

THE SHIFT: OFFLINE RETAIL TO ONLINE RETAIL

Mahima Aneja¹, Deepika Pandoi²

¹Research Scholar, Institute of Business Management, GLA University, Mathura
Assistant Professor, Institute of Business Management, GLA University, Mathura

Abstract

Purpose – This study aims to introduce the digital platform as a vital requisite for the retail businesses. In the era of social media, accessibility to internet, corona pandemic leading to contactless shopping, people getting glued to their gadgets, only modest attention has been devoted to the study of digitalization in the business sector and even less on the importance of the perils and promises of digitalization.

The goal of this study is to concentrate on the implications of digitalization on business firms.

Design/methodology/approach – This is a conceptual paper, in which the authors' approach is to carefully review relevant literature, and to lay out the reasons for including the various aspects of digitalization in retail business. It provides a model demonstrating the different factors that affect the adoption of this technology essential for the business firms these days, conceptualizing it for future research.

Findings – The authors find the various external and internal factors are changing according to the dynamics of the business and therefore they need to be critically assessed while strategizing for the goals of our business.

Originality/value – The intersection of digitalization and retail business is an under-researched topic. With this paper, the authors wish to begin to fill this critical gap.

Keywords- Digitalization, Digitisation, Pandemic, Retail business, Digital marketing capabilities, Marketing strategy.

Introduction

Digitalization marks the new era. In a world where almost 40% of the world population have access to internet, which means that people can actually do a lot sitting at their homes, whether it is listening to their favorite songs or meeting new friends or shopping their favorite things. It is now possible with just one click.

Digitalization is the integration of digital technologies into everyday life by digitizing everything that is possible.

The adaptation of digital technologies in a business model is done with the aim to modify it, create more value by utilizing the new advanced technologies and exploiting the digital network dynamics for the growth and persistence of the business in the changing economy.

Be it the digital initiatives taken by our existing government like the- Rural Internet Mission, Broadband highways, Access to Mobile connectivity, etc., the hitting of the worst humanitarian crisis- the Coronavirus Pandemic, the allowance of government's 100% FDI inflows into e-

commerce or the increasing penetration of internet and smartphone among the Indian population. The preferences and the shopping habits of the customers are shifting from the traditional offline shops to the bigger and better online platforms. The customers now, not only expect low prices but also, a different communication channel, which is made easily available to them through internet.

Despite the enormous efforts, the offline retail industry will always fall short because of the lack of resources. The features like- Search Engine Optimization, Search Engine Marketing help the digital marketers to know the needs and wants of the customers without even asking the customers for it.

Whatever the reason be, there is not denying to the fact that moving to digitalization with great speed is inevitable now.

Although India has entered a technical recession, the GDP has shrunk in this quarter because of the COVID 19 crisis and many of the businesses are facing hardships, digitalization is providing the best ever support to adopting and strengthening the market's roots again. It is successfully helping the businesses to fight all the inconveniences efficiently.

Recently, the corona pandemic has given a major acceleration to the digital world and has shaken up the business scenario completely. The pandemic is somehow giving us a glimpse of the future business world, where digital processes shall become the central and the essential part, forcing both- the organizations as well as the consumers to adopt and fit into the new curve. Rather than modifying the strategies and plans overnight, it is always preferred to be ready to assess and reassess the digital initiatives. This would greatly help to position the business highly, in the post crisis scenario.

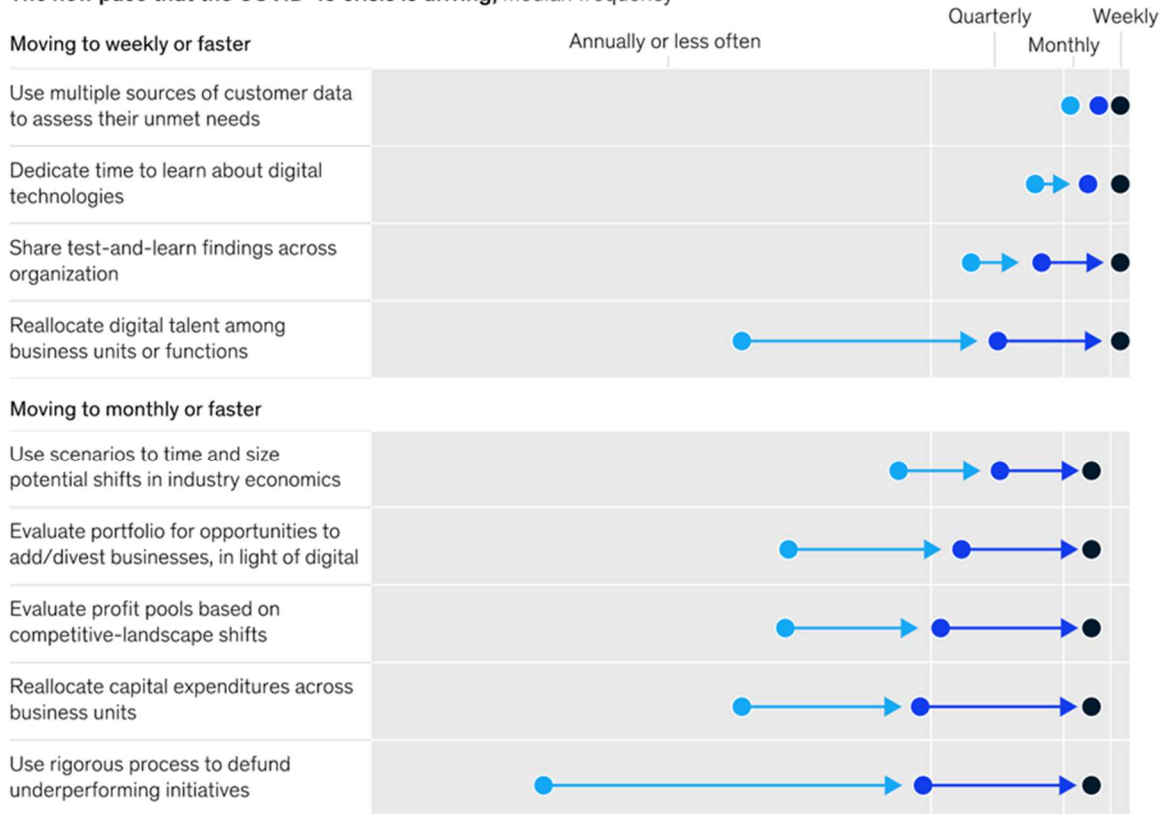
Even before the pandemic hit, 92% companies thought of changing their business models and going digital, however, the pandemic made the change quite inevitable.

This is also evident in the report of responses given below.

The COVID-19 crisis is causing a need for acceleration beyond what we had seen before, going from three tiers of speed down to two.

● Respondents at top economic performers¹ ● All other respondents² ● New COVID-19 requirements

The new pace that the COVID-19 crisis is driving, median frequency³



¹Respondents who say their organizations have a top-decile rate of organic revenue growth (ie, of 25% or more in past 3 years), relative to other respondents; n = 138.
²n = 1,304.
³Frequencies shown are the median values from a histogram, which was constructed by assigning "weekly" responses a value of 1, "monthly" responses 2, "quarterly" responses 3, "annually" responses 4, "every few years" 5, and "never" 6. The question also asked about the frequency of evaluating M&A opportunities as part of strategy-setting discussions. These responses are not shown, because M&A typically requires a longer time frame than the other 10 operational practices tested, often due to regulatory reasons.



The challenges of the economy and the uncertainty of the dynamic business industry makes it rather mandatory for businesses to change with the changing times. It is the motivation to adopt to better advancements in the business world. In one of the European surveys, 70% of the executives from Austria, Switzerland and Germany, agreed to the fact that the pandemic is highly likely to accelerate the pace of the organizations going digital.

Digitalization at this stage, may seem a daunting task, but it is the need of the hour and we must act accordingly. We are at a stage where adopting to digitization is a “must to have” for us and the good news is that it is quite achievable and if acted correctly, will help us thrive and boost up our businesses and ultimately our markets.

NEED OF THE STUDY

- In just a few months' time, the COVID crisis has brought about years of changes in the people's perspectives and their buying behavior.
- This necessitates our study more than ever. Until now, the businesses were slowly adopting to better advancements in technologies as a means to upgrade their position in the market, but now, they have a responsibility to adopt so as to exist in the market.
- To stay competitive in this new economic environment and to attract more and more customer base, it is required.
- The factors (**technological, organizational and environmental**) shall be explored in the study, to prove Digitalization- as a necessity for business retail.

BACKGROUND

“Digitisation” and “Digitalisation” are the two varied conceptual terms which are often used interchangeably by people. While DIGITISATION means the conversion of the existing manual resources from analogue format to the digital format, is much digitalisation broader concept.

DIGITALISATION refers to the complete digital transformation of activities, processes, operations, models and functions of the business, with a specific goal in mind. (Paul, M., Upadhyay, P., & Dwivedi, Y. K. (2020). Roadmap to digitalisation of an emerging economy: a viewpoint. *Transforming Government: People, Process and Policy*.)

Digitalisation is considered to be one of the remarkable transformations of our society inclusive of many business and day-to-day elements. Retail sector affects as well as is affected with this transformation, and hence is very essential for the retail businesses to cope up with it. Digitalisation of retail, in many scholarly researches has been restricted only to the e-commerce or marketing of the products and services. However, digitalisation of retail covers other variables too, like digital modifications in the supply channels, cash counters, product packaging, store information systems. The business's internal and external environment, which can be digitalised too should be considered. (Hagberg, J., Sundstrom, M., & Egels-Zandén, N. (2016). The digitalization of retailing: an exploratory framework. *International Journal of Retail & Distribution Management*.)

“To capture the breadth, depth and transformative potential, embrace digitalisation”- Denise Garth.

It turns the business interactions, communications, models and functions into digital ones which helps us attaining both digital and physical channels of sales, smart and integrated marketing and automated/ semi-automated manufacturing and operations.

LITERATURE REVIEW

ADVANTAGES OF DIGITALIZATION

- Bolweg L., et al. (2020) in their study “Drivers and barriers of the digitalization of local owner operated retail outlets” concluded that the use of digital tools and applications for

administration and marketing could work as a **suitable trigger** to promote digital development and are **promising starting points** for LOOROs, i.e., the local owner operated retail outlets.

- The study “Carrot-or-Stick: How to Trigger the Digitalization of Local Owner Operated Retail Outlets?” by Bolweg L., et al. (2018) examined the local retail owners of 26 cities in Germany and addresses the area: the implication of governmental and public interventions with regards to technology adoption among commercial industries. It agrees to the fact that- LOOROs need to be **reconnected to their near environment** (customers, competition).

- Digitalization can be of great help to keep the organizations **ahead of the competition** by developing a digital culture and ecosystems.

(Hoe, S. L. 2019).

- Wang, F. (2020) wrote “Digital marketing capabilities in international firms: a relational perspective” which provides insights on the DIGITAL MARKETING CAPABILITIES and states how its value has increased manifolds. The DMC is able to create a **smooth connection** among different channels, stakeholders and organizational units. The paper discusses the value of digital marketing from the perspective of international marketing and concludes that DMC helps firms to have **greater and immediate access of resources**. The working of DMCs has been tested and as hypothesised, it **positively influence** firm performance. It gives **competitive advantage** and they develop capabilities helping them to **adopt to environmental changes**.

- The research paper by Andersson, P., Laurin, E., & Rosenqvist, C. (2018) “Marketing and Sales in Ambidextrous Organizations: Organizational Challenges from Digitalization?” proposes whether digitalization leads to the **increased concentration** on customer and marketing managers get more of a **centred role** related to **customer values**. The proposition proves to be true.

Another proposition, based on the empirical observation, proves that the digital application and tools **analyse** the data and completely **transcend** and **transform** the role of marketing. Marketing can shape its business developments via its strong links to digital infrastructures.

It concludes that it is **important to develop organizational adaptability and alignment** due to digitalization for **transformational change** in market.

- The paper “Revisiting international marketing strategy in a digital era: opportunities, challenges, and research directions” by Katsikeas, C., Leonidou, L., & Zeriti, A. (2019) is written about the advantageous use of **revolutionized technology** in the business world. The strategy of international marketing is **analysed, designed and controlled** due to the advent of technology. There are numerous indications that a wise use of technology helps the business **gaining sustainable competitive advantage** and **better performance** in the international market. However, the right resources and the capability for fuller exploitation of these resources are the pre-requisite for the business to rule. The adequate utilization of the online technology **assists** the business firms to **understand their targeted markets** as well as consumers, create **appropriate policies and strategies** to establish firm foot on **logistics, distribution and marketing** and thereby **gaining success in foreign markets**.

STRUGGLES (TO ADOPTION)

- A study “Digitalization of Local Owner-Operated Retail Outlets: Between Customer Demand, Competitive Challenge and Business Persistence”, by Bolweg L., et al. stated that LOOROs **neglect opportunities** of digital sales channels and are subsequently **inexperienced** with the according tools and applications. It is found that they **rarely perceive any pressure** towards digitalization neither from their customers or competitors, nor from the society who all have already adapted to the digital age.
- Wang, F. (2020) wrote “Digital marketing capabilities in international firms: a relational perspective” that points out another aspect the firms that are more innovative and risk taking tend to leverage DMCs more effectively. The firms with **low entrepreneurial orientation fail** to understand how to tackle the rapidly changing expectations in the digital environment.
- Taiminen, H. M., & Karjaluoto, H. (2015) in their research “The usage of digital marketing channels in SMEs”, provides an overview of the drivers and the challenges related to the digital marketing and SMEs in the region of Central Finland. It confirms to the fact that even though SMEs **have not widely adopted the digital tools and techniques** but the online visibility of the businesses can be considered. The reason to this is the **obliviousness** of the SMEs about the various online sale options accessible to them. They often **perceive the Advanced IT skills to be the requisite**. The interviewees are **not familiar** with the real benefits of tools and channels of digital marketing tools. They are **not completely utilizing** the resources to their best potential. They have **not understood the advantages of communication** in business which digitalization brings in.
- Taiminen, H. M., & Karjaluoto, H. (2015) states that many SMEs are delaying the use of digital tools due to lack of resources, knowledge and time. It is not the dearth of financial resources but the **lack of awareness** of various digital channels, that becomes a major obstacle. However, the facilitation of external help is easing up the process and even the small companies are now taking assistance from multimedia managers and many more.
- According to Katsikeas, C., Leonidou, L., & Zeriti, A. (2019) digitalisation is considered to be a **double-edged sword** which tends to offer threats along with the opportunities. If not enhanced properly, going digital could also lead to **commotion** in strategies and **bad reputation** of the firm. The digital world is **continuously evolving** and it can be a major setback if we do not keep track of our plans along with it. The business houses need to be alert and constantly committed.

SCOPE and OPPORTUNITIES

- Dannenburg P. et al. (2020) wrote “*DIGITAL TRANSITION BY COVID-19 PANDEMIC? THE GERMAN FOOD ONLINE RETAIL*” and the results of their investigation showed that the pandemic and the policies of ‘stay at home’ opened a window of opportunity for grocery e-commerce to disseminate, which was driven by radical institutional changes and major shake-ups of existing demand. Still, the spatial diffusion of on- line food grocery was limited. Both larger and smaller businesses in their study were trying to cope with the increased demand rather than expanding their catchment area.

- Hoe, S. L. (2019) wrote the paper “Digitalization in practice: the fifth discipline advantage” that clearly accepts to the fact that the world has set its foot in the digital age characterized by the way we live, transact and relax. The time now calls for detailed discussion on how the digitalization megatrend has influenced the operating of our organizations today. To concise the gaps in the implementation of digital initiatives, a number of policy measures such as enhancing access to communications infrastructures, services and data that allow governments and key stakeholders to bring about digital transformation are proposed (OECD, 2019).

The United Nations Conference on Trade and Development (UNCTAD) has also proposed a framework on a variety of digital competencies to enable digital transformations (UNCTAD, 2019).

- A higher number of entrepreneurial hires can ensure that DMCs are used not only to enhance current processes but also, to seize new market opportunities and find innovative ways to meet the emerging needs of customers, suppliers and channel partners worldwide.

Forming strategic alliances with digital media companies can reduce capital investment in digital technology. Manager can also outsource the technology, that will enable them to focus on developing the DMCs and rely on outsourced partners to provide the most updated digital infrastructure. (Wang, F. 2020)

- The repercussions and pace of technological disruption in organizations are increasing and have been accelerated by COVID-19. (Almeida F., et al. 2020)

- The research work “MNEs, globalisation and digital economy: legal and economic aspects” by Zekos, G. I. (2003) talks about the interrelation of globalization and digitalisation, combined with the legal aspect. It states that the embracing of the innovative information technology such as- e-commerce, e-conferencing, etc., is important for the enterprises to sustain in the market.

- Mkwizu, K. H. (2019) in the research “Digital marketing and tourism: opportunities for Africa” does a case study of Africa to explore developments in the tourism industry resulting from digital marketing in the area.

It clearly concludes that there is scope and opportunity in terms of social media, content media marketing and so on. As 50% of the population in Nigeria use smartphones and are frequent users of social networking sites, the industry must focus on the using these digital trends for their benefits and assistance.

The paper implies through its research, that Nigeria enjoys a competitive advantage of population, smartphone and internet users as compared to other African countries. Therefore, the companies can totally use this to their advantage to share travel content. Similarly, Egypt has competitive advantage of Facebook subscribers. Tanzania stands third in terms of internet users.

VARIABLES (of scope)	REFERENCES
Pandemic and the policies of ‘stay at home’	Dannenburg P. et al. (2020)
Digitalization megatrend changing operations	Hoe, S. L. (2019)
Emerging needs of customers, suppliers and channel partners	Wang, F. (2020)
Pace of technology	Almeida F., et al. (2020)
Interrelation of globalization and digitalisation	Zekos, G. I. (2003)
Increased use of smartphones and social networking	Mkwizu, K. H. (2019)

IMPACT

- A study “Digitalization of Local Owner-Operated Retail Outlets: Between Customer Demand, Competitive Challenge and Business Persistence”, by Bolweg L., et al. shows results that the external stimuli (organizational and environmental) and internal organizational factors “Available Organizational Infrastructures” as well as the “Available Human Resources” have positive impact on the attitudes towards digitalization.

- “The Challenges and Opportunities in the Digitalization of Companies in a Post-COVID-19 World” by Almeida F., et al. (2020) helped to explore the impact of digitization on labour and social relations, marketing and sales, and technology dimensions. The effects of digitization are being felt across all these areas.

- Taiminen, H. M., & Karjaluoto, H. (2015) in their research “The usage of digital marketing channels in SMEs”. SEO and SEA have definitely become better known among SMEs in the last few years.

The willingness to use the digital tools has also improved over the years. The companies now identify the adoption to be beneficial due to the ease of use of new channels.

SMEs are utilizing social media as a one-way broadcasting tool.

The results have revealed that those firms that have invested in the digital tools and channels are already reaping good results.

CONSUMER BUYING BEHAVIOUR- ACTING AS MODERATOR

- The article “Digital Consumer Behaviour in an Omnichannel World” by Yuruk-Kayapinar, P. (2020) concludes that the major issue in the dynamic market is the changing of the preferences and roles of consumers. The new consumers prefer the be digital rather than a traditional one. It states that earlier i.e., in Marketing 1.0, consumers were passive and were unimportant for the business houses; whereas presently, in Marketing 4.0, consumers tend to digitalize and spend more time on the internet through various social media. Consumer today is

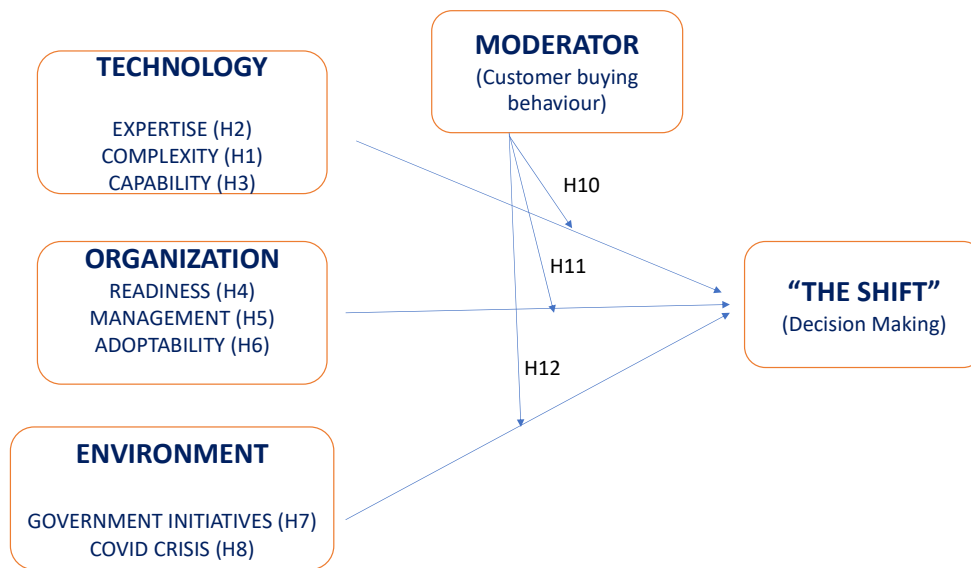
aware and respond to the market change instantly. The behaviour of the consumer varies greatly by the use of internet.

The buying behaviour of the digital consumer is similar to that of the traditional one. However, the buying environment and the tools are not.

RESEARCH QUESTION

The objective of the study is to analyze the different external and internal factors which are affecting the offline retail markets in India and to understand the ‘**WHY**’ factor- they should enter the online retail and adopt digitalization, as part of their next best strategic step to sustain and proceed in the economy.

PROPOSED FRAMEWORK



Technology-Organization-Environment framework was first introduced in 1990 by Tornatzky and Fleischer, which has been used widely in researches related to adopted of innovative technologies and also proven to be validated. Since, we are proposing a study for the retail sector to switch to the new technology and apply the digital methods to go online, TOE framework would work best. The framework proposes 3 facets to explore the factors that affect the organization.

The Technological context shows the complexity, expertise and capability of the new digital and technological tools, to assist the firms in adaptation.

The Organizational factor includes all the internal issues related to the organization’s readiness, management and adoptability. This is to understand whether the organization can stand firm on the new platform.

The Environment factor deals with the issues related to the external environment of the business, that is, the government and the recent pandemic situations. This evaluates if the external environment is driving towards or against the shifting of the firms from offline to online.

A moderating factor is also added in the basic TOE Framework. The prime use of this factor is to examine the moderating effect of the consumer buying behaviour between the shift and all the 3 factors- technology, organization and environment.

OBJECTIVES AND HYPOTHESIS

OBJECTIVES	HYPOTHESIS
To empirically examine the role of the upgrading technology to the strategies of retail business.	H1: The reliable, improved internet and network facilities supporting the implementation of digital tools.
	H2: The online presence on social networking and e-commerce sites support the marketing and distribution plans of the retailers.
	H3: Retailers prefer to have their own website, or exist on google maps, etc., as a mark of their digital existence.
To examine the role of the organizational factors in supporting the retailers switch to digitalization.	H4: Retailers have trained staff or plan to train their staff to make their digital existence
	H5: The management allocates separate funds and manpower to support the required shift.
	H6: The employees and management are ready to adopt to the new trends.

OBJECTIVES	HYPOTHESIS
To check the affects of external environment policies on the business decisions to go online.	H7: The support of government initiatives and policies to ease the process of digitization.
	H8: The affect of COVID crisis- giving a push to the digital platforms.
To examine the moderating effect of the customer buying behaviour between the Shift and TOE.	H10: Moderating effect of consumer buying behaviour on the technology and the shift.
	H11: Moderating effect of consumer buying behaviour on the organization and the shift.
	H12: Moderating effect of consumer buying behaviour on the external environment and the shift.

CONCLUSION

There always exists a struggle for all kinds of businesses to adopt to the ever changing and continuously upgrading environment. Often, they are faced with many challenges and obstacles. However, if they do not keep their pace with it, they shall never be at peace with it.

In the literature review above, the authors detected the various factors that resonate with the fact that it is high time for the retail business to enter in the world of digitalization. To cope up and keep pace with the increased competition, the capability and expertise of technology, the readiness and the scope of adoptability of organizational factors, the governmental initiatives of digital India, the corona pandemic- it is essential to strategize accordingly. The review also supports to the fact that the consumer buying behavior, preferences and their way of shopping is also shifting to online, giving the required boost to the digital world of business.

The authors have proposed a framework, formulating hypothesis on the factors that can or cannot drive the retail firms to adopt to the new environment. Based on the literature review, the authors evaluated the advantage, disadvantages, the impact and the struggle for the firms to go digital. However, the factors in the framework evaluate their contribution in speeding up the firms' process of going digital. The model also tends to examine the moderating effect of the consumer buying behavior leading factors to shift the retail business from offline to online.

The digital future is here to prevail. By acting early and taking first mover advantage, the businesses can accelerate their digital transformation and mark their existence in the ever-changing market structure.

It is time to act.

It is time to re-engineer the processes, re-envision the controls and testing, find the proper talent with fresh and updated knowledge, flexibility and the right funding for the businesses to flourish or to even exist in the market, in the current scenario.

REFERENCES

- Bollweg, L., Lackes, R., Siepermann, M., & Weber, P. (2020). Drivers and barriers of the digitalization of local owner operated retail outlets. *Journal of Small Business & Entrepreneurship*, 32(2), 173-20.
- Dannenberg, P., Fuchs, M., Riedler, T., & Wiedemann, C. (2020). Digital transition by COVID-19 pandemic? The German food online retail. *Tijdschrift voor economische en sociale geografie*, 111(3), 543-560.
- Bollweg, L., Lackes, R., Siepermann, M., & Weber, P. (2018, January). Carrot-or-Stick: How to Trigger the Digitalization of Local Owner Operated Retail Outlets?. In *Proceedings of the 51st Hawaii International Conference on System Sciences*.
- Bollweg, L., Lackes, R., Siepermann, M., & Weber, P. Digitalization of Local Owner-Operated Retail Outlets: Between Customer Demand, Competitive Challenge and Business Persistence.

- Almeida, F., Santos, J. D., & Monteiro, J. A. (2020). The Challenges and Opportunities in the Digitalization of Companies in a Post-COVID-19 World. *IEEE Engineering Management Review*, 48(3), 97-103.
- Hoe, S. L. (2019). Digitalization in practice: the fifth discipline advantage. *The Learning Organization*.
- Zekos, G. I. (2003). MNEs, globalisation and digital economy: legal and economic aspects. *Managerial Law*.
- Wang, F. (2020). Digital marketing capabilities in international firms: a relational perspective. *International Marketing Review*.
- Yuruk-Kayapinar, P. (2020). Digital Consumer Behavior in an Omnichannel World. In *Managing Customer Experiences in an Omnichannel World: Melody of Online and Offline Environments in the Customer Journey*. Emerald Publishing Limited.
- Taiminen, H. M., & Karjaluoto, H. (2015). The usage of digital marketing channels in SMEs. *Journal of Small Business and Enterprise Development*.
- Andersson, P., Laurin, E., & Rosenqvist, C. (2018). Marketing and Sales in Ambidextrous Organizations: Organizational Challenges from Digitalization?. In *Organizing Marketing and Sales*. Emerald Publishing Limited.
- Mkwizu, K. H. (2019). Digital marketing and tourism: opportunities for Africa. *International Hospitality Review*.
- Katsikeas, C., Leonidou, L., & Zeriti, A. (2019). Revisiting international marketing strategy in a digital era: opportunities, challenges, and research directions. *International Marketing Review*.
- Paul, M., Upadhyay, P., & Dwivedi, Y. K. (2020). Roadmap to digitalisation of an emerging economy: a viewpoint. *Transforming Government: People, Process and Policy*.
- Hagberg, J., Sundstrom, M., & Egels-Zandén, N. (2016). The digitalization of retailing: an exploratory framework. *International Journal of Retail & Distribution Management*.