

Online Shopping In India: An Enquiry of Consumers World

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Abstract:

Purpose: Shopping online is different from traditional shopping in terms of experience on the part of consumers. Consumers in traditional markets can touch and feel the products before purchasing it and on the other hand in virtual markets products can be assessed visually only. The purpose of this paper is to understand online shopping behavior of consumers in India.

Design/methodology: Researchers have conducted an empirical study of 100 online shoppers to identify their online shopping behaviour using Structural equation modeling.

Major Findings: The key finding of the study indicates that demographic profile of customers, type of products to be purchased, online seller of the product, and the characteristics of online shopping website had positive impact on the intention and online shopping behavior of the customers in India.

Implications: This paper will help marketers to devise ways and means to pull online shoppers, and will be helpful for customer to understand the merits and demerits of online shopping.

Originality/value: This is a fairly original paper which analyses the factors that influence the intention and online shopping behavior of the customers in India.

Paper type: Empirical and descriptive.

Keywords: Shopping Behavior, Purchase Intention, Online Shopping Website, B 2 C Sale.

I. Introduction

The world of management has witnessed a sea change in recent times. The factors of external environment like politics, society, economics and technology are defining and redefining the concepts and practices of almost all the functions of management. The all pervasive changes brought by these external factors can be seen and better understood while evaluating the function of marketing. The growth of marketing function from production concept to selling concept from selling concept to marketing concept and from marketing to societal concept basically underlined the focus of marketers of that era. Production concept dealt with leveraging the benefits of low cost due to mass production. Selling concept dealt with extension of markets where as marketing concept believed in creation and retention of customers. Societal concept on the other hand deals with wealth maximization of all stakeholders related with the company. The marketers during all these era devised and re-devised their strategies on the basis of the desired focus but in recent times the advent, usage and development of technology has changed the ways and means of conducting business drastically. The era of technology encompasses relatively all the focus areas of marketing namely production, selling marketing and society. The ancient Indian principle of “Vasudev Kutumbkum” has to be practiced by marketers in recent times through technology. The definition of market which usually described the geographical land mass where buyers and sellers interacted for exchanging things of value needs to be understood in a different prospect with the advent of internet. The term internet marketing basically refers to the art of selling products and services in virtual markets with the help of digital media. Ward (2015) opined that “*Internet marketing refers to the strategies that are used to market a product or service online, marketing strategies that include search engine optimization and search engine submission, copywriting that encourages site visitors to take action, web site design strategies, online promotions, reciprocal linking, and email marketing.*” The process of Internet marketing is simply not related with creation of a virtual space for a company rather it deals with understanding the concept of World Wide Web and utilizing it for the benefit of market and trade. The cellular companies in India and across the world are busy in preparing the virtual world by increasing the number of internet users with their cost effective strategies. Gnanasambandam et al (2012) while assessing the technology, media and telecom practices for Mckinsey highlighted the penetration of internet in India with the user base of 120 million in 2012 which was forecasted to show a triple growth rate by 2015 making India the second largest user base of internet in the World. The growth and penetration of internet in India has opened new avenues for marketers to establish platforms on various digital media to facilitate online shopping. The plethora of increase in number of shopping websites in India over the time frame explains the penetration and interest of consumers for online shopping. Figure 1 explains the inclusive concept of internet marketing that drives the activity of online shopping. The activity of online shopping is linked with several interlinked activities. The belief that online shopping is concerned with website designing by a vendor needs to be revisited again. The activity of online

shopping on the part of customer begins with the act of submission of any demanded information on a search engine which optimizes the information based on information available on the web. Secondly the information on the online website provides information regarding the deals made available by online seller, mode of delivery and reciprocal linkages with the financial partners with respect to payments, with suppliers in references to specifications of product, delivery and return.



Figure 1: Factors related with Online Shopping

Further it also deals with ensuring the delivery of demanded product on time with the delivery companies. Online shopping is a multi party activity which involves customers, suppliers, financial institutions, web site managers and delivery companies at different stages of buying. Therefore, it becomes increasingly important to understand the role and responsibilities of all the facets of online shopping. Swaminathan et al (1999) identified the variables which affect electronic exchange. He opined that four set of variables namely customer profile, vendor characteristics, Privacy policy and security of online transaction have an impact on online shopping. Boonghee and Donthu (2001) opined that internet speed for processing, security of transaction, convenience and design of website are factors which affect the choice of shopping website. Hans (2013) while discussing the growth of e commerce in India highlighted a forecast which mentioned that online shopping will grow hundred-fold from the Rs 3,400 crore (\$600 million) in 2013 to Rs 4,30,000 crore (\$76 billion) by 2021. The prediction indicates the growing importance and penetration of internet marketing in India. Further it becomes increasingly important to understand the reasons from tradition to technology on the part of customers in terms of their choice of purchase and sale. Manosh (2011) indicated that India is experiencing e- Commerce boon as 80% of the new e commerce companies started in India were started in the period of 2008-2010. PWC (2015) while analyzing the reasons for preference of customers from traditional mode of shopping to online shopping identified a combination of four factors that are the cause and concern for the paradigm shift namely (i) Change in business model from physical to virtual, (ii) Growth of mobile technology (iii) penetration of social Media (iv) Socio Economic demographic shift.

It is essential for marketers to understand the reasons which are responsible for the development of virtual market. The real market provided one to one interaction between seller and purchaser therefore making the buyer seller dyad easy for clarification and justification on the part of seller on the P's of marketing. On the other hand during online shopping products can be seen but it will not be physically present in front of the buyer to compare properly. Baidyaraj (2011) highlighted that transition between mortar store and virtual store is basically influenced by discounts. The deep discounts provided by online shopping websites and cash on delivery facility is drawing customers across various cities in India irrespective of its classification. Thau (2013) while identifying the motivation behind shopping in online store and a brick and mortar store indicated that price discounts are not the only factors which influence this transition rather factors like fulfillment of customer demand and efficiency service delivery has changed this attitude of consumers towards virtual and real shops. Miller (2012) while assessing the factors which influenced the transition of shopper from real to virtual world identified a combination of factors like (i) convenience (ii) better prices (iii) variety (iv) fewer expenses (v) comparison of prices (vi) crowd (vii) compulsive shopping and (viii) discreet shopping which influenced a shopper to shop online. Karandikar (2012) indicated that India has second largest telecommunication network in the world with the increasing number of mobile and fixed telephone lines which is generating a growth in revenue by 7%. PTI (2015) further discussed the penetration of internet usage in India by stating that internet usage base in India is estimated to grow by 354 million till June 2015. Further Staistia (2015) revealed that there will be around 197 million social network users in India in 2017, up from 86.7 million in 2013. McCathy (2015) while discussing the reasons of using social media indicated that people access social media to enquire about their peers and relatives with respect to their life and changes in their life. Therefore, social media can be used as an important tool to influence customers regarding online shopping by shopping websites by making online friends as reference points by companies. Further Sharma and Kalra (2011) provided empirical evidences

regarding the influence of social media on online shopping behavior. They opined that social media is an important source of peer reviews which influence the customer’s choice of products and services. A host of studies have been conducted by researchers to understand the impact of demographic profile of customers towards online shopping. Georgiades et. al. (2000) investigated the impact of gender and occupational status towards intention to buy online. their study revealed the fact that there is no difference towards intention to buy online across gender but the factors which influenced customers intention to shop online varies across different occupational groups. Students preferred online competitiveness whereas professional preferred face anonymity. In the above backdrop the main aim of the paper is to investigate the consumer buying behavior of the consumers shopping online in Raipur City. To fulfill this primary objective the researchers identified four independent variables namely (i) demographic profile, (ii) type of product, (iii) characteristics of online seller of product and online shopping website. The impact of these independent variable was seen on the dependent variable identified by researchers namely intention to purchase online.

II. Research Methodology

Researchers have conducted descriptive study empirically to identify online shopping behavior while analyzing the data gathered from sampled respondents. The data was collected from 100 online shoppers in Raipur city who have purchased products and services from online sites. The instrument used by researchers to assess the online shopping behavior was found reliable as Cronbach’s alpha was found to be (0.83). Structural equation modeling was used to identify the impact of independent factors namely (i) demographic profile, (ii) type of product, (iii) characteristics of online seller of product and online shopping website on dependent factor i.e. online shopping behavior.

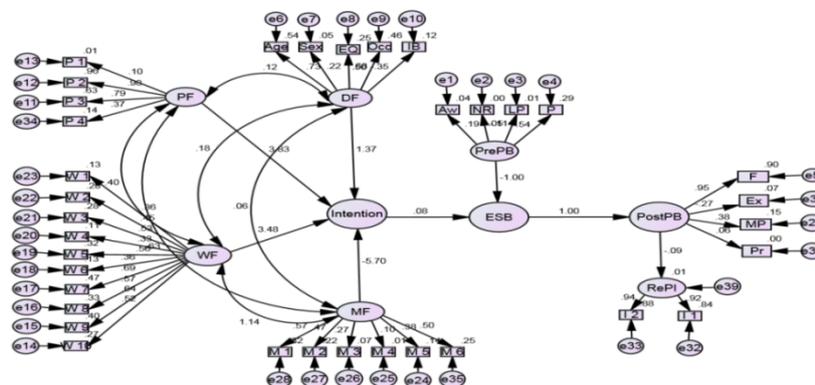


Figure 2: Structural Model for Online Shopping Behaviour

III. Data Analysis And Interpretation

3.1 Procedures

First phase of data analysis was devoted to calculate mean, SD, Cronbach’s alpha reliability and Karl Pearson’s to explore the relationship between the variables. The second phase is subdivided into two stages in analyzing structural equation modeling (SEM) as suggested by Anderson and Gerbing (1992). In first step, confirmatory factor analysis (CFA) was conducted to identify goodness-of-fit index for the variables. In step two hypothesized model was tested with structural equation modeling (SEM) using AMOS 21 software to identify the relationship between constructs. Different scale fit indices and factor loadings were checked such as Chi square, Chi square / df, Goodness-of-fit index (GFI), Comparative Fit Index (CFI), Tucker Lewis Index (TLI), and Normed Fit Indices (NFI), Incremental Fit Index (IFI), and Root Mean Square Error of Approximation (RMSEA) in this study as per the guidelines of Hu and Bentler (1999); Byrne (2010).

3.2 Descriptive Statistics and Correlation Test

Descriptive statistics shows that mean of variables considered for the study ranges between 3.63 to 2.38 and S.D. ranges between .58 to .76. Pearson product moment correlation coefficient between constructs is ($r = -.15$ to $.78$, $p < .01$) which is considered reliable as per guidelines provided by Cohen (1992). The Cronbach’s alpha (0.83) was found reliable for observed variables in the study. This gives preliminary evidence to support hypothesis. Correlation analysis followed by Structural equation modeling (SEM) was conducted. Confirmatory factor analysis (CFA) was performed to test the distinctiveness of constructs used in the study with the help of AMOS software. Different constructs were included and CFA was conducted to establish the distinctiveness of the measures in the model. It was established that all the variables have distinct character from each other. Five, four, ten, six, four, four and two sub variables were averaged to create a single

factor demographic factor (DF), product factor (PF), website factor (WF), merchant factor (MF), pre purchase behavior (PrePB), post purchase behavior (PostPB), and re purchase intention (RePI) respectively. CFA results validates the distinctiveness of the constructs (Chi square = 248.508; df = 97; GFI = .931; NFI = .937; IFI = .967; TLI = .953; CFI = .964; RMSEA = .52). Moreover, the alpha reliability coefficient for each construct was above the desired value .70 (Nunnally, 1978). The hypothesized model fits the data adequately (Chi square = 253.427; df = 97; GFI = .926; NFI = .933; IFI = .948; TLI = .947; CFI = .956; RMSEA = .63) after imposing constraints as modification indices (Steiger,1990). Chi square / df ratio is less than 3.00 and CFI and other incremental fit indices are more than above 0.90 then satisfactory model fit can be inferred (Kline, 2005). RMSEA value also shows model fit. RMSEA value 0.63 indicates reasonable fit. RMSEA value should be .08 or lower to indicate good model fit (Browne and Cudeck, 1992).

Table No. 1: Summary of Hypothesis Testing Results

Path Coefficient			Estimate (β)	S.E.	C.R.	P	Result
Intention	<---	DF	.333	.018	8.631	***	Supported
Intention	<---	PF	1.000	.043	6.315	***	Supported
Intention	<---	WF	1.022	.087	4.079	***	Supported
Intention	<---	MF	-3.446	.083	5.877	.061	Not Supported
ESB	<---	Intention	.421	.079	4.353	***	Supported
ESB	<---	PrePB	-4.820	.064	2.850	.064	Not Supported
PostPB	<---	ESB	1.000	.073	4.162	***	Supported
RePI	<---	PostPB	-.045	.055	2.828	.408	Not Supported
F	<---	PostPB	1.000	.074	4.617	***	Supported
Ex	<---	PostPB	-.215	.089	2.409	.076	Not Supported
MP	<---	PostPB	.280	.067	3.144	***	Supported
Pr	<---	PostPB	.293	.052	5.611	***	Supported

Hypothesis 1, that, there is significant relationship between demographic factor and the customer intention to buy with the path coefficient value (β) .333, which is statistically significant. Thus the hypothesis is supported. Hypothesis 2 assumes that there is significant relationship between product factor and customers intention to buy. This hypothesis is supported as its value is 1.000 which is highly statistically significant relationship. Thus, this hypothesis is strongly supported. Hypothesis 3, that, there is significant relationship between website factor and the customer intention to buy with the path coefficient value (β) of 1.022 which is highly statistically significant relationship. Thus, this hypothesis is strongly supported. Hypothesis 4, that, there is significant relationship between merchant factor and the customer intention to buy with the path coefficient value (β) of -3.446. This indicates that this hypothesis is not supported due the fact that the rule of thumb statistical coefficient of path coefficient between the constructs should be more than 0.20 (Hair et al., 2010). Hypothesis 5, that, there is significant relationship between customers intention to buy and their E-Shopping behaviour. This hypothesis is supported as its value is .421. Hypothesis 6, that, there is significant relationship between Pre Purchase behaviour and their E-Shopping behaviour. The path coefficient value is -4.820 which indicates that hypothesis is not supported. Hypothesis 7, that,there is significant relationship between E-Shopping behavior and Post Purchase behavior. The hypothesis is supported for its path coefficient value is 1.000, which is highly statistically significant. Hypothesis 8, that,there is significant relationship between Post Purchase behavior and Re Purchase Intention. The path coefficient value is -.045, which indicates that hypothesis is not supported. Hypothesis 9, that, there is significant relationship between Post Purchase behavior and frequency of online shopping. The result shows that path coefficient value is 1.000. Thus hypothesis is supported that the relationship is highly statistically significant. Hypothesis 10, that,there is significant relationship between Post Purchase behavior and spending during online shopping. The hypothesis is not supported as value of path coefficient is -.215. Hypothesis 11, that, there is significant relationship between Post Purchase behavior and mode of payment while online shopping. The value of path coefficient is .280 which supports the hypothesis. Hypothesis 12, that, there is significant relationship between Post Purchase behavior and preference for online shopping websites. The path coefficient value .293 supports the hypothesis. The overall results show that E shopping behavior is significantly influenced by demographic factor, product factor, and website factor. Further E shopping behavior influences Post Purchase behavior with respect to frequency of online shopping, mode of payment and preference for online shopping.

IV. Managerial Implications Of The Study

The findings of structural equation model are helpful in devising strategies for online shopping companies in the B cities like Raipur and across cities in India. The findings highlight that demographic profile of customers, types of product to be purchased and the right visibility of website highlight the online shopping behavior in the virtual world where tangibility aspects are missing.

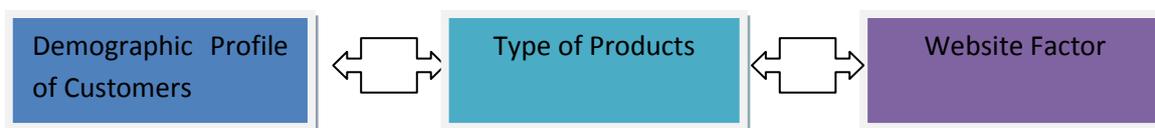


Figure 3: Factors influencing Online Shopping Behaviour

The researchers found out that customers who are of age group between 25 to 35 years have more propensity to purchase online as they are more techno savvy and they spend more time assessing internet. Further. The propensity to purchase books and electronic products is more as the variations and alternatives of books, clothes and electronic products which are not available in the concerned city is available online. Further the attractiveness of website is also influencing individuals who purchase online to select a particular e-commerce company. The linkages that the online vendor has with suppliers who supply products and services is also helping customers to choose the online companies. Further the linkages with the financial partners which provide payment modes also help in choosing an online company. The financial partners like pay you money are also offering cash discounts on online purchases. Further the linkages with the mobile companies which are facilitating internet access are also providing cash discounts on purchases. The online shopping companies must draw linkages with financial partners to attract more customers. Further it was seen the post purchase behavior has a direct linkage with satisfaction therefore the on line shopping companies must ensure that it has proper linkage with suppliers to timely supply products and services purchased by customers with appropriate specifications. The vendors must clearly specify their return policies also in case of damaged goods. If electronic items are being purchased demo and warranty guarantee must surely be provided.

V. Conclusion And Suggestions

Online shopping is preferred by customers due to the reason that they can shop anytime, anywhere, anything conveniently while comparing prices, features of the products among available varieties and brands at online shopping sites. Further the prompt services by online retailers and wide spread internet has acted as enablers of online shopping. Online shopping can be made more attractive by clarifying the apprehension of consumers with respect to financial and security risk. It was found in the research that merchant factor does not support online shopping as the merchants who make the products available are unidentified. The names of the merchants can be highlighted by website so that it will clear doubts regarding the integrity of merchant who is ensuring the delivery of products. Insurance tie-ups further between the merchants and online shopping company will help in covering the damages caused to customers by non delivery or financial transaction failures. Further the online shopping companies must devise their promotion mix in such a manner that all elements of promotion mix including the new platforms like social networking sites should be properly used to attract customers by online shopping companies. The online shopping companies must take appropriate measures for data encryption so that safety of financial transaction is ensured and privacy is also provided to customers with respect to their personal details regarding address and contact numbers. Finally the website of the online shopping companies must be customer friendly and must be intriguing enough to ensure the revisit of customers to online shopping websites.

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