

Co-Existence of Traditional Retailers and Online Retailers is a Social Need

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Abstract

Globalization, privatization and liberalization of Indian Economy during 1990s did give an immediate boost to Indian Economy. To cater to rising demand from newly enriched people, large departmental stores & malls came up in Indian market during first decade of 21st Century. These offered a very comfortable and convenient shopping experience. These were initially seen as a potential threat to traditional retailers. But today, that threat perception has just vanished and these Malls are simply seen as supplementing the traditional retail. In the recent past (during 2014), another retailing format, called on-line retailing, has entered the market causing another bout of threat to health of traditional retailers. This paper discusses various factors which are seen to have a bearing on future direction of Indian market. Based on these discussions, it has been concluded that on-line retail is also not a threat to traditional retail. Actually, co-existence of on-line retail and traditional retail is a social need to-day.

Keywords – Globalization, Supplement, demographic, Computer Savvy, Smart phones,

I. INTRODUCTION

Traditional retailers, who have recently been given different names, like ‘brick and mortar’ stores retailers, physical stores retailers or offline retailers, have been in existence ever since the birth of human civilization. These retailers have remained an integral and essential part of any society all over India and have been catering to all strata of the society – poor or rich, youth or elders, educated or illiterate. Globalization, privatization and liberalization of Indian Economy during last decade of 20th century did give boost to Indian economy. A new class of people has come up due to globalised work culture. These people are well paid and have hectic and long working schedules. They have to commute long distances between their residences and work places and that too along very busy roads on which traffic jams occur every here and there. They are thus left with only a very limited time for other essential activities of life like shopping for essential commodities. It is in response to the need of this class of people that ‘on-line retailing’ has taken birth in Indian market. It has not been thrust upon the society by any law or by any foreign ruler and it is not meant to dislodge existing traditional retailing format. Traditional retail is strong enough to face any onslaught on its existence. In the beginning of 21st Century, large sized stores & Malls came up. These were seen as a potential threat to traditional retailers since these provided convenient and comfortable shopping experience to Indian Consumers. But to-day, those are no longer a threat. They are simply seen as supplementing the traditional retail. Only a year back, online retailing has entered the Indian market and may be seen as posing some challenge to traditional retail. However, it may not be so in the long run. A perusal and understanding of the following issues would suggest that both online retailing and traditional retailing are a social necessity and both need to flourish side by side in the best interest of Indian Consumers.

II. TRADITIONAL AND THE ONLINE RETAILERS HAVE THEIR OWN IMPORTANCE

India is home to more than 125 crores population having wide demographic variations. These include teenagers, youth and old people with differing levels of education and means of earning bread. They all have different cultures, likes and dislikes etc. Globalization of Indian Economy during 1990s has brought in global culture- both at home as well as at workplaces. A section of population, mostly computer Savvy youth, has preference for online while others have preference for traditional (Offline) retailers. Such variations in preferences is not due to personal whims of the people but because of some definite reasons. These two retailing formats have their own importance which make both on-line and offline retailing essential features of present social environment.

Importance of On-line retailers

- a) Our youth working in multinational companies have hectic and long duty cycles. They have to undergo long distance commuting between their residences and work places on busy roads. All this takes away practically the whole of their working period. They are left with practically little time for shopping. In such an environment, on line shopping has provided them an answer to their problem. With this, they can do shopping at any time of the day while sitting in the comforts of their homes.
- b) Smart phones have made online shopping still more comfortable. It has added advantage for teenagers who go for on-line shopping from their smart phones as part of their show off in their friendly circle.
- c) The market to-day is getting flooded with newer and newer products practically every other day. It is very difficult (if not impossible) to know about these latest products by visiting different stores. On-line option provides to consumers

the latest and accurate picture of variety of products available in the market, their different features and their prices. It enables customers to make a calculated choice. Online option is also useful to people in villages and towns as latest variety of products is not available in traditional stores in their areas.

d) Due to various reasons, including high density of population in Indian cities, most of roads and parking areas around markets in the cities are normally overcrowded. Online retailing would reduce part of this traffic and thus help society to minimize problem of vehicular chaos on city roads/market places and consequent pollution in the city.

e) India has been suffering from unfavourable balance of payment conditions despite various steps by Government. Relaxed policy on foreign direct investment in retail trade was one such effort undertaken by Government of India in recent past to attract foreign Direct investment. However, foreign companies did not respond favourably due to their own apprehensions. Now, with amazing performance of on-line retailers even during their nascent life period, foreign companies are getting more than eager to join this growth story. India has already received about \$ 9 billion of foreign Direct investment during last one year only. India can expect much more inflow of foreign direct investment as on-line retailers in India move toward their maturity phase.

Importance of Traditional Retailers

1. Despite suitability of on-line retailing to a section of Indian society in the present working environment, their present unexpected success in Indian market has been mainly due to heavy discounts offered by them to attract the customers. Such discounts are not sustainable in the long run. On-line retailers, themselves, claim that these discounts are for building customers loyalty towards their websites. But the blunt truth is that a customer is rarely loyal to any trader/format. He is only interested in a better deal at the time of his shopping. As such, attraction of online retailers may diminish with time as and when they reduce/withdraw unsustainable discounts. Traditional retail is, thus, likely to continue its dominance in the market and online retail would be just another shopping option for benefit of a particular section of Indian Society.

2. Majority of Indian customers feel confident of having made a right choice only if they do so after visiting physical stores and after having made a personal touch of the products. They are not comfortable to decide the same after having a look on the virtual display of products on websites. As such, traditional stores are likely to continue to be a preferred mode of shopping by majority of Indian customers.

3. There is poor quality of supply chain infrastructure and road network in India. For this reason, online retailers may not be able to make much headway in retail trade in rural areas and small towns scattered all over India.

4. A large percentage of Indian population is illiterate. Amongst educated persons also, large section is not comfortable to work on computers. Traditional retail (i.e. physical stores retailing) is the preferred option for them. No extent of discounts or other incentives by on-line retailers can divert them away from traditional retail.

III. DEEP DISCOUNTS BY ON-LINE RETAILERS ARE UNSUSTAINABLE

Pioneers of on-line retailing like Flipkart, Snapdeal and Amazon India, made their entry into Indian market sometime after 2008 as e-commerce entities but their entry remained practically unnoticed upto around middle of 2014. By then, they had only a very limited penetration in the market and that too it was in some specific niches like travel and hotel booking etc. They made a bang entry into on-line retail during 2014 when they offered deep discounts which were as high as 40% -60%. This did shake up traditional retailers and they did raise their voice against this unethical business malpractice. But, such discounts were not sustainable for long. Online retailers, on feeling heat of such discounts, have already tapered down the discounts to even below 20%. This tapering of discounts has brought down sales by on-line retailers. Thus, these discounts are only a short time phenomena. Very soon, the market would stabilize. Then traditional retail and on-line retail would tend to co-exist in the service of Indian consumer.

IV. MARKET PLACE' MODEL FOR ON-LINE RETAILING

Policy of Government of India for Foreign Direct investment in multi-brand retail is not attractive for foreign investors. In order to circumvent this policy, pioneers of on-line retailing in India (like Flipkart, Snapdeal, Amazon India) have developed a new model called 'market place' model. Under this model, these companies do not do retail business of their own. They simply provide website platform in addition to payment and delivery services to traders interested in on-line retail. They charge commission from retailers for sales made by them from such market places

A section of traditional retailers call it a malpractice on the ground that it is designed to circumvent law of the land. However, it is important to note that this arrangement is not new. It has been prevailing in India since long even for traditional retail under the names of 'Haat' or Apni Mandi. In this long prevailing system of Haat or Apni Mandi, some local body organizes the market place and charges some commission from traditional retailers doing business there. 'Market place' model of online retailers is just an extension of the long prevailing system of Haat or Apni mandi by traditional retailers.

V. ERA OF INEFFICIENT RETAIL CHAINS LIKELY TO GO

In the absence of any competition, traditional retailers had been enjoying huge margins to offset their inefficient retail chains of middlemen and cost of maintaining glittering outlets at expensive locations. It was all at the cost of consumers. Consumer was simply at their mercy as he had no other option. But now, online retailers, sell products straight from manufacturer's store. They have no elaborate chain of middlemen. They are able to pass on part of margins as discounts. On line retail format will definitely force traditional retailers to review their working model to cut costs to safeguard their existence. This will add to the overall interest of consumers.

Indian Industry had successfully faced similar situation after Indian economy was globalised and import duties were cut from as high as 150% to about 20%. Indian Industry, which was used to work under thick protection umbrella of high import duties, was quite apprehensive of facing global competition with drastic reduction of import duties. But the challenge made them rise to the occasion by cutting unnecessary costs and by improving efficiency of their operations. This ultimately proved useful to Indian Industry and the Indian consumers.

We are likely to see repeat of above phenomena in retail business which would ultimately reduce overall costs to the consumers.

VI. WHAT IS EXPERIENCE WORLD OVER

As per Mr. J Suresh, Managing Director, Arvind Life Style Brands, “the debate between online retail & offline retail is totally uncalled for as both have existed and thrived together in developed markets. Infact, in the United States, of top 20 retailers selling online, the majority of them are Omni Channel retailers who started primarily as brick and mortar retailers. As per this author, the only way for traditional retailers to stay relevant & continue to be successful in future is by developing Omni-Channel capabilities”. We quite frequently see such a trend in India as well, though at mini scale. We find some kiriyana shops now offering on line ordering and free delivery facilities.

Author, Mr. Shelley Singh, in a special feature in the Economic times dt. 2.6.2015, interalia, states that ‘Indian market is different from other markets world over. It is market of more than 125 billions people belonging to quite different cultures and languages. A large number of people are illiterate and so not influenced by online retailers. Secondly most of the countries have a single dominant player in on-line retailing. There is Amazon in U.S., Alibaba in china, Rakuten in Japan, Mercado Libre in Brazil. But India already has five companies in the e-commerce space(namely Amazon India, Flipkart, Snapdeal, ebay and Paytm). In addition, there are large niche players like Myntra (In fashion), Pepperfry (for furniture) etc’. It is expected that online retailers in India would be spending a large part of their energy and resources in fighting with one another to ensure their respective shares in the on-line market. None will have time and resources to pose any threat to the health of traditional retailers.

VII. CONCLUSION

Under changed physical and working environment in India due to globalization of its Economy, a section of Indian society found it difficult to utilize traditional retail to meet their materialistic needs. Online retail has got established in India very recently to cater to need of such section of society. Both these formats of retail have their own importance for different sections of the society. In addition, competition posed by on-line retail is likely to make traditional retail more efficient resulting in lower costs of products to the consumers. Thus co-existence of on-line retailers and traditional retailers is a social necessity and is in the overall interest of the Indian consumers.

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