Factors Affecting Online Shopping Decision

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ABSTRACT

With the emergence of WWW (World Wide Web), the merchants have started to sell out their products to those individuals who browse the internet. Consumers can visit the online stores from the comforts of their homes or from any other convenient place and can shop as and when they sit in front of the computer. Consumers can purchase a wide range of products from online stores. In fact, consumers can buy just about anything from web retailers that sell their products over the internet. Books, clothing, toys, software, hardware, household appliances and health products etc., are just some of the hundred of products that consumers can purchase from the online stores. This paper deals with various factors affecting online shopping of consumers.

INTRODUCTION

Now a days, Internet is altering the way and the manner, consumers shop and purchase products i.e. goods and services and is rapidly evolving into a global phenomenon. Now many businessmen have started to use the internet for selling their products, with the purpose of cutting down the costs and thereby reducing the prices of their goods and services. They have also started using online mode of selling goods and services, so as to stay ahead in highly competitive markets. Retailers also make the use of internet to convey, communicate and disseminate the information to the consumers, to sell their products, to take feedback and also to conduct the satisfaction surveys with consumers. Consumers also make the use of internet, not only for buying goods and services online, but also to make comparison among the prices offered by different online retailer, the product qualities and facilities in relation to after sale services; that will be received by the consumers, if the consumers make the purchase of the product from a specific store. Many of the experts have optimistic viewpoint regarding the future prospects of online shopping business. In addition to the large potential for further growth and development of the online shop market, the internet also provides the retailers/merchants with the unique opportunity to more efficiently reach their existing and prospective consumers.

Online Shopping is the process of buying goods and services from those merchants who sell over the internet. It is one of the kind of Electronic commerce whereby customers can directly make the purchase of products i.e. goods and services from a merchant over the internet without any requirement of the intermediary services, by using the web browser. Michael Aldrich is the person who invented the online shopping in 1979. Online shopping is also known by alternative names such as: e-shopping, internet shopping, web shopping, virtual shopping, online store shopping, etc. The largest of these online retailing corporations are: Flipkart, Amazon, Home shop 18 etc. The internet shopping is developing rapidly since last two decades. Information technology has also been developed worldwide. After the development of internet on such a vast scale, the number of web users has also increased and also high speed internet connections, firms thought of using this web development for promoting the sales of their products. Development of information technology also attracts more and more people to change their way of shopping from the traditional mode to the online shopping. On the other hand, retailers have also realised that this transformation of consumer behaviour from traditional to online mode, is unavoidable and thus they also changed their way of selling goods and services to consumers. Recent trend has indicated that volume of online shopping has moved in upward direction and online shopping is eventually becoming more and more popular among consumers.

The discovery and development of the internet is the most biggest event of the century in India. Online Shopping, in India, has traveled a long route from a slow beginning in the 1990s to a period, where consumers can find and purchase all kinds of stuff. Most organisations are now a day's making the use of internet to display the range of their product and services, so that it is easy to reach or access these products to a larger area of the prospective consumers. Computers and the internet have changed the way in a complete manner, one handles the daily routine transactions and online shopping of products is one among them. From the comfort zones of one's home, offices, cyber cafes or any other place across the world, one can search and purchase just about anything from wearing apparels, jewellery, books, music to computers, digital cameras, video games, MP3 player mobile phones, movie tickets, air and railway tickets etc. The online business in India is growing at a very higher pace every year and the revenue from the online business is also touching the great heights.

Evolution of Online Shopping

Seeing the advances from the day, online shopping just started taking its form and eventually being a part of our daily lives, it is really interesting to see how online shopping is evolving in India. Online shopping in India is growing at a fast pace and has a great potential to grow with even more fast pace in the near future. It is because internet penetration is reaching far and wide across the rural area. The evolution of online shopping can be seen as passing from barter system where the goods were exchanged for goods, then towards monetary transactions where goods were exchanged for money, then towards street vendor to mail order cataloguing and then tele-shopping and then finally the online shopping. Traditionally, Indians were conservative in their approach towards shopping. They want to physically touch and feel the products and verify its features before buying any product. They were also price savvy who like to bargain with the vendor for getting an economical deal for themselves.

In the past time, there was an era of less popular tele-shopping which dealt in very limited range of products like Astrology and Spirituality products such as Rudraksha Mala, Hanuman Kavach etc, Health and Fitness products such as tread Height increaser, massager, Sauna belt etc, Some of the Kitchenware products such as vegetable chopper, mixer and juicer etc. Then we witnessed the era of shopping mall culture, where nearly all the products are available under a single roof and at competitive prices. Next in this development line is the era of online stores, also called virtual mall. Virtual/online stores are in existent at infant stage in India and are growing continuously. In this version of change from tele-shopping to a much broader form of online shopping, there is emerged a 24*7 shopping store. Thus, with modernization and fast paced life, now people are facing the constraints of time and this increases the dependence of people on online shopping. It can also be said that shopping has been revolutionized by its wide spread presence across the various mediums such as TV, online web portals and even cell phones.

LITERATURE REVIEW

Todd (1997) proposed a model of perception and shopping intention towards online shopping. His model included several indicators belonging to four major categories, that are: the value of the product, quality of services offered by the website, previous shopping experience and the risk perception of online buyers. As per his model, these factors affect the consumers while making online shopping.

Bellman (1999) in his study investigated various predictors of whether an individual will purchase online. The author concluded that the demographic features such as income, education and age etc. have a modest impact on the decision regarding whether to buy online or not, whereas the most important determinant of online shopping was observed as previous experience such as satisfaction from earlier purchases. Thus, he concluded that demographic features do not have such a high influence on the decision of buying online.

Jarvenpaa, Tractinsky and Vitale (2000) investigated how customers perceived store reputation affects their trust in the store, risk perceptions, attitudes and willingness to purchase /shop at a particular store. They discovered that there exists a positive relationship between consumer trust in internet stores and the store's perceived reputation. Higher customer trust also reduces their perceived risks associated with online shopping and generates more favourable attitudes towards shopping at a specific store, which in turn increases their willingness to shop from that particular store.

Mcknight et al (2002) in their research found that trust is a key or vital factor in online shopping environment. If the trust is vital, then the task of building trust is even more essential. They observed that by defining the roles of trust, the significance of each aspect of trust in the domain of online shopping, particularly in starting phases of relationship, can be understood easily. The key trust concepts with regard to online vendor are- trusting beliefs and willingness to depend, were depicted by the study which have a critical influence on intention of consumer to shop online.

Chi et al (2005) explained the role of trust in consumers' decision regarding online shopping by surveying 1258 respondents and hypothesized that trust is an essential feature in online shopping environment. This implies that online shopping decision depends not only on operational features of websites, its usefulness and ease of use, but also on consumers' trust towards online websites.

Alam (2010) in his paper provided the results that indicated relationship between satisfaction of online shopping and the determinants that influences their satisfaction. Among these, product variety, reliability, website design, and delivery performance etc., have more significant relationship with online shopping. As per his study, for online consumers, their perceptions regarding reliability of online retailer, product variety and the delivery performance are the main factors considered while making the online shopping decision

Objectives of the Study

> To evaluate the perception of consumers towards Online Shopping.

➢ To study the factor affecting Online Shopping Decisions.

Hypothesis of the Study

1) The correlation between the ranks assigned by different respondents is Zero.

Sample size:

In the present study, a sample size of one hundred respondents has been selected.

Statistical techniques used

In the present study Percentage Analysis, Weighted Average Score and Rank Correlation Test for agreement in multiple judgments etc. are used to analyse the collected data.

Analysis and interpretation:

Table No.- 1: Since how long the Respondents are Buying Online

Sr. no.	No. of Years	No. of Respondents	Percentage (%)
1	Less Than A year	16	16%
2	1-3 Years	54	54%
3	3-5 Years	17	17%
4	More Than 5 Years	13	13%
3	**Total**	**100**	**100.00**

Source: Researcher's Manual Calculation

Table as shown above, depicts that among the 100 respondents, 16 respondents (16%) are buying online for less than a year, 54 respondents (54%) are buying online from 1-3 years, 17 respondents (17%) are buying online from 3-5 years and 13 respondents (13%) are buying online for more than 5 years. Thus, majority of the respondents are buying online from 1-3 years time period.

Table No. 2: Online Shopping trusted by the Respondents or not

Sr. no.	Opinion of Respondents	No. of Respondents	Percentage (%)
1	Yes	92	92%
2	No	8	8%
3	**Total**	**100**	**100.00**

Source: Researcher's Manual Calculation

It is clear from the table that among the 100 respondents 92 respondents (92%) replied that they trust online shopping and 8 respondents (8%) replied that they do not trust online shopping. Most of the respondents have trust on online shopping. Hence majority of respondents say that they trust online shopping.

Table No. 3: Opinion of Respondents regarding the statement that Online Purchase system as a Commercial means has its advantage over the Traditional Commercial methods.

Sr. no.	Opinion of Respondents	No. of Respondents	Percentage (%)
1	Agree	71	71%
2	Disagree	21	21%
3	Can't Say	8	8%
4	**Total**	**100**	**100.00**

Source: Researcher's Manual Calculation

It is clear from the table that among the 100 respondents, 71 respondents (71%) are agreed with the statement that online purchase system as a commercial means has its advantage over the traditional commercial methods, whereas 21 respondents (21%) are disagreed with the statement and still 8 respondents (8%) respondents replied that they can't say anything in this regard. Hence majority of respondents agreed with the statement that the online purchase system as a commercial means has its advantage over the traditional commercial methods.

Table No. 4: Respondents Feel Secure while Shopping Online or not

Sr. no.	Opinion of Respondents	No. of Respondents	Percentage (%)
1	Yes	97	97%
2	No	3	3%
3	**Total**	**100**	**100.00**

Source: Researcher's Manual Calculation

It is clear from the table that among the 100 respondents, 97 respondents (97%) said that they fell secure while making their online shopping whereas, 3 respondents (3%) respondents replied that they do not feel fully secure at the time of making their shopping over the internet. Hence majority of respondents feel secure while making their purchases over the internet.

Table No. 5: Respondents encountered any problem while shopping over the internet or not

Sr. no.	Opinion of Respondents	No. of Respondents	Percentage (%)
1	Yes	96	96%
2	No	4	4%
3	**Total**	**100**	**100.00**

Source: Researcher's Manual Calculation

It is clear from the table that among the 100 respondents, 96 respondents (96%) don't faced any problem in their shopping over the internet and 4 respondents (4%) have replied that they have encountered problem while they shopped over the internet. Hence majority of respondents don't have encountered any kind of problem in making their shopping over the internet.

Table No. 6: Factor considered the Most while making decision of Online Shopping

Sr. no.	Factors	No. of Respondents	Percentage (%)
1	Price Comparison	9	9%
2	Convenience	26	26%
3	Wider Choice	21	21%
4	Trustworthiness of Retailer	12	12%
5	Friend/Relative Referral	3	3%
6	Privacy	1	1%
7	Website Quality	19	19%
8	Security of Payment	3	3%
9	Others	6	6%
10	**Total**	**100**	**100.00**

Source: Researcher's Manual Calculation

From the table it is clear that 9 respondents (9%) considers the price factor the most while shopping online, 26 respondents (26%) considers convenience level to be the most important factor while shopping online, 21 respondents (21%) considers the wider choice the most while shopping online, 12 respondents (12%) consider the trustworthiness of retailer as the most important factor, 3 respondents (3%) consider the friend/relative referral to be most important factor while making online shopping decision, only 1 respondent (1%) consider their privacy to be the most important factor, 19 respondents (19%) consider the website quality while making online shopping and only 3 respondents (3%) consider the payment security as the factor influencing their decision the most and 6 respondents (6%) considers the other factors as the influencing factor in online buying decision.

Table No. 7: Factors affecting the decision regarding Online Shopping (with Weighted Average Score)

Sr. no.	Factors affecting decision regarding Online Shopping	Total Score	Ranks	Weighted Average Score
1	Website Quality	366	IV	3.66
2	Convenience	396	I	3.96
3	Wider Choice	389	II	3.89

4	Mode of Payment	381	III	3.81
5	Information about Products	357	VI	3.57
6	Price Comparison	363	V	3.63
7	Trustworthiness of Retailer	352	VII	3.52

Source: Researcher's Manual Calculation

It is clear from the table that Highest weighted average score of 3.96 (total score 396) has been attained by Convenience factor, so it is the first most important factor affecting the decision regarding Online Shopping. The second factor affecting decision regarding online shopping is Wider Choice, having Weighted average score of 3.89 (total score 389). The third most considered factor is Mode of Payment, having weighted average score of 3.81 (total score 381). The fourth most considered factor is Website Quality, having weighted average score of 3.66 (total score 366). The fifth most considered factor is price comparisons available, having weighted average score of 3.63 (total score 363). The next considered factor is Availability of Information with regard to the products to be purchased, having weighted average score of 3.57 (total score 357). The next considered factor is Trustworthiness of retailer, having weighted average score of 3.52 (total score 352). Hence it is clear from the table that decision of consumers regarding online shopping is most affected by the factor of convenience, followed by wider choice as the second most important factor, considered during online shopping.

RANK CORRELATION TEST

The test statistic to be used is- $F = S_1^2/S_2^2$, which follows the F-distribution with (K-1, K(n-1)) degrees of freedom. If the calculated value of F exceeds the critical/table value of F at a specific level of significance, the null hypothesis of agreement between ranks is rejected. Otherwise, if the table value exceeds the calculated value, the null hypothesis of agreement between ranks is accepted.

Here, n is no. of respondents and K is no. of factors/subjects
$S_1^2 = D_1/K-1$ and $S_2^2 = D_2/K(n-1)$
Further, $D_1 = S_D/n$ and $D_2 = S-D_1$
$S = nK(K^2-1)/12$ and S_D = Sum of Square of Differences between Respondent's mean rank and overall mean rank.

The following table depicts the results obtained with regard to ranking of factors by different respondents and then the application of rank correlation on it.

Table No. 8: Table showing Total Score of Ranks assigned by the Respondents, the Mean Score of Ranks and Squares of Differences between the total score and the mean score of different factors

	Privacy	Financial security	Mode of Payment	Quality of Website	Satisfaction Level	Risk
Total Score	893	756	370	382	645	815
Mean Score	550	550	550	550	550	550
Difference between Total and Mean Score	343	206	-180	-168	95	265
Squares of Differences between Total and Mean Score	117649	42436	32400	28224	9025	70225

	Price Comparison	Convenience	Trustworthiness of Retailer	Wider Choice
Total Score	451	361	461	366
Mean Score	550	550	550	550
Difference between Total and Mean Score	-99	-189	-89	-184
Squares of Differences between Total and Mean Score	9801	35721	7921	33856

n= 100, K= 10, v_1= K-1= 10-1= 9, v_2= K(n-1)= 10(100-1)= 10*99= 990
Sum of Square of Differences (S_D) = 387258
S= $100*10(10^2-1)/12$
  =99000/12= 8250

D_1= 387258/100= 3872.58
D_2= 8250-3872.58= 4377.42
S_1^2= 3872.58/(10-1) = 430.2867
S_2^2= 4377.42/(10(100-1))= 48.638
F = 430.2867/48.638= 8.846= 8.85

Now, the calculated value of F is 8.85 and the table/critical value of F at 5% level of significance with (v_1=9, v_2=990) degrees of freedom is 1.88. Since the calculated value of F is greater than the table value, the Null Hypothesis of Zero Correlation between the ranks assigned by the respondents is rejected at 5% level of significance and it can be concluded that there is correlation between the ranks assigned by different respondents to the factors. Thus, the null hypothesis regarding the zero correlation between the ranks assigned by different respondents is rejected and it can be concluded that there exists some relationship between the ranks assigned by different respondents.

FINDINGS OF THE STUDY

1) Majority of respondents (54%) are buying products over the internet from last one to three years. These respondents are buying the products through the online mode from last one to three year time period.
2) Majority of respondents (92%) trust online purchasing of products. These respondents trust the online mode of purchasing the products.
3) Majority of the respondent (71%) agree on the statement that Online Purchase system as a Commercial means has its advantage over the Traditional Commercial methods. They agreed with the statement that as a commercial means, online purchasing system has more advantages over the traditional commercial methods.
4) Majority of the respondents (96%) are satisfied with the online shopping. They are satisfied with their purchases that have been dealt through the online mode.
5) It has also founded that majority of respondents (97%) intend to buy the products over the internet in the future. They want to continue their purchasing through the online mode in the future.
6) Majority of respondents (97%) feel secured while shopping over the internet. They feel that online shopping of products is secure to make.
7) It is also founded that majority of respondents (96%) do not have encountered any problem while shopping over the internet. They don't have faced any kind of problem or inconvenience while purchasing the products through the online mode.
8) Further, it has been founded that majority of respondents (26%) consider the convenience factor the most, while making decision about online shopping of products, followed by the wider choice factor, as the second most considered factor.
9) It has been founded that convenience is the most important factor, enjoying the first rank in the level of importance, followed by wider choice, having the second highest rank, provided by the respondents.

CONCLUSION

Online Shopping is one of the things among the biggest ones that have attracted a large market area and has taken the business by a storm. It is developing a totally new economy, which is having a very large potential for even more growth of online shopping. Online shopping is now becoming an important part of the consumers' routine life, to conveniently meet out their never ending product requirements. The purpose of the study is to study the determinant factors of the decisions of customers with regard to online shopping. On the basis of analysis and interpretation of results obtained, we can conclude that majority of respondents consider the convenience factor as the most important factor while making their online buying decisions. They also prefer to make selection out of a wider range of products so as to select the one that best suits or match to their requirements, after comparing the product qualities, and prices offered by different online retailers. So the retailers should provide the consumers with variety of products and should also offer them the cash on delivery method of making the payments along with other alternative methods of making payments, so as to attract and motivate them. Thus, it can be concluded that in order to make online shopping a success, online retailers must offer the convenience and wider choice to the consumers.

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