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Popularity Comparison between E-Commerce and Traditional Retail Business

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Abstract

People around the world are becoming increasingly busy with their lifestyle and are looking for the fastest, easiest and cheapest way to complete variety of our routine tasks. Because of this phenomenon, the traditional retailers have become an unfriendly alternative for a part of the population for a variety of purchases. The main benefit of e-commerce is that people can purchase wherever they are, without having to leave home, and finding everything they need just by typing a couple of words. This paper investigates the importance of e-commerce in the daily lives of people. In order to do so the paper conducted an analysis of secondary data sources and have undertaken a sample survey. It should be noted that the research is in the global context and survey participants are from various countries in Europe, Americas and Asia. The findings of this research suggest that consumers are still sceptic regarding accurate delivery of products purchased online; suitability of payment methods; and the use of personal data harvested by the online retailers.

Keywords: E-Commerce, Consumer Behaviour, Retail, Survey, Online Purchase

1. Introduction

20 years ago, the World Wide Web (WWW) was created. Thanks to this system, the use of internet started. Nobody imagined how it would change the daily life and the way it would create new opportunities for businesses (Moon and Kim, 2001). The globalization is having an important impact in the business world and the continuous technology advances are making this possible (Sagi et al., 2004). Increasing number of companies are being created based on innovative e-commerce-based business models and there is rumour that traditional retail stores will disappear someday.

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There are three important facts that are revolutionizing the way we shop, first of all, internet connection is becoming accessible for more people around the world; the second fact is that mobile devices are making their technology user friendly with the purpose that anyone, no matter their age, can be able to use it, and finally, it can be seen that for new generations, technology is part of their daily lives, they are “technology natives”, they can see, understand and use internet as something which is inherent. Due to advancement in technology, the transactions through any digital media are becoming a must for almost any company that provides a product or a service (Sun and Finnie, 2004). E-commerce is becoming a trend that cannot be denied in our daily lives.

In e-commerce, the buyer and seller have a type of communication that is different than traditional business, they do not look each other in a personal way, the buyer just can look at the product in photos, making it a different experience from traditional shopping where you can try and touch the products. In this new environment, the communication between the company and the customer is different, it is through the comments and reviews made in the e-shop, web pages, blogs or the most usual, the interaction in social media. Since the boom in social media usage, it has become one of the most important tools in order to sell something online, and this article explain how social media is an influence on the customer’s purchase decision and how this is related with the increasing popularity and preference of e-commerce against the traditional business.

2. Materials and Methods

This research employed the following two research methods in order to investigate the research problem:

- Analysis of secondary data (Malhotra and Malhotra, 2012) such as research papers, reports, statistics, databases, studies and articles published by agencies specialized in consumer behavior or sociodemographic research;
- Sample survey (Zikmund et al., 2013).

The secondary data was used to define concepts about the topic and identify trends associated with e-commerce. Sample survey was deemed suitable to gauge consumer opinion and has been employed by previous researchers. There were in total 17 questions asked in the survey. Google Forms tool was used, and sample size was 50 with equal distribution of women and men. The participants of the survey were between 19 to 35 years of age and were all familiar with the e-commerce environment. The survey had questions about their shopping behavior; preferences; concerns and main reasons for choosing online shopping. Descriptive statistical analysis was conducted of the data acquired (Zikmund et al., 2013).

3. Results and Discussion

As already mentioned, there are two parts of this research. Section 3.1. discusses the results of the secondary data whereas section 3.2. presents the results of the sample survey.

3.1 Analysis of secondary data

Electronic commerce and traditional commerce have similarities. Both involve the exchange of goods, require communication with customers and strategies to penetrate new markets. The principal difference is that in e-commerce a part of the exchange is conducted in a digital platform which requires an internet connection. Nowadays, competition level in the business world is the highest of all the times, so companies must find new ways in order to acquire, gain and maintain customers. Therefore, businesses are hedging on IT to provide them a competitive advantage and expand their market segment through internet channels. According to available data

is Statista Database, online purchases have been steadily increasing from 2014 to now and e-retail revenues are projected to grow to 3.4 trillion US dollars in 2019 (Statista, 2019) which is illustrated in Figure 1.

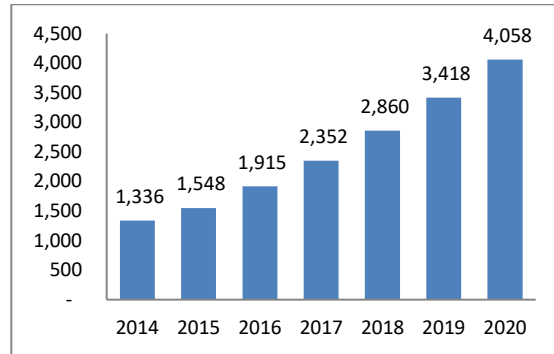


Figure 1. e-commerce sales in U.S. billions. (Statista, 2019)

Online systems of purchase have a major difference from the traditional way of shopping; which is in terms of distribution and logistics. Figure 2 and 3, illustrates the difference between the contrasting models. The models are based on exiting literature on traditional and e-commerce distribution models (de Koster, 2002; Ishfaq et al., 2016; and Saghiri et al., 2018).

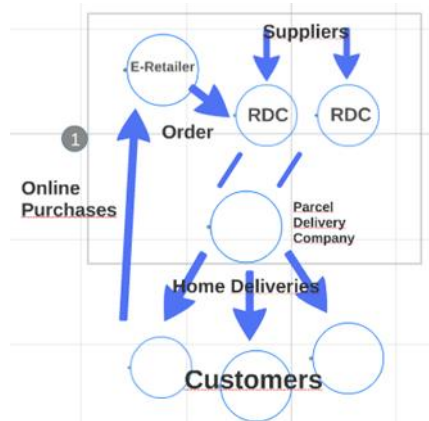


Figure 2. Logistic of e-commerce



Figure 3. Logistic of traditional retail

Traditional commerce has face-to-face interaction between customers and suppliers. However, in e-commerce, products are sent to the consumer address. This leads us to one of the most important advantages of e-commerce for companies, i.e., there is no need for retail employees thus resulting in cost saving. However, in the modern era, e-business needs to take advantage of various social media platforms. This is because, it has been found that once online, 76% of internet users use social networking sites. The following statistics highlights the importance of social media and their influence in retailing (Omni Agency, 2019):

- 93% of Pinterest users use the platform to research purchases;
- 87% of Pinterest users have purchased an item because of Pinterest;
- YouTube videos provide an 80% lift in consideration and 54% in ad recall;
- Facebook accounts for 50% of social referrals and 64% of total social revenue.

Increasing popularity of mobile devices also needs to be discussed. It has been found that 2.1 billion people in the world have access to a mobile device. In an investigation made by Gartner Group, it was discovered that e-shops must adapt to technology innovation and support interaction with consumers more inclined to using mobile devices (Gartner, 2015).

Because of the virtual interaction between e-retailers and consumers, new payment methods had to be created. One such example is PayPal, which has simplified the payment process. Unlike traditional shopping, one does not have to worry about carrying cash. It has been further found that e-commerce has positive influence on the growth of many business, e.g., Tesco initiated QR code campaign that helped people to shop online and as a result online sale increased by 76% (Fine and Clark, 2015). Research further indicates to some damning statistics in relation to brands without online sales options, e.g. 50% of such businesses close in the first years; 40% close within 5 years; only 10% are successful (Gartner, 2015; Chron, 2015).

It appears that there is a correlation between financial ability and rate of online purchase among consumers. It is interesting to note that financially rich countries like Denmark, Switzerland and Canada witnesses the most amount of online purchases. In contrast, countries with least sales through e-commerce falls in Africa (Ho, Kauffman, and Liang, 2007). This could be because of lack of technology development and implementation.

3.1 Survey results

The second part of the research was based on a sample survey. As mentioned earlier the number of respondents to the survey were 50. Typical questions involved respondent’s demographic data, their preferences and opinions about e-commerce and traditional commerce. The age range of respondents was between 19 to 35 years. The results indicate that 96% of the population have made online purchases. However, 50% of respondents have concerns regarding the delivery of products purchased online, whereas 34% have skepticism with online payment (Figure 4). However, despite the concern an overwhelming 96% of the respondents mentioned that they are willing to continue with online purchases.

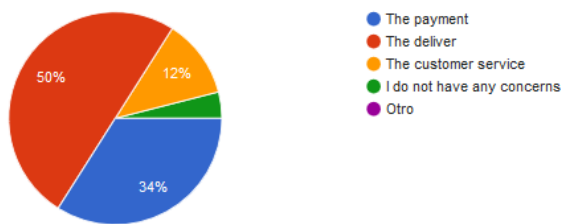


Figure 4. Concerns regarding online purchase

Among the respondents, Amazon is the most popular platform for online purchases followed by eBay, Alibaba and BestBuy. Respondents further mentioned that the driving factors for choosing online shops rather than traditional retailers is cheaper price followed by time saving and variety; Figure 5 provides the detailed breakdown of factors.

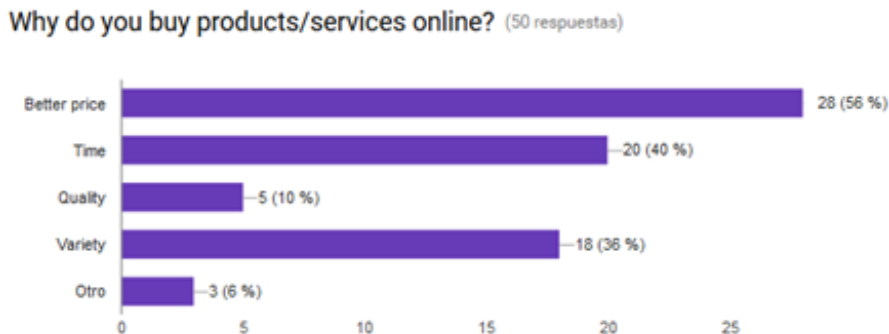


Figure 5. Reasons for online purchase

Furthermore, 72% of respondents appear to use laptops when conducting online purchases, whereas 32% prefers mobile phones (Figure 6). In addition, online customers mostly prefer credit cards for making payments followed by PayPal (Figure 7). Not surprisingly 42% of respondents are influenced by Facebook when deciding on online purchases and 17% are influenced by Instagram. However, a joint highest 42% have opined as “others” as an influencing factor. It is suggested that further research may be initiated to investigate this.

Which devices do you use to buy online? (50 respuestas)

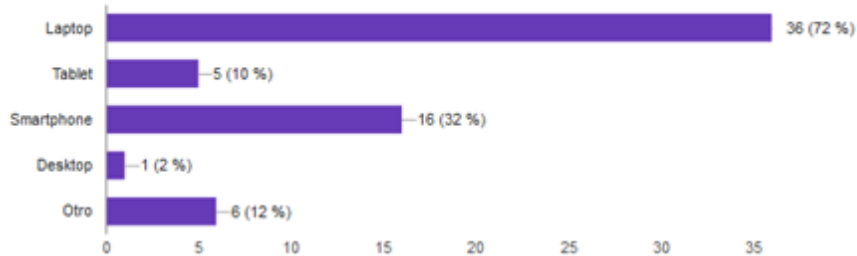


Figure 6. Devices used for online purchases

Which is the payment method of your preference? (50 respuest

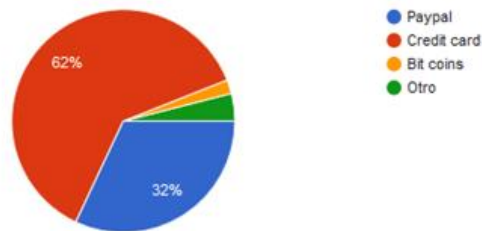


Figure 7. Popular payment method for online purchases

Which of the following social networks influence in your online purchases? (50 respuestas)

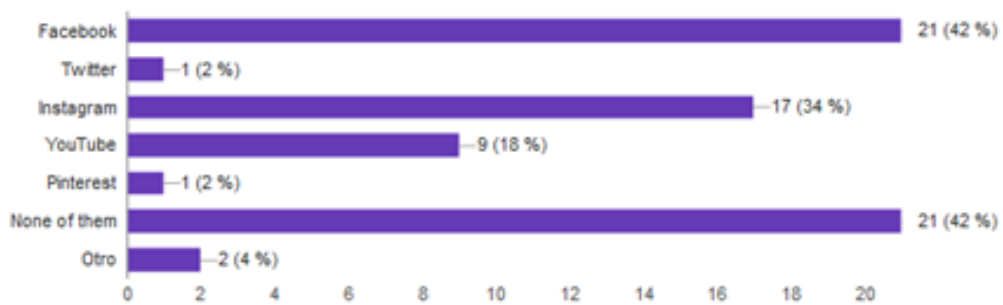


Figure 8. Popular social networks influencing online purchases

The results of the sample survey are consistent with theoretical and secondary data assessment provided in section 3.1. It is interesting to note that consumers perceive that products can be purchase at cheaper price through e-commerce sites. This is possible since sellers can reduce overhead costs such as retail facilities and sales force due to the use e-commerce channels. In addition, the relative weaker (2nd) position of smart phones in terms of being the preferred device for online purchases indicates that further innovation in terms of user friendliness of the applications is required.

4. Conclusions

Based on this research, most consumers are more accustomed with online shopping and the purchasing process is getting easier with the passage of time. Also, there are a lot of advantages of e-commerce, like the creation of new opportunities for businesses and new ways of distribution; access to global new customers; expansion to new markets; increased competitiveness, rapid response to needs and shorter delivery chains, all of which leads to a reduction in the final product prices and better customer experience.

The segment of the population that is more involved with the internet is the relatively younger population, with powerful technology such as the Internet, this customer segment has access to extensive information and combined with the boom of social media in which this generation is the main participant, creates a strong tie between social media and e-commerce. They are strongly co-related because the engagement and popularity of these new forms of virtual socializing is increasing, even when young users are scrolling down the photos in their Instagram account, they can see a post of an influencer which may not be any promotion, but with the single fact that an “admired” person is shopping in a certain place, or using a specific brand, unconsciously generates a brand presence in the mind of the consumer. Therefore, when these young consumers search information of that brand, regardless whether the store is in another continent, or it does not physically exist, they know that a purchase can be made. Companies should be prepared to catch the attention of such customers and guide them through the purchase.

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