

Study on the Innovative Strategies Employed in the Digital Retail Industry

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Abstract: *The shift towards digital retailing has brought up the concept of "digitalization," which is considered one of the most impactful shifts in modern society. The retail industry, which is both influenced by and influences the progress, is notably impacted by the continuing changes brought about by digitalization. The Internet's introduction has led to the emergence of novel business models (e.g. Sorescu et al., 1996), new enterprises (e.g. Mols, 2000), and fresh commercial prospects (e.g. Quelch & Klein, 1996). 2011) and methods of commerce (such as Gloor, 2000). Thus far, the focus of discussions around digitalization and the Internet has mainly revolved around the growing prevalence of e-commerce in the retail industry. Regardless, the internet is becoming more and more integrated in all sorts of shopping, and the impact of digitization extends far beyond the nuances of e-commerce. Illustrations of significantly wider and more profound effects encompass the utilization of digital devices throughout different phases of the buying process, the conversion of once tangible goods into digital services, consumer endorsements, and social media interactions. The increasing utilization of digital mobile devices and the Internet has initiated a transformation in customer behavior, encompassing their shopping habits. Mobile devices are rapidly delivering newly purchased objects with internet access, while a wide range of mobile products and technologies are becoming interconnected.*

Keywords: change, retailing, system, digitalization, and retailer-purchaser interface

I. INTRODUCTION

Digitalization is a prominent and ongoing transformation in modern society that encompasses several aspects of both business and daily life. This transition has a substantial impact on the retail sector, both in terms of the effects it brings and how it is influenced by this development. Retailers are affected by the changing patterns of consumption brought about by digital technologies, while also offering customers a range of digital products and services specifically designed for use with these technologies. The retail industry has a lengthy history of digitalization, as evidenced by the works of Salkin (1964) and Watson (2011). However, the importance of digitalization is now becoming more evident. Academics have shown a keen interest in exploring the consequences of the internet's growth on the retail industry. Notable studies include those conducted by Alba et al. in 1997, Peterson and others in 1997, and Burt and Sparks in 2003. These consequences include the ramifications of changes in business models and opportunities, as discussed by Osterwalder and Pigneur (2002) and Quelch and Klein (1996). Sorescu and colleagues (2011) and Gloor (2000) have studied different ways of trading and purchasing. However, the focus of digitalization has mainly been on e-commerce (Wrigley and Currah, 2006) and the conversion of local stores into global markets (2013).

Bodhani (2012) states that mobile devices are progressively integrating the Internet into brick-and-mortar establishments. Currently, there is ongoing development of new retail formats such as click-and-drive (Colla & Lapule, 2012) and pop-up stores (Kim et al., 2010). Additionally, there is progress being made in the areas of information retrieval, testing, ordering, payment, and service. New apps serve the functions of facilitating payments (e.g., iZettle), doing price comparisons (e.g., Pricerunner), and providing product information (e.g., Good Guide). This significant enhancement is expected to have wide-ranging effects on retailers, consumers, employees, and suppliers. Grewal & Levy (2009) argue that there is a significant demand for knowledge pertaining to this change and its consequences. The

study conducted by Doherty and Ellis-Chadwick in 2010, as well as the one by Hagberg et al. in 2012, have contributed significantly to the comprehensive research on e-commerce and its various developments. Although scholars have recognized the importance of the Internet for physical stores, retail formats, and apps, there have been limited studies that have thoroughly investigated the retailing consequences of these advancements. An evaluation of the potential far-reaching effects of digitalization in the retail industry is crucial. It is evident that there is a need to develop a system that can be used to analyze the effects of digitalization in a retail environment. The objective of this study is to analyze the ways in which digitization has transformed the retail industry and to suggest areas for further research on the impacts of these changes. This paper explores the process of digitalizing retailing, starting at the point of interaction between the retailer and the customer. Specifically, it focuses on three aspects of this process: transmission, transaction, and distribution (Peterson et al., 1997). Communication encompasses both the acquisition and dissemination of information. Transactions encompass the transfer of ownership, involving monetary exchanges and the physical acquisition of the item being purchased. Dissemination refers to the tangible and material exchanges of goods. To enhance understanding of the impact of digitalization on retailing across different domains, these three dimensions of exchange are separated into subcategories and elaborated upon with examples from the Swedish retail industry. The text discusses the identification of repercussions and the development of research proposals based on three unique levels of retailing: micro, meso, and macro. These levels span a range of factors, from individual retail workers to broader society changes. Key findings indicate that the integration of computerized education and skills in the workplace will pose a significant challenge, necessitating innovative methods of knowledge transfer among employees. Furthermore, retailers will be compelled to develop new business models that effectively address the opportunities and challenges presented by digitalization. Additionally, digitalization will impact retailers' ability to maintain sustainability, cost-effectiveness, and customer appeal. Digitalization may impact the function of retailing in society and bring about many transformations.

Theoretical framework

Our conceptual framework is built upon the examination of consumption as outlined by Ritzer (2001) and Lehdonvirta (2012) in order to understand the growing significance of digitalization in the interaction between retailers and consumers. This include the conversion of tangible goods into digital services, endorsements by consumers on social media platforms, and the integration of digital devices into the buying journey, such as online research culminating in offline transactions. Ritzer delineates four elements of consumption in 2001: individuals, procedures, locations, and items. Lehdonvirta (2012) expands upon these elements in the context of digitalization. We employ a comparable categorization as our initial reference, albeit with some minor variations in the vocabulary. The term "exchange" is employed instead of "processes" to denote the diverse activities occurring at the interface between the store and the consumer. In this context, transaction is considered neutral as it lacks a specific actor position or point of view, such as that of a store or consumer. When discussing the different situations in which retailing occurs, we use the term "setting" instead of "sites." To encompass both merchants and consumers, we use the concept of actors rather than subjects. The utilization of the notion of actors enables the exploration of roles and identities that become less defined as the interaction between retailers and customers undergoes transformation due to digitization. Hagberg (2010) illustrates that the term "actors" does not exclusively refer to humans in the context of e-commerce exchanges. Instead, it encompasses a diverse range of participants, including digital equipment found in homes or stores. Lastly, we stress that digitalization has the capacity to revolutionize both products and services by utilizing the notion of providing instead of physical items. According to our analysis of retailing exchange modes (Kjellberg and Helgesson, 2007; Hagberg, 2010), we suggest that the four different aspects have interdependent interactions and that modifications in one element can impact changes in the other elements. Our structure is shown, and each aspect is subsequently expanded upon depending on previous works.

The writing consists of articles published in retailing, consumption, and advertising publications, supplemented by other scholarly research identified through this literature. We conducted a comprehensive search on Scopus and Business Source Premiere using particular keywords such as "retail*," "digital*," "internet*," and "consumer*." We then refined our search by focusing on the framework's aspects and manually browsing through the journals' content. The emergence of the internet in the late 1990s led to the digitalization of transactions, resulting in the rise of new enterprises centered on e-commerce. Nevertheless, some e-commerce enterprises swiftly established both brick-and-mortar storefronts and online platforms, leading to the emergence of multi-channel retailing. Transactions encompass

the exchange of ownership and encompass both financial and tangible purchasing transactions. Distribution is the act of physically and tangibly exchanging products. This split bears resemblance to the paradigm proposed by Grewal et al. and Rotem-Mindali and Weltevreden (2013), which categorizes the process into information collection, purchasing, and delivery. The paradigm proposed by 's (2013) encompasses the stages of pre-purchase, purchase, and post-purchase. However, it is considered more neutral as it does not adopt any certain entertainer's perspective.

The process of integrating human and digital technologies on both the retailer and customer sides is referred to as the digitalization of actors. There is also a growing blurring of boundaries between retailers and consumers, as well as the emergence of new types of intermediaries, altering roles, and greater prominence of diverse actors. The integration of individuals and computerized technologies has led to the emergence of new forms of organization in the retail industry. This phenomenon has been extensively studied by researchers such as Hagberg and Kjellberg in 2010, as well as Cochoy et al. in 2016. Agency encompasses not just human customers, but also a network of individuals, diverse things, and equipment (such as shopping carts, laptops, and smart phones) that collaborate harmoniously. Element III: Digitalization of settings is a transformation in the traditional retail environment, specifically the physical store and consumers' homes, through the use of digital technology. Moreover, the process of digitalization also involves the emergence of novel forms of environments, specifically those environments associated with the proliferation of mobile devices in everyday life. Element IV: Consequently, digital technologies are progressively blending across temporal and spatial dimensions. The process of digitalization has led to a blurring of the boundaries between goods and services. This phenomenon, as discussed by Levitt (1981) and Vargo and Lusch (2004), has been further intensified by digitalization, as highlighted by Araujo and Spring (2006). Consequently, the term "offering" now encompasses both goods and services, enabling retailers to effectively blur the distinction between these two categories. Digitalization, which involves incorporating digital technologies into products, leads to changes in offerings. Digitalization also impacts the pricing, payment, extension, and modification of these offerings.

Modifications to goods and services

As previously argued, many products commonly sold by retailers have undergone significant digitalization, such as music. This trend is expected to continue and expand further, as stated by Masten and Cultivator (2010, p. 76): "[M]any items and devices that we currently view as standalone will gain new functionality and usefulness through their connection to a network." Products undergo a multitude of changes when they incorporate an increasing number of digital elements. However, despite the digitalization of many products, there are still physical parts that exist. Magaudda (2011) argues that digitalization does not diminish the material aspect of consumer practices, even in the case of digital products like music. Instead, these practices continue to heavily depend on physical objects such as smartphones and earphones, regardless of whether the music is accessed through streaming services or mp3 files. The process of digitalization also facilitates the increase of offerings. Amit and Zott (2001) define complementarities as a source of considerable value generation for e-commerce companies. These complementarities encompass the potential to expand the assortment of products and services by grouping them together, as well as the potential to integrate both online and physical offers. The emergence of new pricing models presents issues in determining the appropriate pricing strategy for products and services that are more intertwined. For instance, deciding whether to base the price on a single unit or offer a subscription-based pricing structure. The integration of physical and virtual retailers has also created new possibilities for enhanced profitability in the distribution of product assortments. Illustrations of these chances encompass offering diverse choices across several platforms. Grewal et al. (2010). The prices and pricing of the service may undergo substantial changes due to digitization. Digitalization presents several opportunities, such as customized improvements or real-time pricing.

II. CONCLUSION

This has contextualized the broader transformations brought about by the digitalization of commerce by discussing its implications for four key aspects of the retailer-consumer interface. The previous text has analyzed the transformation of trades through changes in communication, transactions, and distribution. It has also explored how the integration of humans and digital technologies leads to the transformation of individuals involved, blurring boundaries and giving rise to new actors, roles, and relationships. Additionally, it discusses the evolution of settings, incorporating both new and

traditional environments, and the blending of these settings. Furthermore, it examines how offerings are altered by modifying products and services, expanding the range of offerings, and introducing new pricing models.

The process of digitalization has greatly transformed the retail industry, particularly in the interaction between retailers and consumers. This transformation is expected to have substantial consequences for both research and practical applications. Therefore, the framework assists to advancing the discourse on digitalization in retail by going beyond discussions of e-commerce and examining specific aspects of digitalization in detail. Based on this study, it is possible to discuss the hypothetical and logical consequences. Implications for research encompass three primary consequences. To effectively address the significant changes in the retail industry caused by digitization, it is necessary to conduct thorough studies of how specific elements are transformed and how these changes contribute to a broader transformation.

According to our framework, there are interconnected linkages among different components of digitalization, which require a resistance to their interdependence and progress in the long run. Furthermore, it is imperative to consider the emergence of hybridity in the digitization of retailing, as indicated by our investigation. We agree with Denegri-Knott and Molesworth's (2012, p. 6) assertion that it is problematic to create a dichotomy between physical/material consumption and digital/virtual consumption. They argue that this conceptual distinction should be avoided when defining digitalization in the retail industry. It is important to reject rigid distinctions between online/offline, digital/analogue, and material/virtual. Instead, we should embrace hybrid concepts that blend and incorporate these different aspects. Strict definitions can become outdated over time, while overly broad definitions can be impractical as they lack clear guidance. Researchers often emphasize the need for clear and enduring definitions that can be universally used and understood by all. However, our study reveals that defining digitalization in the context of retailing is challenging due to its extensive and ongoing transformation. We have transitioned to a more focused framework for the digitalization of retail in the interaction between retailers and consumers. This framework starts with a comprehensive definition of digitalization as the incorporation of digital technology in the retail industry. Therefore, we believe that doing future research into the digitization of retailing can effectively leverage the proposed structure as a heuristic tool for further examination.

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