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An Analysis Of Factors Affecting On Online Shopping Behaviour Of Consumers With Special Reference To Coimbatore

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ABSTRACT

India has emerged as the fastest growing Online shopping market in the world. For the past few years, Online Shopping service sector in India has been experiencing the highest growth rate in terms of subscribers and revenues. Customer perception is one of the important factors that increase the turnover of Online shopping. This paper analyses the perception level of customers in Online shopping at Coimbatore city in South India. The paper mainly explores the functional and technical aspects of Online Shopping, reasons for using online shopping and factors influencing purchase of Product or Service through Online.

The tools of analysis used in the study are percentage analysis, factor analysis. Factor analysis was used to find out the factors influencing purchase of product or service through Online.

INTRODUCTION

According to Internet World Stats[1], India has the third largest number of internet users in the world after China and the USA despite having a low internet penetration rate of just 8.5 percent. India's count of internet users has been increasing at a CAGR of 35 percent from 2007. From 100 million users in 2010, the number will touch 237 million users by 2015 as per Boston Consulting Group 2010 report[2]. This large internet base will have a direct impact in the Indian internet shopping or online retail business (also called as e-tailing).

When India had its first e-commerce web site Fabmart.com (Indiaplaza now) in 1999, only a small percentage of the three million internet users transacted online and the market size was at a modest US$11 million[3]. As per Forrester 2012 report[4], the same Indian e-commerce market is projected to reach US$8.8 billion by 2016 and its growth will be the fastest within the Asia-Pacific region at a CAGR of over 57 percent during 2012-2016. According to a recent article by The Economist (2012), out of 100 million Indians who surf, 30 million search for bargains online and that number is projected to increase by 1.5 million every month[3]. Convinced of the growth potential in Indian e-commerce, the investors have sown more than US$450 million in 2011 alone[3].

The reasons for such phenomenal growth include raising per capita income of the middle class and government initiatives in the telecom sector like introducing 3G, 4G, WiMax services. Government banks and railways have encouraged the users to come online for transacting, making a large population net savvy. The Indian railway web site irctc.com is the biggest contributor accounting for more than one-third of total revenues from e-commerce in 2010[5]. Less developed distribution in terms of supply chain has also urged the online users of the smaller cities to go online for shopping. Cities having a population of under three million has made roughly for one-third of all products purchased online in India. IMF[6] has projected that the per capita income of the Indians under 25 will reach $2,300 by 2016 from $1,500 in 2011[3]. Due to this, the young city dwellers too will eventually have more money to spend online in the coming years.

Before 2009, the majority of online purchases in India had been in the travel sector. According to IAMAI[7] 2011 report[8], there has been an evident change in the shopping style of Indian online users who are observed to actively indulge in purchases as part of their daily digital interactions post-2009. Another First Data-ICICI 2012 report[9] highlights a similar shift that urban Indian online users who were not ready to spend more than INR 5,000 online earlier, are ready to spend up to INR 25,000 online.

Hence, in order to take full advantage of the Indian online market, first and foremost, firms need to have a clear understanding of the Indian online users' preferences and mindset, in addition to the other factors like governmental policies, industry dynamics, etc. This paper attempts to provide unique insights into the Indian online consumer's mindset by discussing the determinants of their online purchase intention.

This paper is divided into four parts. After the introduction, the relevance of the research and its contribution is discussed. It is followed by a detailed review of literature of all the constructs involved in the study concluding with the hypotheses of the proposed research. Then, research methodology is presented which is followed by data analysis and findings. The paper ends by discussing managerial implications, limitations of the research and recommendations for future research.

LITERATURE REVIEW

Customer online purchase intention

According to the theory of reasoned action, consumer behavior could be predicted from its corresponding intentions (Ajzen and Fishbein, 1980). Intentional measures are more effective than behavioral measures in drawing new customers as customers tend to skip real preferences because of their constraints (Day, 1969). Customer online purchase intention is defined as the construct that gives the strength of a customer's intention to purchase online (Salisbury et al., 2001). Pavlou (2003) observed online purchase intention to be a more appropriate measure of intention to use a web site when assessing online consumer behaviour. Since online transaction involves information sharing and purchase action, purchase intention will depend on many factors (Pavlou, 2003). In order to trigger online purchase intention among consumers, web retailers often need to focus on these factors to enhance the chance of purchase by customers.

While developing a reference model for summarizing the antecedents of customer purchase intention from 45 research studies on online shopping, Chang et al. (2005) categorized the antecedents into three categories namely, perceived characteristics of the web as a sales channel, web site and product characteristics and consumer characteristics, thus identifying more than 80 variables as antecedents. Knowing that it is not possible to explore them all, the study confines itself in studying the effect of shopping orientations, prior online purchase experience, online trust and demographics on online purchase intention as these have not been studied together in the Indian context.

Online trust and customer online purchase intention

Online trust is a necessity when it comes to online shopping (McCole and Palmer, 2001). Due to the risky nature of online shopping, trust and risk play significant roles in effecting online transactions (Pavlou, 2003). Trust contributes positively towards the success of online transactions (Jarvenpaa and Tractinsky, 1999). Online trust needs to be there when personal financial information and personal data is shared while making a purchase online (Egger, 2006). Online trust is based on the perception of the risks or benefits of the online transaction (Teo and Liu, 2007). In the Indian context, the influence of the online trust as of mediating effect has been studied on customer online purchase intention (Ganguly et al., 2009). Numerous studies have concluded that the higher consumer online trust will result in higher customer online purchase intention (Verhagen et al., 2006; McKnight et al., 2002; Lim et al., 2006; Ling et al., 2010).

Prior online purchase experience and customer online purchase intention

Future behavior is determined by prior experiences. Online purchases are still considered to be risky compared to offline retail purchases (Laroche et al., 2005). In an online shopping environment, prior online purchase experience leads to the reduction of uncertainties and eventually leads to an increase in the customer purchase intention (Shim and Drake, 1990). Online shoppers who have bought products online are more open and inclined to shop online than others (Lee and Tan, 2003). Shim et

al. (2001a, b) found that past satisfactory online purchase will lead to future online purchase while past negative experience will decrease online purchase intention. In the Indian context, thus we propose:

Shopping orientations and customer online purchase orientation

Shopping orientations are defined as a general disposition toward the acts of shopping (Brown et al., 2001). Swaminathan et al. (1999) asserted that shopping orientation is one of the prime indicators of making online purchases. The concept of shopping orientation refers to a specific segment of lifestyle that is operationalized by various activities, interests and opinion statements relevant to shopping (Li et al., 1999). Being regarded as a multi-dimensional construct, shopping orientation comprises of many constructs referring to different attitudes and opinions. Vijayasarathy and Jones (2000) segmented the shoppers into seven distinct varieties namely: in-home shoppers, economic shoppers, mall shoppers, personalized shoppers, ethical shoppers and convenience shoppers. They found in-home shoppers more inclined to online purchase and having higher purchase intention than the rest of the classes. Seven shopping orientation types identified by Gehrt et al. (2007) are recreation, novelty, impulse purchase, quality, brand, price and convenience. Of all the seven shopping orientations, impulse purchase orientation, quality orientation and brand orientation were perceived as more important from the web retailer perspective and often investigated together (Ling et al., 2010). These three orientations were chosen for this study.

Demographic factors

Though demographic variables are not extensively studied, males were found to shop online more than females (Li et al., 1999). Access to credit card and computer experience has a significant effect on purchase intention (Slyke, 2002). Sin and Tse (2002) have studied various demographic variables like education level, gender, age and level of internet usage on online purchase intention. They found that the profile of online shoppers tends to be male, well educated, between 22 and 30 and have a high internet usage. Hence in our research study, we propose to study the effect of gender, age, education, level of internet usage, credit card and computer usage experience on customer online purchase experience.

METHODOLOGY

In order to study the customer behaviour regarding the uses of online shopping in Coimbatore city, both primary and secondary data were collected. Secondary data was collected from different magazines, newspapers and government publications. For collection of primary data from respondents (customers) separate well structured interview schedule was prepared based on the objectives of the study and pretested. For this purpose 128 randomly selected online shopping users were selected from Coimbatore city. The collection of data from the sample respondents was taken up during April - June 2014. The following statistical techniques were used to analyze the data Percentage analysis, Factor analysis.

RESULTS AND DISCUSSIONS

Demographic details of the Sample Online Shopper

The demographic details of thesampleOnline Shopper were presented in the table 1shows that most of the Shopper werecoming under the age group of 22 to 30 years (39.06%), completed Master Degree (70.31%), Working as Assistant professor(62.5%) as the main occupation

Table 1: Demographic characteristics

	Characteristics	**Number of Respondents**	
	Total number of Respondents	**128**	**In (%)**
Age(Years)	22-30	50	39.06
	30-40	38	29.68
	40-50	20	15.62
	50-60	15	11.71
	Above 60	5	03.90
Education	Master Degree	90	70.31
	Ph.D	38	29.69
Occupation	Assistant Professor	80	62.50
	Associate Professor	28	21.87
	Professor	20	15.63
Online shopping Experience (Years)	1-2	20	15.63
	2-3	68	53.14
	3-5	10	7.8
	5-8	20	15.63
	Above 8	10	7.8

Determinants of online shopping

The major factors determining the preference of Online Shopping in the study were collected, analysed and the results are furnished in Table. 2 and 3.

Factor Analysis

Factor analysis is a multivariate statistical technique used to reduce the large number of variables in to smaller number of variables called factors or components. Principal component analysis and varimax rotation was used to extract the factors. The 15 variables have been grouped into 4 factors based on component matrix, Eigen values and communalities.

Table 2: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.030	26.866	26.866	4.030	26.866	26.866	3.443	22.954	22.954
2	2.492	16.616	43.482	2.492	16.616	43.482	2.378	15.852	38.806
3	1.478	9.850	53.332	1.478	9.850	53.332	1.864	12.425	51.231
4	1.316	8.774	62.106	1.316	8.774	62.106	1.631	10.875	62.106
5	.977	6.513	68.619						
6	.848	5.656	74.274						
7	.731	4.873	79.147						
8	.658	4.390	83.537						
9	.511	3.409	86.947						
10	.467	3.114	90.061						
11	.416	2.771	92.832						
12	.359	2.392	95.224						
13	.310	2.067	97.292						
14	.236	1.575	98.867						
15	.170	1.133	100.000						
Extraction Method: Principal Component Analysis.									

From the above table the first four components explained 62.10 percent of the variability in the original 15 variables. So we can reduce the original data in to four factors (Eigen values greater than one) with minimum loss of information (37.9%).

Table: 4 Rotated Component Matrix

	Component			
	1	2	3	4
Shopping On Internet saves Time	.350	.003	.726	-.046
It is Great Advantage to be able to shop at any time of the day	.678	.055	.200	.019
I prefer traditional shopping to online shopping	.715	.009	.026	-.058
online shopping is risky	.837	.122	.106	-.054
online shopping will eventually supersede traditional shopping	.777	.088	.057	-.062
A long time required for the delivery of products and service	.817	.313	.047	-.042
the description of products shown on the website are very accurate	.339	.785	.025	.089
The information given about the product on the site is sufficient	.364	.601	-.164	.227
Online shopping is as secure as traditional shopping	.048	.735	-.186	.102
While shopping online I hesitate to give my credit card no.	-.084	.195	.172	.682
. Internet reduces the monetary cost of traditional shopping.	-.119	-.031	.787	.113
Necessity of having a bank account or credit card creates difficulty	-.113	.202	-.029	.709
I prefer cash on delivery than payment via credit/debit card	-.024	.753	.076	-.047
I will purchase only if there is provision of home delivery	.074	-.250	-.255	.727
Online shopping infrastructure in India is underdeveloped	.296	-.165	.705	-.189
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 6 iterations.				

The rotated component matrix reveals that four factors (components) have been derived from original 15 variables. The factors are rotated with the Varimax with Kaiser Normalization rotation method. We have used principal component analysis method for factor extraction and considered only those factors whose values more than 0.50 for the purpose of interpretation. From the table it shows that Factor 1 explained about 26.86 percent of total variation and heavily loads on Risk, Delivery of Products and service ,Timing, Preference, Replacement of Traditional shopping The factor 2 explained about 16.61 percent of the total variation and this factor loads heavily on recommended by Description of Product in Website. Cash on delivery,Online shopping is as secure as traditional shopping , information given about the product on the site is sufficientThe factor 3 explained about 9.85. percent of the total variation and this factor loads heavily onShopping On Internet saves Time, Internet reduces the monetary cost of traditional shopping andOnline shopping infrastructure in India is underdevelopedFrom the table we find variables likeWhile shopping online I hesitate to give my credit card no ,I will purchase only if there is provision of home delivery,Necessity of having a bank account or credit card creates difficultyhave high loading on Factor 4 and this Factor 4 explained about 8.77 percent of the total variation.

CONCLUSION AND RECOMMENDATIONS

- The study concluded that most of the Shopper were coming under the age

group of 22 to 30 years (39.06%), completed Master Degree (70.31%), Working as Assistant professor (62.5%) as the main occupation.

- Among the payment options,Payment on delivery through cash in the safest choice of payment, while credit card are next preferred choice, online bank transfer is least preference choice.
- Transactions should be safe and proper security should be assured to the peoplemaking online purchases.
- The study highlights that convenience, accessibility, scope, attraction, reliability, experience and clarity are the important factors considered by the online shopper
- Usage of internet includes the consumer's purchase of product as well as the consumer intention to secure for product related information while experiencing the new technology.

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