INTRODUCTION

Customer acceptance of innovations necessitates behavioral research aimed at examining and predicting actual behavior and behavioral intentions. Due to low penetration of internet in India (around 4% according to Business Today, 5.2% according to Nasscom’s projection for 2005 and 7.1% in November 2008 according to internet World Stats’ usage and populations statistics) as compared to other countries (China 22.4%, Taiwan 66.1%), internet shopping can be considered as an innovation for the Indian customer.

The success of internet auctioneers eBay, e-steel, Baazee and electronic retailing giants Amazon.com, Icicidirect.com, Indianrail have demonstrated that internet medium is viable channel for both traditional as well as innovative business exchanges between retailers and their customers. Further, the e-business retail sales figures compiled and published, suggest that there is a steady growth in e-commerce activity. Other factors such as the continuous growth in the number of internet users (Appendix C) and broadband subscribers, and the rapid pace of technological improvements and innovations also hold the promise for greater acceptance of the digital medium by consumers (Malone, 2001). On the other side, internationally the rash of bankruptcies among internet retailers and dramatic declines in stock values of internet-related businesses few years back brought the sobering realization that along with the opportunities, electronic retailers also have challenges including the task of identifying, attracting and retaining customers. By any measure, the run-up in the price and trading in internet-related stocks between 1998 and the spring of 2000 was extraordinary. Companies with little revenues and no profits commanded billion-dollar market capitalizations. In February 2000, the largely profitless internet sector equaled 6% of the market capitalization of all U.S. public companies, and 20% of all publicly traded equity
volume. In just a two-year period of time, the entire sector earned over 1000% returns on its public equity. But the .com bubble burst in the spring of 2000 with an eventual decline back to 1998 levels (Ofek and Matthew, 2002).

In the last few years, the pervasive myth that building internet retail sites will automatically trigger customer patronage has been laid to rest (Malone, 2001 and Thomas, 2002). The demise of thousands of internet businesses (like etoys) that banked on slick websites and multi-million-rupees advertisement campaigns is a painful but educative reminder that for all the hype, the internet is just another channel for business. Irrefutably, the digital channel offers some unique advantages over other media including interactive communications, rapid comparison shopping, lower transaction costs, innovative arrangements for the sampling and consumption of digital products, and the elimination of time and spatial barriers. However, this new medium of commerce has its own drawbacks such as reduced opportunities for sensory shopping, social shopping, face-to-face interactions with sales personnel, and the postponement of the consumption or enjoyment of tangible goods. The inherent limitations of the internet have been compounded by poorly designed internet storefronts, limited product selection, poor customer service, tedious checkout procedures, botched orders, tardy deliveries, security lapses, and privacy invasions. Further, even though the popularity of broadband internet connections are on the rise, the majority of the Indian households use slower dial-up connections, which could detract from a satisfying internet shopping experience. Given these problems, which are not atypical of innovations, it is becoming increasingly clear that internet shopping may not hold the same attraction for all customers, and its diffusion may follow the same bell-shaped curve as that of other innovations (Rogers, 1995) rather than the radical adoption rates that were optimistically forecasted in the late 1990s. The same was predicted rightly by Vijayasarathy (2003).
Customer demand for the internet is a key factor that may ultimately drive widespread acceptance of the internet by retailers. Whether the customer has access and how they use or perceive internet shopping in a way will affect its ultimate acceptance (Shirky, 1997).

Therefore, this study examines internet shopping acceptance in developing countries; in this case India. The exponential growth of internet penetration in India and increased e-commerce activity both on consumer side as well as corporate side during last few years provides the impetus to investigate this phenomenon among potential online shoppers. Further, this channel of commerce brings a major technological shift in the way business is conducted and raises challenges in terms of aligning the e-commerce model to the traditional Indian socialistic psychological beliefs. The study tests a comprehensive Technology Acceptance Model incorporating shopping profiles and security and privacy concerns exploring their effects on successful adoption of internet shopping in India.