AN ANALYSIS ON FUTURE OF TRADITIONAL AND E-RETAIL INDUSTRY IN INDIA

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ABSTRACT

The new age market has e-retailing capturing the marketplace like never before. With traditional marketing bringing out its own rewards, e-retailing has managed to take everything by storm. Therefore, this study looks into how E-retailing has changed the purchasing pattern. Increasing acceptance of online shopping, along with its attractive pricing and convenience, has enhanced the growth of e-retailing.

Key Words: Retail, E-retailing, Virtual, Window Shopping

INTRODUCTION

Retail is one of the fastest growing sectors in the world. Retail is one of the largest industries in terms of the number of businesses and employees. Competition has never been tougher. A retailer without a significant competitive advantage cannot survive in the market. Infrastructure development and awareness in this sector makes it the fast growing division. The retail industry is slowly and progressively heading towards making this industry a dynamic one. Technology along with social and economic trends of the retail industry is leading to an upscale increase.
OVERVIEW OF RETAIL INDUSTRIES

The 2013-2014 market has the more structured retail industry with multiple retailers which with is a sign that an economy is developing as organizations specialize and gain economies of scale. Moreover, with the disposable incomes on the rise, Retailers play a major part in distributing increasingly unrestricted goods to the population. The emerging markets are highly complex and retailers of all calibers (experienced or otherwise) are facing high levels of competition in their traditional market. Competition in the retail market, is giving rise to new ideas and innovative approaches to retailing.

[Graph: China on Path to World Domination in Ecommerce - Forecast: B2C ecommerce sales growth in selected countries in 2014]

OBJECTIVES OF THE STUDY

The primary objectives of this study is:

- To understand the power of e-retail and how it has impacted the traditional retailers present all over the world.
- The study will also look into the future of the dynamic retail industry.
- To examine evolution of Indian Retail Market
- To find out the factors for the growth of organized retailing
- To study the emerging trends in retailing
- To summarize the advantages and disadvantages of FDI in Retail Sector

METHODOLOGY

The study is based on Quantitative analysis. Research design is exploratory. Both primary and secondary data has been collected through extensive survey. Survey Method was used to collect the data. Stratified Random sampling was employed to identify the respondents.

The study adopted an exploratory field research approach and multiple data gathering methods (interviews, and questionnaires). Being exploratory in nature the study was done using cross section survey. In both the phases’ random sampling method was used in identifying the prospective subjects. The study covers factors responsible for growth of organized retailing in India. The study also covers the emerging trends in retailing in India. The Research study is exploratory based on secondary published sources.

DATA COLLECTION:

The data has been collected both from primary as well as secondary sources. The Primary data has been collected by means of a questionnaire & through personal interaction with schedule.
SAMPLE SIZE:

Of the total 100 Respondents, nearly half of them answered through questionnaire.

POPULATION:

Major respondents included youth between the age of above 40 years & the next category covers the age group of between 18-22 years.

METHODS & TOOLS USED:

Case study analysis, Questionnaire, Personal interviews & social networking sites.

E-RETAIL: STATISTICS

- Online retail revenue saw an 11 percent growth rate for the first quarter of 2014, with online orders up 13 percent compared to the same quarter last year.
- In the first quarter of 2014, retail revenue generated via a mobile was up 35 percent over last year's first quarter, with mobile owning 18.5 percent during quarter 1 of 2014.
- Digital transactions influences 36 cents of every dollar spent in a traditional retail store, or approximately $1.1 trillion total.
- Eighty-four percent of store visitors use their mobile devices before or during a shopping trip. Twenty-two percent of consumers spend more as a result of using the digital space.

![Local Retailer Myntra Shows Highest Growth and Leads the Category Highest Per-User Engagement is on Flipkart.com](source:http://www.prnewswire.com/news-releases/deloitte-study-digital-influences-more-than-1-trillion-in-retail-store-sales)

Top 5 Traditional Retailers companies of India are: ¹

- Lifestyle International Pvt. Ltd.
- Titan Company Ltd.
- Shoppers Stop Limited
- United Colors of Benetton India
- Future Retail

VIRTUAL RETAIL/ E-RETAILING
Electronic retailing is the sale of consumer goods and services via an interactive electronic communications network. A PC was the original means to access internet and now it is replaced by mobiles and laptops. E-retailing is synonymous with business-to-consumer (B2C) transaction. It is a critical part of the sales and marketing process. The virtual retail world has been synonymous with retail as early as 1997 when Dell computers announced that almost multimillion dollar orders were taken at its Web site.

Cheap accesses to Internet through Web Enabled (WAP) mobile phones and Laptop’s have lead to a considerable increase in virtual retail. This growth of internet in these past few years, has enabled the retail format of the virtual retailer emerge and force existing retailers to adapt to the new technology.

The internet have given manufactures and retailers access to their customers allowing them to seriously consider buying online rather than a physical store. The virtual retail stores empowers shoppers by giving them a more right to find out information regarding price and product information and opened up new types of shopping such as auction sites and cooperative buying. Some retailers have information only websites providing information on the company’s operations, store location, new and special offers, etc. It might also allow customers to check if an item is in stock before they set off to the store. Thus, all brands are to embrace the online world and go direct to consumers and take control of their digital arena to take on internet giants, such as Amazon.

TRADITIONAL RETAIL
Retailing is all around us. The traditional retailer profits by selling products and services directly to buyers without a digital background. Retailing is all about distribution of goods and services because retailers play an important role in transferring the product from the manufacturer to the consumer. It helps the product reach the particular group of consumers it is targeted for. Retailing helps in matching the benefits and characteristics of the product to the price.

From a traditional marketing viewpoint, the retailer is one of the organizations through which goods can be transferred to the customers. The retailers therefore need to perform diverse roles during distribution. Example: Petrol Station, Vending Machines operators, convenience stores, etc. Therefore, in the traditional marketing outlook the retailers help the manufactures to perform activities the manufacturer does not have the resources to perform. The activities can be related to displaying products beside related/alternative products in a location that is accessible for the customer for shopping or to provide on the spot demonstrations of the benefits, etc.

E-RETAILING vs. TRADITIONAL RETAIL: PROS AND CONS OF TRADITIONAL RETAILING
1. RETAILING is responsible in bringing together customers, which involves a form of direct contact with the actual consumer, which is a distinguishing feature of traditional retail. This face to face contact between the shopper and the employees is very crucial to the achievement and failure to achieve a sale. The traditional
retailer here has the instant satisfaction and they know and see the customer walking away with the purchase immediately.

2. Traditional retailers spend noteworthy time and effort in shaping the shopping experience through store layouts. They have the opportunity to increase share of wallet and overall order size. Their marketing efforts are focused on point of sale, which encourages the customer to purchase more than what they originally began shopping for.

3. Traditional retail helps the retailer expose the customer to products that they won’t even require. The customer is manipulated into buying extra sometimes-unnecessary items. The retailer can use various tactics like combining various stocks in particular spaces invariably increasing their sales. Therefore, the high visibility of products and merchandise appears beneficial.

4. Traditional retailing saves a lot of mess in respect to lost packages, tracking codes, handling consumer address and other data. The retailer does not need to pass along shipping costs to customers. The customer is saved on shipping costs and receives immediate gratification in purchasing the item.

5. Traditional retailing is profitable in respect to the fact that it involves no overhead costs of having warehouses and extremely trained professionals in the IT sector.

6. Traditional retailing provides the customer an opportunity to touch and feel the product prior to the purchase. He can verify the condition precisely and check whether the price charged for the product is reasonable and fair.

7. Traditional marketing gets rid of any intermediary or middlemen. Internet sales occur only after passing through third parties who eventually help in reaching the product to the customer.

8. The traditional retailer does not need to spend the extra buck to accommodate the tough warehousing and distribution infrastructure with very tight integration with the postal service and other third parties.

9. The growth of online forums makes it very complicated for consumers to find the best value or price of the product. Circulars, emails, face book, the customers are bombarded with messages. It irritates the customers and often these messages are ignored.

10. Traditional retailing is considered extremely personal as the shopper has face-to-face contact and the sales presentation is tailored for every customer.

11. The retailer’s opposition is limited to the competition available in the particular geographical location. Whereas people selling on the internet are not competing with neighborhood stores, they are competing with everyone else selling similar product, wherever they may be from.

12. Traditional Retailing brings out the security in transaction as it involves cash dealings. Online transactions involve considerable risk and precautions are to be taken.

13. Since the customer directly picks a product from the store, the retailer does not need to invest in distribution agents who are to deliver the product to the customer.

Even though Traditional Retail has the above advantages, it has immense competition with the electronic retail that takes place online. People are increasingly choosing to shop online instead of shopping at their local stores. Therefore the flip side of traditional retail is-

1. The foremost advantage of e-retailing is convenience. Just to go to a website. Going to a store, not only wastes your gas driving to the store, but it takes precious time out of your day. The retailer can also stay open 24 hours a day, every day of the year, whereas most physical retail stores cannot afford to keep the lights on every hour of every day.

2. Unlike Traditional retailing, the online retailer can expand its product selection to hundreds of thousands of SKUs, where the physical retail store is limited by its shelf space. Therefore, the products can be unlimited and can be in stock for the number of customer purchases.

3. The online retailer does not have to worry about the infrastructure that comes from physical stores, including the utilities, building maintenance, real estate, and staff overhead required to keep hundreds of stores open.

4. Traditional retailing is unable to attain the attention of a wide market. The physical stores have the customers restricted to that area alone, or within the area that they are able to service. With e-commerce, the retailer has the ability to sell to people anywhere and everywhere.
5. Marketing costs incurred in the traditional surrounding extremely high in comparison to the online retailer. They have lower cost because internet-marketing tasks cost less than print advertising and are highly targeted.

6. Traditional retailing cannot have its salesperson giving each and every detail and product information to a customer again and again. The internet site can provide all specifications clearly along with user reviews and detailed comparison between similar products in the market.

7. Traditional retailer does not involve credit facilities or cash on delivery service. The return policy of products (within a period of 30 days or less) is a very beneficial feature of e-retailing.

8. A single retailer cannot stock all items under the same roof. However, all kinds of specialty items and almost everything under the sun are sold on the internet. This is because online retailers do not have to hold inventory in every location unlike traditional retailing.

9. Unlike virtual retailers, traditional retailers do not have access to customer information. Therefore, they cannot advice the customers based on the previous purchases. Virtual retailers tell shoppers what other products were bought in addition to the current one by other shoppers.

10. Traditional retailing does not provide mobile access to customers. In the modern world with working individuals, they prefer cost effective ways to buy goods, and since most of the time they spend on gadgets, they are motivated to buy goods online.

\[\text{Graph showing the purchase preference Vs Browsing Preference}\]

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\[\text{Source: http://marketingland.com/e-commerce-q1-2014-revenue-sees-double-h-climbs-11-since-last-year-82330}\]
11. The virtual retailer has the provision of attaining products as and when needed to be sent to the customers. However, traditional retailers should have adequate inventory to make certain that what the consumer wants is available in the store once they visit.

12. The social media in extraordinary. 77 percent of online consumers use Facebook and Twitter. Facebook and Twitter help target specific customers based on their online habits. Traditional Retailers loose the leverage on the customers regarding tailor made advertisements or custom messages.

The findings of the study;

1. It is found that, even after the availability of internet and the appropriate device, students/young communities within the age group of 18 years to 22 years prefer Traditional retailing to E-retailing. 9 respondents out of the 14 chosen preferred traditional retailing solely because they would rather touch, feel and try out the product before buying. These respondents believed in thoroughly examining the products in the outlet and making the purchase decision. The respondents feel that traditional retailing is best suited for accessories and fashion goods. Clothing and footwear are the two most important purchases for females and they favor buying these products from retail stores. Those who chose online retail claimed that Amazon.com is where they look out for offers and purchases.
2. The second category chosen was, the age group ranged from 25 years to 40 years. 8 members out of the 14 chosen preferred traditional retailing citing similar reason of choosing products physically and making spontaneous purchase decisions. A close second was having 6 members out of the 14 chosen rooting for E-retailing. Since the category chosen was that of working women, it brought about very important information in light. With the pressure of work and caring for little ones, the young mothers resorted to E-retailing. These members turned to online sites even to buy groceries. With the second category respondents have to wear sari’s everyday as part of their dress code, it was observed that sari was the product purchased through online portals most often.

3. The final category selected was that of members of the ages 35 years and more. This category involved Housewives and Elderly people and their interaction with the online world. It was noticed that this category was extremely enthusiastic with the online universe. In the research, interaction with the people aging 45+ years, the wonders of internet were implicated. Their amaze related to internet was very evident. In the past two years, with the invent of tablets and the increasing number of e-retailing sites the focus from traditional retailers has shifted to e-retailing. Both the retail varieties got 7 on 14 members on their side. The aged lot prefers buying things of immediate need like medicines from sites like “healthkart.com”
4. In relation to the virtual world, every respondent had his or her share of experiences to reveal. Amazon got the highest number of votes in respect to reliability and offers. With competition from the Indian MNC Flipkart.com, Amazon is incorporating various strategies, which has helped them gain membership. I, myself have ordered two high priced gadgets from amazon.com in the past year. In the online world, amazon.com is slowing climbing up the charts.

5. In respect to frequency of transaction, it was found that 17 out of the 42 people chosen had placed an online transaction in the week prior to the survey. This shows how much e-retailing is catching up and people of all age groups are inclining towards the virtual world. The frequency of purchases in traditional retailing outlets is very restricted as it mainly occurs during weekends unlike the ease of transaction, which can happen 24X7.

**CONCLUSION**

In this dynamic market, the global trends are changing the face of retail. The immense consequence of mobile and social media is giving rise to the new age marketplace. Many deliberations and citations regarding the future of Traditional retail and Virtual retail are made. It is predicted that all physical retail stores will die, in response to the vast sea of online competition.

The research shows that, using internet sources and talking to different age groups during the survey, the researcher realized that traditional retailing is far from over. We see a future with both the traditional and e-retailers reining the market. Irrespective of all qualms, Retailing will always have these two as its components. In future, Retail will present the best of both worlds. The consumer will have an opportunity to enjoy equal benefits in both traditional and e-retailing. In future, Traditional as well as Virtual retailing will incorporate all strategies, which will help in eliminate its disadvantages. This approach will help in bridging the gap between the two. Internet plays an increasingly role in consumers’ lives, therefore a shift in purchasing habits is taking place.

Finally, According to a report from Internet Retailer’s “Social Media 500” guide, the top 500 retailers earned $2.69 billion in revenues from social network referrals in 2013—up 60% over 2012. Comparatively, the overall e-commerce market grew by only 19% in 2013 to $1.23 trillion.
This is the power of social media. The above fact proves how much social media affects the market. Social networking site “Facebook” is one such example. In the past 10 years, Facebook has almost a trillion status updates, photos, posts, etc. This amount of content is more than the index in any search engine, including Google itself. Therefore, Facebook is benefiting itself as a company but also the marketer.

Therefore, In order to succeed, retailers should pay attention to not only the retail store, but also on social media, mobile, online sites, location targeting, customer satisfaction and other key developments.

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