

**IS IT THE END OF ROAD FOR TRADITIONAL RETAIL STORES?
A comparative study of Offline shopping Vs Online shopping**

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ABSTRACT:

Online shopping continues to grow in popularity, numbers and sales, especially among all the age groups specifically the youth, such as the 18- to 25-year-old. With the entry of the e-retail stores like Amazon, Snapdeal, Flipkart, Myntra, BigBasket, Jabong etc. traditional Brick and Mortar stores are finding it extremely difficult to maintain the traditional customer base. India Ranks 3rd after China in terms of increasing online shopping trend. Items from electronic goods, clothing and shoes to food all are being bought and sold through various e-commerce formats. In fact, some retailers are opting out of the traditional storefront format entirely to participate in e-commerce, citing lower costs to both businesses and consumers alike. The objective of the study is to find out the different factors that are distracting the customers from traditional Brick and Mortar stores and influencing the customers towards the online shopping.

Key Words: Online Shopping, Brick and Mortar stores, e-commerce.

1. INTRODUCTION:

Online business is becoming a huge income creating activity, now taking a considerable fraction of GDP in several countries. This has made our world a global village, with distance no longer providing a blockade. In fact, online business is has gained more importance than real world markets, with physical stores repeatedly performing only as a shop front and the real income being generated online. Businesses around the globe are becoming greatly attracted towards this virtual world. There are no limits as to what and where they can reach, the variety of products they can easily offer, the details and specifications they can provide and the number of prospective customers they can reach. Customers often visit online stores to enjoy the convenience, the speed and therefore time-saving, ease of transport, the way they can compare prices and check product reviews, the lack of pressuring by sales people and, of course, the infinite choice. While some people use the internet to research services products, then buy from a physical store, many buy everything they need from online stores. This also means for MSME businesses, online shopping is assuming much greater importance and offering a wide range of advantages.

2. RESEARCH METHODOLOGY:

2.1 Objectives of the study

1. To study the growing importance of online shopping in India against the traditional stores.
2. To compare the sales of online stores vs traditional stores globally and in Indian scenario.
3. To find out the strengths and Weakness of Online stores vs. traditional stores.

Research Methodology:

Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines. Considering the objectives of study descriptive type research design is adopted to have more accuracy and rigorous analysis of research study. The accessible secondary data is intensively used for research study, which included annual reports, IAMA and KPMG reports, ASSOCHAM and PWC reports, Department of Industrial policy and promotion (DIPP) research reports etc.

Importance of Online Shopping:

Online Shopping provides different benefits to the consumers; one of the most enjoyable conveniences of online shopping which is enjoyed by many is the ability to shop for products or services at a time which is convenient for the consumer. Online retailers accept orders twenty four hours a day while consumers who wish to shop at traditional stores have to be available to visit the store during normal business hours. This can be a major inconvenience especially for shoppers who work long hours or shoppers who work odd hours. Online shopping eliminates this concern because shoppers can simply access online stores from their computer whenever they have free time available. Another convenience of online shopping is the ability to order products from around the world. Shoppers are no longer limited to products offered by local retailers because the vast majority of online retailers offer shipping to many different locations. This can make it easy for online shoppers to acquire hard to find items or items which are a regional specialty of a particular area. Another great benefit of online shopping is the ability to comparison shop easily. Instead of running around to several different traditional stores and trying to remember or write down details such as prices and features, the shopper can simply open two or more browsers to easily compare more than one item. Additionally, there are several websites and online retailers which make comparison shopping even easier. These websites may even provide charts which compare features for similar products to enable the online shopper to make an accurate comparison of two or more items before making a purchase.

Importance of Offline shopping:

Online retailers have a lot of advantages over bricks-and-mortar stores - diverse inventory, low prices, and minimal overhead. But bricks-and-mortars' key asset is they're still where people can go to see and

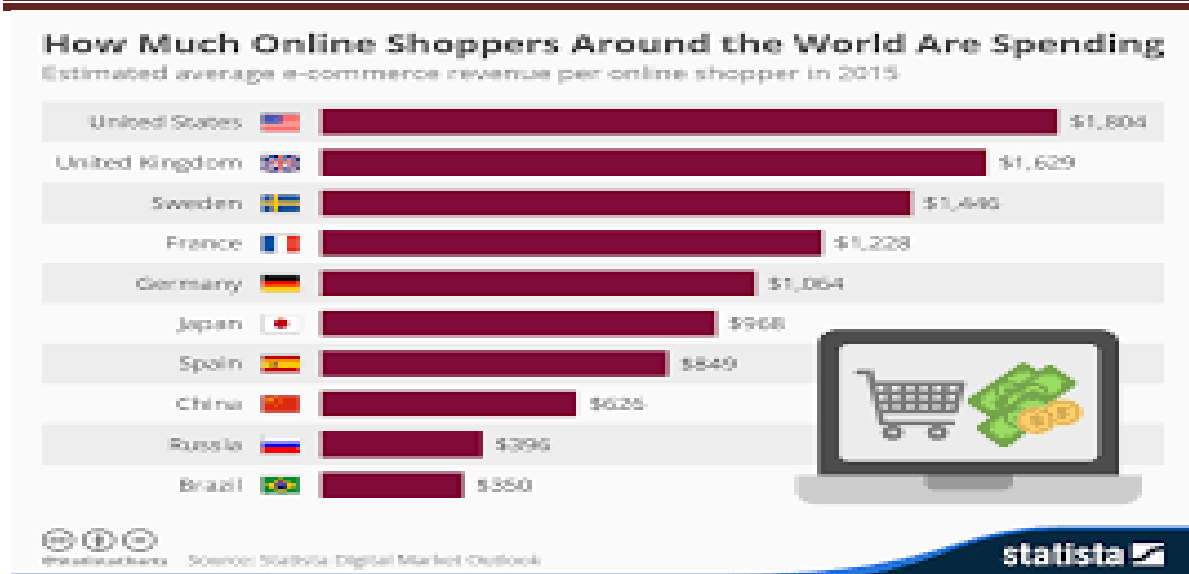
feel products. Of course, this has led many to assume physical stores will simply become showrooms for online shoppers - places where consumers go to check out what they want to buy, before heading online to complete their purchase. But it turns out this isn't really the case. Or at least, it's far from the most common behavior. In fact, people are far more likely to treat online stores as their showroom - researching online and then buying in-store. In the U.S., 69% of people have reverse show roomed - researched online and then bought in-store - while only 46% have show roomed, according to a Harris poll. India's fast growing retail market is now estimated at close to \$625 billion. In a way, it is larger than the online shopping market that commands robust investment due to the rising numbers of Internet users and computer penetration in the country. If one wants to establish a firm connect between online and the retail market, then we can say that the offline market is here to stay. As opposed to the retail market, online potential landscape is at only about \$15 billion now.

Growth of Online Sales globally:

The online retail sector is the main driver of growth in European achieving a growth rates of 18.4% (in 2014), 18.6% (2015) and expected rates in 2016 of 16.7% and in 2017, 15.7%. In comparison the annual growth rates for all types of retailing range between 1.5% and 3.5% pa. Retail focus on the growing use of mobile technology is an additional factor in making online retailing attractive and convenient. The European online market is dominated by the UK, Germany and France which together are responsible for 82% of sales among these eight European countries.

Online Retail Sales countrywise	Online Sales 2015 in bn Pounds	Growth % 2015	Online Sales 2016 in bn pounds	Growth % 2016	Online sale in Euros (bn) 2016
UK	52.25	16.2	60.04	14.9	71.05
Germany	44.61	23.1	52.77	18.3	62.45
France	30.87	17.0	36.02	16.7	42.63
Spain	8.15	18.6	9.68	18.8	11.45
Italy	6.35	19.0	7.42	16.9	8.78
Netherlands	5.94	16.8	6.92	16.5	8.19
Sweden	4.17	15.5	4.85	16.4	5.74
Poland	4.33	21.0	5.10	17.8	6.03
Europe	156.67	18.6	182.80	16.7	216.32

Source: Center for retail research, England.



Effect on Traditional Stores globally

The growth of online sales at the current rate will inevitably reduce the market for traditional shops. By the time that online sales represent 5% or more of domestic retailing then the continued growth of online retailers is likely to come at the expense of conventional stores. In Europe as a whole, online retailers in 2016 are expanding by 16.7% in a fairly stagnant retail market, hence sales through stores are expected to diminish by -1.5% overall this year, and as much as -4.3% in the UK. The comparable figure in the U.S. is -2.2%. This is creating major strategic issues for store-based retailers. For policymakers, the results will be fewer physical stores and reduced employment in this key sector.

Table No. 2 Showing percentage Change in Sales of Traditional stores in Europe

Country	2014	2015	2016
UK	-1.1	-2.0	-3.4
Germany	-1.9	-1.8	-1.7
France	-0.5	-1.7	-1.2
Spain	-0.5	-0.6	0.4
Italy	-0.0	-1.0	0.4
Netherlands	-0.4	-1.4	0.2
Sweden	-0.5	-1.2	-0.4
Poland	0.7	-0.6	-1.1
Europe	-0.5	-1.4	-1.5
US	-0.7	-1.9	-2.2
Canada	-5.4	-0.8	-0.2

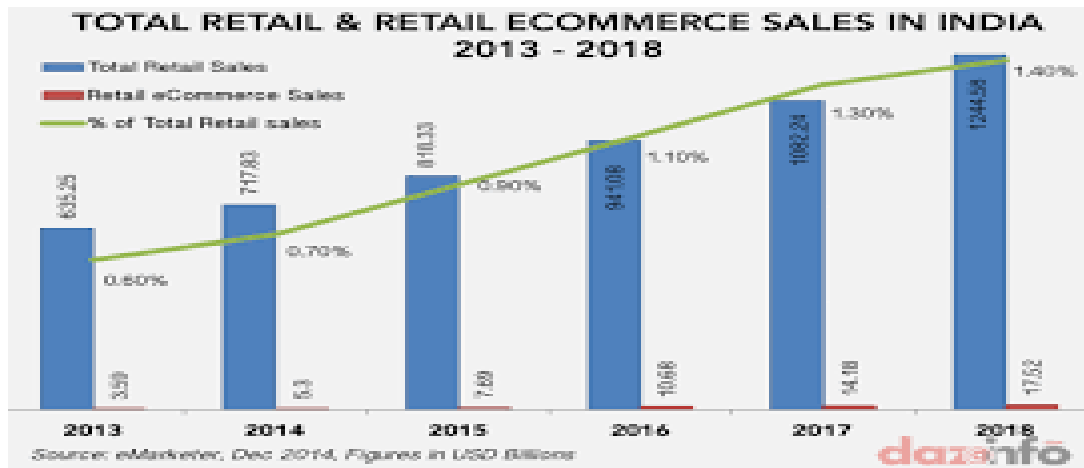
Source: Center for retail research, England

Online Shopping growth in India:

India had an internet user base of about 354 million as of June 2015 and is expected to cross 500 million in 2016. Despite being the second-largest user base in world, only behind China (650 million, 48% of population), the penetration of online shopping is low compared to markets like the United States (266

million, 84%), or France (54 M, 81%), but is growing at an unprecedented rate, adding around 6 million new entrants every month.

Chart No. 1 Showing the expected growth of online shopping in India

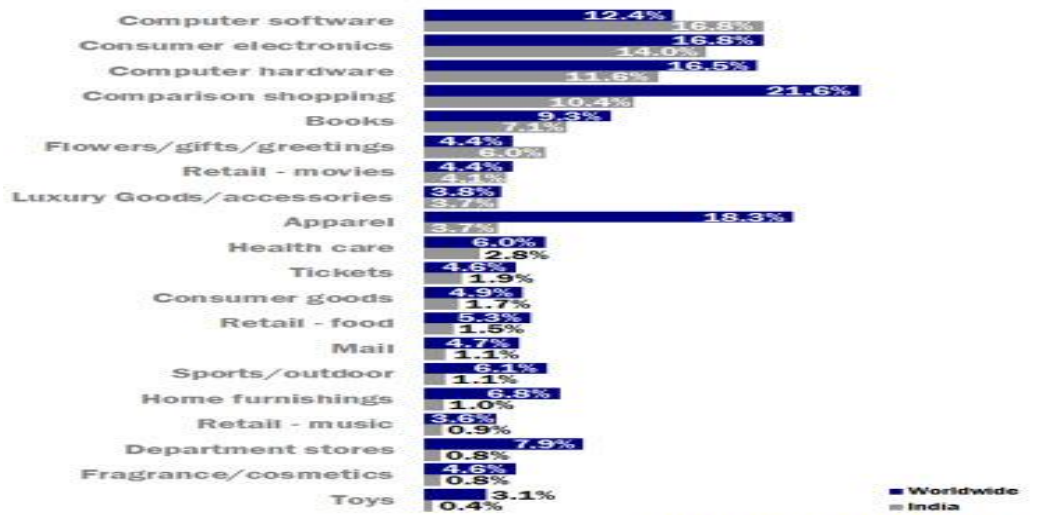


On the back of attractive discounts, growth of internet-ready devices, attractive deals, better logistics, discounting from flash sales and daily deals, more online loyalty programs, aggressive marketing of ever-expanding range of merchandise from clothes to jewellery, electronics to books, around 55 million consumers purchased online in 2015 and the number is expected to grow to 80 million this year with, will contribute 40 percent of the total retail e-commerce sales in 2016. As per the ASSOCHAM the growth of online shopping has been driven by increasing popularity of smart phones and tablets among consumers, it is estimated that online shopping in India is likely to be worth \$38 billion by 2016. Overall the e-commerce industry, worth \$25 billion, has been growing at a compound annual growth rate of about 35-40 percent a year, and is expected to cross the \$100 billion mark in five years. In India, cash on delivery is the most preferred payment method, accumulating 75 percent of the e-retail activities.

Chart No. 2 Showing product wise customer preferences

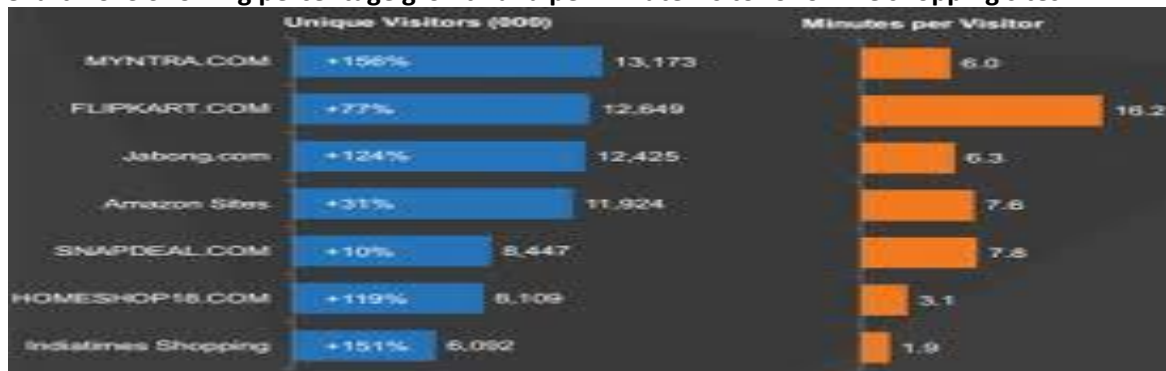
Top online retail categories: India

Computer software is the most visited retail category in India, and the only one which greatly outpaces global averages.



Source: comScore Media Metrix (Panel Only), March 2011. Notes: India Internet audience, aged 15+, home & work locations.

Chart No. 3 Showing percentage growth and per minute visitor of online shopping sites



Decline Of Traditional Marketplaces

It has taken just few years to get many of these marketplaces come crashing down, and indeed, some face imminent identity crisis even to survive as a retail destination. Every few years, retailing undergoes this kind of disruption, the growth of big cities and the rise of railroad networks made possible the super markets. Mass-produced automobiles came along later, and soon shopping malls lined with specialty retailers were dotting the newly forming suburbs and challenging the city-based department stores. The first decade of 21st century saw the spread of discount chains—More, Big Bazar, Megna, Food Bazar, Heritage, subhiksha all of them undermining or transforming the old-style traditional kirana store. Each wave of change doesn't eliminate what came before it, but it reshapes the landscape and redefines consumer expectations, often beyond recognition. Retailers relying on earlier formats either adapt or die out as the new ones pull volume from their stores and make the remaining volume less profitable.

The share of traditional stores is expected to decline from 17 percent in 2014 to 13 percent in 2019.



Survival strategy

Traditional Brick-and-mortar retailers are holding their ground by focusing on tier II and tier III cities, expanding to multiple channels of sales and concentrating more on profitability than revenue growth. Here's how the distribution of stores in these cities has changed for five retailers analysed by CRISIL. These include Avenue Supermarts, which operates the D'Mart stores, Shoppers Stop, Hypercity Retail, Lifestyle International and V-Mart Retail.

Strengths of Online shopping:

Online shopping has many strengths to quote a few

- **Access** - Online shopping allows you to shop from any vendor, at any time, anywhere in the world. Virtual window shopping enables all users to shop at their leisure and across multiple marketplaces.
- **Time Saver** - You no longer have to get in your car and have to drive to the mall to shop. There are no lines and you can come back to your cart whenever you want.
- **Online Deals and Promotions** - Before you checkout, you can scour the Internet for online coupon codes or special discounts. Many companies send coupons to their customers who have opted into their email marketing campaigns, delivering them with the latest product or service information and what current promotions they are currently holding.

Weakness of Online Shopping:

At the same time online shopping suffers from few weaknesses to mention

- **Shipping Rates** - Though some companies offer free flat rate shipping, it still may come at a cost. For instance, a clothing store may offer free shipping but at a minimum of a Rs. 500 purchase.
- **Waiting** - If you're an impatient person, waiting for your product to be delivered can be a pain. There is a lack of instant gratification and even possibilities of delay when it comes to receiving your items.

- **Refunds/Returns Disputes** - If an item comes damaged or not as described, you will want to return the item or be refunded your money. Depending on where you purchased your item, there can be different policies for refunds and returns; this process is tedious and is prolonged since you would have to ship back the item and wait on the buyer to refund your payment.

Some tips to become a smarter online shopper:

Do Your Research - Before making a purchase, research more about the company whether its through a review site or checking on social media. Brands who value their customers are more likely to be engaged online because they understand the importance of being transparent. Does their website look trustworthy? What payment gateways do they except? What have others said about their service? Reduce your risk and protect your money by learning more about the brand first.

1. **Read Online Reviews** - Discover what others have to say about the product or service you are about to purchase. A lot of consumers leave honest reviews about a product (i.e. true to size, came as depicted, etc.) or a service (excellent customer service, was satisfied, was disappointed, etc.) that can help influence your decision to click and buy.
2. **Read the Fine Print** - Always know what the return and refund policy is before buying. Some companies offer a year return policy - others can range in the 7-14 day return window. Some may only offer exchange. Save yourself the frustration and discover what your risks are when purchasing.
3. **Look for Online Deals** - Online shopping gives you the ability to cross-compare prices across multiple websites so you can get the best deal. Look into different coupon sites and see discount codes other consumers have to share. If you really like a brand, stay connected with them and subscribe to their newsletters as they may offer you exclusive promotions for your loyalty.

Conclusion

Online shopping has become a popular shopping method ever since the internet has growth has taken over. There are many individuals that are looking for other amazing alternatives shopping and online shipping is just the right choice for them. With its different advantages online stores are a booming business today. Online shopping has given different types of consumers the ability to buy anything, that is, any type of item or product, regardless of where its location is in any part of the world. Online shopping has come up as a boon for all type of consumers and it has something to offer for every consumer whether big or small. But the traditional stores with their different strategies and locational advantage are giving a good fight back to these online stores.

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