Survival of the Brick & Mortar in the E-Commerce Era: A Seller's Perspective |

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Abstract: Despite the advent of digitalization and this new era of E-commerce today's consumer is looking for so much more than just product fulfillment. The business houses in a holistic way are looking for fulfilling happiness and strive to curate a variety of synergistic businesses and experiences that collectively enhance the visits by customers. In-store retailing has been under rising pressure from increased costs of doing business, as well as the growth of online shopping. Yet, bricks-and-mortar sales still accounts for most retail spend.

The retail model of the future will be a radically different experience from today, largely driven by the changing shopping demands of the younger hyper-connected consumer. Bricks-and-mortar retailing will remain to be a very significant part in retail, however the lines between channels will erode at the benefit of both the customer and the business.

Advances in technology will significantly improve the relationships between retailers and customers, much the way analytics is already doing to online shopping.

Real opportunity lies in responding to this change, focusing on delivering a truly integrated and seamless omni-channel experience.

Online retail will continue to co-exist with B&M stores for both the customers who want to buy a specific product and have it delivered to their home and those who enter a store do so to learn, to view and feel items and to speak to a person. As the physical environment of a store changes, communication barriers between customers and employees such as counters will be removed, enabling staff to provide a more personalized experience.

A group of traditional 'brick and mortar' stores were examined in order to understand how they are surviving in the era of electronic commerce.

Would the volatile market seen presently affect the e-commerce and bam business models and to what extent?

Keywords: Brick and mortar,Online or Internetshopping, Offline shopping, Location, E-Commerce, Industrial marketing, Sustainability, Retail, Retail Store, Business-to-Business marketing, Bricks and Clicks, Store.

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Introduction

The history of brick and mortar businesses cannot be dated actually, but it is said to be existed where merchants brought their agricultural produce, clay pots and handmade clothing to sell in a village market. Bricks and mortar businesses importance arises in the 2010s, though many stores &services, ranging from consumer electronics shops to clothing stores and even grocery stores have begun offering online shopping. This physical presence, has played a crucial role in providing goods and services to consumers throughout history. (Brick and mortar, n.d.)

One of the first known Web purchases took place in 1994. It was a pepperoni pizza with mushrooms and extra cheese from Pizza Hut, a somewhat appropriate purchase for the early days of the Internet. (Webley, n.d.)

Netflix, an online movie streaming website founded in 1997, is an example of how an online business has affected a Brick &Mortar business such as video rental stores (Brick and mortar, n.d.)

Objectives:

    a. The major objective of the study is to find out the common challenges that the retailers are   encountering due to the e-commerce.
    b. To try to list out the various steps taken by retailers in order to deal with e-commerce.
    c. To list out the challenges of the e-commerce firms in comparison to brick & mortar.
    d. To find out the sustenance of brick & mortar against e-commerce in Kharghar region.

Limitations

The limitation of this study includes and is not limited to:

    a. a few of the retailers, didn't open up completely during the survey, citing business privacy as a basic reason.
    b. this study is limited only to the Kharghar region of Navi Mumbai, Maharashtra.
    c. the sample size is only 82 (retailers) in number.

Literature Review

Brick and mortar (also bricks and mortar or B&M) generally refers to a physical presence of an organization or business in a building or other structure. The term brick-and-mortar business is often used to refer a retail stores, factory production facilities, or warehouses for its operations. More specifically, in the jargon of e-commerce businesses, brick-and-mortar businesses are those shops who have a physical presence (e.g., a retail shop in a building) and offer various customer experiences. (Brick and mortar, n.d.)

The term brick-and-mortar businesses exist from pre-Internet era, when businesses, with physical presence,contrast with those that operated strictly in an order-by-mail capacity pre-Internet. (Brick and mortar, n.d.)

As per a recent report, according to a new publication from Hamburg-based yStats.com, the E-Commerce market in the Middle East and Africa has the potential to grow at small double-digit rates in the next five years, led by countries such as the UAE and driven by improving Internet penetration, rising ownership of mobile devices and payment cards.

However, despite substantial growth in the Middle East over the past couple of years the region is still behind a number of other emerging economies in the ecommerce stakes due to factors such as delivery challenges, a preference for face-to-face, lack of choice due to limited range of online products and services, no price differential as compared to as compared to in-store purchases, consumer privacy concerns, prevalence of cash on delivery and others.

Largely driven by the changing shopping demands of the younger hyper-connected consumer. Bricks-and-mortar retailing will remain to be a very significant part in retail, however the lines between channels will erode at the benefit of both the customer and the business. (Bureau, 2015)

The emergence of the smart personal shopper

Online retail will continue to exist for customers who want to buy a specific product and have it delivered to their home. But those who enter a store do so to learn, to view and feel items and to speak to a person. As the physical environment of a store changes, communication barriers between customers and employees such as counters will be removed, enabling staff to provide a more personalized experience. (Chako, 2015)

The rise of immersive engagement the future perspective

Location-aware technology will identify customers' mobile devices, enabling upsell and cross-sell offers based not just on what they're viewing, but also what they've purchased before. As customers roam the store, engagement programs will link with in-store beacons to dynamically offer up suggestions at various points along the store path.
Experiences will extend loyalty beyond purchases too, offering experience enhancements such as VIP parking spots when customers approach retail stores, and recognizing regular customers on entry. (Chako, 2015)

Big cities are booming due to the change in the demographics, thus it serve as a key driver. With fewer locations, it becomes easier for the merchants to operate efficiently, in order to make the in-store experiences better with improved point-of-sale capabilities and other innovations.

Today's consumer is looking for so much more than just product fulfillment. We are in the happiness fulfillment business and strive to curate a variety of synergistic businesses and experiences that collectively enhance the visits by our guests. (Berg, Fast CoDesign, 2015)

We can expect to see changes to store layouts, point-of-sale technology,&more as the in-store experience becoming an extension of the digital. In order to have such changes happen successfully it is significant for the store owners to have someone who has a better understanding of the complete customer journey right from its application to its impact.

This role will oversee a team of designers,from a variety of disciplines, across different fields, who, not only, have their roots deeply rooted in to the consumer research but they'll also be responsible for customer loyalty and brand regard. (Berg, Builder Online, 2016)

Data Analysis & Interpretation

Q.1 Do you fear E-Commerce?

- ■ A = Yes
- ■ B = No

23%

77%
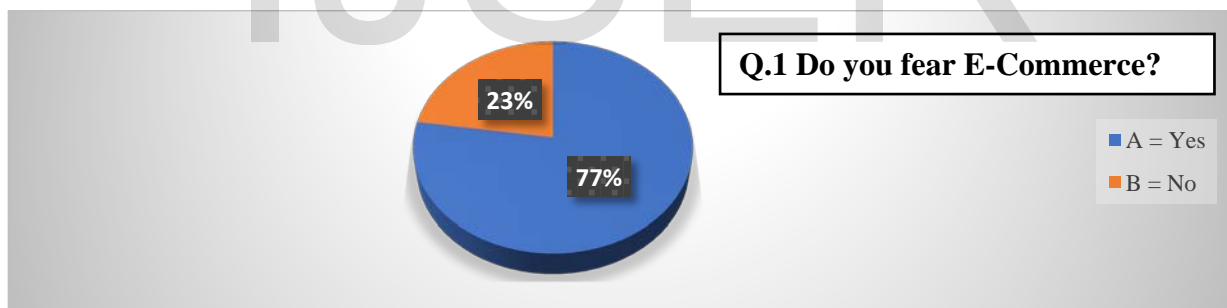
To which 77% of the respondents did fear e-commerce with remaining 23% denying the fear of e-commerce.

Q.2 Do you have an online presence?

- A = Yes
- B = No
- N.A.

3% 23%
74%

The respondents were next asked about them having any online presence. A majority (74%) of the respondents didn't have any online presence with 23% accepted their presence online. Only 3% did not respond.

Q.2 a.If Yes, website address

- Specified
- N.A.

7%
93%

The respondents that positively responded to having an online presence were asked about their website addresses.Out of the previous 23 % of the respondents 93 % didn't have their own websites but,were associated to different online portals.Only 7% had their own websites.

Q.2.b.If No, are you planning to go online?

- A = Yes
- B = No
- May Be
- N.A.

8%
26%
3%
63%

The respondents that didn't have any online presence at all were further asked whether they had any plans going online.To which out of the 74 % respondents 8 % are willing to have an online presence, 63 % don't want an online presence with 3 % might want to have online presence in the future and 26 % having not responded at all.

Q.3 What, according to you, are the challenges that brick & mortar shops are facing from the E-Commerce business?

7%

93%

- Specified
- NA

The respondents were asked what challenge the brick-and-mortar shops faces w.r.t. e-commerce businesses from an individual retailer/vendor perspective,to which 93% of the respondents mentioned the following challenges faced:
(i)Delivery,Cost & Time;(ii)Better customer service;(iii)Easy reach,variety & offers.
Remaining 7% of the respondents did not respond.

Q.4 What are the common challenges/problems that almost all the brick & mortar businesses has to face?
The major responses were - (i) Customer Reach;(ii) Price;(iii) Quality;
(iv) Location and Service;(v)Variety of Products.

Q.5 How many vendors do you shop with?

1%
2%
1%
18%

78%

- A. 1 vendor
- B. 2 Vendors
- C. Between 3-5 vendors
- D.Multiple vendors
- N.A.
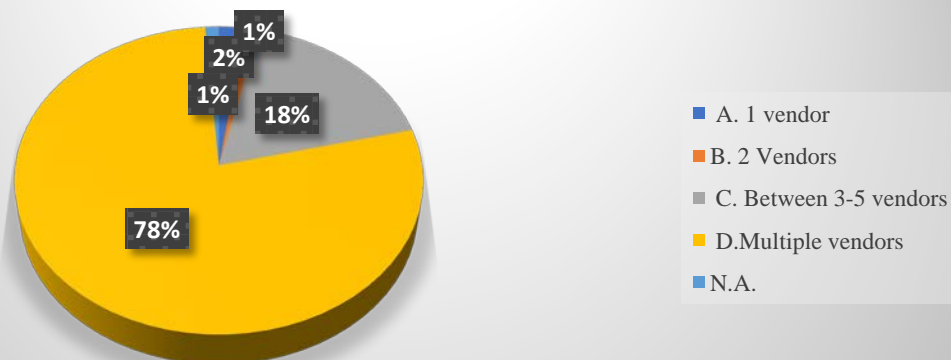
78% respondents had association with multiple vendors,followed by 18% respondents having association with 3-5 vendors.The respondents having association with 1-2 vendors were less at 1% & 2% with remaining 1% not at all responding.

Q.5.a.Why ?

14%

86%

- Reason given
- Na
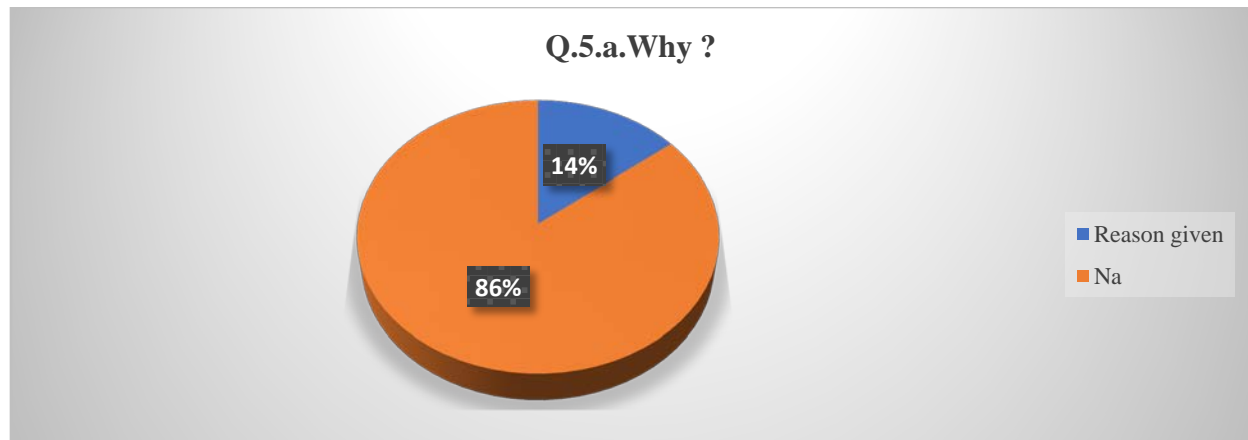
86% of the respondents gave the following reasons: (i) raw material replenishment;
(ii) Multiple product availability at multiple places;(iii) equipment's for
manufacturing/distribution/storing;(iv)Various agencies(travel agency in particular).
The remaining 14% of the respondents did not respond.

Q.6 Do you order your business products online (from suppliers)?

5%
4%

90%

- A = Yes
- B = No
- N.A.

90 % of the respondents ordered products online from their vendors.6% of the respondents do
not order online and remaining 4 % did not respond.

Q.6.a.If Yes, (name of the website)____

5%

95%

- Specifeid
- N.A.
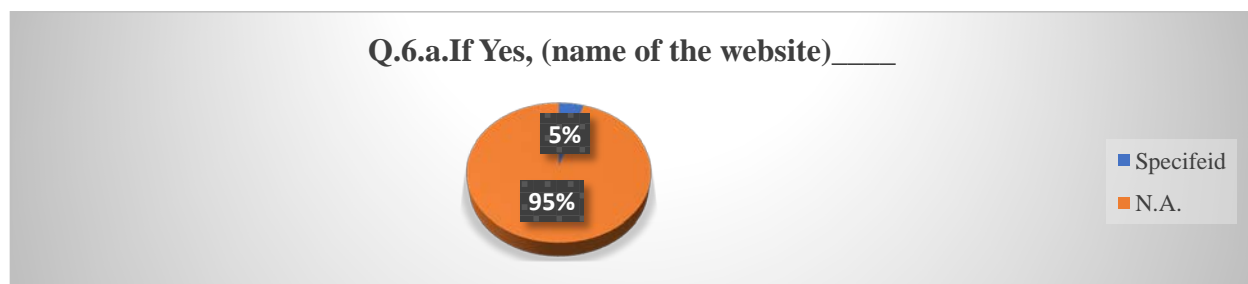
95 % of the respondents did not mention any website.5 % of the respondents mentioned a few
online portals: Amazon and Flipkart.

Q7. What kind of promotion do you do for your business?
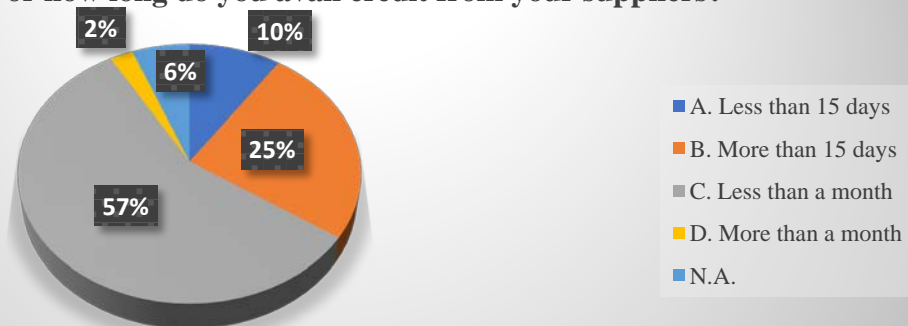
5% 18%

18%

59%

- online
- wom
- print
- others
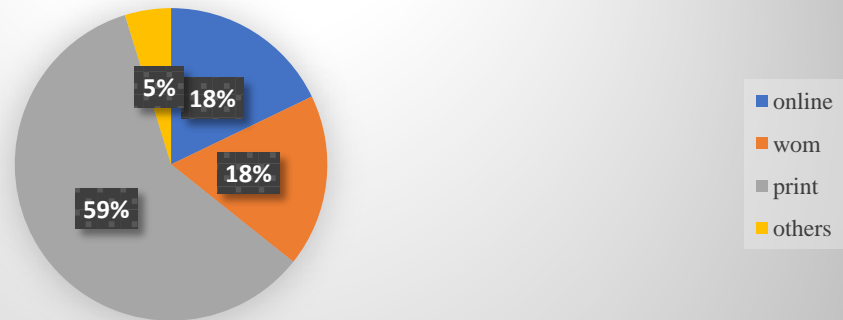
59% of the respondents favored print media, followed by online media and word-of-mouth at 18% each.Remaining 5% used other mediums for promoting themselves.

Q8. How often do you Restock?

20% 21%

6%

12%

41%

- <10 Days
- Between 10 -15 days
- Between 15 -20 days
- >20 Days
- No Response

41 % of the respondents required replenished stocks between 10-15 days,21% of the respondents stocked frequently under 10 days,12% needed the replenished stocks between 15-20 days.6% of the respondents needed the stocks post 20 days and remaining chunk of 20% respondents gave no response.

Q.9 For how long do you avail credit from your suppliers?

2% 10%

6%

25%

57%

- A. Less than 15 days
- B. More than 15 days
- C. Less than a month
- D. More than a month
- N.A.

57% of the respondents availed credit for less than a month, followed by 25 % of the respondents availing credit for more than 15 days.Credit availed by the respondents for less than 15 days and more than a month were at 10% and 2%.Remaining 6 % have not responded.

Q.10 Failing to pay on your credit, how does it affect your business?
They threw a light on the following consequences faced by them :
(i)Customer Loyalty & Relationship;(ii)Vendor Loyalty & Relationship;
(iii)SKUs (iv) Image.

Q.11 Do you manufacture & sell your own goods?
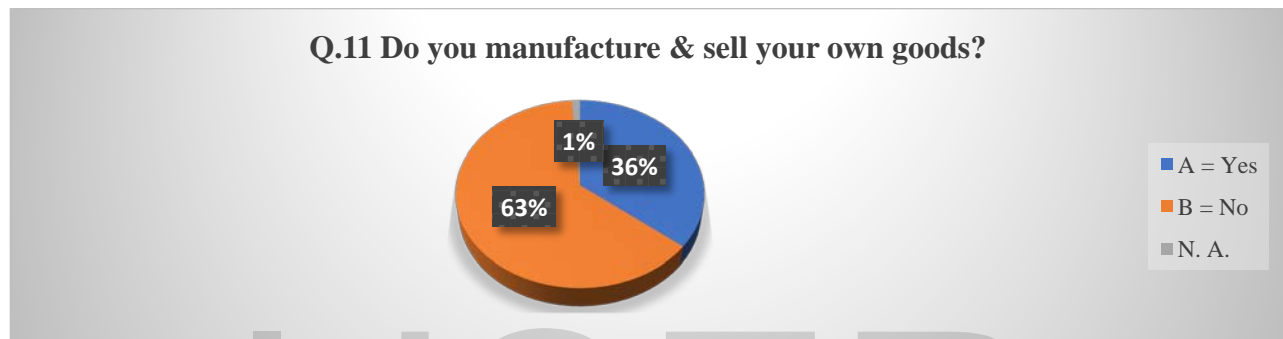
To this 36% respondents accept to manufacture and sell their own goods.A majority (63%) of the respondents do not manufacture and sell their own goods.1% did not respond.

Q.11.a.If Yes (Name of the brand)
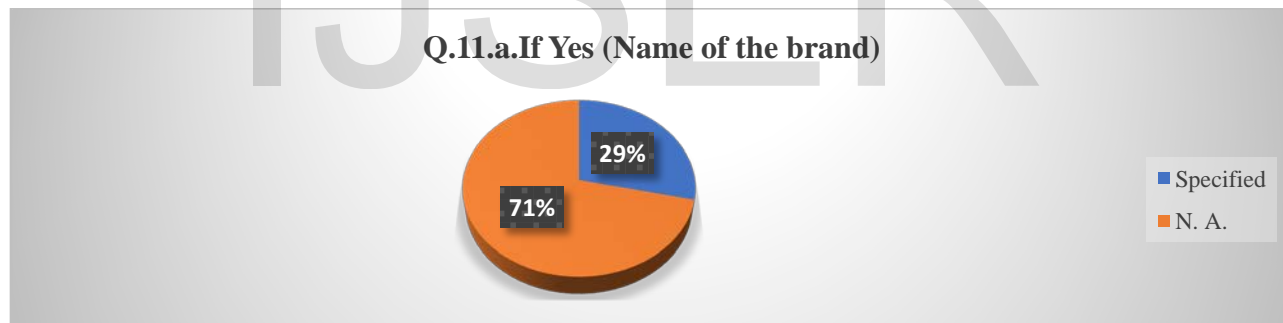
71% of the respondents manufacture goods that are sold by other sellers under their label as compared to 29 % of the respondentswho manufacture& sell their goods under the house private labels/brands.

Q.12 Do you have any SKU's (Stock Keeping Unit)?

7%
23%
70%

- A = Yes
- B = No
- N. A.

70% of the respondents were affirmative of having SKUs whereas 23% of the respondents didn't have any SKUs.Remaining 7% did not respond.

Q.12.a.If No- how do you manage your stock?

5%
95%

- Didn't Specified
- N.A.

The respondents which did not have any SKUs, out of them 5% did not mentioned as how they managed their stocks, whereas the 95 % of the respondents mentioned the following few ways - (i) Every Day Low Pricing;(ii) Quality product;(iii) Experience;(iv) Direct Sale.

Q13. What do you generally do with you unsold products?

14%
35%
51%

- Dispose Off
- Sell at discounted price
- Didn't Answer

51 % of the respondents sell such products at a discounted price followed by 14 % of the respondents disposing off such products.35 % of the respondents did not respond.

Findings & Suggestions:

1.Brick-and-mortar's with respect to the area survey was conducted were hesitant to disclose data pertaining to the survey.

2.Brick-and-mortar's are yet to accept and avail the e-commerce platform in full throttle.

3.In the long run, to thrive and prosper, both E-commerce and Brick-and-Mortars need to join hands to support each other and co-exist.

4.Customer relationship & Vendor Loyalty together can be fulfilled without disrupting the setup of brick-and-mortars.

5.Likewise, for storage and distribution brick-and-mortars are needed, to enable and facilitate the transportation e-commerce is needed.

6. Quality product is of utmost importance irrespective of the medium of selling a product.

Conclusion:

The brick-and-mortar shops, in the advent of the e-commerce boom, majorly prefer not being available online.However,both the online and offline vendors faced common challenges mainly of Delivery, Cost & Time,Better Customer Services, Easy Reach, Product variety and various Offers.

In addition to the above-mentioned challenges brick-and-mortars also faced issues with respect to Location & Quality of Products Delivered.

A majority of offline vendors have multiple suppliers to enable them replenish their SKUs which includes procurement, manufacturing, distribution and storage. Along with multiple offline vendors, brick-and-mortars also ordered products as and when needed from e-commerce biggies like – Amazon and Flipkart,as most of the offline vendors prefer stocking in under 10 days.

Goods taken on credit, if failed, to be paid for in an agreed credit period to the suppliers might put a strain to and tarnish the relationship of brick-and -mortars with both the suppliers and the customers.

At times, an offline vendor is not able to sell off products from their SKUs.Such items are managed by either Disposing them off (destroyed) or sold off to customers based on Every Day Low Pricing and the positive Experiences garnered from quality products over a period.

The brick-and-mortars will indeed survive in the era of e-commerce, provided, it join hands with e-commerce and embraces it with open arms.

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Annexure

Questionnaire
(to be filled by the brick & mortar shop runners)

Q1. Do you fear E-commerce?   a. Yes   b. No

Q2. Do you have an online presence?   a. Yes   b. No
If Yes, website address_____
If No, are you planning to go online?   a. Yes   b. No

Q3. What according to you, are the challenges that brick & mortar shopsare facing from the E-Commercebusiness?_____

Q4. What are the common challenges/problems that almost all the brick & mortarbusinesses has to face?

A.   B.   C.   D.   E.   F.

Q5. How many vendors do you shop with?
a. 1 vendorb. 2 vendors   c. Between 3-5 vendorsd. Multiple vendors
Why?_____

Q6. Do you order your business products online (from suppliers)? a. Yes   b. No
If Yes, (name of the website)_____

Q7. What kind of promotion do you do for your business?_____

Q8. How often (time frame) do you restock/rebuy? _____

Q9. For how long do you avail credit from your suppliers?
a. Less than 15 days   b. More than 15 days
c. Less than a month   d. More than a month_____

Q10. Failing to pay on your credit, how does it affect your business? _____

Q11. Do you manufacture & sell your own goods?   a. Yes   b. No
   If Yes (Name of the brand)_____

Q12. What are your strengths over your online competitors?_____

Q13. Do you have any SKU's (Stock Keeping Unit)?   a. Yes   b. No
If No- how do you manage your stock? _____
Q14. What do you generally do with the products that are left alone? (not sold) _____