

# How Adopting E-Commerce Transforms The Growth Journey Of Small And Medium Cosmetic Retailers

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## Abstract

The growth of digital commerce has altered the operational framework for small and medium-sized retailers of cosmetic products. This research looks into the impact of using e-commerce platforms on the growth, market access, sales, and operational improvements of retailers in the cosmetics industry. This study utilizes a mixed-methods approach where both primary (a structured questionnaire given to a sample of 100 cosmetic retailers) and archivable secondary data (industry reports and papers, journals, and government publications) were utilized. Using descriptive statistics, correlational analysis, and the thematic analysis of text data, trends were extracted and the link between the use of e-commerce and growth in business was measured. The results show that the acquisition of new customers, reduction of costs, improved visibility of products, and heightened competitiveness were outcomes of using e-commerce. However, there were still setbacks of poor logistics, absence of digital marketing skills, and high cost of marketing. The study demonstrates a significant potential for the growth of small to medium-sized retailers of cosmetic products to strengthen if there were adopted digital technologies in a planned manner with adequate training and reasonably priced logistics. This has led to the formulation of various guidelines.

**Keywords:** E-commerce adoption, Cosmetic retailers, Business growth

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## 1. INTRODUCTION

### 1.1 Background of the Study

The past decade has seen digital technology shape the retail sector globally and specifically the growth of e-commerce from an optional marketing channel to an essential marketing component across industries. The growth of e-commerce can be attributed to the accessibility of the internet, the rise of smart mobile devices, and the cultural shift towards buying goods and services online (Alshaddadi, 2021). This trend is also evident in India, where the rapid growth of e-commerce is facilitated by the enhanced digital payment systems, the government Digital India Initiative, and growing trust of the populace in online transactions. The retail industry, particularly the personal care, beauty, and cosmetics, is one of the fastest growing within the digital economy.

There has been a remarkable expansion within the cosmetic industry in India over the last ten years. This remarkable growth can partially be attributed to rising disposable incomes and urbanization. This growth is partially the result of heightened awareness about skincare and beauty products as consumers care notably more about self presentation and self care. Convenient and affordable skincare products can be bought from the comfort of internet. Social media influencers can be seen promoting products and setting beauty trends. Websites and apps such as Nykaa, Amazon, Flipkart, and Instagram Shops can be seen as attempting to revolutionize the stream of modern beauty product commerce (Fatima & Aigul, 2024). The growing online cosmetic retail industry stream has created opportunities and challenges for small and medium cosmetic retailers. More visibility, and the ability to sell products and offer services to, a national consumer base is a benefit that is more accessible than ever to traditional retailers. However, many of the traditional retailers see an overwhelming amount of competition coming from digitally native brands and large online marketplaces.

### 1.2 Problem Statement

The thriving nature of the cosmetics industry does not protect traditional small to medium retail businesses. As the industry grows, small to medium sized retail businesses face competition from online cosmetics firms, influencer endorsed businesses, integrated digital platforms, and consumer focused digital platforms. As digital tools and online marketing, and operational e-commerce platforms marketing tools are not knowledge

to many small retailers, the digital gap in knowledge hinders their online potential significantly. Surrendering to the technical knowledge gap, small retailers either partially or fully embrace e-commerce retailing and face challenges in the form of commission costs, logistics, inventory control, customer service, and operational trade-e relationships. These challenges form a convergence of issues surrounding the value of e-commerce to a businesses growth, profitability, or consumer loyalty. This raises the issue of how e-commerce adoption affects peripheral growth of small and medium retailers in the cosmetics industry focused on the digital marketplace.

### **1.3 Rationale of the Study**

This particular study will help us understand the adoption of e-commerce by small scale cosmetics retailers and the contribution of such retailers to the Indian beauty and wellness industry. The use of e-commerce will enable small retailers to draw reasonable conclusions and strategic initiatives regarding further digital transformation and efficient operational management along with enhanced customer service. The increasing use of e-commerce by small retailers aligns with the Digital India and MSME schemes of the government encouraging small businesses to adopt digital technology for business sustainability. The study focuses on understanding the e-commerce potential of small cosmetics retailers and helps fill the knowledge gap by improving the understanding of the digital adoption phenomenon in the Indian cosmetics and beauty industry.

### **1.4 Objectives of the Study**

The dissertation will analyze how adopting e-commerce affects small and medium cosmetics businesses' sales, customer access, market exposure, and profits. The research will also gauge the challenges retailers face regarding implementing a multi-channel e-commerce system. In addition, the dissertation will analyze the e-commerce potential to improve customer retention and the interactions between various business functions, including inventory control, and streamlining operational efficiencies. This research will assist retailers, decision-makers, and providers of business digital solutions to maximize the benefits of e-commerce in the cosmetics sector.

### **1.5 Scope of the Study**

Analyses of mid tier and small scale cosmetic industry retailers operating in India incorporates primary data which the retailers themselves provided via a survey as well as secondary data from respectable fragmented industry reports and scholarly publications. The study is limited to evaluating certain aspects of the impact of e-commerce on the business's profitability and viability, as well as the advantages and obstacles to its adoption. The study excludes large corporate manufacturing chains.

### **1.6 Significance of the Study**

This study pays off to various parties. For beauty products sellers, the study shows how ecommerce can help transform a retailer's business model to an environment friendly and profitable model. Moreover, it shows the behavioral attributes of consumers, how to grow in an online business and the importance of digital tools in a business. For government and policy makers, the study shows the digital gap small businesses have in the ecommerce milieu, helping the respondents to design more effective support programs for MSMEs. For the academic and other researchers, the study enriches the small literature available with ecommerce and digital technologies in the cosmetic retail industry in India.

## **2. LITERATURE REVIEW**

### **2.1 E-Commerce Adoption Models**

There are many factors affecting the adoption of e-commerce by small enterprises such as technology, organization, and the environment. The Technology Acceptability Model, TAM, explains and predicts the adoption of technological innovations by individuals, and suggests that both the perceived usefulness and perceived ease of use are the primary drivers leading to acceptance of such technological innovations (Park et al., 2024). This model is applicable to the non-advanced cosmetic retailers who resist the use of the technologies due to feelings of digital ineptitude. Further, the Diffusion of Innovations model accounts for the spread of innovations throughout a population and the perceived relative advantage, compatibility, complexity, trialability, observability. The innovation in cosmetic retailing whereby online selling is perceived to have many advantages such as, to the retailers, an increased market and hence greater sales is likely to

motivate the innovation (Adams, 2022). In the case of the UT of A and U of T, greater focus is placed on the perceived social norms, the available facilitating conditions, and expectations of the user. The TAM, DOI, and UTAUT theoretically explain a great deal on why and how small enterprises are adopting the use of e-commerce.

## **2.2 E-Commerce and SME Growth**

Having e-commerce indicates that e-business performs better, since the e-business can increase the number of sales, lessen costs of operations, and diversify the access to market. Online platforms enables the SME to reach customers from competing geographical borders. SME can also utilize e-commerce, e-business to data customer engagement, manage inventory, and perform targeted marketing (Githui & Njuru, 2024). Research indicates that SMEs receive enhanced visibility and customer trust when using developed online marketplaces created for products that consumers have an abundance of choices and reviews, especially for beauty and cosmetic products. Research indicates that there is a lack of digital literacy, financing, and dependence on 3rd party platforms for logistics and marketing.

## **2.3 Cosmetic Retail Industry Trends**

There have been considerable shifts in the cosmetics industry, the largest being the impact of social media, internet influencers, and content creators in the beauty sphere. Consumers discover beauty products and decide whether to purchase by watching YouTube reviews, Instagram reels, and TikTok videos (Vyas et al., 2025). This virtualization of the shopping experience has led to the online shopping of beauty and skincare products. E-commerce beauty stores have the, “easy-to-shop, affordable, and customizable, consumer-desired experience,” combined with, “Informational beauty ecommerce content,” that allows the online and skincare shopping experience to be, “efficient and educational.” The increasing popularity of niche cosmetics brands, like organic, Korean, and cruelty-free cosmetics, has driven online shopping even more. Such trends in the industry indicate that small cosmetic stores must implement the industry’s technological advancements for selling goods if they want to remain competitive and, “relevant,” in their industry.

## **2.4 Gaps in Existing Research**

It seems that there is an abundance of literature on e-commerce adoption, yet, there is little research that focuses on cosmetic retailers. One of the weaknesses of the available literature is that it is largely SME sector focused, which is problematic given that the beauty and cosmetics sector is uniquely characterized by intense competition, high brand loyalty, and the need for predominant visual marketing. In addition, there is little available primary data authored by Indian retailers that document the real-time challenges and opportunities that e-commerce adoption purports. There also seems to be an imbalance of literature that correlates the traditional business performance of the cosmetic sector with digitally based performance. This is the gap that the research intends to address by using primary data and contextual analysis.

# **3. RESEARCH METHODOLOGY**

## **3.1 Research Design**

This research employs a mixed-method model which incorporates qualitative and quantitative data. With regards to the quantitative data, the research has arrived at collecting the data using structured questionnaires which were given to 100 small and medium size cosmetic retailers. Qualitative data has been gathered through the analysis of open-ended responses and short interviews conducted with a handful of retailers. With this method, the research can achieve an in depth understanding of the statistical patterns and to pin point the experiences particular to the adoption of e-commerce.

## **3.2 Data Sources**

This research utilizes both primary and secondary data sources. In the first case, primary data are collected through printed questionnaires and Google Forms directly from cosmetic retailers. In the second case, secondary data are gathered from published research, industry reports, Statista market reports, MSME Government reports and journals. The use of both primary and secondary data enhances the research findings’ reliability and validity.

## **3.3 Sample Size and Sampling Technique**

Through purposive and convenience sampling alike, this study looked at 100 cosmetic retailers. In this case, purpose sampling means that the participants we engage are all, to some extent, relevant, that is, retailers of

cosmetic and personal care products. Convenience sampling means that we can have access to participants from different parts of the world.

### 3.4 Tools and Techniques

The mean, median, and mode and percentage assessments are how quantitative data is evaluated. Findings are illustrated through data visualization tools including bar, pie, and line graphs. Correlation analysis determines the relationship between growing a business and adopting e-commerce. Retailers' perceptions and satisfaction are gauged through Likert scale scoring. Chi-square testing is employed to compare groups, if necessary. Qualitative data undergo thematic analysis, in which responses are coded and then classified.

### 3.5 Data Collection Instrument

A structured questionnaire is utilized as the primary instrument for collecting data, consisting of demographic variables, Likert-scale queries, and open-ended items that offer the potential for both numerical and qualitative analysis.

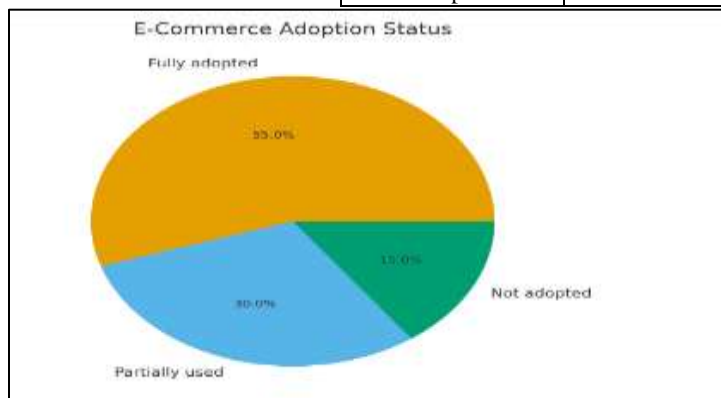
### 3.6 Data Analysis Software

Statistical computations and chart generation are carried out with data processed with MS Excel. For more complex analyses such as correlation or chi-square tests, one may turn to SPSS software.

## 4. RESULTS & DISCUSSION

**Table 1: E-Commerce Adoption Status**

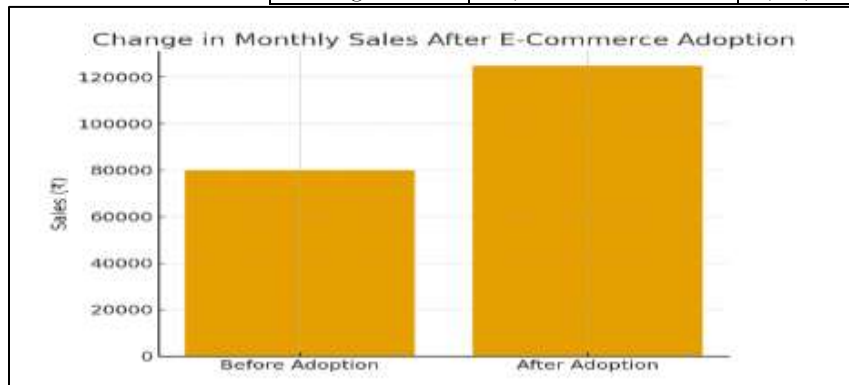
Adoption Status	Number of Retailers	%
Fully adopted	55	55%
Partially used	30	30%
Not adopted	15	15%



This pie chart shows that the majority of cosmetic retailers have adopted e-commerce either partially or fully, indicating increased digital transformation.

**Table 2: Change in Monthly Sales After E-Commerce Adoption**

Sales Category	Before Adoption (₹)	After Adoption (₹)
Average Sales	80,000	1,25,000



A bar graph will show a clear increase in average monthly sales, demonstrating positive growth after adopting online platforms.

**Table 3: Major Benefits Experienced**

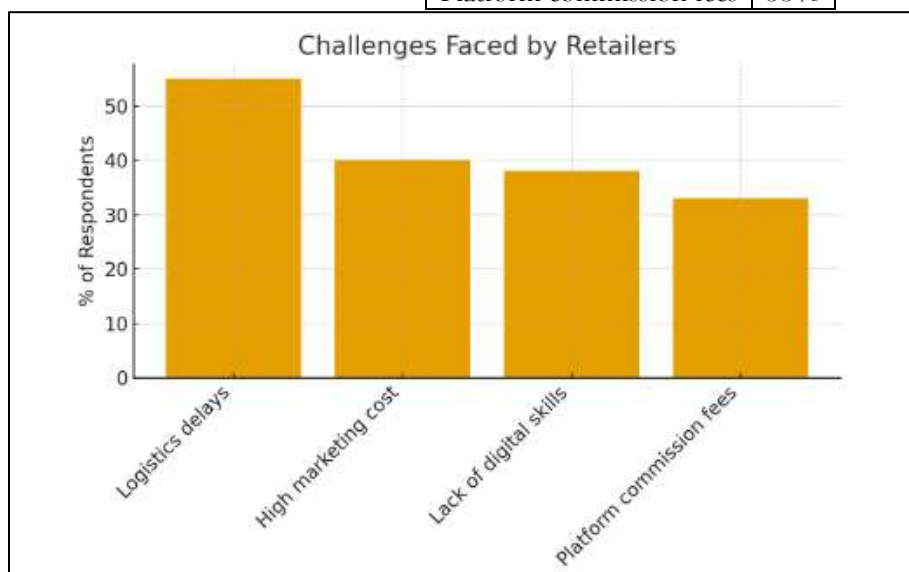
Benefit	% of Respondents
Increased customer reach	70%
Higher sales	65%
Brand visibility	60%
Reduced operational cost	52%
Improved customer engagement	48%



A bar chart highlights that customer reach and sales growth are the most influential benefits.

**Table 4: Challenges Faced by Retailers**

Challenge	%
Logistics delays	55%
High marketing cost	40%
Lack of digital skills	38%
Platform commission fees	33%



This chart shows operational and skill-based barriers limiting full utilization of e-commerce.

#### 4.DISCUSSION

The findings of this investigation indicate that in the case of small and medium cosmetic retailers in India, the adoption of e-commerce is vital to the enhancement of their growth and competitive advantage. Retailers with moderate and advanced levels of online selling attain a larger customer base, enhanced sales and brand recognition. What is most conspicuous is the dramatic shift of buyers' behavior as they go online to seek, compare, and purchase products (Loo et al., 2025). Such behavior drives offline stores to adopt new strategies that include e-commerce features to remain competitive in the cosmetics industry.

Participants in the retail study also explained that e-commerce platforms, particularly Amazon, Flipkart, Nykaa, Meesho, and Instagram Shops, allow retailers to reach new markets beyond their local geographies. As retailers are no longer confined to in-store customers, this broader reach leads to higher sales. Additionally, retailers can display a wider assortment of products online, allowing them to develop a more complex product mix and serve specialized markets. The evidence shows that cosmetic retailers with enhanced online presence respond more effectively to customer needs that are influenced by social media and the digital beauty community.

To what extent has e-commerce improved operational efficiency? The majority of digital retailers said that real-time dashboards, automated ordering, and customer data integration tools helped alleviate manual workloads during order fulfillment and assist in predicting and forecasting customer demand (Baldivia & Chowdhury, 2024). Retailers were able to minimize stock outages and optimize demand forecasting. In addition, digital cash and logistics services are much more effective than traditional cash and storebound operational systems. Retailers are also able to use customer financial tools and feedback to improve product and service offerings, service and product expectations, and market predictions.

Discussion also brought to our attention e-commerce adoption challenges. Small digital retailers are digitally illiterate e-commerce adoption, and operational marketing analytics. Others, especially small retailers, may also see digital adoption hindered by high service commission rates and return and exchange fees that control what for many is a limited selling price. In several semi-urban and rural areas of the country, there is also very limited access to the internet, clouding the ability for effective digital operational control.

Furthermore, the influence of large eCommerce corporations, and even more so, the influence of eCommerce corporations heavily investing in advertising is a relevant and serious concern. The bombardment of advertising with accompanying price markdowns is something small advertisers acknowledge, but feel helpless against (Chen et al., 2023). The research mentions that with the abandonment of small scale retailers, the engagement in the differentiation of services and investment of a digital brand would make it impossible to sustain their business during the global pandemic.

Nevertheless, it may be argued that the disadvantages of eCommerce investment do not overshadow the advantages, as documented in most of the analyzed case studies. Increased customer interaction through social media, accompanied by digital marketing investment and training, led to positive return and satisfaction. The research mentions that eCommerce is a leap for the development, modernization, growth, and long term viability of small scale cosmetic businesses that remained. With significant guidance in the form of education, digital literacy training, and especially eCommerce friendly policies, small and medium scale cosmetic retailers should be able to exploit enhanced growth in the digital economy.

#### 5.CONCLUSION & RECOMMENDATION

The research considers the advantages of expanding the market, increasing the sales, and growing operational efficiency in the medium and small cosmetic retailers due to the adoption of e-commerce. The engagement of customers in the stores which retail in a traditional manner and are digitally and operationally competent, surpasses their competitors. The full adoption of e-commerce however due to the high commission fees, poor digital literacy, and logistical problems. Investing on social media and distributed digital training, CRM tools, and e-commerce retailers can mitigate these risks. Subsidies to digitalize MSME from the government are very important and e-commerce firms should reduce their commission fees. Better success online can be achieved by training in digital payments, logistics, and packaging.

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