



## CONSUMER BEHAVIOR TOWARDS ONLINE TRADE VS TRADITIONAL RETAIL BUSINESS

**Dr. C. Antony Suresh Mel**

*Manager – M.S Trade Links, Tuticorin, Tamil Nadu, India.*

### **Introduction**

Consumer behavior in India has experienced a tremendous transform in the recent years. Technology played a crucial role for this colossal revolution. It has made remarkable growth in the human history obviously. The invention of wheel was one of the magnificent innovations by the human being which brought the mankind to the next phase of life. Every day scientists are inventing new things which make the human life much easier. The continuous tireless effort irrespective of failures has made the man even to get to other planets. Thus technology plays vigorous role in all aspects, be it Science, Business, Medicine or Education. Mankind dominates the Universe than any other creatures do. Inventions had made positive as well as negative impacts. Man was proud when he considered only the positive outcome of his inventions. But the other side of human inventories had also made a negative impact on the society / environment. For example the industrial revolution which had given employment to many people had also made the Earth polluted. Thus new inventories and technologies have two faces. Like Science and other aspects, new technologies in ‘businesses’ are delivering tremendous growth day to day.

The traditional methods followed for business had vanished once the internet was invented. Almost two decades ago, to export a cargo beyond the frontiers took much time even for a small communication. Now this is happening within a fraction of seconds through electronic mails (email) and live chats. Therefore the business men can simply gain mutual understanding and confidence on their counter parts which is a basic requirement of any business. Trade links and meetings are happening online. A business trip is occurring only when a business man’s presence is necessitated. Therefore all transactions are happening through internet. People used to visit stores to purchase products for their need. With internet, the whole world has shrunk to their hands. A gadget which has internet connection has made the life much sophisticated. A decade ago, online trading trend was a new concept to India. When the doors are opened up for foreign direct investments in India the style is absolutely changed now. Foreign companies have started their own production units in India. Cars, Cosmetics, Medicines, Mobile phones, FMCGs etc., of all international brands are being manufactured in India.

It was not easy to purchase a product from foreign countries earlier. The consumer needs to scout the market through the known acquaintances. Now it is much easier to search on the internet. All the international brands of any product can be purchased in India within a day or two.

Younger generation in India has absorbed the new changes in the technology rapidly. They are not willing to travel or spend much time to visit the retail outlets. Retail outlets in shopping malls were introduced only to attract consumers towards them. But India has diverse economy. The consumer behavior of middle income family mostly do not prefer to purchase from shopping malls as they presume that the price of a product is much higher and these malls are meant only for rich community. They are not even ready to pay visit to retail shops in malls to inquire the product’s price.

### **What is Retail and who is a Traditional Retailer?**

#### **Retail**

Retail refers to the sale of merchandise in small quantities direct to the end-user for direct consumption from a fixed location.

#### **Retailing**

The retail activities and its subordinated services such as delivery, warranty, servicing and replacement are called Retailing.

## **Retailer**

Retailers are intermediaries between the manufacturer and consumer and are at the end of the supply chain. They build and manage marketing channels independent of the manufacturer and have their own strategies to promote brands and product lines. Some retailers are powerful to the extent that they dominate the manufacturers who deal with them. Some retailers even use modern strategic planning and marketing tools and measure their performance on the basis of return on investment than mere profit margin. Their market segmentation, targeting and positioning are better than manufacturers at most times. There are three major divisions of retailers namely store retailers, non-store retailers and retail organizations.

## **What is Online Business and Why it is Honored?**

The concept E-commerce was introduced during early 90's in India. It was categorized as B2B & B2C i.e.) Business to Business and Business to Consumers. Business to business (B2B) is commerce transactions between businesses. An exporter dealing with an importer is called B2B. On the other hand, transaction directly between a company and consumer is known as business to consumer (B2C). No wonder it has reached its peak now. This electronic commerce includes both buying & selling products, supplies & services and sharing information. Online business has advantages and disadvantages over traditional retail business. The operating cost of online business is much cheaper than the traditional retail business. There is no retail outlets required for online trade whereas an outlet is must for traditional commerce of selling a product. Traditional method required hiring an outlet, the retailer has to spend money for electricity, interior design and he has to hire work force to run the business. On the contrary, online business does not require all these factors. Since the products are procured directly from the warehouse, the online retailers do not need to stock. Hence the operating costs are utterly cheap. Many giant online retailers like Amazon, Flip kart, Alibaba, Jabong, Snap deal and E-bay have already built an online retail presence in the country and several others have charted out strategy to enter the market. Most of the brands entering the market are targeted at the premium end. Quicr is another example for selling used products through online. There was no platform for selling used products in the old traditional trade. But E-commerce structure has made it possible. A customer's buying behavior has been easily analyzed through his previous records and new products or brands will be suggested to him very quickly during his online visits. Thus it is trouble-free for the online retailers to do online marketing also.

## **Statement of Problem**

Unlike traditional commerce there will be no face to face interaction with the customers in online trade i.e.) E-commerce. Here, it should be apt to raise questions concerning online traders. The questions may relate to aspects such as how successfully these e-commerce retailers are running business. To what extent e-commerce has impacted the traditional commerce? With all the sophistication introduced by online business, it necessitate also to know whether the online retailing is safe for money transactions and how far this new way for shopping has impacted the traditional commerce. Finally it is mandate to be aware of whether the consumers still enjoy the old traditional way of shopping or they prefer to adapt new method for their purchase. Therefore, this study is an attempt to bring about the facts in this regard and the topic "consumer behavior towards online trade vs. traditional retail business" has been selected.

## **Objective**

The main objective of this study is to analyze the consumer behavior towards online trade vs. traditional retail business. Herein, the specific objectives of the study include the following.

1. To study the marketing practices adopted by e-commerce retailers and traditional retailers.
2. To analyze the pros and cons of the traditional and e-commerce retailing.

## **Scope of the Study**

The study is restricted to a selective group of individuals in Tuticorin in Tamil Nadu. However, the study is not constrained with the individual functions of any sample respondent or the organization he/she represent. Responses by way of questionnaire and interview schedule constitute the scope for primary data. Although the

study is confined to this geographical scope, its information scope has been extended upon need. Secondary data was collected from diverse sources such as company reports, manuals, bulletins, telecasts and web sites.

### Data Collection

The study was a field work relying largely on primary data. The study area was Tuticorin in Tamil Nadu state. Initially, a pilot study was undertaken with a sample of 20 consumers selected randomly. If necessary, an unstructured personal interview was also conducted to minimize the negative aspects of questionnaire. For secondary data, various books, journals, bulletins, articles, unpublished research theses and the like were consulted.

### Analytical Framework

The following tools were used for the purpose of data analysis.

1. Rankings
2. Chi-square Test
3. SWOT Analysis

### Chi –Square Test

The Chi-Square test is one of the several tests of significance developed by statisticians. It can be used to determine if categorical data shows dependency or if two classifications are independent. It can also be used to make comparisons between theoretical populations and actual data when categories are used.

A Chi – square test is used to determine whether there is a significant difference between the age factor of the consumers and type of business i.e.) traditional or e-commerce. Since the significant value is less than .05, it is inferred that the statistic is considered to be significant.

An analysis on online business and traditional commerce will help to know the pros and cons of any theme. SWOT analysis offers a simple way of communicating and an excellent way to organize information gathered from studies or surveys. Hence SWOT analysis shall facilitate understanding the picture more clearly.

#### Strengths

Online Retail Trade	Traditional Retail Trade
Multiple products available on one website with all relevant information.	Price could be negotiated
Products will be delivered at door step.	Quality of the product can be verified physically before purchasing
Information on new products will be sent directly to the customers' notice through emails.	Alterations / modifications will be done within the shop according to the need of the customer once purchased

#### Weaknesses

Online Retail Trade	Traditional Retail Trade
Up country customers need to wait 2 or 3 more days to get delivery of the product than metro city customers.	Not all products available in one retail outlet.
Products quality cannot be verified before purchasing. Customer has to rely on whatever information shared in the website.	Commutation and location of the retail outlet.

Complicated procedure to return the product or to get refund if the product's quality is not up to customer's mark.	Parking and other facilities.
---	-------------------------------

### Opportunities

Online Retail Trade	Traditional Retail Trade
International brands from any countries can be purchased easily.	Shopping experience for consumers
Dragged the younger generation's attention and a lot of scopes for further growth in terms of services and technology	Provides more employment
Can cover wide range of customers	Hospitality to the customers

### Threats

Online Retail Trade	Traditional Retail Trade
Delay in delivery	Obvious competition
Goods may get damaged during transit	Operating cost is much higher when compared to online retail business
Create unemployment	Less innovation when compared to E-commerce

There are few suggestions provided here below to enhance aspects related to the study topic. The findings themselves should throw light on possible areas of enhancement and hint at possible suggestions.

### Findings

1. The traditional retail industry in India is broadly divided into organized and unorganized sectors. Most of the traditional retailers in India sell their products through unorganized retail outlets. This has remained a settled attitude with them for a long time.
2. Traditional retailers are yet to improve on supply chain management, logistics handling, and adaptability to consumer preferences, international marketing and scientific administration.
3. Traditional retailers are hesitating to develop their own brands. Thus they are not ready to move to the next phase of retailing.
4. Online trade has become a gift to the middle income community for two reasons. Multiple products available in one website with all relevant information. Time consumption is less as it is delivered at door.

### Suggestions

Based on the findings of the study the following suggestions are made.

1. Traditional retailers have to be trained by the Government / bodies / associations on the technological know –how to compete with e-commerce retailers.
2. Consumer behavior towards online retail business is much positive as the prices of many products are cheaper when compared with traditional retail business. Since the operating costs for online mode of selling is much cheaper, they can offer cutback in price. Hence traditional retailers should find out ways of reducing costs and the essence of benefits should be enjoyed by the customers. This will drag the attention of consumers towards traditional retailers.
3. The shopping experience of consumers is a treasure for traditional retail business. It can attract the children by having kids zone, play stations and conducting competitions within retail outlets.



4. The procedure to get refund if the product's quality is not up to customer's expectation should be revisited by the online traders. Easy and clear guidelines will help the consumers to reach the online retailers quickly.

### Conclusion

India's long association with retail business in its culture, tradition and economy is well known. With its highly fragmented structure and interconnectedness across the whole value chain, the sector employs about 60 lakh men and women both directly and indirectly in garment and textile retail sector alone. (Dr. T.S. Devaraja, Indian Textile and Garment Industry - An Overview, Indian Council of Social Science Research, New Delhi, May 2011. Pp. 6). In India most of the traditional retailers are un-organized and unstructured which is an immense downside. Whereas online business is well structured and defined.

As far as Electronic commerce is concerned the consumers who are willing to upgrade themselves to adapt new technologies are the real beneficiaries. Others from rural mostly prefer to go for traditional trade. On the other hand, age factor plays a vital role in online trade. Only the age group between 16 – 40 years prefers online purchase. The remaining percentages of consumers who are not yet explored to e-commerce prefer to have the products purchased through traditional method. However the coverage of E-commerce is much wider than the traditional business. It has access to worldwide markets. 24/7 business is possible in on-line. But it has a major drawback of detecting fraud. A purchase can only be made through online by credit or debit cards. Unlike the traditional retailer, the e-commerce retailer could not verify the identification of the purchaser. Any misuse of the card will not be identified immediately. But this has been overcome now by introducing multiple check mechanisms by the bankers for making or receiving payments. However India is in the beginning stage of this transformation and it has a long way to go as far as online retail business is concerned. Undoubtedly this new method of e-commerce will dominate over traditional way of shopping not only in Tuticorin or India but the entire World.

### Work Cited/Reference

1. Barry Berman - Retailing Management – A strategic approach — Publisher Pearson.
2. Bishnu Priya Gupta, Work and Efficiency: Did the Indian Entrepreneur Fail?, Department of Economics, University of Warwick, October 2003.
3. Gemini V. Joy, Large Format Retailing and Changing Consumer Behaviour, Faculty of Marketing, Saint Gits Institute of Management, Kerala, 2007.
4. G. Gibson Vedamani, Retail Management - Functional Principles & Practices, Jaico Publishing House, Mumbai, April 2003.
5. Philip Kotler, Marketing Management, VII Edition, Prentice Hall of India Private Limited, New Delhi, 1992.
6. Prof. R. Sudarshan, Prof. S.Ravi Prakash & Prof. M.S. Sharma (Eds.) Retail Management – Principles and Practices, Jain Book Agency
7. P.R Vittal – Business Statistics – Margham Publications.
8. Retail Management – S.C Bhatia – Atlantic Publishers -2008.
9. Research Methodology – P. Saravanavel – Kitab Mahal Publications.