CHAPTER – 1

INTRODUCTION AND RESEARCH METHODOLOGY

1.1  INTRODUCTION

The web is the ultimate customer empowering environment and it enables one to click the mouse to decide everything. ‘It is so easy to search for opportunities where all the business competitors offering goods and services in the world are instantly known,’ is quoted by Jacob Nielson on how the web forms an integral part of E-Commerce.¹

Electronic commerce, commonly known as e-commerce is a type of industry, where buying and selling of products or services are conducted over electronic systems such as the internet and other computer networks. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems and automated data collection systems. Modern electronic commerce typically uses the World Wide Web at least at one point in the transaction’s lifecycle, although it may encompass a wider range of technologies such as e-mail, mobile devices, social media and telephones as well. Therefore, it can be attributed that electronic commerce is generally considered to be the sales aspect of e-business. It also consists of the exchange of data to facilitate the financing and payment aspects of business transactions.

The above phenomenon is aptly defined by S. Jaiswal² as “electronic commerce is the business environment in which information for the buying, selling and transportation of goods and services moves electronically.”
Further the OECD (Organization for Economic Cooperation and Development) defined “e-commerce transactions as the sale or purchase of goods or services, between businesses, households, individuals, governments and other public or private organizations, conducted over computer mediated networks. The goods and services are ordered over those networks, but the payment and ultimate delivery of the goods or services may be conducted on or off line”.

i) An overview: Origin and development of e-commerce

Internet has played a key role in the evolution of electronic commerce. But, the evolution and growth of e-commerce can be mainly attributed to the arrival of World Wide Web in early 1990’s. World Wide Web is the subset of the computers on the internet that are connected to each other in a specific way which makes these computers and their contents easily accessible to each other. World Wide Web is the most widely acclaimed service available on the internet. The web allows business organizations to permit their customers to shop online. Web has the capability to play audio, display pictures, graphics and videos. This enabled internet users to request for information and order the product instantly. To illustrate, chronology of e-commerce development is presented below:

1979 : Michael Aldrich invented online shopping

1984 : Gateshead SIS/Tesco is first B2C online shopping and Mrs. Snowball, 72, was the first online home shopper

1990 : Tim Berners-Lee wrote the first web browser, World Wide Web, using a NeXT computer
1994 : Netscape released the Navigator browser in October under the code name Mozilla. Netscape provided users a simple browser to surf the internet and a safe online transaction technology called Secured Socket Layer (SSL). Pizza Hut offered online ordering on its Web page. The first online bank was opened. Attempts to offer flower delivery and magazine subscriptions online were made.

1995 : Amazon.com and e-Bay were launched. Amazon.com was the first online bookstore which was launched in the year 1995. Within a year it recorded sales of $16 million. Online purchasing became popular in 1996. Nearly 1,00,000 tickets were sold through the official website created by IBM for Olympic Games. By the end of 1996 business conducted on the web was running at the rate of US $ 60billion annually. Amazon’s success made Barnes and Noble, basically a physical store to set up its online shop in the year 1997.

1996 : India MART Business to Business (B2B) marketplace established in India.

2012 : US ecommerce and Online retail sales projected to reach $226 billion, an increase of 12 percent over 2011.\textsuperscript{6}

ii) **Electronic Commerce and Traditional Commerce- A Comparison**

 Electronic commerce is very much like traditional commerce. It also involves an exchange of goods. But the exchange of goods is conducted online. Due to the exponential growth of internet nature and structure of competition in traditional way of doing business, e-commerce has changed dramatically. In traditional way of doing commerce, most businesses had to compete within a single
industry and often within a specified limited geographical area, but the internet is breaking all these boundaries.

E-commerce is cost effective when compared to traditional commerce. In traditional commerce cost has to be incurred for the middle men services, but in e-commerce it is eliminated as there is a direct link between the seller and the customer. It takes a lot of time to complete a transaction in traditional commerce. But in e-commerce a product can be ordered and a transaction can be completed in few minutes through internet. In traditional commerce business is open only for a limited time. But in e-commerce round the clock (24X7) service is available. In traditional commerce, it is possible to expand from regional markets to national market but, only by incurring huge expenses. But, in e-commerce it is easy to expand from regional to global markets by hosting a website, advertising in the website and conducting sales. In traditional commerce it takes a lot of time and money to introduce a new product and analyse the response of the customers. Initially cost has to be incurred to conduct pilot surveys to assess the demand for the product. But, in e-commerce it is easy to introduce a product on the web site and get the immediate feedback from the customers. Based on the response, the products can be redefined and modified for a successful launch. The following figure depicts the buying process involved between the business and the consumer in traditional and electronic commerce.  

\[7\]
Comparison of buying process between traditional commerce and e-commerce.

**Buying Process in Traditional Commerce**
- Customer identifies a specific need
- Searches for products or services that will satisfy the specific need
- Selects a vendor
- Inspects the goods
- Negotiates the price
- Accepts to buy the goods
- Makes payment through cash/credit card
- Vendor delivers the product to the customer
- Customer receives the product

**Buying Process in Electronic Commerce**
- Customer identifies a specific need
- Searches for products or services that will satisfy the specific need by browsing through various merchants’ websites
- Selects a vendor
- Registers as an user and negotiates the price
- Places order with the vendor through shopping cart
- Makes payment and provides credit card information
- Credit card gets authenticated through payment Gateway
- Vendor ships the product to the customer/delivers the goods through internet
- Customer receives the product
iii) Classification of E-Commerce

Electronic commerce uses information and communication technologies to carry out business transactions. Based upon the parties or entities involved in a transaction, electronic commerce has been classified into following categories. They are,

1. Business-to-Business Electronic Commerce (B2B): It involves online transactions between businesses. B2B implies that both the sellers and buyers are business corporations. It refers to e-commerce activities between businesses. It covers an application that enables the business to form e-relationships with their distributors, suppliers and other partners. Business to Business electronic commerce enables inter-organisational interaction and transaction. The business parties may interact directly with each other or through an intermediary.

2. Business-to-consumer Electronic Commerce (B2C): It applies to the business organization that sells its products or services to consumers over the internet. Consumers from anywhere can browse and order goods and services online anytime. In B2C sellers sell products and services directly to the customers. Buyers are individual customers. Thus, each transaction under B2C represents an individual buying online.

3. Consumer-to Business Electronic Commerce (C2B): The transactions between customers and the business is called C2B. Consumers gain control in C2B transactions. The buyer fixes the price for a product or service. The website collects the demand bids and offers the bids to the sellers participating in the website. C2B enables a consumer to determine the price of a product or service offered by a company.
4. Consumer-to-Consumer Electronic commerce (C2C): The transactions between the consumers are termed as C2C. Unknown individuals who sell and buy items among themselves are termed as C2C e-commerce. C2C is the electronic commerce activity that provides the opportunity for trading of products or service amongst consumers who are connected through the internet. Classified advertisements and auctions of personnel form the basis for this category.

5. Business-to-employee (B2E) Services: The transactions between the business and the employee are called business to employee. Searching for a particular type of information from the vast information base of the company may be time consuming for an employee. To overcome this, B2E application offers employees a self service capability. The intranet-based business to employee applications is often used for implementing improved employee relationship management.


1.2 E-COMMERCE APPLICATIONS

E-commerce is growing rapidly as a global phenomenon including India in the present technology driven era. Factors that contributed to its growth include telecommunication infrastructure, changing attitudes of customers and awareness of business organizations, towards e-commerce and the role played by the government. E-commerce is a powerful tool in using the digital information to understand the needs and preferences of each customer, so that the products can be customized and then delivered. This personalized automated services offer businesses the potential to increase revenues, lower costs, establish good customer relationship, offer access
to local and international markets, offer wider choice of products and services etc. The main aim of e-commerce application is to maximize returns with minimum investment for e-tailers. Internet is the channel to communicate with customers and partners. It is fast, reliable and universally acceptable.

The application of e-commerce can be seen in various industries and trade related activities, such as Banking, Trading, Education, Travel and Tourism, Job market, Real Estate, Match making, Publishing, Insurance, Health Care, E-Tailing and Auction, E-Agriculture, etc. For example,

(i) Electronic banking includes various banking activities conducted either from home or office instead of being physically present at a bank. Electronic banking saves time and money. For a banker, it is an inexpensive alternative to branch banking.

(ii) Electronic trading brings together the buyers and sellers on a virtual common trading platform with the help of internet. E-trading means buying and selling financial securities through internet. Investors can access their accounts with a broker by logging on the network. They can access the account, check account balances and analyze account performance at a time of their convenience.

(iii) The internet is being used as a delivery vehicle for training and learning as well. E-learning is a technology-mediated learning that utilizes internet for educational delivery, interaction or facilitation. It is a learning process, where instructions are delivered by the teacher to the student over electronic networks. It is very flexible and provides anytime anywhere learning mode. It is very cost efficient too. E-learning provides individualized instructions which cannot be provided by print media.
(iv) The internet is an ideal place to plan, explore and arrange almost any trip. Money could be saved by making travel and hotel reservations through internet. Lot of information about tourist destinations is available online. Some websites also provide virtual tours. There is no need to go to travel agencies but at the same time it gives the pleasure of checking the details with many travel agencies. Booking tickets through internet is known as e-ticketing. E-ticketing enables us to book tickets anytime and anywhere in the world.

(v) Job market is one of the largest markets in the world, where employers are looking for employees with specific skills and employees are looking for a suitable job. The internet offers a perfect environment for job seekers and companies seeking suitable employees.

(vi) Real estate transactions are an ideal area for electronic commerce for the following reasons. Properties can be viewed on the screen. It saves time for both the seller and the buyer or the tenant and the owner. Properties can be easily shortlisted according to the criteria through internet. The exterior and interior design of the properties can also be used, shortening the search process.

(vii) Match making service enables individual to find life partner through internet. It is easy to locate brides and bridegroom from anywhere in the world registering with matrimony website. Certain websites allow free registration. This service is becoming very popular in India.

(viii) Online publishing is the electronic delivery of newspapers, magazine, news and other information through the internet. On line publishing was designed to provide online bibliographies and selling knowledge that was stored in online data bases. Online publishing includes newspapers, magazines, news, textbooks, music, art work, video clips and movies.
(ix) An increasing number of companies offer insurance policies such as auto, home, life or health at a substantial discount through internet. Several large insurance and risk management companies offer insurance contract online. They allow people to pay reduced premium by availing online contracts.

(x) Many health services are provided through online. The website provides information regarding eligibility, enquiry and patient referral transaction services.

(xi) Retailing on web is called e-tailing. A customer can purchase goods through online. The customer visits the virtual mall and browses through the online catalogue and gets the products that he or she wants. The vendor provides ‘after sales service’ to the customer in order to retain him.

(xii) Electronic auctions on the internet started in 1995. They are online auctions where items are sold over the internet. Host sites on the internet act like a broker. Internet users can connect to a website hosting an auction and bid for an item. Bidders start the bidding by sending an e-mail or filling out an electronic form. The biddings which may last for a few days are shown on a page at the host’s website and updated continuously to show the current highest bids.

(xiii) E-agriculture involves using of information and communication technologies by the community of development practitioners, scientists, farmers and other agencies to share and manage knowledge and information on agricultural practices to improve agricultural productivity. E-agriculture can play a major role in the increased food production and productivity in India.

The above observations highlight the crucial role played by e-commerce in promoting and sustaining the economic growth in our country.
i) **Global trends of e-commerce – Present scenario:**

The world is in the midst of electronic revolution which is more than the effect of industrial revolution. E-Commerce has increased the speed and ease with which businesses can be transacted today resulting in intense competition between the enterprises in the world.

In 2010, the United Kingdom had the biggest e-commerce market in the world when measured by the amount spent per capita, even higher than the USA. At the time, the internet economy in the UK was expected to grow by 10% from 2010 to 2015.\(^8\)

More so, amongst emerging economies, China's e-commerce presence continues to expand. With 384 million internet users, China's online shopping sales rose to $36.6 billion in 2009 and one of the reasons behind the huge growth has been the improved trust level for shoppers. The Chinese retailers have been able to help consumers feel more comfortable shopping online.\(^9\) E-commerce is also expanding across the Middle East. Having recorded the world’s fastest growth in internet usage between 2000 and 2009, the region is now home to more than 60 million internet users. Retail, travel and gaming are the region’s top e-commerce segments, in spite of difficulties such as the lack of region-wide legal frameworks and logistical problems in cross-border transportation.\(^10\) E-Commerce has become an important tool for businesses worldwide not only to sell to customers but also to engage them.\(^11\)
ii) E–Commerce in India:

In comparison to the above, the low cost of the PC and the growing use of the internet has shown the tremendous growth of E-commerce in India, in the recent years. According to the Indian E-commerce report released by Internet and Mobile Association of India (IAMAI) and IMRB International, the total online transactions in India was Rs. 7080 crores (approx $1.75 billion) in the year 2006 -2007 and expected to grow by 30% to touch 9210 crores (approx $2.15 billion) by the year 2007 -2008. India’s e-commerce market was worth about $2.5 billion in 2009. It went up to $6.3 billion in 2011 to $14 billion in 2012. India has close to 10 million online shoppers. India’s retail market is estimated at $470 billion in 2011 and is expected to grow $675 billion by 2016 and $850 billion by 2020 with estimated Compounded Annual Growth Rate (CAGR) of 7%.

According to Forester research Inc., the e-commerce market in India is set to grow the fastest within the Asia-Pacific region at a CAGR of over 57% between 2012 -2016. Thus, compared to the western countries, India is still in its initial stage of development.

Software firm SAP has viewed that it would be focusing on the e-commerce segment in India which is estimated to grow to over Rs 60000 crs by the end of 2013 to acquire new customers for its enterprise application solutions. Further Mr. Rajamani Srinivasan, Vice President – Applications Sales, SAP Indian Sub – Continent told ‘The Hindu’ that newer verticals that were fuelling growth for the e-commerce segment were government, health care, education, agro - based industries and telecom. From these, it could be observed that e-commerce applications are growing and gaining importance in India, to present its global competitiveness.
iii) **Legal Regulations – Global Scenario**

Though internet provides unmatched benefits to the society, it also emerges as a platform to commit certain unlawful and criminal acts. Thus, ensuring safety and security to those who use internet is a critical element of the government’s overall policy regarding the internet and electronic commerce. The necessity of e-commerce laws is becoming more important because of the virtual existence of the business having no geographical boundaries. Different countries have different laws relating to copyrights, trademarks and patents and safeguarding these is a major challenge. Therefore, many countries in the world have enacted specific laws to deal with internet crimes or cyber crimes so that internet does become a haven for unlawful activities.

For example, in the **United States**, some electronic commerce activities are regulated by the Federal Trade Commission (FTC). These activities include the use of commercial e-mails, online advertising and consumer privacy. The CAN-SPAM Act of 2003 establishes national standards for direct marketing over e-mail. The Federal Trade Commission Act regulates all forms of advertising, including online advertising, and states that advertising must be truthful and non-deceptive. Using its authority under Section 5 of the FTC Act, this prohibits unfair or deceptive practices. The FTC has brought a number of cases to enforce the promises in corporate privacy statements, including promises about the security of consumers’ personal information. As result, any corporate privacy policy related to e-commerce activity may be subjected to enforcement by the FTC.

The International Consumer Protection and Enforcement Network (ICPEN), was formed in 1991 from an informal network of government consumer fair trade organizations. The purpose was stated as being to find ways of co-operating on
tackling consumer problems connected with cross-border transactions in both goods and services, and to help ensure exchanges of information among the participants for mutual benefit and understanding. From this came e-consumer, as an initiative of ICPEN since April 2001. www.econsumer.gov is a portal to report complaints about online and related transactions with foreign companies.

**Asia Pacific Economic Cooperation** (APEC) was established in 1989 with the vision of achieving stability, security and prosperity for the region through free and open trade and investment. APEC has an Electronic Commerce Steering Group as well as working on common privacy regulations throughout the APEC region.

In **Australia**, Trade is covered under Australian Treasury Guidelines for electronic commerce, and the Australian Competition and Consumer Commission regulates and offers advice on how to deal with businesses online, and offers specific advice on what happens if things go wrong.

In the **United Kingdom**, The FSA (Financial Services Authority) is the competent authority for most aspects of the Payment Services Directive (PSD). The UK implemented the PSD through the Payment Services Regulations 2009 (PSRs), which came into effect on 1 November 2009. The PSR affects firms providing payment services and their customers. These firms include banks, non-bank credit card issuers and non-bank merchant acquirers, e-money issuers, etc. The PSRs created a new class of regulated firms known as payment institutions (PIs), who are subject to prudential requirements. Article 87 of the PSD requires the European Commission to report on the implementation and impact of the PSD by 1st November 2012.

In **India** the first cyber law was passed by the Parliament on 17th October 2000. It is called the Information Technology Act, 2000. The act was enacted to
promote the growth of e-commerce and e-governance in the country. The primary objective of the act is to create trust in the electronic environment through the use of digital signatures. It provides the legal infrastructure for conducting transactions. Electronic contracts are considered legally valid. The act also recognizes electronic records. Retention of electronic records has been legalized.

**iv) Impact on markets and retailers**

Economists have theorized that e-commerce ought to lead to intensified price competition, as it increases consumers' ability to gather information about products and prices. Research by four economists at the University of Chicago has found that the growth of online shopping has also affected industry structure in two areas that have seen significant growth in e-commerce, bookshops and travel agencies. Generally, larger firms have grown at the expense of smaller ones, as they are able to use economies of scale and offer lower prices. The lone exception to this pattern has been the very smallest category of booksellers, shops with between one and four employees, which appear to have withstood the trend.23

One of the applications of e-commerce is e-marketing. The shopping patterns of the people have changed due to internet invasion. Internet is a new dynamic vehicle to influence buyers. It enables extensive coverage, as it has the potential to reach global market at a rapid rate. The present study proceeds to analyse the merits of e-marketing and observe the metrics used to measure the effectiveness of an e-marketing site.

**1.3 E MARKETING**

Web marketing also known as Internet Web site or online marketing is an all-inclusive term for marketing products and/or services over the internet. Online
marketing finds association with e-commerce wherein products and services are sold directly to the consumer or e-business.

E-marketing or online marketing means using the power of online networks, computer communications and digital interactive media to reach the marketing objectives. Online marketing will not replace traditional forms of marketing anyway. Instead it will both add to and subtract from today’s marketing mix. It will add more interactivity. But it will subtract costs. It will add more customer choices. But it will remove marketing’s dependence on paper. It will add “information value” to products and services. But it will take away barriers to starting a business or extending a business into international markets. And most importantly, it will turn upside some old notions that have been held of what marketing is about.

Thus, with the onset of E-marketing three new market segments emerge as follows:

(i) Cyber buyers- These are professionals who spend a good deal of time online, mainly at their places of business. These professionals often have to make complex purchasing decisions that require reams of data and difficult to locate sources of supply, all within a tight time frame. That is a perfect fit with the capabilities of online technology.

(ii) Cyber consumers- These are the home computer users wired up to commercial online services and the internet. This group represents the pot of gold and marketers simply need to find ways to make it more attractive to shop and buy online than to go to the local store.
(iii) Cyber surfers- They use online technology to expand their horizons, challenge their abilities and for fun. This segment is typically younger and possesses shorter attention spans.

Some of the important aspects of marketing are advertising, sales, security of the transactions and the mode of payment used for payments. And all of these have to adapt and change themselves according to the demands of the internet.

i) Benefits of e marketing:

i. Global reach: The net being inherently global, reaching global customers is relatively easy on the net, compared to the world of bricks and that too for a small investment.

ii. Lower cost: The costs involved in printing catalogues, brochures are saved by adopting online marketing. Money spent on sales representatives are eliminated in online marketing.

iii. Track able, measurable results: E-marketing helps business organizations, to collect data and measure the customers’ buying pattern.

iv. 24 hour marketing; Round the clock operation is an expensive proposition in the brick and mortar world, while it is natural in the click and conquer world.

v. Personalization: If the consumer data base is linked to the website then the consumers’ profile can be refined periodically and their needs can be effectively marketed.

vi. More interesting campaigns: E-marketing enables an e-tailer to create interactive campaigns using music, graphics and videos. They could send their customers a game or a quiz whichever interests them.
ii) **Measuring the efficiency of an e marketing site:**

Internet marketers also have the advantage of measuring statistics easily and inexpensively. Nearly all aspects of an Internet marketing campaign can be traced, measured, and tested. The advertisers either pay per web banner impression, per click (PPC), per play (PPP) or per action accomplished. Therefore, marketers can determine which messages or offerings are more appealing to the audience. The results of campaigns can be measured and tracked immediately because online marketing initiatives usually require users to click on an advertisement, visit a website and perform a targeted action. Such measurement cannot be achieved through billboard advertising, where an individual will at best be interested, then decide to obtain more information at a later time.  

Since the web became a widely used vehicle to support all sorts of applications, including e business, the need arose to devise metrics to measure a site’s efficiency in attaining its goals. Many metrics have been used to access the success of sites in terms of popularity or revenue generated. Some of the standard metrics are as follows:

(i) **Hits/Second**: This measures the number of requests for objects served in each second by a website.

(ii) **Page Views/Day**: This reflects the number of individual pages served per day. A company paying for a banner advertisement to be posted on a page may be interested in the number of times its advertisement is being seen. Very popular sites can display a few hundred million page views per day.

(iii) **Click-throughs**: This measures the percentage of users who not only view an online advertisement but also click on it to get to the web page behind it. This metric
is oriented more towards assessing the impact of online advertisements. However, this measure can be misleading, if the message in the banner advertisement is too general, it may draw a larger number of clicks than a more specific message.

(iv) **Unique Visitors:** This indicates how many different people visited a website during a certain period of time. Many times it is more important to know how many different people visited the site than the total number of visits received during a certain period.

(v) **Revenue Throughput:** This is a business-oriented metric that measures the number of dollars per second derived from sales from an e-commerce site. This measure implicitly represents customer and site behavior. A customer who is happy with the quality of service (e.g. response time) of an e-business site will shop at the web store and the revenue throughput will increase.

(vi) **Potential Loss Throughput:** This is another business-oriented metric that measures the amount of money in customers shopping cart that is not converted into sales because the customer leaves the site due to poor performance or other reasons.

**iii) Role of cookies:**

A cookie is a text file that is placed on user’s hard disk by a web page server. Cookies are uniquely assigned and can only be read by a web server in the domain that issued the cookie. The purpose of the cookie is to tell the web server that the user has returned to a specific page.

Cookies help in e-marketing and improving the profits of e-business. Cookies can track how a visitor got into the e-business web site. Cookies provide e-business with a quick and convenient means of web site content fresh and relevant according
to the user’s interest. This is possible because the cookie provides the information about who has been hitting what part of the page.

Cookies therefore, for example provide the following information to e-marketers and e-business.

- How the visitor navigated the web site.
- Point of entry and exit of the web site.
- Details of products selected and placed within the shopping basket.
- The advertisements seen by the visitor.
- Basic personalization.

Some people view cookies as a breach of privacy, as it tracks the details of visit to web site. But, these are normally used by the business establishments for assessing the effectiveness of the website.

Based on the cue from the above observations regarding the importance, applications and growth of e-commerce worldwide and its growth in India, this study proceeds to focus on the buying aspect of online marketing. Due to convenience online buying has become the order of the day. More and more customers are buying goods online globally in the world including India. Hence, the present study has identified certain factors which influence online buying of consumer goods. The core variables that are chosen for this research investigation are

Dependent variable: Online buying effectiveness.

Independent variables: Web site features
- Consumer satisfaction
- Online buying experience

A brief overview of the above are presented below:
1.4 ONLINE BUYING:

Online stores compared to physical stores have many advantages. They are convenient, time saving and no travelling and waiting in line is needed and open all time with accessibility anytime and anywhere. These stores provide consumers with free and rich information about products and services. They also have some online tools to help consumers compare and make purchase decisions among various products and services. Hoffman and Novak (1996)\textsuperscript{27} indicated that interactivity is the key distinguishing feature between marketing communication on the internet and traditional mass media. Online consumers today have more control and bargaining power than consumers of physical stores because the internet offers more interactivity between consumers and product/service providers as well as greater availability of information about products and services. Geisslar and Zinkhan (1998)\textsuperscript{28} claimed that the internet shifted the balance of power in favor of consumers as it became very easy for them to make shopping comparisons and evaluate alternatives without being pressured by sales people. Online stores reduce transaction costs and have advantage for both consumers and vendors.

However, online stores also have disadvantages compared to brick and mortar stores. In online stores, customers can’t have any sense about the product they see on the internet (seeing, touching, tasting, smelling and hearing) as they search for and purchase products. In online stores, consumers may develop low trust and elevated perceived risk because of the lack of face-to-face communication. But, practically this difficulty can be reduced by raising certain software tools such as the online recommendation agent\textsuperscript{29} and online negotiation agent.\textsuperscript{30}

Customers of an e-commerce site interact with it through a series of consecutive and related requests made during a single visit called session. Within a session, customers can issue requests of different types, such as Login, Browse,
Search and Add to shopping cart or Pay etc. Different customers may exhibit different patterns of navigation through an e-commerce site and therefore may invoke the different functions provided by the site in different ways and in different frequencies.

Some customers may be heavy buyers, while others may be occasional buyers who do extensive searching and browsing, but very rarely buy from the site. Therefore, it is important to characterize the behavior of customers or groups of customers of an e-commerce site. This will create, a customer model to be used for navigational and workload prediction, so that better websites can be modeled for each type of business, to attract customers online.

A customer may be classified as being in different states, according to the type of function (i.e. request) requested during the session. For example, a customer may be browsing, searching, registering as a new customer, adding to shopping cart or paying for the order. The possible transitions from one state to another depend upon the layout of the site. One customer may go from home page to search, from search to select, from select to add to cart and from there to the payment area. Another customer may go from the home page to the browse state and leave the site without buying anything. To capture the possible movements of the customers in a site, a model has to be constructed to show the navigational pattern of a user during a visit to the e-commerce site.

A model as presented below is in the form of a graph and it is called the Browser Behavior Model Graph (BBMG) \(^3\). The nodes of the BBMG, represented by rectangles depict the states a customer is in during a visit to the e-commerce site. Arrows connecting the states indicate possible transitions between them.
Figure - 1.2

States and transitions of the Browsing Behavior Model Graph

Entry - This is a special state that immediately precedes a customer’s entry to the online store. This state is part of the BBMG as a modeling convenience and does not correspond to any action initiated by the customer.

Home - This is the state a customer is in, after selecting the URL for the site’s home page.

Login - A customer moves to this state after requesting a login to the site. Sometimes even a home page may ask him to login.

Register - To have an account created by registering with the online store, the customer selects the proper link for the registration page, thus making a transition to the register state.
Search- A customer goes to this section after issuing a search request.

Browse- This is the state reached after a customer selects one of the links available at the site to view any of the pages of the site. These links include the list of best sellers and weekly promotions.

Select- A search returns a list of zero or more links to products. By selecting one of these links, a customer moves to this state.

Add to Cart- A customer moves to this state upon selecting the button that adds a selected video to the shopping.

Pay (Billing) – When ready to pay for the items in the shopping cart, the customer moves to the billing section.

Exit- Customers may leave the site from any state. Thus, there is a transition from all states except the entry state, to the exit state.

Based on the above information regarding the advantages and disadvantages of buying goods from online stores and analyzing the behavior of online browsers, this study proceeds to analyze certain important core variables that affect online buying of consumer goods. The independent variables that are taken for this study purpose are website features, consumer satisfaction and consumer online buying experiences.

1.5 MEASUREMENT OF WEB SITE FEATURES

Internet makes life simple and innovative. People are doing business online and trade has become more easy and fast in this electronic era. Internet provides new ways to promote business. Website becomes the essence of online business to show their services and products. Internet gathers all the market competitions and
consumers in one place. It brings a new lane to promote, advertise products and services in market. In this respect, Marcus Sheridan quotes “In today’s information age of marketing and Web 2.0, a company’s website is the key to their entire business”. But, “Usability rules the web. Simply stated, if the customer can’t find a product, then he or she will not buy it.”

When doing business on the Web, the customer is truly in charge and can easily switch over to an e-business’s competitor with a click of the mouse. A viewer forms an impression of a website within the first few seconds of his visit. Good design can generate a favourable impression about the site, as the viewer responds to visual cues. A viewer with a favourable impression of a website is more likely to become its customer. Therefore, website plays a major role in attracting customers to the business.

Navigation and content are the most sought after factors for designing a website. Other important factors include categorization of information, colour usage, layout/space usage, graphics usage, establishing website’s identity and presentation of information. Many research studies in India have explored the determinants of shopping such as convenience, customer service, trust, web store environment and web shopping enjoyment and examine the effect of these factors towards online buying behavior. Various constituent variables include responsiveness of websites for the information, positive outcome of the websites and the influencing power of advertisements. The following table shows the factors identified by Tan Y for an effective website.
Table - 1.1

Tan’s factors for effective B2C - Source complied for research

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Navigation</td>
<td>The features used in designing the site that facilitates transition from page to page.</td>
</tr>
<tr>
<td>Content/Information</td>
<td>Mainly the scope of quality of information.</td>
</tr>
<tr>
<td>Categorization of information</td>
<td>Refers to ways of grouping information on the pages in order to facilitate reading.</td>
</tr>
<tr>
<td>Color Usage</td>
<td>Concerns the usage and choice of colors used.</td>
</tr>
<tr>
<td>Layout/Space usage</td>
<td>How web space is utilized to present the features and functions across the pages within the website.</td>
</tr>
<tr>
<td>Graphics usage</td>
<td>Refers to the purpose for which they are used and extent of usage, including the quality of graphics and how they are being organized.</td>
</tr>
<tr>
<td>Establishing websites identity</td>
<td>Various methods web designers use to portray its unique image.</td>
</tr>
<tr>
<td>Presentation of information</td>
<td>Concerns the implications of using color, fonts and display styles to present information.</td>
</tr>
</tbody>
</table>

Customers are different owing to the behavioural patterns of their personality traits. They expect a special attention and care while shopping especially in an internet shopping environment. Internet retailers should therefore focus on providing exclusive services to their customers. The content of their websites should focus on providing better quality products and services at affordable prices. The language of the online customer service should transmit a feeling of friendliness, recognition and acknowledgement.

Businesses that are successful on the Web realize that every visitor to their website is a potential customer. Thus, an important concern for businesses creating a
web presence is the variation in the visitors’ characteristics. People who visit a website seldom arrive at it by accident as they are at it for a specific reason. The web designer, who makes a site useful for everyone, needs to keep in mind some of the possible reasons listed as follows:

* Learning about products or services that the company offers.
* Buying the products or services that the company offers.
* Obtaining information about warranties or service and repair policies for products they have purchased.
* Obtaining general information about the company or organization.
* Obtaining financial information for making an investment or credit granting decision.
* Identifying the people who manage the company or organization.
* Obtaining contact information of a person or a department in the organization.

Considering the above, creating a website that meets the needs of visitors with such a wide range of motivation can be challenging. Apart from the problem of diversity of visitor characteristics, technology issues can also arise. Website designers should take care of certain factors so that the web visitors can be converted into effective customers. For example, Susan ward 36 has given the following eight rules for a successful E-commerce website. They are

1. The retailer is physically present in a traditional store to sell his product. But in an online store the website acts as a retailer to sell the products. It is a faceless sales. So the website should be designed very effectively to act in place of a retailer.
2. The retailer has a place to showcase his product. In a retail store there are products in the window to entice the customer inside. There are aisles leading to shelves of more products, all conveniently arranged for the customer.

But navigation is critical to e-commerce website design. Visitors to the e-commerce site need the same kind of visible easy-to-follow pathways. They need to be able to examine the products and compare them with other products easily. Visitors should be able to access the products easily. They cannot pick them off the shelf and carry to the bill counter. The back end of the e-commerce site is very important as the front end to retain the visitors to the site.

3. The retailer chooses a building for his store that is in good condition and has all the facilities such as electricity and heat that are necessary to make his customers comfortable. Similarly, if a successful e-commerce website has to be operated there should be 24 by 7 hosting and a fully functional complete store. There should be no ‘coming soon’ banners. Usability is another important component of e-commerce website design. Special attention has to be paid to the ease of buying process. Website must be maintained regularly.

4. The traditional retailer makes the store as attractive as possible and displays the product to the best advantage. People shopping online would like to see the product before they purchase it. Incorporating an online catalogue into the e-commerce website design can really help build creditability. A good online catalogue will use a lot of web pages. It will be organized into specific categories and will provide maximum information on each product. An excellent catalogue also provides stock information and makes it easy for the online shopper to purchase the product.

5. The retailer or the store staff is physically present in the store to welcome, communicate with and serve the customers who come to the store. Successful e-
commerce sites provide real names as contacts. They supply information about their staff and their company, so that the online shopper can access easily. They also provide customer service information on every page in the web site.

6. The traditional retailer ensures that customers feel secure in the store. Site security is a prime concern of potential online shoppers. The reality is that on a secured site, transmitting personal information such as credit card number is less dangerous than using the credit card in a real world retail situation. The online seller should have SSL (Secure Socket Layering) on online payment pages and show the potential online shopper that the site is secure and the credit card processing for online payment is safe.

7. The traditional retailer makes it easy for customers to purchase products. The retailer or the staff in the stores will take care of the payment be it cash, cheque, credit card or the debit card. An online retailer can use comfortable online payment system such as Paypal or set up a merchant account for credit card processing.

8. The traditional retailer closes the sale with a “thank you or please come again.” The same has to be done on a e-commerce website too. It can be a screen that comes up after the transaction thanking the customer, a follow-up thank you e-mail or a thank you card that can be shipped with the completed order, with the appreciation of their purchase order.

Having a quality product is only one piece of the e-commerce website puzzle. Another is to entice the online shopper to visit the site and do the online shopping in the site by treating them as well as or better than they would be treated in a physical stores.
Considering the various research references above, it could be concluded that website features has a profound influence on consumers online buying experience. Therefore, certain core dimensions of website features like ease of use, aesthetic design, processing speed and security of the sites were analysed in this study. This is followed by the analysis of another core variable i.e. measurement of consumer satisfaction on online buying.

1.6 MEASUREMENT OF CONSUMER SATISFACTION:

Over the past few decades, the internet has developed into a vast global market place for the exchange of goods and services. In many developed countries, the internet has been adopted as an important medium, offering a wide assortment of products with 24 hour availability and wide area coverage. As e-commerce has become an irreplaceable marketing channel in business transactions, online stores and services have become important sales channels in B2C transactions. In the business to consumer (B2C) e-commerce cycle activity, consumers use internet for many reasons and purposes such as searching for product features, prices or reviews, selecting products and services through internet, placing the order, making payments or any other means, which is then followed by delivery of the required products, through internet or other means and last is sales service through internet or other means. Therefore, online buying depends on the extent of consumer satisfaction which in turn influences their buying behavior. Studying online shopping behavior of consumers has been one of the most important research agendas in e-commerce during the past decade.

Online shopping behavior also called as online buying behavior or internet shopping buying behavior which refers to the process of purchasing products or
services via the internet. The process is similar to those associated with traditional shopping behavior. 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, potential consumers at times are attracted by information about products or services associated with the felt need. They are able to evaluate the alternatives and choose the one that best fits their criteria for meeting the felt need. Finally, a transaction is conducted and post sales services provided. Online shopping attitude refers to consumers’ psychological state in terms of making purchases on the internet.

In this way, it can be surmised that “consumer behavior is the study of individuals, groups or organizations and the processes they use to select, secure and dispose of products, services, experiences or ideas to satisfy needs and the impacts that these processes have on the consumer and society.” Above references indicate that, consumer behavior of every individual is different from other depending on buying choices, which is influenced by buying habits and choices that are tempered by psychological and social drivers that affect purchase decision process.

There are three major dimensions which affect the consumer behavior and they are social, personal and psychological factors. Social factors refer to forces that other people exert and which affect consumer’s purchase behavior. These include culture, sub culture, status, family, social class and reference groups. Personal factors are those aspects that are unique to the person and influence purchase behavior. These include demographic factors, lifestyle and situational factors. Psychological factors are internal to the individual and the major ones are motives, perception, learning, attitude and personality.
Swinyard and Smith (2003)\textsuperscript{42} examined the lifestyle characteristics of online shoppers and categorized them as Shopping lovers, Adventuresome Explorers, Suspicious Learners and Business Users. Brown et al (2003)\textsuperscript{43} has segmented consumers according to purchase intentions. Seven different profiles for e-shoppers have been identified by them on the basis of gender, product type and previous shopping experience, which are as follows:

- **Personalized shopper** - Develops personal relationship with the shopper.
- **Recreational shopper** - Finds enjoyment in shopping activity.
- **Economic shopper** - Achieved the best quality purchase relationship for the purchase.
- **Involved shopper** - Values personal relation besides enjoying shopping activity.
- **Convenience shopper** - Values time and effort and prefers reduced prices.
- **Local shopper** - Prefers shopping in local area.
- **Apathetic shopper** - Values the convenience of shopping but rejects the act of shopping.

\textbf{i) Theories related to online consumer behavior}

There are many theories on online consumer behavior such as Expectation confirmation theory, Innovative diffusion theory, Technology acceptance model, theory of planned behavior and reasoned action.\textsuperscript{44} Online shopping behavior has direct relationship with five elements such as e-stores, logistics support, product characteristics, website’s technological characteristics and information characteristics and home page presentation. The research on online consumer
behavior is important, because it helps to understand when and how online consumer prepares themselves for purchasing.

**Consumer mind set model in online shopping:**

The concept of consumer mind set is introduced by Wurtzberg, an expert in motivational psychology. A mind set refers to a “specific cognitive orientation”. According to this theory, every consumer mind set is composed of different thought, modes of emotions and different information processing.\(^{45}\)

Propensity to shopping is affected by consumer mind set. Two types of determinants affect a consumer’s mind set, one is goal oriented and second one is experimental.\(^{46}\) Goal oriented consumer behavior is known as utilitarian shopping behavior. It is deliberately, efficiently and preplanned with decision making purpose.\(^{47}\) Goal oriented online consumers are task oriented, specific directed, rational and efficient in decision making. They seek to complete their task quickly without delay because they are focused and determined about their purpose of shopping.

‘Experimental’ is the hedonic mindset, where consumer reacts more on the basis of experiments rather than cognitions or sensory attraction, consumer deemphasize on external elements and respond more to their past experience.\(^{48}\) Experimental consumer behavior is characterized by non-direct search because they indirectly search online shopping particulars on their experience basis along with hedonic benefits.\(^{49}\) This behavior is more focused on pleasure and by seeking information on the basis of consumer’s experience with sensory elements, this mind set is referred as “search as recreation. It is by nature has experimental influence and consumer wants to have experience in new things which pursues him to be a motivator”\(^{50}\).
TAM theory and TRM theory

TAM theory introduced by Davis stands for Technology Acceptance Model which explains the impact of external factor i.e. technology on internal beliefs, attitudes and intentions which affect consumer behavior. TAM theory consists of two main factors; perceived usefulness and perceived ease of use. Another theory TRM (Theory of Reasoned Action) also defined factors that predicted online shopping behavior. It is a well established theory of social psychology applied to customer behavior. TRM includes intention proceed behavior, behavior towards individuals to individuals and also bring light into social determinants and its influence. TRM helps to construct trust on online shopping through the extensive use of technology and attract more people towards online shopping^51.

Based on the above references relating to consumer satisfaction and analysis of certain theories on consumer satisfaction, the present study identified the following dimensions to measure consumer satisfaction of online buyers. They are security for consumers, reliability, search ability, quality of products, accessibility and convenience and grievances and redressal with reference to its impact on online buying. Then the study proceeds to analyze another independent variable – online buying experience.

1.7 MEASUREMENT OF ONLINE BUYING EXPERIENCE

Survival in today’s economic climate and competitive retail environment requires more than just low prices and innovative products. In order to compete effectively, businesses must focus on the customer’s shopping experience. Thus, to manage a customer’s experience, retailers should understand what ‘customer
experience’ actually means. Customer experience includes every point of contact at which the customer interacts with the business, product or service. Customer experience management represents a business strategy designed to manage customer shopping experience. Proper supply chain delivers superior customer buying experience which results in higher customer satisfaction, more frequent shopping visits, larger wallet shares and higher profits.

“Customer experience is the customer’s perceptions related feelings caused by the one-off and cumulative effect of interactions with a supplier’s employees, channels, systems or products.” 52. It is the sum of all experiences a customer has with a supplier of goods and or services over the duration of their relationship with their supplier. It can also be used to mean an individual’s experience over a transaction. Analysts and commentators who write about customer experience and customer relationship management have increasingly recognized the importance of managing the customer’s experience53.

Hence, a company’s ability to deliver an experience that sets it apart from others in the eyes of its customer serves to increase their spending with the company and optimally inspire loyalty to its brand. Loyalty is now driven primarily by a company interaction with its customers and how well it delivers on their wants and needs54. A study of over 860 corporate executives in 2009 revealed that companies that have increased their investment in customer experience management over the past three years report higher customer referral rates and customer satisfaction55. The customer experience has emerged as the single most important aspect in achieving success for companies across all industries56. For example, Starbucks spent less than $10 millions on advertising from 1987 to 1988 yet added over 2000 new stores.
Starbuck’s popularity is based on the experience that drove its customers to highly recommend their store to family and friends\(^57\).

Therefore, Customer Experience Management is a study that focuses the operations and processes of a business around the needs of the individual customers. Companies are focusing on the importance of the experience. Jeanne Rae viewed that companies are realizing that “building great consumer experience is a complex enterprise involving strategy, integration of technology, orchestrating business models, brand management and CEO commitment”\(^58\). According to Bernd Schmitt, the term ‘customer experience management’ represents the discipline, methodology and/or process used to comprehensively manage a customer’s Cross –Channel exposure, interaction and transaction with a company, product, brand or service\(^59\).

It is a well known fact that companies which create a superior buying experience are able to truly differentiate themselves in the market place. 70% of customer’s buying experiences are completed before the first contact with a salesman is made. How a company engages its audience online will be the biggest differentiator it will have against competition. Facilitating great online buying experiences for the customers may be the most sustainable competitive advantage for the company. Creating a positive buying experience will make marketing much easier and it will create an emotional bond with the customers. If a company can deliver elite buying experiences consistently to its customers it becomes unbeatable by its competitors\(^60\).

Recent research evidences suggest that due to information accessibility, there is increased competition on the order of 48% affecting the customer’s buying
experiences, due to their ever changing expectations. They don’t mind switching vendors, if they are not satisfied during the buying journey\textsuperscript{61}.

By gaining insights on needs, preferences and behavior, customer journeys can be optimized at critical touch points. Consistently delivering positive experiences establishes relationships. Strong relationships help build loyalty and drive growth. Loyal customers buy more and share experiences with friends and family. They also help generate incremental sales through recommendations on social and professional networks. Positive customer experience can build its own momentum, creating an ecosystem of goodwill that costs relatively little to maintain but can deliver a loyal fan base and tangible bottom-line returns. Thus, in the present customer era, marketing activities should be solely focused on customers’ needs.

**Seven steps for successful customer experience management\textsuperscript{62}:**

Seven steps that organizations can take to improve their ability to capture, analyze, respond to customer data and improve the customer experience are:

**Step 1:** Understand the needs, wants and preferences of the target audience. The focus is on gaining insights on how prospects hear about new products, the factors that influence who, what and where they shop, needs and expectations of the prospective customers and how they would like to get help when issues arise.

**Step 2:** Establish economic frameworks to understand and prioritize impact of marketing, sales and service decisions.
Step 3: Track customer behavior, distill patterns and adapt to accommodate shifts.

Step 4: Develop lead nurturing and customer management plans for target audiences.

Step 5: Develop customer-centric information architecture.

Step 6: Deploy workflow-based tools to marketing, sales and service stakeholder groups.

Step 7: Create a customer experience map to optimize touch points.

The State of Customer experience today:

Customers want personal and engaging experiences that develop into relationships. Much like the trials and rewards of personal relationships, brand relationships can grow into lifetime commitments, when customers are properly managed. If not, they can lead to painful breakups.

The 2011 Customer experience Impact (CEI) report of ‘Right Now’ (acquired by Oracle in March 2012) conducted by ‘Harris Interactive’ explored the relationship between consumers and brands. The report reveals facts about what consumers are looking for from a brand, how quickly they will dump a favorite brand and their tendency to seek retribution after a break up. They are,

* Happy consumers are willing to pay more. Positive engagements create long standing, loyal relationships and this is so important to consumers that they are willing to pay for it. In fact, according to the
CEI survey, 86% of consumers will pay more for a better customer experience.

* Customer expectations are rarely met consistently. With only 1% of consumers feeling that their expectations for a good customer experience are always met, it is easy to see why the relationship between brands and consumers often flames out. When expectations are not met, brands get dumped. Poor experiences are due to unmet expectations, leading consumers to take their business elsewhere. 89% of consumers began doing business with a competitor following a poor customer experience. 50% of consumers give a brand only one week to respond to a question before they stop doing business with them.

* Bad experiences travel fast. After a poor customer experience 26% of consumers posted a negative comment on a social networking site like Facebook or Twitter for hundreds even thousands of their friends and followers to see.

* Most online complaints are ignored by the e-tailers. 79% of consumers expressed that they had a poor customer experience online as their complaints were ignored and not taken care of.

* A simple response can make a tremendous difference. Of those customers who did get responses to complaints, more than 50% had positive reactions to the same company about which they were previously complaining. And 22% even posted a positive comment about the organisation.
Therefore, the key to retaining customers and to improve the customer base is to enable the customers to have a positive buying experience. Taking cue from the above research references, the present study adopts the following dimensions for the purpose of measurement of customers’ satisfaction with online buying experience. They are, the services provided by e-tailers, online shopping experience and quality of online services.

1.8 OPERATIONAL DEFINITIONS

(i) E - Marketing

E-marketing or electronic marketing refers to the application of marketing principles and techniques via electronic media and more specifically the internet. The terms e-marketing, internet marketing and online marketing is frequently interchanged and can often be considered synonymous. E-marketing encompasses all the activities a business conducts via the worldwide web with the aim of attracting new business and developing its brand identity.

E-marketing is the process of conducting marketing activities and achieving marketing objectives through electronic medium. It may be defined as an economic process that involves the use of computer, internet and other electronic systems and network, whereby the goods or services are exchanged and their values in terms of price are determined. CISCO specialists define e-marketing as the sum of all activities a business conducts through the internet with the purpose of finding, attracting, winning and retaining customers.
(ii) **Consumer Goods**

Goods that satisfy personal needs rather than those required for the production of other goods or services.

Goods such as food and clothing that satisfy human wants through their direct consumption or use. Goods that are ready for consumption in satisfaction of human wants as clothing or food, and are not utilized in any further production.

(iii) **Online Consumers**

People or organizations that purchase products or services on the internet are called online consumers.

(iv) **Website Features**

Features that make the websites appealing and effective, which are identified for this study are, ease of use, aesthetic design, processing speed and security.

(v) **Online Consumer Satisfaction**

The following are the parameters taken to assess online consumer satisfaction in this study. They are, security for customers, reliability, searchability, quality, assessability and convenience and grievances and redressal.

(vi) **Online Buying Experience**

Experiences which enhances the satisfaction of online customers and makes them to return to the same site and make repeated purchases. The experiences identified in this study are the quality of services of e-tailers, expectations met and recommending the sites to friends/relatives.
1.9 **NEED FOR THE STUDY**

The present study analyses e-marketing experiences of online buyers of consumer goods. Technological changes have given rise to a new society based on knowledge and they have also created new avenues of development, employment, investment and entertainment. Internet is emerging as a powerful medium to reach the masses. It has gained global dimension by acting as a universal source of information. It has emerged as the biggest marketplace in the last few years. Prospective buyers generally browse through the internet when in need of something or when they want more details of something. The volume of internet transactions is increasing every day. Due to advancement in technology, businesses came up with a new method called online shopping which would allow potential customers to order their merchandise without having to travel long distances, in the present day busy lifestyle system. The changing needs and preferences of consumers change in technologies and the desire of the business organizations to make good revenues and to improve the customer base led to the evolution and existence of online shopping. Hence it is imperative to study the factors that influence online buying of consumer goods and understand consumer psychology to adopt better marketing strategies.

1.10 **SCOPE OF THE STUDY**

The present study is focused on effectiveness of e-marketing with reference to consumer goods. The study concentrates on online buying experience which is a part of e-marketing. This study brings out certain factors which influence online buying. The key factors which are identified are website features, consumer satisfaction and online buying experience of consumers. The present study is undertaken primarily to understand the consumer perceptions on online buying with regards to the above variables. Internet connectivity and increased use of credit cards
have provided a favorable infrastructure for the growth of online shopping in India. Hence, the present study is very relevant which analyses the factors governing online consumers buying experience.

1.11 STATEMENT OF THE PROBLEM

Traditional marketers gained the trust of the customers through quality products, service, ethical conduct and trustworthiness. It is assumed that the companies will stand behind their products and provide services that customers have become accustomed to receiving through traditional transactions. In addition, consumers know that these are “real businesses” with brick and mortar stores to back up the business. On the other hand e-tailers (online marketing organizations) have to work hard to gain consumer confidence. They must earn through demonstration of honesty, trustworthiness, timely processing and delivery, fair return policies and the expected customer support.

Whenever goods are ordered online the consumer has to provide his credit card information for payment. There is always a fear that the customer’s credit card details and bank details be misused which raises privacy issues. Customers have to be careful in revealing their personal information. So, it is essential for e-marketers to pay attention to this issue to boost the growth of e-commerce.

Physical stores allow price negotiations between buyers and the seller. The sales attendants provide personal attention to customers and help them in their purchase process. In the e-shopping context experience and enjoyment derived from e-consumers interactions with e-retail site is found to be a major determinant of consumer attitudes. A favourable perception of e-interactivity is by ease of use of a website. Consumer navigability is also a key aspect i.e. the ability of the user to find their way around a site and keep track of where they are.
Many studies in the physical stores world have used an environmental psychology framework to demonstrate that stimulants in the retail atmosphere or environment can affect consumers, emotions which in turn can influence behavior. Same type of web atmospherics model can be applied to e-consumer behavior also. Graphics, visuals, audio, colour, product presentation at different levels of resolution, video and 3D displays are among the most common stimuli.

Though the duration of selecting, buying and paying for an online product may not take more than 15 minutes, but the delivery of the product to the customers’ doorstep takes about 1-3 weeks. Further, there are certain problems like delay in shipment, in correct delivery of products and lack of proper refund policy. Therefore, this study tries to examine these and other related issues through the following objectives.

1.12 OBJECTIVES OF THE STUDY

1. To identify, measure and evaluate the e-marketing of consumer goods through electronic media.

2. To identify the purchase decision factors favouring online buying based on internet shopping behavior of the consumers.

3. To analyse online buying behavior based on demographic features like age, sex, income, qualification, life stage etc.

4. To identify consumer perceptions on website features and consumer satisfaction levels.

5. To make an overall assessment of online buying experiences of the consumers.
6. To examine the association between website features, customer satisfaction and online buying experiences.

7. To suggest suitable measures to improve the efficiency of e-marketing environment.

1.13 IMPORTANT HYPOTHESES OF THE STUDY

The important hypotheses in the study are:

1. \( H_0 \) Age is not a significant factor that affects the perceptions of consumers on website features.
   \( H_1 \) Age is a significant factor that affects the perceptions of consumers on website features.

2. \( H_0 \) Education does not have a significant impact on the perceptions of consumers regarding the website features.
   \( H_1 \) Education has a significant impact on the perceptions of consumers regarding the website features.

3. \( H_0 \) Age does influence the level of consumer satisfaction while buying goods online.
   \( H_1 \) Age influences the level of consumer satisfaction while buying goods online.

4. \( H_0 \) Life stage of the consumers does not affect the level of consumer satisfaction while buying goods online.
   \( H_1 \) Life stage of the consumers affects the level of consumer satisfaction while buying goods online.
5. **H₀** Gross annual income does not affect the consumers’ perceptions on online buying experience.
**H₁** Gross annual income affects the consumers’ perceptions on online buying experience.

6. **H₀** There is no correlation between the core variables-website features, consumer satisfaction and online buying experience.
**H₁** There is correlation between the core variables-website features, consumer satisfaction and online buying experience.

7. **H₀** There is no significant influence between website features and other variables.
**H₁** There is significant influence between website features and other variables.

8. **H₀** There is no significant influence between customer satisfaction and other variables.
**H₁** There is significant influence between customer satisfaction and other variables.

9. **H₀** There is no relationship between overall assessment of online buying experience and other variables.
**H₁** There is significant relationship between overall assessments of online buying experience and other variables.

### 1.14 METHODOLOGY OF RESEARCH

This is an empirical and analytical study. Survey method through structured questionnaire was adopted for the study, as it attempts to evaluate the perceptions of online customers buying behavior.
i) **Data collection procedure:**

The study is mainly based on primary and secondary data. The primary data was collected through distribution of questionnaires to 450 people. Published information from journals, articles, newsletters and websites were used for secondary data. Questionnaires were distributed only to people who were comfortable with computers and bought some goods online at least a few times. It was distributed to students, professionals; people employed in I.T. sector, housewives and retired people residing mainly in Chennai, Bangalore and other cities. In recent times many Information Technology companies and information Technology Enabled Sectors (ITES) have been set up in and around cities of Chennai and Bangalore. This has brought in tremendous change in the marketing scenario in these cities. The markets in these cities are big enough for everybody to co-exist. Hence, both traditional physical stores and online stores are having a great impact on the consumers which prompted the selection of area of survey.

ii) **Sampling method:**

Convenience sampling method was adopted taking into account availability and approachability of the consumers for the purpose of data collection. Since the concept of online buying is new to India, there are no readymade lists of online buyers. Hence, non-random sampling method has been used to collect data.

iii) **Sampling frame**

A total of 450 questionnaires were distributed, but only 327 questionnaires were received. Thus, the response rate was 73%. Certain responses were not considered due to incomplete information. Finally, of the 327 questionnaires, only 307 were complete in all respects to be used for statistical purposes.
iv) **Data collection period**

The research study was carried during the period April 2010- January 2013. The data from consumers was collected by issuing questionnaires during the period June 2011 to August 2012.

v) **Research instrument**

The research instrument used for this study is a structured questionnaire. It was designed to study the factors that affect the online buying behavior of the consumers, based on review of literature and practical observations. The questionnaire comprises of three sections. The first two sections analyses the profile of the consumers, the type of products purchased, frequency of purchases, value of purchases and purchase procedure adopted. Section three ranks the reasons for purchasing consumer goods online and analyses the factors that influence the online purchases like website features, consumer satisfaction and overall assessment of online buying experience.

vi) **Questionnaire design**

The questionnaire used for data collection is divided into three parts. They are

**Part-A**

This section deals with the personal data of employees to understand the demographic profile of the respondents like gender, age, marital status, life stage, income etc. Under life stage of respondents the present study assumes young and dependent to be respondents who are young and dependent on their parents. They may be school or college students. Young and independent category will refer to
young and employed people. They are assumed to be people less than 30 years of age. Less young and independent category refers to unmarried middle aged persons who are economically independent. Family with children at home category refers to married people with children. Empty nesters / retired category refers to people who have retired and empty nesters mean people whose children have left home for studies or employment. Likewise under qualification of respondents others refer to school students and diploma holders.

**Part –B**

This section deals with the purchase behavior of the consumers. It is aimed to analyse how frequently consumers browse internet, what products they purchase through internet, how they purchase either relying only on internet or have discussions with others or compare with physical stores, how frequently they purchase online and the value of purchases.

**Part C**

This section is divided into four subsections. The first sub section deals with the reasons for online buying. Ten reasons are given and the respondents are asked to assign ranks from 1 to 10 (with 1 being the most influential factor and 10 being the least influential factor).

The second subsection consists of 22 statements relating to website features which affect online consumer buying. Four sub-variables were identified for examining the website features. These were presented in a five point scale viz strongly agree, agree, neutral, disagree and strongly disagree.
The third subsection consists of 26 statements relating to factors governing consumer satisfaction in online buying. Six sub variables were identified for analyzing customer satisfaction. These were fitted to a five point scale viz. strongly agree, agree, neutral, disagree and strongly disagree.

<table>
<thead>
<tr>
<th>Sub variables</th>
<th>Statement Number</th>
</tr>
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<tbody>
<tr>
<td>Security</td>
<td>1-6</td>
</tr>
<tr>
<td>Reliability</td>
<td>7-12</td>
</tr>
<tr>
<td>Searchability</td>
<td>13-15</td>
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<tr>
<td>Quality</td>
<td>16-18</td>
</tr>
<tr>
<td>Accessibility and convenience</td>
<td>19-21</td>
</tr>
<tr>
<td>Grievances and Redressal</td>
<td>22-26</td>
</tr>
</tbody>
</table>

The fourth and the last subsection deals with the overall satisfaction level of online buying experience of the customers.

Five statements are taken to analyse customers buying experience. These are presented in a five point scale viz. strongly agree, agree, neutral, disagree and strongly disagree with dimensions like satisfied shopping experience, services of e-tailers etc.
The last part is a open ended statement inviting suggestions for better online marketing experience from the sample respondents.

vii) Scoring pattern

Part C

The first subsection deals with the ranking of reasons for purchasing online. The most influential reason is assigned rank 1, next reason rank 2 and so on. The least influential reason is assigned rank 10. Then for each reason the number of customers who have assigned 1 rank is taken. From this table the ranking of reasons is done.

The second, third and fourth subsection deals with statements on a five point scale for which the following weights are assigned to calculate the global score of each variable.

| Strongly agree with the statement | 5 |
| Agree with the statement          | 4 |
| Neutral/undecided with the statement | 3 |
| Disagree with the statement       | 2 |
| Strongly disagree with the statement | 1 |

Average mean score for each statement is calculated on the basis of dividing the total score for each statement by number of respondents.
viii) **Pretesting and pilot study**

The present study is conducted through a set of selected variables identified for the purpose of the study. A structured questionnaire was designed based on the above criteria. To understand the communicability of the questionnaire and content validity, a preliminary study was conducted. The drafted questionnaire was given to a few of I.T. professionals, marketing analysts, students and housewives to obtain their views on the design content and dimensions of the study. On the basis of their comments, revisions were made to make the language simpler to understand and interpret.

The corrected questionnaire was issued to 52 respondents for the purpose of pilot survey. The data collected is verified for reliability and content validity of the questionnaire by computing Cronbach’s Alpha Co-efficient. 66

The reliability results of core variables are presented below

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Website features</td>
<td>0.887</td>
</tr>
<tr>
<td>Consumer satisfaction</td>
<td>0.804</td>
</tr>
<tr>
<td>Assessment of online buying experience</td>
<td>0.932</td>
</tr>
</tbody>
</table>

The above reliability is considered satisfactory for the study purpose. Then actual data collection procedure was followed with the issue of questionnaire to a larger sample, for field survey.

1.15 **FRAMEWORK OF DATA ANALYSIS**

The data collected through questionnaires were analysed by using the following statistical tools:
1. To develop the demographic profile of the online consumers, percentage analysis was applied to gender, age, marital status, life stage, type of consumers, qualification, gross annual income and tax status.

2. As regards to online shopping behaviour of the customers, percentage analysis was applied to study the frequency of online purchases, products purchased, procedures followed and value of online purchases, to focus on the basic understanding of the concept.

3. Ranking of preferences was performed to understand the reasons for online purchases.

4. One way Anova (F-Test) and (T-test) table was prepared to identify the significant differences in the perceptions of consumers on online buying based on their demographic characteristics.

5. T-test analysis was used to analyse the significant differences in the perceptions of the consumers on website features, consumer satisfaction and online buying experience based on their gender, age, marital status, income, taxpaying status etc.

6. Mean score analysis was done for ranking of sub variables and analyzing the most influential factors in the sub variable.

7. Pearson’s correlation analysis was used to determine, if any significant relationship exists between the variables.

8. Multiple Stepwise Regression analysis was used to analyse the relationship between a single dependent variable and several independent variables by rotation like taking website features as a dependent variable and other two
variables customer satisfaction and assessment of online buying experience as independent variables. By rotation of the three variables taken for the study, one was chosen as dependent variable and the other two as independent variables.

9. Factor analysis was used to find out the most important variables in the study.

10. Cluster analysis was used to examine the respondents perceptions on online buying.

1.6 LIMITATIONS OF THE STUDY

1. The main objective of the study is to identify measure and evaluate the e-marketing of consumer goods through electronic media. Since marketing is a wider area, the study is restricted to online buying only.

2. As online buying is a emerging concept, the questionnaires were distributed only to consumers familiar with online buying. Therefore non random method of sampling was used in this study for data collection.

3. There are many variables that influence online buying. But the study is confined to three important select variables only.

4. The study examines the perceptions of online consumers with regards to certain factors. Perceptions are subjective in nature and are likely to change with changing times and market conditions.

5. Cross cultural or religious settings of consumers are not considered in this study.
1.17 CHAPTER ARRANGEMENT

The present empirical study is presented in five chapters.

Chapter 1 - Introduction and research methodology

This chapter introduces the concept of e-commerce, e-marketing and online buying. It further elaborates on the need for the study, objectives of the study and the methodology adopted. Further this chapter identifies certain core variables which influence the effectiveness of online buying. The core variables selected are website features, consumer satisfaction and assessment of online buying experience.

Chapter 2 - Review of Literature

This chapter provides an extensive review of related literature, synthesizing the early researches on the topic, identification of research gap and selection of topic for the present study. Articles, books and reports on topics relating to e-commerce, e-marketing, online buying, website features and online consumer satisfaction were reviewed.

Chapter 3 – Analysis of Consumer’s perception of online buying.

This chapter analyses the demographic profile of the customers and their perceptions on the variables based on the demographic features. This chapter also analyses the type of product purchased, frequency of online purchases of respondents and the procedure they follow. The reason for purchasing goods online is also analysed and ranked.
Chapter 4 - Analysis of factors influencing online buying

This chapter makes an in depth analysis of the various factors influencing online buying by applying various statistical tools. Correlation analysis and regression analysis between the variables are carried out. Factor analysis and cluster analysis are made.

Chapter 5 - Summary and Conclusions

This chapter consists of summary of the findings of the study. Implications of the study are presented. Suggestions and opinions of the sample respondents is also presented.
CHAPTER 1 - END NOTES

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