

# Electronic Retailing: A Review of Determinants of 'Online Shopping Intentions' in India

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## Abstract

**Background/Objectives:** This research is conducted in order to understand the various determinants of 'online shopping' and 'online purchase intentions' of shoppers. **Methods/Statistical Analysis:** The paper adopts an in-depth literature review, with regard to the determinants of online purchase published since last 36 years. The reviews accommodate papers published on online shopping in both Indian as well as Global context. This also tries to capture how the determinants of online shopping in India are different from the global context. **Findings:** The outcomes of the paper revealed that, the electronic retailer must consider various determinants of online shopping like shopping orientation, trust, prior online purchase experience, ease of use, price, convenience, effortless shopping, perceived risk, privacy and security features to design their product offering for their customers. The findings of the research provide some insights for the electronic retailers to formulate and implement various strategies to increase their shopper base and bill size. **Applications/Improvements:** Finally, the paper has presented a summary of the determinants of online purchasing both in Indian and global context to improve their online shopping intentions.

**Keywords:** Electronic Retailing, Information Technology, Online Purchase Intentions, Online Shopping, Perceived Risk

## 1. Introduction

Today, electronic retailing in India is dominated by companies like Flipkart, Amazon, Snapdeal, Jobong etc. The retail industry has also witnessed many niche electronic retailers like pepperfry.com (furnitures), myntra.com (fashion), magicbricks.com (realestate), firstcry.com (baby products) and bookmyshow.com (entertainments) etc. The entry of most of these companies has happened in last five years. Indian electronic retailing has the potential to grow to a value of 76 billion dollars by 2021<sup>1</sup>. The emergence of electronic retail in India stands in late 1990s. All those who ventured were not successful but those who survived; today they have become the known names of the e-commerce industry. The initial days for internet were through dial up in few metros only. In those cities the e-commerce was mostly limited to B2B directories, online-job portals and matrimonial sites. Thanks to ever increasing internet penetration,

adoption and the overall ecosystem for e-commerce falling in place, last 5-6 years have been the best for the industry. The e-commerce, restricted to online job portals to matrimonial sites till few years ago, has now ventured into all sorts of retail products. Starting from apparels, medicine and pharmaceuticals, shoes, real estate, fashion accessories, groceries, vegetables, electronics, real estate, insurance to many other goods and services in B2C space, e-commerce is becoming more and more prominent.

According to IAMAI<sup>2</sup> Reports, with more than 300 million internet users, India has the second highest number of internet user base in the World despite having a meager 19 per cent internet penetration rate in 2015. India's count of internet users has been increasing at a CAGR of 35 percent from 2007. From 100 million users in 2010, the number is expected to touch 500 million users by 2017. This large internet user base will have a direct impact in the Indian internet shopping or online retail business.

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## 2. Enablers and Challenges of Electronic Retailing

Online shopping has become popular for a variety of reasons. Considering the long office hours, shoppers are looking at comfort purchasing online. Penetration of smart phones, cheaper internet data, user-friendly web-interface have made online shopping affordable and convenient. Moreover, various customer friendly policies like 'Cash on Delivery', 'Offers and Discounts', 'Assured Product Return' have convinced customer to choose online formats of retailing over the traditional brick and mortar formats of retailing. Though such enablers have created a healthy environment for electronic retailing, several challenges are yet to be overcome by the industry. Electronic retailing faces challenges in managing their logistics, maintaining deep assortments, stock returns and issues pertaining to vendors. The customer loyalty is quite low in electronic retailing and customers don't hesitate to switch to competitors to avail discounts and offers. Moreover, most companies in this format of retailing are still struggling and they are yet to make profit.

As per the report given<sup>3</sup>, despite these challenges over the last five years e-commerce has been growing at a cumulative average growth rate (CAGR) of 54 per cent. The e-commerce space is expected to move from \$16 billion sector (currently) touch \$50 billion by 2020. A favorable e-commerce eco-system in India, participation of foreign retailers, dual income families, changing customer behavior etc. are adding to the prospects of electronic retailing. There has also been an increase in the time spent on retailing web sites, the average ticket size of online purchase, number of people transacting etc. and these are few healthy signs for Indian electronic retailers. At the same time some of the biggest MNCs entering into electronic retailing in India and becoming aggressive in the market has made the industry fierce competitive.

## 3. Research Objective

To understand the various determinants of 'online shopping' and 'online purchase intentions' of shoppers through extensive literature review.

## 4. Research Design

The paper adopts an in-depth literature review, with

regard to the determinants of online purchase published. The reviews accommodate papers published on online shopping in both Indian as well as Global context. This also tries to capture how the determinants of online shopping in India are different from the global context.

## 5. Determinants of Online Purchasing

Literature on shopping orientation can be traced back to catalog retailing in 1980s in U.S<sup>4</sup>. Similar studies on non-store shopping orientations of customers can be found in literature for U.S.<sup>5,6</sup> and other geographies have also contributed towards a greater understanding of the online retail markets<sup>7-10</sup>. As per the study conducted<sup>11</sup>, the main reason for not doing online shopping identified as lack of trust. Trust contributes positively for the success of online transactions<sup>12,13</sup>.

Prior online purchase experience has a significant effect on purchase intention in the Western context<sup>14</sup>. Demographic factors like age, gender, and education have been studied for their effect on adoption of customer online purchase<sup>15</sup>. Online trust has also been found to be one of the pre-dominant influences on online purchase intention of the shoppers<sup>16</sup>. In addition to that privacy and security features of the website also influence online shoppers<sup>17</sup>.

Online purchase intentions among Western customers are influenced by their shopping orientations<sup>18,19</sup>.<sup>20</sup> Confirmed that rising purchasing power parity (PPP) of ever growing India's middle class, changing demographic profiles with having more youth population; increasing urbanization and technological revolution etc. are the few determinants of online shopping in India.

Furthermore, <sup>21</sup>Have studied the mediatory influence of online trust and found lack of online trust while transacting as one of the crucial reasons for the abomination of shopping online. <sup>22</sup>Have investigated the effect of web site characteristics on online trust and revealed demographics, prior online purchase experience, orientation towards shopping and online trust influence Indian customer while purchasing online. Furthermore, while conducting a survey in<sup>7</sup> explored that quality orientation, brand orientation, online trust, prior online purchase experience and impulse purchase intention were positively linked to intention of online buying behavior of the shopper.

A research on online shopping<sup>23</sup> across the USA and China reveals that perceived ease of use and prior online shopping experience have an equivalent, positive effect on perceived usefulness and perceived ease of use respectively. It also state the 'perceived usefulness' is influenced by prior online shopping experiences but the effect is quite different.

The findings of<sup>24</sup> shows that behavioral factors are more important than socioeconomic variables while defining target markets. <sup>25</sup>Claimed that perceived usefulness and perceived ease of use are the two antecedents of online purchase intention. They concluded that Indians are somewhat reluctant to transacting online. Indians look at shopping as an entertainment activity and consider visiting malls and brick and mortar outlets as an escape from their day-to-day routine. The factors holding them back from online shopping include product genuineness, lack of touch and feel, delivery time, fixed price format, fear of identity and financial theft etc.

The paper<sup>26</sup> revealed that increasing number of nuclear families, double income families, scarcity of time, late working hours, versatility of plastic money, traffic jams are the few reasons for Indian shoppers buying online.

A study conducted<sup>27</sup> in Thailand concluded that there is an impact of perceived risk and trust on online consumer shopping behavior and the buyer's privacy and security practices influence their perceived risk.

Regarding the studies in Indian context, <sup>28</sup>Explored

that price, usefulness, ease of use and anxiety are the factors which influence online shoppers buying behavior. <sup>29</sup>In their study found that information about the product, trust, convenience, services and effortless shopping are the determinants of Indian online shoppers. <sup>30</sup>Reported that internet literacy of consumer, consumer's cognizance; and wider use of internet with cyber security are some of the determinants for the growth of electronic retailing in India.

<sup>31</sup>Provides that online shopping in Jordan is determined by trust and perceived benefits. Trust is a product of perceived web quality and e-word of mouth and that the latter is a function of perceived web quality. Hence, trust and perceived benefits are key predictors of consumer attitudes towards online shopping. <sup>32</sup>Suggested that security is the most important determinants of online shopping in UK. <sup>33</sup>Revealed the effects of attributes of Online Fashion shopping mall and service quality on customers' satisfaction and their repurchase intentions, and showed that price, product quality, service stability, and service diversity have effects on customers' satisfaction, and their satisfaction affects their repurchase intentions, customer service does not affect satisfaction in Central Korea region.

The summary of various findings on online Purchasing is mentioned in Table 1. The determinants of online shopper intentions are mentioned in Table 2 for Global and Indian context.

**Table 1.** Determinants of Online Purchasing

SL.No	Author and Year	Determinants of Online Purchasing
1.	Berkowitz et al., 1979	Shopping orientation (Western context).
2.	(Shim and Drake, 1990; Shim et al., 2001a, b).	Prior online purchase experience (Western context).
3.	Li et al., 1999	Demographic factors like age, gender, education etc. (Western context).
4.	Lee and Turban, 2001; Jarvenpaa and Tractinsky, 1999	Trust (influence positively)
5.	Grabner-Krauter and Kaluscha (2003)	No trust (influence negatively)
6.	Pavlou, 2003; Jarvenpaa and Tractinsky, 1999	Online trust (Western context)
7.	Gehrt et al., 2007; Seock, 2003; Brown et al., 2001	Orientation towards Shopping (Western context)
8.	Dash and Saji, 2007	Shopping orientation, online trust, demographics and prior online shopping experience (Both in Indian and Malaysia context)
9.	Mukherjee Avinandan, Nath Prithwiraj, 2007	Privacy and security features of the website. (Western context)
10.	Mohanty and Panda, 2008	Youth Population, Purchasing power parity (PPP), increasing income, increasing urbanization and technology etc. (Indian context)
11.	Ling et al., 2010	Unplanned buying intention, Orientation towards quality, brand orientation, trust and prior online shopping experience. (Malaysian context)

12.	Xiao Tong., 2010	Perceived usefulness, perceived risk, perceived ease of use, prior experience on online shopping (USA and China context),
13.	Blanca Hernandez, Julio Jimenez and M. Jose' Martin., 2011	Behavioural factors. (Western context)
14.	Nayyar Ruchi, Gupta. S. L., 2011	Lack of touch and feel, financial theft, fear of identity, format of fixed price, delivery time, product genuineness etc (Indian context)
15.	Dwivedi Manish, Kumawat Mahesh and Verma Sanjeev, 2012	Increasing number of nuclear families, double income families, late working hours, and versatility of plastic money, traffic jams. (Indian Context)
16.	Steven D'Alessandro, Girardi Antonia and Tiangsoongnern Leela., 2012	Privacy and security practices, perceived risk and online trust. (Thailand)
17.	Panda and Swar, 2013	Anxiety, ease of use, usefulness and price (Indian Context)
18.	Namita Bhandari and Preeti Kaushal, 2013	Product and services information, effortless shopping, trust and convenience etc. (Indian Context)
19.	Arora Jyoti, 2013	Wider use of internet with cyber security, internet literacy of shopper, Shopper's cognizance (Indian context)
20.	Mutaz M. Al-Debei , Mamoun N. Akroush , Mohamed I. Ashouri , 2015	Trust and perceived benefits.(Jordan)
21.	Mohana Shanmugam , Yen-Yao Wang , Hatem Bugshan , Nick Hajli , 2015	Security (U.K)
22.	Han-Na Kim and Kwan-Sik Na, 2015	Price, product quality, service stability, and service diversity affects shoppers repurchase intentions (Central Korea region)

**Table 2.** Summary of the Determinants of Online Purchasing

Global context	Indian context
Shopping orientation	Shopping orientation
Demographic factors like age, gender, education etc.	Trust
Trust	Demographics
Prior experience on online shopping	Prior experience on online shopping
Privacy and security features of the website	Increasing urbanization
Unplanned buying intention	Rising income
Orientation towards Quality	Technological revolution
Brand orientation	Intense globalization drive
Perceived usefulness	Financial theft
Perceived risk	Delivery time
Perceived ease of use	Fear of identity
Behavioral factors	Lack of touch and feel
Price	Product genuineness
Product quality	Increasing number of nuclear families
Service stability	Double income families
Service diversity	Late working hours
	Traffic jams
	Versatility of plastic money
	Anxiety
	Ease of use
	Usefulness
	Price
	Product and services information
	Effortless buying
	Shopper's cognizance
	Wider use of internet with cyber security.

Source: Compiled by authors

## 6. Contribution to the Existing Body of Knowledge

The findings of the paper have brought managerial implications to the various stakeholders especially to the electronic retailers. The review paper identified a number of determinants influencing both Indian and global online shoppers. In Indian context, online shopping intentions are a factor of different determinant like shopping orientation, trust, prior online purchase experience, ease of use, price, convenience, effortless shopping, perceived risk, privacy and security features etc. The findings of the research provide some insights for the electronic retailers to formulate and implement various strategies to increase their shopper base and bill size. This study presents a review of literature with regard to reasons, enablers and determinants of online shopping.

## 7. Conclusions

Electronic retailing in India has been growing at a rapid pace. Nuclear family, lack of time and double income families find convenience in shopping online. So, in the times to come, electronic retailing is destined to grow to a much bigger industry. But the industry is not without challenges. At present electronic retailers are struggling for managing their logistics, maintaining deep assortments, stock returns etc. The review of literature points out that in India, online shopping is influenced by various factors like shopping orientation, trust, prior online purchase experience, ease of use, price, convenience, effortless shopping, perceived risk, privacy and security features etc. Electronic retailers must keep such factors in mind while designing their product offerings and planning expansion into new retail formats.

## 8. Way Forward

The determinants of online shopping orientation can be studied for specific online retail formats like apparel, electronics, furniture, groceries and vegetables etc. Moreover, quantitative research can be done based on the determinants identified to understand shopper orientations and shopper satisfaction for various online retail formats.

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