Online Shopping Behaviour of Customers in Tier III Cities of India

A Study of Bareilly Region

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Abstract

Today, internet has developed to a highly competitive market. The size of e-commerce market in India is worth around Rs 9,500 crore, out of which the pure play online shopping market is worth Rs 1,300 crore. While online shopping globally is growing at around 8-10%, in India the growth rate is upwards of 30%. With the growing importance of the online retail industry in India, it becomes imperative for E-retailers and internet marketers to understand the determinants of online purchase behaviour of customers to understand what is important to the Indian online customer.

Purpose: *The main purpose of the research is to understand the behavior of customer while purchasing online and to analyze the impact of various demographic factors that affect the behaviour of online shoppers in India.*

Design/methodology/approach: *A broad range of published works in the field of online retail industry especially in India have been reviewed to analyze the factors behind increase in growth of the industry. The author also conducted an empirical study which uses primary data collected through survey of 220 online shoppers.*

A structured-non-disguised questionnaire has been employed for collecting the information from the respondents about their demographics, security and privacy concerns, technological familiarity, past online shopping experiences and intentions to buy various types of products through internet in future. The collected data was analyzed with the help of Statistical Package for Social Sciences (SPSS18.0) for windows.

Practical Implications: *Study findings entail interesting implications for the marketers. They need to give adequate attention to consumer characteristics while designing their e-marketing strategies. Online marketers should target their products to young and more educated customers earning higher income and ensure about the high security of personal information of customers and financial transactions along with providing good experience of online shopping so that customer may continue purchasing online in future also.*

Major findings: The findings of the study indicate that customer online purchase behaviour is significantly related to their gender, education, age, and income. It is found that both the gender are likely to purchase goods/services online with same frequency. People who have higher income are more engaged in purchasing goods over internet. As per the results of the study, it is found that convenience, perceived usefulness of medium, internet expertise; product risk, security risk, convenience risk, non-delivery risk and return/shipment policy are the factors which influenced the decision of customers while purchasing online.

Originality/value: *The framework of the research enhances understanding of the factors affecting customer online shopping behaviour, helps in profiling typical Indian online shoppers and may help e-marketers developing more specific marketing strategies to increase e-commerce sales.*

Keywords: *Online purchase behaviour, Online shopping, e-shopping, e-retailing, e-commerce*

INTRODUCTION

Today we are living in the 'e-era'. Internet has changed almost everything and has become an integral part of our lives. Year 2014 has been a monumental one for internet in India. According to a research report by IAMAI and IMRB, by December 2014, India would have crossed 300 million internet users. The growth in number of internet users in India is remarkable. It took 10 years for India to grow from 10 million to 100 million internet users and another 3 years to go from 100 million to 200 million. While the journey from 200 million to 300 million users took less than two years and the next 100 million users will be added in less than 18 months as expected of now.

With the rapid development of new information technologies, increasing adoption and usage of internet by customers, the Internet is fast becoming an important new channel of commerce in a range of businesses that cannot be neglected any more. This robust growth in internet penetration and usage will disrupt existing business models specifically the retail formats.

One of the Internet business applications that has received much attention in the last few years is Online Shopping. Shopping is still a popular pastime of customers but shopping in a traditional brick & mortar retail formats like mom & pop stores & malls is growing less popular. More & more Indians are opting for online purchase through virtual stores that exist in cyberspace by using computer, mobile, television, tablets and other electronic devices with in a fraction of minutes.

The e-commerce industry in India that was non-existent a few years ago is today worth $5 billion. There are 35 million Indians who buy variety of products online. This number will

reach around 100 million by 2016, according to a recent research by Forrester Consulting and Google.

There is a huge opportunity for e-retailers as the average annual growth of this market is estimated around 70% by Internet and Mobile Association of India. The no. of online buyers is expected to increase to approximately 100 million users transacting online by 2016. Today, an Indian shopping online may do two to three transactions per month. In just another two to three years as the market grows and matures, the average online shopper could be doing four to five transactions per month.

If as expected, online retailing proves to be a success and is accepted by the Indian consumers, it would mean some changes in the way of doing business for the manufacturers and retailers. To remain competitive, these manufacturers and retailers must decide how to react to the new opportunities. Online retailers will be successful only if they provide value to the consumers; hence, Internet marketers should understand the customers' expectations and intentions regarding Internet shopping.

LITERATURE REVIEW

Many recent studies have investigated the feasibility of electronic commerce from the manufacturer or the retailer's side (Berthon, Leyland & Watson, 1996; Breitenbach & VanDoren, 1998; Hoffman & Novak, 1996; Jones & Biasiotto, 1999; Murphy, 1998;Peterson, Balasubramanian & Bronnenberg, 1997; Reynolds, 1997). But relatively few have focused on this issue from the consumers' perspective. Jarvenpaa and Todd (1996-97) conducted research on Consumer reaction to electronic shopping

on the World Wide Web (WWW). They related the reactions of consumers to the factors of product perception, shopping experience, customer service, and perceived consumer risk. With regards to product perceptions they found that consumers were impressed by the breadth of stores but disappointed with the depth of merchandise offered. Shopping experience was found to be generally enjoyable, time and effort saving by the consumers but the goal directed shopping was reported as difficult. Customer service was not very satisfactory for many of the respondents. The study also reported perceived risks as being a barrier to shopping on the internet.

A study by Kunz (1997) on Internet shopping found that online shoppers are opinion leaders, innovators, and domain specific to the Internet. The study also found that men are more likely to purchase via the Internet, and those who intend to shop online are likely to be young. People living in large metropolitan areas are less likely to shop online as compared to those living in suburban areas of small metropolitan populations. This research also summarized the findings of previous studies on what store characteristics of catalog, in-home, and Internet shopping influence consumers' choice of alternate shopping mediums. According to Kunz (1997): If consumers perceive the medium will 1) save them time, 2) be convenient to use/patronize, 3) provide merchandise with good value for the price and 4) merchandise of good quality, 5) involve low risk, 6) provide customer satisfaction, while 7) offering credit accounts and accepting charge cards, they will be more likely to choose that alternative shopping medium. Another research conducted by Donthu & Garcia (1999) for consumer characteristics related to online shopping,

it was found that consumers who seek convenience & variety do more shopping online. They also found that such people are also more innovative and spontaneous.

In a study by, Siu and Cheng (2001) it was found that economic benefits, product availability, security risk are also important factors in classifying online shoppers.

As highlighted above many studies have shown that product type, characteristics, ease of using technology & its adaptation and customer characteristics are important when it comes to online purchase behaviour of customer. Still there is a dearth of empirical studies performed on Indian customers for determining the customer acceptance of online shopping and this is the reason that e-marketers are facing difficulty in correctly identifying the target customers and design appropriate marketing mix strategies. In order to overcome this limitation, this research is done to examine how different factors like customer characteristics, product characteristics, website quality and services affect customer purchase behaviour while shopping online in India.

RESEARCH OBJECTIVES

The main purpose of the research is to understand the behavior of customer while purchasing online and to assess the impact of various factors on online purchase behaviour of customers in India.

Following are the objectives of research:

- To study about the online purchase behavior of customers.

- Identifying and assessing the impact of various demographic factors that influence an individual customer's purchase decisions in an online shopping context.

RESEARCH HYPOTHESES

On the basis of literature review, following hypotheses were formulated:

H1: There is a significant relationship between gender and the type of products purchased online.

H2: There is a significant relationship between the gender and online purchase frequency.

H3: There is a significant relationship between the income and the online purchase frequency.

RESEARCH METHODOLOGY

Population & Sample: Findings of previous researches showed that the youth are the main buyers who use the internet to buy products online. So, as the universe of this study, the researcher considered higher education students and their teachers in Bareilly district who used the internet for different purposes and were above the age of 18 years. A self administered questionnaire was developed and was distributed to 250 students of selected institutes. Out of which the useable questionnaire were 220 only. Sampling technique can be described as convenient cum purposive sampling. The collected data was analyzed with the help of Statistical Package for Social Sciences (SPSS18.0) for windows. Factor analysis is the main tool that was considered for data analysis.

Instrument Development: The data was gathered through a self administered structured questionnaire. The questionnaire was divided into two parts. The variables were identified with the help of the literature review. The first part of the questionnaire included questions about demographic profile of the respondents. The second part of the questionnaire included

variables that may affect online purchase behaviour of individuals. The questionnaire was pre-tested among a group of students and academicians. The suggestions received from them were incorporated and the revised questionnaire was then floated for data collection during December 2014 to January 2015.

Data Analysis: The results of the survey are shown in two sections. In the first section, the demographic profile of the respondents is represented. The second section provides the result of the Chi-Square Tests.

DATA ANALYSIS AND RESULTS

Demographic Characteristics: Table1 shown below exhibits the demographic characteristics of the respondents considered for the study. It can be observed that majority of the respondents were males (54.5%) with age between 20-29years. As far as marital status was concerned, majority of the respondents were single (probably because they were

Table 1: Demographic Characteristics

Variables	Categories	Frequency (N= 220)	Percentage
Gender	male	120	54.5
	female	100	45.5
Age	under 20	60	27.3
	20-29	80	36.4
	30-39	40	18.2
	40-49	40	18.2
Marital Status	single	140	63.6
	married	80	36.4
Occupation	student	140	63.6
	salaried employee	80	36.4
Monthly Income	below 20K	100	45.5
	20 K- 30K	60	27.3
	30K- 50K	60	27.3

Source: Primary data

students). Most of the respondents were students while rests were salaried employees. The income of majority of respondents was found to be below Rs. 20 thousands because most of them were students and was getting pocket money only.

Online Shopping Behaviour: Table 2 shows the online shopping behaviour of the respondents. It can be observed that majority of the respondents do online shopping. The mostly purchased category of goods online is 'Apparels' followed by 'Electronic goods'. Majority of the people prefer to purchase goods from flipkart. Most of the respondents make online purchase once a month. However, the method of payment adopted by majority of the respondents is Cash on Delivery.

Table 2: Online Purchase Behaviour

Variable	Responses	Frequency (N= 220)	Percentage
Category of Goods purchased	Clothing	90	40.9
	Electronics goods/Mobile	80	36.4
	Books/CDs	26	11.8
	Others (cosmetics & jewellery, etc.)	24	10.9
Websites used for online shopping	flipkart	80	36.4
	Amazon	60	27.3
	Jabong	20	9.1
	Home Shop 18	40	18.2
	Snapdeal	20	9.1
Online Purchase Frequency	Once a week	80	36.4
	Once a month	100	45.5
	Once in two months	40	18.2
Payment Method	Credit Card	40	18.2
	Debit Card	40	18.2
	Cash on delivery	100	45.5
	Net Banking	40	18.2

Table 3: Cross Tabulation between Gender *

| | | | Which Category of Products You Buy from Internet | | | | Total |
			Clothing	Electronics Goods	Books	Cosmetics and Jewellery	
Gender	Male	Count	34	60	16	10	120
		Expected Count	49.1	43.6	14.2	13.1	120.0
	Female	Count	56	20	10	14	100
		Expected Count	40.9	36.4	11.8	10.9	100.0
Total		Count	90	80	26	24	220
		Expected Count	90.0	80.0	26.0	24.0	220.0

Source: Primary data

OTHER RESULTS

Testing of Hypothesis 1: Another hypothesis is formulated as given below

H0: There is no significant relationship between gender and the type of products purchased online.

H2: There is a significant relationship between gender and the type of products purchased online.

Table 4: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.824[a]	3	.000
Likelihood Ratio	26.609	3	.000
Linear-by-Linear Association	.167	1	.682
N of Valid Cases	220		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.91.

In order to test the hypothesis, Chi-square Test was conducted. Table 3 shows the cross tabulation between gender and the type of products purchased online by customers.

Table 4 shows the results of Chi-Square test. The significance value is 0.000 which is less than 0.05 and therefore the null hypothesis is rejected and H2 is accepted which states that there exists a relationship between gender and the type of product purchased online by customers.

Testing of Hypothesis 2: Another hypothesis is formulated as given below-

H0: There is no significant relationship between gender and online purchase frequency.

H3: There is a significant relationship between gender and online purchase frequency.

Table 5: Cross-tabulation between Gender

| | | | How Frequent do You Buy Online? | | | Total |
			Once a Week	Once a Month	Once in Two Months	
Gender	Male	Count	40	60	20	120
		Expected Count	43.6	54.5	21.8	120.0
	Female	Count	40	40	20	100
		Expected Count	36.4	45.5	18.2	100.0
Total		Count	80	100	40	220
		Expected Count	80.0	100.0	40.0	220.0

Source: Primary data

In order to test the hypothesis, Chi-square Test was conducted. Table 5 shows the cross tabulation between gender and online purchase frequency.

Table 6: Results of Chi-Square test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.200[a]	2	.333
Likelihood Ratio	2.206	2	.332
Linear-by-Linear Association	.118	1	.731
N of Valid Cases	220		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 18.18.

Testing of Hypothesis 3: hypothesis 4 is formulated as given below:

H0: There is no significant relationship between income level of buyers and online purchase frequency.

H4: There is a significant relationship between the income and the online purchase frequency.

Again Chi-square Test was conducted to test the hypothesis. Table 7 shows the cross tabulation between income levels and online purchase frequency.

Results of Chi-Square Tests are shown in Table 8. The significance value is 0.04 which is less than 0.05 and therefore the null hypothesis is rejected and H4 is accepted which states that there exists a relationship between income levels of buyers and their online purchase frequency.

Table 8: Chi-Square Tests

Value	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.024[a]	4	.040
Likelihood Ratio	11.138	4	.025
Linear-by-Linear Association	7.882	1	.005
N of Valid Cases	220		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.73.

DISCUSSION AND PRACTICAL IMPLICATIONS

The results of the study indicate that most popular category of goods purchased online is 'Apparels' followed by 'electronic gadgets'. Most of the respondents purchase goods via Flipkart and Amazon. Majority of respondents pay cash on delivery and make online purchase once a month. The findings of Chi-square Tests indicate that males and females shop online for different categories of goods. Males mainly purchase electronic goods

Table 7: Cross-Tabulation between Monthly Income

			How Frequent do You Buy Online?			Total
			Once a Week	Once a Month	Once in Two Months	
Monthly Income	below 20K	Count	34	50	28	112
		Expected Count	40.7	50.9	20.4	112.0
	20 K-30K	Count	20	20	8	48
		Expected Count	17.5	21.8	8.7	48.0
	30K-50K	Count	26	30	4	60
		Expected Count	21.8	27.3	10.9	60.0
Total		Count	80	100	40	220
		Expected Count	80.0	100.0	40.0	220.0

Source: Primary data

and mobiles while females purchase apparels online most of the time. Another result has shown that online purchase frequency has no relationship with the gender that means both male and female buyers shop online with the same frequency. Also it has been tested that there is a significant relationship between the income level of buyers and their online purchase frequency, i.e. people with higher income purchase more online as compared to those having less income.

LIMITATIONS AND SCOPE FOR FURTHER RESEARCH

The study was aimed to meet all the objectives and ultimately all objectives were met, but still a few limitations were identified in the course of the study. The study was focused on the higher education students and teachers in two districts and this could limit the generalization of findings and references to entire section of online customers. However, this creates an ideal opportunity to consider more diverse demographic group of respondents. Another limitation was the use of limited number of variables in the study. Researchers can use more variables such as, website design, service quality, trust, shopping motives etc. to explore consumer behaviour towards online shopping.

CONCLUSION

Though online shopping is very common outside India, its growth in Indian market, which is a large customer market, is still not in line with the global market. According to India B2C E-Commerce Report 2013, e-tailing accounts for less than 1 percent of the overall retail market in India in 2012. While it accounts for over 5 percent if the total retail market in China and 10% in the UK and the US. This shows that only a small

fraction of internet users in India are currently online shoppers. The reason could be that it is not the technology but the way customers feel about high-tech purchasing that is holding back the development of the industry. Hence this is imperative that marketers understand the depth of customer intentions for this medium of retailing.

It can be concluded on the basis of study that online shopping is gaining popularity among people of young generation. Higher income groups and educated people are purchasing more via e-retailing websites. People have hesitations in doing online shopping due to security concerns, non-delivery risk, convenience risk and complex return policies of the e-retailer. At the same time people are resistant to change because of technological complexity in making online purchase. Companies involved in online retailing should focus on building trust-worthy relationship between producers and customers.

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