



CONSUMER

From Shelf to Scooter: The Legal Mess Behind India's 10-Minute Commerce Boom (Dark Stores, Quick Commerce & Zonal Compliance Chaos)

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Introduction

In recent years, India has witnessed a meteoric rise in the quick commerce sector, with companies like Zepto, Blinkit and Instamart promising deliveries within 10 minutes or less. While this rapid delivery model has revolutionized consumer expectations, it has also brought to light a host of legal and regulatory challenges. From dark stores operating in residential areas to issues of food safety, dark patterns and labour rights, the 10-minute commerce boom is mired in a complex web of legal and compliance issues. Additionally, the economics of cost per order, profitability, and the impact of service fees and packaging costs on consumer interest are critical factors shaping the industry's future. This article also explores the importance of compliance with the Legal Metrology (Packaged Commodity) Rules, 2011, and the CCPA guidelines on dark patterns, as well as the data privacy and competition issues surrounding unfair data practices in e-commerce and quick commerce. Furthermore, it examines the Foreign Direct Investment (FDI) issues in retail e-commerce and the importance of hallmarking and adherence to BIS standards for products sold on e-commerce platforms.

Table of contents

- [Introduction](#)
- [Regulatory and Compliance Challenges](#)
- [Economic and Operational Challenges](#)
- [Issues the CCPA is grappling with related to quick commerce](#)
 - [Is it quick](#)
 - [Differential pricing based on consumer's operating system.](#)
 - [CCPA's Crackdown On Dark Patterns](#)
- [Gig Workers: Legal and Regulatory Frameworks](#)
- [Food Safety and Standards](#)
- [Consumer Protection and Fair Trade](#)
- [Data Privacy and Competition Issues](#)
- [Foreign Direct Investment](#)
- [Quality Standards](#)
- [Conclusion](#)

Regulatory and Compliance Challenges

Dark stores, the fulcrum of the quick commerce model, are mini-warehouses strategically located in densely populated urban areas to enable rapid deliveries. However, in a zeal to be closer to the consumers, these stores often operate in designated residential zones, violating zoning laws and creating traffic congestion and strains on the already fragile infrastructure in such zones. This highlights the blatant violation of town planning regulatory which has allowed these stores to proliferate unchecked. The 24-hour operation of the dark stores and continuous movement of heavy vehicles delivering merchandise and movement of workmen in these residential zones has led to activism by resident welfare association against such operations which is a constant source of conflict with the communities around which these stores operate.

Quick commerce platforms have exploited regulatory grey areas to avoid classification under existing frameworks. They present themselves as technology companies (IT/ IT enabled services) when facing retail regulations seeking the "safe harbour" defence. This regulatory arbitrage allows them to sidestep labour laws and other compliance requirements. Additionally, these platforms frequently engage in predatory pricing, selling products below cost to undercut local retailers and create artificial market expectations mostly under the garb of "cash back" offers and subventions from banks and payment gateways. The Competition Commission of India has launched preliminary investigations into these practices basis complaints from "mom and pop stores", but regulatory action remains slow.

Economic and Operational Challenges

Quick commerce platforms face significant challenges in achieving profitability due to high operational costs and low average order values (AOV). In 2022, the AOV for quick commerce companies hovered around ₹350-₹400, making it difficult to achieve

profitability. However, platforms like Blinkit have managed to increase their AOV to ₹635, which has been instrumental in improving their gross margins and moving towards profitability.

As per information available in the public domain Blinkit's quarterly adjusted EBITDA losses have come down from INR 3.26bn in 1QFY23 to INR 0.89bn in 3QFY24. As a percentage of GMV, the losses have come down from 27.8% in 1QFY23 to -2.5% in 3QFY24. Zepto's co-founder indicated a 44% YoY improvement in its EBITDA % in CY23, with the company on track to turn EBITDA positive in 2024. Swiggy has also indicated that the peak of its investments in Instamart was over, and it has started taking strong strides towards achieving profitability.

The increase in AOV has for most meant increase product categories and more particularly the high value categories being included in the product mix for quick delivery. Each category of product comes with its own regulatory compliances and complexities. More so from the regulated sectors like pharmaceuticals, foods, precious metals and electronics.

Service fees and packaging costs are critical components of the cost per order and significantly impact consumer interest. Platforms like Blinkit now charge customers for delivery, along with additional fees like high-demand fees. This change has reduced losses from last-mile delivery and ensured that customers who value convenience contribute to operational costs. However, high service fees and packaging costs can deter price-sensitive consumers across segments and bring on the ire of consumer activists who see this additional cost as an affront on consumer rights.

Issues the CCPA is grappling with related to quick commerce

Is it quick

The Central Consumer Protection Authority (CCPA) has demanded evidence from quick commerce companies to substantiate their claims of delivering orders within 10 minutes. Companies like Zepto, Blinkit, and Swiggy Instamart have been summoned to provide data on their delivery times across major cities. Failure to provide such evidence may result in modifications to their advertising claims, potentially extending the promised delivery time to 15 minutes. This scrutiny aims to ensure transparency and protect consumers from misleading advertising.

Differential pricing based on consumer's operating system.

CCPA in India has also been actively addressing the issue of differential pricing for e-commerce transactions based on whether customers use iPhone or Android devices. This issue came to light after several consumers reported that they were being charged different fares for identical rides or services based on the type of mobile operating system they used.

CCPA's Crackdown On Dark Patterns

The Central Consumer Protection Authority (CCPA) has issued a new advisory under the Consumer Protection Act, 2019. This advisory, dated 5 June 2025, requires all e-commerce platforms to conduct self-audits to identify and eliminate dark patterns. The directive aims to promote a transparent, ethical, and consumer-centric digital environment.

Dark patterns are manipulative design elements or strategies employed by digital platforms to deceive users into actions they did not intend, such as making unintended purchases, subscribing to services without awareness, or sharing personal data without informed consent. In response to the increasing prevalence of these tactics, the CCPA had previously issued the "Guidelines for Prevention and Regulation of Dark Patterns, 2023." The latest advisory enhances these guidelines by introducing a proactive compliance mechanism through self-audits.

By holding e-commerce entities accountable for their digital practices, the CCPA seeks to prevent consumers from experiencing coercive or misleading digital interactions. This move aligns with global best practices and underscores India's commitment to establishing a strong digital consumer protection framework.

Gig Workers: Legal and Regulatory Frameworks

The 10-minute delivery model places immense pressure on delivery riders, who are often not employees but classified as "independent contractors" and deprived of social security measures otherwise available to mainstream workmen. This classification exempts companies from providing basic labour protection, such as health insurance and paid sick leave.

In recent studies conducted, quick commerce companies score poorly on fair working conditions, with riders often working long hours for minimal pay. The pressure to meet tight delivery deadlines also encourages risky behaviour, such as speeding and breaking traffic rules.

Karnataka has introduced an ordinance to protect the rights and welfare of gig workers. The ordinance establishes a welfare board to oversee all issues related to gig workers and platforms. Aggregator platforms like Zomato, Ola, Swiggy, and Amazon must register with the state welfare board and enrol all their gig workers, who will receive a unique ID. Platforms must contribute 1% to 5% of their payout to workers into a state-run welfare fund for social security. They must also explain how their algorithms function for task allocation, pay, ratings, and access, ensuring no discrimination. Platforms are required to provide clear, written contracts to workers detailing earnings, payment methods, and conditions for access blocking. A two-tier grievance system is established, starting with an Internal Dispute Resolution Committee within the platform and escalating to the Welfare Board. Late payment of welfare fees incurs a 12% annual interest, and non-compliance can lead to fines of up to Rs 5,000 for the first violation and up to Rs 1 lakh for subsequent violations.

Rajasthan became the first state to enact a law for the welfare of gig workers. The act defines gig workers as those who perform work outside of a traditional employee-employer relationship and earn based on contractual terms. It establishes the Rajasthan Platform-Based Gig Workers Welfare Board, which will ensure the registration of gig workers and aggregators, monitor social security schemes, and suggest new schemes to the state government. The state government will register and generate a unique ID for all platform-based gig workers. It also establishes a welfare fund, primarily constituted by grants from the government and a “welfare fee” charged on each transaction related to platform-based gig workers. The act provides a grievance redressal mechanism for gig workers to address any issues related to their rights under the act.

Food Safety and Standards

The rapid expansion of dark stores has raised significant concerns about food safety and hygiene. For instance, the Maharashtra Food and Drug Administration (FDA) has shut down several dark stores for operating without valid licenses and failing to meet basic food safety standards. The FDA and the Food Safety and Standards Authority of India (FSSAI) have stepped up surprise inspections, uncovering violations such as improper food storage. These lapses pose health risks and erode consumer trust in the quick commerce model.

The Food Safety and Standards Authority of India (FSSAI) has issued comprehensive guidelines for food business activities conducted through e-commerce. These guidelines aim to ensure that e-commerce food business operators comply with the Food Safety and Standards Act, 2006, and maintain high standards of food safety and hygiene.

E-commerce is defined as the buying and selling of goods and services over digital and electronic networks. An e-commerce Food Business Operator (FBO) is any operator conducting food business activities through e-commerce. The guidelines distinguish between two models: the marketplace-based model, where an IT platform enables transactions between buyers and sellers, and the inventory-based model, where the e-commerce FBO owns and sells the inventory directly to customers.

E-commerce entities providing listing services to sellers, manufacturers, and restaurants must ensure transparency and avoid disseminating misleading information. They are also responsible for enabling storage, distribution, and transportation services for food products, ensuring trained personnel handle last-mile delivery to maintain food safety.

All food business operators must ensure that food products meet the requirements of the FSS Act at all stages of production, processing, import, distribution, and sale. E-commerce FBOs must sign agreements with sellers/brand owners/manufacturers to ensure compliance with the FSS Act and Regulations.

Pre-packed food must display a clear picture of the principal display panel, excluding batch number, best before, expiry date, and MRP. Fresh produce must provide an indicative image. Sellers/brand owners/manufacturers must display their FSS Act license/registration. Mandatory food information must be provided to consumers without additional costs, and food products are liable to sampling at any point in the supply chain.

All FBOs, including sellers, brand owners, vendors, importers, manufacturers, and restaurants, must comply with basic hygiene and sanitary practices as per Schedule 4 of the FSS Act.

E-commerce FBOs must notify sellers/brand owners/manufacturers immediately about complaints related to product efficacy, quality, or other issues. Consumers will be redirected to the manufacturer's call center for further resolution. Sellers/brand owners/manufacturers are liable to take action on consumer complaints, and e-commerce FBOs must cooperate by sharing relevant information. Complaints must be resolved within the timeline prescribed by the Ministry of Consumer Affairs. E-commerce FBOs must immediately delist any food products that do not comply with the FSS Act or Regulations.

The FSSAI guidelines provide a clear framework for e-commerce food business operators, ensuring transparency, accountability, and consumer protection. By outlining specific requirements for registration, supply chain compliance, product listing, and

consumer complaints, the FSSAI aims to maintain high standards of food safety and hygiene in the e-commerce food industry. Compliance with these guidelines will help build consumer trust and promote a healthy and safe food market in India.

The Food Safety and Standards Authority of India (FSSAI) has introduced specific guidelines and licensing requirements for e-commerce food businesses to ensure food safety and hygiene. E-commerce platforms must ensure that every food business operator listed on their site has a valid FSSAI License or Registration. Sellers without proper documentation should not be allowed to operate on the platform. The types of FSSAI licenses for online food businesses include Basic FSSAI Registration for small businesses with an annual turnover of up to ₹12 lakh, State FSSAI License for businesses with annual revenues between ₹12 lakh and ₹20 crore, and Central FSSAI License for large-scale businesses with an annual turnover above ₹20 crore, including food aggregators and e-commerce food enterprises operating in multiple states.

E-commerce food businesses must adhere to all FSSAI regulations, including food safety and hygiene standards. They must maintain detailed records of all transactions and ensure traceability of food products. Food products must be properly packaged and labelled in compliance with FSSAI guidelines. Cold chain management is crucial for perishable items to ensure they remain within the required temperature range during storage and transportation. Non-compliance with FSSAI regulations can result in severe penalties, including fines and suspension or cancellation of licenses. Platforms must ensure that all listed sellers are compliant to avoid legal repercussions.

Consumer Protection and Fair Trade

The Legal Metrology (Packaged Commodity) Rules, 2011, are crucial for ensuring that packaged commodities sold in India meet specific standards of quantity, labelling, and packaging. These rules are designed to protect consumers from misleading practices and ensure fair trade. Every package must clearly declare the quantity of the commodity in terms of weight, measure, or number. This declaration must be accurate and prominently displayed. Packages must include essential information such as the name and address of the manufacturer, the net quantity, the manufacturing and expiry dates, and any other relevant details. E-commerce entities / sellers on e-commerce marketplaces must ensure that all packaged commodities listed on their platforms comply with the Legal Metrology rules. Regular inspections and verification processes must be in place to ensure compliance. Non-compliance with the Legal Metrology rules can result in severe penalties, including fines and legal action. Inventory based e-commerce platforms can be held liable for selling non-compliant products, making it essential for them to ensure that all listed sellers adhere to these regulations.

Data Privacy and Competition Issues

The rapid growth of e-commerce and quick commerce has led to significant concerns regarding data privacy. E-commerce platforms collect vast amounts of personal data from consumers, including names, addresses, phone numbers, and payment information. This data is often used for targeted advertising and personalized services, but it also poses risks if mishandled or misused. E-commerce platforms must obtain explicit consent from users before collecting and using their personal data. They must also provide clear information about how the data will be used and shared. Platforms must implement strong security measures to protect consumer data from breaches and unauthorized access. This includes encryption, secure storage, and regular security audits. Users should have the right to access, correct, and delete their personal data. Platforms must provide clear and easy-to-understand privacy policies and settings.

The Personal Data Protection Act, 2023, aims to regulate the collection, usage, and storage of personal data in India. Compliance with this Act will be crucial for e-commerce platforms to avoid legal repercussions.

E-commerce and quick commerce platforms have access to vast amounts of consumer data, which can give them an unfair competitive advantage. This data can be used to gain insights into consumer behavior, market trends, and competitor strategies, potentially leading to anti-competitive practices. This particularly concerning with most platform owning and managing ‘white label brands’ which use such market intelligence to an unfair advantage.

Large platforms can accumulate significant amounts of data, creating a barrier to entry for smaller competitors. This can lead to market dominance and reduced competition. Algorithms used by platforms for search results, product recommendations, and pricing can be biased, favoring certain sellers or products over others. This can lead to unfair competition and reduced consumer choice. With ‘markets’ being narrowly defined, the Competition Commission of India (CCI) is investigating into such abuse of dominance. Platforms must ensure that their data practices do not violate competition laws. Platforms must ensure that their algorithms and data practices are transparent and fair. They should provide equal opportunities for all sellers and avoid

discriminatory practices.

Foreign Direct Investment

Foreign Direct Investment (FDI) in retail and e-commerce in India is governed by specific regulations and policies aimed at balancing the need for foreign investment with the protection of domestic businesses and consumer interests. The Indian government allows 100% FDI in e-commerce marketplaces under the automatic route. **However, FDI in inventory-based e-commerce is not permitted.** This distinction aims to prevent foreign companies from directly holding and selling inventory, which could impact domestic retailers. E-commerce platforms must comply with various regulations, including the Foreign Exchange Management Act (FEMA) . Non-compliance can lead to severe penalties and legal action. The influx of foreign investment in e-commerce has raised concerns about the impact on traditional brick-and-mortar retailers. The government aims to ensure that foreign investment does not lead to the displacement of domestic businesses. The government periodically reviews and updates FDI policies to address emerging challenges and ensure a level playing field for all market participants. Platforms must stay updated with these changes to avoid regulatory issues.

Quality Standards

Hallmarking and BIS (Bureau of Indian Standards) standards are essential for ensuring the quality and authenticity of products sold on e-commerce platforms. These standards are particularly crucial for products like jewelry, electronics, and other consumer goods. Hallmarking is the official certification of the purity of precious metals like gold and silver.

Recent trends have revealed the sale of sub-standard imported products under various categories, raising questions of violation under the Bureau of Indian Standards Act, 2016. The BIS has in the recent past has dealt with such defaults with a heavy hand and seized non-compliant goods and initiated prosecution.

E-commerce platforms selling jewelry must ensure that all products are hallmarked, providing consumers with assurance of the product's quality and authenticity. The Bureau of Indian Standards (BIS) sets quality standards for a wide range of products. E-commerce platforms must ensure that all listed products comply with BIS standards. This includes obtaining BIS certification for products like electrical goods, toys, and household items as mandated under law. Platforms must implement strong verification processes to ensure that all sellers comply with hallmarking and BIS standards. Regular audits and inspections are necessary to maintain compliance and protect consumer interests. Non-compliance with hallmarking and BIS standards can result in severe penalties, including fines and legal action. Platforms can be held liable for selling non-compliant products, making it essential to ensure that all listed sellers adhere to these regulations.

Conclusion

The 10-minute commerce boom in India, while offering unparalleled convenience, has exposed many legal and regulatory challenges. From dark stores operating in residential areas to food safety violations and exploitative labor practices, the industry is grappling with significant compliance issues. Additionally, the economics of cost per order and the impact of service fees and packaging costs on consumer interest are critical factors shaping the industry's future. Compliance with the Legal Metrology (Packaged Commodity) Rules, 2011, and the CCPA guidelines on dark patterns is what secures fair trade practices and protects consumer rights. Data privacy and competition issues surrounding unfair data practices in e-commerce and quick commerce are also crucial, as they ensure a level playing field and protect consumer interests. FDI issues in retail and e-commerce, as well as the importance of hallmarking and BIS standards for products sold on e-commerce platforms, further complicate the regulatory framework. As the government intensifies its oversight, it remains to be seen whether quick commerce platforms can navigate these regulatory hurdles while maintaining their promise of rapid deliveries. The future of this industry will depend on finding a balance between innovation and compliance, ensuring that the race to deliver does not come at the expense of consumer safety and worker rights.

Related Practice Areas

Consumer Dispute