1.1 INTRODUCTION

Since the wireless, radio and television, it is the World Wide Web (www) that has become the most vital communication medium making a pivotal paradigm shift in reshaping business praxis through newer understanding in sales and marketing. Another strong signal that substantiates this claim is that the Internet is entrenching the personal life-world of each individual which can be quantified by the increase in time spent online. With the development of internet browsing nearly twenty years ago, it
was inevitable that online shopping would become an alternative way for purchasing goods.¹

Internet is changing the way consumers shop and buy goods and services, rapidly evolving into a global phenomenon. Many companies have started using the Internet with the aim of cutting marketing costs, thereby reducing the price of their products and services in order to stay ahead in the highly competitive markets. Companies also use the Internet to convey, communicate and disseminate information, to sell products, to take feedback and also to conduct satisfaction surveys with customers.²

Marketing on the Internet for the foreseeable future will remain principally about getting the right information to the customer at the right time and in the form that will enable the customer to move one step further along in the purchase consideration process.

The emergence of the World Wide Web and related technologies has allowed businesses to transmit and receive data in an inexpensive, simple and easy manner. Apart from supplying needed information, companies can also market and sell products and services more easily. At the same time electronic commerce carries an underlying


² Gurvinder S Shergill and Zhaobin Chen (2005) Web-Based Shopping: Consumers’ Attitudes Towards Online Shopping In New Zealand *Journal of Electronic Commerce Research*, VOL. 6, N0.2
promise of being a great equalizer exposing small enterprises to a number of novel and cost-effective ways to promote their goods and services on a global level.

The emergence of the internet has created opportunities for firms to stay competitive by providing customers with a convenient, faster and cheaper way to make purchases. Moreover, purchasing via the internet is one of the most rapidly growing forms of shopping.\(^3\)

Organizations currently using the Internet for their marketing activities, collaboration and competitor research are already using e-commerce tools. After the initial pioneering experience most are now interested in reassessing their Internet, Extranet, and Web strategy as an integral part of their electronic commerce activities.

The prospect of a seamless, interconnected global marketplace of goods and services is stimulating unprecedented interest in the business community as well as among various national governments.

Being a global medium, the internet removes many barriers to communication with consumers and employees created by geographical boundaries, time zones and distances within the same geographical territories enabling a “frictionless” business environment. It helps to simplify business operations, because it allows companies to

\(^3\) Grunert, K.G. and Ramus, K. (2005), “Consumers’ willingness to buy food through the internet”, \textit{British Food Journal}, Vol. 107 No. 6, pp. 381-403
handle transactions electronically, thereby reducing their dependence on agents and distributors. This process of disintermediation enables the organization to deal directly with customers, eliminate or reduce middlemen or agent’s cost and ultimately reduces the final cost paid by the customers. It also permits the organization to improve feedback system and customer services by monitoring visits to their web site.\(^4\)

1.1.1 Consumer Trust in Internet Retailer

Trust can be defined in the Internet store as a consumer’s willingness to rely on the seller and take action in circumstances where such action makes the consumer vulnerable to the seller. The definition emphasizes the cognitive dimensions of trust and views trust as a rationale choice process. The cognitive view is a narrow treatment of trust excluding the affective and social dimensions and research proposed a model of antecedents of organizational trust based on a dyad of trustor and trustee. The antecedent of trusting behaviour is, trusting intention, or the willingness to be dependent on another person. Trusting intention is in turn influenced by a trustor’s propensity to trust, the trustor’s perceived characteristics of a trustee (e.g., trustworthiness of trustee based on his or her integrity, benevolence, and ability), and indirectly the trustor’s observations of the trustee’s behaviour.

1.1.2 Security and Data Privacy

It is important to realize that until the problem of transaction security is completely solved and solid companies and consumers will be uneasy about performing financial or other confidential transactions on-line, moreover they will be reluctant to use the Internet and public networks for conducting business. Business transactions must be completely reliable and secure.

One of the interesting phenomena of the digital age is the fact that data is quickly becoming the only asset and needs to be well protected. Therefore, it would be shortsighted not to build security into the core of electronic commerce. Finally, both user and provider must consider the problem of confirming that the other person is who he or she may claim to be. Just as a cyberspace retailer wants to confirm that persons ordering a product or service are who they claim to be, users need to confirm the sites to which they send sensitive information.

1.1.3 Data Privacy and Lawful Interception

The issue of data privacy is often dismissed as one that may not matter much. However, more and more technologically aware customers that rely on E-commerce tools realize that sending messages over a network makes them subject to
eavesdropping. And once stored in a file or a database, the data is subject to perusal months or even years later.

1.2. STATEMENT OF THE PROBLEM

The online businesses through Internet marketing make consumers better informed about available products, product quality and prices, which mitigates problems of asymmetric information. The entry of new retailers is facilitated, competition and economic efficiency is boosted and the market powers of consumers improved. Retailers need to respond strategically by using augmented product and price differentiation. There will also be substantial changes in the division of tasks between retailers and customers. However, important obstacles to these developments are, Technological vulnerability, Quality problems in the information on the Internet, cognitive limitations of individuals, and weaknesses in distribution channels.

Instead of traditional, brick-and mortar model for retailing, companies are recognizing that online retailing is now a sine qua non and are moving assertively into the channel, and they are optimistic about the future of multi-channel retailing.

Albeit the momentous benefits of technological innovation, the rapid development of online-retailing and marketing means carries implications disguising problems as well as benefits & opportunities. It is important that these implications are recognized and managed by retailers in a prudent manner. These developments
encourage conducting an overture research of ‘A Study of Consumer Buying Behaviour and Market Approach towards Online Retail Business in Madurai District’. So, the researcher has made an attempt to access and analyse the consumer buying behaviour and market approach associated with online retailing in Madurai District. This situation raises the following issues:

1. The types of goods people purchase from the Internet have to be ascertained
2. The payment methods used by online buyers while shopping on the Internet have to be understood
3. The features valued by the customers when visiting an ecommerce website have to be studied
4. Perception of customers about security while buying goods and services online have to be studied
5. The opinion of consumer with regard to convenience of using e-commerce has to be assessed.

1.3 OBJECTIVES OF THE STUDY

The objectives of the study are as follows
1. To present the previous studies related to the study

2. To present the profile of the study area

3. To study the demographic profile of the respondents

4. To analyse the consumer buying behaviour towards online retail trade

5. To reveal the socio-economic profile of the respondents.

6. To analyse the relationship between the socio-economic profile of the respondents and towards the reasons for using internet shopping, opinion towards the security of internet and various features valued while visiting an e-commerce website.

7. To identify the factors that influence E-Retailing Consumer Behaviour

8. To offer suitable suggestions for the improvement in consumer buying behaviour towards online retail trading in Madurai District.

1.4. SIGNIFICANCE OF THE STUDY

Online shopping is a fast growing phenomenon which has been adopted by rapidly increasing numbers of consumers,

Empirical evaluation of the online buying behaviour in Tamil Nadu will help companies to evolve the new internet business models suitable for Tamil Nadu.

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5 Delia Vazquez, Xingang Xu, (2009),"Investigating linkages between online purchase behaviour variables", International Journal of Retail & Distribution Management, Vol. 37 Iss: 5 pp. 408 - 419
 Hence no previous study is conducted in similar topics in Tamil Nadu and this present study will give new light to academicians and e-commerce companies in Tamil Nadu.

1.5 HYPOTHESES OF THE STUDY

The Null hypotheses have been presented below

1. The agreement towards reasons for using internet shopping does not vary with age of the respondents at 5 percent significance level.
2. The agreement towards reasons for using internet shopping does not vary with gender of the respondents at 5 percent significance level.
3. The agreement towards reasons for using internet shopping does not vary with educational level of the respondents at 5 percent significance level.
4. The agreement towards reasons for using internet shopping does not vary with religion of the respondents at 5 percent significance level.
5. The agreement towards reasons for using internet shopping does not vary with occupation of the respondents at 5 percent significance level.
6. The agreement towards reasons for using internet shopping does not vary with income of the respondents at 5 percent significance level.
7. The agreement towards reasons for using internet shopping does not vary with number of family members of the respondents at 5 percent significance level.
8. The agreement towards reasons for using internet shopping does not vary with
place of residence of the respondents at 5 percent significance level.

9. There is no association between age of the respondents and opinion towards security of internet at 5 percent significance level.

10. There is no association between gender of the respondents and opinion towards security of internet at 5 percent significance level.

11. There is no association between education level of the respondents and opinion towards security of internet at 5 percent significance level.

12. There is no association between religion of the respondents and opinion towards security of internet at 5 percent significance level.

13. There is no association between occupation of the respondents and opinion towards security of internet at 5 percent significance level.

14. There is no association between income of the respondents and opinion towards security of internet at 5 percent significance level.

15. There is no association between number of family members of the respondents and opinion towards security of internet at 5 percent significance level.

16. There is no association between place of residence of the respondents and opinion towards security of internet at 5 percent significance level.

17. The agreement towards the various features valued while visiting an E-commerce website does not vary with respondents’ age at 55 percent significance level.
18. The agreement towards the various features valued while visiting an E-commerce website does not vary with respondents’ gender at 5 percent significance level.

19. The agreement towards the various features valued while visiting an E-commerce website does not vary with respondents’ education level at 5 percent significance level.

20. The agreement towards the various features valued while visiting an E-commerce website does not vary with respondents’ religion at 5 percent significance level.

21. The agreement towards the various features valued while visiting an E-commerce website does not vary with respondents’ occupation at 5 percent significance level.

22. The agreement towards the various features valued while visiting an E-commerce website does not vary with respondents’ income at 5 percent significance level.

23. The agreement towards the various features valued while visiting an E-commerce website does not vary with respondents’ number of family members at 5 percent significance level.

24. The agreement towards the various features valued while visiting an
E-commerce website does not vary with respondents’ nature of residence at 5 percent significance level.

25. There is no association between age and intention to purchase at 5 percent significance level.

26. There is no association between gender and intention to purchase at 5 percent significance level.

27. There is no association between education level and intention to purchase at 5 percent significance level.

28. There is no association between religion and intention to purchase at 5 percent significance level.

29. There is no association between occupation and intention to purchase at 5 percent significance level.

30. There is no association between income and intention to purchase at 5 percent significance level.

31. There is no association between number of family members and intention to purchase at 5 percent significance level.

32. There is no association between place of residence and intention to purchase at 5 percent significance level.

1.6 RESEARCH METHODOLOGY
1.6.1 Type of the Study

The study utilises the **descriptive techniques**, because the main objective is “what exists” and “what is” about a certain existing situation relating to online retailing. The method ascertains the prevailing conditions in a particular setting and experience. This kind of study is the most significant one as the researcher seeks the direct responses from those who are associated with the area of interest. This method has been adopted as an essential technique of qualitative description of the answer to the question regarding the real facts relating to the ubiquitous environment.

1.6.2 Construction of Tool and Pre-Test

After a thorough review of literature and previous studies, the researcher could formulate the problem and prepare the research design. Based on the research design the researcher identified the variables to be included in this study.

The instrument was then pretested with a small sample of 25 respondents. Interview schedule is the tool used for the study.

1.6.3 Respondents of the Study

Consumers having awareness and/or exposure and/or real time experience of online shopping in Madurai District are the respondents of the study.

1.6.4 Sampling Procedure
Multistage sampling technique was adopted to select the sample required for the study. Madurai District was selected for this study. There are 13 Blocks in Madurai District namely Alanganallur, Chellampatti, Kallikudi, Kottampatti, Madurai East, Madurai West, Melur, Sedapatti, T. Kallupatti, Thirumangalam, Tirupparangundram, Usilampatti and Vadipatti. Out of 13 blocks in Madurai District four blocks (Alanganallur, Madurai East, Thirumangalam, and Vadipatti) are randomly selected and from each of the selected blocks two largest villages were purposively chosen. The population of Madurai District is 2578201 as per 2001 census; 0.02% of the population is 515. So, the sample for each village is 64.75, which was rounded off to 65 samples per village.

From each village 65 respondents were chosen using snowballing technique totalling to 520 samples. From the 520 filled in questionnaires 20 were rejected as they were incomplete. The final sample size of the study is 500.

1.6.5 Fieldwork and Collection of Data

The researcher himself carried out the field work for the study. It was conducted during May 2012 to November 2012. Interview schedule was used to collect data from the respondents.

1.7 TOOLS FOR ANALYSIS

The researcher has used the following statistical tools for the present study
1. Percentage analysis,
2. Chi-square analysis,
3. Correlation analysis
4. Factor analysis and
5. One way ANOVA

1.7.1 Percentage Analysis

Percentage method refers to a specified kind which is used in making comparison between two or more series of data. Percentages are based on descriptive relationship. It compares the relative items. Since the percentage reduces everything to a common base and thereby allow meaning of comparison.

\[
\text{Percentage} = \frac{\text{Number of respondents}}{\text{Total number of respondents}} \times 100
\]

1.7.2 Chi-square

The Chi-square test procedure tabulates variable into categories and computes a chi-square statistic. This goodness-of-fit test compares the observed and expected
frequencies in each category to test that all categories contain the same proportion of values or test that each category contains a user-specified proportion of values. Statistical method to test whether two or more variables are independent or dependent. The chi-square test examines whether knowing the value of one variable helps to estimate the value of another variable. The chi-square test for homogeneity examines whether two populations have the same proportion of observations with a common characteristic.

1.7.3 Factor Analysis

Factor analysis identifies common dimensions of factors from the observed variables that link together the seemingly unrelated variables and provides insight into the underlying structure of the data. Varimax rotation is one of the most popular methods used in the study to simplify the factor structure by maximising the variance of a column of the pattern matrix. The common factors themselves are expressed as linear combinations of the observed variables.

Factor Model

\[
\text{Family income} = W_{i1} X_1 + W_{i2} X_2 + \ldots + W_{ik} X_k
\]
Whereas

\[ F_i = \text{Estimate of the } i^{th} \text{ factor} \]

\[ W_i = \text{Weight or factor score co-efficient} \]

\[ X_i = \text{Variables included} \]

\[ k = \text{No. of variables included} \]

### 1.7.4 Analysis of Variance (ANOVA)

Analysis of variance is used for examining the differences in the mean values of the dependent variable associated with the effect of the controlled independent variables, after taking into account the influence of the uncontrolled independent variables. One-way analysis of variance involves only one dependent variable or a single factor. The null hypothesis may be tested by the F statistic based ratio between these two estimates:

\[
F = \frac{\text{SS}_x / (c - 1)}{\text{SS}_{\text{error}} / (N - c)} = \frac{\text{MS}_x}{\text{MS}_{\text{error}}}
\]

Where \( \text{SS}_x = \sum_{j=1}^{c} n (\bar{Y}_j - \bar{Y})^2 \)
Where $SS_{error} = \sum_{j=1}^{c} \sum_{i=1}^{n} (\overline{Y}_j - \overline{Y})^2$

$Y_i$ = Individual observation

$Y_j$ = Mean for category (j)

$Y$ = Mean over the whole sample, or grand mean

$Y_{ij}$ = $i^{th}$ observation in the $j^{th}$ category

$C$ = Number of independent variables or groups

$N$ = Total sample size (nxc)

The ‘F’ statistic follows the F distribution, with (C-1) and (N-c) degree of freedom.

1.7.5 Correlation Analysis

While regression and correlation analysis are related, they serve different purposes. In correlation analysis, the two variables are considered at random. No variable is identified as dependent nor independent variable. Of interest is the co-variation of the two variables. If an increase in one variable is associated with an increase in the other, it can be inferred that the two variables are positively correlated. If an increase in one is associated with a decrease in the other, it can be concluded that the two variables are negatively correlated. If there is no change in one with a change in the value of the other variable, we say that the two variables are uncorrelated.

The following formula for Pearson correlation will provide a measure of the linear relationship between two variables, represented by X and Y

$$r = \text{correlation coefficient}$$
\[ r = \frac{\sum (X - \bar{X})(Y - \bar{Y})}{\sqrt{\sum (X - \bar{X})^2 (Y - \bar{Y})^2}} \]

\[ r = \frac{\Sigma XY - (\Sigma X)(\Sigma Y)}{n} \]

\[ r = \frac{\sqrt{\left(\frac{\Sigma X^2 - (\Sigma X)^2}{n}\right)\left(\frac{\Sigma Y^2 - (\Sigma Y)^2}{n}\right)}}{n} \]

The value of \( r \) is always between -1 and +1

- \( r = +1 \) perfect positive correlation between \( X \) and \( Y \)
- \( r = -1 \) perfect negative correlation between \( X \) and \( Y \)
- \( r = 0 \) no correlation between \( X \) and \( Y \)

**1.8 LIMITATIONS OF THE STUDY**

The following are the major limitations of the study

1. The scope of the study is limited to the online business, consumers buying behaviour and its prospects in retailing in Madurai District
2. In Tamil Nadu, online-retailing system is a newfangled genesis that further
bounds the scope of the study.

3. Constraints of time, financial and human resources are also a limit for study.

1.9 CHAPTER FRAME

The chapter frame of the research thesis is as follows:

The first chapter covers research problem, importance, scope, and objectives of
the study, hypothesis, methodology and limitations of the study.

The second chapter presents an extensive review of the literature pertaining to
online consumer behavior, prior studies conducted regarding online consumer
behaviour and subsequently research gap was identified

The third chapter makes a review of the Madurai district by giving its profile,
geographical features, administrative structures, population distribution, etc.

The fourth chapter details the demographic profile of the respondents of the
study by dealing with age, gender, education, religion, occupation, income, etc
exclusively.

The fifth chapter covers the analysis and interpretation of wide range of data
such as the purpose of using internet and its frequency, goods purchased using internet,