Dissertation Report on

Study of Consumer Buying Behavior towards Online Shopping

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CERTIFICATE

This is to certify that the Project Report titled **Study of Consumer Buying Behavior towards Online Shopping**, is a bonafide work carried out by **Ms Garima Puri** of MBA 2013-15 and submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 in partial fulfillment of the requirement for the award of the Degree of Masters of Business Administration.

Signature of Guide   Signature of Head (DSM)

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Place:

Date:

DECLARATION

I **Garima Puri**, student of MBA 2013 -15 of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 declare that Dissertation Report on **Study of consumer buying behavior towards online shopping** submitted in partial fulfillment of Degree of Masters of Business Administration is the original work conducted by me. The information and data given in the report is authentic to the best of my knowledge. This Report is not being submitted to any other University for award of any other Degree, Diploma and Fellowship.

Garima Puri

Place:

Date:

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Thank you

EXECUTIVE SUMMARY

The boon of Internet has managed to completely revolutionize the very existence of an Indian consumer. With increase in Internet penetration of more than 18%, a decline in the broadband subscription tariffs, and advanced technology like the 3G and 4G services, India is at a cusp of digital revolution.

Thus Internet has paved way for the changing lifestyles of the country's urban population where people have not only started with the new trend of online shopping but have started becoming dependent on E-commerce for their shopping needs. The reasons for adopting online shopping over traditional shopping methods can range from shorter time and less energy spent, reduced shipping cost, less crowd and queues than real markets, unlimited time and space, which all increase convenience of shopping. Internet shopping for businesses and consumers are being accepted as an alternative shopping mode rather than visiting the stores. However, convincing the consumers to shop online is still a challenging task for web retailers in India. The growth of Internet technology in India has enormous potential as it reduces the costs of product and service delivery and extends geographical boundaries in bringing buyers and sellers together.

This study is conducted to identify factors that influence Indian consumers to shop online and find out the reasons which deter consumers from shopping online. The growing use of Internet in India provides a developing prospect for online shopping. If E-marketers know the factors affecting online Indian shopping behavior, and the relationships between these factors and the type of online buyers, necessary advancements can be made in the prevalent strategies by the marketers to attract new customers, and retain existing online consumers.

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1. INTRODUCTION

1.1 Overview

Since the last two decades, Internet has seen a massive development along with the digital economy which is driven by information technology. The development of internet saw changing technology, rise in speed of internet and increase in a number of users. This also lead to new age marketing techniques by companies when most of them hopped on to the digital bandwagon, thus paving way for a new age of marketing. Firms began displaying and promoting their products and services on line, offering detailed product information, improved service quality which lead to change in buying preferences of consumers who started switching to online shopping mode from the traditional mode of shopping. Moreover with the transformation in consumer behaviour over a period of time, companies have realized that a drastic change in the marketing strategy is the need of the hour for successful survival in the market. According to certain recent researches (B2C) business to consumer internet shopping has become more prevalent among people. According to the report, The Emerging Digital Economy II, published by the US Department of Commerce, companies have seen a great increase in the percentage of total sales of a lot of companies. Dell computer companies reached a huge 18 million dollars sales during the first quarter of 1999 through online medium and an yearly 5.5 billion dollars sale was observed (Moon, 2004). This clearly shows how important is it for companies to understand internet shopping and its influence on consumer buying helping them earn greater profits and do better in their respective business domains

E-Commerce (electronic commerce or EC) is the buying and selling of goods and services on the internet, especially the World Wide Web (Tech target, 2007-2012). Online shopping is the mode where people can directly buy goods from online websites looking at the pictures, descriptions, people's opinions, or even comparing different websites. Along with product descriptions there is other information as well required to be kept in mind while using the product or availing the service. E-commerce has shown a great upsurge due to its multiple benefits which include lower transactional and search cost compared to other modes of shopping, more number of alternatives, saving of time and lower prices.

Consumer behaviour refers to their opinions and psyche and the factors that they keep in mind while making online purchases. Buying anything is a five step process. Firstly one identifies a need or want and then defines the requirements necessary to satisfy that need. Then information is gathered and opinions are evaluated. Once there is clarity with respect to options, people try to negotiate the best price. Lastly, consumers undergo numerous factors which influence the final decision of taking the right decision of buying or not buying the product.

Thus, the purpose of this study is to identify factors affecting Indian consumers' online shopping behaviour, especially with respect to the Indian context which includes leisure habits, low rate of credit card penetration, internet infrastructure, reliability of postal carriers etc. Previous studies that have taken place primarily include the risk and benefit factors ignoring the most important socio-cultural factors with respect to the country as diverse as India. Potential gender differences and purchase preferences with respect to gender have also been considered while making this

report. In a gist the purpose of this report is to understand the factors that influence the purchase decisions of consumers and their attitude towards online shopping.

1.2. E-Commerce in India.

E-Commerce is gaining momentum globally with Asian economies like China, India and Indonesia being the fastest growing e-commerce markets. E-commerce in India is growing at a fast pace with an estimated size of Rs.43, 930 crore in FY13 and a CAGR of 43.8% (FY08-13). As per the internetworldstats.com – The top 20 countries in the internet by number of users as on June 30, 2012, India ranks 3rd after China and US. The ecommerce industry is mainly dominated by the travel segment which accounts for more than 70% of the transactions of industry and e-retail's share in e-commerce stands at approximately 12.5%.

In spite of the robust growth, the ecommerce industry is still in a nascent stage with significant e- commerce ventures being started by young first-time entrepreneurs. The e-commerce industry in India lags far behind various developed and developing countries (share of ecommerce to total retail is approximately 1.5% vis-à-vis 5.8% in US) mainly on account of low internet penetration due to poor infrastructure.
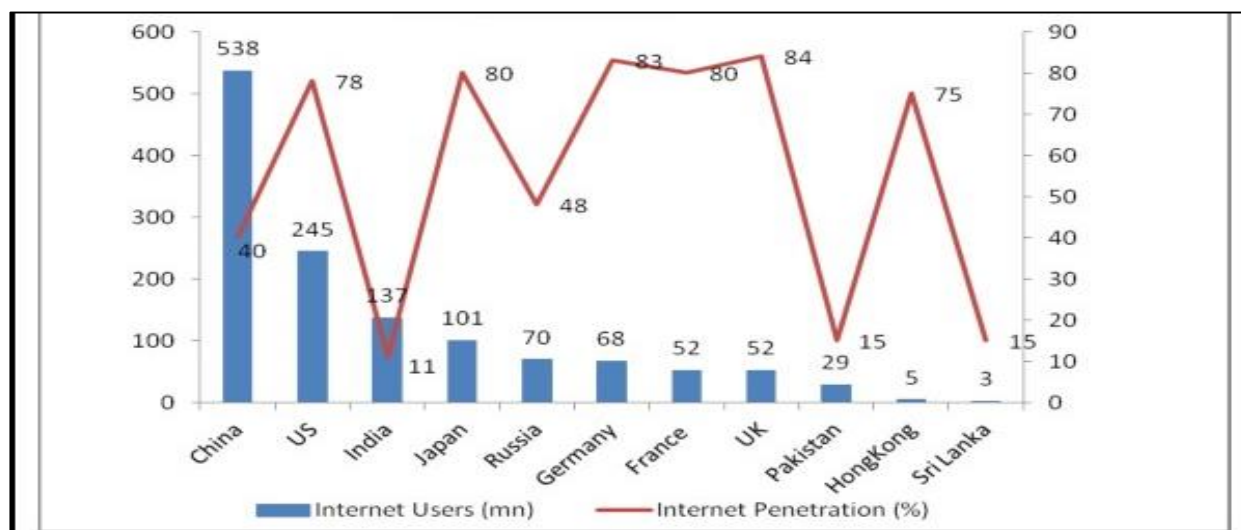
Figure 1. Internet penetration stats 2012

Source: Internetworldstats.com

1.3 Models of E-commerce

The Indian e-commerce industry comprises two key business models: B2B (90% of market share) and the remaining 10% comprise of B2C. India and China, unlike US are characterized by 'Marketplace Model', while US follows inventory based /independent model. 'Market Place' model only provides platform to a large number of manufacturers/traders (especially MSMEs) to advertise their products (which translates to benefit the MSMEs in the form of increased turnover) as well as manages related functions and in turn the entity earns commission from sellers for goods and services. The B2B players do not carry inventory while in the other model-B2C, the merchant owns the goods. Currently FDI is restricted in B2C model in India.

Business-to-Business (B2B):

B2B e-commerce is defined as e-commerce between companies. This deals with transactions i.e. buying and selling between and among businesses. B2B ecommerce dominates in as much as 80 % of the E-Commerce market and experts are of the opinion that it will keep growing faster than the B2C segment. E.g.: indiamart.com, eindiabusiness.com, tradeindia.com etc.

Business-to-consumer (B2C):

Business-to-consumer e-commerce, involves online transactions between companies and consumers. In this format the customers gather information before purchasing physical goods (i.e., tangibles such as books or consumer products) or information goods (or goods of electronic material or digitized content, such as software, or e-books); online without the need pf physically visiting he store

It is the second largest and the earliest form of e-commerce. Its origins can be traced to online retailing (or e-tailing). Thus, the more common B2C business models are the online retailing companies such as Flipkart.com Amazon.com, Snapdeal.com etc.

Business-to-Government (B2G):

Business-to-government e-commerce or B2G is the electronic transaction between companies and the public sector. It refers to the use of the Internet for public procurement, licensing procedures, and other government-related operations. This kind of e-commerce has two features wherein, the public sector assumes a pilot/leading role in establishing e-commerce; and it is assumed that the public sector has the greatest need for making its procurement system more effective.

Web-based purchasing policies increase the transparency of the procurement process (and reduce the risk of irregularities). To date, however, the size of the B2G ecommerce market as a component of total e-commerce is insignificant, as government e-procurement systems remain undeveloped.

Consumer-to-Consumer (C2C):

Consumer-to-consumer e-commerce or C2C is the commerce between private individuals or consumers. This type of e-commerce is characterized by the growth of electronic marketplaces and online auctions, particularly in vertical industries where firms/businesses can bid for what they want from among multiple suppliers. It perhaps has the greatest potential for developing new markets.

Online auction site eBay, Yahoo! Auctions are a couple of examples of C2C websites.

1.4 Mobile Commerce in India

Mobile is growing in India with more than 800 million subscribers across the country. The advancement in terms of adoption of smart phones with 3G enabled services is happening at a rapid pace. This of course has opened up the gates to mobile advertising, mobile application development and mobile commerce in India. According to BuzzCity's latest report, India is one of the highest performing mobile advertising region in Asia. The growth in mobile advertising globally is tremendous with ads served on a year-on-year growth of 139%. With respect to some number crunching, more than 126 billion ads were served in 2011, compared with 52 billion in 2010.

Mobile Commerce in India is still in the development phase as there is a very limited use of mobile phones for carrying out transactions. However, the mobile commerce growth chart looks very bright and in the coming years, Mobile Commerce will be huge as most of the companies in all business domains will understand the importance of M-commerce domain and start adopting it.

A vast number of companies have already incorporated this technology. Airtel, ICICI, Reliance were the flag bearers followed by end number of other companies coming up with their respective mobile applications. Till date almost all major E-commerce have realized the importance of M-commerce which promises to be the next big thing and have launched their respective mobile applications. Eg: Flipkart, Snapdeal, Myntra, GoIbibo etc. The users are mainly paying phone bills, utility bills, book movie tickets, book travel tickets with their cell phones apart from indulging in mobile shopping.

However, few issues majorly the Security issues are the major concerns and may strongly affect the use and adoption of Mobile Commerce. Thus it is very important to offer secure transactions and this is the reason why secure mode of transactions is the chief reasons that service providers should look into to enable full use of M-commerce technology in India.

1.5 Development of Internet Shopping

Internet shopping has seen a rapid development over the last 5 years, due to the number of benefits of internet. Most importantly, the internet offers different kind of convenience to consumers; so the consumers do not need go out looking for product information. They can easily search about the product on online sites, compare different websites and select the most suitable option. Consumers can save time by accessing different website at the click of a mouse, and get all the product related information which is beautifully illustrated in the form of images, sound and detailed text description of the product. This enables the consumer to find the most suitable option satisfying his buying needs.

However, internet shopping has potential risks for the customers, such as payment safety, and after service. Due to the developing internet technology internet payment has now become more prevalent when it comes to purchasing goods from the internet. Internet payment increases consumptive efficiency, at the same time, as its virtual property reduced internet security.

After sale service is a major factor that stops people from shopping online. There are certain products which are required to be seen, felt and understood before making a purchase.

1.6 Objective of the Study

The **primary objective** of the study is to understand the Indian consumer's behavior towards online shopping. With the help of his study we will try to find out the major reasons cited by Indian customers, keeping in mind the demographics and socio –economic factors as to why do they indulge in online shopping and the reason that they cite for not shopping online.

The Primary objective of the study can be broken down into following points:

- To study consumer perception about various e-commerce sites and what products consumers buy online.
- To examine what consumers look for in an ideal e-commerce website.
- To assess the factors that influence consumers to buy from E-tailors and brick & mortar stores.
- To understand the consumer shopping pattern with respect to online and offline purchasing.

2. FRAMEWORK OF STUDY

2.1 Literature Review

E-commerce is a tool for reducing administrative costs and time, aligning business processes, and fostering relationships between business partners and customers (Charles, 1998). The Internet and electronic commerce were the two most significant developments in the nineties. A sizeable increase in the number of online consumers and an increase in worldwide sales has been observed. Acceptance of E-commerce and advancements in technology has boosted E-commerce industry and has also resulted in a number of online (Blosch, 2000; Hamid & Kassim, 2004). Purchase intentions of customers is influenced by **perception, motivation, learning, attitudes and beliefs.** The perception refers to what does the customer think of the information provided on the internet and consequently how is the decision affected. Motivation is the driving force that influences the decision. Learning is something which is gained by customer's own experience. Attitudes are reflected in factors that matter the most to the customer while & Beliefs reflect customer opinion post or during the experience **(Kotler & Armstrong, 1997).**

In the initial stages of E-commerce, people were limited to buying train, flight and movie tickets, browsing over matrimonial sites and looking for jobs. However a change in the use of internet has been observed with increased internet penetration and exposure and people specially the tech-savvy youth have started shopping online which has led to a considerable increase in the use of internet over the years

Consulting firm Technopak predicts a \$70-billion annual market by 2020, up from \$600 million now, which is just 0.05% of global online shopping.

"E-commerce: A boon for the current economic downturn"

First Data Corporation and ICICI Merchant Services, reported that e-commerce market in India had closed at around Rs 50,000 cores by the end of 2011 which compared to today's scenario was at a very nascent level

With internet users in India, touching a 243 million mark in 2014, the number of people actually making E-commerce transactions are only 38 million. A huge opportunity lies ahead of the Indian E-commerce players to tap the untapped market. As a result of increased competition and lower entry and operational costs than the developed countries like USA, a commendable increase in the E-commerce players spanning across a variety of businesses – women's fashion, men's fashion, shoes, followed by accessories, groceries, sports, toys, home furnishings, jewellery, automotive, bicycles, electronics and electrical equipment etc. has been observed.

E-Commerce has flourished since its inception in the early 2000's so much that more and more people are venturing into the E-commerce domain.. With Higher internet penetration rate and people becoming aware of the E-commerce trend more people are willing to shop online. Following are the reasons for the flourishing E-Commerce industry in the country:

Shopping 24x7: E-commerce enables the anytime, anywhere shopping for almost anything desired. Busy consumers specially in an age where both members on the family become the

breadwinners, prefer this to the traditional shopping modes where people have to spend time to be physically present to make their purchase decision. Online business takes shopping a step further by taking itself to the customer creating conveniences of shopping anywhere and at any time.

Reduced operational cost: The need for physical stores has become obsolete as the entire business can be moved online. Less infrastructural investment and associated labor costs drives up the profit margin. The seller can then transfer this benefit to the customer in the form of discounted pricing which boosts the appeal of online shopping.

Easy to compare: It is far easier and quicker to compare prices of goods online, equipping the customer with the information to decide the right price or terms for themselves. The comparison is not restricted to items from a single seller, or a single region. One can explore products across global markets via e-commerce.

Safe & secure: Customers can trust the process of going online and purchasing only when transactions are fast, convenient and secure. A high degree of integrity is possible only when the online electronic payment provider is reputable and trustworthy. In India, all payment transaction providers are required to comply with the security requirements laid out by the Reserve Bank of India making the system more robust and reliable.

Increased reach for the merchant: Just as the customer finds them able to venture across geographic markets, the merchant too is able to display his product to customers in new territories. Market penetration also becomes far more achievable with e-commerce; it is possible for a merchant in Mumbai to extend his reach to north-eastern cities or even rural villages that are now connected by the online network.

Social media trend: In India, with the social media gaining popularity among all age groups, businesses have now begun to engage their customers on social networking portals such as Facebook. Promotions, sales and new products are increasingly showcased through such channels and mobile apps are now available that suggest products to users based on their profiles. These are likely to be rapidly developing marketing channels for the future. The e-commerce world is changing rapidly in the digitized world. These e-commerce developments may have been accelerated by the global economic downturn which may be driving consumers to find new ways of reducing their costs of living. The online channel offers a clear value proposition for both merchants and consumers making it the most sought after and exciting business model today

2.2 Online Shopping In India

With internet users in India growing rapidly and investors willing to fund companies in the internet space, brokerage firm Motilal Oswal Securities claimed that online shopping of physical goods in India might touch as high as $45 billion by 2020. A CAGR as high as 50% in the next 6 years has been observed. The estimate includes companies across online travel, e-retailing, classifieds and online financial services.

According to the report, multiple enablers of this explosive growth include increase in the number of internet users, increase in the proportion of online shoppers within those users, growth in the per-shopper transaction value, and continued flow of capital by willing investors, enabling

customers to influence them towards online shoppingd. According to estimates, India added around five million internet users to its base of 213 million in 2013, driven by a rapid growth in smartphones.

Initially, travel industry had dominated the online shopping space with a CAGR of 32 per cent between 2009 and 2013, the report said that going forward e-retailers would drive growth, with expected CAGR of over 60 per cent to $7 billion in 2016 from $1.7 billion in 2013.
Within the e-retail segment, the report said Fashion would be the driving segment, which was at $559 million in 2013 and is estimated to by between $3 billion-$6 billion by 2016.

Among the leading online sellers, Motilal Oswal Securities said it sees Snapdeal.com, Jabong.com, mydala.com and DotZot having a strong edge above others.

The report also compared the Indian e-commerce space with China, which is soon expected to overtake the US as the world's largest online retail market, and also concluded that the drivers of expansion of e-commerce in India are the same as China. "Growing internet population, limitations of physical retail beyond large cities, and well-funded ecosystem players are all drivers (in India). These are similar to those in China, where e-commerce grew at a CAGR of 76 per cent since 2003 to $306 billion."

The Indian economy is expected to grow by upward of 6 % annually in the next few years which is one of the compared to any other big emerging economy. And quite a lot of this growth would be on the back of domestic consumption of goods and services.

E-commerce is emerging as a great level as organized retail in the country is an unheard concept in most parts of the country with large retail chains constituting less than 10% of the market.

E-commerce is helping people in smaller towns in India access quality products and services similar to what people in the larger cities have access to. It is forecasted that close to 60% of online shoppers would come from beyond the top eight large cities by end of this year.

Increasing internet penetration has helped to expand the potential customer pool. Internet penetration is only about 18% (around 250 million internet users) as against about 81% in the US and 36% in China. However this number continues to rise at a consistent pace because as organized se of falling prices for broadband connections.

Indians are also increasingly taking to mobile devices for not only search but shopping as well. The number of smartphone users is rapidly increasing in India and with 4G services about to take off it's expected to get even more people going online. There are currently about 900 million mobile subscribers and this number is expected to touch 1.2 billion by 2015. Of these about 27 million are estimated to be active mobile internet users. More importantly, 20% users indicated intent to buy products through their mobile phones as against the current 4% and this number is expected to only increase in the next two to three years.

Innovation is helping e-commerce companies break the inertia for online shopping by offering benefits to customers not traditionally available in a brick and mortar store. Business models include no question asked return policies ranging from 7 days to 30 days, free product deliveries

and the industry dynamics changing "cash on delivery" model. The last innovation has really help unlock the potential as people can now order products and pay when they get physical delivery of the product. This has been a tremendous success because Indians are still reluctant to give their credit/debit card details online and want to have the psychological comfort that they would actually get the product once payment has been made. These innovations have led to further innovations downstream as ancillary businesses are developing to support these initiatives. Some companies have begun to develop support mechanisms for the entire cash on delivery model and are trying to reach the far flung corners of India, including in the interiors where traditional logistics companies are still not completely present.

Divyan Gupta is the Founder and CEO of Keshiha Services Pvt. Ltd, a company with interests in the internet, telecom, healthcare, education and advanced technology businesses has stated that, acceptance of online shopping as a secure shopping mode is has also helped to increase e-commerce uptake.

Currently only about 10 million people do online transactions out of an approximate population of 200 million credit and debit card holders. However the latest industry report by First Data Corporation and ICICI Merchant Services indicate that there are about 150 million users that are ready for e-commerce.

More importantly the report indicates that urban Indian consumers are now confident enough to make online purchases of up to US$500 as against US$40-100 in the recent past. So not only are the numbers of online shoppers projected to increase but there has been a real increase in the total value being spent online.

First a slow but sure consolidation is starting to take place in the industry. Experts say that over the next 12-18 months there would be a couple of multi-product generalists who would be successful along with a leader in single product category.

Second, Venture Capitalists are starting to be choosy about which business to invest in, basing their decisions on performance as opposed to future predictions. Valuations which went through the roof are now returning to normal levels. According to an Avendus report, about US$829 million was pumped in the sector in the first 10 months in 2011. However this came down to US$16 million in December 2011 and went up only marginally to. US$24 million in January of this year. Despite all of this, it's been a very impressive story so far. The poster child of the Indian e-commerce industry is Flipkart.com, a 4 year old venture which modelled itself afterAmazon.com and is already commanding a valuation of US$ 500 million and is targeting revenues of US$1 billion in the next two to three years. All of this has caught the attention of Amazon.com which entered the market in February this year. It came in through Junglee.com, a price comparison site and is already amongst the top 10 sites in the country. Everyone is therefore trying to capitalize before the 800 pound gorilla comes in fully on its own which is expected to be sometime around Q3/Q4 this year.

There is huge demand for top-notch professional grade web 2.0 consultancy and development. Very few companies have a long term vision around customer acquisition, retention and constant conversations. A lot more can be done in understanding the linkages between design and

functionality based on user experience and social integration. However to succeed in a tough market like India your company needs to be open to long term strategic partnerships rather than an upfront "pay for services" model. The upside would be worth its wait.

India- an upcoming super power has more than100 million internet users which is keep on growing by introduction of 2G and 3G. They want to be online always by any internet enabled gadgets. People are moving from street bargaining to online web bargaining. The common Indian Mentality of "seeing and believing" or "how it will look" is changing by introducing some creative business models like "cash on delivery" by major e-commerce sites.

2.3 Factors with respect to Women in Online Shopping

Shopping has been an obsession of women across the globe. A new shop in the neighborhood, a new shopping mall in the area, a new brand launched – women are first to know and first to go. When it comes to shopping, women are more organized (45% of women come to retail stores with shopping-lists as compared 27% of men), regularized and they show some definite trends in their buying behaviors. A woman is more likely to spend time in a retail store (29%) as compared to her male counterpart (23%). When a woman visits a retail store or any physical retail store she will consider a few important factors such as:

- Store location
- Staff behaviour
- Cleanliness
- Look and feel of the product
- Product reach
- Aesthetic decoration
- Freebies and discounts etc.

Naturally, the same woman when she would visit an online retail store will look for these factors in her sub-conscious mind. She would love to get the same feeling as she derives from the environment of her favorite retail store. She will unknowingly demand these from your online shopping store. She would choose to stay and buy from your online web-store if you can meet the following:

- Save time: You should give her the navigational freedom and easy roam around options in your store; give her instantly whatever she wants.

- Get a better selection: Your product should be the best in the designated price bracket

- Complete product details: Do not describe your products in single words; give as much detail as possible.

- Better value/offer: Your freebies should be 'useful' enough and the discount should be noticeable

- Logistics: You must deliver the product right at her doorsteps and nowhere else!

- Flexible return policy: Many times a woman takes a second opinion and you should respect this nature. Be flexible if she asks you to replace what she has bought.

2.4 Key drivers for success for e-commerce

The need for physical stores has become obsolete as reduction in operational cost is a major factor in moving the entire business can be moved online. Less infrastructural investment and associated labor costs drives up the profit margin. It is far easier and quicker to compare prices of goods online, equipping the customer with the information to decide the right price or terms for themselves. With services like COD, customers can trust the process of going online and purchasing. Market penetration also becomes far more achievable with e-commerce; it is possible for a merchant in Mumbai to extend his reach to north-eastern cities or even rural villages that are now connected by the online network. E-commerce facilitates shopping anytime, anywhere and for almost anything desired. Busy consumers prefer this to the restrictions of when a mall/shop is open and the need to physically travel to a shop. Online business takes shopping a step further by taking itself to the customer creating conveniences of shopping anywhere and at any time. In India, with the increasing propensity of social media, businesses have now begun to engage their customers on social networking portals such as Facebook. These are likely to be rapidly developing marketing channels for the future.

It is estimated that e-commerce sales around the globe will soar past 1 trillion Euros by next year, with increases in the region of 20% expected. It's clearly a booming area, but what can online retailers do to ensure they get a piece of that pie? With the number of Internet users estimated at around 3.5 billion, there are a number of key trends that any retailer needs to be aware of.

1. **Offline shopping costs are crucial** – Online retailing doesn't exist in a bubble, and is heavily influenced by the offline retailing world. Studies have shown a very clear correlation between the ease and overall cost of shopping offline and the popularity of online shopping. To cut a long story short, the easier it is to buy what you need close to you, the less likely you are to shop online.

2. **Shoppers move in packs** – Aligned with the previous point, if you find one person in a neighborhood willing to shop online, then the chances are very good that their neighbors are willing to do so also. The inhabitants of the neighborhood not only share many of the same costs, but they also talk to each other and share their shopping tips and tricks. Growth in such local online shopping is typically driven by this exchange of information.

3. **Hunt for niche locations to grow your sales** – Whilst there are likely to be locations where you sell heavily and earn good profits, if you want to grow your store, you need to chase the long tail, and ship to a wide variety of locations. Over time, successful Internet retailers move beyond early and core markets and increase their coverage by

absorbing customers from markets that, while geographically separate, are similar on other dimensions such as demographics and customer preferences.

4. **Find the un-serviced minority –** Offline retailing is often a matter of numbers. If you have a community of 500 people, and 50% of them are young families, then it stands to reason there will be lots of toy shops around. However if the community is 20,000 strong, with just 1.25% of them young families, it's much less likely to be inhabited by toy shops aplenty, despite both communities having the same number of young families. If you can find these isolated prospects, it could be very fertile ground for your marketing efforts.

5. **Tailor your acquisition strategies –** There is a temptation to use the same marketing strategy for everywhere, under the belief that as your website is in one place (ie the web) that it only needs one marketing strategy. The reality is however that your customers are not virtual nomads, they live in real places with very different communication habits. Some communities may be well served by print advertising, others by radio, another by word of mouth.

The implications for these changes are clear. Online retailers will benefit enormously if they apply custom marketing strategies for different local communities. The cost-benefit payback of different customer acquisition methods varies significantly across locations according to the characteristics of each location. It is no longer enough to regard all customers as being location-less, when the evidence is clear in how important location is.

2.5 The Factors of Consumer Purchasing Decision

There are many factors influences and affect customers in related to how consumers make purchasing decision. The purchasing decision process starts long before actual purchase and continues long after. The factors that affect purchase decisions of online shoppers have been categorized as follows.

Search Engines

Internet users basically used search engines to find out needed information. Since search engines mainly help users" judgment to rank Websites, electronic retailers should make sure Website quality can satisfy and serve the particular search engine"s demands (Haig, 2001).

Online Shopping Malls

Online shopping malls provided an unprecedented chance for e-retailers to reach a global customer base and selling various kinds of consumer products (Frendo, 1999). Many e-retailers joined with online shopping malls in order to have more customers visit their websites. The online shopping malls and Websites were sponsors by many e-retailers that utilized information generated in order to explore more marketing opportunities (Dignum, 2002).

Conveniences

Convenience and saved time were offered by online shopping which were two motivating factors for online purchases (Lee, 2002). The main reason that motivated consumers to shop online was conveniences (Swaminathan et al., 1999). Convenient access to product information could facilitate and help shoppers" making an online purchases decision (Loshe & Spiller, 1999).

Price

Price was a critical factor for customer on online shopping (Heim and Sinha, 2001). However, Li et al. (1999) argued that often online shoppers were not price-sensitive, cause of these consumers" price comparisons among different e-retailers on each product was time-consuming and the price difference was very small.

Brand

Brand was defined as the quality related to the products or services. Often, brand was referred to the seller's reputation and consumer loyalty in associated with the seller (Haig, 2001). Brands and features increases as more information is obtained, knowledge of the available and consumer Awareness (Kotler & Armstrong, 1997). E-retailers should strengthen shopper trust and believe by buying famous Website such as google.com to promote the online purchase rate (Wu, 2002).

Refund

Online consumers demanded that e-retailers should provide an unconditional refund policy if the online costumer were not satisfied with the product (Lee, 2002). E-retailers should have refund policies to convince online consumers that they easily return products and get refunds if they are not satisfied, or exchange products for free within a reasonable timeframe (Bishop, 1998).

Promotion

E-retailers might use promotions with time limits to encourage consumers to shop on Website (Haig, 2001). However, promotional activates for online products or services were not successful for e-retailers because there was not effective ways to inform consumers of promotional activities (Lohse & Spiller, 1999).

Security

Security was a critical successful factor for e-commerce. Retail e-commerce would fail if Internet users feel on lacking a great degree of confidence (Kesh et al., 2002). The primary reason indicated of the most buyers who didn't shop online cause of afraid to reveal personal credit card information to retailers or over the internet (Rao, 2000).

3. METHODOLOGY

3.1 Research methodology

The paradigm underlying this research study is for evolving realistic consumerist tendencies, with respect to shopping behavior online and offline. The methodology adopted is to use exploratory approach. It incorporates three or more views of reality, typically involving a Literature Review of the past and current research work in the respective area, a qualitative and quantitative study assimilating the power of a consumer questionnaire, and consolidation of these methods and views to obtain confirmatory results and thereby a better understanding of the problem that is being addressed.

Thus, the research methodology adopted in this research study comprises of the following stages.

- Literature Review i.e., the secondary research from various research papers, industry reports, newspaper articles and websites.
- At the exploratory stage, Primary Research was done by means of a designed questionnaire after studying several Research Papers. This questionnaire was then floated on various social media platforms to get responses.

Methods of Data Collection

It details the procedure necessary for obtaining the information needed to structure or solve marketing research problems. The present study is an exploratory research and involves the use of "Survey Method". Quantitative data collection will be achieved via self- administration of the questionnaire. For the quantitative survey five point scales were used for measuring variables such as Ease of Transaction, Availability of COD, Discounts, etc. for online shopping and Touch and Feel Factor, Store Location, Immediate availability, etc. Electronic survey method is used as the mode of administration, wherein questionnaire link is shared with the respondents.

Scales of Measurement

Scales that will be used is itemized scale. Further non comparative scale will be used for studying consumer perception towards brick and mortar stores and e-commerce sites. Here both continuous rating scale and itemized rating scale (Likert Scale) have been used. Further paired comparison (comparative scale) is used for understanding factors that consumer prefer on E-commerce sites as against brick and mortar stores.

Questionnaire Development

The Questionnaire was developed on the basis of the hypothesis and the objectives of the research after identifying the underlying factors. The questions were framed in simple and uncomplicated manner for the ease of the respondents. Questionnaire consisted of structured questions in the form of multiple choice questions and scales.

Sample Selection

The sampling technique involved will be non-probabilistic sampling. The respondents were in the age bracket of 18 to 50 years and hailed from different parts of the Country. The respondents belonged to general middle class population.

Statistical tools Used

Data analysis has been done using Microsoft Excel

Out of the total respondents, the respondents who responded logically were taken into account while going into statistical details & analysis of data. The tools that have been used for analyzing data & inference drawing are mainly statistical tools like percentage, ranking, averages, etc. Interpretation of data is done by using statistical tools like Pie diagrams, Bar graphs, and also using quantitative techniques (by using these techniques) accurate information is obtained.

Microsoft Excel: Microsoft Excel is a spreadsheet program included in the Microsoft Office suite of applications. Spreadsheets present tables of values arranged in rows and columns that can be manipulated mathematically using both basic and complex arithmetic operations and functions.

4. ANALYSIS

4.1 Analysis Using MS Excel

1. **Age**: Out of the Total Respondents 2 % are less than 18 years of age, 87% between

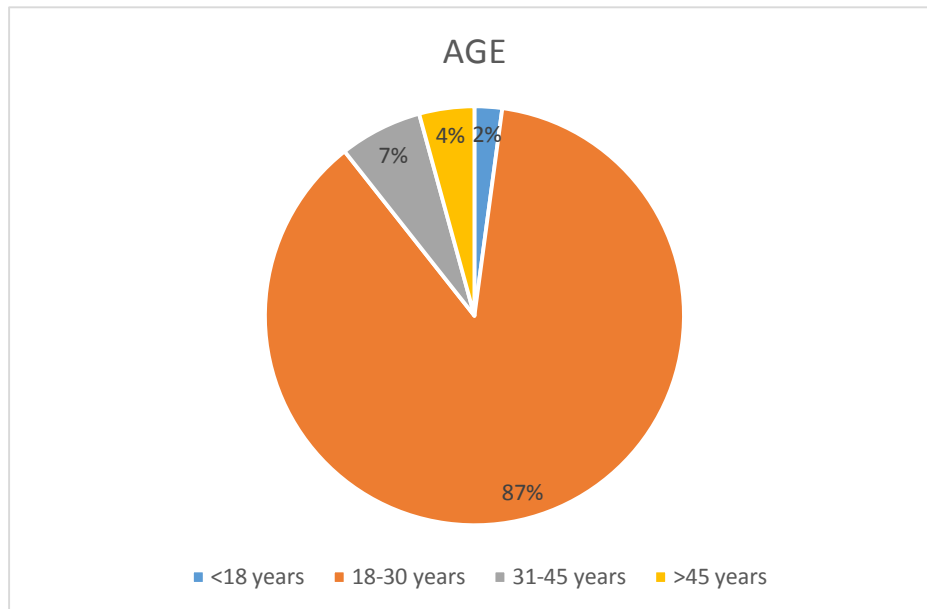18-30 years of age, 7% between 31-45 years & 4% are above 45 years of age.

Figure 2 Age group of respondents

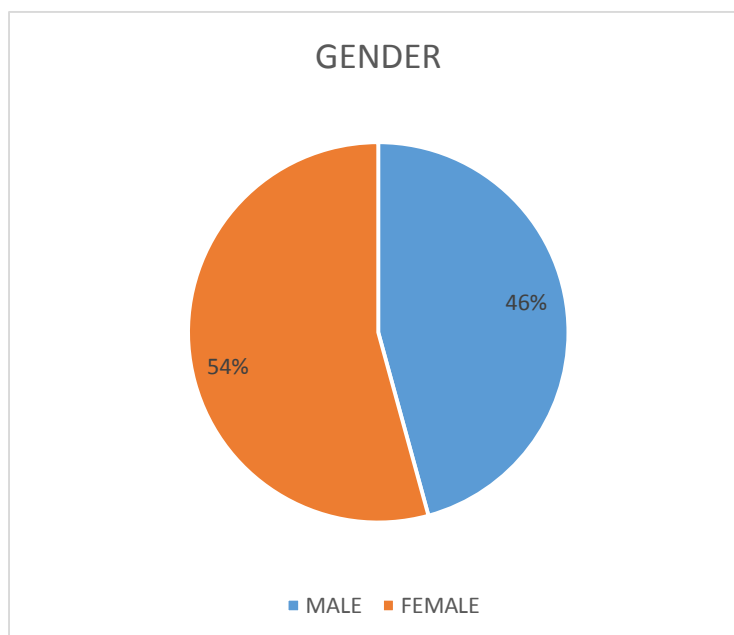2. **Gender**: Out of the Total Respondents 54% is Female whereas 46% is Male.

Figure 3 Gender

20

3. Income: Out of the Total Respondents 23% have less than Rs 4.99 lacs annual family income, 19% have income between 4.99-7.99 LPA , 32% have income between 7.99-12 LPA whereas 26% have annual family income of above Rs.12 lac.
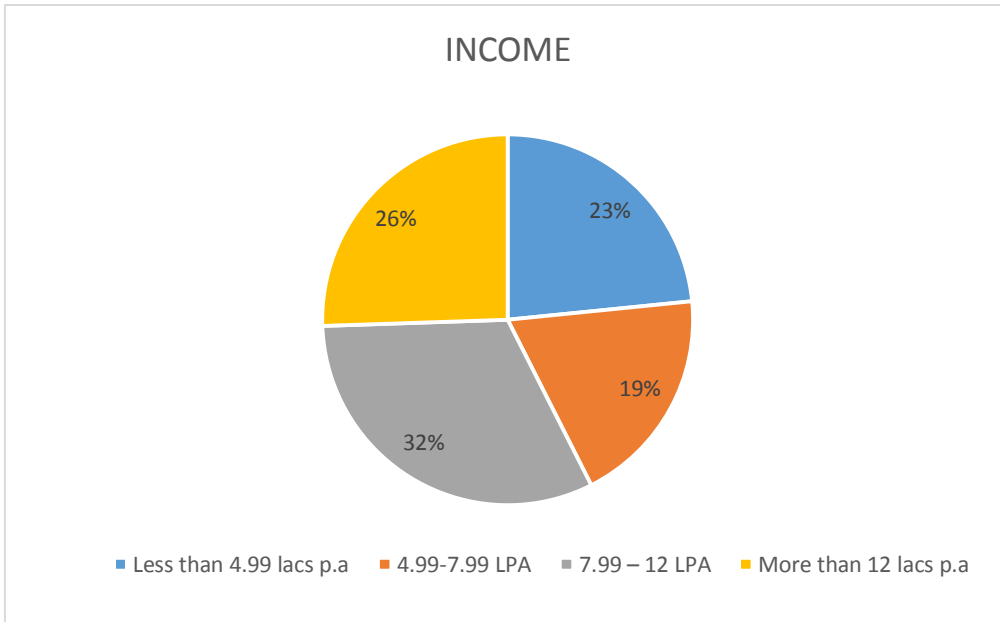
INCOME

Figure 4 Income level

4. Occupation: Out of the total respondents 55 % are Students, 34% are employed in Services, 4% are Self-Employed whereas 7% are Housewives.
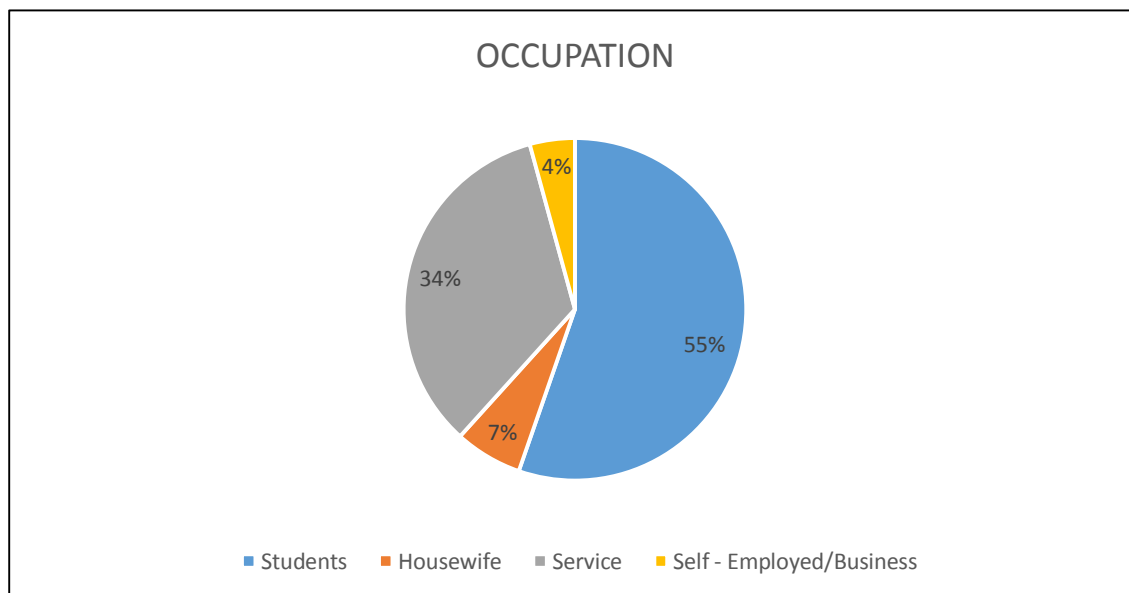
OCCUPATION

Figure 5 Occupation

5. Educational Qualification: Out of the total respondents 18% are Under Graduate, 42% are graduate, 40% are Post graduate and above.
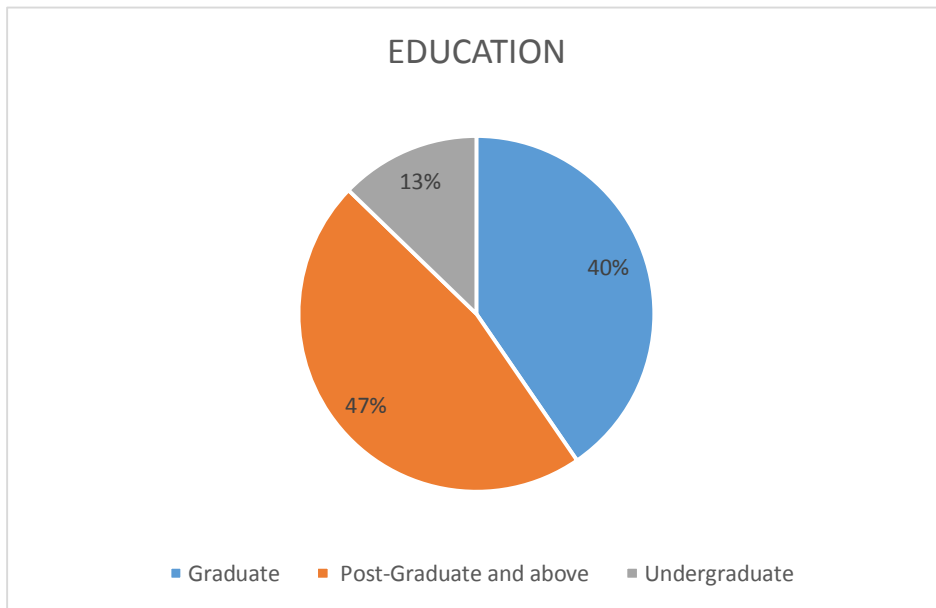

Figure 6 Education Quaification

6. E-Commerce service preference
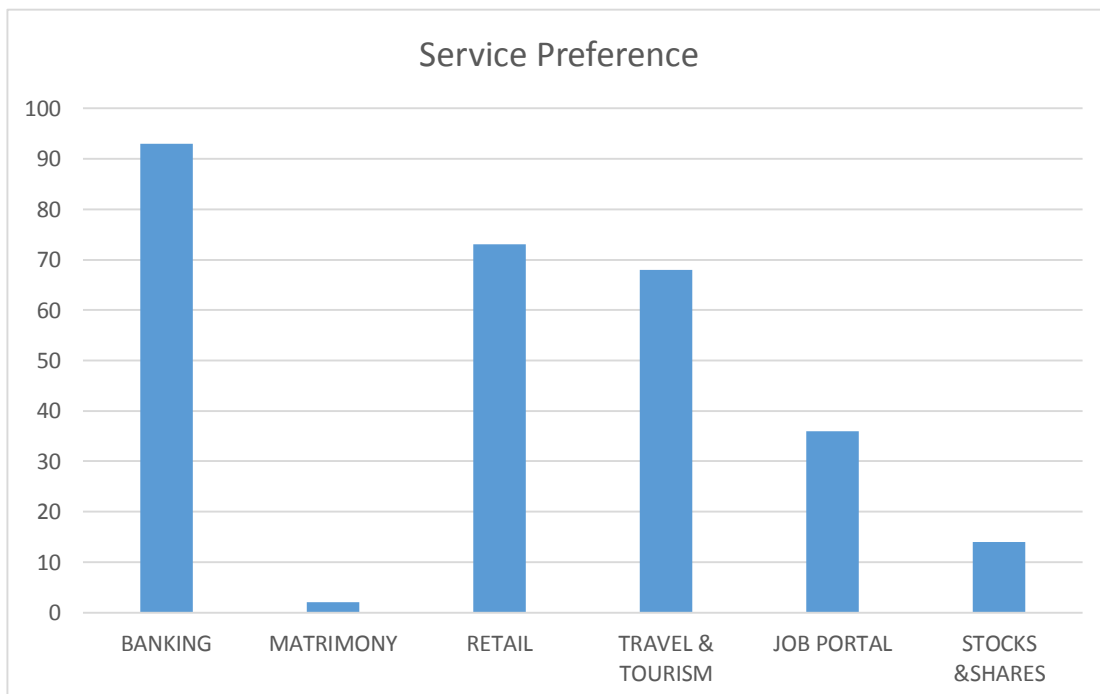
Figure 7 E-Commerce Service Preference

As we can see from the above Bar Graph, Banking is the most widely used E- Commerce industry vertical followed by Retail and Travel & Tourism. The same is confirmed by Secondary Research. E-tailing is the upcoming trend these days with a number of small and big organizations cropping up which is why it was chosen as our topic of research. Apart from companies like EBay and Amazon venturing into India, a number of Indian Players are giving them a tough competition

7. Frequency of online shopping

38% of the people prefer to shop online once in a month, 32 % Once in three months. There are 26% people who shop online frequently. This clearly shows that E-commerce indusry has a huge potential in the coming years.

Figure 8 Frequency of online shoppping

8. Product Preference
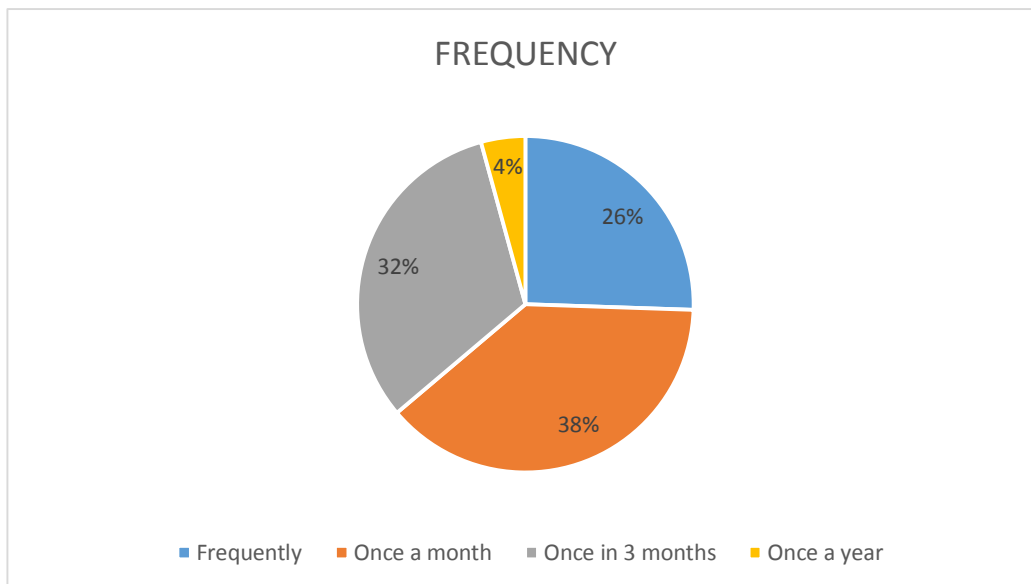

PRODUCT PREFERENCE

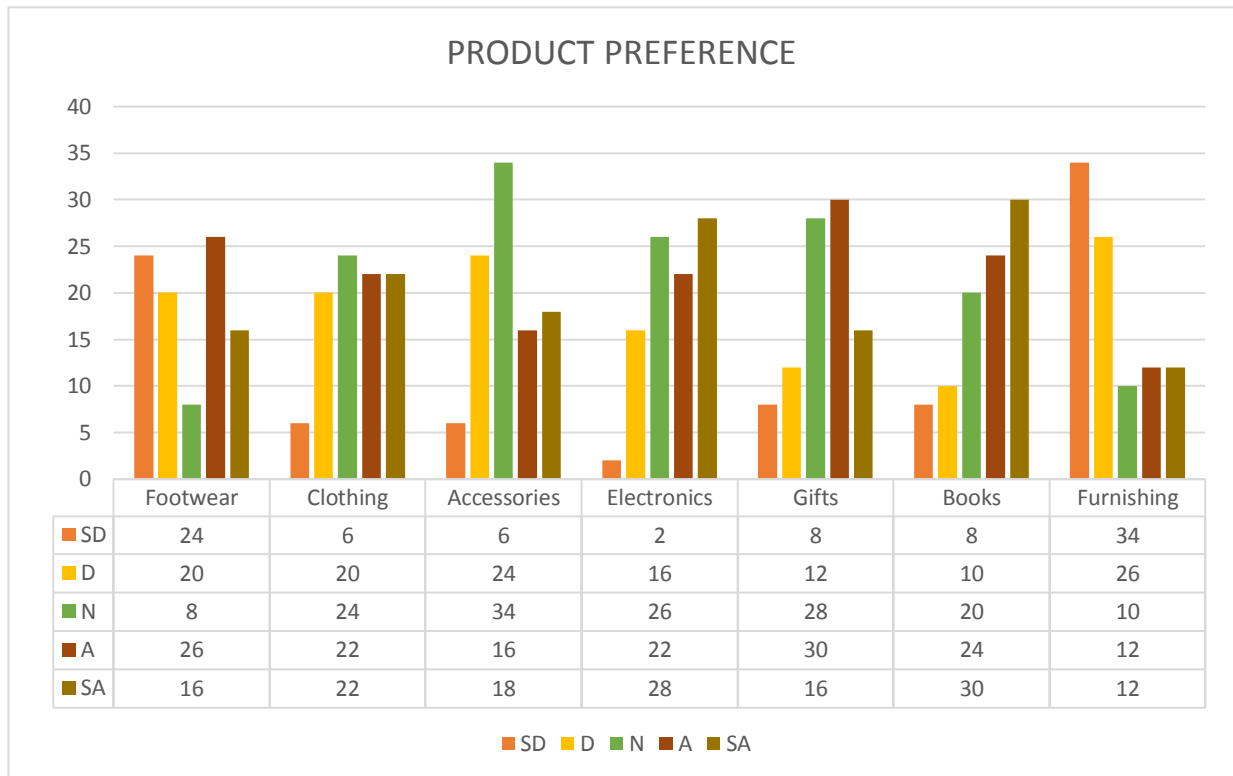|	Footwear	Clothing	Accessories	Electronics	Gifts	Books	Furnishing
SD	24	6	6	2	8	8	34
D	20	20	24	16	12	10	26
N	8	24	34	26	28	20	10
A	26	22	16	22	30	24	12
SA	16	22	18	28	16	30	12

SD ■ D ■ N ■ A ■ SA

Figure 9Product Preference

As we can see from the above bar diagram that people prefer to buy Books online followed by Electronics and Travel & tourism category. This is because these are standard products and do not require a lot of Touch & Feel factor before buying. On the other hand, we see that clothes and footwear are moderately bought online. This is because these products require a lot of Touch & Feel, Comfort and fitting before buying. So consumers prefer to buy these products from brick and mortar stores. Home furnishing has been recently adopted by various E-commerce sites and is yet not accepted as one of the products that can be bought online.

9. Preference of E-Commerce Site

As seen from the survey, most preferred E- Commerce website is Flipkart followed by Amazon India, Snapdeal, Jabong and Myntra. Flipkart was the first website in India which came up with

brilliant advertising and promotional campaigns. In the recent advertisements, Amazon and Snapdeal have been observed to follow the same
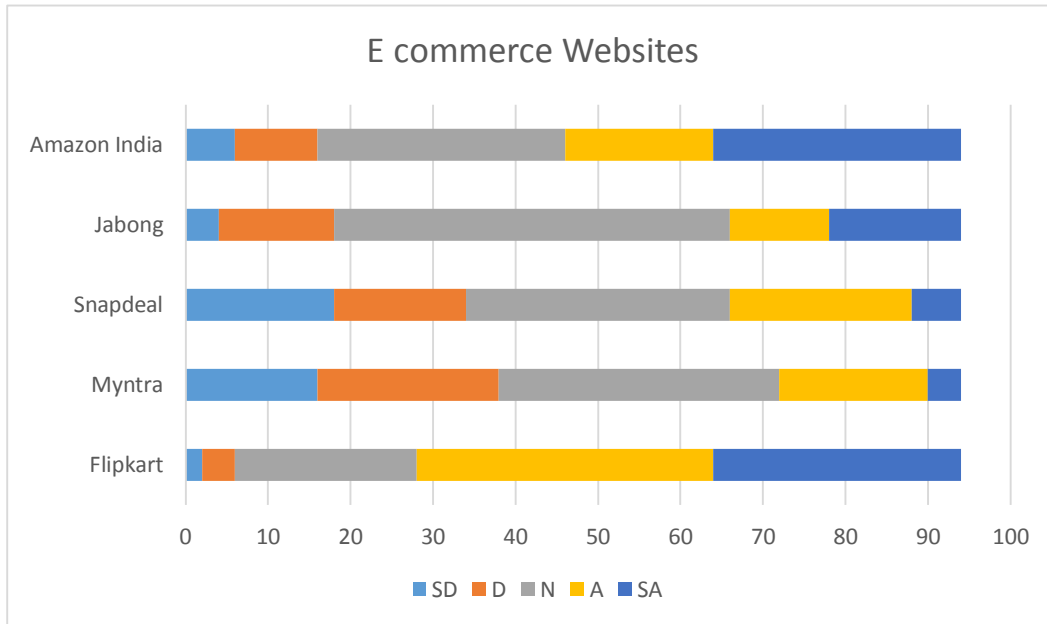

Figure 10 Prefernce of E-Commerce Website
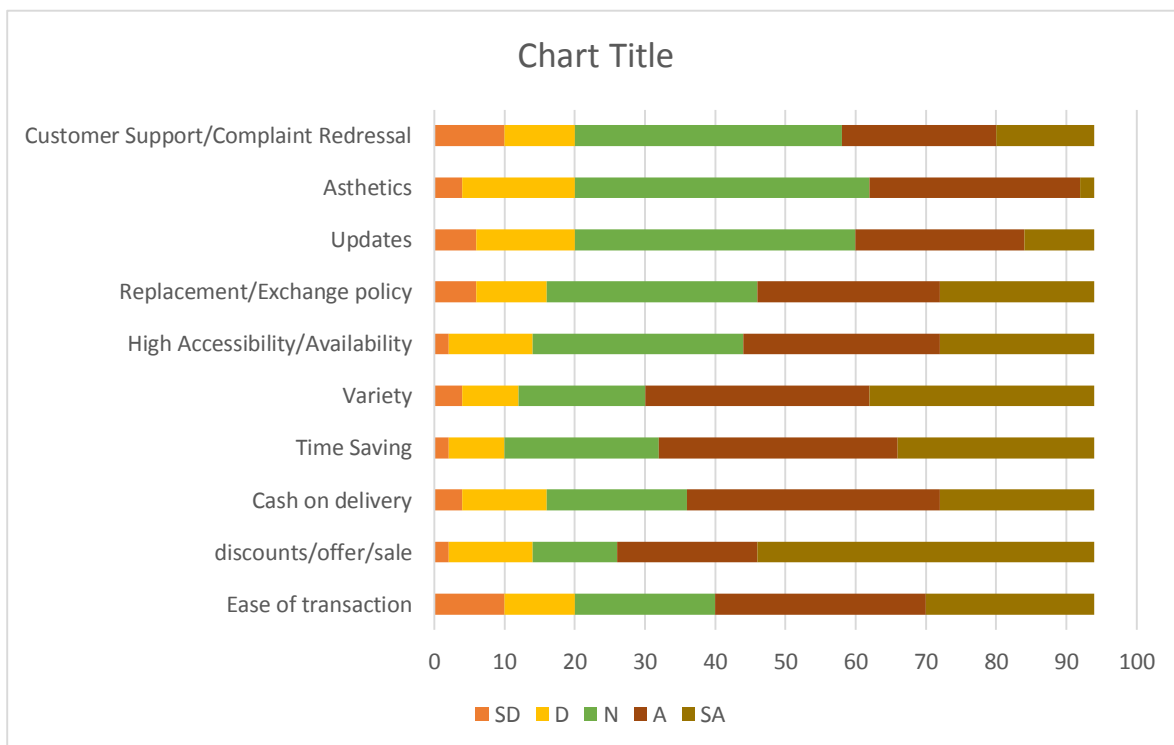
10. Factors affecting online shopping

Figure 11 Factors influencing online shopping

As seen in the chart above, Discounts &sales, time saving, variety .ease of transaction and replacement and exchange policies positively influence Indian Consumer's online buying decision. Factors like updates, aesthetics, Complaint Redressal system do not much influence the consumer's buying decision.

11. Factors that influence people to shop offline
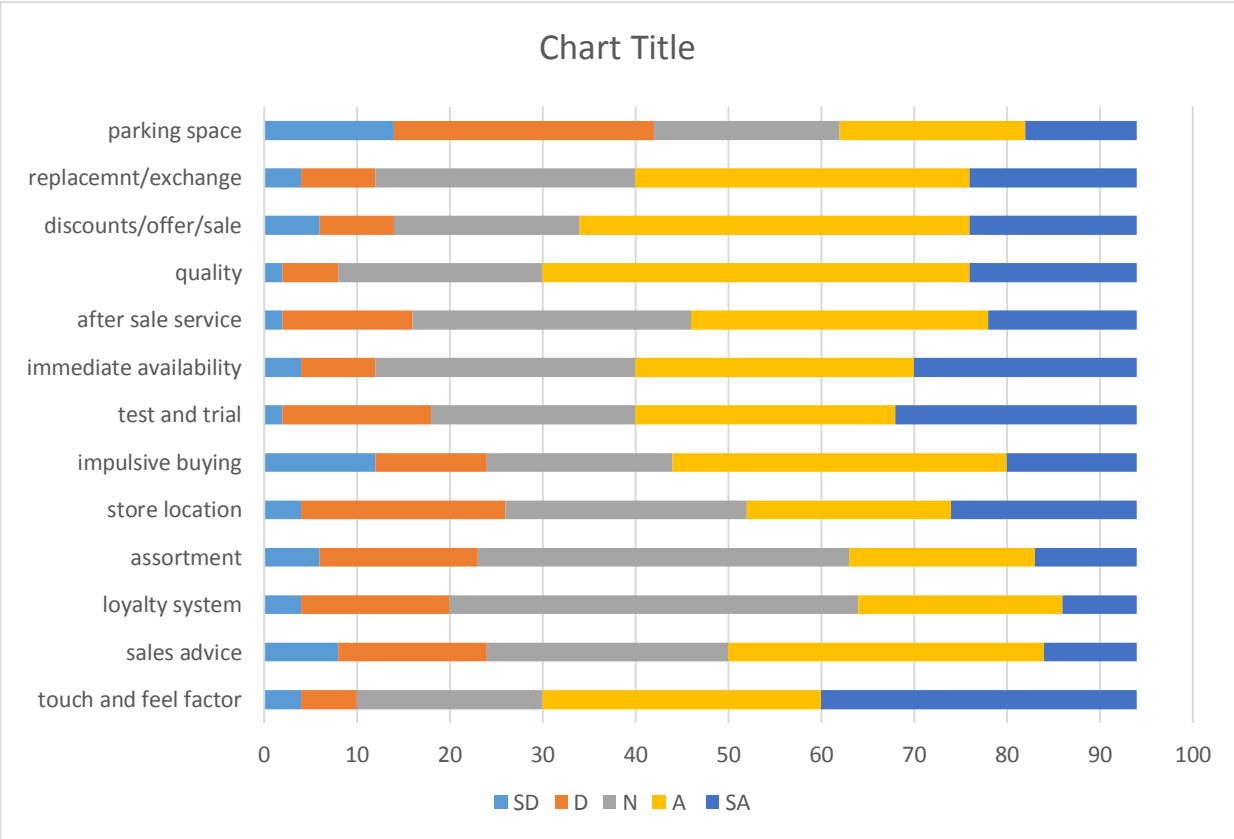
Figure 12 Factors influencing offline shoppers

Offline shopping implies the traditional mode of shopping wear people visit stores to experience the 'look and feel' of the product. A number of factors were enlisted which are responsible for people sticking to traditional shopping methods in spite of the boom of internet and new E-Commerce websites increasing in number.

Major reasons cited for people shopping online were mainly the touch and feel factor as people prefer to invest money once they actually see the product. This is followed by 'quality' check which can be easily done in a traditional store. Discounts and other offers followed by easy after sale service, immediate availability and test and trial methods are other factors that further incline

a shopper to continue with traditional shopping methods. Things like assortment and loyalty systems did not motivate people to shop offline.

11. Factors that will help people gain trust in online shopping

Following table gives the descriptive analysis of factors that will influence people to shop online by gaining their trust.

As it can be seen from the analysis features like privacy policy. Customer services, guarantee and better images of products will further help people in gaining trust in online shopping.

	Privacy policy	security policy	Feedback	customer service	guarantee	product info	search facility	logos	images	navigation
Mean	3.78	3.61	3.48	3.72	3.78	3.83	3.67	3.43	3.87	3.37
Standard Error	0.16	0.17	0.16	0.17	0.14	0.16	0.16	0.16	0.15	0.16
Median	4.00	4.00	3.00	4.00	4.00	4.00	4.00	3.00	4.00	3.00
Mode	4.00	4.00	3.00	5.00	4.00	5.00	4.00	3.00	4.00	3.00
Standard Deviation	1.07	1.16	1.07	1.13	0.96	1.08	1.10	1.09	1.02	1.08
Sample Variance	1.15	1.35	1.14	1.27	0.93	1.17	1.20	1.18	1.05	1.17
Kurtosis	-0.30	-0.23	-0.31	-0.31	0.29	0.21	-0.09	-0.09	-0.08	-0.44
Skewness	-0.67	-0.67	-0.28	-0.57	-0.63	-0.74	-0.68	-0.42	-0.64	-0.03
Range	4	4	4	4	4	4	4	4	4	4
Largest(1)	5	5	5	5	5	5	5	5	5	5
Smallest(1)	1	1	1	1	1	1	1	1	1	1

Figure 13 Factors that will help gain trust in online shopping

4.3. Findings & Recommendation

- People who fall in the age group 19 to 35 years are more inclined towards online shopping.
- Students as well as working professionals are more inclined towards online shopping.
- The internet is mainly used for Surfing, Searching on product info and researching a topic. Online shopping is also gaining momentum in this WWW era.
- People prefer to buy Electronics, books over clothes and footwear which requires more of 'touch and feel' before purchase
- They should come up with exciting offers and deep discounts as this goes very well with Indian customers
- Online retailers need to come with interactive systems where the user can upload their queries and get instant replies
- People are interested in purchasing electronic and computer goods online. Online players should come with exciting offers to target this group of customers.
- The online retailers need to come up with easy process of returning the product.
- They need to educate the customer that paying online is safe and there are no risks of credit card theft.
- They need to reward the customers so that a trust can be built.
- Banking is the most prominent e-Commerce sector in India followed by retail and travel and tourism
- Lack of ability to check the quality of products beforehand and trust issues while sharing their credit card/debit card/net banking details online are the biggest constraints for consumers while shopping online.
- For an ideal e-tailing site consumers want a robust Privacy Policy and Security Policy.
- Many consumers also want more product information, better customer service section and better guarantee from the e-tailing sites.
- Images of real people, Logos of well-known brands do not influence the choice of consumers much while buying online.
- A major drawback of online shopping is the lack of touch and feel factor. It should be incorporated by using innovative marketing techniques. For example, catalogues could be distributed with electricity bills that give out a fragrance to advertise for perfumes. This would help the customer get an idea as to what fragrances are being offered.
- Online market has majorly gained the trust of the youth. Advertisements focusing on other segments of society should be floated too to gain there trust and get a larger customer base.
- Customers should be attracted using m-Commerce, which is the future of e-business industry.
- Special guidelines about privacy policy, security policy etc. for secure payments should be given to customers to gain their trust.
- Some measures should be taken to avoid hoax bookings, where customers refuse to accept the product on delivery as COD is available to them.
- A lot of controversies have taken place recently involving many e-tailing sites such as Flipkart and Snapdeal. This has adversely affected their perception in the minds of the consumers. More care must be taken to avoid such mistakes in future.

- Offline retailers must strategically leverage on the shortcomings of e-tailing such as lack of touch and feel factor to gain loyalty of consumers

4.4 Future Scope of the Study

- A larger study can be done with more number of respondents and wide span of area to obtain more generalizable results.
- With many foreign players entering the market a study can be done to know its impact on consumers.
- A more specific study can be conducted for a particular kind of product such as online apparels shopping behavior of consumers.
- Recent controversies have impacted the consumers' perception about e-commerce. Further studies can be done on this topic.
- Due to want of margins many e-tailing sites are looking to launch private label brands such as Flipkart's DigiFlip. Consumer preference for these can be explored further.

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Appendix A

Q.1) Your age

- < 18 years
- 18 - 30   years
- 31 - 45   years
- Above 45 years

Q.2) Gender

- Male
- Female

Q.3) What is your household income?

- N/A
- Less than 4.99 lacs p.a
- 4.99 – 7.99 lacs p.a
- 7.99 – 12 lacs p.a
- More than 12 lacs p.a

Q.4) Occupation:

- Students
- Service
- Housewife
- Self - Employed/Business

Q.5) Educational Qualification:

- Under-Graduate
- Graduate
- Post-Graduate and above

Q.6) Marital Status:

- Single
- Married
- Others

Q.7) Do you shop online?
- Yes
- No

If, Yes go to Q. No. 8 else go to Q. No. 16

Q.8) How frequently do you shop online?

- o Frequently
- o Once a month
- o Once in 3 months
- o Once in a year

Q.9) Which of these factors are important to you while shopping online .You may choose more than one option)
- o Assortment (variety of Products & Brands available)
- o Product Quality
- o Aesthetics (Product presentation)
- o Discounts/Offers/Sale
- o Secure & Reliable Payment System
- o Time Saving
- o Exchange System
- o Customer Support & Complaint Redressal
- o Cash On Delivery
- o High accessibility and availability
- o Regular updates on offers (like mailers, advertisements on Facebook, Google)
- o Track Your Order Option
- o Sales Advice
- o Loyalty System
- o Impulsive Buying
- o Immediate Availability

Q.10) Please mention the name of the On-line website you buy/ likely to buy from?

_____

Q.11) Which of the following E-commerce services have you availed or are likely to avail in the near future?

- o Retail
- o Matrimony

- o   Stocks & shares
- o   Travel and tourism
- o   Banking
- o   Job Portals

Q12) What is the likelihood of making the following purchases, rate on a sale of 1 to5,

(1= most unlikely and 5 = most likely)

Item	1	2	3	4	5
Footwear					
Clothing					
Accessories					
Electronics					
Gifts					
Books/stationary					
Home furnishing					

Q.13) Which device do you use to shop online?

- o   Computer/Laptop
- o   Mobile handset
- o   Tablet
- o   All of the above

Q.14) Please rate the following six brands according to your **user experience or perception:**
1-Lowest   6- Highest

	1	2	3	4	5
Myntra					
Flipkart					
Snapdeal					
E-Bay					
Jabong					
Amazon India					

Q.15) Rate on the basis of importance of factors when you buy online: mention website

1=Least Important   2 = Less Important   3 = Neutral   4 = Important   5= Most Important

Ease of transaction	1	2	3	4	5
Discounts/Offers/Sale	1	2	3	4	5
Cash On Delivery	1	2	3	4	5
Time Saving	1	2	3	4	5
Variety of Products & Brands	1	2	3	4	5
High accessibility and availability	1	2	3	4	5
30 day replacement guarantee/ Exchange System	1	2	3	4	5
Regular updates on offers (like mailers, advertisements on Facebook, Google)	1	2	3	4	5
Track Your Order Option	1	2	3	4	5
Secure & Reliable Payment System	1	2	3	4	5
Product Quality	1	2	3	4	5
Aesthetics	1	2	3	4	5
Customer Support & Complaint Redressal	1	2	3	4	5

Q.16) Please rate the following factors according to their importance when you are buy offline
.

1=Least Important   2 = Less Important   3 = Neutral   4 = Important   5= Most Important

Touch & feel factor	1	2	3	4	5
Sales Advice	1	2	3	4	5
Loyalty System	1	2	3	4	5
Assortment(Variety of Items)	1	2	3	4	5
Store Location	1	2	3	4	5
Impulsive Buying	1	2	3	4	5
Test and trial Option	1	2	3	4	5
Immediate Availability	1	2	3	4	5
After Sales Service	1	2	3	4	5
Secure & Reliable Payment System	1	2	3	4	5

Quality	1	2	3	4	5
Aesthetics (Product presentation)	1	2	3	4	5
Complaint Readressal	1	2	3	4	5
Discounts/Offers/Sale	1	2	3	4	5
30 day replacement guarantee/ Exchange System	1	2	3	4	5
Availability of Parking space	1	2	3	4	5

Q.17) What is the primary reason behind not shopping online?

- o   Internet Issues/Non availability
- o   Not had the opportunity to buy online
- o   Too complicated process
- o   Security of data
- o   Do not have credit/debit card/net banking facility
- o   Difficult to judge quality of products
- o   No trust to share the credit/debit card details or personal details
- o   Not enough information to make buying decision

Q.18) How do you rate the following aspects of Online websites, which will help them to gain your trust?

1=No Importance, 2 = Slightly Important, 3 = Important, 4 = Very Important, 5= Most Important

	No Importance	Slightly Important	Important	Very Important	Most Important
Privacy policy	1	2	3	4	5
Security policy	1	2	3	4	5
Feedback section/ Testimonial	1	2	3	4	5
Customer service section	1	2	3	4	5
Guarantee/ Insurance	1	2	3	4	5
Product Information	1	2	3	4	5
Search/ filter facilities	1	2	3	4	5

Logos of well-known brands	1	2	3	4	5
Images of products	1	2	3	4	5
Images of real people	1	2	3	4	5
Company logo	1	2	3	4	5
Navigation (Layout and use)	1	2	3	4	5

Q.19) How far are you willing to travel to shop in a traditional shop?
- o <5km
- o 5-10km
- o >10km

ADHERENCE SHEET

Particulars	Last Date	Signature of Mentors	
Title of the Project/Area of Topic Finalization	19-Jan-15		
Literature Review/Objectives of the study	2-Feb-15		
Methodology	16-Feb-15		
Questionnaire/Data Collection tools	2-Mar-15		
Data Collection	23-Mar-15		
Analysis	13-Apr-15		
Conclusion and Recommendations	20-Apr-15		
First Draft	27-Apr-15		
Final Report/Binding and Submission	2-May-15		