

Declining Offline Retail Sector in India: A Review of Issues, Opportunities and Strategies for Growth and Development

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ABSTRACT: Retail sector in India has undergone some steep changes in recent years. This was come mainly because of increase in use of internet and smart phones. Online retailing business is booming with growth in technology. Expansion of internet based payment system; discounts, easy returns, convenience etc. are some of the reasons which turn the customers from offline to online system. Major part of society is busy in buying goods online as a better way to shop rather than going offline. Increasing trend of online shopping is adversely affecting offline retail. Offline sale is declining day by day which creates a huge problem for offline retailers about their future. This paper describes how online retailers are working and earning profit, the reasons for decline in offline retail sale and ends with suggesting the strategies which can be followed by offline retailers to stay in the existing market.

Key words: online shopping, offline retailer, discounts, cash on delivery.

I. INTRODUCTION

According to M. Levy and B. A. Weitz (June 2006), 'Retailing consist of particular algorithmic trade activities that provides additional worth to consumers services'. It involves set of actions performed by a retailer under sales of goods and services to consumers. India is the Promised Land for global brands and Indian retailers. With an increase in the use of smart phones and fast spreading internet connections, online shopping is getting more popularity as buying products is now just a click away. B. Rosenbloom (May 1999) said, 'Internet retailing is the retailing business on the Internet'.

Now a day the internet holds the attention of retail market. Millions and millions of people shop online. Ability to shop anytime of the day or night, access to compare prices, huge discounts,

more options, saving of time and fuel, easy access to consumer reviews, easy returns, free shipping, cash on delivery etc. are some of the reasons why people prefer to shop online. Instead of wandering through stores and making impulse purchases, now shoppers use digital gadgets to search products and prices easily.

However, traditional way of shopping in India is done from decades. As per middle class tendency consumers prefer offline purchase in order to check and test the product and have its possession immediately after payment. But because of the evolution of E-tailing, offline sale is declining and store traffic is going down, especially in peripheral shopping areas since online shopping takes over the role of providing a wide product range with various countless benefits. Now a day's show rooming is also came as an emerging way of shopping i.e. through which customers check out products in the show rooms and then order the same product online. The growth of online shopping is putting more and more pressure on offline retailers. With the change in buying behavior of customers and ongoing decline in store traffic, offline retailers have to rethink their marketing strategies and change their store formats to entice more and more customers to increase their sales.

II. LITERATURE REVIEW

As discussed above traditional retailing is very much different from e-tailing. Traditional retailing involves interaction of human with human and e-tailing involves human interaction with machines. Evanschitzky, H., Iyer, G. R., Hesse, J., & Ahlert, D. (2004) stated that, traditionally customers consider store layout as important factor while purchasing whereas browse and search functions, images are more important factor while purchasing online. Goswami S. and Mathur M.

(2011) studied that both consumers and merchants of metro cities such as Delhi and Mumbai are using internet in a good way that ultimately leads to increasing trend of online shopping in these metro cities.

Ghosh D. (2014) revealed that, to overcome the retailer's problem to reach geographically dispersed Indian consumers, internet has given them convenience, easy online navigation, trustworthiness of e-commerce sites and brands, time, money, cost and energy saving. Another research conducted by Joshi, P. & Upadhyay H. (2014) on 1,327 consumers stated that overall convenience, range and availability of products and lower prices are the reasons because of which people prefer online shopping. "Customers browse the products through physical stores to have a physical look at the product and purchase from online store at a reduced price", said Saha, A. (2015). According to Sodi, J. (2014), there are certain unique advantages which attract customers towards online shopping; online pricing search, convenience of door step delivery and competitive prices. But they are relatively a disadvantage to traditional retailers. Ghosh D. (2014) in his paper also mentioned that, as compared to traditional shops, for Indian consumers who are conservative about online data and payment securities, easy payment options like cash on delivery is much more acceptable and reliable. Comparison analysis options for product features and prices, consumer feedbacks, discounts and coupons, free or low cost delivery and return policies encourage the Indian buyers for repetitive online shopping.

Krishna, M. R., Pavan, K. and Gopal, V. K. (2015) during their paper researched that, although online business provides wide range of benefits when compared with offline retailing business like easy shopping, time saving, updated information, cash on delivery and easy comparison etc, but the benefits of online business are affecting the traditional retailing very badly. Under the paper of Goswami, S. and Mathur, M. (2011), "big brand retailers are dominating the small ones adversely due to their wider investment capacities and it is becoming difficult for the small retailers to prove their existence in the market". Sodi, J. (2014) statistically proved in his paper that, online shopping is a big threat for offline retailers as they are getting products on cheaper rates while traditional retailers aren't. Also as per Saha, A. (2015), due to online shopping, offline retailers are facing significant drop in their turnover and profit. In order to stand with the online stores who woe

the customers with unbelievable discounts, the offline retailers have also started increasing their discounts but resulting in decreasing the profit margin.

III. OBJECTIVES OF THE STUDY

1. To study the various issues for decline in offline retail sale in the light of increasing trend of online shopping
2. To suggest better strategies to the offline retailer to brighten their future by increasing the number of new offline consumers and retaining their existing offline customers.

IV. WORKING OF ONLINE RETAIL

Online shopping market in India is growing at a very fast pace. Everyone is willing to buy products online because of various advantages like; availability of wide choice and huge discounts. Actually, online retailers buy products in bulk directly from manufacturer and eliminate the involvement of whole sellers and distributors. Online retailers are saving operational costs such as store rent and other expenses like electricity charges because they don't need to have their retail stores and warehouse; no need to hire persons so it involves saving of salaries paid to them. Even though advertisement cost are also low. In short, online retailers are selling products at lower prices online by saving operational costs as they are required to pay only a certain percentage of the price paid by the customer as commission to shopping websites along with nominal fixed fees only for selling their products online.

V. ISSUES WITH OFFLINE RETAIL vs. ONLINE RETAIL?

As we know now days, people prefer online purchase because of its convenience, low prices, and easy availability. Results of this less number of people are visiting offline retail stores and thus retailers are closing their offline stores. Many studies had been done related to this and following are some of reasons found for the diversion of people towards online purchasing in comparison with traditional modes of purchasing.

- A. **Anytime Availability:** It is rare to locate any offline retail store that is open for 24 hours in a day, while a person can shop online at anytime round the clock. Shoppers can shop at any time online with their own pace and convenience just by at one click; Arora, J. (2013).

- B. Discounts and Coupons:** One of the reasons for increasing trend in online shopping is availability of huge discounts and coupons offered by online retailers to customers; Joshi, P. & Upadhyay H. (2014). As we know, online retailers buy products in bulk quantity directly from manufacturer and sell them at lower prices. Offline retailers can not offer such discounts as they have to suffer with heavy loss. Online shoppers also get the discount coupon codes and later they redeem the discounts upon purchase by using the coupon code.
- C. Availability of Options:** At online shopping websites, shoppers can get lots of option of same product such as color, size, brand etc. but in opposite to this, choice is restricted at offline shopping stores; Joshi, P. & Upadhyay H. (2014).
- D. Hassel Free Payment Options:** As we know India is growing on the path of becoming 'Cashless'. Online shoppers can pay their bills very easily using internet banking, Mobile banking, plastic money including Visa, MasterCard etc. They don't need to wait in long queues for billing. Also people just simply order the goods online; get them delivered at their doorstep and then pay money with the service of 'Cash on Delivery'; [W-1].
- E. Saving Time and Transportation Cost:** People can easily reach the products online by sitting at their home or whenever they are free. They do not have to physically go to the stores for shopping. Online shopping saves their time as well as transportation cost also as online shopping websites deliver the products free of cost; Dwivedi M., Mahesh K. and Sanjeev V. (2012).
- F. Flexible Return Policy:** In case of offline stores it is merely difficult for shoppers to return the product and get the money back if they don't like it. They can exchange the product only in some cases. But in case of online shopping, they provide flexibility in returning the purchased product if a shopper doesn't like it. Online shoppers can simply return the product and get their money refunded [W-2].
- G. Easy Access to Customer Reviews:** Before making purchase anything on online shopping

websites, new customer can access to consumer reviews and feedbacks who have bought the same product previously. While such type of feedback system is not available in offline sale; Ghosh D. (2014).

- H. Compare prices:** In online shopping, customer can compare the price of product on different shopping websites and after comparison purchase is done from that site where the quoted price is lowest; Dwivedi M., Mahesh K. and Sanjeev V. (2012). This type of facilities now days can be seen at some organized supermarkets but not at small retail stores.

VI. OPPORTUNITIES AND STRATEGIES FOR THE FUTURE OF OFFLINE RETAILERS

- According to Joshi, P. & Upadhyay H. (2014), 80% shoppers of online shopping are youngsters i.e. below 30 years of age. Also it has been found that, people from rural areas are still either not interested or afraid of buying online. This is because of many reasons like; absence of feel and touch of the product, technological issues, doubt over durability of the product, bad experiences over past online shopping etc. Many times language also acts as a barrier for the shoppers to shop online. As far as the security issues, customers in India are reluctant to expose their personal details including credit and debit card details. These weaknesses of online shopping can act as opportunity for offline retailers.
- To survive in the existing market, offline retailers can form some association collectively with manufacturers so that they don't discriminate between online and offline retailers; Sodi, J. (2014). Manufacturers should put some limit restrictions on numbers of units sold to online retailers. In support of this, many companies deliberately promote their products offline by giving a declaration in public notice mentioning that they would provide after sale service or warranty only for only those products which would be sold by their authorized online or offline channels; Mukherjee, W. (2015) & Ranjan, R. (2014). Results of this, the customers have to pay for after-sales services and repairs even during the warranty period for products purchased online. Thus, decreasing the number of customers buying products online especially electronic

items. This type of initiative can be beneficial to protect the offline retailer.

- Also, online retailers save local taxes, as they are different in different states for the same product. Many times the online retailers bring their products via different states to save tax and directly bill the products to the customers at lower price. But after the implementation of GST in our country, online retailers will not be able to practice such things. The Government must try to implement GST as early as possible.
- Also manufacturing companies should produce exclusive products for its retail chain, so that people who are following the concept of show rooming can be stopped.
- In spite of all above mentioned strategies, good customer relationship, improved after sale service, proper solution to the customer complaints can definitely help retailer in competing with online retailers.

VII. CONCLUSION

The main objective of this paper was to review the reasons behind decline of offline retail sale in Indian context. As discussed, huge discounts, 24/7 availability, easy payment options, flexible return policies, wide choice, saving of time and transportation cost and access to compare prices are some of the reasons because of which people prefer online shopping in comparison with offline shopping. Online retail business is definitely affecting the traditional retailing business and this increasing trend of online sale is thereby declining offline retail sale. This paper also provides various strategies which the offline retailers should adopt to fight and be in the market. Offline retailers should change their marketing strategies and store formats to entice more and more customers to increase their sale.

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