



# **DIGITAL TRADING OF FMCG: A STUDY ON PROBLEMS AND CHALLENGES OF OFFLINE FMCG RETAIL TRADERS**

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## **ABSTRACT**

E-commerce (Electronic Commerce) or Digital Trading is the buying and selling of goods and services over the Internet. It has changed the way people shop and consume the products and services. The convenience in shopping and reach of products to the door steps made many people to turn towards online shopping. The online shopping of FMCG (Fast Moving Consumer Goods) is increasing day by day to the greater extent and this in turn posing many problems and challenges to the offline retail traders of FMCG. The present study aims to identify the problems and challenges faced by offline FMCG retail traders due to increased online shopping trend of customers. The study found that the shift of customers from offline stores to online platforms for purchase of products results in decreased number of customers and in turn negatively affects the sales and profit margin of the offline stores.

**Key Words:** Digital Trading, E-commerce, Online shopping, Offline trading, FMCG

## **INTRODUCTION**

E-commerce is the trading of goods and services on the internet. Both companies and individuals who buy and sell goods and services over the Internet forms the part of E-commerce. E-commerce found its application in different types of market segments and can be conducted over computers, smart phones, tablets, and other smart devices. There is an availability of various kinds of products and services on online sites. Many things can be purchased through online today. The level of convenience attached with E-commerce is attracting many people towards its zone.

The FMCG products have become one of the most traded products at online. As the numerous brands and sellers of FMCG products are available on a single platform at reasonable prices, many of the customers are moving towards purchase of FMCG products through online rather than offline stores.

## LITERATURE REVIEW

**Swati Bhatnagar & Aditya Chowdhary (2019)** have studied Online Shopping Behavior of Consumers in FMCG Sector in their article. They opined that the origin of internet made it easy for the customers to collect data regarding products and shop online. As the e-commerce is growing, the sellers have started online selling and the increased purchasing power of customers results in increased FMCG sales in India. It is revealed from the study that the major factor for consumers to buy FMCG products online is convenience.

**Harsh Khemka (2020)**, in his study analysed the online buying behaviour of customers in FMCG sector. He opined that online buying behaviour of consumers is challenging and dynamic to understand. This study identified that the factors influencing customers to buy FMCG online are quality and price. The study concluded that there is a negative correlation between price and quality, Customers do not wait for offers and discounts while buying online, the buying behaviour of customers is not affected by Gender. Customers compare prices and product descriptions with different portal while buying online. Customers want more quality-driven products in the FMCG sector and product availability and offers and discounts are positively correlated. It also reveals that female customers prefer slightly more trust and quality aspects compared to male. Customers prefer to shop FMCG products from the same portal regularly, they are not switching immediately so the online sellers should make strategies to retain the old customers and attract a new customers.

**Vijayalakshmi R, Dr. T. R. Gurumoorthy, G. Lingavel, K. Praveenkuma( 2020)** in their study analysed the consumer buying behaviour towards online shopping with respect to FMCG products. The study aims to find the inducing factors sustaining the consumer's in FMCGs. Brand name, product details, price consciousness and general awareness are the four important factors explored in the study which plays major in role consumer shopping through online. The study states that online shopping is more valuable to consumers.

**A Mulyawan, Z Alamsyah and Marimin (2021)** in their study analysed how digital platform changing the way of people to buy FMCG products. They opined that major changes in consumers' views in buying household products are brought by current technological developments. Various business opportunities are disclosed from technological advances due to the Internet. The study determined how customer behavior is changed due to technological development and provided a perspective on how the

customers will decide to buy FMCG products from a digital platform. The results show that audiovisual social media advertising, ease of access, brand awareness, and reviews from other consumers affect consumers buying options. End-users of FMCG are getting more advantages from digital platforms as the products are directly sent to them with less waiting time.

**Dr. Parag Joshi (2021)** in his study analysed the Consumer Perception towards Online Shopping of FMCG. The study states that shopping has become a trend in the recent era. People are switching to online shopping with respect to retail purchase and Online platforms have become important purchase point for purchasing the FMCG. Consumerss are at ease to examine the products at different online portals which is creating difficulty for e-commerce sites to retain the loyal customers. Customer perception plays vital role in deciding the future of FMCG products. Customers analyses their needs and desires to purchase the latest updated products on online sites as the market has turned virtual these days.

**Dr. Syed Tabrez Hassan, Apoorv, Rajdeep Kaur Bhatia, Malvika, Preety Mohanta (2021)** in their study analysed the factors influencing Buying Behaviour of Indian Consumers towards online Purchase of FMCG Product. They opined that the online mode is associated with an opportunity to acquire many customers. The findings of the study help companies and marketers to understand the potential of e-commerce platforms with regard to FMCG products. FMCG products are consumed by people irrespective of age and gender. The study focused on six factors of online shopping such as Efficiency, System Availability, Fulfilment, Responsiveness, Privacy, and Contact. The study states that transactional security, return policy and other factors make people still hesitate to buy such goods through online sellers. sites for

## OBJECTIVES

1. To study the concept of E-Commerce and FMCG
2. To examine the factors influencing customers to purchase FMCG products from online sellers.
3. To study the problems and challenges faced by offline retail traders of FMCG products due to the online trading platforms.
4. To provide suggestions to offline retail traders of FMCG to overcome the problems and challenges imposed by online trading platforms and online shopping trend of customers.

## SCOPE:

This research paper studied the concept of E-commerce and FMCG products. Due to advancement of information technology, the customers of FMCG products are getting attracted towards the online purchase over offline stores. The study analyses the factors attracting customers towards online shopping and also its impact on offline retail FMCG traders. The study also provides some suggestions to offline retail traders to attract back their customers to the shop.

## RESEARCH METHODOLOGY:

- **Sources of Data:** In this study both primary data and secondary data are collected. Primary data has been collected by administering a Five Point Likert Scale Questionnaire to the selected respondents such as FMCG shops as well as through direct interview method. The Five Point Likert Scale consist the options of Strongly Agree (SA), Agree (A), Neutral (N), Disagree (DA) and Strongly Disagree (SDA) which are assigned with values 5,4,3,2 and 1 respectively. Secondary data has been collected from various secondary sources like books, journals, websites etc.
- **Sample Design:** To study the impact of online purchase of FMCG products on offline retail FMCG traders, 200 offline FMCG stores in Karnataka were selected as samples. The samples were drawn from population using convenient method of sampling.
- **Statistical Tools:** Simple percentage analysis and Popularity Rate (PR) Technique, Descriptive statistics such as Mean and Standard Deviation (S.D) are used to analyse the data. Graphical presentation of data through bar graphs is also made for effective understanding of the data. The data has been analysed using MS Excel and SPSS. Here Popularity Rate has been calculated using the following formula,

$$\text{Popularity Rate (PR)} = \frac{\text{Frequencies of strongly Agree} + \text{Frequencies of Agree}}{\text{Number of respondents}} \times 100$$

## E-COMMERCE AND FMCG PRODUCTS

E-commerce refers to the buying and selling of goods and services, or the transmission of funds or data, over an electronic network, primarily the internet. These business transactions can be either as business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer (C2C) or consumer-to-business (C2B).

Fast-moving consumer goods are products which are sold quickly relatively at low cost. FMCG are also called consumer packaged goods and have relatively a short shelf life. These goods are used to purchase frequently, consumed rapidly, priced at low rates, and are sold in large quantities. They also have a high turnover when they are on the shelf at the store. FMCGs can be classified into several different categories, such as Processed foods, Ready-to-eat meals, Beverages, Baked goods, Fresh foods, frozen foods, and dry goods, Cleaning products, Cosmetics and toiletries, Office supplies etc.

Customers across the globe are increasingly purchasing the needed FMCG products through online as it offers certain conveniences from delivering orders right to the door to broad selection and low prices which cannot be offered by offline retailers.

## FACTORS INFLUENCING CUSTOMERS TO SHIFT TOWARDS ONLINE SHOPPING OF FMCG

Due to advancement of technology, E-commerce is increasing day by day and attracting more number of customers as well as sellers towards online trading. Many factors are motivating customers to move towards E-commerce and to choose online shopping over the offline stores. In comparison with the offline shopping, many of the factors associated with online shopping are attracting the customers and sellers towards e-commerce. Some of the vital factors that contributes towards choosing online shopping over the offline shopping by customers are as follows,

- **Convenience:** High level of Convenience of shopping from home is attached with the online platforms as there is no need to visit the offline stores. It is also convenient for the customers to shop at convenient time and place without any pressure. This convinience is attracting the customers towards digital shopping platforms.
- **Better Prices:** online sellers are offering the products at better reasonable prices in comparision with offline stores and it acts as an influencing factor to make the customers buy online.
- **Wide range of choices:** online stores provide more choices for purchase of products at single point of sale. Various brands are available under single platform when compared with offline sellers and hence the customers prefer online purchasing of products over offline stores.
- **Cash on Delivery:** Many online sellers are giving cash on delivery option to buy from them which results in improved customer trust to buy from online.
- **Time-Saving:** Customers can save time as there is no need to visit the offline stores and wide choice of brands are available under single platform. This inturn attracts the customers towards online shopping platforms.
- **Easy price comparison:** The price comparision of products from one brand to another and from one seller to another is easy with respect to online purchase which is a difficult task in case of offline stores.
- **Avoidance of crowd:** Online purchase platforms are free from crowd and it also provides safety at the times of pandemic. Online trading and shopping got a boost for this reason.
- **Gift coupons:** it is easy to send online gift coupons to family members, friends and others which can be used by them to purchase the things they want from online platform.
- **Easy return / exchange policy:** online sellers are providing easy exchange / return option to the customers in case of any issues or problems they faced with the products. Many of the offline stores are following no return/ exchange policy and this in turn makes customers to move towards online sellers to enjoy the benefit of easy return/ exchange policy.

- **Free shipping:** Customers can avail the products to their doorsteps at free of cost as many online sellers are offering free shipping facility. This convenience and benefit are attracting customers towards online shopping.
- **Discounts and Offers:** online sellers are providing various offers and discounts when compared with offline stores. Customers are moving towards online shopping as they can get the products at better prices and save money on their shopping.
- **Products information:** Customers can get detailed product description on the selling portal without the help of anybody to explain the same. It is easy for customers to shop at online platforms by analysing the product price and other details.

## PROBLEMS AND CHALLENGES IMPOSED BY ONLINE TRADING ON OFFLINE FMCG RETAIL TRADERS

Majority of the offline stores are striving to face the problems and challenges imposed by the online sellers. It is difficult for the offline retailers to provide the various offers and facilities to the customers as provided by the online sellers.

**Table 1: Analysis of the problems and challenges faced by offline FMCG retailers due to online trading**

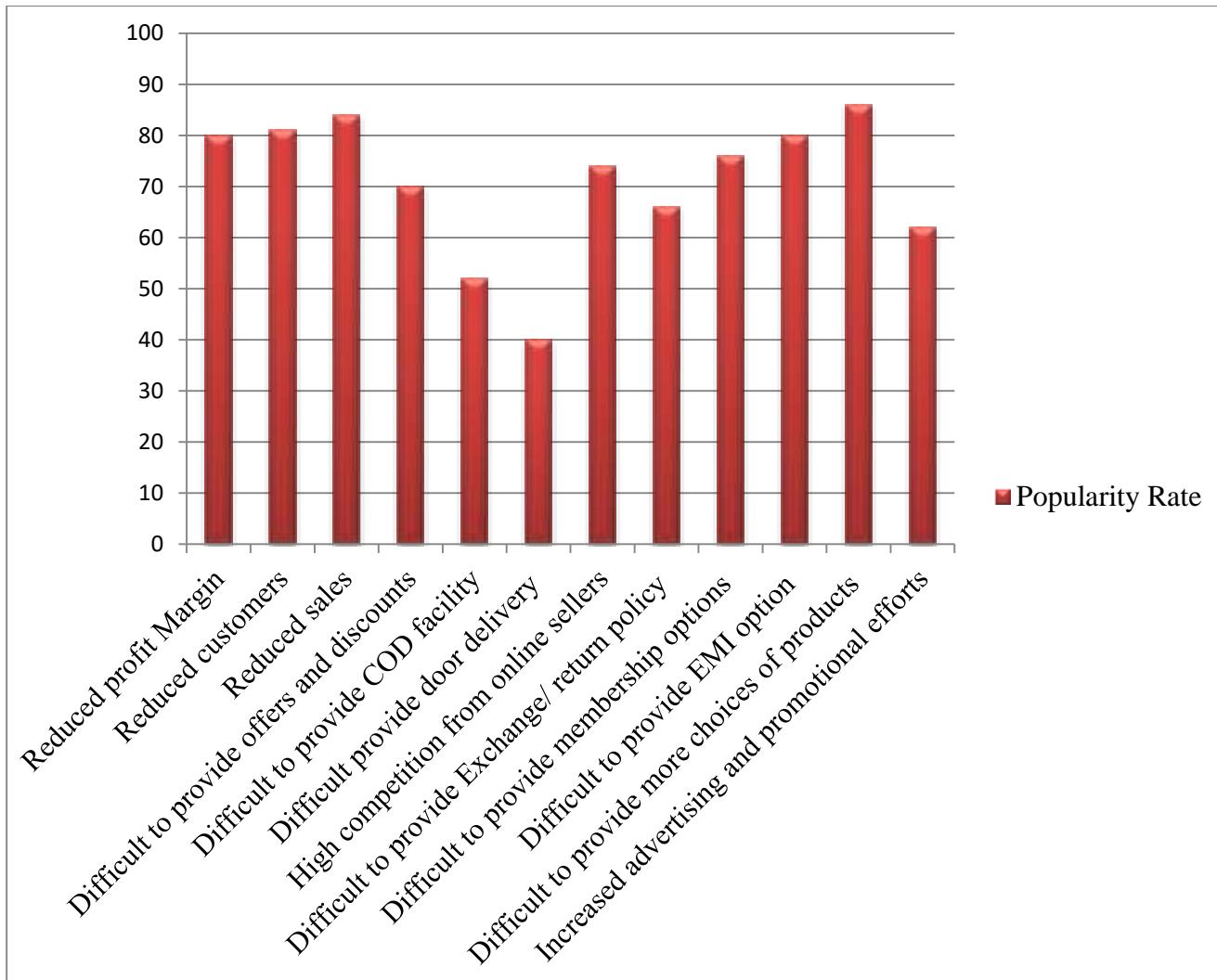
Sl. No.	Statements	Frequencies					Mean	S.D	PR (%)	Rank
		S A	A	N	DA	SDA				
1	Difficult to provide more choices of products in par with online sellers	60	112	28	00	00	4.16	0.65	86	1
2	Reduced sales	40	128	20	08	04	3.96	0.81	84	2
3	Reduced number of customers	46	116	26	12	00	3.99	0.77	81	3
4	Reduced profit Margin	40	120	20	20	00	3.90	0.84	80	4
5	Difficult to provide EMI option in par with online sellers	60	100	32	08	00	4.06	0.79	80	4
6	Difficult to provide membership options in par with online sellers	32	120	28	20	00	3.82	0.83	76	6
7	High competition from online sellers	56	92	40	12	00	3.96	0.86	74	7
8	Difficult to provide offers and discounts in par with online sellers	44	96	24	36	00	3.74	1.00	70	8

9	Difficult to provide Exchange/ return policy in par with online sellers	48	84	44	24	00	3.78	0.95	66	<b>9</b>
10	Results in need for increased advertising and promotional efforts	36	88	40	28	08	3.58	1.07	62	<b>10</b>
11	Difficult to provide COD (Cash on delivery) facility in par with online sellers	24	80	48	36	12	3.34	1.10	52	<b>11</b>
12	Difficult to provide door delivery in par with online sellers	20	60	40	60	20	3.00	1.12	40	<b>12</b>

Source: Primary Data

On an analysis of Table 1, it is clear that 86% of the respondents agreed that it is difficult to provide more choices of products in par with online sellers with a mean value of 4.16 and SD of 0.65. 84% of the respondents agreed that their sale has been reduced due to online shopping by customers with a mean value of 3.96 and SD of 0.81. 81% of the respondents are of the opinion that their customers are reduced due to online shopping with a mean value of 4.00 and SD of 0.78. 80% of the respondents agreed that their profit margin is reduced with a mean value of 3.90 and SD of 0.84 and also it is difficult to provide EMI option to customers in par with online sellers with a mean value of 4.06 and SD of 0.79. 76% of the respondents opined that it is difficult to provide membership options in par with online sellers with a mean value of 3.82 and SD of 0.83. 74% of the respondents agreed that there is high competition from online sellers with a mean value of 3.96 and SD of 0.86. 70% of the respondents are of the opinion that it is difficult to provide offers and discounts in par with online sellers with a mean value of 3.74 and SD of 1.00. 66% of the respondents agreed that it is difficult to provide Exchange/ return policy in par with online sellers with a mean value of 3.78 and SD of 0.95. 62% of the respondents agreed that increased trend of online shopping results in need for increased advertising and promotional efforts with a mean value of 3.58 and SD of 1.07. 52% of the respondents opined that it is difficult to provide COD facility in par with online sellers with a mean value of 3.34 and SD of 1.10. 40% of the respondents agreed that it is difficult provide door delivery of products to customers in par with online sellers with a mean value of 3.00 and SD of 1.12.

**Chart 1: Popularity Rate of the problems and challenges faced by offline FMCG retailers due to online trading**



Source: Primary Data

It is clear from the analysis of the Chart 1 that the offline retail FMCG traders have considered the difficulty in providing more choice of products (86%) as the most important challenge posed by E-commerce which is ranked as first challenge based on Popularity Rate followed by reduced sales (84%) and reduced number of customers (81%), reduced profit margin (80%), difficult to provide EMI option (80%), difficult to provide membership option (76%), high competition from online sellers (74%), difficult to provide offers and discounts and exchange/return option (70%), difficult to provide exchange/ return option (66%), need for increased advertising (62%), difficult to provide COD (52%) and door delivery (40%) respectively. There is a tie between two challenges such as reduced profit margin and difficult to provide EMI option in par with online sellers, at the fourth rank.

## FINDINGS

- E-commerce is becoming more popular day by day and gradually attracting more customers from the offline retail shops. The online shopping of FMCG products are also increasing to the great extent.
- More convenience and offers, discounts and other facilities provided by online sellers are motivating customers to move towards online shopping of products including FMCG
- The shift of customers towards online shopping from offline stores is posing many problems and challenges to the retail offline traders.
- Lack of more choices available to customers on the purchase of products at offline stores has been considered as the biggest challenge by offline retailers imposed due to online shopping as it is associated with numerous brands and sellers available at single platform.
- Increased rate of online purchase of FMCG by customers results in decreased number of customers to offline FMCG retailers.
- Offline FMCG retailers are facing a problem of decreased sales and profit margin as the numbers of customers are reduced due to online shopping platforms.
- Offline FMCG retailers find it difficult to provide many facilities like EMI options, easy exchange/return policy, offers and discounts to customers in par with online sellers.
- The offline retail traders of FMCG are considering that providing COD option and door delivery of the products to the customers as the least challenges and opined that these options can also be provided by them to their customers.

## SUGGESTIONS

- In order to offer wide range of products to the customers, the offline retail FMCG traders can keep products catalogues and take orders from customers and then the products can be delivered within a few days.
- The offline retailers could provide the local customers with free home delivery of the products purchased to make them feel convenient in purchasing with them.
- On a particular occasion/ festivals, the offline retailers need to provide some discounts, offers etc which may results in higher sales and profits. This can also results in increased customers.
- EMI options can be given by offline retailers to selected loyal and trusted customers, who make bulk purchases, to retain them with the business. On the other hand, Products can be given by taking some advance and the remaining payment could be collected afterwards.

## LIMITATIONS

1. The sample size is limited to 200 FMCG stores only
2. The study concentrates on the impact of online trading on offline FMCG shops only

## CONCLUSION

Technological advancement is bringing various changes in many areas of the society including trade and commerce. The online shopping platforms are attracting customers from the offline zone by providing various offers and facilities. The offline retail traders of many products including FMCG are facing a tough competition from the online sellers. To survive in this competitive business world, the offline retailers need to provide some benefits and offers to retain their customers as well as to attract new customers towards their shops. The offline FMCG retailers can offer their products to the customers at reduced profit margin which can result in increased customers, sales and profits too. Even though the online sellers offer various benefits to the customers, the offline retail traders stand in front with respect to trust and quality products.

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