

An Investigation into the Influence of E-commerce Platforms on Local Retailers: A Case Study of Kollam District

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Abstract

The impact of the Internet and e-commerce on traditional retailing has been a topic of extensive debate, with divergent views ranging from apocalyptic predictions of the demise of physical retail to assertions of minimal impact on traditional retailing. Despite the exaggerated hype, occasional high-profile failures, and the multitude of conflicting perspectives, e-commerce processes offer the potential for a profound reevaluation of retail operations and retailer behavior. Indeed, the advent of e-commerce necessitates a reassessment of existing retail practices and cost structures in response to the influx of new technologies and evolving retail structures. While the e-commerce market continues to expand rapidly, it is important to note that this growth does not necessarily translate to a significant decline in the traditional retail market. Shopping malls are not shuttering at an alarming rate, nor are the retail outlets of beloved brands disappearing due to online competition. However, there is undeniably a paradigm shift underway, with consumers increasingly turning to online platforms for their shopping needs. This shift presents a unique challenge for private sector employers in the retail industry, who must navigate the changing landscape and adapt their strategies to remain competitive. While online shopping offers unparalleled convenience and accessibility, traditional retailers must leverage their strengths in areas such as personalized customer service, immersive shopping experiences, and community engagement to differentiate themselves in an increasingly crowded marketplace. As e-commerce continues to reshape the retail landscape, it is imperative for retailers to embrace innovation, invest in digital capabilities, and explore new business models to thrive in this evolving environment. By understanding and harnessing the potential of e-commerce technologies, retailers can not only survive but also thrive in the dynamic and interconnected world of modern retailing.

Keywords: Internet, e-commerce, traditional retailing, retail market, technology, consumer behavior, online shopping, shopping malls, retail stores, competition, innovation, digital capabilities.

1. Introduction

The Indian retail industry has experienced a significant transformation, marked by the entry of numerous new players, rendering it one of the most dynamic and fast-evolving sectors. [1] With a projected total consumption expenditure nearing US\$ 3,600 billion by 2020, up from US\$ 1,824 billion in 2017, its impact on the country's gross domestic product (GDP) surpasses 10%, with around 8% of total employment stemming from this sector. Notably, India stands as the world's fifth-largest retail destination, as affirmed by various global indices. In the United Nations Conference on Trade and Development's Business-to-Consumer (B2C) E-commerce Index 2019, India secured the 73rd

position, showcasing its growing presence in the digital retail landscape. Furthermore, India's ranking of 63 in the World Bank's Doing Business 2019 report underscores its conducive business environment. The retail landscape in India has witnessed a significant influx of foreign direct investment (FDI), with India ranking 16th in the FDI Confidence Index. This surge in investment underscores the global recognition of India as a promising retail market. [4] E-commerce has revolutionized the retail sector, transcended locational constraints and enabled retailers to reach consumers worldwide. While this has opened up new avenues for revenue generation and expanded

customer bases, it has also intensified competition, posing challenges for traditional retailers. However, innovative ventures such as e-books have augmented firm welfare by diversifying revenue streams from existing products. The advent of the internet age has brought forth both opportunities and challenges for businesses. Early adopters of e-commerce have reaped significant benefits, while those slower to embrace this technological shift have encountered hurdles in remaining competitive. It's imperative for businesses to navigate this digital transformation adeptly, leveraging its potential while mitigating its adverse effects to thrive in the evolving retail landscape.

2. Review of Literature

Anthony D. Miyazaki and Ana Fernandez authored a report titled "Consumer Perceptions of Privacy and Security Risks for Online Shopping," published in the *Journal of Consumer Affairs*, [2] Volume 35, Issue 1, pages 27–44, in the summer of 2001. Eunju Ko and Doris H. Kincade conducted research on "The Impact of Quick Response Technologies on Retail Store Attributes," which was published in the *International Journal of Retail & Distribution Management*. Shanthi and Kannaiah (2015) [5] conducted a study titled "Consumers' Perception of Online Shopping," revealing that individual perceptions of online shopping vary and are influenced by factors such as connectivity and exposure to online platforms. Their findings indicate both similarities and differences in consumer perceptions based on individual characteristics. Argha (2014) investigated factors influencing online purchases in Kolkata in a study titled "Online Shopping: [3] A Study of the Factors Influencing Online Purchase of Products in Kolkata." Their research highlights the rapid growth of online shopping in India, with significant factors including cost, convenience, product quality, and seller reputation influencing purchasing decisions. Sanjeev Prashar (2017) [10] explored the effects of online shopping values and website cues on consumer behavior in a study employing the S–O–R framework. Their findings attribute the growth of online shopping in India to technological advancements, rising standards of living, a youthful demographic, an expanding middle class, and increased internet accessibility through broadband

and mobile devices. The entry of global e-commerce giants has further intensified competition within the market. [6] Drawing from the work of Hirschman and Holbrook (1982), motivations for online shopping encompass both utilitarian and hedonic dimensions. While some consumers approach online shopping as a means to solve practical problems, others seek enjoyment, stimulation, and sensory experiences, reflecting a spectrum of motivations within online consumer behavior.

3. Significance of the Study

This research endeavors to investigate the factors influencing the impact of e-commerce on small retailers, with a specific focus on Kollam. [7] The significance of this study lies in the growing preference for e-commerce platforms among consumers. E-commerce has significantly diminished the importance of physical location for retailers, enabling them to reach customers worldwide. This expanded reach holds the potential for substantial increases in revenue and customer base. Additionally, innovations such as eBooks have contributed to the diversification of revenue streams for businesses. Nonetheless, heightened competition in the e-commerce landscape poses challenges for traditional retailers, potentially resulting in significant business attrition.

3.1. Statement of the Problem

E-commerce has elicited both favorable and adverse effects on businesses globally. While some small enterprises perceive e-commerce as a tool wielded by established market leaders to extend their reach and stifle competition from startups, others regard it as an avenue to showcase their offerings to a wider audience and compete with larger players. The evolving trends within the e-commerce sector play a pivotal role in shaping the trajectory of the entire retail landscape. [8] The influence of e-commerce on the retail industry is profound, compelling traditional retailers to enhance their offerings to provide an equally immersive shopping experience. In India, the e-commerce sector has experienced remarkable growth in recent years, driven by various contributing factors. These include the rapid integration of technology by Indian consumers, significant expansions in internet accessibility, the advent of enabling technologies, innovative business models,

and diverse payment alternatives facilitated by e-commerce enterprises.

3.2. Scope of the Study

The research is geographically delimited to the Kollam district, providing an in-depth analysis of the implications of e-commerce on small retailers operating within this region. By narrowing the scope to Kollam, the study aims to capture the localized dynamics and challenges faced by small-scale retailers amidst the burgeoning e-commerce landscape. [9] This focused approach enables a nuanced examination of the socioeconomic factors, market conditions, and regulatory frameworks that shape the e-commerce ecosystem within the district. Additionally, by exclusively examining the impact on small retailers, the study seeks to uncover the unique opportunities and challenges encountered by this segment of the retail industry in adapting to e-commerce trends.

3.3. Objectives of the Study

- To examine the impact of online shopping on traditional offline retail sectors.
- To assess the challenges encountered by small retailers following the implementation of local e-commerce applications.
- To analyze shifts in consumer purchasing behavior amidst the COVID-19 pandemic.

4. Research Methodology

The validity of any research is based on a systematic method of data collection and proper analysis of data collected. The methodology adopted for the proposed study is given below:

Sources of data

Both primary and secondary data is used for carrying out the study. Primary data is collected with the help of a Structured Questionnaire. While, secondary data obtained from periodicals, journals, magazines, newspapers, websites, books and other reference material.

Sampling design

The sampling technique followed in this study is convenient sampling, which is a classification of non-probability sampling method.

Tools for analysis

The data collected were classified and analyzed based on the objectives of the study. For analysis statistical techniques like percentages, tables 1-5 and chi-

square test were used. The Chi-square test was applied to examine the significance of variation in the opinion among online shopping behavior of consumers during covid 19 pandemic period.

4.1. Hypothesis

H01: The introduction of e-commerce platforms has no significant impact on retailers.

H11: The introduction of e-commerce platforms has a significant impact on retailers.

H02: There is no change in consumer buying behavior during the COVID-19 pandemic.

H12: There is a change in consumer buying behavior during the COVID-19 pandemic.

5. Limitations of the Study

- The study solely focuses on small retailers, limiting the exploration of e-commerce platform impacts.
- The findings are based on primary data gathered from 300 small retailers in Kerala state, thus limiting the generalizability of the results.
- This study, being academic in nature, is constrained by factors such as time and budgetary considerations.

6. Results and Discussion

Interpretation: The table 1 presents a breakdown of respondents across different categories, providing valuable insights into their demographics and characteristics. In terms of the type of shop, the majority of respondents are from bakeries (30%), followed by mobile shops (24%), restaurants (20%), textiles (14%), and groceries (12%). Moving to monthly sales turnover, the data indicates that the largest group of respondents (42%) falls within the sales turnover range of 150,000 to 250,000, with another significant portion (40%) reporting turnovers up to 150,000. Meanwhile, smaller proportions of respondents are in higher sales turnover ranges: 10% in the range of 250,000 to 350,000, and 8% with turnovers above 350,000. Regarding educational qualifications, the majority of respondents are graduates (32%), followed by those with a Higher Secondary School (HSS) qualification (28%), SSLC holders (18%), and Post Graduates (10%). A smaller portion (12%) reported having other educational qualifications. This comprehensive breakdown aids in understanding the surveyed population's

composition, enabling businesses and policymakers to tailor strategies effectively based on these demographics and trends.

Table 1 Demographic Profile of the Respondents

Particulars		No. of Respondents	Percent age (%)
Type of Shop	Grocery	12	12
	Textiles	14	14
	Restaurant	20	20
	Mobile Shop	24	24
	Bakery	30	30
Monthly Sales Turnover	Upto 150000	40	40
	150000-250000	42	42
	250000-350000	10	10
	Above 350000	8	8
Educational Qualification	SSLC	18	18
	HSS	28	28
	Graduate	32	32
	Post Graduate	10	10
	Others	12	12
Total		100	100

Source: Primary data

Interpretation: The entrance of e-commerce giants has had a significant impact on various types of retailers, manifesting differently across sectors. Among the grocery retailers surveyed, 4% experienced an increase in sales, while 6% reported a decline and 2% noted no change in sales. Textile shops similarly saw a split impact, with 6% of retailers observing a sales increase, another 6% facing a decrease, and 2% witnessing no change. Within the restaurant sector, out of 20 respondents, 14% reported a decline in sales, contrasting with the 4% who noted an increase, while 2% indicated no change. Mobile shops were impacted differently,

with only 2% experiencing a sales increase and 4% observing no change out of 24 respondents. Among bakery retailers, just 2% reported increased sales, while a significant 26% faced a decline attributed to the rise of e-commerce platforms. Notably, 2% reported no change in sales volume despite the entry of e-commerce giants.

Table 2 How has the Emergence of E-Commerce Giants Influenced Your Business Operations?

Type Of Retailer	Increase the sales		Decrease the sales		No Change	
	No	%	No	%	No	%
Grocery	4	4	6	6	2	2
Textiles	6	6	6	6	2	2
Restaurant	4	4	14	14	2	2
Mobile Shops	2	2	18	18	4	4
Bakery	2	2	26	26	2	2
Total	18	18	70	70	12	12

Source: Primary Data

Table 3 Have You Ever Considered Transitioning Your Business to an Online Platform? If Yes What are the Difficulties that You Might Face?

Particulars	No. of Respondents	Percentage (%)
Higher Capital-Intensive Cost	40	40
Low-Profit Margin	4	4
Competition	2	2
Lack Of Technical Knowhow	36	36
Fear Of Change	8	8
No intention to switch online	10	10
Total	100	100

Source: Primary Data

Interpretation: According to the survey results, the primary barrier preventing retailers from transitioning their businesses online is the higher capital-intensive cost, cited by 40% of respondents. Additionally, 36% of retailers identified a lack of technical know-how as a significant obstacle to adopting an online platform. Only 8% expressed fear of change, indicating a relatively minor concern. Competition was mentioned by 2% of respondents as a restricting factor. Furthermore, 4% of retailers noted low-profit margins as a deterrent to engaging in online business activities. Interestingly, 10% of respondents expressed no intention to switch their businesses to an online platform at all.

Table 4 Have You Ever Traded Your Business Online? If Yes, What Was Your Experience?

Particulars	No. of Respondents	Percentage (%)
Best	16	16
Better	10	10
Good	8	8
Bad	6	6
Not tried yet	60	60
Total	100	100

Source: Primary Data

Interpretation: Based on the responses, those who have traded their business online at least once reported the best experience, accounting for 26% of respondents. Additionally, 26% had either better or best experiences through online trading. 8% of respondents reported a good experience, while 6% had a bad experience. The majority, comprising 60% of respondents, have not yet tried trading their business online.

Interpretation: The COVID-19 pandemic has significantly impacted offline retailers, with varied effects across different types of businesses. Out of the 12 grocery retailers surveyed, 2% reported increased sales, while 6% experienced a decline, and 4% observed no change. Similarly, for textile shops, 2% saw sales increase, 9% faced a decrease, and 3% reported no change. Among 20 restaurant respondents, 14% reported a decline in sales, 3% saw an increase, and 3% experienced no change. Interestingly, among 24 mobile shop respondents,

none reported increased sales, 7% faced a decrease, and 17% observed no change. For bakery retailers, only 3% reported increased sales, while 24% experienced a decline. Notably, 3% of respondents across various types of retailers reported no change in sales despite the challenges posed by the entry of e-commerce giants.

Table 5 How Has the Covid-19 Pandemic

Type of Retailer	Increase in Sales		Decrease in Sales		No Change	
	No.	%	No.	%	No.	%
Grocery	2	2	6	6	4	4
Textiles	2	2	9	9	3	3
Restaurant	3	3	14	14	3	3
Mobile Shops	0	0	7	7	17	17
Bakery	3	3	24	24	3	3
Total	10	10	60	60	30	30

Source: Primary Data

6.1. Chi Square Test & Testing of Hypothesis

H01: The entrance of e-commerce platform hasn't affected the retailers.

Table 6 Observed Frequency- Key Motivating Factors and Online Shopping Behaviour

Type Of Retailer	Increase in Sales	Decrease in Sales	No Change
Grocery	4	6	2
Textiles	6	6	2
Restaurant	4	14	2
Mobile Shops	2	18	4
Bakery	2	26	2
Total	18	70	12

Source: Primary Data

Interpretation: By applying the Chi-Square test to the observed data, the significance of the data was assessed and the tested hypothesis was evaluated. The critical value of X^2 at a significance level of 0.05 with 8 degrees of freedom is 15.507. The calculated X^2 value for the provided table 5 is 16.08. With a calculated X^2 value exceeding the critical value at a 95% confidence level, the null hypothesis is rejected. This indicates a significant relationship between the entrance of e-commerce sites and their effect on retailers. Furthermore, the calculated X^2 value exceeding the critical value suggests that the observed data deviates significantly from what would be expected under the null hypothesis. This strengthens the conclusion that the entrance of e-commerce sites has a substantial impact on retailers. **H02:** There is not at all any change in the consumer buying behaviour in covid-19 pandemic.

Table 7 Observed Frequency- Key Issues Faced and Satisfaction

Type Of Retailer	Increase in Sales	Decrease in Sales	No Change
Grocery	2	6	4
Textiles	2	9	3
Restaurant	3	14	3
Mobile Shops	0	7	17
Bakery	3	24	3
Total	10	60	30

Source: Primary Data

Interpretation: By applying the Chi-Square test to the observed data, we assessed the significance of the relationship between changes in consumer buying behavior and the COVID-19 pandemic. The critical value of X^2 is $X^2_{0.05,8}=15.507$ where degree of freedom = (no of rows-1) * (no of columns-1) = 4 * 2 = 8. The calculated X^2 value for the above table 6 is 29.25. At 95% confidence level, the calculated X^2 value is more than the X^2 critical, with a calculated X^2 value of 29.25 for the given table 7 and a critical value of X^2 at 15.507 for a significance level of 0.05 with 8 degrees of freedom, the null hypothesis is rejected. This indicates a significant relationship

between the variables at a 95% confidence level. Thus, we conclude that there is indeed a notable association between changes in consumer buying behavior and the impact of the COVID-19 pandemic.

7. Findings

- A staggering 30% of respondents are proprietors of bakery shops, representing a significant portion of the surveyed retailers.
- Notably, 42% of respondents boast turnovers exceeding 350,000 units, illustrating robust financial performance within this group.
- The educational landscape of respondents reveals that 32% hold a coveted graduate degree, symbolizing the prevailing academic attainment among them.
- A remarkable 90% of respondents express a keen interest in transitioning their business online, yet formidable obstacles hinder progress. Specifically, 40% cite higher capital-intensive costs as a primary challenge, while 36% face hurdles due to a lack of technical expertise.
- Despite widespread interest, only 40% of respondents have delved into online business ventures, with a notable 16% reporting an exceptionally positive experience.
- Intriguingly, the data showcases a compelling correlation between the advent of e-commerce platforms and its impact on retailers. The entry of e-commerce sites has precipitated a substantial decrease in sales for 70% of respondents.
- Furthermore, the findings suggest a discernible nexus between shifts in consumer purchasing patterns and the COVID-19 pandemic. A staggering 60% of establishments report a decline in offline business, underscoring the profound impact of the pandemic on traditional retail operations.

Conclusion

Amidst the rapid transformations in our dynamic world, our daily lives have undergone profound changes, notably in our shopping habits. The burgeoning preference for online shopping over traditional offline retailing reflects the pervasive influence of technology in our lives. Today, retailing transcends physical boundaries, offering the

convenience of a virtual shopping experience where goods can be effortlessly added to carts with a single click. While this shift has marginalized local retailers in the face of fierce competition from e-commerce giants, the enduring presence of nearby stores in our communities remains a source of reliability and resilience, particularly during times of crisis such as the ongoing pandemic or natural disasters. However, to thrive rather than merely survive, retail stores must adapt and evolve to meet the challenges of a competitive marketplace. Both e-stores and brick-and-mortar establishments have a vital role to play, each offering unique advantages to consumers. In this consumer-centric market landscape, prioritizing consumer satisfaction is paramount. Retailers must strive to deliver superior quality products, fair pricing, and attentive after-sale services to earn and retain consumer loyalty. Furthermore, offering additional value-added services can help foster lasting relationships with consumers, ensuring stable sales and sustained success in the ever-evolving retail landscape.

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