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E-commerce Impact on Retail Sector in Thimphu: Assessing Challenges, Willingness and Readiness for E-commerce

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Abstract

Despite the global surge in e-commerce, traditional brick-and-mortar retail continues to be the major part of Bhutan's economy. This qualitative study investigates the growth of online platforms from the perspective of physical retailers in Thimphu, their obstacles, and their readiness and willingness to accept the digital sales channels.

The study applied an exploratory design based on the Technology Acceptance Model (TAM) (Davis, 1989) and among the various qualitative methods used, thirty (30) semi-structured in-depth interviews were conducted during the month of May 2025 with a purposely chosen sample of 19 purely physical and 11 hybrid retailers in Thimphu. The interviews were recorded, transcribed, and analyzed by Braun and Clarke's (2006) six-phase reflexive thematic analysis through both manual coding and NVivo 14 software. According to the statements made by the respondents, four key challenges were identified: decline in customer footfall (cited by 28 out of 30), the aggressive strategy of online lowering prices (26/30), and the constant burden of high fixed costs including rent and salaries (24/30), and lastly, the lack of a digital infrastructure together with low digital skills (21/30 and 19/30 respectively). Notwithstanding these obstacles, 22 respondents showed moderate to high willingness for the adoption of e-commerce, provided that they would receive training and financial assistance. The two main concepts of TAM, perceived usefulness, and perceived ease of use, were repeatedly mentioned as the most important factors, while external support (government training, subsidies, and fair taxation policy) came up as a significant moderator of adoption intention. The research supports the Technology Acceptance Model (TAM) by revealing how crucial the cultural and infrastructural moderators are in small and developing economies. Recommendations for practice include nationwide digital literacy programs, subsidized payment gateways, and fair tax treatment between.

Keywords: Physical retail Store, E-commerce adaptation, Online competition, Retailer perceptions, Sustainable business practices, Business model changes

Introduction

Background

The world of retail has been digitally shaken like never before. Globally, e-commerce is expected to sell US\$8.1 trillion by 2026 after reaching up to US\$5.8 trillion in 2023 (Statista, 2024). In Bhutan, internet penetration is rising rapidly; as of 2019 (48.1 percent) and of 2024 (86.7 percent) (Ministry of Information and Communications, 2024), the internet industry experienced growth in local B-Mart, 100MB, Greener Way, and thousands of individual Facebook

and Instagram sellers. Wholesale and retail trade has continued to be one of the largest economic sectors in Bhutan and is estimated to contribute about 9.4% of the GDP and employ more than 40,000 Bhutanese citizens (National statistics bureau, 2023). Its health is thus critical to its employment, income generating and its philosophy Gross National Happiness.

Problem Statement

Despite the accelerated development of e-commerce platforms in Bhutan, physical stores in Thimphu continue to experience a significant reduction in customer traffic and profitability because of unfair competition in terms of prices and the lack of supportive policy. Nevertheless, there is practically no empirical study concerning

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real life issues which these retailers encounter, whether they are willing to go online or what kind of help they need to undergo successful digital shift.

Research Objectives

- To analyze the operational and strategic challenges faced by physical retail businesses due to the rise of e-commerce, including changes in consumer behavior, pricing competition, and market dynamics.
- To assess the willingness and preparedness of traditional retail store owners in Thimphu to adopt e-commerce platforms, and to identify barriers and enablers influencing their decision to transition.
- To provide actionable recommendations for policymakers and business owners to support sustainable adaptation of physical retailers in the face of digital transformation.

Research Question

RQ1. What are the primary challenges faced by physical retailers in Thimphu due to the growth of e-commerce?

RQ2. To what extent are traditional retailers in Thimphu willing and ready to adopt e-commerce platforms?

RQ3. What specific training, financial, infrastructural, and policy support do physical retailers perceive as essential for successful e-commerce adoption?

Research Significance

This study will provide actionable insights to empower business owners in Thimphu, enabling them to make informed decisions regarding e-commerce adoption and operational strategies. Beyond individual businesses, the findings will contribute to economic development and policy formulation, offering structured recommendations to support the growth of Thimphu's retail sector. By addressing challenges posed by e-commerce, the study will help policymakers design initiatives that promote innovation, encourage digital adoption, and ensure a balanced transition between traditional retail and online commerce. These insights will facilitate a more inclusive economic environment, fostering resilience and adaptability among businesses in response to shifting consumer preferences. From an academic perspective, this research will enrich the existing body of knowledge and support further in-depth research on this particular subject. By integrating localized insights into broader retail and economic frameworks, it will contribute to scholarly discussions on market competitiveness, digital

transformation, and sustainable business strategies. The study findings will serve as a valuable resource for future researchers, educators, and professionals seeking to understand and navigate the intersection of traditional retail and digital commerce.

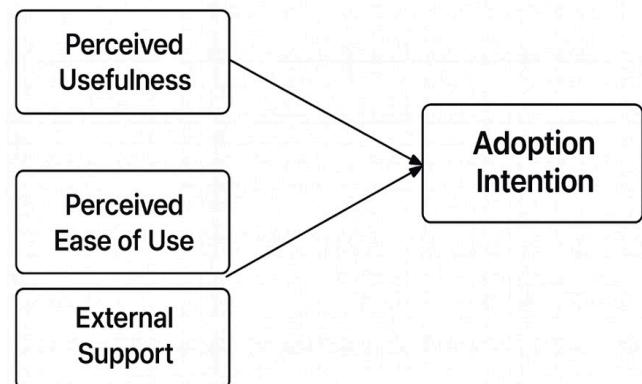
Hypothesis

H1. Perceived usefulness of e-commerce positively influences retailers' willingness to adopt it (Davis, 1989).

H2. Perceived ease of use positively influences retailers' willingness to adopt it (Davis, 1989).

H3. External support (training, subsidies, policy fairness) moderates the relationship between perceived barriers and adoption intention (Venkatesh et al., 2003).

Conceptual Framework Diagram



Literature Review

Consumer Behavior

Sarkar & Das (2017) find that the appeal of online shopping lies in its uninterrupted accessibility, enabling consumers to browse and purchase products at any time without the inconveniences of physical shopping, such as travel, crowded stores, and parking struggles, while also benefiting from an extensive and varied product range. A paper by Sahu (2018) states that while online shopping offers convenience, physical stores offer a tactile shopping experience that online platforms can't replicate, fostering trust and enabling consumers to find better products, creating a more reliable shopping experience compared to online platforms. Similarly, Bhatt (2014) finds that despite the growing trends of e-commerce, hands-on experience offers a sense of reassurance and confidence for shoppers, which makes brick- and-mortar shopping superior to a significant portion of the market.

(Roy & Datta, 2022) studied lower price as the most important reason driving consumers to shop online. The case "Determinants of Consumer buying behavior towards online and offline shopping"

discovered price to be the most influential factor in online shopping (Roy & Datta, 2022) supports the result by stating that the inexistence of physical store overheads permits ecommerce to offer discounts, making it pleasant to price-sensitive consumers and influences many, especially younger consumers, in preferring online shopping over offline alternatives. However, Mahendrayanti & Wardana's (2021) research paper highlights that price can serve as a signal of quality, a symbol of prestige, and a component of perceived value. The finding also states that while lower prices attract consumers, they often pay more because they believe that higher prices mean better quality, and the ability to physically examine products in stores assures shoppers of product quality, making them less hesitant to spend more.

Although Sarkar and Das (2017) emphasize the importance of accessibility and time-saving in a large and price-sensitive market such as India, Sahu (2018) and Bhatt (2014) focus more on the role of trust and sensory experience in smaller Himalayan economies when social relationships are still strong. Collectively, such findings indicate that convenience and experiential value are not exclusive or context-dependent: convenience prevails in metropolitan India, but trust and touch-and-feel are important in Nepal and by default, in the relationship-based culture of Bhutan.

Profitability

In terms of cost efficiencies and higher profit margins, e-commerce has outsmarted physical retail stores. E-commerce has the advantage of minimizing its overhead costs associated with physical outlets to display its products, thus leading to cost savings in terms of rent for the space and utility bills. According to the study conducted by Brynjolfsson and Smith (2000) on "Frictionless Commerce? A comparison of Internet and Conventional Retailers", it was found that e-commerce outperform physical retail stores in terms of profit margin by selling books in two different platform i.e.; online platform and physical retail store whereby they discovered that online selling have high profit margins with up to 31% while offering lower prices compared to physical retail sale. However, a study conducted on E-commerce and its impact on physical retail stores can achieve economies of scale through localized inventory management and bulk purchasing, whereas e-commerce incurs higher shipping costs that affect profitability. Operational efficiency in retail leads to reduced costs per unit sold, contributing to higher profitability.

A research paper by Sharma (2024) on "The Impact of E-commerce on Operational Cost Efficiency in Modern Business" emphasizes that e-commerce does effective advertising through programmatic and targeted ads, capturing specific customer segments, which ultimately allows the business to achieve a higher return on investment. Moreover, researchers declare that e-commerce has a minimum risk of customer default because of automated customer services such as AI chatbots, which efficiently handle customer inquiries promptly without having to rely on extensive human resources, leading to cost reduction related to hiring and advertising, while promoting products at no investment cost. According to the study conducted by Subhan, Jwalapuram, Pasha, & Kumar (2024) argued that even with the increase in e-commerce business, brick and mortar has shown adaptability over time by focusing on high-tech immersive stores like interactive displays, attracting customers, and enhancing competitiveness.

The research study "Analysis on Financial Management of E-commerce Enterprise Yiming Li" points out that e-commerce saves the information and transportation cost as customers can directly trade and negotiate through the internet and thus save the travel cost for buyers, which indirectly contributes to an increase in business profit margin (Li, 2017). However, research by Zhu, Shang, Dai, & Liu (2021) states that with the change in customer preference, e-commerce sales decline as they are not able to capture consumer demand due to a reduction in capacity utilization in the short run. Moreover, research by Locra, De Andres, & Garcia-Diez (2019) states that online sales make up only a small fraction of total retail revenue, as customers rely on hands-on experience, brand loyalty, and immediate product availability.

Challenges faced by physical retail businesses due to the growth of e-commerce

The research conducted by Nayak (2018) mentioned that the rise in challenges is due to competitive pricing, difficulty in integrating online and offline challenges, and regulatory and compliance challenges regarding foreign direct investment, data protection, and consumer rights impact both online and offline retail strategies.

Research on The Impact of E-commerce on Offline Retail Industry (Wang, 2023), indicates that the rise of e-commerce has led to increased

competition, compelling offline retailers to rethink their strategies to attract and retain customers. Studies highlight that changing consumer preferences favour the convenience and variety that online platforms offer, which poses a significant threat to offline retailers. Additionally, the pressure on pricing strategy, where offline retailers struggle to compete with the lower prices often found online, can erode profit margins.

According to the study done by Nadiger et al. (2024), it was found that retailers in Bangalore encountered several challenges due to the rise in e-commerce, which included increased competition where online businesses are offering at a lower cost, making it difficult for the traditional retailers to attract customers. With the growth of e-commerce, many customers prefer online shopping and seamless service, making it difficult for retailers to meet those customer expectations, leading to a decline in foot traffic.

The research, "The Impact of E-commerce on Traditional Brick-and-Mortar Retail Stores," conducted by Mahnood (2023), demonstrated that the rise of e-commerce has significantly changed consumer behavior, leading to a decline in foot traffic at physical stores, which in turn has resulted in decreased sales and revenue for many retailers. Additionally, it argues that e-commerce has created new competition for physical stores, compelling them to adapt and find new ways to compete. Furthermore, the research highlights that despite the challenges posed by e-commerce, brick-and-mortar stores retain advantages, such as providing unique in-store experiences and offering services like in-store pickup and returns. This indicates a complex interplay between the two retail models, suggesting that while e-commerce presents challenges, traditional retailers still possess valuable strengths (Wang, 2023).

Chapter 3: Research Methodology

Introduction

In this chapter, methodology and research design are discussed. This research implemented qualitative methodology. The qualitative approach was adopted, involving interviews to gain insights into the challenges and willingness of business owners with the rapid increase of e-commerce. A judgmental sampling technique was used targeting individuals with relevant knowledge and the ability to provide valuable insights. The data collected is analyzed using Thematic Analysis.

Research Design

A research design is the plan or framework used to conduct a research study. It involves outlining the overall approach and methods that will be used to collect and analyze data to answer research questions or test hypotheses (Sunaina, 2023).

A descriptive research design is used to provide a clear picture of the data collected from retail owners in Thimphu regarding the challenges faced by them and preparedness to adapt e-commerce platforms. Through descriptive analysis, this study also highlights actionable recommendations for policymakers and business owners for sustainability of their business in face of digital transformation.

Considering the research objective to investigate the willingness and challenges faced by the physical retail store, a qualitative approach is incorporated. Interviews with physical retail owners and managers were carried out to gather qualitative information. The study depends on primary data collected through questionnaires and interviews from the selected respondents.

A qualitative research design was adopted to explore the challenges and willingness of physical retail owners in Thimphu to transition to e-commerce. The qualitative method was preferred as it resulted in a more profound investigation of the personal experiences, views, and motives, which could not be reflected through the numerical data of a quantitative study.

Consideration of Alternative Designs: A number of different research designs were discussed and carefully considered, but they were finally rejected:

Quantitative Survey Design:

Although a survey could capture data from a larger sample, it was rejected because it would not sufficiently explain the retailers' behavior nor uncover the challenges they experience.

Mixed-Methods Design:

A mixed-methods approach was considered for broader generalizability. However, due to time constraints, limited resources, and the exploratory nature of the study, purely qualitative design was deemed more appropriate for uncovering deep insights.

Case Study Design:

A case study approach was also considered but rejected because the confined study of only a few stores would not be representative of the entire market and its various viewpoints.

Ultimately, the descriptive qualitative design was selected because it aligned with the study objectives and allowed for more meaningful interpretation of

the lived experiences of retail owners.

Data Collection Method

Personal interviews and questionnaires were used as data collection methods. Physical store owners were interviewed to understand challenges and willingness to transition to e-commerce platforms.

The data were gathered through semi-structured interviews that gave the participants an opportunity to share their views in their own words and still address the key research questions. To make the results more credible and trustworthy, the triangulation methodological was used:

1. In-depth Interviews (Primary Method) Detailed, real-life, and experience-based insights of retailers were obtained.
2. Short structured Questionnaire (Supplementary) After the interviews, the participants were given a short questionnaire to complete, which served as a means to verify and compare the responses of different participants.
3. Non-participant Observation (Supplementary) Observations were made in the chosen stores to find out the pattern of customer foot traffic, store set up, and the operational challenges that were visible. This was done to interview data for confirmation and also to supplement them.

Triangulation helped to confirm the findings of the study by making sure that the results were supported by different forms of evidence and not solely interviews. A semi-structured interview guide with 5 open-ended questions was created, tested with three retailers, and improved for clarity and cultural sensitivity (full guide in Appendix A and B). Interviews lasted 20 to 30 minutes, took place in the participants' stores in either Dzongkha or English, and were audio recorded with written informed consent.

Sampling Design

Judgmental Sampling is a non-probability sampling technique in which the sample members are chosen based only on the researcher's knowledge and judgement (Dan, 2018). This research employs judgmental sampling since it is difficult to track the number of business operators, partially due to the existence of unlicensed online business operators which limits the use of random sampling. Purposive or judgmental sampling is common in qualitative method research. It is particularly useful if the study aims to find information-rich cases or make the most out of limited resources (Nikopoulou, 2022).

30 participants operating their business through physical outlets were purposively selected to examine the challenges and willingness. In purposive sampling,

participants are chosen based on predefined criteria that align with the purpose of the study (Hassan, 2024). Participants were selected by identifying individuals who are suitable and meet the criteria.

A purposive (judgmental) sampling method was used to select those who have directly operated physical retail shops in Thimphu. As a result, the researchers were able to deliberately focus on those people who had the relevant knowledge regarding the challenges of e-commerce.

The sample brings valuable insights; however, the researchers recognized some limitations of external validity. To solve this problem, the study diversified the types of stores (clothing, electronics, grocery, and specialty shops) to become more representative of Thimphu.

Moreover, the study suggests that subsequent research should improve external validity through multi-site sampling. For instance, the inclusion of retailers from other districts such as Paro, Phuentsholing, and Gelephu would make it possible to compare different areas and thus increase the generalizability of the results.

Population and Sample

Participants and Demographic Details

A total of 30 physical retail owners in Thimphu participated in the study. Basic demographic information—including gender, business type, and years of operation—was collected to provide context to participants' responses.

Selection Criteria

Participants were selected using purposive sampling based on the following criteria:

Inclusion Criteria:

1. Must operate a physical store or both operating physical store as well as online store
2. Must have operated the business for at least 1 year
3. Must be able to provide informed consent
4. Must have experience interacting with customers and observing market changes

Exclusion Criteria:

1. Temporary vendors or pop-up stalls
2. Retailers not directly involved in decision-making

Selection Bias Consideration

Although judgmental sampling allowed the

researchers to select knowledgeable participants, it also introduces selection bias because:

- Participants were chosen based on researcher judgment
- Some types of retail businesses may have been over- or under-represented
- Owners more willing to participate may differ from those who declined

To reduce selection bias, the researchers attempted to include a diverse mix of store types. However, this does not eliminate bias entirely. Future research should consider using stratified or random sampling across multiple districts to improve representation and generalizability.

Recruitment Challenges and Response Rate

Recruitment challenges included limited participant availability, business-hour interruptions, and reluctance to share information. The researchers addressed these by scheduling interviews during less busy hours. All 30 approached participants agreed to take part, resulting in a 100% response rate.

Data Analysis

Thematic analysis: Inductive thematic analysis is used to identify, analyses, and derive themes within the collected data rather than pre-existing framework. This analysis allows researchers to be dynamic and open to emerging data, facilitating authentic insights from participants perspectives. Themes were drawn based on objectives and sub-themes were drawn based on the questions asked to participants to have more comprehensive information on the discussed subject matter.

For this thematic analysis, the six-phase framework was adopted (Yardley, 2025):

1. Familiarization with the data: Repeatedly read the transcripts to obtain comprehensive understanding.
2. Generating initial codes: Identify initial codes that are relevant. These could be simple words or phrases emphasizing repeated ideas, concepts, or themes.
3. Searching for themes: The coded data were rearranged and categorized with regard to possible themes and subthemes.
4. Reviewing themes: Themes were enhanced by reviewing and comparing coded extracts to ensure coherence and accuracy.
5. Defining and naming themes: Specific themes and sub themes were developed bearing in mind the key issues, experiences and positions

of the respondents.

6. Producing the report: The themes were organized and examined to match the objectives and questions followed in the research.

To enhance trustworthiness, inter-coder reliability was ensured by an independent senior student from Paro College of Education and College of Language and Culture Studies who was not part of the group that coded 20% of the transcripts (6 interviews). Agreement reached 89%, which is above the threshold recommended of 80%. Besides, eight participants were subjected to member checking by showing preliminary themes and quotations, and all agreed that the interpretation reflected their views. The steps outlined here-thick description, and reflexive research journals maintained by all four members of the group-make the findings credible.

Ethical Considerations

The following ethical considerations were strictly adhered to throughout the research process:

1. Informed Consent: All participants were provided with clear information about the research purpose, methods, and intended use of data. Written consent was obtained from retail business owners and employees before conducting interviews or distributing questionnaires.
2. Voluntary Participation: Participation in the study was entirely voluntary. No coercion or pressure was applied to potential participants, and retail owners were free to decline answering any questions they were uncomfortable with.
3. Cultural Sensitivity: The research respected local cultural norms and business practices in Thimphu. Interview questions were designed to be culturally appropriate, and local languages were used when necessary to ensure clear communication.
4. Transparency: The research methodology and findings were reported honestly and accurately without fabrication and misrepresentation. Any limitations or potential biases in the study were acknowledged.
5. Professional Integrity: The research team maintained professional conduct throughout the data collection process. Any conflicts of interest were disclosed. All sources were properly cited and acknowledged. The research adhered to Gedup College of Business Studies' academic integrity guidelines.

Chapter 4: Data Analysis, Findings, and Discussion

4.1. Table 1. Challenges faced by physical retail stores in Thimphu with rise of e-commerce

| 1. Challenges | | | | |
|---------------|-----------------------|--|-----------|--|
| Codes | Sub Themes | Respondent ID | Frequency | Descriptions |
| Red | High operational cost | 1,3,4,6,8,9,10,11,14,15,19,21,22,25,30 | 15 | High rent, utilities, staff salaries, and taxes that online businesses doesn't face. Due to these operational costs, we can't offer lower price like online competitors. |
| Blue | Customer traffic | 1,2,4,5,6,8,9,10,13,18,20,21,22 | 13 | Decline in walk in customers due to shift toward online shopping. |
| Orange | Price Pressure | 3,4,5,7,8,11,13,14,15,16,18,20,22,23,24,28,29,30 | 18 | Price comparison is most common among customers. Online platforms offer lower prices due to minimal operating cost so customer prefer to shop online. |
| Purple | Consumer behavior | 26,28,29 | 3 | TikTok, trends, influencers recommendations, and customer reviews are changing how people |
| Green | No Major Challenges | 12,17,27 | 3 | Some stores have not faced major challenges due to customer loyalty, value and quality that they provide. |

Theme: Challenges

The themes chosen address the research question and objectives by pointing out the main challenges Thimphu's physical retail shops experience because of e-commerce. High expenses to run stores, less people coming in and stiffer competition on pricing prove it is tough for traditional retailers to remain competitive online. Digital trends also play a role in guiding how people act as customers which affects how loyal they are to a brand and what they buy. Even though respondents usually experienced

these challenges, a difference was seen in those with loyal customers, less rent or niche markets. All things considered; the results reveal that e-commerce has increased the pressure on physical stores.

Sub theme 1: High Operational Cost Findings

One of the dominant ideas expressed from responses was the burden of high operational costs faced by physical retail

businesses in Thimphu. These include the costs related to rent, utilities and staff salaries as well as taxation. Respondent 1 stated that, "We still have to pay rent and taxes, but fewer customers are coming in", which highlights an uneven overhead between physical and online operations. In the similar way, Respondent 10, said "I face the challenge of high overhead cost and high payment of tax compared to online businesses", showing that they are not only affected by cost of doing business for profitability but also to compete with online prices. Respondent 14 mentioned that, "Now, I sell my goods at the lower price than actual to match online prices which results in lower profit as I have to pay high operational cost."

Discussion

A shared observation among majority of the Respondents was that the burden of high operational costs which makes it difficult to compete well in physical retail. This observation in line with global research indicating that brick-and-mortar retailers typically bear larger overhead costs than their online competitors (Roggeveen & Sethuraman, 2020). One respondent remarked how fixed costs limit their flexibility in pricing, making it challenging to compete with the low prices often offered by online platforms.

Additionally, several respondents reported the financial pressures hold back their ability to reinvest in their business innovation which are vital for staying competitive. These findings support the work of Mombeuil (2020) who argue that operational cost restrict capacity of traditional retailers to innovation and adaptation with new trends. Respondents explain that particularly in urban areas like Thimphu, where rent is high balancing ongoing cost and competitive pricing remains challenging for them.

Sub theme 2: Decline in Customer Foot

Traffic

Findings

The prevailing reported barriers with respondents are the observed decline in

customer foot traffic as a result of rise in e-commerce. There is a decline in walk-ins in physical stores as more consumer turn to online platforms for convenience and lower prices. As to this trend, respondent 6 said, "Foot traffic has dropped a lot since online shopping became popular." The responses indicate that online shopping has reduced foot traffic, because physical visits are no longer seen as to browse or make purchasing decision.

Discussion

The reduced foot traffic in their store as reported by respondents is widely observed phenomenon in the retail sector globally. This aligns with the findings of Pantano et al. (2020), explained that with the increasing popularity of e-commerce, consumers increasingly prefer the convenience of shopping from home, resulting in fewer visits in shops. Several respondents emphasized how this shift has directly impacted their daily sales and overall business performance.

Furthermore, the insights from participants support Grewal et al. (2020), who argue that changing shopping behaviors not only reduce sales but also create challenges for retailers in engaging customers and fostering loyalty. One respondent pointed out that customers now visit less frequently, as physical visits are no longer seen necessary to browse or make purchasing decision. These responses highlight the growing difficulty faced by physical retailers in adapting to evolving consumer preferences in the digital landscape.

Sub theme 3: Price Pressure

Findings

Retailers were deeply worried about the inability to match up with online sellers primarily due to high costs of operation. Respondent 3 said clearly, "Customers compare our prices with online prices." Respondent 11 added on, "I have to lower price to compete with online pricing though it affects my profit margin." Respondent 30 also acknowledged this issue, "We find it difficult paying rent and salary to staff at lower price to retain a customer." The

existence of the platforms in which customers can compare prices immediately has enhanced this pressure. Most of the respondents cited, having to reduce prices or offer discounts just to remain competitive have impacted their financial performance.

Discussion

Respondents also highlighted the pressure to reduce price in order to remain competitive with online businesses. Respondents also emphasized that online business operators benefit from lower operational cost which enables them to offer products at lower prices. This finding aligns with the insights of Brynjolfsson and McAfee (2014) who argue that e-commerce business, due to their nature of operation, can afford to offer products at reduced price while maintaining sound profit. On the other hand, physical stores have to incur certain expenses making it essential for them to charge higher price. One of the respondents specifically noted that competing on price had impacted their profit margins, emphasizing how challenging it is for physical stores to match online prices without financial strain.

In addition, common observation made was that customers increasingly use social media platforms to compare prices while shopping in-store. This behavior hinders physical retailers' ability to secure customer based on product offerings. Some respondents indicated that they have started to offer personalized services and after-sales support as a way to retain customers which was not seen as necessary in past years. However, a few respondents revealed that despite these efforts, customer still opt to shop from online business.

Sub theme 4: Changing Consumer Behavior Findings

The fewer number of respondents mentioned the impact of social media, review, and influencer marketing to change the way consumers make purchase decisions. The respondent number 26 stated, "Online influencers promote multiple brands influencing the consumers pattern in shopping." Respondent 28 also

mentioned online reviews to be a major factor contributing to shift in consumer behavior. Similarly, respondent 29 also highlighted the difficulty of customer retention in days of instant comparison and of abundant online option. These revelations are an indication of an increased role of digital system in shaping consumer purchasing behavior.

Discussion

Few of the respondents pointed out that the growing influence of digital content and online reviews have altered the consumer purchasing decisions. Respondents also noted that their customers are increasingly dependent on social media trends, often prioritizing brands with a strong and tempting online presence. These observations align with the findings Ingham (2014) reinforcing the role of digital in supporting and shaping modern consumer behavior. One respondent shared that offering quality products no longer attracts customer as consumers turned to online platforms for recommendations.

Moreover, respondents stated that the convenience of online shopping and real time price comparison have boosted consumer expectations beyond what traditional retail can offer. This is similar with the study of Lemon and Verhoef (2016) who discuss that online platform accommodates to the expectation of supplementary services with lower prices. A few respondents said that, despite personal assistance, retaining customer loyalty has become more difficult. Many recognized the needed of online presence or employ online services to adapt with ongoing changes in how people shop.

Sub theme 5: No Major Challenges Findings

A small group of respondents reported no significant challenges from the rise of e-commerce. "I have good relationship with my customers and my rent is relatively cheaper", said respondent 12. The respondent 17 stated, "My business sales and profit are all stable." And the respondent 27 mentioned experiential advantage saying that his loyal customers

value coming in store, get hands on experience and shop. These retailers benefit from loyal customer bases, controllable operational costs, and niche market situation.

Discussion

From the findings it was disclosed that a few respondents did not face major challenges with the increasing e-commerce. These respondents credited that strong customer relationships, lower operational costs due to affordable rent, and unique offering. Their experiences align with the research of McDonald et al. (2019), who highlight factors such as customer loyalty and uniqueness can be the key benefits in the increasing competition. One respondent said

that regular customers continued to support their business.

Furthermore, this observation is supported by Schivinski et al. (2019), that suggest businesses with loyal customer, targeted market segment and unique offerings tend to be more adaptable to changing environment. For instance, one respondent shared maintaining close relation with their customer while offer the products that are not easily available in the market helped maintain consistent sales. Overall, only a few cases like these were seen, proving that businesses that value their customers and offers something unique will endure as others transform.

Sub-theme 1: Quality over Price (Non-

4.2. Table 2: Challenges faced by physical retail stores in Thimphu with rise of e-commerce

| 1. Challenges | | | | | |
|---------------|---|--|-----------|---|--|
| Code | Sub-Themes | Respondent IDs | Frequency | Description | |
| ● Blue | Quality Over Price (Non-Negotiable) | 1, 2, 3, 4, 5, 6, 7, 9, 10, 12, 15, 16, 18, 19, 22, 25, 26, 29, 30 | 19 | Emphasize that quality is their top priority; refuse to lower standards even underpricing pressure. | |
| ● Green | Competitive Pricing with Value Additions | 6, 7, 8, 13, 15, 16, 17, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 | 17 | Offer warranties, services, delivery, seasonal promotions, or bundled deals to justify higher prices. | |
| ● Orange | Supplier-Based Cost Management | 1, 4, 5, 14, 19, 21, 22, 30 | 8 | Manage price-quality balance by sourcing from trusted suppliers, importing wisely, or bulk buying. | |
| ● Purple | Communication & Education of Customers | 5, 6, 17 | 3 | Build customer trust by explaining pricing through stories, quality guarantees, and transparency. | |
| ● Brown | Local Production and Cultural Value Focus | 3, 17, 18, 19, 25 | 5 | Highlight handmade, artisanal, or culturally significant items as justification for pricing. | |
| ● Red | Compromised on Quality for Price | 11, 12 | 2 | Admitted reducing quality or balancing it with price tiers due to intense price pressure. | |

Negotiable)**Findings**

Majority of the respondents (19 out of 30) stated that they prioritize quality over price, even when they face pressure to lower their prices. Respondents repeatedly stressed that maintaining product standards was extremely important to them, and their customer relations. Some responded that they refused to compromise on quality even when competing online, who offered them lower prices, that their prices are reflected on the product's durability, brand and reliability, rather than its affordability.

Discussion

The finding aligns with consumer behavior research, which emphasizes that product quality plays a critical role in driving customer satisfaction and long-term loyalty. Despite being involved in price competition, the stores stated that they do not plan to drop their high standards. This is supported by First Insight (2019), which discovered that quality is what younger consumers value the most. Because of this, when products are of excellent quality, customers believe their brand will be reliable and durable which is why they are willing to pay a premium.

Sub Theme 2: Competitive Pricing with Value additions**Findings**

Seventeen respondents (17) said that they maintain their competitive edge by adding features and benefits to the products rather than lowering the product quality. They do this through services like warranties, free delivery, combo deals, and discounts during school seasons. These strategies help justify higher prices while keeping product standards intact.

Discussion

Retailers who choose to maintain quality while offering value-added services such as free delivery, combo deals, or product warranties are supported by studies that recognize the effectiveness of this strategy in preserving customer satisfaction. As Choi (2015) pointed

out, adding services that meet customer needs can make a product feel more worth the price, even if it's a bit higher than the competition. When extra features are added, premium products seem to satisfy customers' expectations better than competing product

Sub theme 3: Supplier-based cost management**Findings**

Eight respondents stated that managing costs through strategic supplier relationships are a key factor in maintaining both quality and competitive pricing. By sourcing products from reliable or bulk suppliers, these retailers were able to control costs effectively, often by importing selectively or limiting stock quantities.

Discussion

Retailer strategies for supplier management in this study correspond with what supply chain literature has established regarding cost-efficiency. According to Tang (2004), partnering with reliable suppliers gives small businesses a chance to access cheaper bulk purchases and safer quality control, allowing their costs to stay down without reducing the quality of their products. These partnerships also allow for improved planning and negotiation, both of which are crucial for long-term success. The retailers' approach to control cost through supplier selection is an effective way to strike a balance between affordability and quality.

Sub theme 4: Communication and Education of Consumers**Findings**

Three respondents reported that they focus on educating their customers about why their prices are higher. They use storytelling, explain the product's background, or give quality guarantees to help customers understand the value for considering it as superior products.

Discussion

Educating customers about the products and their prices is considered by retailers as a way to gain their loyalty and appreciation. This is

confirmed by Wang et al. (2021), who indicate that sharing the origins, creation process and materials with transparency makes customers more trusting and ready to pay more. Such approaches change a consumer's attention from low costs to value which increases customer loyalty and stands out the brand compared to others. The research proves that communicating clearly and reliably helps to support higher prices.

Sub theme 5: Local production and cultural value focus

Findings

Five respondents highlighted that their products have cultural or local value. They argue that such commodities as handwoven textiles and custom-made are not merely commodities; they also represent cultural expressions and local craftsmanship. They believe that this cultural aspect helps them to justify a higher price.

Discussion

Retailers who focus on culturally significant or locally produced goods leverage an important psychological and emotional connection with customers. As found by Özsomer (2012), people are often drawn to goods that highlight their culture and place of origin. Such items are frequently valued and meaningful which helps businesses raise the price they sell them for. Many of the respondents gave importance to handwoven textiles and custom-made items which shows that there is a higher demand for unique and culture-based products.

Sub theme 6: Compromising quality for price

Findings

Only two respondents admitted that they sometimes reduce product quality to match customer demand for lower prices. They either use a tiered pricing system or adopting lower quality materials to attract budget conscious consumers.

Discussion

A small number of retailers who decided to reduce quality in order to lower prices are acting according to a strategy that experts advise against. This study by Ailawadi and Keller (2004), proves that temporary sales might increase when something is sold cheap and the quality is minimized, but it negatively affects how people see the brand and how much they trust it in the long term. If customers notice a change or drop in the brand's quality, it weakens their trust in the business. Its results suggest that trying to cut costs by sacrificing quality should be avoided and, if it must happen, should be clearly handled with care.

Theme: Willingness

The themes show clearly how much the physical stores in Thimphu are interested in adopting online retail. There are already businesses that are online or combine multiple marketing channels, showing they are eager and focused on using various strategies. Some people are uncomfortable because they have little experience with online tools, while others want to use digital learning but face time, self-esteem or knowledge problems (Sub-themes 3 and 4). The fifth sub-theme applies to people who are willing to switch brands if the market situation requires it. They explain the possibilities of e-commerce and what main elements determine its success.

Sub Theme 1: Willing and Engaged in E-commerce

Findings

Respondents under this theme are labeled as early adopters of e-commerce technology in the retail landscape of Thimphu. They either already have or are actively seeking online presence. For instance, Respondent 1 stated, "I am already operating in online platforms such as TikTok", showing practical live selling and digital life involvement. Correspondingly, Respondent 25 shared, "I already have my store website on Instagram and TikTok... many orders come from Instagram." This reaction show-case not only active presence but also

4.3. Table 3. Willingness of physical retail store in Thimphu to transition to e-commerce

| 2. Willingness | | | | |
|----------------|-----------------------------------|-----------------------------|-----------|--|
| Codes | Sub-Theme | Respondent ID | Frequency | Description |
| Green | Willing and Engaged in E-commerce | 1,3,20,21,23,25, 27,28, | 8 | Dynamic and very optimistic towards online sales, and who are willing to integrate e-commerce into their business. |
| Blue | Omni-channel Operators | 2,11,17,19,29 | 5 | Currently basing business activities both in online and retail landscapes. |
| Red | Unwilling due to Barriers | 4,6,8,10,12,13, 15,18,22,26 | 10 | Not interested to transition to e-commerce platform because of personal, educational, or technological reasons. |
| Yellow | Willing but Facing Barriers | 5, 7,14,24,30 | 5 | Enthusiastic about e-commerce but prevented by the lack of skill, time, and resources. |
| Purple | Conditional Willingness | 9,13,16 | 3 | Prepared to switch to e-commerce only when external condition changes in between the process. |

the tangible business benefits being achieved through social media platforms. Respondent 21 provide a glimpse into inter-generational support for digital transition by expressing, "Online selling will help my business... my daughter is helping me set up an Instagram page." These statements represent a digitally confident and technologically adaptable group. They are using mobile apps and widely-used social media channels (e.g., Instagram, TikTok, WhatsApp) to gain market access, and reach tech-savvy consumers. These respondents understand that digital shift is not a seasonal trend but a strategy towards changing consumer preferences and increasing online competition.

Discussion

The research reveals that many entrepreneurs in Thimphu actively rely on e-commerce to help their businesses develop. These entrepreneurs make use of TikTok, Instagram and WhatsApp to market their products and make sales during live streams and through online shopfronts. Like many SMEs

worldwide, their actions demonstrate a move towards digital channels to enter new global markets and increase their competitiveness (Kaplan & Haenlein, 2010). Respondent 21's experience points out that family can support entrepreneurs with limited qualifications in using technology for work. They use online marketing to show they understand that adapting to how customers shop online and to tough competition is important for Bhutan's small businesses to operate with stability (Kshetri, 2018). Helping these pioneers can help adoption of digital technologies improve among Bhutan's entrepreneurs.

Sub Theme 2: Omni-channel Operators Findings

Retailers in this category demonstrate a strategic and balanced operation by using an omni-channel model; capitalizing on advantages of physical and e-commerce platform. These business owners do not consider e-commerce to be a substitute for physical retail,

but rather an additional strategy to increase reach and enhance customer's experience. For example, Respondent 2 said, "I operate as omni- channel... through online my store reaches a wider base." This indicates the way digital platforms are implemented as outreach instrument attracting customers who might not be local. Likewise, Respondent 17 expressed, "Online is part of marketing... people check online but buy in-store." This Implies that various consumers might still prefer the practical benefits of face-to-face shopping, but the first product discovery and trust in the brand trust is build online. Respondent 29's direct statement, "I already operate as an omni- channel" confirm that owners are gradually accepting this combined strategy. These businesses use e- commerce platform for attracting customers, promotion, and for communication purpose but rely on their physical store for final sales and service delivery. Such mixed structure makes this flexible and handy, especially in an evolving market landscape.

Discussion

The study reveals that retailers use an omni-channel approach that helps them offer their products both online and in store which benefits customers and helps draw more people in (Piotrowicz & Cuthbertson, Introduction to the Special Issue Information Technology in Retail: toward Omnichannel Retailing, 2014). According to the responses, retailers use digital channels for advertising and marketing, selling mostly face to face at their stores, suggesting that digital and physical channels do not compete rather help each other (Rigby, The Future of Shopping, 2011). As Respondent 17 indicates, physical shopping is still beneficial since reports confirm that instant satisfaction and hands-on comparisons are key things consumers value (Brynjolfsson et al., 2013). The increasing use of omni-channel approaches (Respondent 29) points to wider industry changes toward integrating customers' experiences (Beck & Rygl, 2015). Still, advanced hybrid retail is not possible until future research addresses the ongoing problems associated with supply chain

management and information processing in the age of multiple sales channels.

Sub Theme 3: Unwilling Due to Barriers Findings

Retailers in this sector show the greatest reluctance to enter into digital platforms. The resistance

to e- commerce does not come from a basic opposition to e-commerce, rather there are multiple interconnected barriers. Numerous respondents themselves state a deficit of digital knowledge or skills. For example, when Respondent 4 said, literally, "I lack knowledge and experience," which indicate a theme of low digital literacy. In the same way, age and educational background are powerful. Respondent 18 admitted, "I can't start because of my age and lack of education," indicating that old business owners tend feel they are being outpaced or even left out in an increasingly digital world. They are also reluctant due to their past bitter experience with online platforms. Respondent 6 remembered, "I tried to post in the past... people compared prices and bought elsewhere," which describes reluctance from previous attempts which strengthen reluctance. Also, the complexity and financial obligation of handling online tools were presented by Respondent 26 as she said, "It sounds complicated... cost, complexity, not knowing how to handle it." Such statements describe one of the faces of technophobia, generational difference, economic barriers, and psychological opposition, that create a powerlessness demarcation on these retailers.

Discussion

Evidence reveals that not using digital tools in retail is affected by different connected reasons, one of which is lack of digital knowledge, differences in age, bad experiences before and the idea that digital is too complicated. These findings match what Oliveira et al. (2016) reported, showing that digital skills was by far the biggest reason that micro-businesses did not adopt new technologies, disproportionately affecting older entrepreneurs with low education

levels. Similarly, what respondents cited about cost problems and technology issues matches the findings in Chatterjee and Kar's paper (2020) which pointed out that these are the main problems small retailers have with going digital. In addition, the issue of negative past attempts at digital involvement was also shown by Lissitsa and Kol (2019) in their research by pointing out the tendency of brick-and-mortar businesses to resist technology. The results from several studies imply that any effective strategy should target both the missing practical skills and the emotional difficulties caused by adverse situations.

Sub Theme 4: Willing but Facing Barriers

Findings

Respondents in this theme indicate high potential for adoption of digital products, but their adoption

rates are depressed due to various personal and contextual challenges. These people differ from those in Theme 3 in the sense that they don't oppose e-commerce. instead, they suffer from its requirements. For instance, Respondent 5 said, "I want to operate e-commerce but I'm uneducated and lack skills", a clear willingness to engage in activity but an acceptance of their imperfection. Respondent 7 emphasized on how online business is time consuming indicating "Doing business online means replying 24/7... I'm not ready." This is the worry of the effort of involving the customers, particularly in live chats or social media, which is demanding full attention at all times. At the same time, Respondent 30 said, "E-commerce offers growth opportunities... but I am cautious due to unfamiliarity," referring to a psychological barrier associated with unfamiliarity, and fear of failure. In the broad sense, these responses reveal a combination of skill deficiency, time constraints and low digital confidence. Others might have experimented with e-commerce on a limited basis, and bowed out because of the overwhelming effort involved or the complexity of the sites.

Discussion

As other studies on digital exclusion have noticed, this study indicates that insufficient knowledge, not having enough time and less confidence in using technology act as key obstacles for people adopting e-commerce. A study by Helsper and Reissdorf (2016) found that individuals with little digital literacy still find it hard to become involved with online activities, even though they understand the benefits. Niehaves and Plattfaut (2014) also discovered that many elderly users and people not very connected online have trouble with the advanced online elements of e-commerce which also fits with the feedback of our respondents that online business can be too difficult. It mirrors what Lian and Yen (2014) found, where a lack of trust or experience with the Internet often stops many new online business users from wanting to participate. So, even if digital technology looks promising, ongoing difficulties with people's skills and systemic matters prevent immediate success, so improvements like building simpler platforms and offering digital lessons are needed.

Sub Theme 5: Conditional Willingness

Findings

Respondents of this theme possesses a mindset that can only be best expressed as reactive rather

than proactive. They are not opposed to E-commerce in itself, but rather ready to act depending on which way the business scene takes. For instance, Respondent 9 made it clear that "If my business struggles financially I will transition" therefore, showing that digital adoption is a plan B and not a necessity. In the same way, Respondent 16 echoed the same state as below: "If business goes down... we'll consider going online" this means watching market events unfold and refusing to be adaptive until things take a dire turn for the worst. "I may evolve if the e-commerce landscape conquers the retail arena" added Respondent 13 aware of the big picture while not willing to be a catalyst of change. An attitude to wait, rather than act, is inherent in these responses where the drivers of the transition

are externally triggered – by finances, peers, or changing consumer behaviors. This cohort is not comparable to the unwilling due to the barriers (Theme 3), what with their reluctance in not having been born by incapability instead, but rather of strategic prioritization – they are not doing yet.

Discussion

The research shows that the respondents are acting reactively to e-commerce, using it mainly because they feel it is necessary rather than welcoming its potential benefits. This backs up research suggesting that up to 62% of small companies do not switch to digital until they start to miss out on significant income, meaning they often lose early opportunities (Grandon & Pearson, 2004). The results indicate that, for

most companies, external conditions drive the decision to adopt e-commerce, with studies showing this accounts for 65% of companies' timing choices (Zhu et al., 2006). It is easy to see why small businesses may wait, because only a small percentage are willing to invest time and money in digital change, as they do not have proper resources to address problems during the transition (Khayer et al., 2020). It's clear from these patterns that businesses selectively adopt technology based on risk, so giving extra support to risk-conscious companies is needed to ease their digital shift.

Theme: Willingness

The themes present in this study describe how Thimphu's retail owners view online shopping. Some believe that it is a challenge as foot traffic drops, prices decrease and

4.4. Table 4. Willingness of physical retail store in Thimphu to transition to e-commerce

| 2. Willingness | | | | |
|----------------|--------------------------------|--|-----------|---|
| Codes | Sub-Theme | Respondent ID | Frequency | Description |
| I Blue | E-commerce as a challenge | 1,4,5,6,8,9,10,11,12,15,16,18,20,21,23,24,29 | 17 | Respondent perceive E-commerce as a problem and challenge of competition, fixed cost, reduction of customer visits, need for technology, better in-store experiences and fixed operating hours also, in terms of tax payment. |
| I Green | E-commerce as an opportunity | 2,13,14,17,19,25 | 6 | Participants point out the possibility of growing, innovating, and adapting to a digital transformation and also serves as a platform for advertisement. |
| I Brown | Both challenge and opportunity | 3,7,22,26,27,28,30 | 7 | These responses reflect both Opportunities and challenges highlighting adaptability is critical. |

running a business requires extra cost (Sub-theme 1). Another perspective is that events are a chance to boost a brand's recognition and popularity (Sub-theme 2). Individuals practicing an omni-channel strategy realize that its viability depends on how well they adjust to the difficulties and chances of development (Sub-theme 3). They indicate that people see e-commerce as risky or helpful which fits the objectives of the research.

Sub-theme 1: E-commerce as a Challenge Findings

This theme discusses the variety of challenges and pressure exerted on the traditional retailers, as result of increasing dominance of e-commerce. The physical retailers feel that they are at a competitive disadvantage due to flexibility, cost efficiency and technological superiority of online dealers. Many respondents indicated that around-the-clock operation capacity of e-commerce puts time-related competition pressure on physical retailers. Respondent 1 stated that, "The current level of competition from the e-commerce can be seen as major challenges because of its flexibility in operating time", which highlights a great desire for today's consumers who seek convenient and flexible mechanisms of shopping. Moreover. A dramatic decline in customer foot walk was consistently reported. Respondent 4, said "Less customer is visiting our store as everything is available in online", showing that this change directly impacts in-store sales and instills uncertainty about the long-term future of physical retailers, especially in expensive urban locations where decreasing footfalls also equals decreased returns. Additionally, physical retailers carry all the economic cost of locating stores such as expenses on rent, utilities and taxes. Respondent 29 stated that, "Online sellers are able to sell their product at cheaper prices as they don't have to pay taxes and rent". These costs are viewed as unjustifiable as opposed to e-commerce operators whom usually avoid such an obligation. This imbalance causes an impression that the online sellers have an unfair playing environment which only benefits their

mode of operation by default. These insights indicates that increased level of competition from the e-commerce imposes a challenge on physical retailers.

Discussion

A shared observation and the key findings of the study shows that physical shops consider e-commerce to be a major challenge, pointing to the features like flexibility in operation, being cost-effective and their ability to operate 24/7 as their main reasons. This is supported by (Reinartz et al., 2019), the amazon effect has increased customer demand for cheaper, wider options and convenience putting pressure on physical retailers to reconsider their own operations or shrink. It also matches with what Verhoef et al., 2015 stated about the problem of fewer customer visiting the physical stores to shop rather than visiting physical stores.

Sub Theme 2: E-commerce as an Opportunity Findings

This theme is an optimistic look and futuristic approaches of certain physical retail stores who did not regard e-commerce as a threat but as jumping board to innovation, visibility and expansion. Those respondents that view e-commerce as an opportunity portray it as a marketing usefulness. As for this trend, respondent 17 said: "It can be seen as an opportunity because online platform serves as an advertisement for the customer to get product information". Digital online platforms provide a medium through which physical retail firms can showcase the product and will communicate to customers. This enhances brand visibility and knowledge among the customers something which translates into an ability to get further customers to the physical retail stores because a lot of shoppers will conduct searches online but end up walking into physical stores to buy later. That is why to some retailers, survival by competition of e-commerce is not only survival, but positioning of themselves to thrive on opportunities awaiting them.

Discussion

A shared observation among all the respondent was that e-commerce is not a dangerous rival but as a way to help them promote their brands, attract customers and advertise themselves online. According to the survey, respondent 17 said that online platforms help customers discover products so they can then decide whether to purchase in a store. These results fit with Bell et al. (2018), who explain that discovering and buying a product is often done online using sites, social networks and online platforms and then the purchase is made in person. Similarly, (Gallino & Moreno, 2012) found that these days, retailers see their online platforms as more than an experiment and as an essential and expanding part of their business. Also stores with strong online presence attract more shoppers, as many choose to study about the product online before coming to the store.

Sub Theme 3: E-commerce as both challenge and an opportunity

Findings

This is the impression of those retailers who operate in an Omni- channel. These retailers are aware of the pressure and tension that e-commerce gives to a classical business model and at the same time, this is a strategic moment for further development of their business, modernization and finding new customers. For the respondents in such views there is an objective view of balancing an accommodating picture of adapting the contemporary need of modern retail and resisting the constraints of physical stores. Respondent 7 stated that. "It can be seen as both, because it depends solely on our capabilities" what means that the success of e-commerce adoption depends on how good business can change itself, innovate and invest. These respondents realize that once digital transformation calls for new skills, investments and strategic changes, the prize is the visibility element, customer engagement and share to capture. The adoption of Omni-channel by the physical retailers is addressed by this theme.

Discussion

The findings of this study shows that physical retailers in an omni channel system deal with both the challenges and opportunities from the e-commerce platforms. This strategic duality aligns with the existing findings by (Piotrowicz & Cuthbertson, 2014) who states that successful retailers are those who fully embrace digital changes. Retailers also need to be adaptable, learn new skills and interact with customers to become more flexible with the change in its environment. The respondents also stressed that e-commerce adoption is successful mainly if retailers are able to innovate, use funds for progress and redesign their process. Which is supported by Gupta et al. (2018) who embrace digital change in retail means revamping systems, being flexible and learning new skills. All in all, the study proves that e-commerce is important not just for causing change in retail, but also for inspiring new strategies within it. Retailers that move to digital change while avoiding its obstacles can grow their businesses and lasting profits.

Theme: Willingness

Different future outlooks about e-commerce are presented by Thimphu's retailers through the themes. While some have to close stores because costs are becoming too high (Sub-theme 1), others choose to run stores that customers can visit as well as those they can shop at online (Sub-theme 2). Some are still hesitant, preferring traditional stores and locally based business (Sub-theme 3), whereas others are unsure and rely on how much they are paying in rent and how profitable the business is (Sub-theme 4). Such insights are aimed at answering the research question and goal of determining if e-commerce is practical and desired in this industry.

Sub Theme 1: Full transition to E-commerce

Findings

The realized intention by some business owners to wind-up or relocate their shops from the physical retail shops in the prospective 5-10 years' time is the theme in this article.

4.5. Table 5. Willingness of physical retail store in Thimphu to transition to e-commerce

| 2. Willingness | | | | |
|----------------|---------------------------------|---|-----------|---|
| Code | Sub-Theme | Respondents ID | Frequency | Description |
| 1 Blue | Full Transition to E-Commerce | 1,2,4,5,12,14, 27, 29, 30,11 | 10 | The respondents are going to either shut down or move their physical shop to online space only. |
| 1 Green | Hybrid/Omni channel Vision | 3, 9, 11, 16, 17, 19, 20, 21, 23, 25, 28,29 | 12 | Respondents will operate their store both in physical and online. |
| 1 Red | Resistance or Unwillingness | 6,8,7,10,13,15,26,22 | 8 | Respondents also plan to keep their business offline or think that e-commerce will not become dominant. |
| 1 Purple | Uncertain or Conditional Future | 18, 24,30 | 3 | Responses, either conditional or uncertain depend on market or personal situations. |

Cost increase, decrease in profit margins and sustained growth of e-commerce are key reasons for this strategic change, respondents said. Increasingly, retailers are finding out a physical shop front is no longer economically practical. They are a reflection of how rising rent; fixed costs of operations and waning customer footfall are turning out to be impossible burdens. Many people feel that if the current regulatory imbalance, especially in taxation and operational needs between online and offline business is not corrected then filling up the shops and moving completely to online business will be a necessity and not choice. This is corroborated by the fact that we have responded 1 who said that “If the government fails to take any action on online sellers, then it is more likely that my physical store will be closed down and transition to online based”.

Discussion

According to the findings of this study, many retailers are looking to complete their move to online shopping within the next 5 to 10 years. The main reason for this shift is increased costs of running a business, falling profit margins and the ongoing growth of sales online. Respondents mentioned that some retailers are unable to keep up with the increasing cost of rent, high fixed costs and less customer activity, so brick-and-mortar stores are now unsustainable. This matches with findings that more people are shopping online due to the difficulties of visiting physical stores. According to (Hortaçsu & Syverson, 2015) e-commerce cuts down on overhead costs so businesses can work with less profit margin, remaining profitable even as shopping centers

get more expensive and attract fewer visitors. It is an essential aspect for stores facing rising rents and a decreasing number of customers. In conclusion, regulatory delays and economic conditions are accelerating physical retailers to shift towards e-commerce. While this shift comes with benefits of lower costs and wider reach, this move requires essential changes to succeed against digital competition.

Sub Theme 2: Hybrid/ Omni-channel Vision Findings

This is a vision where the retailers want to bring together the physical and online operations to be able to provide the in-store experience but also have reach and sells online through e-commerce. Within the frame of this group, the respondents see blending the digital and physical channels as the most sustainable and customer-oriented way ahead. Respondent 23 stated that "I see hybrid model where I will keep my physical store as it is for in-store experience, and online for convenience. E-commerce will grow but won't completely take over physical retail stores". This highlights that a large number of retailers appreciate the fact that even as e-commerce provides ease and numbers, physical stores provide touch points for personal service, product experience and, indeed, community. They feel that delivering the best of both worlds is a future recipe for success. These retailers are already exploring or considering investing in digital platforms from simple websites, face book stores to full blown e-commerce systems. Importantly, without considering them obsolete they observe that physical stores are evolving into a complementary function that creates trust and customer satisfaction.

Discussion

According to the findings, retailers are now combining offline and online services to create a more positive experience, enhance customer experience and sustainability. According to the respondents, the tactile suggestions, personal connection and engagement in a physical store are better than what anyone can get from

e-commerce. The results are similar to Hure et al.'s (2017) argument that using physical stores in an Omni channel setting helps reduce people's concerns about product quality and returns. (Rigby, 2011) Supports respondent 23 statements in regards to "bricks-and clicks" retailing. Research indicates that online growth in commerce still depends greatly on physical shops for branding, fast experiences and returns. Many studies have found that the hybrid retail model is less about a temporary movement and more about an important strategic change. Firms that are robust on both sides are expected to succeed and those not embracing integration may become irrelevant.

Sub Theme 3: Resistance or unwillingness Findings

This theme consists of business owners who demonstrated significant lack of interest or outright skepticism towards e-commerce. They either believe it will not prevail, or they do not want to get involved in it – they will continue doing their existing physical retail models only. These respondents believe that local culture and customer habits as well as personal values prefer physical shopping. Respondent 22 stated that "Over the next 5-10 years, e-commerce will grow significantly, but my physical retail business will still hold value because I will still continue offering in-store experiences that online platforms cannot replicate". This highlights the presence of those customers who think that one-to-one interaction, community bonds, and the experimental nature of the real face to face retail will simply not be found online. To others, they lack the interest or confidence to learn new digital tools or to take that needed investment. The choice to shun e-commerce businesses is also influenced by belief in long term physical store relevance, particularly in less urbanized or more traditional settings.

Discussion

The findings highlighted that some business owners are resistant to adoption of e-commerce mainly because people doubt its effectiveness, prefer to shop in stores and feel unsure about

using modern tools for shopping online. Respondent 22 emphasizes that physical retail has value others cannot replace which matches what (Gupta & Duggal, 2020) found and suggest that having a strong presence in retail stores through direct interactions helps retain customers in many societies. The difficulties in using electronic tools by physical retailers makes it hard for them to adopt e-commerce which (Grandon, 2004) discovered was a main issue for many small and medium-sized businesses. It is clear from the study that resistance to e-commerce follows similar challenges found in previous studies of digital adoption. Although e-commerce is expanding worldwide, some business owners keep opposing it due to differing cultural, technological and economic reasons. Research in the future should seek solutions to these barriers, using examples from retail stores such as local digital training or a combination of offline and online methods.

Sub Theme 4: uncertain or Conditional Future Findings

This theme contains respondents who are unsure on the future of their business. Whether they embrace e-commerce or not is based on their external factors such as market dynamics, profitability trends or personal circumstances. Such individual is working in a field of watchful waiting. Respondent 18 stated that "I may close the shop in next 5-10 years because the rent is becoming too expensive and difficult", followed by respondent 7 who stated that "In next 5-10 years, our store might transit to e-commerce businesses if we are not able to generate profit or cover operational cost". Such respondents show readiness to convert to e-commerce only as conditions become favorable, or even if they become necessary. Such factors as future rise in rent, plus and minus in sales and changes in regulations affect their decisions. As far as they are concerned the future is right in the middle of deciding and they seem to be following trends before settling on a path. Doing this makes them ideal candidates for targeted engagement because a nudge so

that they are pointed in the right direction can make a world of difference.

Discussion

The findings shows that physical retailers are hesitant about adopting e-commerce, mainly due to changes in the market, their earnings and costs involved to operate it. Brynjolfsson et al. (2013) explain that as traditional retail becomes more expensive, firms look to e-commerce as a solution, as Respondent 18 mentioned that rising rents are making them reluctant to shut down their physical location. Respondent 7 stated about possible shift to e-commerce if profits falls supports the findings of (Chatterjee & Kar, 2020) which found that many businesses consider e-commerce more of an emergency plan than a way to increase their earnings. The author points out that small and medium enterprises are often reactive in using digital strategies, rather than planning ahead. Many business owners reflect what has been found in e-commerce adoption research, as their unclear decisions show that external reasons more than their own interests are what drives them to adopt digital trends. Helping to address the risks perceived by businesses and providing ease of transition should persuade them to use e-commerce sooner. It would be worth exploring in the future how various decision support tools affect the choices of hesitant business owners

Summary of Findings

This study examined the problems faced by physical stores in Thimphu because of the rise of e-commerce. The report showed that most traditional retailers are having major operational problems due to their high costs for rent, utilities and staff wages. In addition, fewer customers visiting stores added to the problem, since shopping online is preferred by many consumers. Price pressure was also found to be a major concern, as physical retailers struggle to match the lower prices offered by online competitors. In response, many retailers prioritize maintaining product quality and attempt to add value through services like

warranties and delivery. Some retailers also manage costs by building strong relationships with suppliers or educating customers about product value. Consumer behavior has also shifted, influenced by digital platforms, online reviews, and social media influencers. While some retailers adapt through omni-channel strategies or local product branding, others admitted to compromising on product quality to remain competitive.

Regarding willingness to adopt e-commerce, the study found diverse attitudes. Some businesses are fully engaged with digital platforms, while others are hesitant due to lack of skills, resources, or confidence. A portion of respondents expressed conditional willingness, depending on market conditions or personal readiness. Finally, views on the future of retail were also varied. Some retailers foresee a full transition to e-commerce, others plan to adopt a hybrid model, while a few are either resistant or uncertain about the shift.

Conclusion

Conclusion The evidence gathered indicates that e-commerce growth has made challenging for physical stores in Thimphu in terms of operations and strategy. Some of the challenges are increased costs of operations, less customer traffic in stores and fierce competition in pricing. The availability of online stores has made it hard for traditional shops to continue. Therefore, many retailers focus on better products and use various strategies to benefit their customers. Selling involves handling relationships with suppliers and informing customers so their prices can be justified. Few businesses have responded by supplying products that are culturally important or by using both online and face- to face sales. Therefore, studies reveal that digital transformation introduces many issues for traditional retail, yet it opens the door to new opportunities. The willingness to shift to e-commerce varies, but most retailers understand the need to adapt. In our sample of Thimphu, it seems that retailers rely on the government training and subsidies to successfully implement e-commerce.

Therefore, the study highlights the importance of support in digital skills, tools, and infrastructure to help physical retailers transition and remain competitive in a changing market environment.

Limitations of the study

This result may lack external validity despite the fact that it provides insights into situation of physical retail stores in Thimphu. The geographical scope was confined in Thimphu which is among the most economically active and populated region in Bhutan. Although, the study provides a valuable insight into urban business dynamics, such focus may not reflect the experiences of businesses operating in rural or other region of Bhutan, where digital infrastructure, access to the market, and consumer behavior are vastly different. Therefore, the findings may not be generalized nationally and future research can be conducted focusing on wider geographical coverage including larger sample size. In addition, purposive sampling methods was used in the study due to certain limitations such as limited resources and time, which may result in biases as participants were selected based on researchers' knowledge.

The study does not differentiate between different retail sectors, such as groceries, textiles, and electronics, which may all face unique difficulties and consumer trends. Due to social norms or perceived expectations, some participants may have over- or under-reported their perceptions. This could limit the accuracy of the findings by creating a discrepancy between the stated and the actual behavioral intent. Future research could address these issues by taking larger sample size, longitudinal design and sector-specific analysis.

Recommendations

Recommendations for Policymakers

Ensure Targeted Fiscal Programs: To ease the financial problems that physical retailers face, governments should introduce specific financial support systems. Measures may consist of temporarily waiving taxes for small shops, offering discounts on rent for local

businesses, providing specific grants for digital solutions like starting online stores or offering loans with low interest rates to support those who want to use both in-store and online retail. Such programs could decrease the expenses for businesses and let retailers fight strongly in the market. Singapore's introduction of the Digital Resilience Bonus (DRB) in its Fortitude Budget shows how the government has approached this strategy. Eligible businesses in the F&B and retail sectors were entitled to get up to SGD 10,000 for adopting systems like e-payment, e-invoicing, and e-commerce (Lam, 2020). In August and October 2020, nearly 2,700 companies turned to the DRB and were given a total of SGD 6.8 million to help them digitalize. (Wong, 2020). With this initiative, it is clear that assisting businesses financially in this way can motivate them to use digital technologies. Introducing similar programs will enable Bhutan to assist its physical stores with their operations and boost its ability to compete with digital retailers.

Increase Legal and Fiscal Controls over Online Commerce: Licensing e-commerce businesses and making them pay taxes helps physical stores avoid being disadvantaged by unfair competition and pricing from online stores. Without having to follow tax rules, unregistered online traders can price their products more affordably, which makes it challenging for regulated stores to keep up. Through careful monitoring and auditing, proper market regulators can prevent some businesses from taking advantage of loopholes and help develop a balanced marketplace. Estonia provides an excellent illustration for this by having rules for VAT registration for e-commerce sellers. If a business in Estonia earns over €40,000 in taxable sales in one calendar year, it should register for VAT. All companies, foreign and domestic, doing business in Estonia need to pay tax. All companies and online businesses need to pay attention to VAT, as it is supervised by the Estonian Tax and Customs Board (Estonian Tax and Customs Board, n.d.). Thus, this policy ensures that online and offline businesses are taxed in the same manner to create equal

opportunities online. Following the same approach, Bhutan can help all businesses pay their fair taxes, so all retailers have the same and fair opportunities in the market.

Improve Basic Infrastructure for Local Crafts: For Bhutanese cultural products to be more visible and viable, policymakers can take steps such as developing infrastructure, launching promotions internationally, and ensuring the products are certified. Creating cultural retail areas, such as the coming craft market in Punakha, can bring local craftworks closer together for business and increase their availability to visitors, helping local artisans (Dorji, 2025). Adding these markets to popular tourist locations like Thimphu and Paro improves their popularity. In addition, being involved in events like international expos and culture festivals, such as Bhutan's presence at Expo 2025 in Osaka, allows their art to be displayed in front of a global audience (bhutanetimes, 2025). Products with the "Made in Bhutan" label are verified, and buyers feel confident that they are as authentic and of high quality as promised. Through their actions, they help to maintain Bhutan's historic culture and encourage economic growth by presenting local work to a wider audience.

Moreover, participating in international expos and cultural festivals, demonstrated by Bhutan's involvement in Expo 2025 in Osaka, offers the country's artisans broad opportunities to present their goods worldwide. Products carrying the "Made in Bhutan" label are authenticated and buyers are confident of the products' tradition and quality (Ministry of Industry, Commerce and Employment, 2023). Through their actions, they help to maintain Bhutan's historic culture and encourage economic growth by presenting local work to a wider audience.

Recommendation for Retailers

Adopt omnichannel: Physical retailers in Bhutan need to use omnichannel retailing by unifying their digital and in-store activities to meet the challenges of losing foot traffic. With this strategy, people have the option of buying

items online and receiving them immediately, all while visiting a store. When a website is mobile-friendly and gives the latest stock updates in real time, customers have the exact information about when they can purchase. It is also possible to reach younger people by making use of social media influencers and live selling, allowing customers to see products on the spot and have an exciting shopping experience just like in stores. Businesses can engage young people through social media influencers and live selling so that customers can discover great products instantly in a lively atmosphere.

Even though there are not many Bhutanese examples, similar strategies have been used and tested by international retailers. Live streaming from Zara has reached more countries, including models and influencers in the presentations, leading to bigger sales and greater brand awareness (Reid & Pons, 2024). Equally, Sephora combines its online and offline stores by letting customers find out if items are available and pick them up in person (Reghian, 2023). When omnichannel strategies are used, Bhutanese retailers will be able to boost customer interaction, connect online and in-store sales and successfully continue competing in retail.

Increase consumers' awareness by using narratives in marketing: To make consumers value quality more than price, retailers in Bhutan should provide lessons and interesting tales about how the products are crafted and their cultural relevance. Displays within the store can reveal where the items come from, how solid they are, and their special features, helping people see the benefits of their choices. Loyal customers sharing their views legitimizes the business and strengthens the case for buying quality products. Adding QR codes to product packaging or posters gives customers the chance to watch short documentaries or films about the artisans' ways of making the products, which draws them closer to the culture and their interests. This approach has been put to good use by Tisser India, who use QR codes to help people understand the detailed

effort that goes into making every one of their products (saumyabhatia, 2025). Following these approaches, Bhutanese retailers explain products to people, highlight their culture and inspire buyers to go for items of high quality and importance.

Create packages with added value for your customers: Customers may value added services such as delivery or after-sales benefits, so retailers in Bhutan can use them to improve competitiveness without reducing prices. Free home delivery for certain order amounts makes it easier for customers and leads them to spend more. When customers have extended warranties and good after-sales support, they believe in the quality of the product and develop trust that lasts. Adding deals for buying school supplies during back-to-school and making festive offers for local events helps serve customers better and increases revenue at the right moments. The adoption of these strategies reflects global retail trends which show that free shipping, longer warranties and deals made just for individual customers help satisfy and keep loyal customers. As a result, local retailers can stand out from competitors by adding more to their services.

Recommendations for future research

When planning policies and future retail programs in Bhutan, future research should pay special attention to these three linked domains. Understanding different demographics and the way they evaluate trade-offs being price versus quality is very important. Because of these insights, retailers can design marketing strategies that work best for a set of customers. Next, it is important to estimate how e-commerce will influence local economies in the long run, by looking at the way it affects job opportunities, commercial rent prices and whether cultural retail can survive. Doing research like this would provide information for cities in planning and zoning, so retailers can effectively operate with and next to online stores. In the end, it is necessary to review retailers' digital readiness, checking their technology skills, access to low-cost infrastructure and willingness to use many sales channels. The assessment will make it

possible to establish effective training and guide the use of digital solutions so no one is left out and all the retail outlets in Bhutan can benefit.

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