

CONSUMER PREFERENCE TOWARDS ONLINE RETAILING

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Abstract

Online retailing is the process whereby consumers directly buy goods or services from a seller in real-time, without an intermediary service, over the Internet. On-line shopping preferences differ with respect to different age groups. So the study focuses on collecting data by means of an on-line survey in which different age groups on-line shoppers rank the importance of various features that have an impact on their shopping experience. The result shows significant results in the preference of consumer among different age groups. Also, while comparing the ranking of individual features some statistically significant differences exist. Consumers within the age group of 25-35 are more interested in doing online shopping followed by less than 25 age group consumers in Chennai. The factors opted by the consumers has also been derived as a part of the research. The implications for research are twofold. First, the study provides additional insights into on-line shopping preferences from age perspective. Second, the study demonstrates that significant differences might not show on the construct level but only when features are individually compared with each other. The implication for practice is to help businesses enhance their on-line shopping platforms to better consider the particular needs of different age group on-line shoppers. This research is validated using chi square test.

Keywords:

Online Shopping, Consumer Preference, Shopping Platform, Shopping Experience, Online consumer

1. INTRODUCTION

Online retailing is the process whereby consumers directly buy goods or services from a seller through internet without any intermediary service. Online retailing is growing in popularity as consumers realise the convenience and ease of shopping online. As we know, the number of Internet Users is growing day-by-day, because of that the success of online shopping increases along with it. Currently, India has around 250 million Internet users and is ranked globally 3rd in usage. With such statistics, it seems the Internet revolution is in full swing in India. As a matter of fact, online shopping has become an integral part in the lives of many people In India Well, there are reasons behind the ever increasing popularity of online shopping stores, and they certainly offer huge advantages when compared to personal shopping.

Shopping online instead of going to a traditional “brick and mortar” store has emerged as a major trend amongst consumers over the last decade (Levin et al). The tangibility of going into stores to touch and hold merchandise, talk to a knowledgeable salesperson for advice and reassurance and finally making a purchasing decision is becoming a thing of the past. A major shift is putting forth a different shopping experience and new consumer behaviour - the new wave of an online commodity system. Consumers may browse numerous websites on the Internet and attempt to match what they want to the product or service information available. After much deliberation, a

purchasing decision is made – whether right or wrong. If a consumer who shops online knows exactly what they want to purchase, online shopping can be direct and hassle free, but if they are not exactly sure, it may be difficult to decide on a product without some additional assistance.

Another problem that the online consumer faces in contrast to offline shopping is that online retailers have virtual warehouses of merchandise. In the past they may have had 20 digital cameras to offer a consumer, now retailers have hundreds of choices. Online retailers are attempting to help the online consumer navigate through stores and information repositories, as well as to assist the consumer in making a purchasing amateur product reviews. As a service to the online consumer, they can read comments about other consumer experiences and opinions, thus helping to manage all the data sources and information about the products they offer. Today, there are hundreds of online consumer product review websites. Unless an online consumer knows where to go to find product information and consumer reviews it can be a daunting task. Most people are aware of the popular review sites such as Amazon.com, Epinions.com, Consumer Reports, Buzzillions.com and CNET product reviews.

Another problem is that writing product reviews has become so popular and many online reviews sites have so many reviews that most are buried so deeply that the information is not easily accessible. This corpus of information often gives a consumer too much to consider and in the end may make it even more difficult to make a purchasing decision. These four aspects of the consumer online product preference is that – convenience ability to shop at any time, ease to find the product more information about the products ,better prices , ability to find more personalised gifts and fun – getting freebies, offer, etc. This research attempts to find the preferences of online retailing among different age groups in Chennai, factors opting the consumer to prefer online retailing.

2. STATEMENT OF PROBLEM

The Internet in India took more than a decade to move from 10 million to 100 million and 3 years from 100 million to 200 million. However, it took only a year to move from 200 to 300 million users. The report said of the 278 million users Indian had in October this year; 177 million are in urban India, higher by 29 per cent from last year. In rural India, the number of Internet users increased by 39 per cent to reach 101 million in October 2014. About 119 million users accesses the Internet on mobile devices in urban India, while rural mobile Internet user base stood at 40 million in October 2014. This is further estimated to touch 128 million (urban) and 45 million (rural) by December-end.

As businesses, look to grow their online retail presence, they need to be aware of the preferences and concerns that drive

online shoppers. Preferences for online retailing among consumers may vary from product to product (most of the consumers prefer online retailing for Air ticketing, booking tickets in theatres compared to purchasing of clothes where they feel that personal touch & feel regarding the product is compulsory), person to person, their experiences gained while shopping online, etc. So, this research aims at understanding the preference of online shopping over different age groups at Chennai who are already users of the Internet and of consumers who are interested to adopt Internet shopping. The use of the Internet in our everyday lives has increased each year, this research aims at finding the preference towards online shopping among the consumers of different age groups and the consumers who are users of internet and the consumers are aware of online shopping.

3. OBJECTIVES OF THE STUDY

- To study the awareness and preferences of Online Retailing over different age groups of consumers in Chennai.
- To analyze the various factors influencing the customer to prefer online retailing.
- To Estimate the various challenges faced by the customers while preferring online retailing.
- To suggest the improvement measures to increase customer's preferences towards online retailing.

4. REVIEW OF LITERATURE

Margherio (1998) studied that Internet and WWW have made it easier, simpler, cheaper and easily accessible for businesses of all sizes and consumers to interact and conduct commercial transactions electronically as compared with the traditional approach of using private value-added networks.

Wyckoff (1997) Stated that Internet dramatically shrinks the distance between producers and consumers, who can make their purchases directly without involving traditional 'middlemen' such as retailers, wholesalers and distributors.

Hsin (2000) and Rowley (2000) stated that Electronic retailing over the Internet or online shopping first started in 1994 and it is considered as one form of direct consumer marketing of non-store retailing using online channels. This new concept of retailing has captured the interest of many retailers and merchants because of the general recognition that online shopping will establish itself as an alternative channel alongside traditional offline retail channels such as physical retail stores (Rowley, 2000).

According to a study by Professor Rajiv Lal and Assistant Professor Miklos Sarvary of Stanford Business School in Palo Alto, California, US, and (Legard, 1998) products that are being marketed through the Internet can be classified into two groups.

The first group of products are items that consumers do not need to see in person before purchasing. These products, which include everything from computers to compact discs to canned goods, can be evaluated using just text, pictures and other digitally communicable information. This group of products is ideally suited to online shopping whereby the Internet could serve significant transaction and communication functions.

Based on the study conducted by AC Nielsen Research (Peterson et al., 1997, McGann 2004), the reason why consumers shop online over the Internet is convenience. Convenience is the most prominent factor that motivates consumers to shop online. The timing, location and purchasing process through the Internet are much more superior to other traditional methods of purchasing goods and services.

According to (Hanson, 1999) the 24-hour availability of online storefront and accessibility from almost any location makes online shopping more convenient to consumers and provides consumers with a powerful alternative channel for making purchases. Online retailers are able to offer cheaper prices because of the shrinking cost of information processing, lower operating cost and global reach provided by the Internet (Rowley, 2000). Another main reason that cheaper prices are offered to online shoppers is because of competitive pressure, especially from new online retailers. New online retailers use price as a main competitive weapon to attract customers (Hanson, 1999).

5. RESEARCH METHODOLOGY

The research is descriptive in nature and the population is Chennai and the number of respondent is 120 consumers who are aware of online shopping and the users of internet. The questionnaire was designed and survey method was adopted to collect the response from the consumers using 5 point Likert scale. Percentage analysis, weighted average chi square test and factor analysis is the statistical tool used for the research analysis.

5.1 HYPOTHESIS

H_0 = There is no significant relationship or association between preference of online shopping and different age groups

H_0 = There is no significant relationship or association between preference of online shopping and the factors opting the consumer to prefer online shopping.

6. DATA ANALYSIS & INTERPRETATION OF FINDINGS

6.1 DESCRIPTIVE STATISTICS

6.1.1 Interpretation:

Mean - This is the arithmetic mean across the observations. It is the most widely used measure of central tendency. It is commonly called the average. The mean is sensitive to extremely large or small values.

Std. - Standard deviation is the square root of the variance. It measures the spread of a set of observations. The larger the standard deviation is, the more spread out the observations are.

Variance - The variance is a measure of variability. It is the sum of the squared distances of data value from the mean divided by the variance divisor. The Corrected SS is the sum of squared distances of data value from the mean. Therefore, the variance is the corrected SS divided by N-1. Variance as an index is not usually used because it is in squared units. Instead, standard deviation is rather used.

Skewness - Skewness measures the degree and direction of asymmetry. A symmetric distribution such as a normal distribution has a skewness of 0, and a distribution that is skewed to the left, e.g. when the mean is less than the median, has a negative skewness (Anon, 2005).

In this case it was found that the data presented was normally distributed as most of the items were close to a value of -2 or -3.

These skewness values are all smaller than 2.5, and therefore all the item's frequency distributions can be seen as normally distributed. As the data is normally distributed, it can be concluded that the answers given by all the participants were favourably spread. This can be seen as significant as a variety of answers were given.

Table.1. Descriptive Statistics

CONVENIENCE								
Less effort compared to traditional shopping		Ease of finding a product		Time saving		Able to shop at any time		
Mean	12.2	Mean	12.2	Mean	12.4	Mean	12.2	
Standard Deviation	12.61745	Standard Deviation	11.41052	Standard Deviation	13.06905	Standard Deviation	15.8019	
Kurtosis	-0.56804	Kurtosis	-2.68545	Kurtosis	0.80967	Kurtosis	3.017986	
Skewness	0.961419	Skewness	0.306398	Skewness	1.20245	Skewness	1.714054	
MORE SELECTION								
Comparison of online retailers		Product display		Abundance Information on Products & offers				
Mean	11.6	Mean	12	Mean	11.8			
Standard Deviation	11.86592	Standard Deviation	10.5119	Standard Deviation	11.81947545			
Kurtosis	-2.96156	Kurtosis	-1.4512	Kurtosis	-2.933799752			
Skewness	0.278862	Skewness	0.361581	Skewness	0.200947114			
PRICE								
Savings in price compared to traditional shopping				Comparison in price				
Mean	10.8		Mean	11.4				
Standard Deviation	9.011104		Standard Deviation	12.70039				
Kurtosis	-1.54514		Kurtosis	-0.95813				
Skewness	0.510181		Skewness	0.922886				
ABILITY TO FIND MORE PERSONALISED SERVICE ON GIFTS SUCH AS								
Apparels		Ornaments		Toys		Music/story CD/DVDS		
Mean	12.2	Mean	12.2	Mean	12.2	Mean	12.2	
Standard Deviation	7.395945	Standard Deviation	7.190271	Standard Deviation	6.870226	Standard Deviation	8.526429	
Kurtosis	0.276629	Kurtosis	0.282728	Kurtosis	-2.03821	Kurtosis	0.395002	
Skewness	-0.91285	Skewness	-1.20731	Skewness	-0.60689	Skewness	0.125349	
HOME PAGE								
Design		Attractiveness		Ease of navigation				
Mean	12.2		Mean	12.2		Mean	12.2	
Standard Deviation	8.074652		Standard Deviation	9.257429		Standard Deviation	9.602083	
Kurtosis	-0.9496		Kurtosis	-0.34043		Kurtosis	-2.0026	

Skewness	-0.35102	Skewness	0.916606	Skewness	-0.05286		
TRUST							
Transparency		Security of personal data		Payment modes		Ease of obtaining refunds	
Mean	12.2	Mean	12.4	Mean	12.4	Mean	12.4
Standard Deviation	17.18139	Standard Deviation	18.50135	Standard Deviation	13.06905	Standard Deviation	16.74216
Kurtosis	0.243648	Kurtosis	3.122864	Kurtosis	0.80967	Kurtosis	3.29538
Skewness	1.234773	Skewness	1.80737	Skewness	1.20245	Skewness	1.768678
FUN							
Discount		Offers		Freebies		Enjoyment	
Mean	12.4	Mean	12.4	Mean	12.4	Mean	12.2
Standard Deviation	6.8775	Standard Deviation	5.176872	Standard Deviation	8.619745	Standard Deviation	5.932959
Kurtosis	-0.30229	Kurtosis	0.607318	Kurtosis	-3.02442	Kurtosis	-1.82706
Skewness	0.37995	Skewness	-0.30921	Skewness	0.331175	Skewness	0.30023

6.2 CHI SQUARE TEST ANALYSIS

6.2.1 Hypothesis 1:

H₀ = There is no significant relationship or association between preference of online shopping and different age groups

Chi-square calculated value = 16.6

Degrees of freedom = 3

Probability = 0.001

Table value = 7.815

Since the table value greater than calculated value reject null hypothesis and accept alternate hypothesis. Hence it is proven that there is significant relationship or association between preference of online shopping and different age groups.

By using percentage analysis the following results were obtained and the pie chart depicting the same is given below:

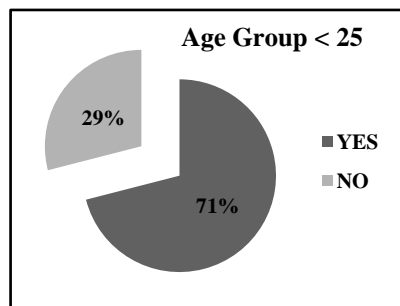


Fig.1. Preference percentage of consumer in Age group <25

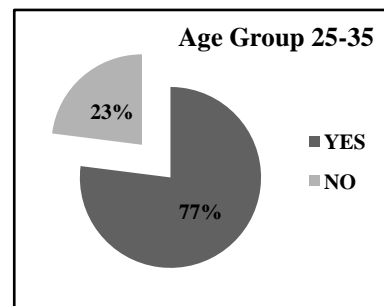


Fig.2. Preference percentage of consumer in Age group 25-35

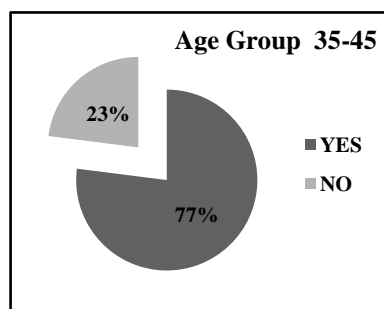


Fig.3. Preference percentage of consumer in Age group 35-45

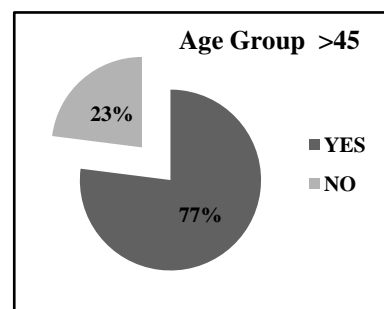


Fig.4. Preference percentage of consumer in Age group >45

Preference of online retailing among different age groups has been obtained by analyzing the consumers who are aware of the online shopping and also those who have previous online shopping experience. The results observed were as given below:

Table.2. Preference percentage on Age group

Age group	Percent (Base:87)
25-35	77%
<25	71%
35-45	65%
>45	50%

The above result is obtained using simple percentage analysis. By analyzing the above results, it is observed that online retailing is dominantly preferred by 25-35 age group consumers compared to other age groups. The percentage of the consumer in the age group of <25 is also close to that 25-35 age group peoples.

6.2.2 Hypothesis 2:

H0 = There is no significant relationship or association between preference of online shopping and the factors opting the consumer to prefer online shopping

Chi-square = 82.1

Degrees of Freedom = 20

Probability = 0.000

Table Value = 31.41

Since the table value greater than calculated value reject null hypothesis and accept alternate hypothesis. Hence it is proven that there is a significant relationship or association between preference of online shopping and the factors influencing the consumer to prefer online shopping.

Hence it is proved that the factors such as convenience, more selection, Better prices, ability to find more personalised gifts, trust, home page and fun plays a vital role in consumer preference towards online retailing. The preference of various factors is derived by using weighted average method and the same is same is as tabulated below:

Table.3.The factors which are opting the customer to prefer online

Factors	Percent (Base: 100)
More selection	58.3
Convenience	58
Better price	56
Ability to find a more personalized gift	47
Homepage	47
Fun	45
Trust	36

The responses from the sub factors which contribute to convenience are shown as in the form of bar chart.

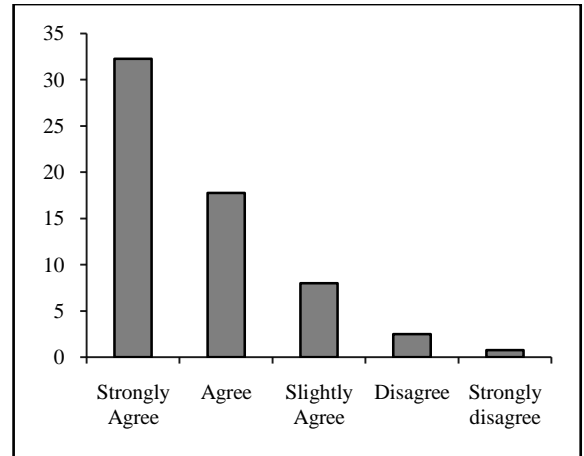


Fig.5. Responses towards Convenience

The responses from the sub factors which contribute to more selection are shown as in the form of bar chart.

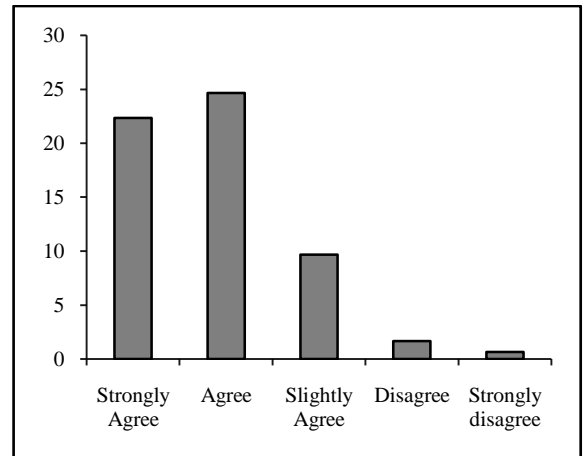


Fig.6. Responses towards More selection

The responses of the sub factors which contribute to better prices are given in the form of bar chart as given below:

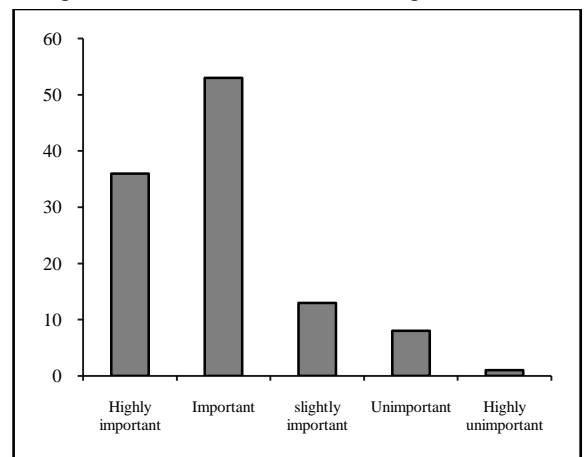


Fig.7. Responses towards Better prices

The responses of the sub factors which contribute to ability to find more personalised gifts are given in the form of bar chart as given below:

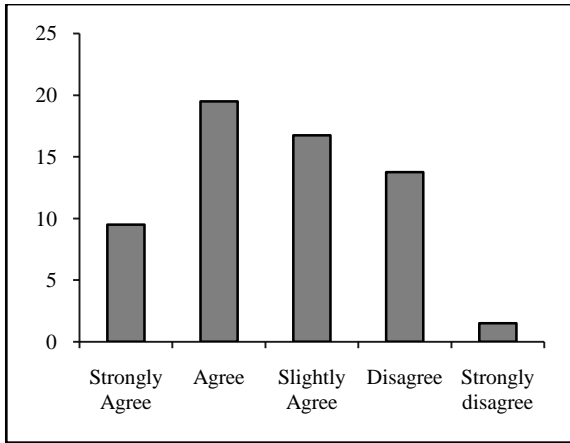


Fig.8. Responses towards Ability to find more personalised gifts

The responses from the sub factors which contribute to Home page are shown as in the form of bar chart.

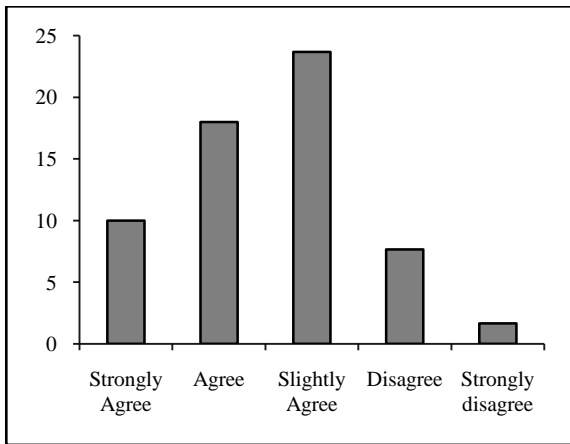


Fig.9. Responses towards Home page

The responses from the sub factors which contribute to trust are shown as in the form of bar chart.

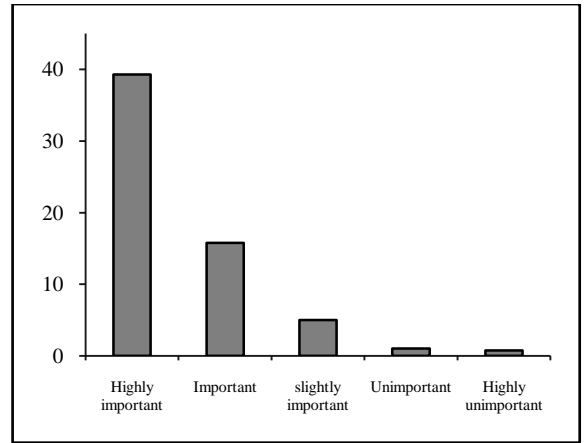


Fig.10. Responses towards Trust

The responses from the sub factors which contribute to fun are shown as in the form of bar chart.

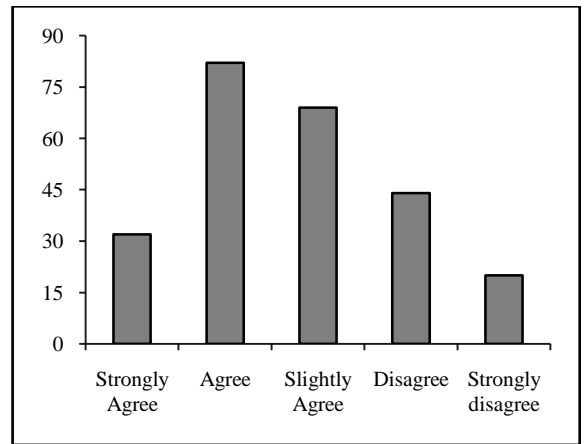


Fig.11. Responses towards Fun

Type of the products which the consumer wishes to shop online has been surveyed and the same is shown below:

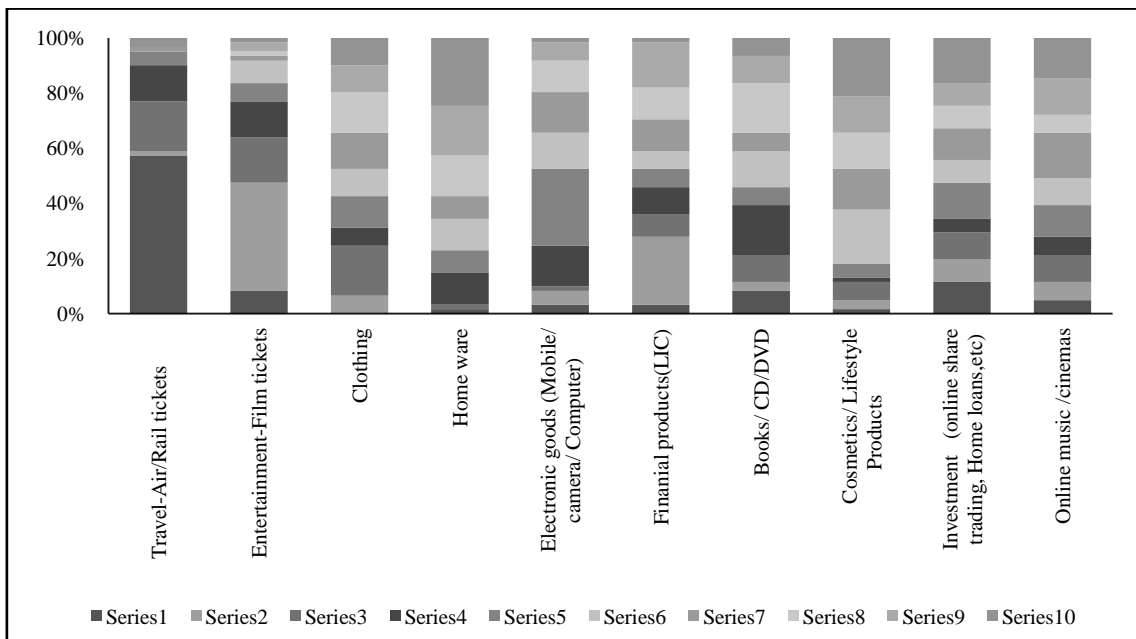


Fig.12. Product preference

6.3 DIFFICULTIES FACED BY THE CONSUMER

According to the consumer survey out of 100 consumers 42 consumers are facing difficulties while doing online retailing. The difficulties faced by the consumer may be one of the difficulties given below or combination of many difficulties

- Time consuming for registration
- Disclosure of personal information
- Lack of full cost disclosure
- Personal feel/touch on products is missing
- Website shall be thorough, concise and uncluttered
- Lengthy process for Billing
- Suspicion on Timely delivery of the products
- Lack of trust on confidentiality of Website

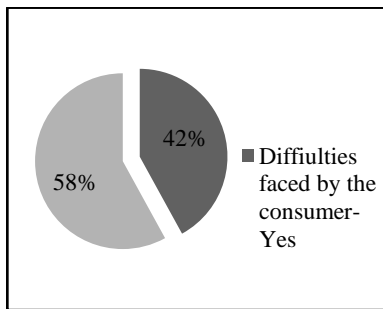


Fig.13. Difficulties

6.4 AWARENESS OF ONLINE RETAILING

From the study it is also observed that 87% customers are aware of online shopping. It is also noted that 20% of the peoples who are aware of online shopping is not interested in doing online shopping because of security related issues and the experience they are getting out of shopping in a brick mortar store

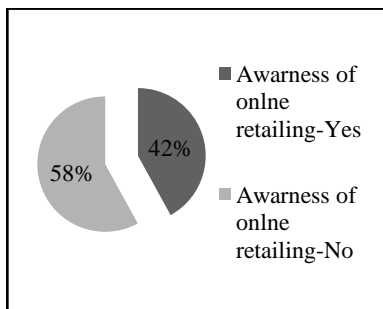


Fig.14. Awareness

7. CONCLUSION

It has been found using the chi square test, there is significant difference over preference of online retailing among different age groups. Through results, it is observed that 25-35 age group consumers prefer online the difficulties faced by the consumers in preferring online retailing were assessed and it is observed that 42% of the peoples are facing difficulties in their

online retailing. The suggestions given by the consumers for preferring online retailing were also recorded. Age plays an important role in the on retailing. Hence in this research the age factor is considered to determine the preference of online retailing. With the large number of younger population in India, it is very essential to know the targeted consumers for all the market retailers in order to understand the behaviour and expectations of the particular age group consumers. The beliefs and the needs for the products, perception towards the online retailing will vary from people to people and also adhere with age factor. Next to the higher interest in using new technologies, consumers younger than age 25 are the group most interested in having fun while shopping. They respond more favourably than older shoppers to features that make online shopping entertaining. The difficulties faced by the Consumers are Time consuming for registration, Disclosure of personal information, Lack of full cost disclosure, Personal feel/touch on products is missing. Online retailers can concentrate on the social interactive websites so that the conversion rate of information will be more compared to the traditional advertising.

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