reasons, search engine used, opinion about security of internet, secure payment gateway website used, using various statistical tools.

The last chapter summarises the findings, suggestions, conclusion and suggests future research directions.

2.1 INTRODUCTION

Although there are number of studies on various aspects of online trading and market approach have been made, this study is the first of its kind. The studies previously made enabled the researcher to formulate the research problem and to proceed further on systematic lines. The researcher makes an indepth review of the various previous studies that have been conducted on the online trading and market approach by different foreign and Indian researchers.

2.2 GROWTH OF ONLINE BUYING

Purchasing via Internet is one of the most rapidly growing forms of shopping, with sales growth rates that outpace buying through traditional retailing⁶.

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Several factors have contributed to the growth of the Internet market, some connected to technological advances, some related the way the corporate world has changed its perceptions, and some related to changing lifestyles of consumers. The increasing number of company that offer Internet access are providing consumers with a convenient and inexpensive way to become members of the Internet community. The proliferation of online shopping has stimulated considerable research examining consumer acceptance of the internet as a shopping channel.\(^7\)

The development of better navigation software and search engines are making Internet visits a more pleasant and exciting experience. The increase in the quantity and quality of the available information on the Internet and the presence of well-known corporations and brands on the Internet are also generating higher interest among consumers.

In addition, the developments of secure systems that allow secure monetary transactions are accelerating Internet shopping. The increased globalization of the world economies has created many opportunities for marketers.

At the same time, this has also intensified competition among businesses so that many companies are looking towards unconventional forms of marketing. Marketing

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through the Internet is one such unconventional form of marketing that many companies have turned to\(^8\).

### 2.3 BENEFITS OF ONLINE SHOPPING TO CONSUMERS

When compared to the brick-and-mortar shopping environment, Internet offers relatively easy access for the consumer to buy products. As shopping in the offline environment is constrained by time (opening hours) and geographical location, on the Web consumer can buy at any time from almost anywhere in the world. As a result, the consumer can buy when the shopping urge comes. Thus online retailing offers consumers temporal and spatial convenience.

Studies have revealed that one of the main reasons for online shopping is competitive price. Some online retailers frequently use price promotion to attract consumers and influence their purchasing decisions\(^9\)

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In the physical shopping environment, visiting a store requires the costs of getting to the store, including costs for using the car or other types of transport, costs of parking etc. However, it is usually costless or nearly costless for the consumer to visit an online store site\textsuperscript{10}.

One of the most promising potential benefits of such personalization is that it allows prospective buyers to screen large sets of products very efficiently and effectively\textsuperscript{11}.

A common example of personalization in the context of customer interfaces is the presentation of a set of available products in the form of a list in which products are sorted in descending order of their predicted attractiveness to the shopper. We refer to the arrangement of products in this fashion as Personalized Product Recommendations (PPRs).

The Internet offers more privacy and anonymity in shopping than traditional, offline shopping environment do\textsuperscript{12}. Due to the social anonymity on the Internet, consumers can indulge in such impulse buying that otherwise would be considered


embarrassing offline. Hence, the privacy and anonymity offered by the Internet can be considered as a factor encouraging impulse purchases.

2.4 ONLINE VS. TRADITIONAL SHOPPING BEHAVIOUR

The level of perceived risk that a customer associates with a buying decision is higher in online shopping than in traditional shopping\(^{13}\). Online Shopping behaviour does not necessarily follow traditional consumer behaviour in the bricks-and-mortar retailing environment. Table 2.1 provides a comparison between online shopping and the traditional shopping

<table>
<thead>
<tr>
<th>Traditional Shopping</th>
<th>Online Shopping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salesclerk service</td>
<td>Product descriptions, information pages, gift services, search function,</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales promotion</td>
<td>Special offers, online games and lotteries, links to other sites of interest, appetizer information</td>
</tr>
<tr>
<td>Store window displays</td>
<td>Home page</td>
</tr>
<tr>
<td>Store atmosphere</td>
<td>Interface consistency, store organization, interface and graphics quality</td>
</tr>
<tr>
<td>Aisle Products</td>
<td>Featured products on hierarchical levels of the store</td>
</tr>
<tr>
<td>Store layout</td>
<td>Screen depth, browse and search functions, indices, image maps.</td>
</tr>
<tr>
<td>Number of floors in the Store</td>
<td>Hierarchical levels of the store</td>
</tr>
<tr>
<td>Number of store entrants and</td>
<td>Number of links to a particular online retail store</td>
</tr>
<tr>
<td>store outlets/branches</td>
<td></td>
</tr>
<tr>
<td>Checkout cashier</td>
<td>Online shopping basket and/or order form</td>
</tr>
<tr>
<td>Look and touch of the</td>
<td>Limited to image quality and description, potential for sound and video applications</td>
</tr>
<tr>
<td>merchandise</td>
<td></td>
</tr>
<tr>
<td>Number of people entering the</td>
<td>Number of unique visits to the online retail store</td>
</tr>
<tr>
<td>store</td>
<td></td>
</tr>
<tr>
<td>Sales per period</td>
<td>Sales per period</td>
</tr>
</tbody>
</table>

Source: Loshe and Spiller (1999)
2.5 ONLINE SHOPPING BEHAVIOUR

Online shopping behaviour (also called online buying behaviour and Internet shopping/buying behaviour) refers to the process of purchasing products or services via the Internet. Depending on their experience, skill or cultural background, consumers are likely to evidence differing perceptions, attitudes and behaviour in online contexts.\(^\text{14}\)

Since purchasing from online stores can be considered as a choice between the internet and traditional stores, it is reasonable to assume that consumers will go with the channel that has the lower transaction cost.\(^\text{15}\)

Ho and Wu\(^\text{16}\) discovered that there are positive relationships between online shopping behaviour and five categories of factors, which include e-stores, logistical support, product characteristics, websites, technological characteristics, information characteristics, and homepage presentation.

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Despite economic predictions, price dispersion exists on the web. Dispersion is present even within internet based shopping malls like Amazon, where conditions are close to almost perfect price information and most of the products are standardized\textsuperscript{17}

### 2.6 Previous Studies

Bellman, Lohse and Johnson\textsuperscript{18} have examined the relationship among demographics, personal characteristics, and attitudes towards online shopping. These authors found that people who have a more wired lifestyle and who are more time constrained tend to buy online more frequently, i.e., those who use the Internet as a routine tool and/or those who are more time starved prefer shopping on the Internet.

Bhatnagar, Misra and Rao\textsuperscript{19} have measured how demographics, vendor/service/product characteristics, and website quality influence the consumers, attitude towards online shopping and consequently their online buying behaviour. They report that the convenience the Internet affords and the risk perceived by the consumers are related to

\textsuperscript{17} Maria Petrescu, (2011),"Online price dispersion - more than imperfect information", Journal of Product & Brand Management, Vol. 20 Issue: 7 pp. 541 – 548


the two dependent variables (attitudes and behaviour) positively and negatively, respectively.

Jarvenpaa, Tractinsky, and Vitale\textsuperscript{20} have investigated how consumers perceived store size and reputation influence their trust in the store, risk perception, attitudes, and willingness to buy at the specific store. They discover that there is a positive relationship between consumer trust in Internet stores and the stores perceived reputation and size. Higher consumer trust also reduces perceived risks associated with Internet shopping and generates more favourable attitudes towards shopping at a particular store, which in turn increases willingness to purchase from that store.

Jahng, Jain, and Ramamurthy\textsuperscript{21} have proposed and validated a Technology/Product Fit Model to describe and predict the relationship between product characteristics, e-commerce environment characteristics, and user outcomes. They classify products sold on the Internet as belonging to four categories based on social and product presence requirements: simple, experiential, complex, or social. When a positive fit is established between the ecommerce environment and the product


requirements, favourable user outcomes are generated that include user satisfaction, decision confidence, e-commerce acceptance, and purchase intent.

Li Kuo, C., and Russell, M. G.\textsuperscript{22} found that customers who purchase Internet stores more frequently are more convenience-oriented and less experience-oriented. These consumers regard convenience during shopping as the most important factor in purchase decisions, because they are time-constrained and do not mind buying products without touching or feeling them if they can save time in this way.

Case, Burns, and Dick\textsuperscript{23} have suggested that internet knowledge, income, and education level are especially powerful predictors of Internet purchases among university students according to an online survey of 425 U.S. undergraduate and MBA students.

These studies have all made important contributions to our understanding of the dynamics of online shopping field. However, there is a lack of coherent understanding of the impact of relevant factors on online attitudes and behaviour and an inconsistent

\textsuperscript{22} Li, H., Kuo, C., and Russell, M. G.(1999) The impact of perceived channel utilities, shopping orientations, and demographics on the consumer’s online buying behaviour, \textit{Journal of Computer-Mediated Communication} Vol.5 No.2

identification of relevant independent and dependent variables. This makes comparisons of different studies difficult, applications of research findings limited, and the prospect of synthesizing and integrating the empirical literature in this area elusive\textsuperscript{24}. Consumers from different countries perceive different risks and this affect in a different way to their repurchase intention\textsuperscript{25}

Online retailers should strive to build good reputation and trust which will enable customers to continue to buy from them. Privacy is another important driving force for online trading. Businesses should continue to focus on improving their goodwill by maintaining good business ethics, which will help in building trust and confidence among customers. Besides, ensuring privacy of information provided by customers, building trust and good reputation, added value and usefulness of this mode should be enhanced and communicated to customers\textsuperscript{26}


\textsuperscript{25} Sonia San Martín, Carmen Camarero, Rebeca San José, (2011),"Dual effect of perceived risk on cross-national e-commerce", \textit{Internet Research}, Vol. 21 Iss: 1 pp. 46 - 66

\textsuperscript{26} Chai Har Lee, Uchenna Cyril Eze, Nelson Oly Ndubisi, (2011),"Analyzing key determinants of online repurchase intentions", \textit{Asia Pacific Journal of Marketing and Logistics}, Vol. 23 Iss: 2 pp. 200 – 221
Functional product viewing, allows the consumer to personalise how they view and interact with the product stimulating more utilitarian effects, whilst the second area, aesthetic fashion information is driven by the retailer providing advice and information about the products stimulating hedonic effects\(^{27}\).

Attitude towards purchasing online was positively related to their intentions to continue to purchase online\(^{28}\).

2.7 ONLINE RETAILING BARRIERS

Potential consumers are often prevented from shopping online by their concern for security\(^{29}\). However, perceived risk can be reduced by knowledge, skill, and experience on the Internet, computer, and online shopping\(^{30}\). In another

\(^{27}\) Helen McCormick, Charlotte Livett, (2012),"Analysing the influence of the presentation of fashion garments on young consumers' online behaviour", *Journal of Fashion Marketing and Management*, Vol. 16 Iss: 1 pp. 21 – 41


study, Bellman and colleagues\textsuperscript{31} propose that people living a wired lifestyle patronize e-stores spontaneously. These consumers use the Internet as a routine tool to receive and send emails, to do their work, to read news, to search information, or for recreational purposes. Their routine use of the Internet for other purposes leads them to naturally use it as a shopping channel as well.

Other barriers to online shopping include the loss of privacy of personal data, difficulty in assessment of product, difficulty of returning and exchanging products, shipping charges and discomfort with seller anonymity\textsuperscript{32}

\section*{2.8 ONLINE SHOPPING RATIONAL BEHAVIOUR OR IMPULSE BUYING}

Traditionally, online shopping has been seen as a rational behaviour, where efficiency, price comparisons and information search play a significant role\textsuperscript{33}. However,


currently it is acknowledged that consumer online behaviour is much more versatile than the rational approach assumes.

Therefore, a more experiential side to online behaviour has been introduced\textsuperscript{34}. Impulse buying has been seen as one manifestation of experiential consumer online behaviour\textsuperscript{35}

2. 9 FACTORS ENCOURAGING IMPULSE BUYING ON THE INTERNET

Five features of the Internet as a shopping environment were identified that encourage impulse buying – anonymity, easy access, greater variety of goods available, marketing promotions and direct marketing, and use of credit cards. Factors and their explanations are presented in Table 2.2.

Table 2.2
Factors Encouraging Impulse Buying on the Internet

<table>
<thead>
<tr>
<th>Factor</th>
<th>Explained</th>
<th>See e.g.</th>
</tr>
</thead>
</table>


### 2.10 Factors Discouraging Impulse Buying on the Internet

<table>
<thead>
<tr>
<th>Factor</th>
<th>Description</th>
<th>Source(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anonymity</td>
<td>The shopper can buy impulsively without embarrassment.</td>
<td>Koufaris 2002, 210; Rook &amp; Fisher 1995, 312</td>
</tr>
<tr>
<td>Easy access</td>
<td>The Internet is available as the shopping urge comes. Also the purchase of an item is just a few mouse clicks away.</td>
<td>Button 2002, 804; Koufaris 2002, 210; Moe &amp; Fader 2004; Rook &amp; Fisher 1995, 312</td>
</tr>
<tr>
<td>Greater variety of goods available</td>
<td>Greater variety resulting in complex information load may encourage impulse purchases.</td>
<td>Chen-Yu &amp; Seock 2002, 74; Huang 2000, 344</td>
</tr>
<tr>
<td>Marketing promotions and direct marketing</td>
<td>Increased possibilities for directing and personalizing marketing messages.</td>
<td>Koufaris 2002, 210; Koufaris et al. 2002, 117</td>
</tr>
<tr>
<td>Use of credit cards</td>
<td>Most often the products bought on the Internet are paid with a credit card, which encourage impulse buying.</td>
<td>Dittmar &amp; Drury 2000, 131; Rook &amp; Fisher 1995, 312</td>
</tr>
</tbody>
</table>
Five features of online shopping environment were identified as discouraging impulse buying delayed gratification, easy access, increased consumer control, perceptually poor environment, and price and product comparisons. Factors and their explanations are listed in Table 2.3.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Explained</th>
<th>See e.g.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy access</td>
<td>Consumer can think about the purchase for a while and easily return to the store.</td>
<td>Moe &amp; Fader 2004; Wolfinbarger &amp; Gilly 2001, 39</td>
</tr>
<tr>
<td>Increased consumer control</td>
<td>Consumers are more in control of what they see and do.</td>
<td>Koufaris et al. 2002, 117, Rook 1987, 191; Thompson et al. 1990, 354; Wolfinbarger &amp; Gilly 2001</td>
</tr>
<tr>
<td>Price &amp; Product comparisons</td>
<td>Encourages rational thinking and longer decision times.</td>
<td>Koufaris et al. 2002, 117</td>
</tr>
</tbody>
</table>

### 2.11 CONSUMER BEHAVIOUR

In the last forty years, consumer behaviour models have been substantially developed. These models, contrary to verbal models, are explicitly with a mathematical structure. With their rapid speed of proliferation, it is not surprising to notice the models exist in a bewildering array of forms. Roughly speaking, formal models of consumer behaviour may be classified into four broad types, including information-processing models, experimental and other linear models, large-system models, and stochastic models.

Consumer behaviour is one of the most important, dynamic scientific fields in market research. With consumer behaviour analysis, many important marketing statistics, such as market share, a brand's purchase probability and so on, can be evaluated by building formal models of consumer behaviour. However, consumers differ from each other in a range of characteristics like preference, income, gender, personality, etc., which implies that it is impossible to employ a single model to incorporate all of these variables.
2.12 CONSUMER DECISION MAKING PROCESS

The predominant approach, explaining the fundamentals of consumer behaviour, describes the consumer buying process as learning, information-processing and decision-making activity divided in several consequent steps:\(^{36}\):

1. Problem identification.
2. Information search.
3. Alternatives evaluation.
4. Purchasing decision.
5. Post-purchase behaviour

The process consists of five steps similar to those associated with traditional shopping behaviour\(^{37}\). In the typical online shopping process, when potential consumers recognize a need for some merchandise or service, they go to the Internet and search for need-related information. However, rather than searching actively, at times potential consumers are attracted by information about products or services associated with the felt need. They then evaluate alternatives and choose the one that best fits

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their criteria for meeting the felt need. Finally, a transaction is conducted and post-sales services provided.

In the marketing field, consumer behavioural science has played a key role in attracting marketers in the past. However, it is a sophisticated science affected by a variety of uncontrollable factors such as demographic, social, economic, cultural, psychological, and personal characteristics.\(^\text{38}\)

Researchers have constantly attempted to explain or predict consumers’ purchase decision making process by various proposed models. Some of their findings have been successfully applied in the real world\textsuperscript{39}.

\subsection*{2.13 ONLINE OFFLINE OVERLAP}

The stages of the purchasing process need not be restricted to either all online or all offline—different stages may be accomplished online or offline. For example, the need for an item may be aroused offline while being exposed to a print advertising in a magazine. Information search and product evaluation may occur both online and offline.

The actual purchase decision and transaction may be conducted online at an e-commerce site, and finally, post purchase evaluation may occur offline as the physical product is delivered to the customer’s home. It is important to empirically validate whether all stages of the consumer purchasing decision making process is also conducted online. If not, what stages of the purchasing decision making process are conducted online versus offline.

\subsection*{2.14 MODIFIED CONSUMER DECISION PROCESS – ONLINE BUYING}

\footnote{\textsuperscript{39} N. H. Borden, “The concept of the marketing mix,” \textit{Journal of Advertising Research}, vol. 4, 1964, pp. 2-7.}
Resources on the Internet have changed the consumer decision process. Information search and alternatives evaluation performed by consumers tend to be two phased. Product and price information are emphases of consumers in the two phases respectively, as well as product evaluation and channel selection are undertaken within each phase.

In the modified model, the focus of the first phase is the search and evaluation performed by consumers on product-related information, such as brand, specification, function, and appraisal. Consumers rigorously search for and evaluate products, while only generally referring to price to ensure the products are within their budgets. However, little emphasis is placed on information about channel and promotion in the first phase.
2.15 BEHAVIOUR WITHIN A WEB SITE

Understanding detailed behaviour as consumers navigate within a Web site has enormous potentials for e-commerce firms in creating value. In online retail, consumers not only interact with a web-based application but also through it with the firm’s business processes, and product and service delivery capabilities.

Research investigating the within-site navigation behaviours has shown that the general customer online experience has significant impact on customer satisfaction, which in turn leads to actual purchases. Mandel and Johnson show that preferences, and hence purchasing decisions, are constructed online while interacting with the online storefront.

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In a similar vein, Moe\textsuperscript{43} shows that online shoppers with different shopping strategies show significant heterogeneity in their navigational behaviour, which ultimately leads to differences in actual purchasing propensities. Offering a user-friendly navigation interface is important in order to facilitate research by the internet user\textsuperscript{44}.

Given that online consumer behaviour is shaped by the customer’s shopping goals and the structure of the online environment\textsuperscript{45} (i.e., design of the e-commerce website), it is important to understand how the design of the e-commerce website supports consumers’ purchasing processes.

2.16 POST ADOPTION AND RE PURCHASE INTENTION IN ONLINE SHOPPING

Chuanlan Liu and Sandra Forsythe\textsuperscript{46} study states that customers’ repurchasing or loyalty is critical to the success and profitability of online stores. Trust, enjoyment,

\begin{flushleft}
\end{flushleft}
perceived usefulness and perceived ease of use are significant determinants of repurchase intention.\(^{47}\)

### 2.17 RESEARCH GAP

As the trend towards globalisation intensifies, firms need to target their products at markets that span national boundaries. Firms engaging in e-commerce must study and understand factors affecting the online purchasing behaviour of consumers of different countries.

Understanding the mechanisms of virtual shopping and the behaviour of the online consumer is a priority issue for practitioners competing in the fast expanding virtual marketplace. Given the continuous expansion of the Internet in terms of user numbers, transaction volumes and business penetration this massive research endeavor

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is not surprising. More than 20 per cent of Internet users in several countries already buy products and services online\textsuperscript{48}.

Yet the Internet meltdown at the end of the 1990s and plenty of more recent anecdotal and empirical evidence indicate that many online firms still do not completely understand the needs and behaviour of the online consumer\textsuperscript{49} while many of them “continue to struggle with how effectively to market and sell products online”\textsuperscript{50}. However, there is relatively little research investigating the factors affecting consumers’ online buying behaviour across nations\textsuperscript{51}.

2.18 SUMMARY


