

## A STUDY ON “THE IMPACT OF ONLINE SHOPPING UPON RETAIL TRADE BUSINESS”

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### ***Abstract:***

*In this paper an attempt has been made to highlight the impact of the increasing trend of online shopping over the various fixed shop retailers. Retailers comprise of a large section of the population and a larger population is dependent upon these retailers. But the advent of e-stores with their attractive incentives and wide varieties has slapped on their face the fear of uncertainty and helplessness. This study looks into the various aspects about how retail businesses are being affected and also the various recovery mechanisms they are coming up with to counter those e-stores in their race of survival. This paper also unravels the effect upon the profitability of the various concerns due to increasing trend for online shopping. Although the periodicity of the study is less yet an effective attempt has been made to enlighten the scenario along with concrete suggestions.*

**Keywords:** *E-stores, fixed retailers, turnover, profit-margin, window-shopping.*

### **• Introduction**

Internet marketing is conceptually different from other marketing channels and internet promotes a one to one communication between the seller and the end user with round the clock customer service. Today, business internet marketing is the fastest growing segment of online commerce. The major difference between traditional and online selling is the extent of interaction between the consumer and

the seller. There is much more electronic interactivity with the consumer in the form of emails and FAQs. Through FAQs, the consumer's questions on shipment, payment, product, policies and other customer concerns can be addressed effectively (Pervaiz Ali,2011).

Increasing numbers of people are gravitating towards more intensive use of the Internet as the accessibility of technology, the availability of information, and the ability to interact through the Internet increase and evolve.

Obvious capabilities of the Internet include avenues for gathering information, purchasing a product, or rendering a service. These advances in Internet technology allow for the expansion of shopping options beyond traditional methods that may be more time consuming. Issues with having to physically gather information with offline shopping methods are alleviated, and customers are better able to efficiently use their time. For instance, instead of having to physically visit different stores to compare prices or rely on circular pamphlets in newspapers, a consumer is able to search and retrieve needed information through the Internet. The Internet explosion has opened the doors to a new electronic world. Consumers are now able to use the Internet for a variety of purposes such as research, communication, online banking, and even shopping. With such advantages, the Internet is rapidly becoming the main method of communication and of conducting business conveniently.

With a growing number of households turning towards the Internet and the world of e-commerce to shop, invest, make payments, and do online banking, new technological advancements will have to come about to make these transactions secure. However, not all consumers are participating in online transactions as part of the Internet boom. As more and more businesses continue to establish an online presence, they are finding that some consumers are still reluctant to shift in that same direction. For various consumers there are still concerns with security and passing personal data over the Internet. There is a disparity between the number of consumers who visit a site and the number of actual purchases being made (Shim et al., 2001; Changchit,2006).

Online shopping (or e-tail from electronic retail or e-shopping) is a form of e-commerce which allows consumers to directly buy goods and services over the internet through a virtual shop. Some of the leading online stores currently in India are Amazon, Flipkart, Snapdeal, Homeshop18, Myntra etc. Retail is a process of selling goods and services to customers through multiple channel of distribution. Retail stores may be small or big but they mostly operate in the same line as “purchasing to sale”. Retail form of business is as old as civilization and is the most basic form of business. Types of Retail Stores are like- Departmental Stores - A department store is a retail store which offers wide range of products to the end-users under one roof. In a department store, the consumers can get almost all the products they aspire to shop at one place only Discount Stores - Discount stores also offer a huge range of products to the end-users but at a discounted rate. The discount stores generally offer a limited range and the quality in certain cases might be a little inferior as compared to the department stores. Supermarket - A retail store which generally sells food products and household items, properly placed and arranged in specific departments is called a supermarket. A supermarket is an advanced form of the small grocery stores and caters to the household needs of the consumer. Mom and Pop Store (also called Kirana Store in India) - Mom and Pop stores are the small stores run by individuals in the nearby locality to cater to daily needs of the consumers staying in the vicinity. They offer selected items and are not at all organized.

### **1.1 Review of literature**

The studies on consumer's perception on online shopping and other related topic in the Indian context are limited as the online shopping has entered into the market only a few years only. The literatures so far reviewed relates to the studies conducted outside India especially in the United States where the online shopping is a big hit. As taken the case of Indian scenario where the online shopping has just entered into the market and already it has climbing the ladder. Though there are certain literature reviews by the context of Indian consumers.

**Benedict et al (2001)** study reveals that perceptions toward online shopping and intention to shop online are not only affected by ease of use, usefulness, and enjoyment, but also by exogenous factors like consumer traits, situational factors, product characteristics, previous online shopping experiences, and trust in online shopping.

**A Commerce Net/Nielson Media Research Survey** found out that 73% users used the Net to window shop, 53% used the Net to make purchase decision, but only 15% bought online.

According to a **NFO Interactive (1999)** study released in May 1999 by online market research firm NFO Interactive, 24.1% of online consumers believe that their internet/online shopping use will decrease the amount they spend on products and services at walk-in type neighborhood or regional retail stores, by the end of 1999. The survey also found that 23.8 % of online shoppers said their internet/online purchasing has increased to the total amount of money they have typically spent in a year on products & services.

**An OFT Market Study (2007)** study establishes the scale and growth of internet shopping is impressive. In 2005, the most recent year for which reliable figures are available, sales to households were over £21bn – a fourfold increase during the previous three years. It is benefiting millions of people and thousands of businesses. Over 20 million UK adults shopped online in 2005, with 56 per cent of internet shoppers we surveyed having spent over £500 each during the year. In the same year, an estimated 62,000 UK businesses were selling online to households. We found that people shopped online because they find it convenient, it increases their choice and helps them to hunt for lower prices. Retailers sell online to reach more customers, to sell around the clock and in reaction to competition from rivals.

## **1.2 Objectives of study**

The research has been conducted with the following objectives:

- To study the effect on profitability of retail stores due to the advent of e-stores
- To analyze the effect upon pricing patterns of retail stores in recent times
- To analyze the change in business pattern to achieve customer satisfaction.

### **1.3 Methodology of study**

The research methodology comprises of the sources of data, methods adopted to collect such data, sampling techniques, statistical tools for analysis, data interpretation etc. Sources Of Data- The data for the study have been collected from primary sources. Primary data have been collected through- Direct Personal Interview method where interview took place with the owners of different retail stores. Investigation through schedules at the various units for appropriate information. Universe Of The Study- The universe consists of all the retailers situated in the Guwahati city from which a 50 retailers are selected at random for the purpose of the study. Sample Size And Sample Unit- For the study a sample of 50 retail stores has been selected on the basis of convenient sampling for the purpose of the research. Sampling Techniques- For the study convenient sampling technique method has been applied on the basis of suitability for the availability of information and which has a substantial share in the market so as to give more accurate picture of the impact of online shopping. Data Collection Techniques- The data for the study has been collected through applying the following techniques: Direct Personal Interview and Investigation through schedules Data Representation Tools- The data collected are classified, tabulated and represented through chart and bar diagram.

### **1.4 Importance of the study**

This study is very much relevant to present times as this will make awareness about the impact of e-stores upon retail stores. The sudden surge in online shopping and customers have adjusted to it to a greater extent which it a real cause of concern for the thousands of retailers who have a small shop offering a small variety of products which are their source of livelihood. This study wants to unravel the real scenario and also look into the threat that looms over the various small scale retailers. In this study an attempt has been made so that retailers are aware of the upcoming that is expected to loom over their business in the near future so that they can appropriate arrangements to face such challenges. Dynamism stands the base of the current scenario

and as a result of that anything that remains stagnant will be surpassed by others. It's time the retailers start thinking deep into this aspect and come up with better and advanced strategies.

### **1.5 Periodicity of the study**

- The study has been conducted over a period of 3 months from January, 2015 to March, 2015.
- For certain historic based data it covers a period of three years from 2011 to 2014.
- However, the impact factor has been taken from data based on examination of retailers over a long period of time.

### **1.6 Limitations of the study**

In spite of all sincere efforts, the study is not foolproof in nature. It suffers from variety of limitations due to the following reasons:

- The study is limited to Guwahati city only.
- Besides that, the detailed study has been conducted taking on 50 retail stores based upon convenient sampling.
- Data pertaining to the study has been collected for a period of only 3years.
- Time is also a limiting factor as the study is conducted in a very short span of time.

## **II. PRESENTATION OF DATA, ANALYSIS AND INTERPRETATION OF DATA**

Retail stores generally operated in the traditional lines of business except a few superstores that brought in certain modification in their business patterns, but the advent of online shopping in recent times has put an upon them because they had been losing on several ground. The study has been made on several grounds to understand the aspects of impact upon the business of various retailers that to some extent has led to a change in their strategies.

### **2.1 Presentation of data**

Table: Table showing the analysis of the various aspects of the impact of online shopping upon retail trade

| <i>List of questions:</i>   | <i>Yes</i> | <i>No</i> |
|---|------------|-----------|
| Has there been any decrease in average turnover in the past three years           | 80         | 20        |
| Is there any decrease in profit margin?   | 96         | 4         |
| Have you made any increase in discount rates offered to customer in recent times? | 74         | 26        |
| Do customers ask for discount before making purchases?                            | 90         | 10        |
| Do you keep more variety of stock at your store now-a-days?                       | 10         | 90        |
| Do you provide after sale services of personalized nature to your customers?      | 72         | 28        |
| Do you advertise about your enterprise?   | 54         | 46        |
| Do you provide home delivery services to your customers?                          | 24         | 76        |
| Is there an increase in window shopping in recent times?                          | 80         | 20        |

## 2.2 Interpretation of the table

The table highlights that there has been a decrease in turnover in most of the enterprises with a figure as high as 90%. Most of the retailers has also agreed to a decrease in their profit margin in recent years as more discounts are being given by them to the customers in order to ensure a higher amount of sales. More customers are seen to ask for discount in recent times. Retailers' now-a-days try to maintain a good variety of stock and also provide various types of customer oriented services in order to attract and retain customers. An alarming signal is the increase in window shopping which explains that prospective consumers do not turn into actual consumers. Diagram: Diagram showing the analysis of the various aspects of the impact of online shopping upon retail trade

## 2.3 Analysis and Interpretation

Turnover: Retailers over a period of three years under study has noticed a considerable decline in their turnover as compared to years back. Some has reported if not decline but stagnancy in their growth which is a warning signal for the enterprise. Profit margin: Online shops has brought in a price war in the market and

the main sufferers of this price war are the retailers. In order to survive, most of these retailers too has made an attempt to lower their prices but considering their high cost of operation these retailers has to sacrifice on their margin. Discount: The retailers are at an alarming rate increasing their discounts in order to stand with the online stores who woos the customers with unbelievable discounts. Although the retailers cannot compete with the online stores in terms of discount but it has to lower its prices to a relative extent to survive the market. Variety of stocks: Online stores maintain a wide variety of stocks and retailers fail in this context to the e-stores by a wide margin but most of the retailers as found by the survey has no inclination to compete with the online stores in this regard. The defeat is accepted. Retailers cannot maintain a large stock as that might have a negative impact of unsold stock at the end of the year which in turn might bring in huge loses to the concern. Customer services: More and more retailers are now opting for customer services to build upon a loyalty. Repair and maintenance to installation and insurance, retailers are leaving no stones unturned to specialize in areas in which online shops fail. Retailers are now starting up with home delivery services in the same line of the online shops. Also after sale services are provided with a smile. Window shopping: There has been a trend in recent years for customers to browse the products in a physical store and buy it from an online store at a reduced price. Retailers now have more prospective customers than actual ones. Advertisement: The retailers now-a-days are more involved in advertisement campaign than ever before in order to increase their sales. Retailers leave no occasions to take advantage of the situation to advertise their firm. The table and the diagram highlight the fact about all these aspects and it shows that there is a negative trend on all these aspects with regard to the retailers.

### **III. FINDINGS, SUGGESTIONS AND CONCLUSIONS**

**3.1 Findings** E-commerce is consistently taking up a larger proportion of consumer time and spending. There are several driving factors for consumers to shop online with price, convenience in shopping and wide range of available products being the primary. The major findings of the study are as follows:



- a. Turnover and profit margin of the retailers has considerably decreased in the past few years.
- b. Retail stores are now-a-days more engaged in services related to customer satisfaction.
- c. Although the retailers are not able to keep a wide variety in their stock, they attempt to keep the best of them so as to affect more sales.
- d. Customers are seen to make window shopping at an alarming higher rate to have a physical look at the product and buy that product online at a reduced rate.
- e. Retail stores are now starting up with home delivery services of their various products at the door step of their customers.
- f. The consumers become more comfortable with the experience of purchasing online with the convenience and product range become relatively more important as a deciding factor for shopping online.

**3.2 Suggestions** Retailers have to change their attitude towards the market. Today's is a consumer market and as a result the priority is the consumer satisfaction. The firm has to be in the good books of the consumer. Better quality products, fair price and friendly after-sale services are the basic areas in which the business has to concentrate to a remarkable extent. Additional services should be provided to the consumers to woo them and build upon a loyalty which in turn would ensure a stable sales in the years to come.

**3.3 Conclusion** The face of retail has changed. The advent of technology in recent period being the primary reason for it. Today, retailing means going into shopping centers, going online and going mobile. In all these, small retailers miss out somewhere. But the nearby store is always the most important concern for all reason and seasons. It needs to revive not just survive. The retail stores needs to simply uplift its pattern of business and face the competitive world with a more positive outlook. E-stores and retail stores both have to survive, none at the cost of the other. It's not just about the livelihood it gives to the thousands of people but also the convenience and the steadfastness of a fixed retail store.

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