

SHOPPING TRANSFORMATION: THE IMPACT OF E-COMMERCE ON PHYSICAL STORE REVENUE (STUDY ON ALI SUWARDI STORE IN SOUTH JAKARTA CITY)

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Abstract

This study examines the impact of e-commerce development on the revenue of physical stores in the digital era, which is increasingly influencing the retail business landscape. Using a qualitative descriptive method, this research analyzes changes in consumer behavior and the challenges faced by physical stores in maintaining revenue amidst the rise of online shopping. The research questions include the influence of ecommerce on physical store revenue and the adaptive strategies adopted by these stores. Data were collected through interviews, observations, and document studies to understand factors influencing competition, such as ease of access, pricing, and consumer preferences shifting toward digital platforms. The results show that e-commerce presents significant challenges for physical stores, particularly in terms of price competition and convenience for consumers. However, some physical stores have managed to survive by improving services, strengthening local marketing, and collaborating with digital platforms. This study concludes that the ability to adapt to digital trends and effective marketing strategies can help physical stores remain relevant and competitive in the era of shopping transformation. Recommendations for physical stores include developing service innovations and considering collaborations with e-commerce to expand market reach.

Keywords: Adaptive Strategies, E-Commerce, Consumer Behavior, Physical Store Revenue, Shopping Transformation

Introduction

The development of information technology has brought significant changes to various aspects of life, including how people shop. Alongside the rapid progress of digital advancements, e-commerce has emerged as a primary choice for consumers seeking convenience and efficiency in shopping. This transformation has been further reinforced by the increasing accessibility of the internet and the use of mobile devices, enabling consumers to purchase goods and services from various online platforms anytime and anywhere. With its convenience, e-commerce has reshaped consumer behavior and created opportunities for various business sectors, including brick-and-mortar stores. Despite its numerous advantages, the rapid growth of e-commerce poses challenges for physical stores. Previously serving as the main hub for shopping activities, brick-and-mortar stores now have to compete with the convenience and competitive pricing of online platforms. This situation raises concerns about the impact on the revenue of physical stores, especially in their efforts to attract and retain customers. Many physical stores are experiencing a decline in customer visits as shoppers migrate to online platforms, necessitating adaptations to remain relevant and competitive in the digital era.

On the other hand, this shift presents new opportunities for physical stores capable of innovating and integrating offline and online shopping experiences. Some brick-and-mortar stores are adopting omnichannel strategies, enabling consumers to enjoy a seamless shopping experience across physical stores and digital platforms. This innovation not only helps maintain the relevance of physical stores but also strengthens customer relationships through more personalized and interactive services. Thus, physical stores that successfully incorporate technology into their business strategies can potentially retain their market share amid the dominance of e-commerce. This research aims to analyze the impact of e-commerce on the revenue of physical stores and the adaptive strategies they implement to face the competition. It seeks to provide insights into effective strategies that physical stores can adopt to maintain their market share and revenue in this era of digital transformation. By understanding the dynamics and challenges faced, this study aims to contribute to the development of innovative and relevant business strategies for physical stores amid competition with e-commerce.

Furthermore, the study also focuses on aspects of the customer experience in physical stores that cannot be entirely replaced by e-commerce. The direct shopping experience, which allows social interaction, hands-on product evaluation, and personalized services, remains a value proposition that physical stores can offer. This uniqueness creates a competitive advantage that physical stores can leverage to maintain customer loyalty amid the rapid growth of e-commerce. Hence, it is crucial for physical stores to optimize these advantages to create added value that differentiates them from online shopping. The phenomenon of ecommerce also provides opportunities for physical stores to expand their market reach. Through collaborations with e-commerce platforms or the use of social media, physical stores can market their products online, reaching a broader consumer base without opening new branches. With the right digital strategies, physical stores can not

only retain their existing customers but also attract new ones who are more accustomed to digital technology. This study's findings are expected to guide physical stores in optimizing their digital potential while preserving the essence of their unique shopping experiences.

In today's digital era, the development of e-commerce has significantly impacted various aspects of business, including the revenue of physical stores. Therefore, this study will address two main questions: 1) how does the growth of e-commerce influence the decline or increase in physical store revenues, and 2) what strategies do physical stores adopt to maintain their revenues amidst digital shopping transformations?

The presence of e-commerce has shown a significant impact on physical stores and MSMEs, as explained by Fani and Safira (2024). They found that increasing consumer preference for online shopping and price competition led to decreased revenues for physical stores. This study highlights that limitations in technology and capital have made it difficult for many physical stores to cope with digital competition. In response, some merchants have opted to strengthen local services and marketing or collaborate with digital platforms to remain relevant in the era of digital shopping transformation (Fani & Safira, 2024). Rahayu and Huda (2023) stated that e-commerce enables MSMEs to expand their market reach and address declining physical visitors due to social restrictions. They emphasized the importance of e-commerce as a medium that allows MSMEs to survive during crises and increase sales by adapting to digital platforms. Moreover, this study illustrates how MSMEs that successfully adapt are eventually able to sustain or even increase their revenues during the pandemic.

Amalina et al. (2022) demonstrated that e-commerce not only expands market reach but also encourages the adoption of business ethics, strengthening consumer trust. Honesty and transparency in online transactions are key factors helping business actors build strong relationships with customers. This ultimately contributes to the stability and sustainable growth of MSMEs, while also opening opportunities to enhance competitiveness in broader markets. Research by Kotler, Kartajaya, and Setiawan (2019) highlights the importance of integrating online and offline marketing to provide a better customer experience. Their book emphasizes that understanding consumer behavior and using technology and data to build a strong brand are keys to success in the digital business landscape. Similarly, Suyanto (2020) in *Strategies for Advertising on E-commerce* discusses digital advertising strategies used by global e-commerce companies to expand market reach. These tactics are relevant for physical stores seeking to learn from digital advertising methods to maintain their revenues amidst competition with e-commerce platforms.

The impact of e-commerce is not limited to urban physical stores but extends to rural areas, including MSMEs that previously relied on direct sales. Raharti and Nasution (2024) highlight how MSMEs partnering with e-commerce during the pandemic managed to increase sales despite a drastic decline in physical customer visits. This demonstrates that e-commerce can provide alternative marketing channels that reach broader consumers, even amidst physical access limitations. MSMEs capable of adapting to digital strategies experienced increased revenues, underscoring the importance of flexibility in facing market changes (Raharti & Nasution, 2024). On the other hand, research by Rianty and Rahayu (2021) states that collaboration with e-commerce platforms like Gojek positively impacts MSMEs by expanding their markets and increasing revenues during the pandemic. They found that such partnerships not only expand the geographical reach of sales but also improve logistical efficiency, enabling MSMEs to serve consumers more quickly and effectively. This research illustrates that integrating e-commerce with delivery services or logistics partnerships can be an effective solution for physical stores and MSMEs in addressing the challenges of the digital era (Rianty & Rahayu, 2021).

In theory, *Cracking Zone* by Kasali (2013) describes how digital transformation changes various aspects of industries and consumer behavior, including in the retail sector. Kasali explains that to remain relevant, conventional businesses must address the phenomenon of "digital disruption" through innovation and the utilization of technology. This principle supports the importance of physical stores adopting technology-based strategies to survive in tight competition with e-commerce. The book suggests that physical stores should not only maintain conventional methods but also strive to adapt to the ever-evolving digital trends. According to Kodrat (2020), physical stores can develop a strong brand through a combination of online and offline strategies. He emphasizes the importance of building a recognizable brand identity on both digital platforms and in physical stores to foster consumer loyalty. Thus, physical stores can create a unique shopping experience through an omnichannel approach that bridges the needs of modern consumers. Kodrat suggests that with the right branding strategies, physical stores still have significant potential to survive and compete in the digital era.

Methods

The qualitative descriptive research method is an approach aimed at providing an in-depth depiction of the phenomenon being studied, focusing on the interpretation of meanings and a deep understanding of specific social contexts (Faturrohman et al., 2021). In this method, researchers collect qualitative data through various techniques such as in-depth interviews, participatory observations, and document analysis to capture subjective views and real experiences of participants involved in the study. This approach does not aim to test hypotheses or derive universal generalizations but rather to understand characteristics, patterns, and relationships between variables in complex situations.

Through this approach, researchers can explore the perceptions, experiences, and motivations of research subjects in greater detail, resulting in a rich understanding of the phenomenon under investigation. The use of qualitative descriptive methods also allows researchers to capture the social dynamics and contexts

influencing subjects' behavior or choices in daily life. In practice, the researcher acts as the primary instrument in data collection and analysis, and the results of this research are typically presented in the form of detailed narratives or descriptions. These narratives enable readers to comprehend the phenomenon described from the participants' perspectives.

Results and Discussions

Interview Findings

Based on interviews with Ali Suwardi, the owner of Toko Ali Suwardi, one of the impacts experienced due to the rise of e-commerce is a decline in direct consumer visits to the store. The store owner explained that most consumers now prefer to purchase goods through online platforms, which offer convenience and more competitive prices. According to him, *"Nowadays, many customers prefer online shopping because it's more practical, and often the prices on e-commerce platforms are cheaper than those in our store."*

Furthermore, the store owner highlighted that price competition is a significant challenge in maintaining revenue. E-commerce platforms can provide discounts and promotions that are difficult for physical stores to match due to budget constraints. He noted, *"It's tough for us to offer discounts as big as those on e-commerce platforms. They have large capital and can reduce prices. If we follow suit, it might result in losses."*

To address these challenges, the store owner has focused on enhancing the in-store experience by offering more personalized and interactive services. He stated, *"We always strive to be friendly to our customers, provide appropriate recommendations, and create a comfortable shopping atmosphere so that they enjoy shopping here. This way, we hope to maintain the loyalty of customers who still prefer in-person shopping."*

Additionally, the store owner is considering collaborating with e-commerce platforms to sell products online. He believes that partnering with digital platforms could be a solution for reaching a wider market without having to open new branches. He explained, *"We are considering selling products on ecommerce platforms too, so we can stay competitive and not be left behind."*

Observational Findings

Field observations at Toko Ali Suwardi revealed a comfortable atmosphere with a well-organized and clean layout. The store offers a variety of products, but many of these are also easily found on various ecommerce platforms at competitive prices. This has made consumers more critical in comparing prices before making purchasing decisions.

During the observation, it was noted that the number of visitors to the store remained relatively stable but was not particularly high, especially during off-peak hours. At certain times, only one or two customers were observed entering the store, likely loyal customers. This indicates that while the store still retains its clientele, there are signs of reduced foot traffic, possibly influenced by the increasing prevalence of online shopping.

The observation also highlighted the store's effort to provide friendly and personalized service to every customer who visits. Store attendants were seen actively assisting customers, answering their questions, and offering recommendations for products that met their needs. This personal interaction could be a distinct advantage compared to e-commerce, which lacks direct interaction with customers.

On the downside, the observation noted the absence of popular digital payment facilities commonly available in e-commerce. This could be a limitation for customers accustomed to digital payment methods, potentially causing the store to miss opportunities to cater to consumers preferring cashless transactions.

Findings from Document Analysis

An analysis of sales reports from Toko Ali Suwardi over recent years reveals a gradual decline in revenue, coinciding with the rise of e-commerce platforms. Sales data indicates that certain product categories, such as electronics and daily necessities, have seen the most significant decline. This trend suggests that consumers increasingly prefer to purchase these products online due to lower prices and greater convenience.

Financial reports also show a rise in operational costs, further challenging the store's ability to compete with e-commerce platforms. Fixed costs, such as rental fees and employee wages, remain significant burdens, unlike e-commerce businesses that benefit from more flexible cost structures. This highlights that a major challenge for physical stores lies in managing costs while maintaining quality services.

Marketing strategy documents reveal that the store has not effectively leveraged social media or other digital platforms for promotion. The current promotional efforts are primarily traditional, such as offering special discounts for loyal customers. However, there is a lack of comprehensive online promotional strategies to attract new customers. This gap may hinder the store's competitiveness in the digital era.

Additional document reviews, including related articles and journals, recommend that physical stores adopt omnichannel strategies, blending offline and online shopping experiences. However, Toko Ali Suwardi currently relies solely on in-store shopping experiences with minimal digital integration. This limitation hampers its ability to compete with e-commerce platforms, which provide more convenient shopping options.

The rapid growth of e-commerce has significantly shifted consumer shopping behavior, with many opting for the convenience of online shopping over visiting physical stores. This research highlights the challenges faced by physical stores like Toko Ali Suwardi, especially regarding price competition and a decline in customer visits. The store's declining revenue clearly reflects the impact of this shopping transformation. Physical stores struggle to compete on price due to limited budgets for promotions and discounts. Unlike e-commerce platforms with substantial capital to fund attractive discount campaigns, physical stores rely on personalized services as their unique selling point. While this approach may foster customer loyalty, it is insufficient to attract new customers accustomed to the convenience and competitive pricing of online shopping.

One potential strategy for Toko Ali Suwardi is to collaborate with e-commerce platforms to sell products online. This allows the store to leverage e-commerce benefits to reach a broader market without the need to open new branches. An omnichannel approach, integrating online and offline shopping experiences, could also be a solution to maintain the store's relevance in the digital era.

However, adopting digital strategies presents challenges for traditional stores, particularly those accustomed to conventional systems. Adjustments may be required for payment systems, inventory management, and logistics to align with digital platforms. Additionally, mastering effective digital marketing strategies is essential to compete in an increasingly competitive market. Despite these challenges, physical stores still have the advantage of offering personal and interactive shopping experiences. Consumers seeking direct interaction and assistance in choosing products remain a potential segment for physical stores. Therefore, improving service quality and providing a more comfortable and enjoyable shopping experience can help physical stores retain this segment.

Using social media as a promotional tool can be an effective strategy to attract consumers, particularly younger generations who are more familiar with technology. With appropriate social media promotions, Toko Ali Suwardi can introduce its products and services to a wider audience, including those previously unaware of the store.

Investing in digital payment systems is also crucial for physical stores to facilitate transactions. Offering digital payment methods can attract consumers accustomed to online payments, ensuring that the store does not miss out on this customer segment. From a broader perspective, the rise of e-commerce teaches physical stores to be more adaptive to market changes. Physical stores that innovate and adapt to technology have a better chance of remaining relevant amid this digital transformation. By combining the strengths of offline shopping with digital technology, such stores can sustain their competitiveness in an evolving market.

Overall, this research indicates that the impact of e-commerce on physical stores extends beyond revenue decline. It also involves changes in how physical stores operate and compete in the market. The ability to adapt to digital trends is crucial for physical stores to survive in an increasingly competitive landscape.

This study suggests that physical stores begin investing in effective digital strategies and consider collaborating with e-commerce platforms to expand their market reach. Ultimately, the shopping transformation driven by e-commerce is an inevitable phenomenon for physical stores. While e-commerce poses challenges, it also offers opportunities for innovative physical stores. Innovations in service, adoption of digital technology, and integration of offline and online shopping experiences are key to maintaining relevance in this era of digital shopping.

Conclusion

Based on the research conducted, it can be concluded that the development of e-commerce has had a significant impact on the revenue of physical stores, particularly in terms of price competition and ease of access for consumers. Consumers are increasingly inclined to shop through digital platforms that offer various conveniences, thereby reducing the frequency of visits to physical stores. However, some physical stores have managed to maintain their revenue by adopting adaptive strategies such as enhancing customer service, strengthening local marketing, and collaborating with e-commerce platforms. The ability of physical stores to integrate digital technology into their business strategies has proven to be an important factor in helping these stores remain relevant and competitive amidst the dominance of e-commerce.

Overall, the success of physical stores in maintaining revenue heavily depends on the innovations and strategies they employ to attract customers. Through an omnichannel approach that combines offline and online shopping experiences, physical stores can create added value that e-commerce platforms cannot fully offer, such as direct interaction with customers and physical product assessments. Therefore, adaptive strategies and leveraging the unique advantages of physical stores are key to retaining market share in this era of shopping transformation.

Recommendations

1. **Develop Unique and Innovative Services:** Physical stores are advised to offer services that cannot be found online, such as personal shopper services or interactive shopping experiences. These strategies can attract consumers to continue visiting physical stores and enhance customer loyalty.
2. **Integrate Technology and Digital Marketing:** Leveraging social media for promotions and collaborating with e-commerce platforms are essential steps to expanding market reach. This strategy can draw the attention of younger consumers who are more familiar with technology and increase the store's competitiveness in the digital market.
3. **Implement an Omnichannel Strategy:** Providing flexible shopping experiences through services such as online purchases with in-store pickup (click and collect) or delivery options for items purchased in-store can enhance customer convenience. This strategy also enables physical stores to optimize their presence both offline and online.
4. **Improve Customer Service Quality:** Focusing on friendly, responsive, and professional customer service can serve as a competitive advantage for physical stores. A pleasant and personalized shopping experience can leave a lasting impression that is difficult for e-commerce platforms to match.

By implementing these recommendations, physical stores can maintain relevance and competitiveness amidst the shopping transformation increasingly dominated by e-commerce. Continuous adaptation and innovation are crucial to addressing market changes and leveraging opportunities offered by digital technology.

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