Amazon and Walmart to adapt their business models specifically for India (ITIF, 2025), illustrating continued state power relevance in shaping global economic flows.

1.2 Relevance and Justification

This research addresses critical gaps at the intersection of International Relations and International Business scholarship, with particular relevance for understanding how globalization and digitalization reshape patterns of international economic interaction. The study's significance for International Relations operates across multiple dimensions.

First, the research contributes to International Political Economy by examining how digital transformation alters traditional patterns of economic interdependence and state-market relations. As Saleem (2021) observed, "Digitalization and globalization have created a new world by connecting people and giving them linkage advantage." This transformation challenges conventional International Relations theories developed for industrial-era patterns, necessitating theoretical refinement for digital-era dynamics.

The focus on India is particularly relevant given the country's emerging global power role. India's growing geopolitical influence is evidenced by its assertive role in international forums like G20 and BRICS, actively advocating for emerging market interests (Kumar, 2024; Siddhapura et al., 2025). According to Fernández-Arias et al. (2024), emerging economies including India now account for one-third of global GDP and have doubled their share of world trade and investment since 2000, fundamentally altering global economic power balance.

From a Liberal Institutionalist perspective, the research examines how international institutions and regulatory frameworks facilitate or constrain cross-border economic activity. India's participation in global governance while maintaining distinctive regulatory approaches illustrates the complex interplay between international cooperation and national sovereignty central to contemporary International Relations theory. Analysis of how firms navigate India's FDI restrictions provides empirical insights into how institutional frameworks shape international economic behavior.

The study's practical relevance extends to policy-making and diplomatic practice. As India's economy is projected to grow at 6.7% annually through FY 2030-31, potentially reaching over $7 trillion and becoming the world's third-largest economy (Joshi, 2024), understanding international business engagement dynamics becomes increasingly important for policymakers globally.

Furthermore, examination of how globalization and digitalization transformed strategic drivers of international expansion provides insights relevant to broader contemporary international economic relations patterns. The finding that 86% of tech-based startups surveyed by McKinsey Global Institute (2016) engaged in cross-border activity highlights how digital technologies democratize international economic participation, with implications for traditional theories of international economic hierarchy.

1.3 Objective

The general objective of this thesis is to analyze the attractiveness of India as a destination for international business expansion and to compare the effectiveness of different market entry strategies for the retail and e-commerce sectors, considering the country’s demographic, regulatory, digital, and economic environment. In specific the aim of this thesis is:

i. to analyze the main strategic drivers behind firms' international expansion by applying key international business theories, and to assess how globalization and digitalization have transformed these motivations;
ii. evaluate India's attractiveness as a target for international expansion;
iii. identify and classify the primary market entry strategies available to international firms seeking to enter the Indian retail and e-commerce sectors;
iv. analyze and compare two real-life case studies of companies expanding into India, and
v. derive strategic recommendations for companies considering entering the Indian retail or e-commerce markets.

1.4 Methodology: Brief

This thesis is structured into five chapters. Following the introductory chapter, which outlines the research question, objectives, and relevance of the study, Chapter 2 develops the conceptual and theoretical framework by reviewing major international business and international political economy theories relevant to firm expansion strategies. Chapter 3 presents the research design, including the methodology, data sources, and the comparative case study approach. Chapter 4 delivers the empirical analysis, integrating macroeconomic context, strategic entry modes, and comparative insights from the Amazon and Walmart-Flipkart cases. Finally, Chapter 5 outlines the main conclusions, strategic recommendations, and limitations of the study.

Chapter 2

2. Conceptual and Theoretical Framework

2.1 International Business Theories and Frameworks

2.1.1 Globalization and Digitalization Context

Globalization refers to the increasing interconnectedness of national economies through the flow of goods, services, capital, people, and ideas across international borders (Cote, 2021). This process has led to an era where national economies are more tightly connected than ever before, creating both opportunities and challenges for businesses and governments (McKinsey Global Institute, 2016). According to Cote (2021), understanding globalization is essential for businesses that aim to expand internationally, as it affects competitive dynamics and market accessibility. A broader perspective on globalization describes it as the expansion of an interdependent global market, allowing for the free transfer of capital, goods, and services across national boundaries (Islam et al., 2019).

Digitalization, on the other hand, has emerged as a transformative force in the global economy, revolutionizing how businesses operate and interact across borders. Digital technologies have redefined business operations, enabling more efficient communication, simplifying processes, and enhancing global participation. The ability to connect and conduct business digitally has significantly broadened the scope of globalization, making it more accessible to a wider range of businesses, including small and medium size enterprises (McKinsey Global Institute, 2016).

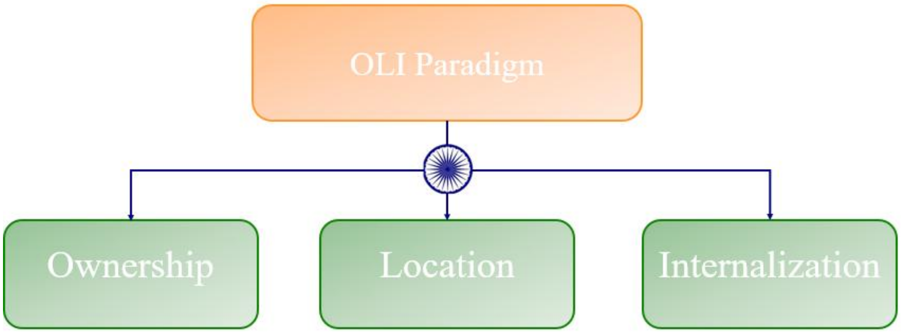
The impact of digitalization is particularly evident in the retail sector. Traditional retail models have undergone significant transformations, with big-box retailers such as Walmart, Target, and Carrefour leveraging digital technologies to optimize supply chains, track inventory, and streamline global distribution networks while also selling directly to consumers through their websites and online platforms. These retailers have influenced globalization by pressuring suppliers to relocate production to cheaper regions, particularly in East Asia, where labor-intensive manufacturing processes are encouraged through favorable trade policies (Hart, 2010).

According to an analysis conducted by the McKinsey Global Institute in 2016, approximately 360 million people participate in cross-border e-commerce annually, demonstrating the growing significance of digital platforms in global trade. The rise of e-commerce giants such as Amazon and Alibaba has reinforced the influence of digitalization in shaping global commerce, enabling businesses of all sizes to engage in international transactions and expand their consumer base (Hart, 2010).

The accessibility to these digital tools derived from digitalization has democratized globalization, making it possible for businesses to expand internationally without the need for significant resources (Nițu, 2019). Moreover, digitalization has transformed the global economy by enabling startups and small enterprises to scale their operations rapidly. In fact, a study by McKinsey Global Institute (2016) found that 86% of tech-based startups that they surveyed for their analysis were engaged in some form of cross-border activity, highlighting the growing impact of digitalization on international trade.

Thus, as Saleem (2021) stated, “Digitalization and globalization have created a new world by connecting people and giving them linkage advantage. It shapes realities and faces risks with uncertainty”.

2.1.2 Dunning’s OLI Paradigm



Dunning’s Ownership-Location-Internalization (OLI) paradigm, also known as the eclectic paradigm, represents one of the most influential theoretical frameworks in international business literature for understanding the determinants of foreign direct investment and multinational enterprise behavior (Dunning, 1980). First introduced by John H. Dunning in the mid-1970s and subsequently refined throughout the 1980s, the OLI paradigm provides a comprehensive three-tiered framework that explains why firms engage in international production and how they choose between different modes of international market entry (Dunning, 1988).

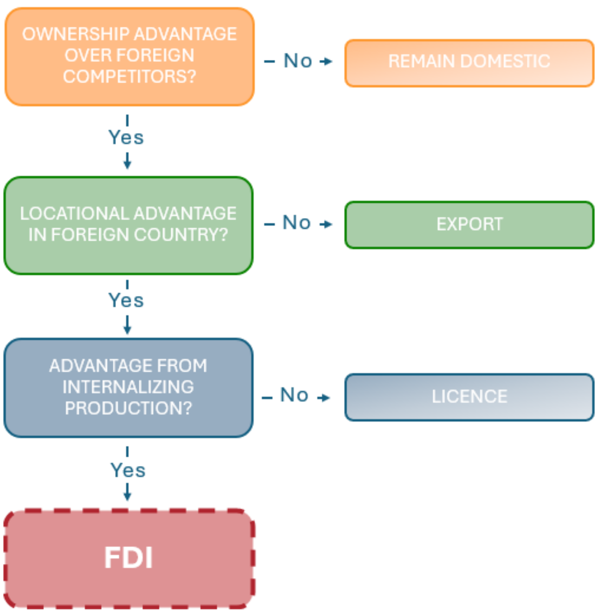
The theoretical foundation of the OLI paradigm rests on the premise that for a firm to successfully engage in foreign direct investment, it must possess advantages in all three dimensions simultaneously (see Figure 1): ownership-specific advantages that provide competitive benefits over local firms, location-specific advantages that make particular geographic markets attractive for investment, and internalization advantages that make direct investment preferable to alternative modes of market entry such as licensing or exporting (Corporate Finance Institute, 2023a).

- Ownership advantages: constitute the first pillar of the OLI paradigm and refer to the firm-specific assets, capabilities, and competencies that provide multinational enterprises with competitive advantages over local firms in foreign markets (Dunning, 1980). These advantages must be unique, valuable, and difficult to imitate in order to compensate for the inherent disadvantages that foreign firms face when operating in unfamiliar markets, commonly referred to as the "liability of foreignness" (Corporate Finance Institute, 2023a). Additionally, Bhandari et al., (2023) suggests that the digital transformation of business has fundamentally altered the nature of ownership advantages, creating new forms of competitive advantage while potentially diminishing the value of the traditional ones.
- Location Advantages: represent the second component of the OLI paradigm and encompass the specific characteristics of particular geographic markets that make them attractive destinations for foreign direct investment (Dunning, 1980). Location advantages can include both natural endowments (such as access to seaports, natural resources, climate conditions, etc.) and created assets (such as quality of infrastructure, skilled labor, tax policies, etc.) that enhance the attractiveness of particular markets for international investors. (Corporate Finance Institute, 2023a). However, the evaluation of location advantages has become increasingly complex in the digital age, as traditional geographic constraints have been partially overcome by digital technologies while new location-specific factors have emerged (Bhandari et al., 2023).
- Internalization advantages: constitute the third pillar of the OLI paradigm and explain why firms choose to establish their own foreign operations rather than utilizing

alternative modes of international market entry such as licensing, franchising, or strategic partnerships. Internalization advantages (such as lower costs, improve value chain activities, etc.) arise when firms can more effectively coordinate and control their international activities through direct ownership rather than through contractual relationships with independent partners (Dunning, 1988; Corporate Finance Institute, 2023a). The digital transformation has significantly altered the calculus of internalization decisions, as digital technologies have reduced many traditional transaction costs while creating new forms of coordination challenges (Bhandari et al., 2023).

On the other side, recent studies like the one of Bhandari et al. (2023) has highlighted how digitalization is fundamentally reshaping the traditional OLI paradigm, weakening some traditional advantages while intensifying new forms of competitive advantage. The emergence of what Luo (2021) terms "new OLI advantages" reflects the transformation from traditional ownership, location, and internalization advantages to open resources, linkages, and integration advantages in the digital economy.

Figure 1. OLI Paradigm's "Path"



Source: Corporate Finance Institute, 2023a

2.1.3 Uppsala Model

The Uppsala Model of Internationalization, originally developed by Johanson and Vahlne (1977), represents one of the most influential process theories in international business literature, providing a dynamic framework for understanding how firms gradually expand their international operations over time. Unlike static theories that focus on the end-state of internationalization, the Uppsala Model emphasizes the evolutionary nature of international expansion, conceptualizing it as an incremental learning process driven by the accumulation of experiential knowledge and the gradual increase of resource commitments in foreign markets (Schweizer & Vahlne, 2022).

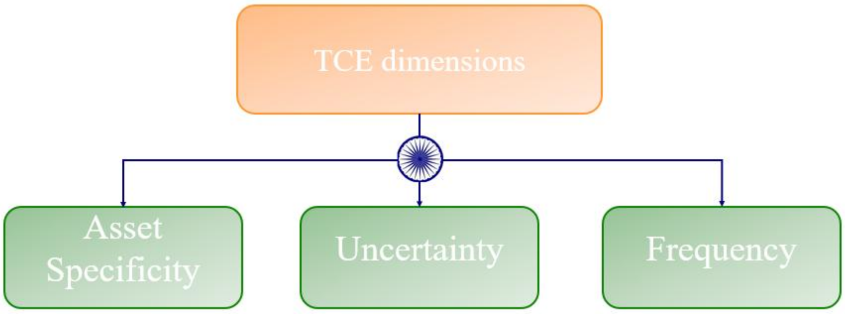
The theoretical foundation of the Uppsala Model rests on behavioral theory of the firm and Penrosean growth theory, which emphasize the importance of organizational learning, resource constraints, and managerial decision-making under uncertainty (Liesch & Welch, 2024).

The Uppsala Model is structured around two fundamental components: state aspects and change aspects, which interact dynamically to drive the internationalization process. The state aspects include market knowledge (gained through direct operations in foreign markets) and market commitment (the firm's resource allocation to foreign markets, encompassing both the amount of resources committed and the degree of commitment, which reflects how difficult it would be to withdraw these resources from the market), representing the firm's current position in terms of its understanding of foreign markets and its resource investments in international operations. The change aspects encompass commitment decisions and current activities, which represent the dynamic processes through which firms develop their international presence and capabilities (Johanson & Vahlne, 1977).

Recent scholarship has significantly extended and refined the Uppsala Model to address contemporary challenges and developments in international business. One important extension suggested by Liesch & Welch (2024) focuses on the role of business networks in facilitating internationalization, recognizing that firms often internationalize through relationships with suppliers, customers, and partners rather than through purely autonomous decisions.

Additionally, Schweizer & Vahlne (2022) addressed another significant development regarding the model's ability to explain non-linear internationalization patterns, which have become increasingly common in the digital age. While the original model emphasized gradual, incremental expansion, contemporary research recognizes that firms may sometimes skip some stages or pursue discontinuous internationalization patterns. They also argue that these non-linear patterns can be explained by incorporating more realistic assumptions about individual decision-makers' cognitive, emotional, and social biases, which can lead to commitment decisions that deviate from the purely rational, incremental pattern suggested by the original model.

2.1.4 Transaction Cost Economics (TCE)



Transaction Cost Economics, pioneered by Oliver Williamson and recognized with the 2009 Nobel Memorial Prize in Economic Sciences, provides a fundamental theoretical framework for understanding how firms organize their economic activities and make decisions about the boundaries of the firm. In the context of international business, TCE offers crucial insights into why multinational enterprises choose particular governance structures, entry modes, and organizational arrangements when expanding into foreign markets. The theory's central premise is that firms will choose governance mechanisms that minimize the total costs of conducting transactions, including both production costs and the costs associated with coordinating, monitoring, and enforcing agreements between economic actors (Hennart & Verbeke, 2022).

The theoretical foundation of TCE rests on the recognition that markets are not frictionless and that conducting transactions involves various costs beyond the direct costs of production. These transaction costs include search and information costs, bargaining and decision costs, and policing and enforcement costs. When transaction costs are high, firms may find it more efficient to internalize activities within their organizational boundaries rather than relying on market mechanisms. Conversely, when transaction costs are low, firms may prefer to outsource activities to external providers through market transactions (Williamson, 2008).

TCE identifies three critical dimensions of transactions that influence the choice of governance mechanisms: asset specificity, uncertainty, and frequency. TCE identifies three critical dimensions of transactions that influence the choice of governance mechanisms: asset specificity, uncertainty, and frequency. These dimensions were originally introduced by Oliver Williamson in his book *The Economic Institutions of Capitalism* (1985), where he systematically articulated the foundations of Transaction Cost Economics. Cuypers et al. (2021) provide a complete and systematic description of Williamson's conceptual thinking, clarifying how these dimensions affect governance choices in practice:

- Asset specificity: refers to the degree to which assets are specialized to particular transactions and cannot be easily redeployed to alternative uses without loss of value. High asset specificity creates mutual dependence between transaction partners and increases the risk of opportunistic behavior, as parties may attempt to renegotiate terms once specific investments have been made.
- Uncertainty: encompasses both environmental uncertainty, arising from unpredictable changes in market conditions, technology, or regulations, and behavioral uncertainty, related to the difficulty of monitoring and evaluating partner performance. In international business contexts, uncertainty can be further amplified by institutional differences, cultural distances, and the complexity of operating across multiple regulatory environments.
- Frequency: refers to how often similar transactions occur, which affects the ability to amortize the costs of specialized governance structures across multiple transactions. Frequent transactions may justify the development of specialized governance mechanisms, while infrequent transactions may be better handled through more general market-based arrangements.

Overall, as Hennart & Verbeke (2022) notes, TCE suggests that firms will choose the governance mode that minimizes transaction costs given the specific characteristics of the transaction and the institutional environment.

On the other hand, the emergence of the digital economy has reshaped how TCE applies to international business. Digital technologies lower traditional transaction costs while creating new forms of transaction costs related to coordination, control, and enforcement. At the same time, they introduce new types of asset specificity linked to data, algorithms, and platform-dependent capabilities. Additionally, digitalization also modifies uncertainty because, while it enhances transparency and monitoring, it simultaneously generates new risks tied to cybersecurity, data privacy, and divergent regulatory regimes across countries (Nagle et al., 2020).

2.1.5 Cost-Control-Risk-Return (CCRR) Framework

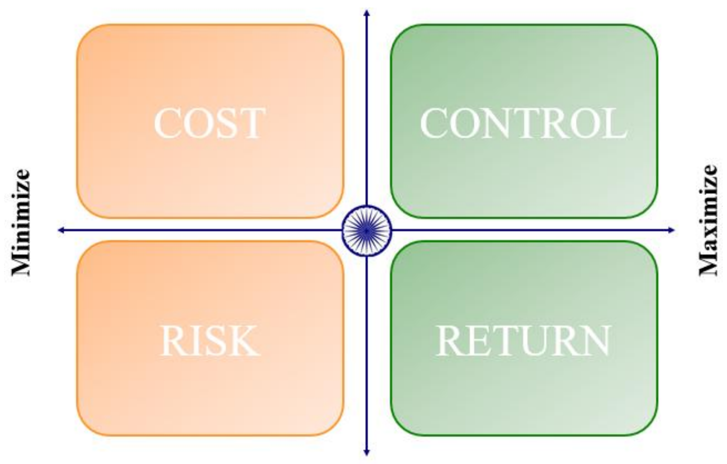
In the context of international business expansion, Munjal (2019) proposes a practical framework to guide entry mode decisions based on four interrelated dimensions: cost, control, risk, and return. This framework builds on internalization theory, emphasizing the firm's objective to minimize cost and risk while maximizing control and return in host markets.

As shown in Figure 2, the CCRR model reflects two fundamental trade-offs, which are clearly illustrated through the entry mode examples provided by Munjal (2019):

- Cost and control are positively related: higher levels of control typically require greater financial investment. For example, a wholly owned subsidiary allows a firm to exercise full control but also involves high setup and operational costs. In contrast, a joint venture reduces individual cost burden but also means sharing control with local partners.
- Risk and return are similarly linked: higher returns are often associated with greater exposure to risk. A wholly owned operation may generate higher profits, but the firm must also bear all associated risks. Joint ventures, on the other hand, distribute both risk and return among participating firms.

The strategic challenge, then, lies in breaking this positive association. However, as Munjal (2019) notes, there is no universal formula or fixed theoretical rule for achieving this balance. Entry mode decisions must be tailored to the specific characteristics of the product, industry, and host country environment.

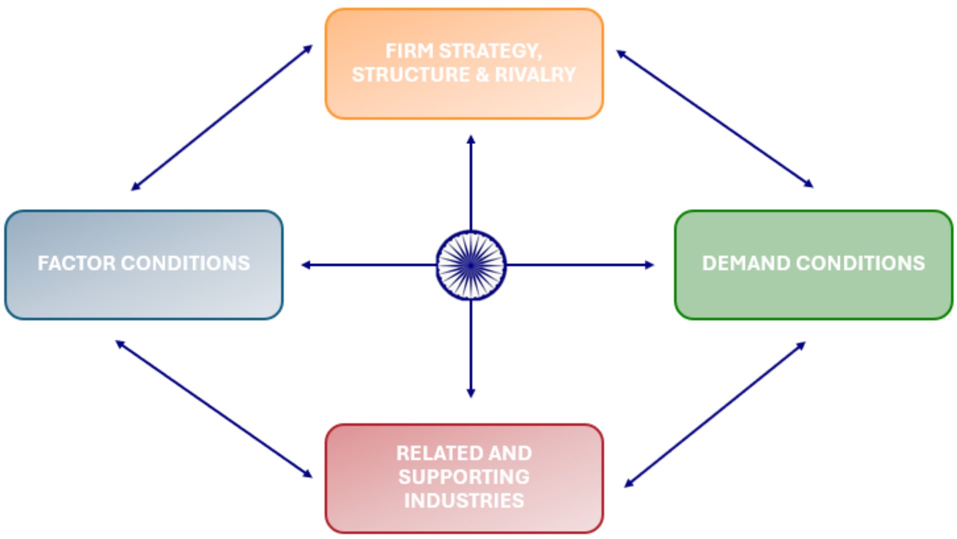
Figure 2. CCRR Matrix



Source: Munjal, 2019

2.2 Contextual and Institutional Frameworks

2.2.1 Porter's Diamond Model



Porter's Diamond Model, introduced by Michael Porter in his book from 1990 "The Competitive Advantage of Nations," provides a comprehensive framework for analyzing the competitive advantage of nations and understanding why certain countries become home to successful international competitors in particular industries. The model challenges traditional economic thinking that attributes national competitiveness to inherited factors such as natural resources, labor costs, or currency values, instead arguing that national prosperity is created through a dynamic process of innovation and upgrading driven by the interaction of four key determinants (Porter, 1990b).

In his Diamond Model, Porter (1990b) identifies and defines the following four interrelated determinants that shape the national environment in which firms compete:

- Factor conditions: these refer to a nation's position in factors of production such as human resources, physical resources, capital, knowledge, and infrastructure. Porter emphasizes that advanced and specialized factors (such as skilled labor, technological capabilities, and dedicated infrastructure) are more critical than basic factors (such as a pool of labor or local raw-material source), as they provide more sustainable and difficult-to-replicate advantages.
- Demand conditions: this determinant captures the nature and sophistication of domestic market demand. Porter argues that demanding and quality-conscious local customers compel firms to innovate and improve more rapidly, thereby gaining an edge in international competition. The focus is on the quality of demand rather than market size.
- Related and supporting industries: This refers to the presence of competitive supplier industries and related sectors that enhance innovation and efficiency through close cooperation. Such industries often form clusters, creating an ecosystem that supports sustained competitive advantage.
- Firm strategy, structure, and rivalry: This involves the context in which firms are created, managed, and compete domestically. Intense local competition drives firms to continually improve, innovate, and expand internationally. Porter highlights that strong domestic rivalry is a powerful driver of global competitiveness.

2.2.2 PESTEL Analysis

A strategic framework commonly used to evaluate the macro-environment in which firms operate is the PESTEL analysis. As defined by the Corporate Finance Institute (2023b), it represents a tool that helps assess Political, Economic, Social, Technological, Environmental, and Legal factors, all of which may influence business operations and strategic decision-making.

The six components of the PESTEL framework, as explained by the Corporate Finance Institute (2023b), include:

P Political factors: relate to government actions and policies such as taxation policy, fiscal incentives, trade regulations, or antitrust enforcement.

E Economic factors: refer to the broader economy and are typically financial in nature, encompassing variables such as interest rates, employment levels, inflation, or exchange rates.

S Social factors: relate to demographic shifts, lifestyle trends, evolving consumer expectations, etc.

T Technological factors: include developments in automation, R&D, infrastructure like 5G, cybersecurity, etc.

E Environmental factors: reflect sustainability concerns and the physical environment's impact on business, such as climate change risks, carbon emissions, or water resource management.

L Legal factors: arise from regulatory changes or enforcement actions related to intellectual property protection, labor laws, licenses, or sector-specific regulations among others.

2.2.3 Porter's Five Forces

Porter’s Five Forces framework was first introduced by Michael E. Porter in his seminal 1979 article titled *How Competitive Forces Shape Strategy*, published in the *Harvard Business Review*. The model was further developed in his later work, notably in his 1980 book *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. The version used for this section is Porter’s 2008 article *The Five Competitive Forces That Shape Strategy*, which revisits and expands the original framework to reflect changes in global competition and strategic thinking. In this updated analysis, Porter reaffirms the model’s applicability across industries and emphasizes its continued value as a tool for understanding the structural forces that shape competition.

The theoretical foundation of the Five Forces framework rests on the premise that industry profitability is determined by the collective strength of five competitive forces: the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products or services, and the intensity of competitive rivalry among existing firms. The framework assumes that understanding these forces enables firms to identify opportunities to strengthen their competitive position and develop strategies that enhance profitability and resilience (Porter, 2008).

In his industry framework, Porter (2008) identifies the following five forces that shape competition and industry profitability:

- <u>Threat of new entrants</u>: this force examines how easily new competitors can enter the industry and challenge established firms. The intensity of this threat depends on the presence of entry barriers, which protect incumbents and make market entry more difficult. These barriers include economies of scale, brand loyalty, high capital requirements, access to distribution channels, government regulation, and switching costs for customers. When entry barriers are low, the threat is high and can pressure prices and profitability.
- <u>Bargaining power of suppliers</u>: this force refers to the ability of suppliers to influence the terms and conditions of supply, particularly prices and quality. Suppliers are powerful when they are more concentrated than the industry they serve, when there are few or no substitute inputs, when the supplier's product is critical to the buyer’s success, or when they can integrate forward and become competitors.
- <u>Bargaining power of buyers</u>: this force assesses how much influence customers have over pricing and conditions. Buyers gain power when they are concentrated, purchase

in large volumes, or when the products they buy are standardized or undifferentiated, making it easier to switch to a competitor.

- Threat of substitute products or services: substitutes are products or services from outside the industry that can fulfill the same need or function. This force becomes strong when substitutes offer a better price-performance ratio or when switching costs are low.
- Rivalry among existing competitors: this force looks at the degree of competition among current players in the industry. Rivalry is intense when competitors are numerous, similar in size and power, or when growth is slow and firms fight for market share. High fixed costs, lack of differentiation, and high exit barriers also increase rivalry.

2.3 International Relations and IPE Theories

2.3.1 Liberal Institutionalism

Liberal Institutionalism provides a powerful explanation for how cooperation can emerge and endure among states, even in the absence of central authority. At its core, the theory posits that international institutions reduce uncertainty, increase transparency, and help states overcome collective action problems (Keohane, 1984). These institutions facilitate cooperation not by changing state interests, but by altering the environment in which states interact, lowering transaction costs, enforcing commitments, and building trust over time (Johnson & Heiss, 2018). In doing so, they create more predictable rules and dispute resolution mechanisms that make international trade more efficient and reliable (Jones, 2015).

This institutional framework is particularly relevant in the economic domain, where institutions help reduce transaction costs, enhance legal predictability, and facilitate international cooperation. Institutions such as the GATT and WTO have been instrumental in simplifying trade negotiations and ensuring compliance with agreed rules. Among their key features are reciprocal bargaining rules (where countries offer mutual concessions) and the most-favoured-nation (MFN) principle (which requires equal trade treatment to all members), both of which limit the risk of protectionism and support stable market access. These mechanisms not only promote mutually beneficial trade among states but also lower the cost of doing business in predictable environments, making countries more attractive to international economic actors (Keohane, 1984; Jones, 2015).

From a Liberal Institutionalist perspective, institutions play a central role in facilitating cooperation by altering the strategic environment in which states operate. Rather than transforming state interests, they create structured settings that promote rule-following and lower the costs of interaction, thereby encouraging long-term coordination among rational, self-interested actors (Johnson & Heiss, 2018; Keohane, 1984). Legal frameworks, information-sharing mechanisms, and enforcement tools enable these institutions to reduce uncertainty, constrain opportunism, and promote the credibility of commitments, making cooperative outcomes more likely in the absence of centralized authority (Keohane, 1984; Johnson & Heiss, 2018).

Beyond their role in intergovernmental coordination, institutions also shape the broader economic environment in ways that can enhance a country's appeal to foreign investors. By embedding principles such as transparency, rule of law, and enforcement, institutions improve the predictability of state behavior and reduce the perceived risk of arbitrary intervention. This regulatory stability has been shown to positively influence foreign direct investment (FDI) inflows, particularly when supported by strong governance, political stability, and sound regulatory institutions (Sabir, Rafique, & Abbas, 2019).

Furthermore, institutions also help reconcile international commitments with domestic political constraints. As Jones (2015) explains, trade agreements and regimes like the WTO often incorporate flexibility mechanisms, such as safeguard clauses or differential treatment for developing countries, that allow governments to manage short-term domestic pressures without undermining long-term liberalization goals. These design features make trade agreements more politically sustainable and expand the range of countries willing to participate in the global economy. In this sense, institutions do not simply provide forums for negotiation, they actively shape incentives, stabilize expectations, and create conditions conducive to cooperation, trade expansion, and economic development (Jones, 2015; Keohane, 1984; Sabir et al., 2019).

2.3.2 Constructivism

Constructivism provides a distinctive lens within International Political Economy (IPE) by emphasizing that international outcomes are shaped not only by material forces, but by ideas, norms, and shared understandings. Rather than treating state interests and identities as fixed, constructivists argue that these are produced through historical and social interaction. This perspective contrasts with rationalist theories and instead focuses on how actors interpret their environment and define their roles within it (Finnemore & Wendt, 2024).

Central to constructivism is the view that international structures are constituted by social facts (such as sovereignty, legitimacy, or rights) which only exist because actors collectively recognize them. These facts are sustained by intersubjective understandings and mutual expectations (Adler, 1997; Ruggie, 1998). Wendt's well-known assertion that "anarchy is what states make of it" illustrates this: systemic features like anarchy do not determine behavior by themselves, but acquire meaning through social interaction (Wendt, 1992, as cited in Finnemore & Wendt, 2024).

Adler (1997) emphasizes that constructivist theory is rooted in the interdependence between actors and the social structures they inhabit. Structures shape actor behavior, but actors also reinforce or transform those structures through their practices. This mutual influence underscores the dynamic nature of international life. Meanwhile, norms do more than guide behavior; they help constitute actors themselves, shaping the boundaries of acceptable statehood and defining membership in the international community (Finnemore & Wendt, 2024).

In the realm of IPE, constructivism broadens analytical focus by drawing attention to the normative foundations of economic governance. It reveals how institutions and trade regimes are shaped by beliefs about fairness, reciprocity, and legitimacy rather than efficiency alone (Ruggie, 1998). As Finnemore and Wendt (2024) observe, constructivism allows scholars to explore how ideational change can transform the rules and structures of the global economy.

Ultimately, constructivism contributes to the understanding of both continuity and transformation in world politics. By analyzing the social construction of state behavior and international institutions, it offers insights into how shared ideas create and reshape the international system (Adler, 1997; Finnemore & Wendt, 2024).

2.3.3 World-Systems Theory

World-Systems Theory was first conceptualized by Immanuel Wallerstein in the 1970s as a macro-sociological approach to analyzing the global capitalist economy as an interdependent system. Departing from state-centric or developmentalist models, Wallerstein argued that the world economy must be studied as a world-system, structured historically through a division of labor between core, semi-periphery, and periphery zones (Wallerstein, 2004). His theory emphasizes the structural inequalities produced and sustained by capitalism at a global scale, privileging a long-term historical perspective that traces patterns of domination, dependency, and systemic change since the sixteenth century.

A key premise of World-Systems Theory is that the capitalist world-economy is not composed of equal or autonomous units, but of hierarchically integrated regions. Core countries are technologically advanced, economically diversified, and politically dominant, while peripheral countries supply raw materials and labor under exploitative conditions. Semi-peripheral countries occupy an intermediate position, exhibiting characteristics of both the core and periphery. This tripartite structure is not static; states can move across zones over time, although systemic mobility is rare and heavily constrained (Wallerstein, 2004).

Wallerstein emphasized that the driving logic of the system is the endless accumulation of capital, which depends on maintaining unequal exchange relations between zones. Peripheral labor is exploited through low wages, weak labor protections, and external control of production, while surplus value is extracted by core firms and states (Wallerstein, 2004). Crucially, the system is stabilized not through coercion alone, but through a set of ideologies and institutions that normalize this inequality and embed it within global governance structures.

Jacob (2023) revisits the theory's relevance in light of contemporary global dynamics, arguing that many of its core claims remain analytically powerful. He affirms Wallerstein's rejection of the idea of nation-states as self-contained units, emphasizing instead the structural dependence of peripheral and semi-peripheral regions on core economies. Jacob also highlights that the theory's long historical horizon allows scholars to trace recurrent cycles of expansion, crisis, and transformation, making it particularly useful for analyzing phenomena like financial crises, global inequality, and geopolitical shifts.

However, Jacob (2023) also notes that World-Systems Theory has faced criticism for its structural determinism and its relative neglect of agency, culture, and sub-national dynamics. In response, scholars have expanded the framework to incorporate gender, race, and ecological dimensions, as well as localized resistance within the system. Despite these critiques, Jacob maintains that the theory's focus on global capitalism, systemic inequality, and historical depth continues to offer vital insights for International Political Economy.

2.3.4 Institutional Theory

Institutional theory offers a comprehensive framework for understanding how organizations are shaped not only by economic or technical factors but also by the broader cultural, normative, and regulatory environments in which they operate. A central concern of institutional theory is how rules, routines, and structures become taken-for-granted standards that confer legitimacy and guide behavior (Scott, 2005; Berthod, 2017).

One of its foundational contributions is Scott's (2005) three-pillar model, which conceptualizes institutions as comprising three distinct elements: the regulative (rules and sanctions), normative (values and norms), and cultural-cognitive (shared conceptions and mental models). These elements interact to stabilize expectations and influence organizational behavior not necessarily through efficiency, but through legitimacy and appropriateness (Scott, 2005). Berthod (2017) reinforces this view by highlighting how these institutional elements are embedded in practices such as CSR frameworks, ISO standards, and governance structures.

A major theme in institutional theory is the convergence of organizational forms within fields. Sahlin-Andersson et al. (2012) review the concept of institutional isomorphism, describing how organizations tend to become similar through coercive, mimetic, and normative pressures. These mechanisms do not necessarily promote optimal outcomes, but serve to enhance legitimacy in the eyes of external stakeholders (Sahlin-Andersson et al., 2012).

However, institutional theory has evolved to incorporate a more dynamic view of agency and change. Scott (2005) notes that actors are not merely passive recipients of institutional pressures but can also act strategically to shape or resist them. Berthod (2017) further explores this by discussing the role of institutional entrepreneurs, agents who leverage contradictions and tensions within institutional fields to promote change and innovation.

Another development in the field is the growing attention to institutional pluralism. Organizations today are often embedded in multiple, and sometimes conflicting, institutional logics, such as market-based efficiency versus professional or ethical norms. This can result in hybrid organizations, like social enterprises, which combine diverse institutional elements (Berthod, 2017). Scott (2005) also underscores how globalization exposes organizations to transnational institutional pressures, requiring them to navigate overlapping regulatory and normative systems.

Finally, institutional theory is best understood as a broad and evolving research program rather than a singular theory. Sahlin-Andersson et al. (2012) emphasize that the field encompasses multiple perspectives and trajectories. Scott (2005) echoes this, calling for cumulative theoretical development, interdisciplinary integration, and attention to empirical complexity as ways to strengthen the theory’s explanatory power over time.

Chapter 3

3. Methodology and Data Sources

3.1 Methodology

This study adopts a mixed-methods approach, integrating qualitative analysis with descriptive quantitative techniques to examine international business expansion strategies in the Indian retail and e-commerce market. The qualitative dimension enables in-depth understanding of theoretical frameworks and strategic decision-making, while the descriptive quantitative aspect provides empirical grounding through macroeconomic indicators and market data. This combination enhances reliability and contextual relevance of findings.

The research is exploratory and comparative, addressing five interconnected objectives: understanding strategic internationalization theories and the evolving impact of globalization and digitalization; evaluating India's attractiveness as an expansion destination; identifying market entry strategies in Indian retail and e-commerce; conducting comparative case studies of global firms; and deriving strategic recommendations.

The theoretical framework draws upon established international business theories including Dunning's OLI paradigm, the Uppsala model, Transaction Cost Economics, the Cost-Control-Risk-Return framework, and PESTEL analysis to systematically analyze strategic drivers and market entry decisions in the digital era.

This mixed-method design enhances both the validity and relevance of the findings by triangulating theory with real-world evidence. The research is comparative in nature and exploratory in scope, structured around five core objectives.

3.2 Data Sources

The study draws exclusively on secondary data from multiple authoritative sources, complemented by case-specific documents and strategic reports:

Qualitative Data: Academic literature on internationalization theories including OLI paradigm, Uppsala model, and Transaction Cost Economics. Company reports and strategic documents from Amazon and Walmart-Flipkart operations in India. Industry analysis from McKinsey Global Institute and Bain & Company. Regulatory documents from Indian government agencies including DPIIT and Ministry of Commerce & Industry. Business publications including Harvard Business Review, Knowledge at Wharton, and Financial Times.

Descriptive Quantitative Data: Macroeconomic indicators from World Bank, International Monetary Fund, and Reserve Bank of India covering GDP growth, inflation, foreign exchange reserves, and consumer spending. Market statistics from World Economic Forum, Bain & Company, and India Brand Equity Foundation. Demographic indicators including population projections, income distribution, and urbanization trends from UN and World Bank sources. Digital infrastructure and e-commerce data from industry reports and government statistics.

3.3 Case Study Selection

Two prominent case studies exemplify contrasting internationalization strategies in India's retail and e-commerce sector:

- Amazon India: Represents organic expansion through wholly owned subsidiary model, demonstrating greenfield investment and gradual market development.
- Walmart-Flipkart: Illustrates acquisition-driven entry, showcasing inorganic growth through strategic acquisition of a dominant local player.

Both cases are analyzed across five dimensions: entry mode and strategic rationale; adaptation to Indian consumer behavior and regulatory requirements; competitive positioning and localization strategies; operational challenges and solutions; and performance outcomes. Selection criteria focused on companies with significant market presence, documented strategic approaches, and sufficient publicly available information.

3.4 Data Analysis Techniques

The study employs four complementary techniques to integrate quantitative context with qualitative insight:

- Descriptive statistics: key macro- and sector-level indicators (e.g., GDP growth, FDI inflows, household consumption, internet and UPI penetration, e-commerce GMV projections) are compiled to quantify India’s market potential and provide an empirical backdrop for subsequent interpretation.
- PESTEL analysis: the framework is reviewed to link macro-environmental conditions to firm-level strategic options and constraints.
- Comparative case analysis: Amazon’s gradual, control-focused expansion is contrasted with Walmart’s acquisition-driven entry via Flipkart.

Chapter 4

4. Results and Discussion

4.1 Results

4.1.1 Strategic Drivers of International Expansion: Application of Theoretical Perspectives in the Digital Age

The international expansion of firms in the digital era is driven by a combination of traditional economic objectives and new motivations shaped by globalization and technological change. These strategic drivers can be interpreted through the main international business theories presented in Chapter 2. Each theory helps explain how the motivations behind internationalization have evolved, especially in data-intensive industries such as retail and e-commerce. This section identifies the strategic drivers selected for analysis and examines them through multiple theoretical frameworks, including the OLI paradigm, the Uppsala model, Transaction Cost Economics (TCE), the Cost-Control-Risk-Return (CCRR) framework, and Constructivist theory.

The first key driver is the ability to scale digital ownership advantages across markets. Traditionally, firms expanded internationally to exploit tangible advantages such as production capacity or proprietary brands. Today, the most valuable firm-specific assets are intangible, including platform technology, data architecture, cloud infrastructure and recommendation systems (Bhandari et al., 2023). These resources offer scalability at low marginal cost, particularly when deployed across high-growth markets.

The OLI paradigm helps explain this evolution. Ownership advantages (O) now take the form of digital technologies such as platform infrastructure, data analytics systems or algorithmic optimization tools, which can be replicated and adapted by the firm across multiple markets. However, this transfer is not automatic. These assets only constitute ownership advantages if they remain specific to the firm and are not easily imitated by local competitors. For instance, when Amazon entered India, it faced challenges in applying its existing platform due to low credit card usage. The company had to redesign its payment system to integrate Cash on Delivery, requiring changes in logistics, risk management and consumer interfaces (Knowledge at Wharton, 2014; Govindarajan & Warren, 2016). This shows that while digital ownership assets are portable, their effective use depends on local adaptation and their ability to remain distinctive and inimitable within the host market.

A second driver is the search for location-specific digital advantages. Beyond traditional market size and cost factors, firms now look for local conditions that support digital operations. These include broadband infrastructure, digital payment systems, developer talent and regulatory openness (Bhandari et al., 2023). In this sense, globalization provides access to new consumer bases, while digitalization defines which environments are attractive.

Within the OLI framework, location advantages (L) now include the availability of supportive technology infrastructure. India's rapidly growing smartphone market, the success of the Unified Payments Interface (UPI) and its strong pool of English-speaking IT professionals make it an attractive destination for digital firms (Sheth et al., 2025). However, regulatory factors such as data localization requirements and restrictions on marketplace inventory ownership impose limitations (InCountry, 2024; ITIF, 2025). This duality highlights how digitalization has both expanded and constrained location advantages, making strategic assessment more complex.

A third driver is the opportunity for accelerated learning through digital experimentation. The Uppsala model explains that firms expand gradually as they gain knowledge and reduce uncertainty. Digitalization has compressed this learning process. Firms now use data analytics and real-time feedback loops to adapt strategies without long delays or heavy upfront commitments (Hanna, 2021). This dynamic reinforces Schweizer and Vahlne's (2022) argument that internationalization does not always follow a linear, stage-based trajectory, especially for firms leveraging digital tools to accelerate experiential learning and strategic decision-making.

Amazon's initial entry via Junglee.com, a price-comparison platform launched in 2012, illustrates this approach. Rather than committing large resources upfront, the company used a low-risk digital channel to observe consumer behavior, logistical barriers, and market dynamics (Padmanabh, 2013; Knowledge at Wharton, 2014). Within just one year, in 2013, Amazon launched its full Indian marketplace (Knowledge of Wharton, 2014), demonstrating how digital channels can significantly accelerate the experiential learning process that the Uppsala model describes. The underlying logic of gradual commitment remains relevant, but the speed of internationalization has been fundamentally transformed by digital tools.

A fourth strategic driver is the need to manage digitally induced transaction costs. While digitalization can lower traditional transaction costs (such as search, communication, or negotiation) it also introduces new forms of cost and uncertainty. These include cybersecurity risks, data privacy concerns, regulatory compliance (such as data localization laws), and challenges related to algorithm accountability. Transaction Cost Economics (TCE) explains that firms will internalize operations when the costs or uncertainties of market-based transactions outweigh the benefits (Williamson, 1985; Cuypers et al., 2021).

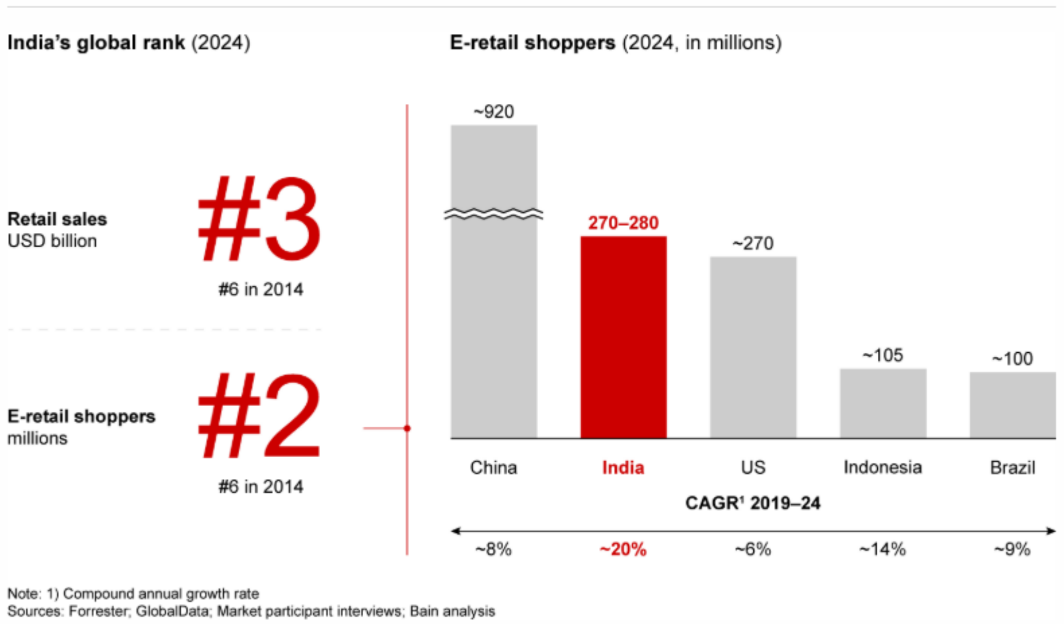
In India, Amazon chose to internalize parts of its logistics chain. For example, it developed the Seller Flex program, which allowed local sellers to store inventory in their own facilities while using Amazon's logistics network for order fulfillment (Govindarajan & Warren, 2016). This model offered more control over the customer experience and operational standards without the need for direct warehouse investment. Such decisions reflect a logic consistent with Transaction Cost Economics, where internalization is preferred under high uncertainty and reputational risk (Williamson, 1985; Cuypers et al., 2021).

A fifth strategic driver is the need to optimize entry mode selection by carefully balancing cost, control, risk, and return. The CCRR framework, developed by Munjal (2019), provides a practical lens through which firms can evaluate internationalization options under uncertainty. According to the model, higher control often requires greater investment (as in wholly owned subsidiaries), while lower-risk options may yield lower returns (as in joint ventures or partnerships). Digitalization complicates this trade-off by making control over data and algorithms increasingly valuable, while simultaneously raising fixed costs (e.g., tech infrastructure), intensifying regulatory exposure (e.g., data localization laws), and amplifying reputational risk.

A sixth strategic driver is the pursuit of global legitimacy through international presence. In a context shaped by digital globalization, internationalization can be a way for firms to project technological leadership, global ambition, and alignment with emerging market dynamics. Rather than being guided only by economic metrics, some firms expand internationally to influence how they are perceived by key stakeholders (e.g. customers, investors, partners, and regulators) across different geographies. This logic resonates with Constructivist theory, which holds that strategic behavior is shaped not only by material incentives, but by shared understandings, norms, and socially constructed expectations (Finnemore & Wendt, 2024; Adler, 1997).

From this constructivist perspective, international expansion allows firms to actively construct a global identity and influence how they are perceived in diverse institutional environments. India's position as the second largest e-commerce market in the world (see Figure 3), reinforces its symbolic value: establishing a presence there signals that a company is technologically advanced, internationally committed, and capable of operating at global scale. For digital platforms in particular, visibility in India can serve as a reputational asset, aligning the firm with emerging global norms of innovation and inclusivity.

Figure 3. India's ranking in retail sales and e-retail shoppers



Source: Sheth et al., 2025

Overall, firms now internationalize for a wider set of reasons than in the past. The strategic drivers include leveraging digital ownership advantages, accessing digitally enabled ecosystems, accelerating experiential learning, managing new transaction costs, optimizing entry-mode trade-offs and gaining legitimacy. These drivers are best understood through a multi-theoretical lens that captures the economic, technological and normative dimensions of international business strategy in the digital age.

Because these motivations depend not only on internal capabilities but also on the external environment, the next section examines the specific country-level conditions that attract or deter international firms.

4.1.2 India’s Business Attractiveness: PESTEL and Porter’s Diamond Model

Building on the strategic drivers discussed previously, this section evaluates India’s attractiveness as a destination for international expansion by applying PESTEL analysis and Porter’s Diamond Model. While both frameworks provide valuable insights, particular emphasis is placed on the PESTEL framework due to its broader coverage of macro-environmental factors that are especially relevant to international firms. Porter’s Diamond is used to complement this view by identifying the specific competitive advantages India may offer in sectors such as retail and e-commerce. Together, these tools help explain how the external environment influences market entry decisions in the Indian context.

A. PESTEL Analysis

As seen in Chapter 2, the PESTEL framework offers a theoretical foundation to systematically analyze the macro-environmental factors that influence a country's business climate. It includes six dimensions (i.e., Political, Economic, Social, Technological, Environmental, and Legal) which together provide a comprehensive overview of the external context affecting market entry and international business strategy.

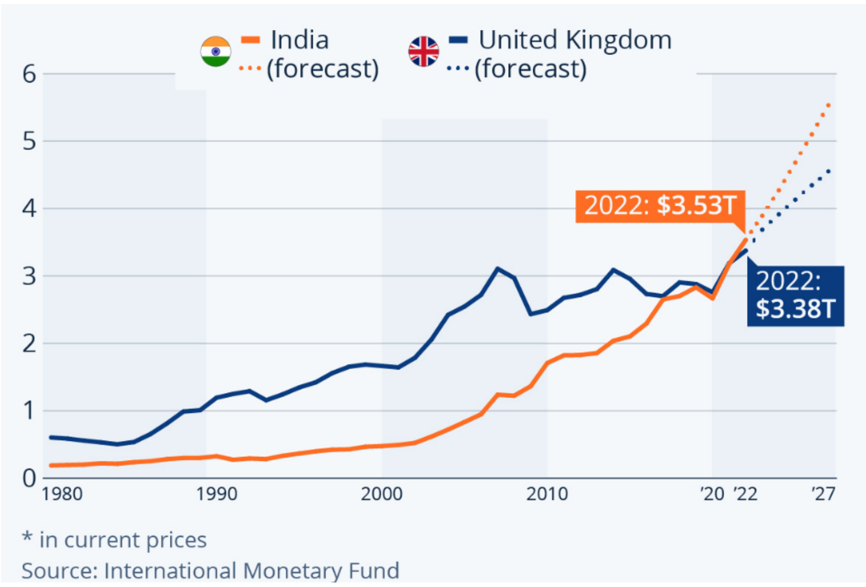
For the purpose of this study, the analysis of India through the PESTEL lens will focus on three dimensions: economic, social-demographic, and legal-regulatory factors. These categories have been selected due to their direct relevance and strategic weight in shaping India’s attractiveness for international business, particularly in the retail and e-commerce sectors. Economic indicators offer insight into market potential and growth dynamics; social and demographic trends reveal demand structure and consumer evolution; and legal-regulatory conditions determine the feasibility, risks, and constraints of operating in the Indian market.

- Economic Factors

India's rapid ascent on the global stage has led to label it an "emerging superpower" in the 21st century. Economically, India has climbed the world rankings at an extraordinary pace. In 2022, India overtook the United Kingdom to become the world's fifth-largest economy (in nominal GDP terms) as it can be seen in Figure 4, and the International Monetary Fund projects that India could further rise to have the fourth-highest GDP by 2027 (Armstrong, 2022). Some forecasts even suggest India will become the third-largest economy before the end of this decade, surpassing Japan and Germany by around 2027 (FY28 for India) (Srivastava, 2023).

This optimism is underpinned by India's strong economic performance. In recent years, India has remained one of the fastest-growing major economies (Srivastava, 2023), with real GDP growth averaging approximately 7.2% between 2015 and 2023, excluding the COVID-19 contraction in 2020. For instance, despite global headwinds, India grew 8.2% in the fiscal year 2023, outpacing all other large economies (World Bank, n.d.a; World Bank, 2024a). Such growth momentum, sustained over time, dramatically expands India's economic importance and global influence.

Figure 4. GDP of India and the UK* (in trillion USD)



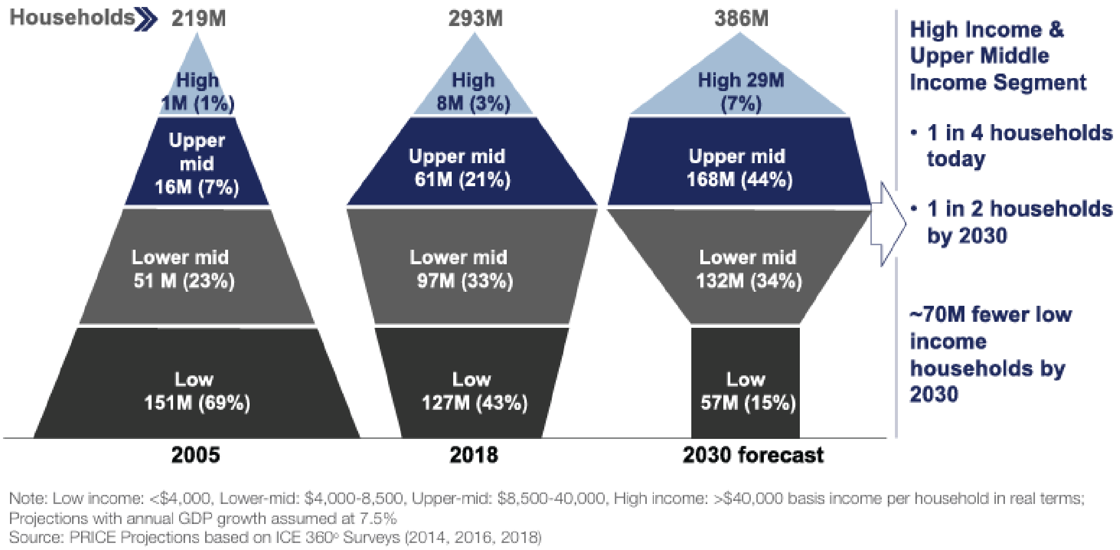
Source: Armstrong, 2022

Furthermore, beyond headlines about growth and size, India offers fundamental economic and demographic attributes that make it highly attractive as a target for international expansion. First and foremost is the sheer scale of the market. India's nominal GDP reached approximately $3.6 trillion in 2023 (UNCTAD, n.d.), and in terms of purchasing power parity (PPP) it is already the world's third-largest economy, well above Japan and Germany (IMF, 2025; Srivastava, 2023). Purchasing Power Parity (PPP) is an economic theory that compares different countries' currencies through a "basket of goods" approach, allowing for comparisons of economic productivity and living standards. It posits that exchange rates should adjust so that identical goods cost the same across different countries when priced in a common currency (Sarno & Taylor, 2002; IMF,2025).

Moreover, more importantly for foreign companies, especially for the ones in the retail and e-commerce sector, India's domestic consumer market is surging. As of 2019, consumption accounted for about 60% of India's GDP and is projected to grow into a $6 trillion opportunity by 2030. In fact, forecasts by the World Economic Forum and Bain & Company indicate that India's total consumer spending could quadruple by 2030 relative to 2018 levels. This explosive growth potential is underpinned by an emerging middle class of enormous size. By 2030, India is expected to move from a pyramid largely led by low-income households to one dominated by middle-income consumers as it can be seen in Figure 5. Estimates suggest that nearly 80% of Indian households will be middle-income (including lower-mid and upper-mid) by 2030, up from roughly 54% in 2018. As a result, the middle class will drive an estimated 75% of consumer spending by the end of this decade.

As 140 million households move into the middle class and another 20 million ascend into the high-income bracket, their spending behavior is expected to transform significantly. These households are projected to spend 2 to 2.5 times more on essential categories such as food, beverages, apparel, personal care, gadgets, transport, and housing. Additionally, expenditure on services such as healthcare, education, entertainment, and household care is expected to increase by 3 to 4 times. The expansion of upper-middle-income and high-income groups is also projected to contribute to a 15–20% rise in the ownership of durable goods, including washing machines, refrigerators, televisions, and personal vehicles. This shift in consumption dynamics highlights the growing purchasing power of Indian consumers and reinforces the importance for foreign companies to adapt their strategies to meet the needs of this evolving market segment (Ojha & Ingilizian, 2019).

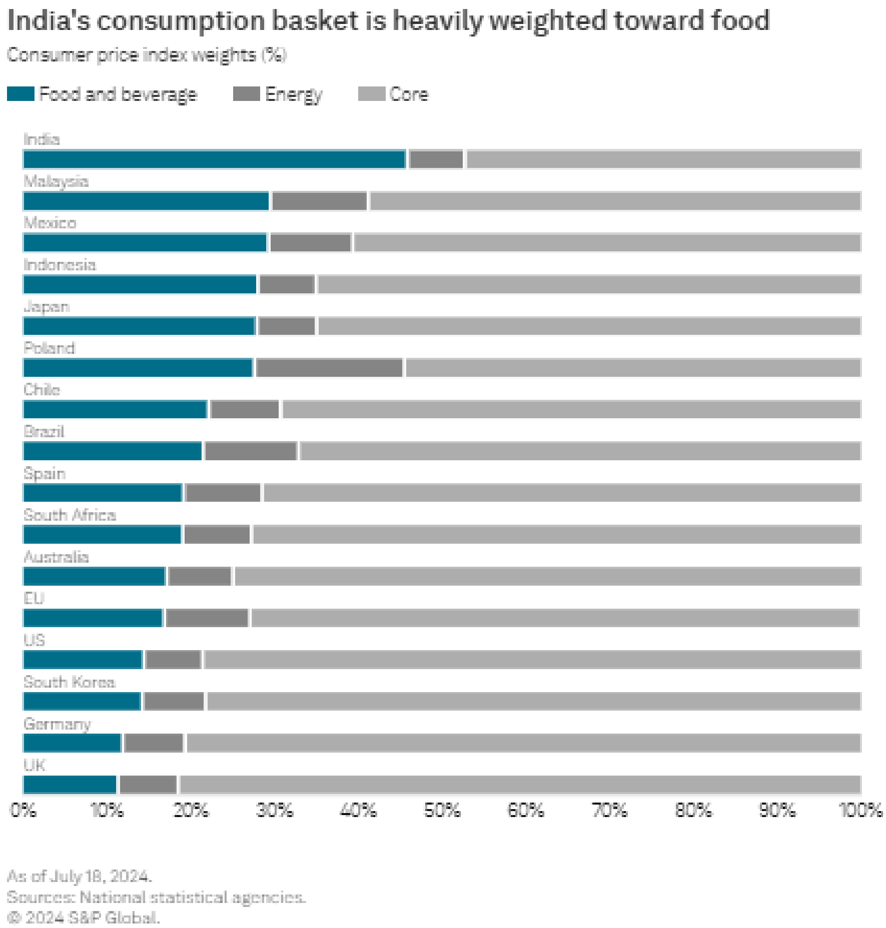
Figure 5. Evolution of the household income profile in India



Source: Ojha & Ingilizian, 2019.

From a macroeconomic perspective, India has made meaningful progress in building a stable and attractive investment environment. Inflation, while still sensitive to food price volatility, has been broadly managed through coordinated fiscal and monetary policy. In fiscal year 2023–24, headline inflation averaged 5.4%, with food and beverage inflation reaching 7.0% due to persistent climate-related supply shocks. However, by July 2024, overall inflation had moderated to 3.5%, below the Reserve Bank of India's (RBI) 4% target midpoint, supported by declining energy prices and a favorable base effect. The RBI has reiterated its objective of bringing inflation sustainably to 4%, although achieving this will require a durable reduction in food price volatility, which remains elevated due to the country's high dependence on agriculture and climate variability (Joshi, 2024) (see Figure 6).

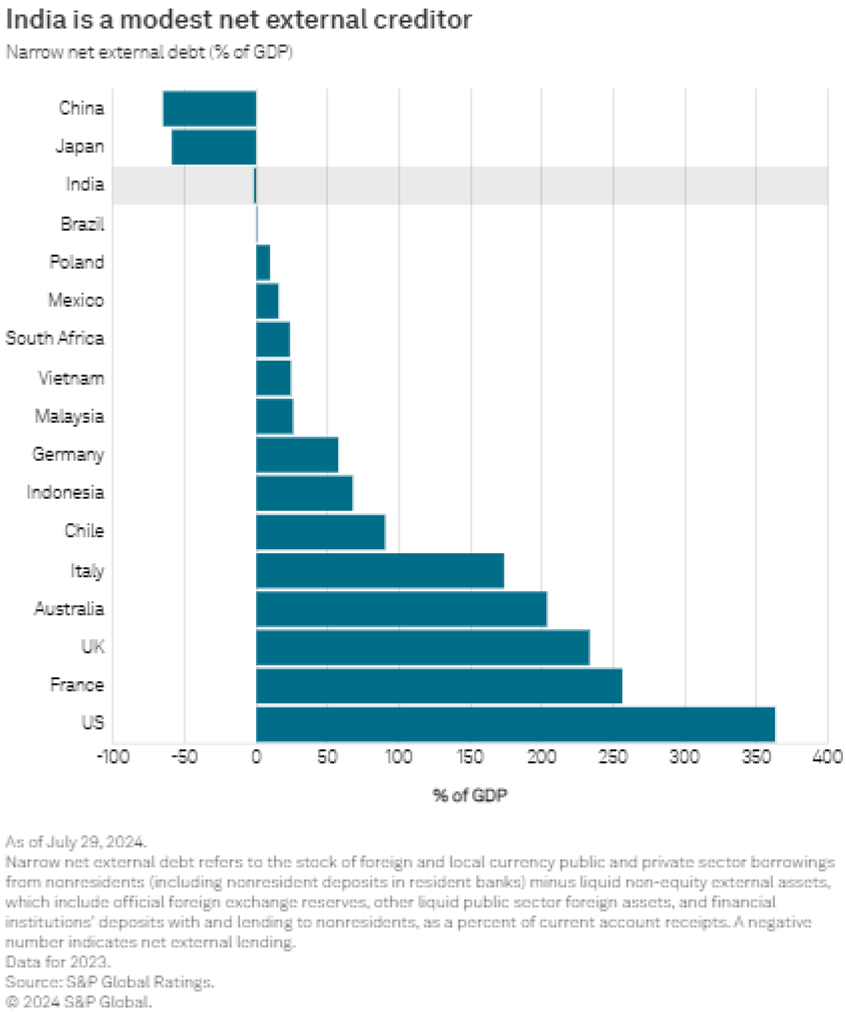
Figure 6. Weights in consumption basket



Source: Joshi, 2024

In parallel, India's foreign exchange reserves reached an all-time high of $670.1 billion in August 2024, providing robust buffers against external shocks and contributing to macroeconomic resilience (World Bank, 2024b). Furthermore, India has become a small net lender on a narrow net external debt basis, which enhances its capacity to absorb capital flow volatility (Joshi, 2024) (see Figure 7).

Figure 7. Net External debts



Source: Joshi, 2024

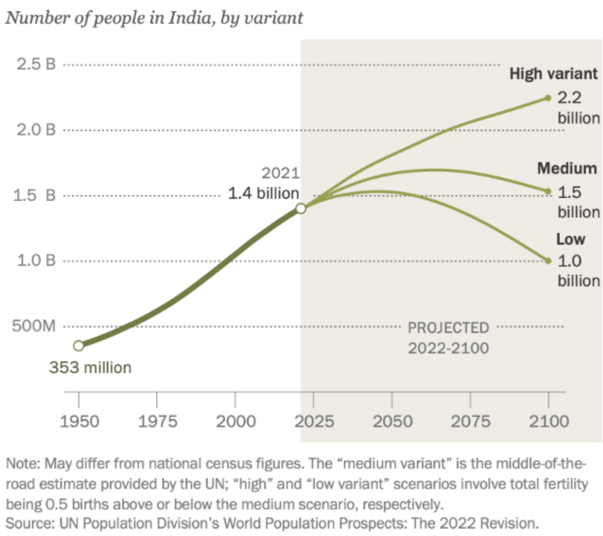
- <u>Social Factors</u>

By 2023, India’s population reached approximately c. 1.4 billion, officially surpassing China’s to become the largest in the world. Since 1950, India’s population has grown by more than one billion people, making it larger than the entire population of Europe (744 million) or the Americas (1.04 billion). While China’s population has entered a period of decline, India’s continues to rise and is projected to do so over the coming decades as it can be seen in Figure 4.

According to the United Nations' "medium variant" projection, India’s population is expected to exceed 1.5 billion by the end of this decade and continue growing until peaking at around 1.7 billion in 2064. In a “high variant” scenario, which assumes fertility rates 0.5 births per woman above the baseline, India's population could surpass 2 billion by 2068. Conversely, under a "low variant" scenario, with fertility 0.5 births below the baseline, the population would begin to decline by 2047, potentially reaching 1 billion by 2100 (see Figure 8) (Silver et al., 2023).

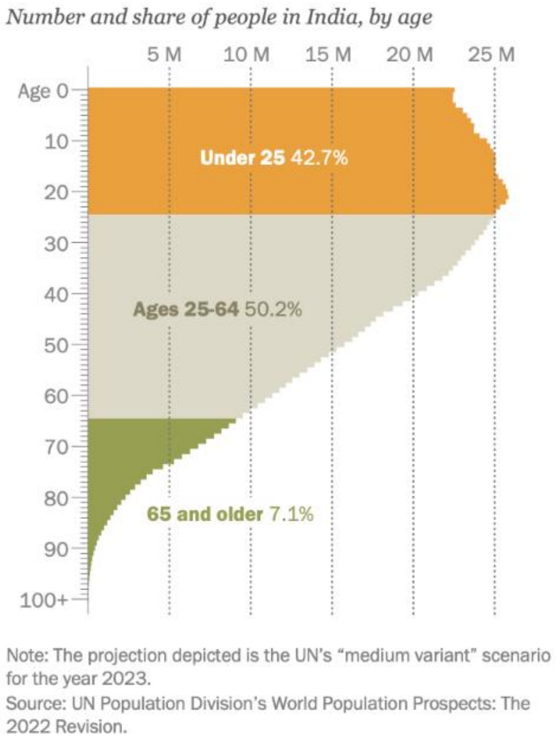
Additionally, India's population is not only large but young, as the median age is just 28 years, compared to 38 in the US and 39 in China. As shown in Figure 9, over 40% of Indians were under the age of 25, supplying a massive workforce and consumer base well into the future (Silver et al., 2023). This youthful demographic confers a potential "demographic advantage" of high productivity and consumption, in contrast to aging populations that challenge many other big economies.

Figure 8. Population in India by different scenarios



Source: Silver et al., 2023

Figure 9. Age distribution in India as of 2023



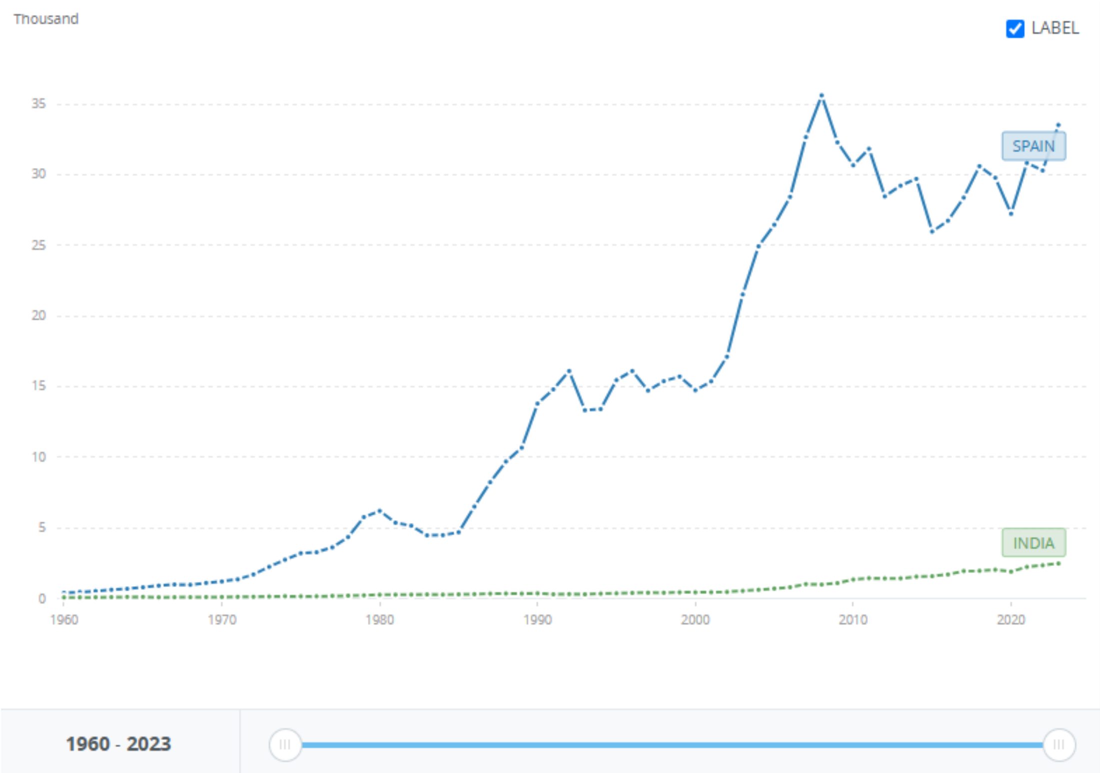
Source: Silver et al., 2023

Building on its status as the world's largest democracy and a nuclear-armed state, India's economic and demographic heft increasingly translates into substantial geopolitical influence. India has assumed a more assertive role in international forums such as the G20 and BRICS, actively advocating for their interests and influencing the strategic direction of those groups (Kumar, 2024; Siddhapura et al., 2025). As previously mentioned, emerging economies including India now account for one-third of global GDP and have doubled their share of world trade and investment since 2000. India's performance, alongside China's, is a key driver of overall growth across emerging markets, contributing significantly to world economic expansion (Fernández-Arias et al., 2024). In short, India's sheer scale, fast growth, and rising international engagement are key reasons it is viewed as a strategic emerging superpower in the global economy.

At the same time, being an emerging superpower comes with enormous internal and external responsibilities. India still faces development challenges that temper the superpower label e.g., its GDP per capita remains modest being around $2,500 in 2023 (see Figure 10), and millions of citizens have yet to attain middle-class living standards.

Nonetheless, the trajectory is clearly upward. According to S&P Global Market Intelligence, India's economy is projected to grow at an average annual rate of 6.7% through FY 2030–31, nearly doubling the country's nominal GDP from $3.6 trillion in 2023–24 to over $7 trillion by the end of the decade. This would elevate India to the position of the third-largest economy in the world, increasing its share of global GDP from 3.6% to 4.5%, and lifting its per capita income to the threshold of upper-middle-income status (Joshi, 2024).

Figure 10. India's GDP per capita compared to Spain



Source: World Bank, n.d.b

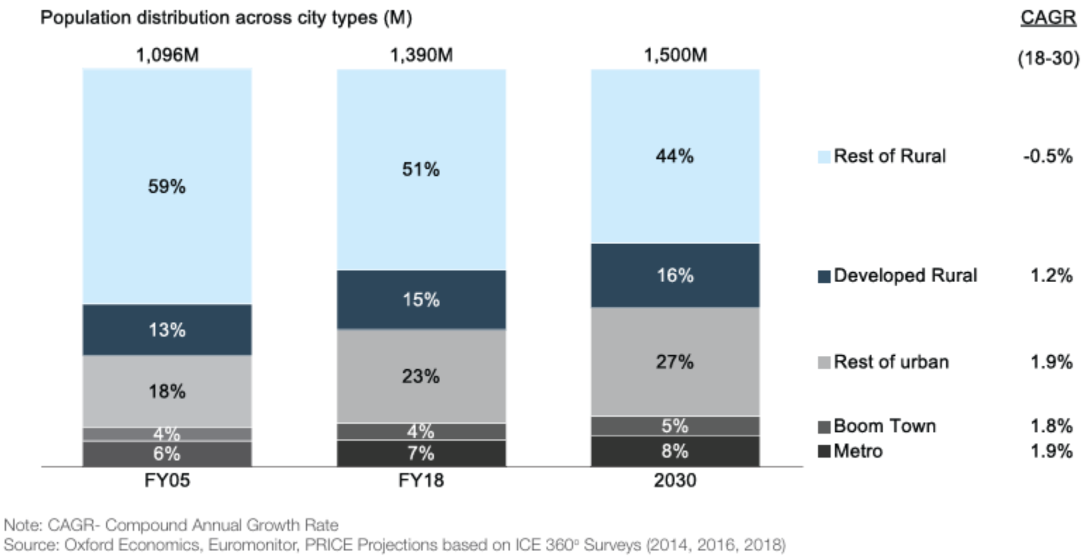
Demographically, as previously mentioned, India offers a combination of market size and youth that is virtually unrivaled. With c. 1.4 billion people and growing, India provides scale advantages comparable only to China. But unlike China, which is now aging, India's population is still very young and will remain so for decades (Silver et al., 2023).

This youth bulge translates to a dynamic labor market and burgeoning consumer demand, especially for aspirational goods and services favored by younger demographics. International businesses can tap into a workforce that is not only large but increasingly skilled, India adds millions of university graduates and engineers each year, e.g. India is projected to produce 18 million STEM (Science, Technology, Engineering, and Mathematics) graduates by 2027, supporting the expansion of its technology, services, and manufacturing sectors (India Today, 2025). The country is one of the world's largest English-speaking populations, a legacy of its status as a former British colony until the mid-20th century, which today helps easing business communication for many multinationals.

Another attractive facet is India's rising income and urbanization levels. Though per capita income is still modest, it has roughly doubled over the past decade (from c. $1,300 in 2010 to c. $2,500 in 2023) (UNCTAD, n.d.), lifting millions out of poverty. The World Bank estimates that between 2011 and 2019, India halved its extreme poverty rate (living under $2.15/day) (World Bank, 2024b), a remarkable social development which also implies an expanding segment of low-income consumers entering the formal market. While the COVID-19 pandemic temporarily slowed this progress, especially due to its disproportionate impact on informal and rural workers, structural poverty reduction is expected to resume. In fact, prior to the pandemic, the World Economic Forum and Bain & Company projected that by 2030, nearly 25 million households would exit poverty, reducing the share of households below the poverty line to less than 5%, down from approximately 15% at the time of projection (Ojha & Ingilizian, 2019). Although this timeline may have been modestly extended due to recent shocks, the long-term trend remains positive, signaling a continued expansion of India's consumer base and its emergence as a more inclusive economy.

Concurrently, India is urbanizing and modernizing: while about 35% of the population lives in urban areas as of 2018, this is steadily increasing, contributing to concentrated consumer markets in cities. By 2030, India is expected to have several megacities and many thriving secondary cities, with new urban middle-class clusters driving demand for modern retail and services. However, the growth in consumer demand will not be limited to urban centers. According to projections by the World Economic Forum and Bain & Company, rural per capita consumption is expected to grow faster than in urban areas, reaching 4.3 times its current level by 2030, compared to 3.5 times in urban India. This shift is facilitated by increasing income convergence between small towns and developed rural areas. By 2030, 40% of Indians are expected to be urban residents, with over 5,000 small towns and more than 50,000 developed rural towns participating in the consumption landscape (see Figure 11). As digital connectivity improves and access to organized retail expands, the traditional urban–rural divide is expected to erode, giving way to a more integrated consumption model across geographies. Nevertheless, fully unlocking rural consumption potential will require overcoming infrastructure gaps such as poor roads, internet access, and limited financial inclusion (Ojha & Ingilizian, 2019). Indeed, consumption growth will be no longer confined to top-tier metros, as smaller cities and towns are among the fastest growing consumer markets as connectivity and incomes improve. This broad-based growth means international firms can target multiple city tiers rather than just a few metropolitan areas.

Figure 11. Population distribution across urban and rural areas



Source: Ojha & Ingilizian, 2019.

- <u>Legal and Regulatory Factors</u>

The fiscal environment, while still constrained, is gradually improving. The general government debt remains elevated at approximately 86% of GDP, but the Union Budget 2024–25 lowered the fiscal deficit target to 4.9%, down from 5.6% the previous year, indicating a more disciplined stance. More critically for business expansion, policy efforts are improving India’s logistics environment, a key factor in enabling retail and e-commerce growth. Although logistics performance still lags behind regional peers, industrial policies and infrastructure upgrades are helping reduce costs and enhance connectivity across the country. These improvements, along with the Production Linked

Incentive (PLI) scheme and a competitive corporate tax regime, are beginning to crowd in private investment in strategic sectors (Joshi, 2024).

Furthermore, India's FDI policy distinctly regulates e-commerce based on operational models, creating a fundamental framework that shapes market entry strategies (ITIF, 2025). The Department for Promotion of Industry and Internal Trade (DPIIT), which issues and updates the Consolidated FDI Policy, has established clear distinctions between different e-commerce business models.

For marketplace e-commerce platforms (i.e. where the entity provides an information technology platform to facilitate transactions between buyers and sellers), India permits 100% FDI under the automatic route, requiring no prior government approval (Maheshwari & Co., 2024). However, the policy strictly prohibits FDI in inventory-based e-commerce models, where the platform owns the goods being sold. This distinction is intended to prevent foreign dominance and protect smaller domestic retailers from being overwhelmed by large international players (ITIF, 2025).

India's e-commerce regulatory framework is constantly evolving, with the government attempting to balance the benefits of foreign investment with the protection of local businesses. The current framework, established by the Department of Industrial Policy and Promotion (DIPP) through the FDI policy, imposes several key restrictions on marketplace platforms with foreign investment:

1. Marketplace entities cannot exercise ownership or control over the inventory sold on their platforms.
2. No seller in a marketplace can account for more than 25% of the platform's total sales.
3. Marketplaces cannot directly or indirectly influence the sale prices of goods and services.
4. Entities with equity participation by the marketplace or its group companies are restricted from selling on the platform.
5. Business-to-business (B2B) e-commerce activities are allowed but impose limitations on business-to-consumer (B2C) transactions, which are only allowed under specific conditions
6. Products and services must include detailed information such as the seller’s name

and address, maximum retail price (MRP), batch number, warranty or guarantee, expiry date, and other relevant contact details to ensure pricing transparency and clear seller identification. (Maheshwari & Co., 2024).

These restrictions significantly impact operational flexibility for international retailers and e-commerce companies. According to the U.S. Department of State (2024), "India bars foreign investors from engaging in multi-brand retail, which also limits foreign e-commerce investors to a 'marketplace model.'". This regulatory approach has forced major global players like Amazon and Walmart (through Flipkart) to adapt their business models specifically for the Indian market, often at the expense of operational efficiency (ITIF, 2025).

Furthermore, the retail sector in India can be categorized into single-brand retail trading (SBRT) and multi-brand retail trading (MBRT), with distinct FDI policies for each category. Additionally, FDI in India can enter through two possible channels: the Automatic Route or the Government Approval Route. Under the Automatic Route, investors do not need prior permission from any government authority, while the Approval Route requires explicit clearance from the relevant ministry or department (World Bank, 2022).

As it was said, India makes a critical regulatory distinction between single-brand retail (SBR, e.g. a Nike or IKEA store selling one brand) and multi-brand retail (MBR, e.g. supermarkets or department stores selling multiple brands). This distinction heavily influences entry strategy, as there are distinct FDI requirements for each category. FDI in single-brand retail is permitted up to 100% under the automatic route (no special government approval), but any foreign ownership above 51% triggers a requirement that at least 30% of the value of goods must be sourced in India, preferably from MSMEs (Micro, Small and Medium enterprises). By contrast, FDI in multi-brand retail (such as supermarkets selling diverse brands) is restricted to 51% foreign ownership, and only with prior government approval and stringent conditions. These conditions include a minimum investment of USD 100 million, of which at least 50% must be invested in backend infrastructure (e.g. supply chain, storage, logistics) within three years, as well as requirements to source at least 30% of the value of goods manufactured from Indian MSMEs and medium-sized industries. Furthermore, foreign-invested multi-brand retailers can open stores only in states that affirmatively allow it and only in cities above a certain population threshold. This highly cautious policy (motivated by the need to protect small Kirana shops and local intermediaries) has meant that few foreign multi-brand retailers have ventured into India's consumer market directly (World Bank, 2022; Cyrill, 2023; Austrade, 2021).

These restrictions have effectively limited foreign participation in traditional brick-and-mortar multi-brand retail, pushing many international retailers toward e-commerce marketplace models or joint ventures with local partners. The International Monetary Fund (IMF, 2025) observes that these policies reflect India's cautious approach to balancing economic liberalization with protecting small domestic retailers, who represent a significant political constituency.

Additionally, beyond FDI restrictions, India has implemented increasingly stringent data localization requirements that pose additional challenges for international e-commerce companies. The Digital Personal Data Protection Act (DPDP Act) of 2023 governs the processing of digital personal data, emphasizing consent and giving individuals control over their data (InCountry, 2024).

The DPDP Act reiterates existing data localization requirements rather than introducing new provisions. Specifically, it reaffirms the need for Sensitive Personal Data (SPD) and Critical Personal Data (CPD) to be stored and processed within India. While SPD (including health, financial, and biometric information) must be stored within India, transfers abroad are permitted under strict conditions. CPD, which is crucial to national security, must be stored and processed exclusively within India with no transfers allowed abroad.

Additionally, the Reserve Bank of India's (RBI) 2018 guidelines on payment data localization have had a significant impact on payment system operators, particularly international players. These regulations require that all payment-related data, including sensitive customer and transaction information, need to be stored within India (Agama Law Associates, 2025; World Bank, 2022).

The digital regulatory landscape is further complicated by the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021. These rules establish a framework for regulating digital content and intermediaries, including social media platforms and e-commerce entities. The rules require intermediaries (including e-commerce platforms and social media companies) to observe due diligence, including appointing grievance officers[1], removing prohibited content, and assisting government agencies when required (Ministry of Electronics and Information Technology, 2023).

These regulations create compliance requirements for international e-commerce platforms operating in India, necessitating investments in local infrastructure and compliance mechanisms which could lead to a significant increase in costs for those companies that want to break into India. So, data regulations are something that must be considered when entering the country.

B. Porter's Diamond Model

Having completed the PESTEL analysis, which offered a detailed view of the macro-environmental factors shaping India's business landscape, it is now useful to complement that assessment by applying Porter's Diamond model. The focus was placed on the PESTEL part because it effectively frames the external context that international firms will encounter if they choose to enter the Indian market, capturing structural forces such as demographic shifts, economic dynamics, and legal and regulatory conditions. These three dimensions were prioritized in the analysis, as they are particularly influential in emerging markets and directly affect the strategic decisions of foreign firms in the retail and e-commerce sectors.

To deepen the analysis, Porter's Diamond is now introduced to explore how specific domestic conditions contribute to India's competitive advantage. However, the dimension of "Firm Strategy, Structure, and Rivalry" is deliberately excluded, as it pertains primarily to the internal dynamics of local firms and industry competition, factors less applicable to foreign entrants assessing the market from the outside. By focusing instead on the remaining dimensions (factor conditions, demand conditions, and related and supporting industries) this section provides a more targeted understanding of the opportunities and constraints international firms may face when entering the Indian market.

- <u>Factor Conditions</u>

[1] Person responsable for handling complaints about content hosted on the intermediary's platform and must be physically hosted in India.

India’s demography trends represents a particularly significant economic advantage, with the country’s median age of 28 years creating a large, young workforce and consumer base that supports both production capabilities and market demand (World Bank, 2022).

Porter's Diamond framework reinforces these economic attractions through factor conditions that emphasize human resource advantages, particularly the availability of English-speaking technical talent that reduces communication barriers and training requirements for international firms. India's education system produces substantial numbers of engineering and technical graduates annually, creating a talent pipeline that supports technology-intensive business operations while providing access to capabilities that can support global operations and innovation activities.

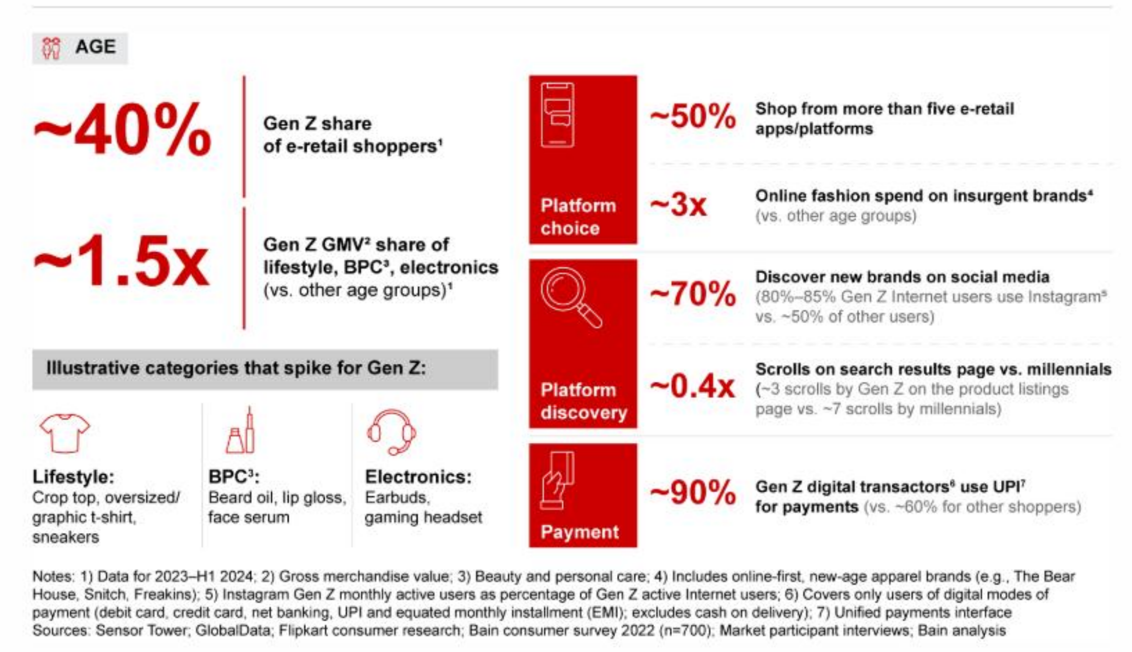
Educational attainment levels are rising rapidly across both urban and rural areas, with India projected to produce 18 million STEM graduates by 2027, creating both a skilled workforce for business operations and a sophisticated consumer base for technology-intensive products and services (India Today, 2025).

- Demand conditions

The emergence of India's middle class represents a transformative economic trend that creates substantial market opportunities for consumer-focused businesses. Projections indicate that nearly 80% of Indian households will be middle-income by 2030, representing a market of over 270 million households with significant purchasing power and consumption aspirations (Ojha & Ingilizian, 2019). This demographic shift creates opportunities for premium products and services while requiring sophisticated market segmentation and localization strategies that can address diverse consumer preferences and purchasing behaviors.

Generation Z consumers, who represent nearly 40% of India's e-retail shopper base (see Figure 12), exhibit distinct preferences for insurgent brands, social media-driven discovery, and digital payment methods, requiring marketing and operational strategies that differ significantly from approaches targeting older demographic segments (Sheth et al., 2025).

Figure 12. Gen Z shoppers stats



Source: Sheth et al., 2025

- Related and Supporting Industries

According to Porter's Diamond framework, the presence of competitive supplier industries and related sectors can enhance innovation, productivity, and efficiency through close cooperation and knowledge transfer. In India, two sectors improving in this regard: information technology and digital financial infrastructure. The country's mature IT industry, with global players such as Infosys and Wipro, offers advanced capabilities in software development, cloud services, and digital platform integration (India Brand Equity Foundation, 2024), resources that are highly valuable for international firms operating in the retail and e-commerce sectors.

In parallel, India's fintech ecosystem provides the enabling payment infrastructure that supports digital commerce. The Unified Payments Interface (UPI) has significantly accelerated financial inclusion by enabling real-time, low-cost digital transactions. As noted by Sheth et al. (2025), UPI has brought millions of users into the digital economy and simplified payment operations for businesses

4.1.3 Typologies of Market Entry Strategies in the Indian and E-Commerce Sectors

As Munjal (2019) establishes, an enterprise intending to do international business faces a critical decision in determining how to enter a foreign market. Entry modes are specific forms of participation an enterprise uses to access a foreign market, and the international business literature classifies these into equity-based and non-equity-based approaches. Equity-based entry modes include all forms where foreign direct investment (FDI) is incurred by the enterprise, primarily joint ventures and wholly owned subsidiaries. In contrast, non-equity-based entry modes include approaches where FDI is not required, such as exporting and licensing.

- Exporting

Exporting represents the most basic form of international market entry and involves selling goods and services produced in the home country to the foreign market. According to Munjal, an enterprise can undertake exporting directly or indirectly through an agent. As a non-investment-based entry mode, exporting does not require any FDI in host countries and is generally considered a non-contractual entry mode, typically based on orders received from buyers in host countries.

Exporting is particularly valuable for small and young enterprises in the early stages of internationalization, as these firms often lack the financial and managerial resources required for higher-commitment entry modes. Exporting requires minimal commitment, with no capital investment or formal contracts in foreign markets. Additionally, at the early stages of internationalization, firms have limited knowledge about host market characteristics, and exporting allows them to gradually gain this valuable market knowledge.

Nevertheless, companies seeking to export to India must comply with specific regulatory procedures, including registration with the Director General of Foreign Trade (DGFT) under the Ministry of Commerce. The DGFT grants a ten-digit Importer Exporter Code (IEC), which must be included in all international trade transactions involving exports to India. In addition, exporters must obtain certification from the Bureau of Indian Standards (BIS) to meet labeling requirements, and exported goods are subject to customs duties set by the Central Board of Excise and Customs under the Ministry of Finance (Munjal, 2019).

As Pawar (2021) observes, India's infrastructure development further facilitates exporting operations, with the country having the second-largest road and rail network (3.34 million km of roads and 63,000 km of rail lines), as well as 15 major ports and 190 minor post-special economic zones (SEZs).

- Licensing and Franchising

Licensing is a form of contractual agreement in which a parent company (the licensor) grants permission to another party (the licensee) to make use of its intangible assets (such as trademarks, technology, or product designs) in exchange for payment. This compensation can take the form of a one-time fee, recurring royalties based on revenue, or a mix of both. Licenses are typically restricted by time and geography, limiting the licensee's ability to use the assets beyond the agreed scope.

Franchising, on the other hand, is a more structured type of licensing that allows the franchisee to operate under the franchisor's established business model. It usually entails access not only to branding and intellectual property but also to operational systems and proprietary products (e.g., exclusive ingredients). Like licensing, franchising involves financial compensation, commonly through fixed fees, royalties, or a combination of the two.

Both licensing and franchising are forms of non-equity market entry, meaning the parent firm does not hold ownership in the local business. Instead, these strategies rely on legally binding agreements that grant rights to use proprietary assets, making them contractual or rights-transfer entry modes rather than investment-based ones.

These models enable firms to scale internationally with relative speed, as they do not require direct foreign investment. The financial and managerial responsibilities are primarily shouldered by the local partner. Nevertheless, both parties enter into formal contracts, signifying a shared level of commitment. In the case of franchising, this commitment tends to be deeper, as it involves not only intellectual property but also the full transfer of an operational framework and the know-how to replicate the business effectively (Munjal, 2019).

Cyrill (2023) notes that franchising has become particularly well-suited to India's current growth and urbanization trends, aligning with the proliferation of malls that serve as hubs for franchises in affluent metropolises, tier-2, and tier-3 cities. This article states that:

> India's franchise industry has been experiencing steady growth, with well-established brands expanding their presence and new franchise concepts emerging. Projections indicate that the Indian franchise industry will exceed INR 70 billion (US$845.09 million) by 2025. Currently, the industry employs over 1.5 million people and contributes nearly four percent to India's GDP.

Although licensing and franchising are commonly used entry modes in India, Munjal (2019) notes that there are no specific laws regulating them. Instead, these agreements are governed by the Indian Contract Act, 1872, a general law for all contractual agreements. This universal application gives firms flexibility in drafting contractual agreements between licensors/franchisors and licensees/franchisees, as they can be either written or unwritten, and in any language.

Some examples of successful market entry through licensing and franchising by foreign enterprises in India are McDonalds, Starbucks, Burger King, Marks and Spencer, Radisson, Hyatt, Best Western, and Hilton Hotels.

- Joint Venture (JV)

Joint ventures represent an equity-based entry mode involving partnership agreements between two or more parent firms to create a new business entity. In the international business context, this often means forming a cross-border entity through the partnership between companies from different countries. Since a new venture starts under joint ownership, parent firms contribute capital representing their equity shareholding in the JV. For example, Reliance Aerostructure Limited (India) and Dassault Aviation (France) formed the joint venture Dassault Reliance Aerospace Limited, with equity holdings of 51% and 49%, respectively.

In theory, entering foreign markets through joint ventures offers numerous advantages, such as risk and capital sharing, resource exchange, and access to local knowledge and political connections. However, a key drawback is the need to share control and ownership, which in international settings could include managing cultural differences.

In India, foreign firms can enter the market by creating joint ventures with Indian partners. This mode is widely used, as many Indian firms seek advanced technology and management expertise, while foreign firms gain access to local networks, knowledge, skills and talent.

The processes for establishing joint ventures in India are relatively straightforward. A joint venture can be established through incorporation as either a joint stock company (JSC) under the Companies Act, 2013, or as a limited liability partnership (LLP) under the LLP Act, 2008. The JSC structure is considered stronger in governance terms, as the Indian Companies Act requires proper management structures and various internal checks and procedures for proper company affairs conduct.

Incorporation under the Companies Act provides an independent legal identity to the JV, ensuring its continued existence even if parent firms change or cease to exist. Additionally, incorporating a joint stock company limits parent liability to the amount of capital invested.

Alternatively, the LLP model offers more flexibility in governance through customizable partnership agreements. Flexibility is important since joint ventures often face instability due to country-level changes (e.g., economic shifts or institutional reforms) or firm-level issues (e.g., lack of synergy or cultural mismatches). Additionally, LLP JVs in India can be transformed into JSCs if all parties agree. Foreign direct investment is allowed in both structures, subject to Indian regulatory conditions (Munjal, 2019).

- Strategic Alliance

Strategic alliances refer to collaborative arrangements between two or more firms that can take various forms, including equity-based joint ventures or non-equity contractual partnerships. In cases where no capital investment is made, no separate business entity is created. Instead, firms establish cooperation agreements where rights and responsibilities are jointly defined. Non-equity strategic alliances emerge when firms choose not to create a distinct entity and prefer to avoid incorporation procedures.

These alliances are commonly employed for purposes such as knowledge or technology sharing, co-development of products, and coordination in purchasing, promotion, or distribution, where mutual benefit is expected. When no new legal entity is formed, such agreements fall under the governance of the Indian Contract Act of 1872, and partners are not recognized as legal partners, making them exempt from the Partnership Act of 1935.

Nevertheless, non-equity strategic alliances are treated less favorably under India's Income Tax Act of 1961. They are classified as an "association of persons" under Section 2(31), which subjects them to higher tax rates.

Unlike joint ventures, where equity participation reflects ownership and a higher degree of commitment, non-equity alliances often lack mechanisms to ensure that partners remain fully engaged. Still, both models offer avenues for risk sharing and expedited access to markets and local expertise (Munjal, 2019).

An example of strategic alliance is the one formed by Volkswagen (German) and Tata Motors (Indian).

- <u>Wholly Owned Subsidiary (WOS)</u>

Wholly owned subsidiaries represent the highest level of foreign market commitment. Companies can enter foreign markets either by building operations from scratch (Greenfield investment) or through the acquisition of existing businesses in the host country. This approach enables foreign firms to internalize their operations rather than rely on third-party partners.

Although it entails greater financial investment and full risk assumption, setting up a wholly owned subsidiary allows complete managerial control and helps protect proprietary technologies and knowledge (Munjal, 2019).

In India, foreign companies can establish such subsidiaries through 100% Foreign Direct Investment (FDI) in numerous sectors, such as pharmaceuticals, civil aviation, and food manufacturing. However, as seen in the PESTEL framework, other areas like multi-brand retail (MBR) remain politically sensitive and continue to face regulatory debate regarding full FDI permissions.

As discussed earlier, subsidiaries can be established by incorporating joint stock companies under the Indian Companies Act, 2013, which grants them independent legal status separate from their parent firms. These subsidiaries may take the form of either private limited companies, which are closely held by a small number of shareholders and provide greater control to the founding members, or public limited companies, which are widely held and subject to more extensive regulatory and disclosure requirements.

To undertake FDI in India, companies must follow one of two routes already mentioned previously: the Automatic Route, which permits investment without prior government approval in pre-approved sectors, and the Approval Route, which requires explicit authorization from the Foreign Investment Promotion Board (FIPB) under the Ministry of Finance.

Beyond subsidiaries, foreign enterprises may also establish Branch Offices (BOs), Liaison Offices (LOs), or Project Offices (POs) in accordance with the Reserve Bank of India’s regulations under the Foreign Exchange Management Act of 1999. These setups allow for commercial representation in India and activities such as export/import operations, technical services, market research, and collaboration with local entities. However, unlike subsidiaries, BOs, LOs, and POs are not distinct legal entities and do not benefit from limited liability. They must appoint local authorized representatives and submit annual reports to the RBI and are restricted from engaging in any unauthorized activities (Munjal, 2019; Cyrill, 2023).

4.1.4 Comparative Case Study Analysis: Walmart/Flipkart vs. Amazon India

Amazon's entry into the Indian market represents a significant case study in international business expansion, particularly within the context of emerging markets. As one of the world's largest e-commerce companies, Amazon's strategic approach to entering and establishing itself in India's complex retail landscape offers valuable insights into the challenges and opportunities that multinational corporations face when expanding into rapidly developing economies with unique regulatory, cultural, and infrastructural characteristics.

When Amazon launched its operations in India in June 2013, it entered one of the world's most promising yet challenging e-commerce markets. The company's decision to pursue a greenfield strategy in India came after careful consideration of the country's unique regulatory landscape, consumer behavior, and competitive dynamics (Govindarajan & Warren, 2016). Unlike its approach in many other international markets where acquisitions played a significant role, Amazon opted to build its Indian operations from scratch, allowing it to tailor its strategy specifically to the Indian context while leveraging its global expertise.

Amazon's entry into India was preceded by a strategic reconnaissance phase. In 2012, the company launched Junglee.com, an online product search and price comparing website that allowed Amazon to gather valuable market intelligence without fully committing to the market (Padmanabh, 2013; Knowledge at Wharton, 2014). This preliminary step enabled Amazon to understand consumer preferences, assess competitive dynamics, and refine its approach before launching its full-fledged marketplace. Additionally, Amazon entered the Indian market at a moment when domestic competitors had already spent considerable effort and resources educating consumers about e-commerce. This smart timing enabled the company to leverage its core strengths more effectively, benefiting from the consumer awareness built by earlier market entrants (Dharmakumar, 2013).

The most significant adaptation Amazon made for the Indian market was in its fundamental business model. Unlike its operations in the United States and many other countries where Amazon functions as both a direct retailer and a marketplace, in India, the company adopted a pure marketplace model due to FDI restrictions (Knowledge at Wharton, 2014). These regulations prohibited foreign e-commerce companies from owning inventory sold on their platforms, effectively barring Amazon from its traditional inventory-based approach.

The regulatory landscape for e-commerce in India has been dynamic and challenging. As discussed in previously, India's e-commerce regulatory framework distinguishes between marketplace and inventory-based models, with 100% FDI permitted only in the former. The DIPP further restricted marketplace operations by prohibiting vendors with equity participation from the marketplace from selling on the platform and limiting any single vendor from accounting for more than 25% of sales (Maheshwari & Co., 2024).

Amazon demonstrated remarkable adaptability in navigating these constraints. Rather than viewing the marketplace-only model as a limitation, Amazon transformed it into a strategic advantage by developing innovative approaches to seller onboarding, logistics, and fulfillment that were specifically tailored to the Indian context. The company was fully committed to the Indian market as evidenced by Amit Agarwal, Vice President and Country Manager of Amazon India at that time, who stated: "India is a very important market for Amazon globally. We are committed to India and are here for the long term" and "we are committed to aggressively investing over the long term and relentlessly focusing on raising the bar for the online shopping experience in India." (Knowledge at Wharton, 2014).

Amazon's success in India has been significantly driven by its ability to adapt its global playbook to address unique local challenges. One of the most significant adaptations was in payment systems. In a country where credit card penetration was low and cash transactions dominated, Amazon introduced Cash on Delivery (CoD) as a payment option, allowing customers to pay for products upon receipt. This adaptation was crucial in building trust with Indian consumers who were often hesitant to pay online for products they had not yet received. To further address payment challenges, Amazon launched Amazon Pay Balance in December 2016, providing a digital payment solution tailored to the Indian market (Knowledge at Wharton, 2014; Govindarajan & Warren, 2016).

Amazon also innovated in its fulfillment and delivery approaches to overcome India's infrastructure challenges. The company developed two India-specific programs: Easy Ship, where Amazon couriers pick up packaged goods directly from sellers' locations, and Seller Flex, which allows vendors to designate a portion of their own warehouses for products sold on Amazon.in, with Amazon coordinating the delivery logistics. These "neighborhood" approaches provided convenience for sellers while enabling Amazon to speed up delivery times.

To address the challenge of reaching consumers in rural areas with limited internet access, Amazon partnered with local mom-and-pop store owners in a mutually beneficial arrangement. These store owners provided internet access for local residents to browse and order from Amazon.in, recorded their orders, alerted customers when products were delivered to the store, collected cash payments, and passed the money (minus a handling fee) to Amazon. This innovative approach not only expanded Amazon's reach into underserved areas but also transformed potential competitors into partners (Govindarajan & Warren, 2016).

Amazon adopted a creative approach to seller acquisition through its Amazon Chai Cart initiative. In this program, mobile tea carts (essentially moving kiosks serving traditional Indian tea) traveled through urban areas offering refreshments to small business owners while introducing them to the benefits of selling online. The initiative covered over 9,400 miles across 31 cities and engaged more than 10,000 potential sellers. Complementing this, Amazon launched Amazon Tatkal, a mobile support center, offering key onboarding services such as registration, imaging, cataloging, and sales training to help these sellers get online quickly and address their concerns to e-commerce (Govindarajan & Warren, 2016; Shrivastava, 2015).

Following its initial entry focused primarily on books and media products, Amazon rapidly expanded its product categories and service offerings in India. By 2014, just a year after launch, the company had grown from 100 sellers across two categories to 5,000 sellers offering more than 15 million products across 25 categories (Knowledge at Wharton, 2014). This expansion continued in subsequent years, with Amazon systematically adding new product categories and services to build a comprehensive ecosystem.

In sum, Amazon's expansion in India exemplifies a well-executed greenfield and organic market entry strategy, characterized by its decision to build operations from scratch and grow incrementally through deep market immersion rather than through acquisitions. This approach enabled Amazon to remain compliant with India’s strict FDI and e-commerce regulations while retaining strategic flexibility and long-term control over its operations.

Walmart's journey in India represents one of the most instructive case studies of international retail expansion into emerging markets. Unlike Amazon's greenfield approach discussed in the previous section, Walmart's path to establishing a significant presence in the Indian market has been characterized by a series of strategic pivots, regulatory adaptations, and ultimately, a landmark acquisition. This evolution illustrates the complex interplay between entry mode selection, regulatory navigation, and local integration that multinational corporations must manage when expanding into markets with distinctive institutional environments.

Walmart's first formal entry into the Indian market came on 2006, when it signed a contract with Bharti Enterprises to form a 50-50 joint venture focused on wholesale business operations. This partnership represented a strategic alignment of complementary capabilities: Walmart contributed its global retail expertise, recognized brand name, and advanced capabilities in retail information management, transportation, and inventory systems, while Bharti, an established Indian corporation with over 30,000 employees and revenue of USD 16.5 billion in 2014, provided critical knowledge of Indian laws, culture, economic conditions, and workforce dynamics (Pawar, 2021).

The structure of this joint venture was carefully designed to navigate India's restrictive FDI regulations in the retail sector. As discussed previously in the PESTEL, India's regulatory framework has historically distinguished between single-brand and multi-brand retail, with significant limitations on foreign investment in the latter. The joint venture's terms reflected these constraints:

1. Retail shops would be governed by Bharti Enterprises, which would pay Walmart various fees including royalties for cash and carry operations, software licensing, technical training, administrative support, etc.
2. Walmart would manage easy access stores and supermarkets for Bharti's multi-

brand retail operations, providing a foundation for potentially introducing its own brand in India at a later stage.

3. Walmart's cash and carry wholesale model focused on selling a wide variety of products to Indian businesses rather than selling directly to individual consumers since, as seen in before, B2B activities are allowed by the FDI guidelines while B2C are only allowed under specific conditions.
4. Indian regulations allow FDI in the retail sector only in cities with populations exceeding certain thresholds (one million). However, securing suitable real estate in such densely populated urban areas is challenging. As a result, the venture established smaller-sized retail outlets in India compared to those typically found in other countries.

Walmart invested approximately $100 million in this joint venture, demonstrating significant commitment to establishing a foothold in the Indian market. The first store under this arrangement opened in 2009, in Amritsar, Punjab, marking Walmart's physical entry into the Indian retail landscape. So, by partnering with a local entity, Walmart sought to reduce its exposure to institutional uncertainties while gaining market-specific knowledge that would be difficult to develop independently.

Despite its strategic rationale, the Walmart-Bharti joint venture encountered significant challenges that eventually led to its dissolution. As Pawar notes, the success of a joint venture depends not only on achieving business objectives but also on effectively managing political variables that, in the Indian context, often lie beyond any firm's direct control.

These challenges culminated in 2012, when Walmart and Bharti announced the termination of their joint venture. This dissolution represented a significant setback for Walmart's Indian expansion strategy, resulting in financial losses exceeding $100 million and necessitating a fundamental reconsideration of its approach to the market.

Following the dissolution of the joint venture, Walmart pivoted to a new approach in the Indian market. In 2013, Walmart India was established as a wholly owned subsidiary of Walmart Inc., focusing on B2B business model. This strategic shift represented an attempt to maintain a presence in the Indian market while operating within the constraints of FDI regulations that still restricted foreign investment in multi-brand retail.

By 2017, Walmart had expanded its wholly owned operations to include 24 B2B cash and carry outlets across nine states in India, with more than one million members. In November of that year, the company opened its first Fulfillment Center in Mumbai, further enhancing its ability to serve small businesses and resellers throughout the region (Pawar, 2019).

This phase of Walmart's India strategy demonstrated greater success than the joint venture approach, allowing the company to establish a sustainable business model within regulatory constraints. However, it still faced significant limitations in terms of market reach and growth potential. The B2B wholesale model, while viable, represented only a fraction of India's overall retail market opportunity and did not provide Walmart with a platform for competing directly in the rapidly growing consumer e-commerce segment that was increasingly dominated by players like Flipkart and Amazon.

Recognizing both the limitations of its wholesale-focused strategy and the transformative potential of e-commerce in the Indian market, Walmart executed a dramatic strategic pivot in 2018 with its acquisition of Flipkart, India's leading e-commerce platform. This landmark transaction, in which Walmart acquired a 77% stake in Flipkart for approximately $16 billion, represented the largest acquisition of an e-commerce company globally and fundamentally reshaped Walmart's position in the Indian market (Pachpande et al., 2022).

The acquisition strategy was driven by several strategic considerations. First, it allowed Walmart to overcome the regulatory constraints that had limited its direct retail operations in India by leveraging Flipkart's established e-commerce platform, which operated under a marketplace model rather than an inventory-based approach (The Times of India, 2018). Second, it provided immediate scale and market presence that would have been impossible to achieve organically, given Flipkart's position as India's largest online retailer with an established customer base and logistics infrastructure (Walmart Inc, 2018). Third, it represented a strategic response to competitive pressures, particularly from Amazon, which had been rapidly expanding its Indian operations as discussed in the previous section (Dalal, 2023).

The strategic rationale for the acquisition centered on the complementary capabilities and advantages of the two organizations. As Pingolia (2020) notes, Flipkart brought "innovative and agile business approach, entrepreneurial spirit, extensive supply chain network in India," while Walmart contributed "experience, stability and a reason to tap early the booming e-commerce market in India." This combination of Flipkart's digital innovation and local market knowledge with Walmart's global retail expertise and financial resources created potential synergies that neither company could achieve independently.

Overall, Walmart’s trajectory in India demonstrates a gradual, adaptive approach shaped by regulatory constraints and evolving market conditions. Rather than relying on a single entry mode, Walmart tested multiple strategies. This evolution from indirect market presence to full integration reflects a flexible and pragmatic entry strategy. Taken together with Amazon’s greenfield and organic expansion, these two cases offer complementary perspectives: one rooted in the retail sector and the other in e-commerce, each illustrating different yet effective paths to establishing a strong foothold in the Indian market.

4.1.5 Strategic Insights and Recommendations for Future Market Entrants

Building on the comparative analysis of Amazon and Walmart’s strategies and the broader strategic dynamics explored throughout this chapter, it becomes clear that there is no single formula for success in India’s retail and e-commerce markets. The diversity of regulatory constraints, regional disparities, and digital infrastructures requires firms to move beyond generic internationalization models and instead develop strategies rooted in their own organizational identity and long-term goals. The following recommendations emerge not as prescriptive steps, but as guiding principles for firms seeking to design context-sensitive, resilient, and strategically coherent market entry approaches.

There is no universally optimal strategy for entering the Indian retail and e-commerce markets. As the cases of Amazon and Walmart demonstrate, success depends not on following a fixed formula but on aligning entry decisions with the firm’s strategic DNA: its resources, risk appetite, organizational culture, and long-term vision. Amazon pursued a gradual, control-oriented approach, building infrastructure over time and adapting incrementally to India’s regulatory and operational landscape. Walmart, in contrast, opted for speed and scale, acquiring a local player to gain immediate market presence and local knowledge, accepting higher financial risk and lower direct control. Both approaches yielded valuable strategic advantages, but only because they reflected the internal logic of each company.

For future entrants, the first and most critical recommendation is to design a strategy that is internally coherent. The chosen entry mode must make sense not only in light of India's external environment but also in relation to what the company can realistically execute and sustain over the long term. A firm with deep digital capabilities may prefer to test the market through a light, data-driven marketplace model; another with stronger capital reserves and local partnerships may find an acquisition more effective. The key is strategic authenticity: adapting to India without compromising what makes the company successful elsewhere.

Second, companies must replace short-termism with strategic patience. India's growth potential is undeniable, but its complexity requires a longer investment horizon. Firms should expect delayed returns, regulatory hurdles, and the need to build consumer trust over time. Rather than viewing India as a quick win, companies must treat it as a long-term strategic market, one where cumulative learning, iterative adaptation, and deep stakeholder engagement will yield more sustainable results than rapid market share gains.

Third, regulatory alignment must be elevated from a compliance function to a strategic pillar. As Amazon's restructuring and Walmart's Flipkart acquisition show, regulation is not a side constraint but a primary driver of business model design. Firms must invest in regulatory intelligence, engage proactively with policymakers, and design agile structures that can evolve alongside India's institutional environment. Those that treat regulation as a competitive frontier (rather than an obstacle) will be better equipped to secure long-term operating space.

Fourth, localization must go beyond marketing slogans. It must translate into logistics tailored to India's geography, payment systems adapted to consumer habits, and digital interfaces that reflect linguistic and cultural diversity. Companies that succeed will be those that innovate operationally, not just technologically. Building flexible systems that can serve Tier 1 cities and rural towns alike, while maintaining quality, affordability, and trust.

Finally, legitimacy matters. Firms that are seen as contributing to India’s development (by sourcing locally, investing in people, and aligning with national priorities) will benefit from goodwill that extends beyond consumers to regulators and partners. Constructivist theory reminds us that perception shapes policy. Building legitimacy is therefore not a public relations exercise, but a strategic investment.

Therefore, the future belongs to firms that can be global and local, innovative and pragmatic, long-term oriented yet responsive. Amazon and Walmart’s experiences offer a roadmap, but each company must design its own path based on unique strengths and market goals. The journey is demanding, but the opportunities for those who adapt are transformative, not only for individual firms, but for the future of global commerce.

4.2 Discussion

The aim of this thesis is to analyze the attractiveness of India as a destination for international business expansion and compare the effectiveness of different market entry strategies used by retail and e-commerce firms entering the Indian market, considering the country's demographic, regulatory, digital, and economic context. This section interprets and contextualizes the findings presented in Chapter 4, connecting empirical insights to strategic and internationalization theories to provide comprehensive understanding of why and how international retail and e-commerce firms expand into India.

The findings suggest companies expand internationally to gain market access, diversify risk, and acquire strategic assets, aligning with the Ownership-Location-Internalization (OLI) framework. Amazon's global cloud infrastructure and platform-based model represent strong ownership advantages, while India's massive digital consumer base provides compelling location advantages. The company's digital assets required adaptive localization to maintain competitive edge, demonstrating how ownership advantages must remain distinctive and inimitable in the Indian market.

Born Global theories help explain Amazon's strategy, as it leveraged digital scalability to enter India early through Junglee.com, validating accelerated learning capabilities in digitally enabled contexts. Conversely, Walmart's approach illustrates the Uppsala Model, where firms incrementally commit resources based on experience and local knowledge.

The evolution from joint venture with Bharti to wholly owned subsidiary operations, and finally to Flipkart acquisition, demonstrates gradual learning and incremental resource commitment.

Transaction Cost Economics clarifies how digitally driven changes shape internationalization strategies. Digitalization reduces traditional transaction costs (communication, search) while introducing new complexities (cybersecurity, regulatory compliance). Amazon's strategic internalization of logistics through Seller Flex exemplifies responses to elevated digital-specific transaction risks, while Walmart's acquisition strategy reflected attempts to minimize transaction costs in high-uncertainty environments.

India's attractiveness lies in favorable demographics, growing middle class, and increasing smartphone penetration. The PESTEL analysis highlighted key enablers: rising GDP growth, digital infrastructure including UPI and Aadhaar systems, and government initiatives such as Digital India. India's nominal GDP of $3.6 trillion and position as the world's third-largest economy by PPP demonstrate substantial market scale. The demographic dividend, with median age of 28 years and over 40% of population under 25, provides massive workforce and consumer base.

However, the regulatory environment remains complex. Liberal institutionalist theory suggests clear, rules-based frameworks promote foreign entry, yet India's FDI policy in multi-brand retail is restrictive, discouraging wholly owned entry strategies. This asymmetry creates a market open to capital but protective of distribution control. Data localization requirements and restrictions on marketplace inventory ownership impose additional limitations, making location advantages subject to dynamic regulatory interpretations.

The research identified three dominant strategies: equity-based entry through acquisitions (Walmart-Flipkart), non-equity platform-based entry (Amazon), and strategic alliances. The Cost-Control-Risk-Return (CCRR) framework provides pragmatic evaluation of these approaches. Amazon's strategy prioritized control and lower costs through a marketplace model requiring minimal capital investment. Although this delayed returns due to continuous regulatory adaptation needs, it allowed retention of full ownership and operational command.

Walmart pursued a high-cost, potentially high-return strategy through Flipkart acquisition, enabling rapid market access and regulatory adaptation by leveraging existing compliance and local presence. However, this involved greater financial risk and lower operational control. These contrasting strategies demonstrate how the CCRR framework guides firms in aligning entry modes with strategic priorities and risk tolerance.

Institutional Theory suggests both companies adjusted strategies to formal regulations and informal norms, including local consumer behavior and preferences for cash-on-delivery and regional language interfaces.

The findings suggest traditional internationalization theories retain explanatory power but require reinterpretation in digital contexts. The Uppsala model applies in compressed timeframes when digital platforms enable rapid information gathering. Constructivist theory adds crucial interpretative layers, highlighting that international strategies are influenced by normative and reputational considerations beyond economic calculations. Both Amazon and Walmart benefited not only economically but also reputationally, enhancing global legitimacy.

For practitioners, this study underscores the importance of combining equity-based control for faster scale with institutional adaptation for long-term sustainability. Retail and e-commerce firms must navigate India's regulatory complexity, infrastructure variation, and regional diversity to succeed. Strategic authenticity proves crucial, adapting to India without compromising core organizational strengths.

Theoretically, the research bridges International Business and International Relations, showing how state-led initiatives, trade openness, and consumer digital readiness shape market entry beyond pure firm-level strategy. The integration of multiple theoretical frameworks elucidates multidimensional perspectives on international expansion, enabling firms to navigate complex digital and regulatory landscapes while optimizing strategic entry decisions.

Chapter 5

5. Conclusion, Recommendations, and Limitations

5.1 Conclusion

This thesis addressed the central research question: *How do international retail and e-commerce firms successfully navigate the Indian market entry process, and which strategies are most effective given the regulatory, economic, and digital landscape?* Through integrated analysis of theoretical frameworks, macroeconomic trends, and detailed case studies, this research provided a comprehensive response.

The findings were structured around five core objectives. First, the study examined how globalization and digitalization have transformed strategic drivers of international expansion. This revealed that digital platforms have fundamentally altered traditional entry paradigms by enabling more flexible, scalable, and localized strategies. The analysis identified six key strategic drivers: leveraging digital ownership advantages, accessing digitally enabled ecosystems, accelerating experiential learning, managing new transaction costs, optimizing entry-mode trade-offs, and gaining global legitimacy.

Second, the study assessed India's attractiveness through PESTEL analysis. With rapid economic growth, favorable demographics, and increasing digital adoption, India emerged as compelling yet complex. India's position as the world's fifth-largest economy with GDP growth averaging 7.2% between 2015-2023, combined with demographic dividend of median age 28 years, demonstrates substantial market potential. Digital infrastructure developments, including UPI adoption and smartphone penetration, further enhance attractiveness. However, regulatory constraints regarding FDI restrictions and data localization requirements create both opportunities and constraints.

Third, the thesis classified market entry strategies using the Cost-Control-Risk-Return framework, identifying three dominant approaches: equity-based entry through acquisitions, non-equity platform-based entry, and strategic alliances, each offering different balances of cost, control, risk, and return.

Fourth, comparative case study analysis of Amazon and Walmart revealed two distinct yet successful strategies. Amazon adopted a greenfield approach through organic expansion, aligning with its long-term orientation and technological strength. Amazon's entry through Junglee.com for market intelligence, followed by marketplace model implementation with innovations like Cash on Delivery and Seller Flex program, demonstrated adaptive localization while maintaining competitive advantages.

Walmart pursued acquisition-based strategy, purchasing controlling stake in Flipkart for $16 billion. This approach enabled immediate market access, operational scale, and leveraging of Flipkart's institutional knowledge and infrastructure. Although reducing initial regulatory friction, it introduced integration challenges and high upfront costs. Walmart's iterative journey, including previous joint venture attempts, highlighted that strategic flexibility and learning are essential for long-term success.

Fifth, the study translated insights into strategic recommendations emphasizing alignment between market entry mode and organizational capabilities, maintaining regulatory adaptability, committing to long-term investment horizons, and developing strategies fusing global strengths with local relevance.

These findings affirm that no universally optimal strategy exists for India's retail and e-commerce market entry. Success depends on alignment between firm's internal capabilities and external market environment. Both Amazon and Walmart succeeded not because one entry mode is inherently superior, but because each selected strategies congruent with their competitive strengths and operational philosophy. Amazon's control-oriented approach enabled retention of technological advantages and gradual market development, while Walmart's acquisition strategy provided rapid scale and local market knowledge.

Theoretical analysis revealed that traditional internationalization theories retain explanatory power but require reinterpretation in digital contexts. The OLI paradigm explains how digital ownership advantages must be adapted locally while remaining distinctive. The Uppsala model applies in compressed timeframes when digital platforms enable accelerated learning. Transaction Cost Economics clarifies how digitalization both reduces traditional costs and introduces new complexities requiring strategic internalization decisions.

Thus, this thesis demonstrates that international firms can succeed in India through diverse strategic paths, provided their chosen strategy is carefully aligned with local market dynamics, regulatory frameworks, and organizational capabilities. In an era defined by digital disruption and regulatory complexity, firms must embrace both strategic consistency and adaptability to thrive in high-potential yet challenging markets like India.

5.2 Limitations

This thesis offers a structured analysis of international business expansion strategies in India’s retail and e-commerce sectors, several limitations should be acknowledged. The research relies exclusively on secondary data sources such as academic literature, industry reports, company publications, and journalistic coverage. Although these materials provide valuable insights, they do not capture the full depth of firm-specific decision-making processes or internal strategic deliberations. Primary data collection through interviews with key executives, regulators, or market participants could enhance the granularity and authenticity of future studies. In addition, the absence of more advanced quantitative analysis limits the ability to evaluate causal relationships or firm-level performance trends in greater empirical depth.

5.3 Recommendations

Future research could integrate interviews or surveys to enrich understanding, explore post-pandemic shifts in market entry behavior, or compare India's digital retail attractiveness with other populous emerging markets such as Indonesia or Nigeria.

Appendix I. Declaración de uso de IA

Por la presente, yo, Ignacio García, estudiante de Business Analytics y Relaciones Internacionales de la Universidad Pontificia Comillas al presentar mi Trabajo Fin de Grado titulado " International Business Expansion: Strategies for Entering the Indian Retail & E-Commerce Market", declaro que he utilizado la herramienta de Inteligencia Artificial Generativa ChatGPT u otras similares de IAG de código sólo en el contexto de las actividades descritas a continuación:

1. **Brainstorming de ideas de investigación:** Utilizado para idear y esbozar posibles áreas de investigación.
2. **Referencias**: Usado conjuntamente con otras herramientas, como Science, para identificar referencias preliminares que luego he contrastado y validado.
3. **Metodólogo**: Para descubrir métodos aplicables a problemas específicos de investigación.
4. **Estudios multidisciplinares**: Para comprender perspectivas de otras comunidades sobre temas de naturaleza multidisciplinar.
5. **Corrector de estilo literario y de lenguaje**: Para mejorar la calidad lingüística y estilística del texto.
6. **Sintetizador y divulgador de libros complicados**: Para resumir y comprender literatura compleja.
7. **Revisor**: Para recibir sugerencias sobre cómo mejorar y perfeccionar el trabajo con diferentes niveles de exigencia.
8. **Traductor**: Para traducir textos de un lenguaje a otro.

Afirmo que toda la información y contenido presentados en este trabajo son producto de mi investigación y esfuerzo individual, excepto donde se ha indicado lo contrario y se han dado los créditos correspondientes (he incluido las referencias adecuadas en el TFG y he explicitado para que se ha usado ChatGPT u otras herramientas similares). Soy consciente de las implicaciones académicas y éticas de presentar un trabajo no original y acepto las consecuencias de cualquier violación a esta declaración.

Fecha: 16 de junio del 2025

Firma: Ignacio

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