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PROSPECTS FOR THE EXISTENCE OF LOCAL BUSINESS SHOPS IN DEVELOPING COUNTRIES

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Abstract

Digital technologies are altering the retailing ecosystem for local shops. In developing countries, most of the population is usually dependent on the local shops. The local stores can target more consumers through satisfying customers' requirements and ensuring last-mile delivery. But with the rising of digital businesses, change in consumer patterns, convenience of online shopping and limited time availability have challenged the survival of such local stores. The research explores various prospects for the existence of local business stores in fast moving developing countries. Based on the literature and consensus of experts, a mind map has been developed in terms of market analysis, government support, digital connectivity, products and services, customers' perspectives, and social commerce practices to illustrate the possible existence of local business shops. The proposed novel mind map can help policymakers, service providers, investors, managers, regulatory agencies, trade groups and decision makers to focus on initiatives like market analysis, government support, digital connectivity, quality of offered products and services for the existence of local stores along with big e-tailers.

Keywords: Digital business; developing countries; local business shops; mind mapping.

1. Introduction

The use of digital technologies, busy lifestyle, changing consumers' preferences and demands are few reasons that are threatening the traditional local stores in many countries (Reuschke and Mason, 2020). Due to increasing penetration of internet, availability of global brands, heavy discounts offered by digital commerce firms, most of the people are preferring to shop online and adopting digital payment systems (Hood et

al., 2020). The digital platforms are also enabling consumers to gain a greater level of understanding about products, their attributes, and offerings (Han and Kim, 2019).

The traditional business practices are getting challenged by the presence of digital commerce firms. The local stores or shopping malls are not able to compete online retailers as these firms are providing more accessibility, convenience, and endless product selection to the consumers. The government and retailers are worrying about the low growth of physical stores (Janjevic and Winkenbach, 2020). The local firms are not able to integrate their products or services over digital channels (Yang and Meyer, 2020).

Many local stores are failing to make adequate strategies during the retail transformation due to the technical limitations and business structure rigidity (Ye, Lau, and Teo, 2018). Hence, there is a need to perceive new avenues for their existence (Frishammar, et al., 2018). The research tries to fill this gap and explores the various prospects for the existence of local retail businesses.

The study proposes the various prospects for the existence of local stores through a novel mind map. The mind map illustrates the ways through which local stores can be upgraded to compete with digital commerce firms. Different insights are drawn by visualizing various prospects like government support, digital connectivity, product and services, customers' perspectives, market analysis and adoption of social commerce practices. This research enriches the prior and transdisciplinary knowledge. The article will assist policy makers, entrepreneurs, and service providers to consider the importance of various prospects for the existence of local stores and to target more end-users.

Remainder of the article deals with various sections like review of literature (section 2), and details of used methodology (section 3). Results and discussion (Section 4) proposes the mind map and deliberate the obtained results thoroughly. Conclusions and policy implications of the study have been discussed in section 5. Section 6 discusses the limitations and future research directions.

2. Review of Literature

The consumers' preferences vary in emerging markets as people are preferring global brands and trends (Ferreira and Ferreira, 2018). The global firms are also giving more attention to emerging markets for market expansion and future growth. Due to increasing economic growth, cultural transformations and rising middle-class consumers, the emerging markets are getting attraction as potential market for global firms (Ferreira and Ferreira, 2018). Multinational firms always have technological advantages over local firms (Meyer et al., 2020; Yang and Meyer, 2020) to capture more consumers segments by offering multiple products and services.

Rising incomes, increased access to information, digital platforms, availability of products online are few driving factors for the new generation retail transformation. For such transformation, local knowledge is required about consumer behaviour and socio-political institutions to penetrate these new markets (Sinha and Sheth, 2018). The digitalization is creating new opportunities to global firms and local firms to shift from off-line businesses to online (Reuschke and Mason, 2020).

The consumers are more demanding in terms of features, quality, and functionality to get in a lesser price. The integration of digital technologies is making firms enable to offer brands products on discounted price to target new consumer segments (Toh and Polidoro, 2013; Yang and Meyer, 2020). Unbundling or repackaging of products can be done to offer low-cost products and services. For example, a product in a small pack size or in loose packaging can turn more people as customers rather than a costly big packet (Sinha and Sheth, 2018). The branded and highly relevant product categories should be made available over unbranded products at local stores to attract more market reach.

The retailers are required to increase their presence in geographically competitive markets. To compete with online retailers, local shops will have to adopt similar models to allow consumers to do shopping at any time (Hood et al., 2020). The marketers can also capture economic value from the social networking platforms (Yadav et al., 2013). Most of the retailers are facilitating online order placement, store-based picking, and delivery at nearby places or localities to the end users. However, local business stores are inefficient for fulfilling store-based online orders and delivery. That leads to limiting capacity of such stores and reducing customers' satisfaction (Hubner et al., 2016). The research tries to explore various prospects to upgrade the local shops in terms of enhanced capability to fulfill the customers' expectations.

3. Methodology – Mind Mapping

Mind mapping is a research technique that provides a multi-dimensional insight about a particular selected concept. A mind map is a visual representation of connecting concepts and thoughts associated to a central issue (Buzan and Buzan, 1995; Somers et al., 2014). Mind maps are structurally more flexible to present ideas or structure information in a variety of ways and have various advantages as a research technique. The mind map visualizes the insights obtained from bibliometric analysis around the central theme of the study. The mind map represents the concept of information in collapsible and expandable topic trees.

The qualitative study design (Mind Mapping) has been performed for the investigation. A total of 34 field experts (Annexure 1) were consulted in multiple groups. Participants were e-mailed and made appointments online. Each group is consisting of 4 to 5 experts of different background (excluding facilitator). The experts

were selected based on purposive sampling. Each session went on nearly for 2 hours. At the start of each session the rising issue about the existence of local stores and insights gain from literature review was discussed with the experts.

Analysis of discussion starts with the aggregation of mind maps prepared by individuals to observe commonalities (Kern et al., 2006). All the concepts are aggregated for semantic analysis. A Mind map reflects the thought processes, collaborative ideas and patterns to represent relationships in a concise format. Primary concepts radiate from the centre and link directly to the problem being mapped. The satellite concepts (sub-branches) are used to expand the primary concepts. For configuration analysis, similar concepts are placed closer to each other while developing the mind maps. Digitalization of mind map took place with the MindManager X5 software.

There are several reasons for selecting Mind mapping for this study. It allows visualizing the concept holistically. It assesses various concerns about complex concept with reasoning. Previously, the mind mapping has been utilized in various fields like designing smart city (Kumar et al., 2020), in medical to diagnose and suggest a care plan (Kern et al., 2006; Somers et al., 2014), to solve practice-based problems (Bennis and O'Toole, 2005) in business management and engineering.

4. Results and Discussions

Based on the consensus of experts' group, the mind map has been developed to illustrate the existence of local shops. The proposed mind map (Figure 1) is consisting of six primary branches as i). Market analysis; ii). Government support; iii). Digital connectivity; iv). Products and services; v). Customer's perspectives and vi). Social commerce.

Government Support

The political connections can help firms to understand and enforce the regulations of a particular locality (Yang and Meyer, 2020). The local firms should form alliances and joint ventures for the competitive business environment. FDI has signified that the global players also need local networks and shops to fulfill the need of customers. The government support is required for formulating various trade policies and developing infrastructure.

The supply nodes and transport infrastructure support to deal with overall level of demands (Janjevic and Winkenbach, 2020). The logistics infrastructure and the available parking spaces impact the last-mile delivery. It can also be improved by facilitating store-based order picking and packaging locally (Hubner et al., 2016). The demographics and geodemographics patterns can drive e-services demand in a particular area (Hood et al., 2020).

Market Analysis

To develop the effective marketing strategy, firms should analyse internal environment, competitors, and targeted customers (Pires and Aisbett, 2003). The understanding of national market, cultures and consumer base can boost the economic growth (Ferreira and Ferreira, 2018). Retailers must understand and predict the consumer demand (Hood et al., 2020). The facility of pick-up and delivery should be increased based on the demand density (Janjevic and Winkenbach, 2020).

For the analysis of the aspirations of the consumers, the cultural fusion must be taken into consideration. This includes local traditions, social norms, faith, and sensory preferences like colors, flavors, and texture. Through incorporation of such elements into offering of products and services can enhance psychological acceptability for many customers' segments (Sinha and Sheth, 2018). Functional fusion can also be introduced through offering innovative products and multiple variants to meet the needs of consumers. The preferences of local customers impact product and service options offered by a retailer.

The use of Internet is varying with local socio-demographics that include age, education, income, and employment status of consumers (Alexiou, 2018). The Gender also plays a crucial role in e-shopping behaviours (Hood et al., 2020). The socio-economic challenges necessitate making efforts towards educating the customers about products or services. Internet penetration helps in placing order online, making payments and exchanging products in an easy process. In emerging markets where the internet penetration is lower, e-retailers can deploy offline order strategies to capture such consumers who are dependent on local shops. To smoothen the last-mile delivery, the distribution network must be design (Janjevic and Winkenbach, 2020).

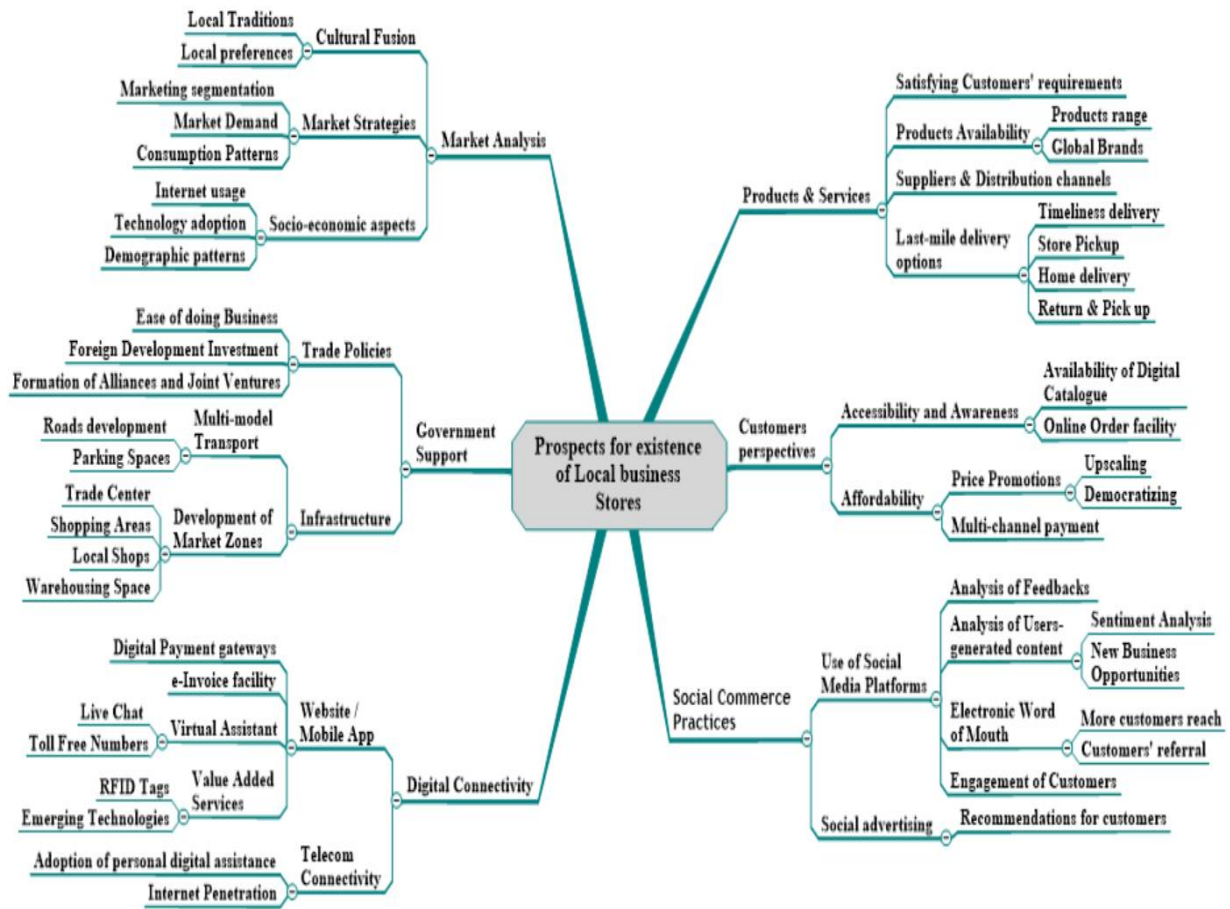


Figure 1. Mind Map visualization for existence of local business shops

Products and Services

The local stores can create wide market access and can gain competitive advantages by introducing new products and services (Chen, Lin, and Michel, 2010; Yang and Meyer, 2020). The availability of global brands can impact positively on consumers' purchase intentions. The socio-cultural factors influence the acceptance of such global brands. Packaging styles and quality can transform unpackaged, unbranded goods market into more demanding (Sinha and Sheth, 2018).

The products or services that contain traits of both global and local can attract more consumers than regular products (Sheth et al., 2016). The provided offers, product specifications, value for money, satisfying requirements and delivery processes can enhance the purchase intentions (Han and Kim, 2019). The availability of products, timeliness deliveries, facility to online order and return can enhance the customer service performance.

Digital Connectivity

The technologies adoption affects the multidimensional facets of business activity (Pires and Aisbett, 2003). The main purpose of building websites is to make consumers informed. Mobile technology and digital payment mechanism can enable retailers to reach more consumers through multiple channels (Ye, Lau and Teo, 2018). The emergence of digital infrastructure helps entrepreneurs to gain superior market intelligence for competitive advantages (Pergevova et al., 2019). The digitalization of business also leads to more collaborative entrepreneurship. Implementing digital technologies can enable local firms to perform business activity beyond the geographical constraints (Reuschke and Mason, 2020).

To make the purchase intension, users need different information for evaluating the products. The local shops should enable their business activities over multiple e-channels through Internet-enabled devices and shopping apps (Wagner et al., 2020), payment gateways, virtual assistants to incorporate value added services. The digital technologies can enable local firms to incorporate digital and physical elements to upgrade the quality of products and services (Frishammar et al., 2018).

Customers' Perspectives

Business strategy should be focused on retaining the existing customers (Pires and Aisbett, 2003) and to target more consumers segments. The familiarity with characteristics of goods and services helps consumers to make purchase decisions. The strategy for engaging stakeholders should be focused on awareness building actions to the targeted stakeholders like customers, suppliers, dealers, and community.

The local shops must analyse the affordability and willingness of consumers for the offered products and services. The firm can democratize the products or services by offering low-cost products or services. This will attract the low-income segment that uses unbranded or local products. Even the local stores can offer branded product categories over local products by upscaling (Sinha and Sheth, 2018). The local shops must provide multichannel financing options like credit/debit card, net banking, online wallets, cash on delivery or instant cash to increase consumers' ability to pay.

Social Commerce

The social commerce practices deliver collaborative experience of shopping to the consumers (Kumar et al, 2018). The use of social platforms provides the ways for rapid advertising, marketing, and promotions. Retailers should use analytics and filters for generating recommendations for the consumers. These recommendations can be made more personalized to the customers by analysing content and trends over social sites. A retailer can also highlight and compare selected purchase decisions over social

networking sites. The retailers should allow consumers to write customized experiences and feedbacks on social network (Yadav et al., 2013). The development of online storefronts and marketplaces can increase market opportunity beyond the geographical boundaries.

Retailers should facilitate information sharing within one's social network during the purchase. The consumers may seek information to validate an opinion, features, functionality, experiences from others, getting users' views associated with a specific purchase. The local shop can induce the electronic word-of-mouth by incorporating reviews of high-quality value products. The adoption of mobile devices and social networking sites can make people informed and aware about the brands, new arrivals, and shopping trends (Wuyts et al., 2011). The trending features and customers' referrals over social platforms can influence consumers' behavioural purchase intentions.

Therefore, the local shop can compete with the digital commerce firms by getting support from government, adopting digital connectivity, offering high value products and services, analysing market, customers' behaviour, and applying social commerce practices.

5. Conclusions and Policy Implications

The high penetration of internet, busy lifestyles, no constraint on locations, discounts offered by online retailers have heavily promoted the online shopping. Hence, most of the street shopping and local stores are near to close in many countries. The shopping malls and local stores are failing to compete with digital commerce firms. Therefore, local stores need to change from the store-centered approach to a multi-channel working model. The study uses Mind map approach to illustrate the possible prospects for the existence of local physical stores. The study proposes different prospects like market analysis, government support, digital connectivity, products and services, customers' perspectives, and adoption of social commerce practices to support the existence of local stores.

The findings suggest developing effective marketing strategy, the retailers should analyse internal environment, competitors, changing consumer preferences and targeted customers. Local traditions, cultural fusion, functional fusion, demographic patterns should also be analysed to target more customer segment. Local customer preferences impact products and services offered by a retailer. The local stores should offer a wide array of goods and services. The political connections may provide a more favourable operational environment. The government should focus on formulating adequate trade policies, providing transport, telecom infrastructure, development of trade centre, market zones, warehousing spaces, and internet connectivity to support local shops. Internet penetration impacts online order placement and digital payment.

The product availability, timeliness deliveries, product pick-up and returns facilities at local shops can enhance the customer service performance.

The local shops should enable their business activities over multiple e-channels and must analyse the affordability and willingness of consumers for the offered products and services. The local shops should have a strong supplier and distribution channel to ensure the last-mile delivery. The use of social media platforms can provide targeted advertising, marketing, promotions, and engagement of the customers to develop superior market intelligence. The insights from the analysis of social platforms can be the key values for competitive advantage. The adoption of social commerce practices can make customers more aware about the brands and features. Democratizing or upscaling the offer and digital payment systems can boost the existence of local stores. Order fulfillment and referrals can enhance the purchase intentions of consumers. The transformation of retail, higher supply chain efficiency, inventory reduction, offering customer centric products and services can increase the chances of existence of local stores.

Therefore, the existence of local stores could be sustained by implementing the various prospects strategically. The proposed mind map illustrates the ways through which local stores can be upgraded to compete with digital commerce firms. The research enriches prior and transdisciplinary knowledge. The article will assist various stakeholders to give importance to the different prospects while implementing. The existence of local business stores strengthens the economy of a nation.

6. Limitations and Future Research

The proposed mind map does not provide any hierarchical order or ranking among the various prospects for the existence of local stores. In future research, more depth insights can be explored along with the real-time cases for the existence of local stores in digitally connected markets.

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