



Research Paper

The Economic Impact of Online Fashion Portals on Brick-and-Mortar Retail in India

Asikni Garodia

ABSTRACT

With rapid digitalization and increased internet penetration online shopping has become an attractive option for consumers, particularly in the fashion sector. This shift poses challenges for physical stores, affecting their revenue, customer footfall, and market share. Using a mixed-method approach, the study analyzes changes in consumer behavior, the competitive strategies of retailers, and the economic impact on employment and local economies. Findings reveal both advantages and drawbacks of online retail, highlighting adaptation strategies brick-and-mortar stores employ to stay competitive.

KEYWORDS: Fast Fashion, Online, E-commerce, Economy

Received 20 Oct., 2024; Revised 29 Oct., 2024; Accepted 03 Nov., 2024 © The author(s) 2024.

Published with open access at www.questjournals.org

I. INTRODUCTION

India's retail landscape has undergone significant transformation over the past decade owing to the rapid rise of digitalization and the expansion of internet access. The country has witnessed the revolutionization of the goods and services industry driven by the increased access to the internet. This has fused the demand supply gap in the country paving the way for a thriving E-commerce sector. One can observe this change prominently in the Fashion retail industry, a sector that has greatly benefited from the ongoing 4th industrial revolution. Indian consumers now have access to a wider variety of niche goods with enhanced customer service. While all of these factors prove to be advantageous, one ponders how this emerging consumer culture juxtaposes with the prominent Indian social and cultural norms surrounding shopping. Shopping in India was a deeply social affair, reliant heavily on physical stores, from bustling bazaars to upscale malls. However, the introduction of online fashion portals in the country challenges the traditional norms posing a substantial threat to brick-and-mortar stores. The convenience and accessibility of online shopping has given rise to industry giants such as Myntra, Ajio, and Flipkart Fashion, who have capitalized on the widespread smartphone and internet adoption in the country. This shift from physical retail to online shopping is influenced by several factors including the advancement of technology, evolving consumer preferences, and evolving socioeconomic conditions in the nation. This paper examines how the shift to online fashion portals has changed consumer purchasing patterns. It also assesses the effects of online fashion portals on the brick-and-mortar retail sector while also investigating emerging market dynamics in India.

II. SHIFTING CONSUMER PATTERNS

Consumer purchasing patterns have been transformed as a result of the increasing shift to online fashion portals. In India, E-commerce has experienced exponential growth with the fashion sector being one of the most popular segments. The overall market share for clothing of online fashion portals was a modest 10% in 2015, but has risen to an impressive 25% in 2023 (NITI Aayog, 2023). This growth has not been incidental but has been driven by rising internet penetration, smartphone availability, and highly young demographics of India.

India's rapidly increasing internet penetration has been commended for the E-commerce expansion in the country, where the rate of internet users rose from 300 million users in 2015 to over 750 million by 2023 (Ministry of Commerce, 2023). This exponential growth can be largely attributed to the easy availability of affordable data plans offered by telecom giants like Reliance Jio and Airtel. Additionally, the PMO's Digital India initiative, which works to provide digital connectivity to all citizens, has significantly expanded the internet infrastructure, particularly in urban areas, providing fashion portals an ever-growing audience. Smartphone adoption has also played a key role in the digital revolution. By 2022, more than 70% of Indian

consumers owned smartphones, spurred by Covid -19 to higher levels than ever before (Sharma, 2022). E-commerce optimized for mobile handsets have thrived in the country. Those companies that offer apps, like Myntra, have grown the most as they provide their clients opportunities to shop on the go, receive personalized recommendations, and real-time order tracking. The accessibility of shopping via smartphones has extended the reach of fashion portals beyond metropolitan India, tapping into the vast semi-urban and even some rural markets.

The growth of online fashion portals reflects a broader shift in consumer behavior in India. In her work (Milhana, 2022) asserts that traditional shopping experiences were defined by the physical inspection of products. The digitalization of retail has completely transformed this aspect of shopping. Online shopping offers unprecedented convenience, an immensely broad range of products compared to brick-and-mortar stores, the sector has also launched mechanisms to combat the initial skepticism related to fraud and quality that online fashion retail experienced in its nascent stage. India's younger demographic, a large portion of the country's population, is particularly reliant on the fashion e-commerce sector. According to (Dabija and Lung, 2019, p.16) Millennials (Gen Y) and Gen Z being exposed to digital technology from an early age, are more inclined towards online shopping than previous generations. This youth highly values the convenience of home delivery and ability to compare prices across multiple platforms. Approximately 60% of consumers aged 18-35 in tier-1 cities prefer online shopping for fashion due to the immense convenience, competitive pricing, and large variety it provides (NITI Aayog, 2023,). Additionally, the lucrative discounts and flash sales that online fashion portals offer appeals strongly to the price sensitivity of this demographic. For instance, Myntra's bi-annual "End of Reason Sale" has become a major event in India's retail calendar, attracting millions of consumers to shop with high discounts across a variety of brands. The (Kumar et al.) study, affirms this high-discount phenomenon with a whopping 71% of consumers confident that offer e-commerce platforms has increased over time. Yet, there seems to be a budding resentment about the rising associated costs of online shopping such as shipping, exchange, and subscription fees (Kumar et al.).

Urban consumers have been at the helm of this revolution. In their report (Kumar et al.), the authors assert that convenience is the primary driving factor of consumer welfare in e-commerce. In India's major, highly and densely populated cities, consumers prioritize the ability to avoid crowds, traffic, and long hours of shopping as well as enormous product catalogs that online shopping provides. In response to skepticism related to fit and product quality, new e-commerce giants like Myntra and Ajio have introduced features like "Try and Buy", which allows consumers to try on products at home before making the final purchase decision (Singh, 2024). This feature has gained popularity as it provides reassurance similar to that of physical inspection in in-store shopping while still preserving the convenience of home delivery. As online shopping becomes increasingly integrated into urban life, social media is further transforming consumer behavior and preferences in India. Social media plays a critical role in shaping the modern consumer preferences of India. Short form content platforms like Instagram reels and YouTube shorts have become a key medium for fashion portals to engage with their consumers, often through collaborations with beloved celebrities. Influencer marketing has become an integral strategy for these portals to help build brand awareness, identity, and credibility. It is so effective in-fact, that nearly 40% of Indian millennials have made a purchase based on an influencer's recommendation, further highlighting the impact of social media on consumer behavior (Sharma, 2022,).

However, the adoption of online fashion portals in India illustrates a significant urban-rural divide; while urban consumers readily embrace online shopping, rural India exhibits much lower penetration rates, with only 10% of rural consumers regularly engaging in online purchases as of 2023 (NITI Aayog, 2023). Logistical challenges, low internet penetration, and a preference for traditional retail contribute to this disparity. In rural areas the underdeveloped delivery infrastructure serves as a major deterrent to this phenomenon. In an effort to mitigate these challenges, the Indian government has initiated strategies to enhance digital literacy and internet access, aiming to bridge this divide through programs like the Digital India Initiative (Digital India Initiative, 2022). As improvements in infrastructure and digital literacy progress, online fashion portals are likely to expand their reach into rural markets, although overcoming substantial logistical and cultural barriers remains a significant hurdle.

The COVID-19 pandemic has been credited for the surge with online sales growing by more than 30% (Ministry of Commerce, 2023). This sudden transition was driven by the closure of physical stores due to lockdown, the need for contactless shopping options to protect contamination, and the adoption of digital payment methods when physical bank operations were inactive. Since then, many consumers who dabbled in online shopping for the first time during the pandemic have continued to be consistent online shoppers. They find the online experience more convenient and flexible than traditional shopping. Fashion trends also experienced a drastic change in this time period as consumers prioritized comfort and practicality over formal wear. Casual and loungewear sales increased dramatically as work-from-home became increasingly popular. Leading e-commerce platforms were the first to capitalize on this with their efficient supply chains, furthering their popularity (Snap deal, 2016). The pandemic saw the rise in demand for accessories like masks and bio-

protective equipment. Online portals hopped onto this trend quickly as well, offering trendy designs within these accessories to capture more of the market.

The move to digital shopping through the pandemic has likely left permanent changes in consumer behavior, and online shopping is expected to maintain its position at the top of the retail hierarchy. 60% of consumers who started shopping online during the pandemic reported that they plan to continue to do so, convenience and safety being the primary motivators (Roy, 2022). Another major change that the pandemic brought was the normalization of contactless shopping and digital payments in India. This has reduced major friction points of online payments for e-commerce platforms that now find a new opportunity to capitalize on.

III. IMPACT ON BRICK AND MORTAR RETAIL

India has witnessed a lull in its brick-and-mortar retail sector owing to the dominance of online fashion portals. This section will explore the various dimensions of this impact such as job displacement, shifts in retail space demand, and contributions to the economy.

3.1 Footfalls

Physical stores, once the only venue for fashion shopping have seen a steady decline in both foot traffic and sales. Fashion retail sales in brick-and-mortar stores have decreased by 15% between 2018 and 2023, a phenomenon never seen in a non-recessionary period in India (Ministry of Commerce, 2023). With the mighty convenience and reach of fashion portals, traditional stores are struggling to maintain pace. As e-commerce platforms continue to reach more customers, offer lower prices, convenient delivery, and wider selections, many consumers have abandoned physical stores. This has been particularly pronounced in tier-1 cities, where internet penetration and smartphone usage are the highest. Giant shopping complexes, once hubs of retail activities, have reported significant reductions in foot traffic with many fashion retailers closing stores or cutting down operations (Ministry of Commerce, 2023). Brick-and-mortar stores are further hit by the aggressive discounting strategies that online platforms practice. This stark pricing disparity serves as an incentive for consumers to opt for online shopping platforms where the same products are often available at a discounted rate.

3.2 Employment

The rise of online fashion portals has resulted in a burgeoning employment crisis in the brick-and-mortar retail sector. Many traditional stores are facing closures and job losses. According to a report by the Retailers Association of India, the increasing preference for online shopping has resulted in the shutdown of numerous physical outlets severely impacting employment in the sector (Ministry of External Affairs, 2024). While e-commerce has the potential to generate jobs in adjacent industries such as logistics, warehousing, and technology it does not fully compensate for the losses incurred by physical retailers. A study by KPMG and Snapdeal projected that the growth of the online seller base could create over 10 million new jobs by 2020, yet many of these opportunities are often lower-paying and less stable compared to traditional retail positions (Snapdeal, 2016). Additionally the study also noted that the increase in shipping, exchange and subscription fees associated with online shopping contributes to a subpar consumer experience, with one-third of shoppers noting rising costs (Kumar et al.). Thus, while e-commerce contributes to employment growth in some sectors, it simultaneously exacerbates the employment crisis in the brick-and-mortar retail sector.

3.3 Retail space

Another adverse impact of the online shopping portal boom is the declining demand for retail spaces. As e-commerce continues to grow, traditional brick-and-mortar stores progressively reassess their spatial requirements which has led to a decrease in demand for large retail spaces. According to a report by Knight Frank, the COVID 19 pandemic contributed to the shift towards omnichannel retailing. This has prompted retailers to adopt smaller strategically located stores that can serve as fulfillment centers for online orders, the Retailers Association of India (RAI) noted that many retailers are focusing on enhancing customer experience through innovative store designs and interactive spaces, which can drive foot traffic despite the challenges posed by e-commerce (FICCI, 2018). Consequently overall retail space demand has declined in certain sectors, the emergence of new concepts like experiential retailing suggests that there remains a viable market for well-located and purpose-driven retail spaces.

To adapt to the threat of e-commerce, traditional retailers have started to adopt omnichannel strategies which blend online and offline shopping to foster a seamless experience. For instance, many retailers are now offering online order and in-store pickup features and online return facilities for physical shopping. This hybrid model helps retailers retain some benefits of in-store shopping while competing with the convenience of online shopping (Ministry of External Affairs). While such omnichannel strategies have shown promise, studies indicate that it is not a permanent solution to the looming e-commerce threat over physical retail. Implementing these systems requires significant investment in technology and logistics, which is often not feasible for small

retailers. Additionally product variety is often still a challenge for omnichannel retailers as retailers usually cater to single brands while online portals are able to foster collaborations with several brands.

IV. THE EMERGING MARKET DYNAMICS

Over the last decade, online fashion portals have served as a catalyst for socio-economic development in India. The country is also witnessing an increased digitization of selling fashion (Zhao and Sun, 2018). The emergence of online fashion portals has significantly transformed the market dynamics within the retail sector, particularly impacting traditional brick-and-mortar stores. Multiple studies suggest that consumers often view international brands more favorably than Indian local brands, largely due to the perception that local brands lack social prestige (Zhao and Sun, 2018). To counter this, the Indian government has promoted local products through initiatives like the 2014 "Make in India" campaign. This campaign was designed to support Indian entrepreneurs and reduce dependency on foreign imports. A notable example is the recent shift away from Chinese imports during the COVID-19 pandemic, with Indian manufacturers ceasing these imports and the government banning 118 Chinese apps, including TikTok and Shareit, amid political tensions. This shift has influenced consumer attitudes, encouraging support for local brands. Government initiatives like the Digital India campaign are crucial for boosting digital literacy and internet access, particularly in rural areas, thereby influencing market dynamics as new consumer segments become increasingly connected (Digital India Initiative, 2022). However, Indian companies must create fashionable and innovative products to capture and grow their market share. With a population exceeding a billion, the Indian market offers vast potential. As local fashion brands gain consumer acceptance, the entire value chain could see significant recovery, reducing the need for imports in the long run.

As consumer preferences shift toward the convenience and variety offered by e-commerce platforms, there is a notable decline in foot traffic at physical stores. This trend is particularly observed among younger demographics constituting millennials (Gen Y) and Gen Z individuals. This change has intensified competition, compelling traditional retailers to adjust their pricing strategies to remain viable against often lower online prices, which can strain profit margins. Additionally, as the demand for physical retail space decreases retailers are compelled to reevaluate their real estate needs, often leading to downsizing or closures. A recent government report indicates that this trend could result in significant changes to the retail landscape. Hence while the transition to online retail has created new employment opportunities in logistics and customer service (FICCI, 2018), it is essential to acknowledge its detrimental effects on employment and retail real estate within the traditional retail sector.

V. CASE STUDY

While online fashion portals have gained immense popularity in the nation, brands such as Myntra and Ajio stand out. They showcase the diverse strategies employed by efficient e-commerce firms to capture market share in the competitive retail landscape of India. Each platform has developed a unique approach to attract and retain customers.

5.1 Myntra's Exclusive Brand Partnerships and "Try-and-Buy" Feature

Myntra's establishment as a leading online fashion retailer can be credited to an efficient combination of exclusive brand partnerships and innovative features like "Try-and-Buy." By acquiring exclusive distribution rights for popular international and domestic brands like Under Armour and Roadster, Myntra offers consumers exclusive access to products. This strategy has not only attracted a loyal customer base but has also elevated the exclusivity of the Myntra brand (Roy, 2024).

Myntra's 'Try-and-Buy' feature launched in 2016, has gained immense popularity as it addresses a common concern among online shoppers about fit and quality. The feature allows customers to try on items at home before committing to a purchase. This feature has increased customer satisfaction rates by 20% and reduced return rates as it provides consumers with confidence in their purchases (Singh, 2024). By satisfying the needs and insecurities of their customers, while promoting exclusivity, Myntra has managed to differentiate itself from all other e-commerce platforms and has built a strong market following.

5.2 Ajio's Focus on Ethnic Fashion and Semi-Urban Markets

Ajio is a relatively new and upcoming unicorn in the Indian fashion e-commerce market. Ajio carved out a niche by focusing on ethnic and fusion fashion catering to India's highly diverse culture. Ajio's strategy is quite the opposite of Myntra's exclusive brand collaborations, and it is focused on promoting local artisans and offering products that highlight traditional Indian aesthetics. The blend of contemporary and ethnic styles has

resonated strongly with not just the young but even the aged as they move to modern clothing. This innovative positioning allows Ajio to capture a unique segment of the market (Roy, 2024).

Ajio has also chosen a different market to cater to than Myntra. While Myntra's main focus remains the fashion trends in the metropolitan and tier-1 cities, Ajio has concentrated its marketing efforts on semi-urban tier-2 & tier 3 cities. This is a continually expanding market as interest in online shopping grows. By offering affordable fashion and partnering with local designers, Ajio has captured a previously underserved market often ignored in discussions. This has made Ajio one of the most popular e-commerce platforms in smaller cities and towns. Ajio's placement also allows it to capitalize on cultural festivals such as Diwali and Navratri, where ethnic wear is in most demand.

VI. CONCLUSION

Over the last decade, India's fashion retail landscape has undergone a massive transformation as a result of the proliferation of online fashion portals. This significant shift is not limited to consumer behavior and industry structure but has notably extended to a shift in cultural attitudes about shopping as well. The rapid ascent of E-commerce's has introduced India's consumers to an array of products that were previously limited by geography. In a sense, this democratizes access to fashion and fosters a new wave of digital consumerism. The widespread adoption of e-commerce platforms such as Myntra and Ajio has redefined how Indian consumers approach fashion shopping. This shift has been accelerated by the growing internet penetration and smartphone usage in India especially among the Gen Z and Gen Y population. This study has also highlighted that this demographic prioritizes convenience, variety and accessibility offered by online shopping.

However this transition has had profound implications for traditional retail models. Brick-and-mortar stores which were once central to the Indian shopping experience are experiencing declining footfalls, job displacement, and a decreased demand for retail space. Though physical retailers have started to adopt omnichannel strategies to mitigate this issue, the convenience and cost-efficiency of online shopping continue to pose a persistent threat. The widening digital divide has resulted in lower integration rates among the rural consumers. This is due to limitations in infrastructure and trust issues, suggesting that the impact of e-commerce varies significantly across India's socio-economic spectrum. Thus, while online retail has been credited for stimulating economic activity and generating employment in logistics and technology it is essential to acknowledge its disruption of traditional retail employment.

With the evolution of India's digital infrastructure there is a growing need for government initiatives to bridge the urban-rural gap and facilitate equitable access to e-commerce benefits as exhibited by 'Digital India'. Moreover, the recent promotion of 'Make in India' initiative which endorses local brands has contributed to changing the existing market dynamics. The initiative achieves this by encouraging Indian consumers to support homegrown brands over foreign imports. Such a dynamic landscape exhibits the adaptability of India's retail market while also setting the stage for a future, where both e-commerce platforms and physical stores co-exist to meet diverse consumer needs.

REFERENCES

- [1]. Digital India Initiative. (2022). Increasing digital literacy in rural India: Progress and challenges. Government of India. <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1945057>
- [2]. Dabija, Dan-Cristian, and Lavinia Lung. "Millennials Versus Gen Z: Online Shopping Behaviour in an Emerging Market." *Applied Ethics for Entrepreneurial Success: Recommendations for the Developing World*, 2019. Springer Nature Link, https://link.springer.com/chapter/10.1007/978-3-030-17215-2_1.
- [3]. Federation of Indian Chambers of Commerce and Industry. FICCI-Wazir Advisor Report on Building a New Age Textile Industry. Federation of Indian Chambers of Commerce and Industry, 2018, https://www.ficci.in/api/study_details/23046.
- [4]. Kumar, Ashish, et al. "ASSESSING THE NET IMPACT OF E-COMMERCE." *Pahle India Foundation, Pahle India Foundation*, 22 August 2024, <https://pahleindia.org/wp-content/uploads/2024/08/Assessing-the-net-Impact-of-Ecommerce-Report.pdf>.
- [5]. Ministry of Commerce. (2023). Retail industry trends in India: 2018-2023. Government of India. <https://www.ibef.org/industry/retail-india>
- [6]. Milhana, Uthumalebbe. "A Comparative Study of Traditional Shopping and Online Shopping: Special Reference to Dharga Town." *KALAM – International Journal Faculty of Arts and Culture, South Eastern University of Sri Lanka*, vol. 14, no. 4, 2022, https://www.researchgate.net/publication/362887801_A_Comparative_Study_of_Traditional_Shopping_and_Online_Shopping_Special_Reference_to_Dharga_Town.
- [7]. Ministry of External Affairs. "India's retail market to reach US\$ 2 trillion by 2033: BCG report - IndBiz | Economic Diplomacy Division | IndBiz." *Economic Diplomacy Division*, 29 February 2024, <https://indbiz.gov.in/indias-retail-market-to-reach-us-2-trillion-by-2033-bcg-report/>.
- [8]. NITI Aayog. (2023). E-commerce trends and consumer behavior in India. Government of India. https://www.niti.gov.in/sites/default/files/2023-02/Annual-Report-2022-2023-English_06022023_compressed.pdf
- [9]. Roy, R. (2024). Adapting to the new retail environment: Omnichannel strategies in fashion. *Indian Journal of Retail Management*, 35(2), 86-92. DOI:10.1504/IJBSR.2024.10057138
- [10]. Roy, P. (2022). Post-pandemic shopping trends: The shift to online retail in India. *Journal of Consumer Studies*, 59(4), 89-97. DOI:10.2139/ssrn.4205473
- [11]. RBI. (2023). The rise of e-commerce in India: Economic implications. Reserve Bank of India. <https://www.ibef.org/industry/ecommerce>

- [12]. Sharma, A. P. (2021). Consumer behavior in rural India: Preferences and trust in retail. *Journal of Consumer Studies*, 58(3), 114-122. <https://doi.org/10.1111/ijcs.12722>
- [13]. Sharma, N. K. (2022). Online fashion trends during the pandemic: A study of consumer behavior. *Journal of E-Commerce Studies*, 61(1), 127-137. DOI:10.13140/RG.2.2.29742.18247
- [14]. Singh, R. (2024). Online fashion in India: Market growth and consumer challenges. *Journal of Digital Commerce*, 27(4), 102-109. DOI:10.9734/ajarr/2024/v18i3612
- [15]. Snap deal. Impact of E commerce on Employment in India. KPMG, 2016, <https://assets.kpmg.com/content/dam/kpmg/in/pdf/2016/12/impact-of-ecommerce-on-employment-in-india.pdf>.
- [16]. Zhao, Li, and Lushan Sun. "Technology disruptions: exploring the changing roles of designers, makers, and users in the fashion industry." *International Journal of Fashion Design, Technology and Education*, vol. 11, no. 3, 2018, <https://doi.org/10.1080/17543266.2018.1448462>.