Customer’s Attitude towards E-Retailing: Evidence from India

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ABSTRACT
The electronic retail industry is enormous, covering a great assortment of products and services. There has been an explosion in the number of retail websites since 1995, e-retail offering shares a few common elements specifically a product search facility (often augmented by a product evaluation facility), an on-line purchase function and a product delivery capability. This paper examines the impact of various aspects related to e-retailing and its customers in India and it raises key challenges being faced by customers relating to e-retailing. This paper is an empirical outcome to understand the determinants of e-retailing. The paper addresses the adoption, application and impact of internet technologies, used by retailers, for the promotion and sale of merchandise. Multivariate regression is used to investigate the impact of various determinants on customer’s attitude towards e-retailing.

Keywords--- E-Retailing, Growth rate, Internet

I. INTRODUCTION

With rapid growth of the Internet and the globalization of market, companies accepted and adopted the new information and communication technology in the performance of their activities, not only to support traditional activities, but also to support those arising from new opportunities, mainly from the Internet. The business of business is business. This has been the premise upon which the business world has been operating in the struggle toward market domination and profitability. Retailing is a prominent form of business, which is growing at a pace higher than any other forms of business segments and it’s constantly being reinvented with the advent of new technologies. All the business forms began as a simple concept and grew to various proportions through popularity and persistence. Electronic commerce and online business stand out among these opportunities. Having viable business models, effective supply chain management, secure transactions, quality order fulfilment and delivery, and a clear customer focus.

Most companies are establishing websites, which are regarded as a new channel to conduct business transaction, and customers can make purchase through these websites. It enables access a global market with low operating cost, to offer information in depth, and to provide customers electronic service with superior quality by means of the interactivity of the Internet, which increases the competition among companies. India’s online retail industry has grown at a swift pace in the last 5 years from a revenue around Rs 15 billion in 2007-08 to Rs 139 billion in 2012-13, translating into a compounded annual growth rate (CAGR) of over 56 per cent. The 9-fold growth came on the back of increasing internet penetration and changing lifestyles, and was primarily driven by books, electronics and apparel. It is also evident that online transactions are increasing in the smaller cities because of their less developed marketing and distribution infrastructure. In order to tap the growing online market, sellers need to fully understand Indian consumers. Changes in buying behaviour, attitudes and buying patterns, and the restructuring of the retail industry, have had a significant impact on small businesses. While some predict the local retailer may become a thing of past, there is a bright future for those who can identify and respond to changing consumer needs faster and better than their larger competitors. With the internet, TV, telephone, overnight delivery, and credit and debit cards, any enterprising individual can find a niche and begin making commercial transactions right away.

II. REVIEW OF LITERATURE

The preference to make use of the internet as a retailing avenue has been observed in recent years (Lokken et al., 2003). Such a development is fuelled by the Internet’s ability to provide an encyclopaedic, participatory and interactive environment that is ubiquitous in nature.
Following attributes have been discussed by various researchers and are thus considered to be important drivers of customer’s propensity to purchase online:

1. Convenience

As such, shopping through the internet offers a high degree of location-independent accessibility and maximizes purchase convenience and flexibility (Suki and Suki, 2007). Therefore, the use of the internet for retailing purposes is deemed capable of creating more value to customers (Eng and Kim, 2006), such as a more efficient ordering system, the ease/convenience of information collection online and so on. This view is supported by a number of authors who claim that the success of the internet as a commercial platform is the result of the medium’s ability to create and deliver superior value (e.g. Han and Han, 2001; Mathwick et al., 2001; Chen and Dubinsky, 2003). Substantial numbers of organizations now are using the internet as one of their multiple channels so as to provide customers with more value (Andrews et al., 2007). Some of the basic benefits of online retailing are consumer convenience, desirable price and selection, market research, on-line interactive customer service, promotional tool for businesses, virtual showrooms bearing less cost, better information for customers, 24x7, anytime anywhere services. Sahu (2010) describes that a rise in consumer confidence, improvement in profitability and aggressive expansion plans signal better tidings for listed players in the organized retail space.

2. Purchase process

The use of new information technologies and particularly the internet has enhanced the way consumers relate to one another, how they search for information and of course how they purchase (Heim and Sinha, 2005; Ranaweera et al., 2008). Online purchase intention and repeat purchase intention depend on such factors as perceived risk, a risk which in an online context might be due to the purchaser’s inability to directly value product quality, the lack of personal contact with sellers, the cost of learning how to use the internet and change of channel, or the absence of any personal interaction with other buyers.

3. Infrastructure

There are several problems faced by consumers regarding e-retail such as unavailability of internet access, absence of touch-feel-try experience, consumer favouritism for brands, untimely delivery of products, loophole of seasonal fluctuations, lack of trust between buyer and seller, language barrier, cyber crimes, etc. For many retailing companies, the capacity to maintain a competitive advantage depends substantially on the quality of a firm’s investments in new information technology (IT) (Roussos et al., 2003; Saura et al., 2009). According to the literature concerning technological developments in IT-related retailing (Murakami and Fujinuma, 2000; Pfeifer, 2003; Roussos et al., 2003; Acquisti, 2006; Gershman and Fano, 2006; Kurkovsky and Harihar, 2007) next ‘innovation thrust’ in the area will involve the enhancement of the use of computers by embedding microchips and sensors in the physical environment.

4. Personalisation

Perception refers to ‘a consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given’ (Zeithaml, 1988, p. 14). In e-retailing value is reckoned as an important role in predicting certain consumer behaviours, and as a result, it has attracted a considerable number of marketing scholars to examine its nature and applications, such as Woodruff (1997), Petrick (2002), Angelis et al. (2005) and Kleijnen et al. (2007). The growth of the internet as a retail medium has revealed the behaviour of e-customers as they acquire e-purchasing experience. Here, argument is based on the fact that, in traditional retail, the motivations that lead a potential customer to make a purchase are not the same as that in electronic retail. Additionally, online managers need to address web interactivity criteria such as usability and informativeness of their websites. Web designers should provide a logical webpage layout and a consistent navigation scheme that enhance the perception of web usability.

5. Empathy

Research has shown that unmet customer expectations are considered a primary cause of both online and offline customer complaints (Chen & Hitt. 2002). Therefore, giving faster feedback response in an accurate manner can be approached as a defensive marketing strategy. Offering online chat services, self-help centres or a combination of different communication channels could enhance the speed and accuracy of responding to online shoppers” questions and thereby lessen their complaints (Chen & Hitt. 2002). Additionally, online shoppers value context-based help. Offering a Frequently Asked Questions (FAQ) section that is accessible and easy to locate increases customers” perception of customer service and decreases their propensity to switch to other e-retailers.

6. Transaction transparency

E-markets tend to be efficient markets where the shopper has relatively full transparency over product offerings and prices at different retailers. This results in fierce price competition. Our findings suggest that e-retailers can mitigate the tendency to compete on price by relying on the perception of assurance and trust. In order to lessen the weight attached to perceived price, it is important to signal trust and inspire confidence. Besides web-based attributes that deal with providing clear privacy and security policies, it is important to build trust through developing a company profile in terms of reputation and size. For example, online vendors can utilize online communities to spread positive word-of-mouth. Online feedback mechanisms allow online shoppers to publicize their purchase experiences with online vendors by rating.
their service quality (Ba & Pavolu, 2002). Advertising directly or indirectly by being favorably mentioned in popular media develops a good reputation and signals trust (Bhatacharjee, 2002) and thereby generates price premiums (Ba & Pavolu, 2002). Although our research did not find a direct relationship between personalization and any of the customer loyalty types, other studies have indicated

7. Security

Security is another factor that affects customer trust in online retailing. Security provided by an online retailer refers to the safety of the computer and credit card or financial information (Bart et al., 2005). Customers believe that the internet payment channels are not always secure and could potentially be intercepted (Jones and Vijayasarth, 1998). This reduces the customer’s level of trust, discouraging them from providing personal information and making online purchases. On the other hand, Klang (2001) argues that the level of uncertainty and risk that customers perceive in online transactions is not dependent on whether the transactions are actually secure or not. Even if retailers adhere to a scientific assessment of security and privacy based on technological solutions and legal guidelines, customers’ perceived sense of privacy and security would still be necessary to create the required level of trust to enable online transactions (Pavlou and Chellappa, 2001). Despite huge investments in privacy mechanisms such as proper handling of user information and responsible use of cookies, and in security technologies such as privacy seal programs, authentication mechanisms, and encryption, there is ambiguity as to whether these investments have an impact on online customers’ perceptions about privacy and security, as customers differ in their general perceptions about privacy and security concerns.

8. Social Influence

However, it would be inaccurate to conclude that every person is equally impressed by or feels the same towards the shopping experience (Reid and Brown, 1996), shopping also not always solve the problem. Shopping can, for example, be initiated to combat boredom or to have fun (Stell and Paden, 1999). The existence of personal and social consumer motives for shopping, where personal motives include role-playing, diversion, self gratification, physical activity, sensory stimuli; social motives cover the elements of meetings with others, peer group influence, status, and bargaining (Tauber, 1972,1995).

Previous studies confirmed variability in values across regions in the USA (Kahle, 1986) and in China (Cho et al., 2010) and unequal levels of industrialization were suggested to be the key to understanding divergent values and norms among regions (Ralston et al., 1996). Based on the facts it can be understood that diverse consumption patterns of online consumers among regions can be better understood by the differing affluence level by regions. However, no studies attempted to understand India’s regional differences by the affluence level and how the differences, impact online consumers’ purchasing decisions. Therefore, the main objective of this study is to discover and demonstrate the motivations that lead to adoption and constraints that have limited the adoption of internet as a purchasing channel for customers in India. The researcher aims to study consumer’s problems, benefits offered by e-retailing and their attitude over various issues such as shopping orientation, web security, usefulness of e-retailing, shopping innovativeness, satisfaction with websites, importance of inspecting products, price sensitivity and presumed risks related to acceptance of internet as a new channel for retailing.

The discussion on literature suggests that the determinants of customer’s attitude towards e-retailing have to be studied. It suggests that the adoption of a medium of purchase may influence and be influenced by a number of factors. These factors may range from factors like personal, economical, attitudinal, technical and demographic. It triggered the researchers to identify the correlates. The present study has been conducted to provide an insight into the relationship between the customer’s attitude towards e-retailing, technical and demographic factors.

The research question set for this is:

RQ: To what extent are internet user’s attitude towards using e-retailing affected by their:
- Perceived web security
- Transaction transparency
- Purchase process
- Electronic infrastructure
- Convenience
- Social influence
- Personalization
- Empathy

III. DATABASE AND RESEARCH METHODOLOGY

3.1 Sample Design

The study is based on primary data collected from the people who have experienced e-purchasing at least once. The sample size for this research study comprise of 500 customers. The respondents are categorized on the basis of gender, age, education, geographic location, occupation, internet experience, frequency of online purchases, online spending etc. Multi stage stratified random sampling method has been used in the present study so as to select the sampling units. Appropriate measures have been taken so that adequate representation from all demography can be made. In this research study, the data has been collected from the residents of Haryana, Punjab and National Capital Region. Information is collected from 483 respondents.

3.2 Questionnaire Design
The data were collected with the help of well-designed, pre-tested questionnaire. To develop a comprehensive questionnaire for the customers, previous literature has been reviewed exhaustively. Further, in order to make the questionnaire more comprehensive and concrete face-to-face meetings with respondents were undertaken so that more familiarity with the ground reality of the concept of electronic retail can be made. Apart from it, in the process of preparing the skeleton of questionnaire, online discussions and telephonic deliberations with researchers and academicians and experts of this field on this topic were also taken up. A pilot survey of approximately 100 customers who purchase the products online was conducted personally and their view points on the various segments of questionnaire were sought. This helped to make improvements in some portions of the questionnaire. With a few deletions and additions, the final questionnaire was developed. The survey was personally administered by the researcher to ensure the desirability, reliability and authenticity of information. The respondents were contacted at their workplace, homes and over internet. The primary data was collected during the period of January to June 2014.

IV. METHODOLOGY

The present study attempts to identify the whether the problems occurring in e-retailing have any bearing on the customer’s attitude towards e-retailing. The study examined to what extent are internet user’s attitude towards using e-retailing affected by their:

- Perceived web security
- Transaction transparency
- Purchase process
- Electronic infrastructure
- Convenience
- Social influence
- Personalization
- Empathy

This research question was tested via regression analysis, with all independent variables entered into the regression equation simultaneously. The analysis indicated that 61 percent of the variance in attitude towards e-retailing was explained by the independent variables, with a significant f-value of 87.984 (p<0.001).

V. DISCUSSION

The regression analysis result shown in Table 1 indicate that all variables except electronic infrastructure were significant. Perceived web security, transaction transparency had the strongest effect on attitude towards e-retailing with beta weights of 0.44 and 0.41 respectively, with both significant at p < .001. Personalization and purchase process and convenience were significant with beta weights of 0.20, 0.15 and 0.14 respectively, with all being significant at 0.05 also. Empathy and social influence were significant at 0.10 level of significance with beta weights 0.076 and 0.051 respectively. However, the electronic infrastructure in the country was not statistically significant at <0.1 with a t-value of -0.031. The results indicate that customer’s attitude towards e-retailing is strongly influenced by perceived web security, transaction transparency, personalization and purchase process, convenience, social influence and empathy.

| Model                      | Beta   | T-value | P<  
|---------------------------|--------|---------|------
| Perceived web security    | 0.442  | 5.028   | 0.000
| Transaction transparency  | 0.410  | 6.621   | 0.000
| Purchase process          | 0.156  | 2.295   | 0.004
| Electronic infrastructure  | -0.011 | -0.323  | 0.747
| Convenience               | 0.144  | 2.385   | 0.012
| Social influence          | 0.051  | 1.748   | 0.074
| Personalization           | 0.201  | 2.640   | 0.026
| Empathy                   | 0.076  | 1.622   | 0.091

Table I. regression results for customer’s e-retailing attitude

VI. CONCLUSION

Since customers’ perceptions evolve as they acquire or wish to acquire online purchasing experience, firms should create dynamic web sites that can adapt to the changes in the users’ preferences and needs. Some web site features that are appreciated in the first purchases may lose their importance as the user gets to know the channel. Static web sites that do not consider the evolution of their customers’ needs who come to accept the internet as a shopping channel. It is recommended for firms to target each market segment with a marketing strategy tailored to its necessities. The use of personalised accounts, capable
of creating a differentiated profile and of customizing the webpage, will allow firms to know the importance that each customer attaches to the different types of information and services provided on the internet. The above analysis spots the variables, which have impact on the customer’s propensity to purchase online. The predictors, such as convenience, transaction transparency, personalization, perceived web security, purchase process, empathy, social influence are found to have significant influence over the customer’s propensity to purchase online. The variation in the customer’s propensity to purchase online, however, is not attributed to products it offers, infrastructure and gender of the customers. Thus, the null hypothesis that there is no significant difference exists between the customer’s attitude towards e-retailing as regards to various predictors is partially accepted in the present model of the study. Results point out that some predictors influence the customer’s attitude towards e-retailing.

As such a favourable attitude is shown to result in using e-retail and unfavourable attitudes result in under-utilization of the system. The result also indicate that customer’s characteristics that contribute to positive attitude towards e-retailing are security, convenience, transaction transparency, personalization, purchase process, empathy and social influence.

VII. LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The challenges and limitations of the methods used must be taken into account while interpreting the present findings and planning future research. Findings of the composition are limited by use due to its focusing of only users of electronic retail in state of India. However, results are preliminary and need replication in different kinds of samples. Besides, there are another important limitation to the study that deserve mention. The relationship examined in the study are self-reports, which have inherent limits. Future studies should use multiple sources to avoid such a potential problem.

REFERENCES


