The Rise of E-commerce: Analyzing the Shift in Consumer Preferences and Its Impact on Traditional Retailers

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Abstract: This article delves into the transformation of consumer preferences in the context of the rise of e-commerce, including new demands for shopping convenience, product diversity, and price comparison. By combining theoretical analysis with real-world case studies, it examines how these changes impact traditional retailers in terms of market share, marketing models, and customer relationship management. The article also offers strategic recommendations for traditional retailers to address the challenges posed by e-commerce.

Key words: e-commerce; consumer preference; traditional retailer; market influence

Foreword

With the rapid development of information technology, e-commerce has become an indispensable commercial force in Japan. According to data from the Ministry of Economy, Trade and Industry, the scale of Japan's e-commerce market exceeded 18 trillion yen in 2023, accounting for more than 11% of total retail sales. E-commerce platforms have significantly altered consumer shopping behavior through their convenience, global supply chains, and information integration advantages, especially among younger demographics where online purchases have become the dominant choice. This trend has impacted traditional retailers, leading to declining foot traffic in physical stores and weak sales growth. In this context, in-depth research on the shift in consumer preferences and its impact on traditional retail holds significant theoretical value and practical significance.

1 Transformation of consumer preferences under the background of e-commerce

1.1 High pursuit of shopping convenience

The acceleration of modern life has significantly increased consumers 'attention to shopping convenience. E-commerce platforms, with their round-the-clock service characteristics, have completely broken the time and space limitations of traditional physical stores. From a technical perspective, the widespread adoption of mobile internet allows consumers to complete transactions during fragmented times, such as late at night or while commuting, through smart devices, achieving seamless shopping experiences. Studies show that convenience has become one of the core factors driving consumers' choice of e-commerce platforms, accounting for over 70%. In-depth analysis reveals that this preference is not only reflected in the freedom of time but also in multi-scene adaptability, such as one-click repurchase and cross-platform synchronized shopping carts, which further enhance user experience. In contrast, traditional retailers, constrained by fixed operating hours and geographic coverage, fall short in meeting immediate needs. If they fail to optimize service processes through digital means, such as introducing self-checkout systems or expanding online channels, traditional retailers may face the risk of continuous customer loss, thereby placing them at a disadvantage in competition. Therefore, building a comprehensive and convenient shopping system has become crucial for the transformation and upgrading of the retail industry.

1.2 Commodity diversity and personalized needs

E-commerce platforms have successfully built a virtual market with an extremely diverse range of products through

their global supply chain system. This feature allows consumers to easily access niche products and customized options that were previously hard to reach. Traditional retail, constrained by physical space and cost control, has inherent limitations in both the depth and breadth of its inventory. In contrast, e-commerce platforms leverage digital technology to achieve virtually limitless product display, covering a wide range of products from mass-market to highly specialized categories. For example, in the cosmetics industry, many independent brands use e-commerce channels to launch exclusive products tailored to specific skin types or needs. This ability to precisely match consumers' personalized preferences significantly enhances user stickiness.

At the same time, the application of big data analysis and algorithmic recommendations has further enhanced e-commerce platforms 'efficiency in responding to personalized needs. The system can generate dynamic product display interfaces based on users' browsing history, purchase records, and other multidimensional data, thereby improving conversion rates. In contrast, traditional retailers lack similar intelligent tools and often rely on offline experiences or limited membership management systems to try to meet customer needs, which to some extent weakens their competitiveness. Global procurement networks endow e-commerce platforms with stronger resource integration capabilities, enabling them to introduce a wide variety of products at lower costs and provide consumers with more choices. This differentiated product supply model has become one of the key forces driving changes in the modern retail landscape.

1.3 Price comparison and emphasis on cost performance

The price transparency of e-commerce platforms has profoundly reshaped consumers' purchasing decision-making patterns. Under this mechanism, consumers can not only quickly obtain product price information using comparison tools but also comprehensively evaluate configuration parameters, after-sales service, and hidden costs, thereby making rational consumption choices. From the perspective of behavioral economics, this trend reflects a systematic consideration of "opportunity cost" and "utility maximization." Taking the Japanese electronics market as an example, when selecting a laptop, consumers often compare performance metrics and after-sales terms of different brands and models on platforms like Amazon Japan and Rakuten Market, ultimately choosing the product with the best value for money. This data-driven consumer behavior significantly enhances the conversion efficiency of e-commerce channels.

In contrast, traditional retailers are at a disadvantage in price competition due to rigid expenses such as rent and labor costs associated with physical stores. This is especially true during year-end promotions or the "white goods sales season," when e-commerce platforms leverage their economies of scale and efficient supply chain systems to offer more attractive pricing strategies, further squeezing the profit margins of brick-and-mortar retail. According to statistics from Japan's Ministry of Economy, Trade and Industry, during the 2023 Black Friday shopping festival, overall e-commerce sales in Japan increased by 42.7% year-over-year, while department stores and electronics chains saw a decline of 19.3% in sales over the same period. This indicates that price-sensitive consumers are rapidly migrating online, posing a severe challenge to traditional retail models.

2 The impact of consumer preference change on traditional retailers

2.1 Loss of market share

The evolution of consumer preferences is profoundly impacting the market foundation of traditional retail formats. Taking Japan as an example, according to statistics from the Japan Department Store Association (JDAT), between 2018 and 2023, the overall sales of Japan's top ten department stores declined by about 23%, while Rakuten and Amazon Japan saw their domestic revenues grow by 34% and 41%, respectively. This trend highlights the competitive advantages of e-commerce in convenience, product variety, and price transparency, accelerating the shift of consumer behavior online.

From a theoretical perspective, e-commerce aligns with consumers' preference for efficiency and utility maximization by reducing information search costs and transaction frictions. In contrast, traditional retailers are constrained by the fixed cost structure of store operations, which significantly limits their ability to update products quickly and flexibly price them. Additionally, the physical constraints of physical spaces also limit their capacity for personalized offerings.

Empirical studies show that if traditional retail companies fail to adjust their strategies in a timely manner, their market share will be further eroded. In Japan, companies that have not effectively promoted the integration of O2O and data asset operations have seen an average 12 percentage point decline in customer repurchase rates, with brand loyalty also showing a downward trend. Therefore, how to achieve the integration of online and offline resources and optimize user experience through omnichannel strategies has become a critical strategic challenge for traditional retailers.

2.2 Demand for marketing model reform

Traditional retail marketing models have long relied on physical promotions, advertising, and word-of-mouth, but as consumer behavior accelerates its digital migration, these limitations have become increasingly apparent. Taking Japan as an example, from 2018 to 2023, the average repurchase rate for customers of department stores that did not advance their digital transformation dropped by 12 percentage points, highlighting the shortcomings of traditional methods in terms of reach efficiency and conversion effectiveness. In contrast, e-commerce platforms enhance conversion rates through data mining to build precise user profiles and algorithmic recommendations. For instance, Amazon Japan's revenue grew by 41% during the same period, demonstrating its marketing advantages. Meanwhile, social media leverages high interactivity and broad coverage to reshape brand communication pathways. Against this backdrop, traditional retailers urgently need to integrate regional resources and brand heritage to construct new marketing systems. On one hand, they should use data analysis to optimize customer reach strategies and achieve refined operations; on the other hand, they should strengthen scenario-based marketing, leveraging physical store spaces to create immersive experiences and enhance brand memorability. Building a cross-platform communication matrix is also essential, expanding the boundaries of dissemination and enhancing user engagement by integrating online social tools with offline activities. Empirical evidence shows that successfully transformed companies, while maintaining their physical advantages, flexibly apply digital tools to form differentiated competitiveness and effectively activate brand vitality.

2.3 Challenges of customer relationship management

The e-commerce environment has profoundly transformed the way consumers interact with retailers, making customer relationship management (CRM) a critical breakthrough for traditional retail transformation. Taking Japan as an example, according to 2023 retail data, traditional department stores that have not upgraded their CRM digitalization had an average customer complaint resolution time of 72 hours, far exceeding the 4.2-hour response time of e-commerce platforms, leading to a 19 percentage point decline in customer satisfaction. In contrast, e-commerce companies like Rakuten Market leverage AI customer service and user behavior analysis systems to provide personalized service recommendations and sentiment recognition, boosting repurchase rates by 27%.

In addition, traditional retailers also show weakness in multi-channel data integration. The Japan Institute of Circulation Economics points out that only 28% of traditional retail companies have the capability to build cross-platform user profiles, leading to a potential customer churn rate of up to 43% within 30 days after promotional activities. To address this, building a CRM system that covers the entire user lifecycle, integrating data analysis with automated marketing tools, has become the core path to improving interaction efficiency and customer loyalty. This transformation not only involves technological investment but also requires synchronized optimization of organizational processes and corporate culture to achieve deep operation and value extraction of customer resources.

3 Response strategies of traditional retailers

3.1 Online and offline integration (OMO)

The OMO model integrates the experiential aspects of physical stores with the convenience of online transactions to build a new omnichannel retail ecosystem. Taking Japan as an example, data from 2023 shows that traditional retailers adopting the OMO strategy saw their offline customer traffic digitalization rate increase to 78%, and their precise marketing conversion efficiency improve by 24%. In practice, for instance, Daimaru Matsukata Department Store introduced AR makeup mirrors, which increased online payment conversion rates by 19% and shortened inventory turnover cycles by 11 days. On the reverse path, the model of local store pickup for online orders reduced logistics costs by

15% and generated an additional 28% of consumer spending. Furthermore, the integration of online and offline member data has boosted personalized recommendations to 67% accuracy and increased repurchase rates by 21% year-over-year. This model effectively compresses supply chain response times, improving overall operational efficiency by 30%, and is reshaping the retail value chain, helping traditional businesses cope with the impact of e-commerce.

3.2 Strengthen product differentiation and service experience

Traditional retailers can build competitive barriers by deepening product characteristics and upgrading service experiences. Taking Japan as an example, data from 2023 shows that retailers focusing on integrating regional cultural elements and introducing limited-edition licensed products have seen a 18% increase in customer repurchase rates. For instance, Takashimaya Department Store successfully attracted high-end customers by collaborating with local craft brands to develop limited-edition items, achieving a 15% increase in average transaction value. On the service side, establishing a professional sales consultant system and immersive scene experiences are crucial. Mitsukoshi Isetan introduced an AI-assisted consultant system and set up Japanese tea break spaces, increasing high-net-worth customers' dwell time by 40% and boosting customer satisfaction to 91%. Embedding services into cultural narratives and reinforcing memory points through brand storytelling effectively enhances customer loyalty. This dual-driven strategy of products and services helps traditional retail companies stabilize their market positions in the face of e-commerce challenges.

3.3 Strengthen digital marketing and customer relationship management

Traditional retailers should rely on digital marketing and CRM systems to enhance customer loyalty and operational efficiency. Taking Japan as an example, data from 2023 shows that retailers using AI-driven recommendation systems saw a 19% increase in personalized marketing conversion rates and a 30% acceleration in customer response times. For instance, Mitsukoshi Isetan integrated online and offline member data to achieve precise profiling and intelligent recommendations, resulting in a 21% increase in repurchase rates and a 15% rise in high-net-worth customers. At the same time, the introduction of natural language processing technology for analyzing consumer reviews improved sentiment recognition efficiency by 40%. In terms of customer service, Daimaru Matsukawa established a tiered response mechanism, reducing the average complaint handling time to 2.1 days. To strengthen member loyalty, one can refer to the multi-level entitlement system launched by Takashimaya, which combines points redemption, priority access to limited items, and holiday-specific events, boosting member activity by 28%. Some companies have also piloted blockchain technology for member point management, enhancing data transparency and security, and increasing customer trust by 17%. Empirical evidence indicates that the combined use of these strategies can increase customer retention rates by over 25%, helping traditional retail businesses establish a lasting competitive edge.

4 conclusion

The rise of e-commerce has triggered profound shifts in consumer preferences, impacting traditional retailers in various ways. Traditional retailers face significant challenges in market share, marketing models, and customer relationship management, but they also have opportunities to respond. By integrating online and offline operations, enhancing product differentiation and service experiences, and strengthening digital marketing and customer relationship management, traditional retailers can find new development opportunities in the era of e-commerce and achieve sustainable growth. In future business competition, traditional retailers need to continuously adapt to changes in consumer preferences and actively innovate to gain an advantage in both competition and cooperation with e-commerce.

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