Has Physical Retail Lost its Relevance in E-Commerce World?

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Abstract. The growth of online shopping has increased the popularity of e-commerce and consumers are taking benefits of buying goods and services at any time the 24/7 and 365 days. But despite the technology advancements and upside turn in digital and web capabilities the consumers still want sense of touch offered by physical stores. The ability to feel, touch and immediate availability to take the products of their requirement to home lets the consumers to shop in physical stores versus online. This article is an attempt to identify consumer behaviour towards online vs. physical retail shopping and suggest the right strategy for physical store owners.

**Keywords**: Retail stores, Ecommerce, Risk

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Introduction

The tremendous growth of web technologies has increased the popularity of internet shopping and has transcended us from the traditional shopping into the most flexible way purchasing electronically called "e-commerce" (Doherty & Ellis-Chadwick, 2010). Consumers are taking benefits of buying goods and services at any time the 24/7 and 365 days with little or no cost. Donthu & Garcia, (1999) were among the early research contributed to study online shopping consumer behavior. They evaluated motivations of Internet and retail shoppers and found that internet shoppers used more methods to find features of the product and are more innovative. Their findings discovered the consumers' higher anxiety to know more features and variety of the products and a more positive attitude towards online shopping.

According to a report by Internet and Mobile Association of India (IAMAI), the number of internet users has surpassed 400 million and is expected to reach 500 million by the year 2018 (see figure 1). With the tremendous growth in use of the internet, India has become the second largest market after China. Online shopping in India is expected to grow at an enormous annualized growth rate of 115 percent in the year 2018, with over 120 million consumers

expected to shop. With the increase in online sales, researchers and academicians are increasingly studying the factors that influence a customer browsing for a particular product. Internet shopping offers the customers benefits like additional information of the product, convenience of buying at any time, increased choices offers and express delivery.

Figure 1: Web Users in India as of January 2018 (in millions)

Source: https://www.statista.com/statistics/309866/india-digital-population/
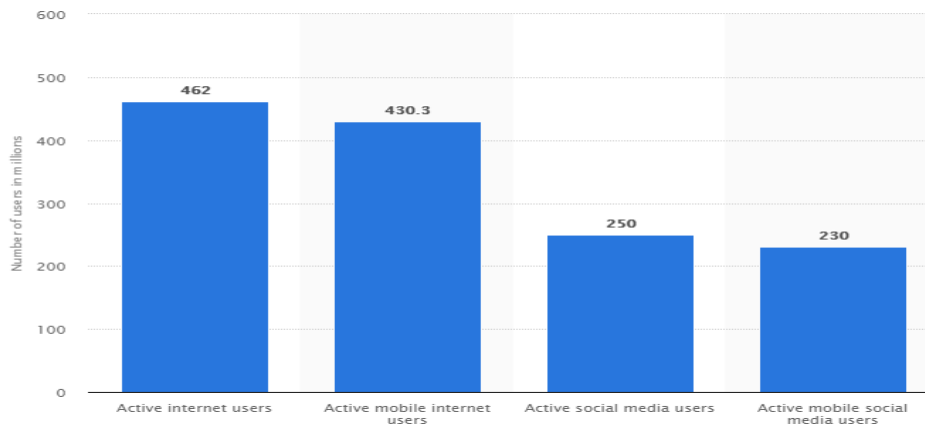
In last ten years, the e-commerce has increased by almost 100% of its shares of retail sales in United States. In 2010, online retails sales was at 5.1% of total retail purchases. Online retail sales to consumers showed a jump of 16.0% during 2016-17 as reported by the U.S. Commerce Department, which is the biggest jump in last 8 years for the e-commerce industry, and far eclipses the growth in retail sales in physical stores, which reached 3.6% during 2016-17.

Figure 2: U.S. online sales as a % of total retail sales
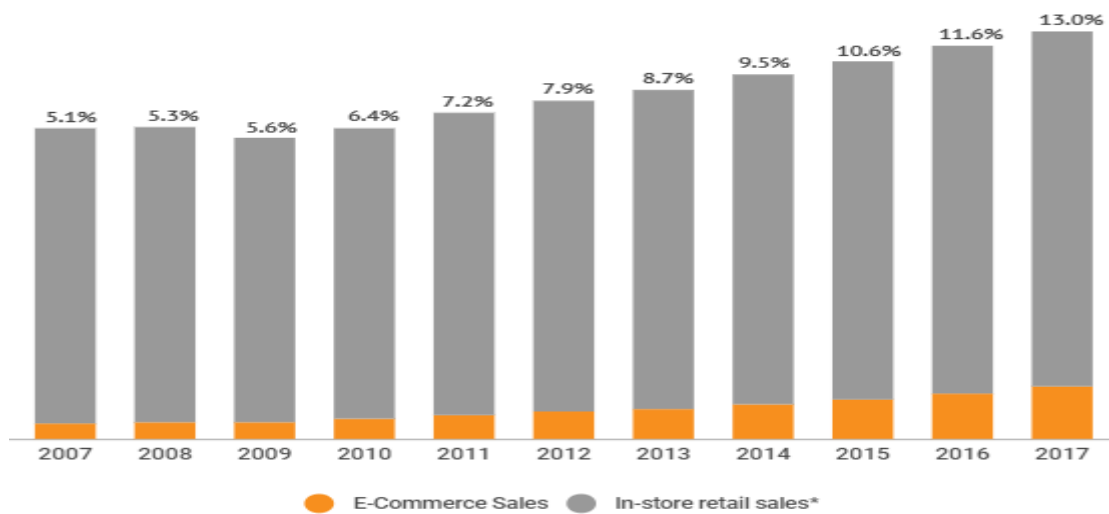
Source: Internet Retailer, U.S. Commerce Dept.

Many researchers have contributed remarkably in research examining the incentive to shop online vis a vis in store, resulting in a variety of online vs. retail shoppers (Bhatnagar & Ghose, 2004; Fenech & O'Cass, 2001; Ganesh, Reynolds, Luckett, & Pomirleanu, 2010; Goldsmith & Goldsmith, 2002). Different shoppers make consumption decision based on different decision making strategies (Olshavsky, 1985). Online shopping is rapidly accelerating with the endless applications available on the internet. With the advancement in technology the shopper is able to buy any product on the click of a button (Salancik & Pfeffer, 1978). The internet offers plethora of opportunities for a better online shopping behavior, by providing better product information, enabling direct multifactor comparisons and cutting down the search cost for the buyer (Alba, Joseph, John Lynch, Barton Weitz, Chris Janiszewski, Richard Lutz, Alan Sawyer, 1997).

But despite the technology advancements and upside turn in e-commerce capabilities including proliferation of Amazon, Google voice-activated shopping, the majority of consumers still want the tactile experiences offered by physical stores. The ability to feel, touch and immediate availability to take the products of their requirement to home lets the consumers to shop in physical stores versus online, according to Retail Dive's Consumer Survey of 1425 U.S. consumers. It was noted that female shoppers in particular want to physically identify before finally purchasing it, while males wanted to consume and eager to take home the items fast.

Primarily, the consumers are motivated for shopping in stores is to feel, touch, see and try out products before purchasing. However, there exist significant differences among shoppers, depending on their age, gender and geographical region. Although researchers have studied the shopping motivations of online and retail shoppers, it is still unknown whether these motivation factors are sufficient to explain the buying behaviour of two markets or there are some other factors that influence the consumers to visit Brick-and-mortar stores.

Understanding Online vs. In store shopping behaviour

As revenues grow in ecommerce, academicians have become keen to examine the impact of online shopping environments on shopper's choice (Swaminathan, Lepkowska-White, & Rao, 2006), elements that influence online shopping, and effect of online shopping on price sensitivity

(Shankar, Smith, & Rangaswamy, 2003). One of the prime motives of shopping is an attractive price for the product (Yavas & Babakus, 2009). Price competitiveness can increase the sales and tempt the customer to purchase a product. Price and the perceived price fairness are significant factors in the buying decision of the customer (E.-J. Lee & Overby, 2004; Molina, Martín-Consuegra, & Esteban, 2007).

Online shopping behaviour involves consumers for a web search, select and purchase of goods for their requirements. It reflects a quick reaction to the choice of consumer leading to a purchase decision. Consumer intentions to use web as an online retail shopping medium is a significant predictor of consumers' actual purchase of the item (Pavlou, Lie, & Dimoka, 2007).

Although online shopping is increasingly becoming a part of our day to day life (van Noort, Kerkhof, & Fennis, 2007), instances of deceptive information or advertisements and frauds are on a rise. Moreover, misleading practices have been existent in the traditional retail shopping, but the online platform which is based on the virtual representation of products has an inherent characteristic of making such practices easier. Since online shopping is impersonal in nature and the customer does not get an opportunity to physically verify the product, the ability of detecting the deception becomes limited (Ben-Ner & Putterman, 2002). Additionally, privacy and security of using a mode of payment (Korgaonkar & Wolin, 1999; Liebermann & Stashevsky, 2002), unfamiliar online retailers and intangible nature of shopping are some of the other concerns.

In the traditional retail set up, the customer is able to judge the quality of the product by physically looking at and touching the product. Online shopping comes with a high degree of uncertainty, with no physical scrutiny of the product or retailer (Ba, Whinston, & Zhang, 2003; Lin & Sun, 2009; Pavlou et al., 2007). While shopping online the customer does not have the exact information about the quality of the product, except what the seller is willing to share. Therefore, uncertainty has become a major concern in case of online shopping (Ba et al., 2003) and an in evitable factor in comprehending trust (Gefen, Benbasat, & Pavlou, 2008). Uncertainty is defined as the degree of risk associated with the outcome of a transaction due to limited information about the product (Salancik & Pfeffer, 1978). The preference of purchasing a product online depends on the perceived risk associated with the product. Research suggests

perceived risk as an important factor in understanding the various online customer behaviors (Donthu & Garcia, 1999; Ha, 2002).

Online buying and access of individual information encounter a host of risk. Infact, individual customer while buying the product online perceive a higher level of risk in comparison to traditional retail transactions (K. S. Lee & Tan, 2003). Claudia (2012) defined types of perceived risk of online buying experienced by consumers and their level of fears. Table 1 reports the level of fear defined by Claudia (2012) and review of past researches on consumers' perceived risk of online shopping.

Table 1: Type of Perceived risk and level of fear (1-Lowest to 5-highest) doing online shopping

Type of Risk	Past Researches	Observation	Level
Financial Risk	Forsythe & Shi, 2003; Ko, Jung, Kim, & Shim, 2004; Naiyi, 2004; Swinyard & Smith, 2003	Chances of financial loss due to online transactions	5
Performance Risk	Forsythe & Shi, 2003; Ko, Jung, Kim, & Shim, 2004; Naiyi, 2004; Swinyard & Smith, 2003	Product performance is not as expected	4
Delivery Risk	Forsythe & Shi, 2003; Ko, Jung, Kim, & Shim, 2004; Naiyi, 2004	Delivery not in time or product damaged during delivery	3
Privacy Risk	(Alkhunaizan et al., 2012; Lu, Hsu, & Hsu, 2005; Naiyi, 2004)	Privacy of personal and bank details which may be misused	3
Psychological Risk	(Bhatnagar & Ghose, 2004; Schiffman & Kanuk, 2000; Ueltschy, Krampf, & Yannopoulos, 2004)	Doubts on e-transactions, when product is expensive or required urgently	2
Social risk	(Ko et al., 2004; Lu et al., 2005)	Family members or social group may blame for making a bad decision	1

The right store strategy

Stores are facing challenges as the firms are not able to see the potential of new research and retail experience. Physical stores are not able to provide the rich experience for their consumers and thus many retailers have now even lost their floor space and physical environment. In early days, customers may have had experience of ill faceted stores with cheap products and poor consumer services during purchase of the products.

Understanding online competition, huge investments diverted to digital technologies and e-commerce capabilities, it is important for brick and mortar stores to keep a vigil on the right strategy for their physical stores.

Physical stores has an advantage for its ability to satisfy consumers needs to feel and try out products and immediately take them home. A compelling in-store shopping experience with almost no risk in terms of financial, delivery, psychological and social, where shoppers can easily see, feel and try-out products alongwith a good inventory management to ensure product is in stock — can make or break physical retailers.

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