INTRODUCTION AND DESIGN OF THE STUDY
CHAPTER – I

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1.1 Introduction

Marketing concept is a philosophy of business. Today, marketing is not a mere physical process of activities concerning exchanging of goods. Modern marketing is primarily concerned with creation of consumers in other words, identification of the needs of consumers and then organizing the business activities to satisfy the consumers’ needs. The present day business men aim at ‘consumers delight’ rather than consumer satisfaction. In fact modern marketing enhances all the activities involved in identifying the needs of present and potential consumers’ for goods and services, in procuring the goods from production centre and distribution through transfer of ownership. Marketing is in brief supplying what the consumers’ want, when they want, at the place they want, at the price they can afford and thereby resulting in the creation of a satisfied consumers’.

1.2 The Evolution of Marketing

Trade has existed since when man was capable of producing surplus. The first method of this kind of trade is called the “barter system”. This means exchanging goods with one another. During the 1800 the world was facing industrial revolution, this means that people shifted from agriculture to industrial products and this brought about the opening of different factories. People increased their income and there was a corresponding increase in demand for products. In other words, the producer had an advantage over the consumer in those days since whatever was produced was being demanded.

The five Business Concepts or Philosophies

- Production
- Product
1.3 Marketing Mix

The process of marketing or distribution of goods requires particular attention of management of business because production has no relevance unless products are sold. Marketing mix, simply stated, is the process of designing and integrating various elements of marketing in such a way so as to ensure the achievement of enterprise objectives. The elements of marketing mix have been classified under four heads - product, price, place and promotion. Decisions relating to the product include product designing, packaging and labeling and varieties of the product. Decision on ‘Price’ is very important because sales depend to a large extent on product pricing. Whether uniform price will be charged or different prices will be charged for the same product in different markets are examples of decision pertaining to the price of the product. The third important element is ‘place’, which refers to decision regarding the market where products will be offered for sale. ‘Promotion' involves decisions bearing on the ways and means of increasing sales. Different tools or methods may be adopted for this purpose. The relative importance to be attached to the various methods is decided while concentrating on the element of ‘promotion’ in marketing mix, lastly, the marketing manager has to take into account the impact of external factors like consumer behaviour, competitors’ strategy, and Government policy on each element of marketing mix.

In short, marketing mix involves decisions regarding products to be made available, the price to be charged for the same, and the incentives to be provided to the consumers in the markets where products would be made available for sale. These decisions are taken keeping in view the influence of marketing forces outside the organization.
1.4 E-Commerce Technology

Electronic commerce has become one of the essential characteristics in the Internet era. Internet and Web technologies have fundamentally changed the way businesses interacted, transacted and communicated with consumers. It has become a dynamic virtual medium for selling and buying of information, products or services because, the growth and development of retail brands has experienced considerable change over the last few decades. For many retailers the strategy of offering lower quality and lower price on brand alternative has changed to a policy of directly competing with manufacturer brands in terms of quality, design and packaging. The Internet has also changed the way we consume products and our means of satisfying the demands for our comfort. The Internet has made it easier for us to acquire the goods. Internet commerce exploded and became a normal part of day to day life of consumers. It provides both organizations and consumers, with endless options to choose from, for various transactions.

Online commerce has many advantages when compared to regular shopping. The most fundamental advantage is the convenience. The Internet was popularized in the 1980s when Microsoft and IBM came out with the personal computers. The era of online shopping totally transformed the computer in ways few would have imagined in the early 1980s. The first bank was opened in 1994 and a Pizza Hut website also went online. In the late 1990s and early 2000s online shopping became more accessible for a lot of people and its popularity surged the consumers. In today’s society, people are doing all kinds of their financial transaction ranging from buying holiday gifts to buying cars and paying their bills over the net. According to UCLA Center for Communication Policy (2001)\textsuperscript{1}, online shopping has become the third most popular Internet activity, immediately following e-mail using/instant messaging and web browsing. Online shopping can be done at home and one need not have to worry about traffic congestion, long lines and other traditional aspects.

The term “\textbf{Electronic commerce}\textsuperscript{2}, commonly known as e-commerce or \textbf{eCommerce}, or e-business consists of the buying and selling of products
or services over electronic systems such as the Internet and other computer networks.

1.5 Internet Marketing

The continuous and rapid revolution in the advancement of modern era has made everything so comfortable for everyone and that is the reason why most of the people have fancy to use Internet because of its reliability, speed and performance. Along with message delivering through e-mail, seeking information through searching and browsing, a lot of people are using Internet for online shopping or e-commerce, which has evolved the field of Internet marketing and internet marketing experts have found a proficient way to find their potential customers.

The term “Internet marketing” also referred to as i-marketing, web-marketing, online-marketing or e-Marketing, is the marketing of products or services over the Internet.

1.6 Online Shopping

Online shopping is a major part of the overall electronic commerce, or e-commerce, industry which consists of all the buying and selling of goods and services over electronic systems such as the internet and other computer networks by households, businesses and other agencies. With the spread of the internet, the amount or trade that is conducted electronically has seen extraordinary growth; and has led to innovations and development in areas such as electronic funds transfer, electronic data interchange and internet marketing. Before the widespread introduction of the internet to the general public in 1994, the term electronic commerce referred to the use of technologies such as Electronic Data Interchange (EDI) and Electronic Fund Transfer (EFT), introduced in the late 1970’s, to facilitate business practices. With the rise of the World Wide Web many predicted that e-commerce would soon become a major economic sector, but security protocols such as HTTPS
did not become secure enough for widespread use of such transactions until 1998.

During the dotcom bubble, which saw the emergence of the internet as a new economic sector, companies catering to consumers seeking to make use of this new tool to buy and sell emerged, many of which collapsed when the bubble burst in 2000 and 2001. Despite this, many traditional, brick-and-mortar retailers recognized the valuable markets these companies had identified, and took steps to add e-commerce capabilities to their own websites. New methods of sending payments, such as e-shopping carts, electronic payment services and secured credit card payment authorizations became more widely used.

The emergence of e-commerce as a viable alternative to traditional retailing models has also had other effects. By significantly reducing the barriers of entry for the sale of many types of products, e-commerce has allowed sellers to enter the market who may not have had this ability prior to the advent of the internet. For example, online auction sites such as eBay, or large online retailers such as Amazon, have allowed small, home-based sellers to bypass much of the costs faced by the new entrants into the market, and allowed them to take advantage of those companies’ exposure.

The term “Online shopping” is the process whereby consumers directly buy goods or services from a seller in real-time, without an intermediary service, over the Internet.

1.7 Internet Marketing and Online Shopping

Internet marketing and online shopping are directly related to one another. Internet or online marketing is the most effective way to brand the product line or services and to increase the visibility online. It follows that a properly marketed and visible online business will experience a growth of shoppers and a higher conversion rate. In order to be truly successful online,
a website must use all of the tools available to increase their visibility and their rankings.

The most effective manner of increasing the visibility of a website is through the process of Search Engine Optimization (SEO). The higher a website ranks, the more likely that the site is to receive ‘hits’ or visitors. Internet marketing and online shopping, when considered together, naturally lead a website owner to perform optimization on their site. This process, whether handled by the business owner or by a qualified consultant, is often a simple matter of determining the most effective keywords, changing website design and content and engaging in activities that will organically grow a list of links for a site.

Online reputation or branding must also be considered. While the Internet has made it considerably easier for an average person to start a small business and succeed, it has also made it easier for every consumer to find any piece of information imaginable.

1.8 Importance of online shopping in electronic commerce

With the advances in the technology of networking, multimedia, data processing, electronic commerce brings new business opportunities for companies. Companies are spending millions of time and money in building new Internet business models and finding new channels for their revenues. E-commerce, at the same time, offers specific benefits to online shoppers. Consumers not only have a more convenient way of shopping and have more choices, but also could interact with others and exchange ideas, views through online communities. With the benefits recognized by companies and consumers, E-commerce has been realized more and more important. It is believed that it will become an important channel for business revenues and as well as an important part of peoples’ daily life.
1.9 Online Shopping: An Indian Perspective

A few years back, when online shopping was at its nascent stage, there were very limited sales as well as purchases on the online shopping arena. This was due to many reasons such as lack of internet friendly population, low penetration of computers and internet connections in India, low percentage of credit and debit cardholders, as well as non willingness of people to use their credit card on the internet due to the fear of being scammed. But with the passage of time, this scenario has improved tremendously as people have started gaining confidence about purchasing products through online and it has become an integral part of modern life across the world. In India, with abundance and diversity of information, easily found and conveniently shared facilities, Internet usage has grown exponentially by reshaping peoples’ informational and social needs. There are around 71 million Internet users in India (IAMAI, 2009). Consumers on one hand have the ease of choice, the comfort of shopping from home and an endless variety of products, while saving time and money.

Organizations, on the other hand, are exploiting the unlimited shelf space the internet offers, operational timings and geographical boundaries unconfined by them and the opportunity it created to cater to wide markets at a comparative miniscule cost. As a result customers and organizations are having a much fuller relationship than ever before. As Indian consumers turned to the Internet to tap into this explosion, Internet commerce has become an important business initiative. Organizations have become more serious about their Internet operations witnessing a sharp rise in online retailing activity. According to BMI India Retail Report third-quarter of 2010 indicates that the total retail sales will grow up from US$ 353 billion in 2010 to US$ 543.2 billion by 2014. In addition to the tremendous potential of the E-commerce market, the Internet provides a unique opportunity for companies to more efficiently reach existing and potential consumers.

The year 2007 has been declared as the ‘Broadband Year’ by Indian government. Various initiatives have been undertaken to increase PC and
Internet penetration. People have started to realize the importance of Internet in their lives where it is not just a communication mode to email, chat and get information but has become an enabling tool to perform various tasks over Internet like learning, networking, shopping, gaming and expressing themselves in the form of blogs to the extent of establishing a virtual world for themselves.

1.10 In Context of Tamilnadu

Tamilnadu is an Indian state that lies in the southern part of India. It is the fifth largest contributor to India's Gross Domestic Product (GDP) and the most urbanized state in the country with the highest number of Business enterprises, pegged at 10.56%, compared to the overall population share of 6%. With this Coimbatore is the third largest city in Tamilnadu with a population of more than 30 lakhs. There are more than 30,000 tiny small, medium and large scale industries and textile mills.

According to eBay.in results, over 2427 cities did online transactions in 2009. The major IT Hubs are almost all over India. Tamilnadu and Karnataka were the most wired states of India with the maximum number of towns from where from eCommerce originates. The survey results indicate that Coimbatore occupies 15th place of online shopping in Tamilnadu.

### Most Wired Locations in India

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<tr>
<th>State Ranking</th>
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<td>1</td>
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<td>2</td>
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1.11 Statement of the problem

Due to the rapid development of the technologies surrounding the Internet, companies which are interested to sell their products through their website even though buyers and sellers can be thousands of miles apart, may belong to different parts of world, might speak different languages also. Since Internet is a new virtual medium and so many potential consumers, the online retailers is most important to understand the wants and needs of consumers. The importance of analyzing and identifying the factors influencing the consumer when he or she decides to purchase on the Internet is vital because new virtual market will bring significant differences to the consumers.

Analyzing consumer behaviour is not a new phenomenon. Many theories have been used for many years not only to understand the consumers' attitude, but also create a marketing strategy that will attract the consumer efficiently. However, some distinctions must still be made when considering traditional consumer behaviour and online consumer behaviour.

Even though there are many research topics in the field of business to consumer in the context of Internet business, online retailing is a new retailing medium and online consumer behaviour is diverse from traditional consumer behaviour, one must identify what influences the online consumer. Therefore, if the consumers like to do shopping, what factors are influencing to purchase goods through the Internet is quite meaningful. These factors need to be identified and taken into account by online retailers in order to satisfy the consumer demands and compete in the online market. From this background the researchers work is primarily to identify and get insight the main factors that affecting online consumer when purchasing products and services through online.
1.12 Objectives of the study

The following objectives are drawn to fulfill the aim of the study:

1. To study the factors influencing the consumers’ preference for online shopping.
2. To assess the attitude of consumers’ towards online shopping.
3. To analyze the consumers’ satisfaction towards online shopping.
4. To study the problems faced by the consumers’ towards online shopping.
5. To offer suitable suggestions for enhancing consumers’ satisfaction through online shopping.

1.13 Hypotheses of the study

Based on the objectives the following research hypotheses were framed:

**Ho**: The personal factors of the respondents have no significant relationship on the frequency of purchase of the products through online mode.

**Ho**: The pre-purchase decision scores, on-purchase decision scores, post purchase decision scores and other influencing factors score do not vary significantly based on the groups of personal factors of the respondents.

**Ho**: The online attitude factors do not vary significantly based on the groups of personal factors of the respondents.

**Ho**: The consumer satisfaction score towards online shopping do not vary significantly based on groups of personal factors of the respondents.
**Ho:** The personal factors of the respondents have no significant relationship with opinion about repurchase of products and services through online.

Each factor of the above hypotheses was broken down into simple working hypothesis and discussed with suitable analysis and interpretations.

**1.14 Methodology used in the study**

The study is intended to analyze the “Consumers’ attitude towards online shopping with reference to Coimbatore city”. The methodology includes area of the study, sources of data, sampling design and statistical tools used.

i). **Area of the study**

Area of the study refers to Coimbatore City which is the Manchester of South India. It has large number of textile mills, textile machinery manufacturers, hosiery units, engineering industries and Information Technology parks. Coimbatore City is one of the top ten fastest growing cities in India and the second largest city in Tamilnadu.

ii). **Sources of data**

The study uses only primary data. For the purpose of collection of data, questionnaire has been prepared and data was **collected from the consumers who have purchased products through online.** Adequate care has been exercised to collect unbiased data from the respondents.
iii). Sampling design

For the purpose of this study, the data were collected from 600 consumers using **convenience sampling technique**.

iv). Tools for Analysis

In the study, a structure of questionnaire consisting of 22 questions covering personal and opinion factors was prepared. The respondents were asked to fill-up the questionnaire and their opinions were consolidated.

The following statistical analysis was performed to answer the objective of the study:

- Percentage Analysis
- Chi-Square Analysis
- Analysis of Variance (ANOVA)
- T-test
- Regression Analysis
- Factor Analysis
- Cluster Analysis
- Kendall's Co-efficient of Concordance

All the tools were applied using SPSS (Statistical Package for Social Science) and the entire test were carried out at either 1% or 5% level of significance.

**Percentage Analysis**

The descriptive statistics or percentage analysis is mainly carried out to determine the percentage of the respondents falling under each category. This analysis also helps to standardize the respondent’s opinion on various
aspects. This analysis was carried out for all the questions given in the Questionnaire.

Chi-Square Analysis

The Chi-Square analysis is mainly used to test the independence of two attributes. It is also used to test one factor as significant influence over the other. In this study the Chi-Square test is used between the personal factors and to study the opinion factors.

ANOVA

As with the t-test, ANOVA also tests for significant differences between groups. But while the t-test is limited to the comparison of only two groups, one-way ANOVA can be used to test differences in three or more groups. Several hypotheses worth investigating in our project involve the comparison of more than two groups. ANOVA is based upon a comparison of variance attributable to the independent variable (variability between groups or conditions) relative to the variance within groups resulting from random chance.

T-Test

The t-test is used to determine whether the difference between means of two groups or conditions is due to the independent variable, or if the difference is simply due to chance. Thus, this procedure establishes the probability of the outcome of an experiment, and in doing so enables the researcher to reject or retain the null hypothesis.

Regression Analysis

Regression is a statistical technique to determine the linear relationship between two or more variables. Regression is primarily used for prediction and causal inference.
**Factor Analysis**

Factor analysis is a collection of methods used to examine how underlying constructs influence the responses on a number of measured variables.

**Cluster Analysis**

Cluster analysis is a multivariate method which aims to classify a sample of subjects (or objects) on the basis of a set of measured variables into a number of different groups such that similar subjects are placed in the same group.

**Kendall’s Rank Correlation**

The Kendall rank correlation coefficient evaluates the degree of similarity between two sets of ranks given to a same set of objects. This coefficient depends upon the number of inversions of pairs of objects which would be needed to transform one rank order into the other.

**1.15 Limitations of the study**

Though a detailed investigation is made, the present study has got the following limitations.

- For want of time, the study has been confined to Coimbatore city only. So, the results may not be applicable to other areas.

- The result fully depends on information given by the respondents. The study is confined to 600 consumers only and may reveal the result, based on the sample size.
The study includes the following chapters:

Chapter I: Introduction

This chapter deals with introduction, statement of the problem, objectives of the study, methodology of the study and limitations.

Chapter II: Review of Literature

Following the introductory chapter, Chapter II deals with review of various literatures available on this area and other areas which is relevant to the study.

Chapter III: Consumer Online Shopping – An overview

This chapter provides conceptual framework relating to the study.

Chapter IV: Analysis and Interpretations

In tune with the objectives, the presentation of data for analysis and interpretations were presented in a systematic manner with necessary tables.

Chapter V: Findings, Suggestions and Conclusion

This chapter provides brief summary of findings, suggestions which drawn on the basis of the results of the study and conclusion.
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