Impact of E-commerce on Traditional Business in India

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ABSTRACT:

In the modern business world, E-commerce is emerging as the biggest player and Contributor towards the growth and development of global economy. India is also Witnessing this revolution of E-commerce business in its domestic market. In the Context of India, E-commerce players on one hand, created new and ample to the Of employment, improved the quality of product as well as service and providing Other attractive offers. But on the other hand, it is giving intense competition and Creating great obstacles in the ways of traditional business institution and the on unorganized sectors of India. So, this research paper deals with the study of the Positive And negative impact of E-commerce on traditional business as well as a Indian Economy as a whole.

KEYWORDS: Online shopping, Retailers, Retail Store, Sales, consumer buying behaviour.

INTRODUCTION:

ONLINE SHOPPING:

Online shopping founder of **Michael Aldrich** (22 August 1941-19 May 2014) Was an English inventor, innovator and entrepreneur. In 1979 he invented online shopping to
Enable online transaction processing between consumer and business, or between one business and another ,a technique known later as E-commerce . In 1980 he invented the Teleputer, a multi-purpose home infotainment centre that was a fusion of PC,TV and Telecom networking technologies . In 1981 he develop the concept of interactive broadband local loop cable TV for mass market consumer telecommunication.

Online shopping is a form of electronic commerce which allows consumer to directly
Buy goods or services from seller over the internet using a web browser or a mobile app. Consumer find a product of interest by visiting the website of the retailer directly
Or by searching among alternative vendors using a shopping search engine, which display the same product's availability and pricing at different e-retailers. As of 2020, customer can shop online using a range of different computers and devices, including desktop computer, laptops, tablet computers and smartphones.

An online shop evokes the physical analogy of buying product or services at a regular "bricks-and-mortar" retailer or shopping center; the process is called business -to-consumer (B2C) online shopping. When an online store is set up to enable business to buy from another businesses, the process is called business to business (B2B) online shopping. A typical online store enables the customer to browse the firm's range of

product and services, view photo or image of the product, along with information about the product specification, features and prices.

Online Stores (either e-commerce or e-commerce in e-commerce) is a type of e-commerce that allows customer to purchase and manage products through virtual stores directly through the network. Some of the most important online stores in India today are Amazon, Flip kart, Snap deal, Home shop 18, Myntra etc.

OFFLINE SHOPPING:

Offline shopping is the traditional way of shopping being present at the counter or shop or store. While online shopping is buying anything though the internet from your house. But the Indian economy is more traditional, agriculture driven and labour intensive. The major portion of Indian business sector is unorganized and with minimum use of technologies in the business activities. In recent times, it has been observed that e-commerce business is adversely affecting the traditional unorganized business sector of India.

Retail is the process of delivering goods and services to customers through other sales channels. Retail stores may be small. However, in most cases, this works the same as "closing a deal". Retail business is as old as human development and the most important type of business. Retail is the sale of goods and services to customer through various sales channels. Retail stores may be large or small, but most of them operate in the same way as buy-for-sale. Types of retail stores, such as departmental stores, grocery stores, shopping centre, etc.

Effects of E-commerce:

The impact of E-commerce on different retailer and consumer is both in positive as well as negative forms. Hence, we have ton study the impact of business on retailer as well as consumers from both aspects.

positive Effects:

1. convenience & easiness

For many people in the world, E-commerce become one of the preferred ways of shopping as they enjoy their online because of its easiness and convenience. They are allowed to buy product or service from their home at any time of day or night.

2. Reduces energy consumption

one positive effect of the emergence of E-commerce is that it may save energy. Consumer who shop online rather than drive to store use less fuel and their cars emit less pollution. Also, become E-commerce reduce the need for warehouse space to house goods near retail store, these warehouse use less energy.

3. Cost Reduction

E-commerce can reduce costs for consumers when companies cut down on middlemen involved in distributing goods, warehouse space to store the goods and personnel expenses. E-commerce also enables companies to manage their inventory better. To be competitive, businesses are likely to pass down at least some of these savings to consumers.

4. Decreasing cost of inventory Management

With e-commerce business, the suppliers can decrease the cost of managing their inventory of goods that they can automate the inventory management using web-based management system. Indirectly, they can save their operational costs.

Negative Effects:

1. Privacy

It is easy to collect a lot of personal information from a consumer using an e-commerce website, sometimes too easy. Since all online transactions are recorded, it's relatively easy to create an online profile of the buyer, and use that to send targeted advertisements. However, many will agree that this is an intrusion on a consumer's right to privacy, and it's something that is heavily regulated on many countries. This means small businesses aiming to establish an online presence using e-commerce need to be aware of the legislation that applies, as mistakes can be costly both in terms of fines and customer trust.

2. Security

Another negative effect of e-commerce is its effect on consumers' security. Online transactions are inherently more insecure than those conducted in person because there's no way to guarantee that the person making the payment is the actual owner of the credit card used. At the same time, when the customer inputs the payment information they risk a third party intercepting it if the website doesn't comply with the adequate security measures, giving rise to credit card fraud and identity theft. Merchants need to be aware of the risks electronic transactions carry, and work towards securing the systems to the highest standards.

3. Price Wars

Merchants used to selling at their shop may often find selling online an extremely competitive marketplace. Their products are displayed alongside competitive offers, often from different countries or bigger retailers with access to better wholesale prices. This can affect the retailer negatively, as they cannot sell as much as they expected to actually make a profit or the consumer's when online stores cut corners in order to become more competitive or products are purchased from illegitimate retailers because they had the best price.

4. Returns & Complaints

Selling online means usually a higher return rate on products than when the purchase was conducted in person. This is due partly to the fact that customers haven't seen the goods in person prior to purchase, but also to the fact that many online shoppers buy things on impulse, and by the time they receive them at their home they have changed their mind and make use of favourable return policies. While a big retailer would have no problem accommodating this, it can be highly disruptive for a small business with limited stock management.

E-Commerce – Shaking the very Foundations of Traditional Business:

The threat from e-commerce applies to all – from tiny start-ups to large corporations. Just because a company is an industry leader today, there's no guarantee that it would retain its competitive edge tomorrow. The threat from e-commerce is high, especially for old-school businesses, that aren't ready to embrace the changing commercial landscape.

Here are some significant ways in which traditional business practices have been put on the backburner by ecommerce strategies:

1. Low Cost of Initial Business Setup

Just a few decades back, to set up a business, you required massive capital costs. However, ecommerce changed all this. Today, it's possible to set up a company out of one's garage with minimal investments. You know the story of Indian e-commerce giant Flipkart? It was started in a 2 BHK apartment and Walmart recently bought it for $16 billion.

2. Vertical Integration is no longer Relevant

Vertical integration was considered to be the backbone of traditional businesses in India from several decades. Business houses used to undertake all business activities from market research, advertisement, legal advice, etc. by having their own team of experts. It enhanced their overhead costs and reduces their efficiency and profitability. The new e-commerce companies outsourced maximum work like web designing, maintenance of websites, advertisement on social media, distribution through courier services or drop shipping, etc. to external companies at cheaper rates, e-commerce companies saved lot of costs and kept on improving their profitability.

3. Law of Returns to Scale proven incorrect

In economics, a classic theory is the Decreasing Returns to Scale. According to this law, even when an increase in all inputs (inclusive of capital and labour) occurs, the output is not proportional. It states that all businesses cannot grow profitably forever. However, this classic economic principle doesn't apply to the world of e-commerce. E-Businesses have proved that they can sustain incredible growth, while continuing to offer excellent returns. One of the primary reasons for this is that ecommerce doesn't need high investments unlike traditional businesses.

4. Vast Outreach

Just a few years ago, it was next to impossible for businesses to reach out to other customer markets. Ecommerce has now made it a cakewalk to sell your products and services, to people located anywhere on the planet. Yes, you can now sell your wares not just to your local market but to people in any corner of the world.

5. Removal of Middlemen

Today, businesses can directly sell to customers without the need for any middlemen. Say, you're a small business owner selling local fabric. Earlier, you had to depend on vendors and brokers to distribute your fabrics to geographical locations beyond your immediate vicinity. Ecommerce has put an end to all these middlemen. Now, all you have to do is approach a E-commerce development company and design an online store for your business.

6. 24 x 7 service to customers

In the world of ecommerce there is no downtime. Businesses are open 24 x 7, 365 days of the year. And, sales can happen at any time of the day. Traditionally, businesses had to close shop at the end of the day. This means shoppers were restricted and had to complete their purchases within a particular time. Today, with the emergence of ecommerce platforms, shoppers can shop at any time convenient for them. Be it in the middle of the night or while lounging on their couches over the weekend.

7. Ecommerce has changed the Way Businesses Advertise

Ecommerce has radically changed the way people purchase. With changes in the purchase tactics, it's only right that advertising techniques also vary accordingly. Today, even consumers who shop at a brick and mortar store, look up products online, read reviews and compare prices before they make the decision to buy. So, businesses today no longer can depend on traditional marketing techniques alone. They must consider digital marketing to meet the demands of the tech-savvy consumers of today.

Recommendations & Remedies:

The traditional business entrepreneurs can adopt following remedies to compete with e-commerce companies and sustain for longer period in the market:

1. Bulk Purchase

Different small and medium entrepreneurs can come together and purchase goods in bulk. This bulk purchase will allow them to save at least 10% in their purchasing cost as they will receive discount due to purchase in such large quantity. They can pass on this benefit to their consumers and can overcome competition with e-commerce companies to certain extent.

2. Improvement in services

Traditional business entrepreneurs need to change their attitude and should provide some extra and free of costs services like free home delivery, credit facilities, speedy distribution of goods, attractive offers, etc. to enhance time and place utilities of the consumers.

3. Long term relationship with consumers

Traditional entrepreneurs should focus on long term objectives rather than remaining statics. They should keep themselves in touch with consumers even after the completion of sale.

4. Excessive use of social media

Traditional business entrepreneurs should now start using social media extensively for advertising their products. It is not just a cheaper but a very speedy mode of advertisement which can play a vital role in increasing their total sales volume.

Comparison of online and offline shopping in light of five stage consumer decision making model:

Even though online and brick and mortar shopping channels are two entirely different mode of shopping, the five stage consumer decision making model is equally applicable for both the mode of purchase. Let us discuss each of the five stage consumer decision making model below.

1. **Need recognition**

Irrespective of the mode of the purchase, most decision making starts with some sort of problem. The consumer feels a difference between the present stage he/she is in and the ideal stage he/she wants to be in. That missing thing which can satisfy the customer's dissatisfaction, is the need of the customer. Marketers need to identify this stage and offer products and services as per the requirement. For example, if a customer needs to buy a new set of dress to attend an upcoming marriage ceremony, then this is the need of the customer.

2. **Information search**

Most of us are not experts on everything around us. In this stage we evaluate the products and services which can satisfy our needs. Apart from our friends, family members and neighbours, nowadays we can look for information on the websites as well. The major difference between online and offline shopping regarding this particular stage is the search cost involved in it. Whereas in case of offline shopping, it's time consuming and physically demanding, in case of online shopping, the search cost is extremely low and it's a matter of pressing some keys. This is the stage where risk management commences. Consumers evaluate the pros vs cons of purchasing a product. Since customers remember good experiences over bad ones more, it's advisable to spend considerable amount of time on this stage as customers don't want to regret later about the decision they made regarding purchase of a certain product or service.

3. **Evaluation of alternatives**

This is the stage where products and services are compared with each other to choose the best ones available. Now this decision is absolutely subjective as consumer choice varies from person to person. One advantage online shopping companies have over their brick and mortar counterparts is the variety of products available online. Due to the higher varieties, customers have more options to choose from. Apart from that, the customer review option available online helps customers to go through the reviews and choose for themselves from the alternatives available. But one advantage of offline shops in this aspect is the tangibility factor. Customers can touch and feel the product. They can also get a first hand demo and try it on themselves. They can also interact with the salespeople of the store. That definitely helps them to make informed choices.

4. **Purchase**

This is the stage where products and services are purchased after deliberations. In case of offline shopping, products and services can be used immediately, whereas in case of online shopping, customers have to wait for the courier company to deliver the product. In case of services like software, it can be downloaded directly from the websites and can be used. At this stage a customer has either assessed all the facts and come to a logical conclusion, made a decision based on emotional connections/experiences or succumbed to advertising/marketing campaigns, or most likely a combination of all of these has occurred.

5. **Post purchase evaluation**

The review stage is a key stage for the company and for the customer likewise. Did the product deliver on the promises of the marketing/advertising campaigns? Did the product match or exceed expectations? In case the customer is not satisfied with the product and want a replacement for it, he/she needs to act differently online and offline. In case of a brick and mortar shop, the replacement can be obtained by visiting the shop during the scheduled working hour. Whereas in case of an online shop, it requires calling up the customer care to lodge a complaint, waiting for the courier company to pick up the product and wait for the replacement to arrive.

RESULTS AND DISCUSSION:

Comparison of online and offline purchase based on certain parameters:

1. **Convenience:**

   Now, that's one of the benefits of purchasing through online medium. Unlike in case of offline purchase, in case of online shopping, consumers don't need to travel all the way to the brick and mortar shop, jostle with other consumers during festive seasons rush and face difficulty finding proper parking space for their vehicles. Online shops are open and products are delivered to the residences or offices of the customers according to their choice. So a consumer can just wake up in the middle of the night and place an order for a smart phone or some apparels. This is one of the major reasons for the popularity of online shopping.

2. **Variety:**

   An online shop is a customer's delight. No offline shop can offer as much variety in different product categories as an online shop can. Since online shops do not have to bother about space crunch, they can make available large varieties of product at the same place. This large variety gives consumers vast choice which was not available before the advent of this medium.

3. **Consumer review:**

   This is one of the benefits of the online shopping which helps the prospective customers to learn about the performance of products from somebody like them even before they can lay their hands on the products. Once a product is purchased by a customer through an online store, the customer is requested by the shopping company to upload their experiences with the product on the portal so that customers other customers can read that and decide for themselves if they want to purchase it or not. That helps customers to choose the best products for themselves.

4. **Comparison shopping:**

   As customers, we like to visit few shops before purchasing a product. In case of offline shopping, that means physically traveling to each and every shop to check out the products. That's both time consuming and physically demanding. But in case of online shopping, we can effortlessly pull up number of online shopping sites on our devices and compare the products on them. Based on the comparison and best deal available, we can decide to purchase from a particular site.

5. **Discounts:**

   This is one of the major reasons for consumers specially youngsters purchasing online. Since online sellers don't need to go for costly decoration of their shops, employ large number of salespeople and due to disintermediation, they can offer products and services at a considerable amount of discounts compared to their brick and mortar counterparts.

6. **Availability of unique products:**

   Nowadays it has become almost a fashion for manufacturers of electronic devices and other product categories to launch their brand new products exclusively on a particular shopping portal. These products are not at all made available in any offline shops and only the specific online portal gets the exclusive right to sell the product. In that case, customers are left with no options but to purchase these products on that portal.

7. **Tangibility and trialability:**

   That's one of the draw backs of online shopping. In case of brick and mortar stores, customers can touch the products, feel the products, can get a first hand demo and in case of apparels try it out on themselves before purchasing them. Whereas, online portals offer customers only the pictures and specifications of products which might not be sufficient in some cases to undertake informed buying. Even though nowadays some of the E-retail are offering free trials upon delivery where a customer if not satisfied with the product or service, can return it immediately. Despite of that, this is one area which will always hand an advantage to the offline stores against their online counterparts.

8. Shopping experience:

It's said, shopping is not only about just going through the motion and making the purchase. The shopping process itself, where we sift through products and feel the colours, textures and feel them can be extremely enjoyable. Apart from that, shopping in India is known to be a family outing on weekends or holidays where the entire family goes out together, purchase products, catch some movies, visits a restaurant to take their meals. It becomes virtually a get together for families on weekends or holidays which otherwise is not possible because of hectic work schedules of the family members. Online shopping can't offer similar experience. You might be able to purchase products more easily online, but the experience of spending valuable times with your family members is something which can't be replicated by them.

9. Delivery of products:

Unlike in case of brick and mortar shops where upon purchase, customers can immediately use the products, in case of online shopping, there is considerable amount of lag time between placing the order and delivery of products which sometimes can extend up to weeks. As a result, products which are of immediate use, can't be purchased online. To tide over this problem, online portals have started offering same day delivery or next day delivery of products as premium services in exchange of certain extra payments.

10. Return of products:

That's something which always pulls down online shopping companies. Whereas in case of offline shops customers can visit the respective shop to exchange their products if not satisfied, in case of online shopping it entails calling up customer care, waiting for the courier for reverse logistics, getting the money back or getting the products exchanged. Sometimes the entire process might take an entire month. Even though most of the online shopping sites offer money back guarantees or product exchange facilities, the experience could be harrowing.

CONCLUSION:

The population of India is known for its high growth potential. Retail growth is largely dependent on consumer spending. The use of technology for fixed and online services is critical to expanding market share. All retail sectors should consider their challenges for market growth. Fixed- line retailers must follow the strategy outlined in the survey to register various competitors. Whether online or offline India needs to grow its retail business and contribute to GDP in order to build trust, trust and satisfaction for its diverse customers. This conceptual review analyses online purchases or conversions, and analyses changes in customer behaviour with online purchases. It also describes specific strategies that must be followed to increase sales in offline stores. Strategy can help retailers increase sales over the next few years. As a result, online retailers and offline retailers may conclude that they should focus on build stable relationships between manufacturers and customers to improve your business and accelerate economic growth.

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