

# Online Shopping vs Offline Shopping : A Comparative Study

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## ABSTRACT

The retail sector is one of the fastest growing sector in India. It is one of the backbones of the economy and accounts for about 10 percent of the country's GDP. The Indian retail market is estimated to be valued at US\$ 600 billion and one of the top five retail markets in the world by economic value. The growth of retail sector in India is one of the fastest globally. Indian consumers are very particular about their products. The consumer choices vary based upon their preference towards online shopping versus offline shopping. The internet and traditional shopping both have their own advantages and disadvantages. Online shopping doesn't require traveling long distances, offers more variety, remains functional 24\*7, offers huge discounts and extend the facility of customer reviews. On the other hand, traditional shopping allows customers to physically examining products which otherwise online shopping lacks. Consumers may be use both the online and traditional mode of shopping depending on their preferences at a particular moment, which results in fundamentally different behaviours across the two mode of shopping. This article attempts to throw some light on the differences emerging out of online shopping behaviour and offline shopping behaviour.

**Keywords :** Consumer Buying Behaviour, Online Buying Behaviour, Offline Buying Behaviour, Brick And Mortar Stores

## I. INTRODUCTION

The fundamental issue which arises in front of a consumer when he/she embarks on buying something is which mode of shopping they should choose to satisfy themselves. There are both online and the traditional brick and mortar shops available to fulfill their purchase interests. This abundance of choice available for consumers has thrown up a serious challenge for companies regarding the way they should target consumers to maintain competitive advantages.

In the developed countries like the United States, it has become almost a norm to make purchases on the online platform specially for apparel products. However, in a developing country like India, majority of people still depend on the brick and mortar stores to make purchases in different categories. Although in the last few years, online shopping has become quite a craze among the masses specially among the teenagers and youngsters, in absolute numbers, offline shopping is still way ahead of its online counterpart.

In the present day context, learning and analysing consumer behaviour is extremely vital for the success of a business, be it online or offline. Consumers drive the market. All the business activities are carried out keeping in mind the interests of consumers. Online shopping, which is a recent phenomenon in the Indian context has gathered steam in the last few years backed by increasing penetration of internet has resulted in consumers spoiled for choice. Internet is helping the promotion of products through online advertisements. The healthy competition between the online stores and the offline brick and mortar counterparts have ushered in a new era where consumers can pick and choose the medium of shopping to fulfill their shopping interests. Some of the key differences between the two medium of shopping are the means of gathering product informations, perceived risk and the ability of consumers to access similar kinds of products according to their preferences.

## II. METHODS AND MATERIAL

### A. Review of literature

**Degeratu et al. (2000)** show that for some categories the brand name is more important online than in a traditional shopping environment, but this might depend on the available attribute information.

An online channel has distinct characteristics from a physical channel (**Wang et al., 2013**). For example, the absence of the experience of examining the physical product within an online channel (**Alba et al. 1997**).

Earlier studies found that the products that consumers feel they need to touch or try on are products that require a presence or at least purchase within an offline channel (**Chiang and Dholskia, 2003; Lynch et al., 2001**).

**Lenvin et al. (2003)** found that being able to personally encounter a product prior to purchase is an underlying factor of the preference for an offline shopping method for products such as clothing. However, textile and clothing have found the biggest acceptance in online retail and no branch of the industry is affected by the internet as retail sales have (**Heinemann and Schwarzl, 2010**).

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According to **Chayapa (2011)**, the process of making decision are very similar whether the consumer is offline or online but some major differences are shopping environment and marketing communication.

**Smith and Brynjolfsson (2001)** use data from an online shopbot to study the behavior of online book consumers. They find that brand has an effect on the consumers' willingness to pay.

Online search isn't completely free; several papers have estimated positive but modest costs. **Bajari and Hortaçsu (2003)**, for example, find the implied price of entering an eBay auction to be \$3.20. **Brynjolfsson, Dick, and Smith (2010)** estimate that the maximum cost of viewing additional pages of search results on a books shopbot is \$6.45. **Hong and Shum (2006)** estimate the

median consumer search cost for textbooks to be less than \$3.00. Nevertheless, while positive, these costs are less for most consumers than the value of the time it would take them to travel to just one offline seller.

**Dong-Mo Koo, Ji-Hoon Lee (2011)** proposed an inter-relationship among dominance, energetic and tense arousal, pleasure and their impact on intention. Results from the from a survey of 406 consumers (217 from offline store customers and 189 online store users) demonstrated that dominance had a significant positive and/or negative effect on both energetic and tense arousal, it has no impact on pleasure and intention under both offline and online environment; effect of dominance on tense arousal was not statistically significant in an online shopping environment; both energetic and tense arousal has a positive and/or negative impact on pleasure.

**Kolko (2000)** finds that cities that are farther away from other cities are more likely to make use of the internet; **Forman, Goldfarb, and Greenstein (2005)** find that rural areas are on the margin more likely to adopt participation technologies, as defined above, that aid communication across establishments; and **Sinai and Waldfogel (2004)** find that conditional on the amount of local content on the internet, people in smaller cities are more likely to connect to the internet than people in larger cities.

**Brynjolfsson and Smith (2000)** and **Clay, Krishnan, and Wolff (2001)** find that prices drop due to the introduction of online book markets.

**Scott Morton, Zettelmeyer, and Silva-Risso (2001)** document that consumers who used an online service to help them search for and purchase a car paid on average two percent less than other consumers.

**Yaobin Lu (2011)** focused on factors that influence users' intention to transfer their usage from the offline to the online channel that offer similar services. The study revealed that innovativeness in new technology and relative benefit had positive effects on users' intention to transfer usage. Moreover, the findings of the study also indicated that internet experience moderates the relationship between relative benefit and consumers' intention to transfer usage from offline to online services.

**Brown and Goolsbee (2004)** find that price comparison websites led prices for term life insurance policies to fall by 8-15 percent.

**Sengupta and Wiggins (2006)** document price reductions in airline tickets driven by online sales.

**Waldfoegel and Chen (2006)**, while finding price comparison websites weaken brand effects, find that brand still matters for sellers in a number of product markets.

**Jin and Kato (2006), Resnick et al. (2006), and Cabral and Hortaçsu (2010)** both show how seller reputation on online auction sites is correlated with transaction prices.

**Dinlersoz and Pereira (2007), Koças and Bohlmann (2008), and Loginova (2009)** construct models where heterogeneity in consumers' views toward the substitutability of products sold in the two segments affects firms' optimal online strategies.

**Tony Ahn, Seewon Ryu, Ingo Han(2004)** explored online and offline features of Internet shopping malls and their relationships with the acceptance behaviours of the customers. Web survey with a 932 users was conducted in 6 shopping malls in Korea. The study validate technology acceptance model (TAM) on predicting the acceptance of the Internet shopping malls. Online and offline features have positive effects on the user acceptance, usefulness, attitude and intention to use.

**Aron M. Levin, Irwin P. Levin, and Joshua A. Weller (2005)** for their study used two samples of size 199 from a large mid-eastern American University and an online survey panel. The study found that the preferences for shopping online or offline were shown to vary across products, consumers, and stages of the shopping process. When attributes such as large selection and shopping quickly were predominant, online shopping was preferred. When attributes such as personal service and ability to see-touch-handle the product were predominant, offline shopping was preferred.

**Junhong Chu et. al. (2010)** explored the moderating effects of household (e.g., shopping frequency) and product (e.g., sensory nature) characteristics on brand loyalty, size loyalty and price sensitivity across online and offline channels of grocery products. Data was

collected from one of the five leading grocery chains in Spain. The study found that the households were more brand loyal and size loyal but less price sensitive in the online channel than the offline channel.

**Rick L. Andrews Ourso and Imran S. Currim (2004)** examined behavioural differences between consumers attracted to online shopping and traditional supermarket shopping using actual choice data from an online supermarket and traditional scanner panel data. The study found that as compared to traditional supermarket consumers, online consumers prefer larger sizes to smaller sizes, do more screening on the basis of brand names, do less screening on the basis of sizes, have stronger choice set effects.

**Koen Pauwels et. al. (2011)** found that the offline revenue impact of the informational website critically depends on the product category and customer segment. The lower online search costs were especially beneficial for sensory products and for customers distant from the store. In contrast, customers in a particular segment reduce their shopping trips, suggesting their online actions partially substitute for experiential shopping in the physical store.

**Dong-Mo Koo, Ji-Hoon Lee (2011)** proposed an inter-relationship among dominance, energetic and tense arousal, pleasure and their impact on intention. Results from the from a survey of 406 consumers (217 from offline store customers and 189 online store users) demonstrated that dominance had a significant positive and/or negative effect on both energetic and tense arousal, it has no impact on pleasure and intention under both offline and online environment; effect of dominance on tense arousal was not statistically significant in an online shopping environment; both energetic and tense arousal has a positive and/or negative impact on pleasure.

**Isabel P. Enrique and sergio Romàn (2014)** examined the role of several consumers' cognitive and psychographic traits in their perception of retailers' deceptive practices (perceived deception) and the different effects on perceived deception associated with online vis- à-vis in-store shopping.

## Utilitarian vs hedonic shopping behaviour:

Utilitarian means relating to practical purposes, or relating to the idea that usefulness is more important than beauty. An example of a utilitarian decision is to purchase a car that gets good fuel mileage instead of a bigger, more comfortable car. Utilitarian goods are ones whose consumption is more cognitively driven, instrumental, and goal oriented and accomplishes a functional or practical task (Strahilevitz and Myers 1998). In case of utilitarian shopping, consumer are fully rational. They analyse each and every aspect of the product and service minutely before making a decision.

Hedonic goods are consumed for luxury purposes, which are desirable objects that allow the consumer to feel pleasure, fun, and enjoyment from buying the product available. Items that are high on hedonic value are likely to be subject to want preferences. In case of hedonic shopping, the beauty aspect of the product or service is given more importance than the actual substance. Hedonic behaviours are resulted from aesthetic and emotional feelings.

There is actually no such strictly utilitarian or hedonic goods available in this universe. Also absolute utilitarian buying or hedonic buying is nothing but myth. Consumers during their decision making processes take into account both utilitarian and hedonic aspects of products and services. They choose products or services based on both their usefulness and their presentability in the society.

### B. Comparison of online and offline shopping in light of five stage consumer decision making model:

The five stage consumer decision making model is shown Figure 1.

Even though online and brick and mortar shopping channels are two entirely different mode of shopping, the five stage consumer decision making model is equally applicable for both the mode of purchase. Let us discuss each of the five stage consumer decision making model below-

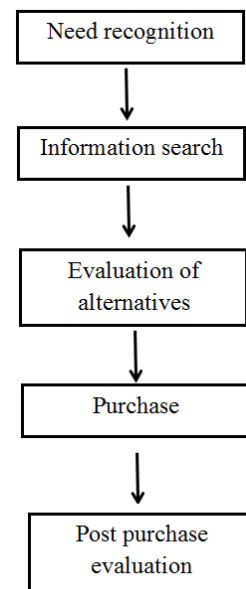


Figure 1

**i) Need recognition:** Irrespective of the mode of the purchase, most decision making starts with some sort of problem. The consumer feels a difference between the present stage he/she is in and the ideal stage he/she wants to be in. That missing thing which can satisfy the customer's dissatisfaction, is the need of the customer. Marketers need to identify this stage and offer products and services as per the requirement. For example, if a customer needs to buy a new set of dress to attend an upcoming marriage ceremony, then this is the need of the customer.

**ii) Information search:** Most of us are not experts on everything around us. In this stage we evaluate the products and services which can satisfy our needs. Apart from our friends, family members and neighbours, nowadays we can look for information on the websites as well. The major difference between online and offline shopping regarding this particular stage is the search cost involved in it. Whereas in case of offline shopping, it's time consuming and physically demanding, in case of online shopping, the search cost is extremely low and it's a matter of pressing some keys. This is the stage where risk management commences. Consumers evaluate the pros vs cons of purchasing a product. Since customers remember good experiences over bad ones more, it's advisable to spend considerable amount of time on this stage as customers don't want to regret later about the decision they made regarding purchase of a certain product or service.

### iii) Evaluation of alternatives:

This is the stage where products and services are compared with each other to choose the best ones available. Now this decision is absolutely subjective as consumer choice varies from person to person. One advantage online shopping companies have over their brick and mortar counterparts is the variety of products available online. Due to the higher varieties, customers have more options to choose from. Apart from that, the customer review option available online helps customers to go through the reviews and choose for themselves from the alternatives available. But one advantage of offline shops in this aspect is the tangibility factor. Customers can touch and feel the product. They can also get a first hand demo and try it on themselves. They can also interact with the salespeople of the store. That definitely helps them to make informed choices.

### iv) Purchase:

This is the stage where products and services are purchased after deliberations. In case of offline shopping, products and services can be used immediately, whereas in case of online shopping, customers have to wait for the courier company to deliver the product. In case of services like softwares, it can be downloaded directly from the websites and can be used. At this stage a customer has either assessed all the facts and come to a logical conclusion, made a decision based on emotional connections/experiences or succumbed to advertising/marketing campaigns, or most likely a combination of all of these has occurred.

### v) Post purchase evaluation:

The review stage is a key stage for the company and for the customer likewise. Did the product deliver on the promises of the marketing/advertising campaigns? Did the product match or exceed expectations? In case the customer is not satisfied with the product and want a replacement for it, he/she needs to act differently online and offline. In case of a brick and mortar shop, the replacement can be obtained by visiting the shop during the scheduled working hour. Whereas in case of an online shop, it requires calling up the customer care to lodge a complaint, waiting for the courier company to pick up the product and wait for the replacement to arrive.

## III. RESULTS AND DISCUSSION

### Comparison of online and offline purchase based on certain parameters:

**i) Convenience:** Now, that's one of the benefits of purchasing through online medium. Unlike in case of offline purchase, in case of online shopping, consumers don't need to travel all the way to the brick and mortar shop, jostle with other consumers during festive seasons rush and face difficulty finding proper parking space for their vehicles. Online shops are open 24\*7 and products are delivered to the residences or offices of the customers according to their choice. So a consumer can just wake up in the middle of the night and place an order for a smart phone or some apparels. This is one of the major reasons for the popularity of online shopping.

**ii) Variety:** An online shop is a customer's delight. No offline shop can offer as much variety in different product categories as an online shop can. Since online shops do not have to bother about space crunch, they can make available large varieties of product at the same place. This large variety gives consumers vast choice which was not available before the advent of this medium.

**iii) Consumer review:** This is one of the benefits of the online shopping which helps the prospective customers to learn about the performance of products from somebody like them even before they can lay their hands on the products. Once a product is purchased by a customer through an online store, the customer is requested by the shopping company to upload their experiences with the product on the portal so that customers other customers can read that and decide for themselves if they want to purchase it or not. That helps customers to choose the best products for themselves.

**iv) Comparison shopping:** As customers, we like to visit few shops before purchasing a product. In case of offline shopping, that means physically traveling to each and every shop to check out the products. That's both time consuming and physically demanding. But in case of online shopping, we can effortlessly pull up number of online shopping sites on our devices and compare the products on them. Based on the comparison and best

deal available, we can decide to purchase from a particular site.

**v) Discounts:** This is one of the major reasons for consumers specially youngsters purchasing online. Since online sellers don't need to go for costly decoration of their shops, employ large number of salespeople and due to disintermediation, they can offer products and services at a considerable amount of discounts compared to their brick and mortar counterparts.

**vi) Availability of unique products:** Nowadays it has become almost a fashion for manufacturers of electronic devices and other product categories to launch their brand new products exclusively on a particular shopping portal. These products are not at all made available in any offline shops and only the specific online portal gets the exclusive right to sell the product. In that case, customers are left with no options but to purchase these products on that portal.

**vii) Tangibility and trialability:** That's one of the drawbacks of online shopping. In case of brick and mortar stores, customers can touch the products, feel the products, can get a first hand demo and in case of apparels try it out on themselves before purchasing them. Whereas, online portals offer customers only the pictures and specifications of products which might not be sufficient in some cases to undertake informed buying. Even though nowadays some of the e-tailers are offering free trials upon delivery where a customer if not satisfied with the product or service, can return it immediately. Despite of that, this is one area which will always hand an advantage to the offline stores against their online counterparts.

**viii) Shopping experience:** It's said, shopping is not only about just going through the motion and making the purchase. The shopping process itself, where we sift through products and feel the colours, textures and feel them can be extremely enjoyable. Apart from that, shopping in India is known to be a family outing on weekends or holidays where the entire family goes out together, purchase products, catch some movies, visits a restaurant to take their meals. It becomes virtually a get together for families on weekends or holidays which otherwise is not possible because of hectic work schedules of the family members. Online shopping can't offer similar experience. You might be able to purchase

products more easily online, but the experience of spending valuable times with your family members is something which can't be replicated by them.

**ix) Delivery of products:** Unlike in case of brick and mortar shops where upon purchase, customers can immediately use the products, in case of online shopping, there is considerable amount of lag time between placing the order and delivery of products which sometimes can extend upto weeks. As a result, products which are of immediate use, can't be purchased online. To tide over this problem, online portals have started offering same day delivery or next day delivery of products as premium services in exchange of certain extra payments.

**x) Return of products:** That's something which always pulls down online shopping companies. Whereas in case of offline shops customers can visit the respective shop to exchange their products if not satisfied, in case of online shopping it entails calling up customer care, waiting for the courier for reverse logistics, getting the money back or getting the products exchanged. Sometimes the entire process might take an entire month. Even though most of the online shopping sites offer money back guarantees or product exchange facilities, the experience could be harrowing.

#### IV. CONCLUSION

The present literature shows that there are significant differences between consumer purchase style in online and offline medium of shopping based on certain parameters. Despite the rapid growth in online sales in India and the projection of further uptick in this medium of shopping, the majority of consumers in India still prefers the so called 'real' shopping experience of brick and mortar shops. As different studies show, it's mostly the youngsters who are fueling the amazing growth story of online shopping in India. Advent of online medium of shopping has no doubt hit the offline stores hard. Large discounts offered by the e-tailers have indeed put enormous pressure on their bottom line. Adding with that the ever increasing price of Indian real estate sector has put the viability of brick and mortar business in doubt. On the other side, despite of ever growing customer base of online retailers, none of them have broken even yet. Offering of huge discounts on products and services have proven to be the bane for them. The huge amount of venture capital and private equity funds

which used to drive these companies have also dried up recently. The concept of omni-channel strategy has started taking centre stage whereas retailers are trying to remain present in both online and offline channel to tap the demands of maximum number of customers.

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