

Online Shopping Behavior and Impacts on the Physical Store

Haochen Cui

Eastern New Mexico University
United States of America

Abstract

that online shopping negatively affected attitudes toward physical stores. However, the online shopping behavior is not only threatening for the physical store but also for the encouragement of the physical store. The study will help the physical store face changing shopping behavior, and make a good relationship between online store and physical store – not only as competitors but also as cooperators. Online shopping has many advantages and disadvantages. Now, online shopping has become more and more popular and is changing the shopping behavior of customers. This study identifies.

Introduction

Due to the fast development of the Internet and the growing popularity of online shopping, some argue that online shopping will eventually substitute physical stores ultimately. For some products such as books and tickets, that might be true. However, for products like apparel – a kind of high-risk and hedonistic product – it is certainly not the case.

The Internet facilitates almost anything desirable for people in modern day society. It has revolutionized the way people live their everyday lives. The internet has also changed the way products are consumed as well as the means by which demands for comfort are satisfied. The internet has made it easier for these goods to be acquired. The upcoming trend on the Internet today is online shopping. Online shopping has played an integral role in many people's lives.

Online shopping began to take shape in the initial half of the 1990's. The World Wide - Web saw the launch of the first online banking service as well as a Pizza Hut website in 1994. In the late 1990's and early 2000's online shopping became more accessible for a majority of people and its popularity surged among consumers. According to Internet Retailer U.S., retail e-commerce spending increased to an estimated \$66.9 billion in the first half of 2010, a 9.3% increase from \$61.2 billion for the same period in the preceding year. Online shopping has become popular among consumers.

For online shopping, although market share is increasing, sales may actually be lower than in physical stores. Due to the characteristics of products and customers, famous online stores such as eBay and Amazon just sell basic consumer goods. The price is low and the main demographic of patrons of online stores is young people from 18 to 25 years old with low incomes. They cannot pay for expensive goods. For example, the average price of a smartphone online is roughly 300 dollars, with the potential of additional shipping and handling fees. The benefit of the smartphone from selling online is 50 to 100 dollars. If consumers want to buy a refrigerator or car, they may go to the physical store. The benefit there is roughly 500 to 1000 dollars. Through this study, online stores will gain practical ways to capitalize on their advantages to increase their sales and attract more and more customers to shop online. Physical stores are the most important part in this research. The ultimate purpose of this article is to give some suggestions to physical stores. In China, a famous entrepreneur named Ma Yun – founder of Alibaba Group and one of the pioneers of Chinese online stores – also proposed that online stores will replace physical stores in ten years. Research points to a different conclusion. The main position of physical stores cannot be changed. Therefore, it would be wise to implement programs that lead to an increase in their sales. Online and physical stores are two separate entities, each with their own unique sets of characteristics. The relationship between online stores and physical stores is crucial. They should therefore become complementary rather than mutually exclusive. This will be conceptualized, demonstrated, and applied throughout this research. Customers can ultimately determine the most beneficial method of shopping and save money through modification of their shopping behaviors.

Cutthroat competition may be the potential issue. Not only the online store but also the physical store wants to increase their sales. Sometimes they sell the same products. Some companies will choose illegal ways to compete. Through false advertisement, customer judgments can be manipulated. The description does not fit the reality of the product. Some sellers may cheat customers, perhaps even effect the health of costumers. Those who sell sham products should be punished harshly. Some companies may have stolen the information from other companies. For example, the price and strategies of a company are confidential. They are business secrets. Physical stores may purchase the information from online stores. If the online stores want to decrease the price to attract more customers, physical stores follow suit, decreasing their prices. It is unequal for the online store. Some companies will hold price competitions, disturbing market regulation. Some companies will have to decrease the workers' wages to support the price competition. The solution developed through the research illustrates the purpose: making good relationships between online stores and physical stores. Both physical and online stores should share the market. Competition is healthy. It is the vehicle by which both online and physical stores are encouraged to establish good methods of development. The relationship between online and physical stores is not only competitive but also cooperative. They should work together, because they have the same goal in mind. For example, when goods are purchased online, they can be returned at a physical store upon reception. This customer convenience reflects the necessity of harmony between both types of stores, and their respective profits will increase as a result. Both businesses and their customers benefit from competition.

Purpose

As online shopping has so many advantages over physical stores, there is an increasing fear that it will ultimately devastate physical stores. This study will identify why there is less likelihood that online shopping will substitute physical stores and more potential that it will serve as a complement for them. Therefore, online shopping behavior is an important part in this study. Finally, the effect of online shopping on physical stores will be assessed, and methods to make the physical store more appealing will be identified. This study will focus on the relationship between online shopping and the physical store.

The research is invaluable to both online and physical stores. It may also be of benefit to consumers, as they are an integral part of the market. Upon investigation into the research deeper insights will be afforded in the realm of shopping behavior.

Literature Review and Discussion

Deciding whether or not to purchase from the Internet is a major problem that consumers face in the world of electronic commerce. The decision making process is complex and multi-faceted. Social impact, lifestyle, habits, attitudes and beliefs, and situational factors all play a role in the ultimate choice of the consumer.

As the internet develops faster and faster, shopping online has taken on a crucial role in understanding contemporary consumer behavior. There are two manners of online shopping: 1. direct access to an online store; and 2. access to an online store by other websites, namely a referring website. In the case of referring websites, third-party websites direct consumers to an online retail store for possible purchase decisions. (HoEun & JungKun, 2009). Thus, online shopping is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the Internet using a web browser.

Customers have many reasons and purposes for shopping online. These include searching for product features, prices or reviews, selecting products and services through the Internet, placing orders, making payments, or any other means which is then followed by delivery of the requested products via Internet or other means (Sinha, 2010). Shopping online has become an irreplaceable marketing channel in business transactions. Online stores and services are important sales channels.

Compared with physical stores, online stores are advantageous in many ways. They are convenient and time saving. Traveling and waiting in lines become a thing of the past. They are open twenty four hours, seven days of the week and accessible from any location, no matter where one may be on the grid. Online stores provide consumers with a wealth of free information about products and services. They also have some online tools to help consumers compare and make purchasing decisions among various products and services. However, online stores also have disadvantages compared to physical stores. In online stores customers are denied the sensory experience they desire. They cannot touch, taste, feel, smell, or hear their products as they search for and purchase products. In online stores, consumers may develop low trust and perceive highly elevated risk because of the lack of face-to-face communication.

Although this difficulty can be reduced by using certain software tools such as the online recommendation agent (Huang & Sycara, 2002), it remains an issue to be addressed, especially in certain demographics.

The physical store environment for brands and consumers will be very different in five years. The number of consumers who know what they want and know how to get it at the least cost to them is rising. They are using new channels, become wise to price schemes, and demanding that their needs be met through cutthroat competition. Gone are the days of brand loyalty and Sears-Roebuck catalog look-books. This puts unprecedented downward pressure on price and upward pressure on value – a pressure that has not been seen for hundreds of years, a pressure that firms are being forced to recognize and adapt to. Against this backdrop, there is a huge opportunity for the physical store. Instead of seeing online shopping as a threat to their existence, physical stores must recognize that they have many new opportunities for development and growth. The potential for physical stores to be a “vital part of a more efficient, consumer-focused logistics network” is vast. (Aubrey & Judge, 2012)

Theoretical Framework

The behavior of consumers differs with the characteristics of their personality. Consumers which have various traits respond to messages in various ways, in various settings, at various times. The online environment presents a vast opportunity for companies to interact with consumers on a personal, customized level. Individual differences are an important aspect of this interaction as they provide insight into how people with varying levels of experience with the online environment respond to interactive persuasion techniques. Friestad and Wright (1994) in their Persuasion Knowledge Model (PKM), propose that the effectiveness of advertising persuasion techniques depends upon the level of persuasion expertise each individual possesses. In an online environment, measurement of this effect can be achieved by looking at user experience levels, self-efficacy, and number of hours spent online.

Shopping websites can increase the level of satisfaction that consumers have with their sites through proper implementation of data from information technology and usage of communication technology systems. In other words, what was once perceived disutility can be transformed to utility through data collection, flexibility based on feedback, and most importantly, touch points that facilitate a high level of service and satisfaction for customers. However, as pointed out by Tojo and Matsubayashi (2011), engaging in such activities in productive ways may actually produce customers who desire to go to the physical store. This can cause a “free-riding effect” which can be avoided by including only niche products on the site. This leads to more fair outcomes for both the online and physical store. It should be noted that the overall profit of the company is increased even in the presence of the free-riding effect, but moving to eliminate it increases the equilibrium profit of the physical store. (Tojo & Matsubayashi, 2011)

A hybrid model may be the key to future successful retail businesses. Pure Web-based retail will always offer consumers a greater selection of products at lower prices than traditional physical stores. Physical store companies have tried with varying degrees of success to compete with shopping websites. In many ways the physical is trailing other sectors of the economy in e-commerce. The most common shopping behavior will be in stores characterized by hybrid organizations that combine the best of e-retail with the best of physical store retailers. (Levary & Mathieu, 2000). The physical store should learn how to adapt to shopping online behavior.

Methodology

Descriptive research can help us learn about the advantages and disadvantages of online and physical shopping. It also helps us to analyze the characters of online shopping and physical stores. As long as we understand the characters of online shopping we can learn about the behavior of customers shopping online and the effects of online shopping on the physical store.

Quantitative research can gather a large amount of data that can be easily organized and manipulated into reports for analysis. This method deals in numbers, logic, and the objective. The data collected through the quantitative method is reliable. It is easy to determine the relationship between one thing and another through quantitative research. It is beneficial to study the relationship between online shopping and the physical store.

The researcher developed a list of main questions based on review of literature. It will be helpful to define the characteristics and justifications of online shoppers, and it will be also useful for the research analysis. The following are the main questions:

1. "Why do people shop online?"
2. "What is the age of people who shop online?"
3. "What kind of goods will people shop for online?"
4. "How many times will people shop online per week?" (If they do shop online)
5. "How much will people spend in online purchases per month?" (If they do shop online)

Data Collection and Analysis

In order to answer these questions, the researchers utilized secondary data from previous studies. The study population used in previous research was primarily people who live in China. According to the data ($n = 1200$), 72.6% of Chinese people have shopped online. The percentages by age are as follows:

Below 20 years old:	65%
20-29 years old:	78.3%
30-49 years old:	36.7%
Above 50 years old:	10%

The primary reasons of shopping online were found to be the following:

Low prices:	27%
Shopping in different places:	23%
Home delivery service:	18%
Efficient usage of time:	17%
Great variety of goods:	12%
Other reasons:	3%

The primary product categories that consumers shop for online are as follows (Data from Alibaba Group, the owner of the world's largest Chinese online shopping platform):

Apparel and footwear:	57%
Consumer electronics:	18%
Beauty and personal care:	8%
Books, audio and video products:	6%
Others:	11%

The weekly frequency of online shoppers who access online shopping websites is as follows:

Once a week and less:	35%
2 to 3 times per week:	50%
4 times per week and more:	10%
Occasionally (depending on need):	5%

The average monthly online purchase expenditure of people who do shop online are as follows (1 dollar is equal to roughly 6.5 yuan):

Below 800 yuan:	26%
801-1500 yuan:	53%
1501-3000 yuan:	15%
3001-5000 yuan:	6%
Above 5001 yuan:	0%

The data provided above will be analyzed. From the data we found characteristics of consumers who shop online. Although in the same group, some people like shopping online and others like shopping in physical stores. Generally, online purchasers are people in younger age brackets with lower income. The reason for this is because the ability that young people have a better understanding of new technologies and are better at using the Internet than their elderly counterparts. The younger generation as a whole is much more willing to try and accept new things.

Average monthly spending date for online purchases has shown that the influence of online shopping behavior on physical stores is negative. As we know the economic basis determines superstructure, income is the basis for shopping. According to data from the National Bureau of Statistics of China, the median Disposable Personal Income (DPI) of Chinese people was 21000 yuan (1750 yuan per month). From the data referenced earlier, more than half of people who do shop online spent 801 to 1500 yuan in online purchases. That means they basically no longer shop in a physical store unless necessary.

Price is the primary reason that people shop online. Some of the goods that can be found online are much cheaper than in the physical store, and consumers can always find a discount for the product they want when shopping online. The great variety of goods available on the Internet also helped online shopping to become popular, as consumers can find all kinds of goods from all over the world. It greatly met the needs of consumers who wanted to find special products, and it also met the psychological needs of consumers in pursuit of uniqueness and individuality. This especially caters to young people, who are the main customers of online retailers.

Although the primary product categories that online shoppers look for when shopping consist of smaller products such as clothes, expendable supplies, and consumer electronics, people are still more likely to purchase consumer durables and goods of greater size and value such as furniture, refrigerators, television sets, bicycles, cars, and so on in the physical store.

Expected Findings

This research seeks to discover if the influence of online shopping behavior toward the physical store is positive or negative. In an effort to answer this question, it is imperative to understand the change in revenue of physical stores. The data of physical stores' revenue is difficult to obtain but is able to be completed placing focus on consumer spending. If it can be determined where consumers would like to spend their money, then positive or negative attitudes can be substantiated.

Secondly, the research aims to find how online shopping behavior impacts the physical store. Through frequency statistics, the characteristics of consumers, the primary product categories, and the primary reasons of shopping online. This will allow the researchers to quantify advantages and disadvantages of the online retailers. These data will also show the business field advantage of the physical store – how to have a positive impact on operating performance.

Finally, from the study above, the research will also find out a way to help managers make a good relationship between online store and physical store, which depends on the competitive advantages and disadvantages of both stores. With the business area advantage found by this study; online and physical stores may find a way to share the market, develop a new business model through cooperation, and realize a win-win situation.

Discussion and Conclusion

Descriptive statistics show that the influence is negative as traffic in addition to revenue are decreasing in physical stores. More than half of people who do shop online no longer shop in a physical store unless necessary. To consumers who do shop online, it helps them save money and time to a great extent, and it is much more efficient to search for the good they want from the wide variety available online. Online shopping has substituted physical stores in the arena for many smaller products such as apparel, consumer electronics, and publications. However, shopping in physical stores could be more enjoyable than shopping online. Trying on and shopping for various apparel merchandise can be entertaining in and of itself. Numerous stores and places for leisure are usually located closely together and shopping malls also serve as a platform for socialization. Shopping online is more likely a useful complement than a substitute to physical stores. The information found by searching online stores can increase visits to physical stores as consumers predominantly trust physical stores, especially when they need to purchase goods with greater size and value.

As mentioned earlier, the main advantages of online stores are low cost, timeliness, and information superiority. However, the physical stores can provide better services and are more trustworthy than online stores. The relationship between online and physical stores is not only competitive but also cooperative. Both stores can play their own strengths to gain market shares, but also could collaborate with each other – a hybrid business model. Domino's Pizza reflects this idea. Customers can make an order and pay online, then pick it up from the nearest store or request delivery service. A hybrid model emphasizes both stores' advantages, and will be the main business model in the near future.

This research is invaluable to both online and physical stores' managers. Managers of both types of stores can use the information provided in the research to find and correct their disadvantages by changing their marketing strategy or the makeup of their goods selling structure. The research may have limited validity in China. This could be the result of social and cultural differences leading to variations in online and physical store shopping behaviors. Even though the majority of the study population used in this research was Chinese, the study was limited by the size of the population ($n = 1200$), and it still may not reflect views and opinions of 1.3 billion Chinese people.

Due to the limitations of this research, there exist many possibilities for future study. This may include exploration of the effects of other factors on shopping online, such as trust and satisfaction with increased and decreased purchases. A future study can also compare online and physical purchases in other contexts, such as in other countries and other categories of e-commerce websites (i.e., online travel websites).

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