Change in Generations: A Comparative Analysis of Online & Offline Shopping

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Abstract

Indian retail industry has emerged as a participant in dynamic and fast-paced industries due to the influx of many new players. Total spending in 2017 was US$ 1,824 billion and is anticipated to reach US$ 3,600 billion by 2020. It contributes more than 10% of gross domestic product (GDP) and about eight percent of employment. India is the fifth largest exporter in the world in terms of sales. The growth of the retail sector in India is one of the fastest in the world. Indian consumers are very selective about their products. The emergence of online shopping in India has its advantages and disadvantages. Online shopping is accessible at home, offering a wide variety, 24x7 availability , great discounts and Customer reviews space. Traditional shopping contrastingly, allows customers to feel and try products, which is not possible in the online stores. Consumers are using online and traditional shopping interchangeably depending on their preference over time, which leads to completely different behaviors in both shopping modes. This article attempts to shed light on the consumer's difficulties while shopping.

Keywords: Consumers, Online Shopping, Offline Shopping, Brick and Mortar Stores.

Introduction

E-commerce has reworked the means business is done in India. India's E-commerce market is likely to grow to US $ 200 billion by 2026 from US $ 38.5 billion of 2017. India is rapidly marching towards a digitally empowered society and an information economy. The push for e-governance, the proliferation of smartphones, increasing net access and booming digital payments are pushing India towards a trillion-dollar digital economy by 2025. The widespread acceptance of Digital services is being seen as a catalyst for overall economic growth, and with the combination of favorable demographics and policy reforms, India presents a novel and powerful growth story.

With Internet penetration expected to nearly double to 60% by 2022, the country is arguably the world's most promising Internet economy, with a rapidly increasing 'cybercitizen' population. With data growth, usage growth and new financial products, the e-commerce market is about to grow, be it e-tail, travel, consumer services or online financial services. From the next set of online shoppers, three out of every four customers are expected to come from smaller cities or rural areas, and a majority of them may not be in ease with the technology, have much more confidence on local sellers and prefer services in regional languages.

In India still e-commerce is to achieve plenty as Internet penetration is quite low In comparison to many western countries like the USA, UK, France, and most people prefer to pay cash on delivery due to the low prevalence of credit card and the low reliance on online transactions. Not like electronic payments, manual cash collection is quite perilous, expensive, and grueling.

Since 2014, Government is trying to ensure that government services are available to citizens electronically and India becomes more literate in information technology so has taken many initiatives, namely Start-up India, Digital India, Skill India, Make in India, and Innovation Fund. The successful and effective implementation of such programs will definitely support growth of e-commerce in the country.

Review of Literature

Peter J. Danaher, Isaac W. Wilson and Robert A. Davis (2003) compared consumer brand loyalty in online and traditional shopping environments for over 100 brands in 19 grocery product categories. They

found that observed brand loyalty for high market share brands bought online is significantly greater than expected, with the reverse result for small share brands. In contrast, in the traditional shopping environment, the difference between observed and predicted brand loyalty is not related to brand share.

Hanna Schramm-Klein and Gerhard Wagner (2014) addressed the issue if online retailing and mobile online retailing are perceived and utilised as two different ways of online shopping by consumers. By conducting a scenario-based experimental design study, they examined and compared consumers' post-experience evaluations of both e-channel formats. The findings provide evidence for significant differences in the evaluation of the stationary e-channel and the mobile e-channel. In particular, the online shopping experience with the PC was evaluated more positively than the mobile shopping experience.

Mary Wolfinbarger and Mary C. Gilly (2001) opine that consumers shop online for both goal-oriented and experiential reasons. However, goal-oriented motives are more common among online shoppers than are experiential motives. This article identifies and discusses attributes that facilitate goal-oriented online shopping, including accessibility/convenience, selection, information availability, and lack of unwanted sociality from retail sales help or shopping partners such as spouses. Importantly, consumers report that shopping online results in a substantially increased sense of freedom and control as compared to offline shopping.

Alberto Cavallo (2017) concluded in his study that online prices are increasingly used for measurement and research applications, yet little is known about their relation to prices collected offline, where most retail transactions take place. This paper conduct the first large-scale comparison of prices simultaneously collected from the websites and physical stores of 56 large multi-channel retailers in 10 countries and find that price levels are identical about 72 percent of the time

Ginger Zhe Jin and Andrew Kato (2007) using sports card trading as a case study author provided empirical evidence on every new method of trade offers an opportunity for economic agents to compare its costs and benefits relative to the status quo. Such comparison motivates sorting across market segments and reshapes the whole marketplace. The Internet provides an excellent example: it introduces substantial search cost savings over brick and mortar retail stores but imposes new obstacles for sellers to convey quality.

Shakuntala Banaji and David Buckingham (2013) in their research have begun from a seemingly straightforward question: how can the Internet be used to promote civic participation among young people? In the concluding chapter authors summarize with key findings on this question, looking across the range of data and the different types of investigation they have presented. However, they also seek to challenge the terms in which the question has been posed, and point to the need to move beyond it.

Sara Hsu and Jianjun Li (2020) claimed China's fintech industry has changed rapidly in the past decade. Fintech companies have greatly improved their ability to assess credit risks, which has meant that companies not able to do so have become obsolete. Fintech firms have accustomed users to managing many aspects of their finances online. This trend is particularly evident in the area of digital payments, but also in terms of lending and borrowing. Financial customers can now interact less often with bank employees and conduct a greater proportion of their financial lives online.

Rajiv Kohli, Sarv Devaraj and M. Adam Mahmood (2004) utilizing Simon's decision-making model, examined support for decision-making phases using 134 online consumers and also extended the model to include consumers' cost savings and time savings, as well as their satisfaction with the e-commerce channel. The results indicated that the online shopping channel supported the overall decision-making process, found strong support for the design and choice phases of online consumers' decision-making process. Results also indicated that support for the decision-making process was mediated by the cost savings and time savings gained by the online consumers and led to their greater channel satisfaction.

JifengLuo, Sulin Ba and Han Zhang (2012) investigate the importance of product uncertainty and retailer visibility in customers' online purchase decisions, as well as the mitigating effects of retailer characteristics. It was found that high product uncertainty and low retailer visibility have a negative impact on customer satisfaction. However, a retailer's service quality, website design, and pricing play important roles in mitigating the negative impact of high product uncertainty and low retailer visibility.

Yose Rizal Damuri (2020) provides an empirical analysis of some characteristics of online commerce in Indonesia, and the impacts on businesses and consumers. It draws some findings from the data collected by surveys of businesses in several areas and of residents. Some findings from the survey and analysis confirm several general preconceptions on e-commerce. However, by looking at quantitative information, the study provides a deeper understanding of and new perspectives on various issues related to ecommerce.

Nanda Kumar, Karl R. Lang and QianPeng (2004) explore search behavior of online shoppers. Present a research model proposing that users need to spend time and effort when completing search tasks, resulting in significant search cost and a trade-off between search cost and search performance. Preliminary findings from an Internet experiment indicate that search task complexity, search engine capability, search strategy, and user experience are important factors determining search cost and performance.

Objectives of the study

This paper is a modest attempt to investigate the impact of recent trends in shopping, either positive or negative on Indian markets. In view of the objectives of the study descriptive and exploratory

research designs has been adopted using consumer decision making model. It lays emphasis particularly on analysis based on interpretation of the existing and available information. The books, journals published and unpublished reports and e-resources are used as source of secondary data.

Methods and Material

In 1968, researchers Engel, Blackwell, and Kollat developed a five-step model of the consumer buying decision process (known as the Engel-Blackwell-Kollat or EBK model), and that model is still how the buyer finalizes his options today. The five steps of the EBK model, and how sellers and buyers can use them to strategies:

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

Need Recognition (Awareness)

The primary and most vital stage of the buying process, because every sale begins when a buyer becomes aware that they have a need for a product or service. Need recognition, whether it comes internally or externally, results in the same response. Need is the motivation behind all the buying decisions. If a consumer does not perceive a problem or need, they will not be motivated and will not go ahead with a product purchase.

Search for Information (Research)

The potential consumer after identifying his needs moves on to the second stage i.e. searching & gathering information. The consumer evaluates the entire positive and negatives aspects of the purchase and uses all its resources to gather information about the item to be purchased. The consumers receive information from many different directions like relatives, friends, advertisements, print media, social media and many other online websites. As any information about new products and its prices is easily available due to the changing trends and online shopping sites, consumers are far more informed and are able to make better purchase decisions. The difference between online and offline shopping regarding this particular stage is the search cost involved in it. Whereas in case of brick and mortar stores, 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 without bothering to move outside.

Evaluation of Alternatives (Consideration)

This is the stage when a customer is comparing options to make the best choice. At this point in the consumer decision-making process, prospective buyers have decided what they want in a product. Now they weigh their available choices against comparable alternatives. Consumers begin to search out for the best deals or options available once he has identified the Need and the source to satisfy that need. The buyer in this stage examines various options depending on the product price, product quality, product quantity, and added product price features or other important factors. The consumer, after the need for it and collecting useful information, chooses the best product available on the market based on his taste, style, income or preferences.

Fig. 1 Five Stages of Consumer Decision Making Model.

Purchase Decision (Conversion)

During this stage, buying behavior turns into action. The customer decides what to buy, where to buy after going through all the above stages. After proper assessment of all the facts, the consumer makes a logical decision to buy a product based upon his needs and wants. Buying product offline makes it available for use instantly but in case of most of the online products the buyer have to wait for the delivery time, less or more depending on his location. So the kind of need the product is to satisfy influences the choice of option between online and offline. If the

need is to be satisfied instantly the consumer will go for offline shopping.

Post Purchase Evaluation

After making a purchase, consumers consider whether it was worth it, whether they will recommend the product/service/brand to others, whether they would buy again, and what feedback they would give.If the consumer feels that the product bought delivered the value and has met the expectation they will become the loyal customers of the product and also influence others to make the same purchase. In case the customer is not satisfied with the product and wants to replace it, he/she needs to act differently online and offline. Generally replacement or return of product is easier in online shopping.

Results and Discussion

Comparison of Online and Offline Purchase

Freedom and control

With online shopping, customer have the luxury of being able to shop the world from the comfort of their home (or wherever) with internet connection. 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, struggle through heavy traffic, face difficulty finding proper parking, drag kids with them or carry heavy bags. Online shops are open 24x7 and products are delivered to the residences or offices of the customers according to their choice. So a consumer can just start exploring available items like window shopping in brick and mortar stores but without constraints of time and place. This is one of the major reasons for the popularity of online shopping.

Wide Range of Products

The main advantage of virtual shop is that they need not to worry about space. Bigger the city higher is the rentals for shops making it costly to have big stores. So the sellers have limited space and they have to manage everything within these limits. But there are no such limitations on virtual shops they have unlimited space and so they have wide range of products available with them which brick and mortar shop cannot provide under single roof, so either consumer has to explore whole market on foot or in his car to buy all those items which he can buy sitting on his couch at home at also get them delivered at his place.

Consumer Review

Consumers look for product reviews before buying online. These customer reviews are very important as they come from a user who already has purchased and used that product. When they find the reviews reliable and accurate, they start shopping based on such reviews. Customers relate to the reviewers and they want to hear experiences of the product, even if they are complete strangers. These reviews are not helpful to customers in buying but also to the sellers as it helps them to improve their product on the basis of these reviews and reaching higher sales.

Comparison Shopping

When prospective buyer is looking for new product to buy he compares different products that

are available to satisfy his unfulfilled need but in brick and mortar shop that is not easy as all the options may not be available under one roof with the single seller but in online shopping as many as web sites can be explored sitting in luxury of home. So sitting at home buyer can compare as many as products at the same time.

Discounts, Schemes and Offers

Online shopping is offered by big sellers and they do business in large scales, hence enjoy economies of large scale. They offer products at such prices which a small retailer cannot compete. To promote their businesses more such websites offer different membership plans (Amazon prime member, Flipkart plus member), discount offers, COD's, free delivery, EMI plans and many other attractive options. Such offers and schemes are not available with the brick and mortar stores available in local.

Availability of Unique Products

Sometimes the requirement of consumer is so unique that the local market sellers don't have enough variety to meet out the consumers' expectations and the products available with different sellers at a particular place are generally similar. This motivates a tentative buyer to try online shopping where he can explore products without any boundaries and can enjoy the variety.

Tangibility and Trial Ability

One basic preference of a buyer is to try and feel the product before buying but that is not many times possible in case of online shopping. In case of brick and mortar stores, customers can feel the products by touching and even trying them in trial-room can get a first-hand demo themselves before purchasing them. Online sellers overcome this limitation by offering 'no question asked' return or exchange policy.

Shopping experience

There was a time when shopping used to be a family time where all the members used to go for shopping on holidays and weekends and enjoy shopping, movies and meals together. But in hustle and bustle of today's life it is generally not possible that all the members of the family are free at the same time and the traffic congestion of cities make it even more difficult. But by those families which enjoy offline shopping and can spare some time for family, offline shopping is preferred.

Delivery of Products

In case of offline shops customers immediately gets the possession of goods and can use the products but in case of online shopping, there is considerable amount of time lag between placing the order and delivery of products which sometimes can extend up to weeks. In offline shopping customer has to go to shops to buy and has to carry back the bought product himself/herself but in online shopping one can keep doing his routine work and get the product delivered at home without any trouble.

Return of Products

This is the most improved feature of online shopping. One can have trouble returning products to even personally known local seller but not in case of online purchases. As these websites has reviews

Remarking An Analisation

section and it can be read by any user so to up keep the reputation online sellers offers 'no question asked' return policy, if buyer is not satisfied with the product he/she can get it exchanged or return it to seller.

Indian customers return much of the merchandise they purchase online. Though consumer remorse is a global problem, it is all the more prevalent in a country like India, where much of the growth comes from new buyers. Returns are expensive for e-commerce players, as reverse logistics presents unique challenges.

Privacy

Sometimes buyer may hesitate to buy certain products personally due to the nature of product being bought and seller being personally known to him. In such cases online shopping is big help for the buyers as they don't have to face any such awkward situation as the do shopping in the comfort and privacy of their homes and get delivery in packaging which doesn't reveal what's inside it.

Loyalty programs/membership

Almost every e-commerce website is offering some special benefits/ discounts to its regular customers. e-commerce websites identify such customers and give benefits to such customers in the form of loyalty programs/ membership (Amazon Prime, Flipkart Plus, MyntraInsider). Under these programs they offer benefits like free delivery, super coins, priority in special discount days etc. offline sellers does not have such membership or programs though few big business houses offer such programs through their retail chains.

Conclusion

According to the India Brand Equity Foundation (IBEF) Trust established by the Department of Trade, Ministry of Commerce and Industry, Government of India, India's e-commerce will reach US $ 99 billion by 2024, growing by 27% CGAR over 2019 - 24, with groceries and fashion / clothing may be the key drivers of growing growth. India's e-commerce volume increased by 36% in the last quarter of 2020, with the care & beauty and well-being segment becoming the largest beneficiaries. While consumer spending has declined, economic downturns and uncertainties have been created as a result of covidd-19, e-commerce players expect strong sales growth by 2021. The government also promotes e-commerce as 100% FDI is approved for B2B e-commerce. 100 percent FDI under the automatic route is allowed in the e-commerce market model. Technology has enabled new inventions such as digital payments, internal management, analytics-driven customer engagement and digital advertising are likely to support industry growth. Growth in the E-trade sector will also increase job opportunities, increase foreign exchange earnings, increase tax collection by examiners, and provide better products and services to future customers. Smartphone consumption is expected to increase by 84% to 859 million by 2022.

The E-retail market is expected to continue its strong growth - registering a CAGR of more than 35% to reach Rs. 1.8 trillion (US $ 25.75 billion) at

FY20. Over the next five years, India's e-retail industry is expected to exceed 300-350 million consumers, moving online Gross Merchandise Value (GMV) to US $ 100-120 billion by 2025.

According to a report by Bain & Company, the commerce value of the Indian economy (GMV) stood at US $ 2 billion by 2020. By 2025, it is expected to reach US $ 20 billion, with a significant surplus of US $ 70 billion by 2030, due to high mobile usage. The arrival of online stores has undoubtedly been a hit in offline stores. The huge discounts offered by e-tailers actually put a lot of pressure on their bottom line. In addition, the ever-increasing price of India's housing sector has cast doubt on the brick and mortar business.

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