

Customer Buying Behavior towards Online Shopping a Case Study of Hyderabad City

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Abstract:

The main purpose of this study is to determine the factors which motivate the dwellers of Hyderabad towards online shopping activity. All the literate people who use internet are potential customers in online market. Therefore, all the vendors in online market should devise for the ways to fulfil the needs of their customers. They should deal with reservations of customers in the competitive online market in a better way. Customer buying behavior is effected by many factors like age, gender, salary, occupation, education level, social class and family background. To carry out the survey in Hyderabad, a questionnaire was designed and it was spread through two ways among the sample size. One of the way was that the questionnaire was sent through google spread sheets in which an email is sent to the contacts in your contact list of emails. The contacts then filled the questionnaire and sent it back through email. The other way was that the questionnaire was spread in different areas among people of different ages, gender, occupation and salary level. The result of the study will contribute to the marketers, vendors and sellers in online market to know the factors which should be emphasized in order to broaden the online business and the factors that should be stressed to motivate the online customers.

Key words: Customer buying behavior, vendors, competitive online market.

Introduction:

Through internet, life has been made innovative and easy for its users, and only an internet access is required to take advantage of this bounty. Outlet timings is no longer a question; customers are no longer bound to it. They can shop online at any time and from anywhere. Potential customer is always refrained from online shopping (Baty, 1995) because of issues of security, trust, privacy of information and accountability after shopping. Such customers face a lot of risks while purchasing online any service or a product. They are reluctant due to numerous risks like product risk (if the product or service is not the same as shown online for which they are paying), non-delivery risk, security risk and privacy issues. Therefore, it is the e-tailor's job to reduce the customer's fears about all the risks involved and increase the trust factor in active as well as potential customers to increase purchase intentions among customers.

To attract people towards online shopping, Pakistan's online stores should understand the factors that one way or other affects customer's behavior towards online shopping. Then they should devise suitable strategies to make those factors work in their favor and attract customers towards online shopping. Online stores should understand that only the design of their online store portal is not enough to allure customers. Some other issues must also be reviewed in order to motivate intended customers. In online shopping behavioral intention of customer varies from traditional market because of the customer's direct access to the product. Therefore, the behaviors also change as the medium of the shopping change.

The aim of the study was to explore the factors which affect buying behavior of customers doing online shopping. In this research study, we have tried to fill the research gap as up till now no research has been carried out on this topic in Hyderabad. The main research questions asked in this research study are how potential customers can be motivated towards online shopping in terms of its advantages, ease of access, price advantage, discounted deals and how to invalidate customer's reservations regarding product quality, features, privacy, security issues, and trust. We chose this topic because nowadays buyers have different attitudes towards buying depending on what they buy (product/service) and from where they buy(location). Secondly, large numbers of businesses are now moving towards internet to market their products to target those places which are not within their reach or where their outlets are not opened yet. Consequently, the competition is increasing as more and more businesses are opening up their online shopping portals and so does the buying behaviors of customers are changing as more choices are being offered to them.

Influence of factors on customer buying behavior:

Price: Price refers to the cognitive tradeoff of consumers between the supposed benefits of a product with the monetary cost of those supposed benefits (Dodd's et al. 1991)

Trust: Trust refers to the inclination of a consumer of being susceptible to the actions of another consumer (Gefen D. K., 2003). Further trust is categorized into two: First is to trust on the company providing the product and second is to trust on the product as seen on a website is as good with qualities as mentioned on the website.

Perceived ease of use: Perceived ease of use describes the grade to which a customer has confidence that use of a scrupulous scheme will be free of efforts and will be convenient .

Perceived usefulness: Perceived usefulness means the grade to which a customer feels performance will increase by using a particular system .

Perceived risk: It refers to a consumer's perception about the doubt and hostile costs of engaging in an activity (Staelin, 1994). Largely there are two types of risks; risk of the product and financial risk. According to Ko, financial risk refers to leakage of private information and personal information, and credit card fraud. Product risk includes product quality, convenience risk, non-delivery risk, return policy, risk of being not able to touch the product.

Social influence: Social influence refers to intentional or unintentional effect of one person's behavior on another, which depends on how one person perceives himself/herself in relationship to other individuals and society in general.

Technological self-efficacy: Technological self-efficacy pertains to an individual's ruling of his/her technological efficiency towards computer applications among different fields.

Literature Review:

Nowadays all over the world online shopping is increasing as use of internet is increasing, (Imran Khan, 2011, P.416). The main aim of an online customer is always to search for better deals on products, whether it's a better deal of price range or better deal on choice availability. Internet provides the customers with the best medium to shop without wastage of time, gives them access to various deals on a single platform and the variety of products within their budgets. Online buyers can shop at any time, can look for any product or service, can compare various products with each other and can instantly order the product. In Pakistan, currently social media is not playing an active part in online shopper's life and most of the people don't have a good online experience (Nielson., 2010).

Currently the most obvious challenges being faced in Pakistan is availability of internet, power outages in most of the areas, lack of awareness with respect to online shopping, complex online payment procedures, delivery processes and many other. Most of the people in Pakistan either don't have access to debit or credit card or they are afraid of using them online because of security issues. Keeping in mind above mentioned issues, most of the e-commerce companies have opted for the payment method. Overall, worldwide online shopping is on the rise and is becoming an integral part of a country's economy (AadWeening, 2012).

Besides all the above discussed and other challenges being faced, the customers have their own reservations as well with online shopping. Online shopping lag the opportunity for customers to physically check the quality of products which is a fundamental deciding factor for them in purchasing decision. This shows that the behavioral pattern a customer shows in online shopping is totally different from that of a customer who is present in a traditional environment.(Sajjad, 2012)

Today in this digital world; everything can be customized and is getting automated. Online marketing is a vital tool for any marketer. It is the marketer's responsibility to understand how online customers are making buying decisions, how they can be completely satisfied in terms of price of the product, quality, the presentation and about after purchase services. These issues make the arguments towards developing new strategies, models, and theories for diversifying and improving the online market.

It is necessary for researchers to study online customer buying behavior as it helps to understand customers' needs and fears while shopping online. Turban presented a model on online customer behavior, according to which an electronic environment consists of three variables namely independent variable, intervening or moderating variable and the decision-making process. Independent variables consist of demographic and environment features, moderating variable is controlled by the seller and the final step to decide is affected by both the intervening and independent determinants (Turban, 2010).

Although online buying has become very famous and developed along with the technological advances nowadays but still it is noteworthy to mention here that still it sustains the needs of middle and upper class of any society all over the world. To shop online one should have access to a computer and availability of a credit card or a debit card. Online shopping has empowered companies without any overhead cost to increase their sales and market and promote their products all over the world. Potential customer always holds back from online shopping (Baty, 1995) because of security issues, trust issues, privacy of customer's information and accountability of the product or service after shopping. Such customers associate a lot of risks with online shopping. They want to make an online purchase but are afraid due to numerous risks involved like product risk if it's not the product for which they made the purchase, non-delivery risk, security, privacy of information shared with the credit card and the price difference. Therefore, it's the prime responsibility of the e-tailors to increase the trust factor among potential customers as well as active customers so that the purchase intention of customers increases.

Pakistan's customers' behavior towards online shopping can only be increased if it's online stores can understand the main factors that are influencing the consumer's behavior towards online shopping, the relationships amongst them and then they should develop appropriate strategies to achieve their goals. They should understand that only the website design is not enough to attract potential customers. Although currently we see a lot of Pakistani online shopping websites but the customers traffic is still not up to the mark as compared to other countries. The reason behind is that this facility is still only affordable for middle and upper class and the potential customer foresee so many risks that he is refrained from the online shopping activity. Customer behavior towards what to choose is hard to describe and is a critical matter of time saving approach and universal rule that is wise to follow. In decision making, short cuts differ for every person and if we focus on the past experience of a customer, the future trend can be predicted based on that past experience, by introducing profitable and demandable products and services into the market. Sometimes consciously or unconsciously we have already changed our minds but at times we are not aware of that action. Most of the people, modify their past perception and believe that they always thought the same after changing their minds (keys, 2011).

Research Questions:

- How potential customers can be motivated towards online shopping?
- Does the price will have a negative impact on behavioral intention of online customers?
- Does the trust will have a positive impact on behavioral intention of online customer?
- Does the Technological self-efficacy will have a positive impact on user's perceived ease of use of online shopping?

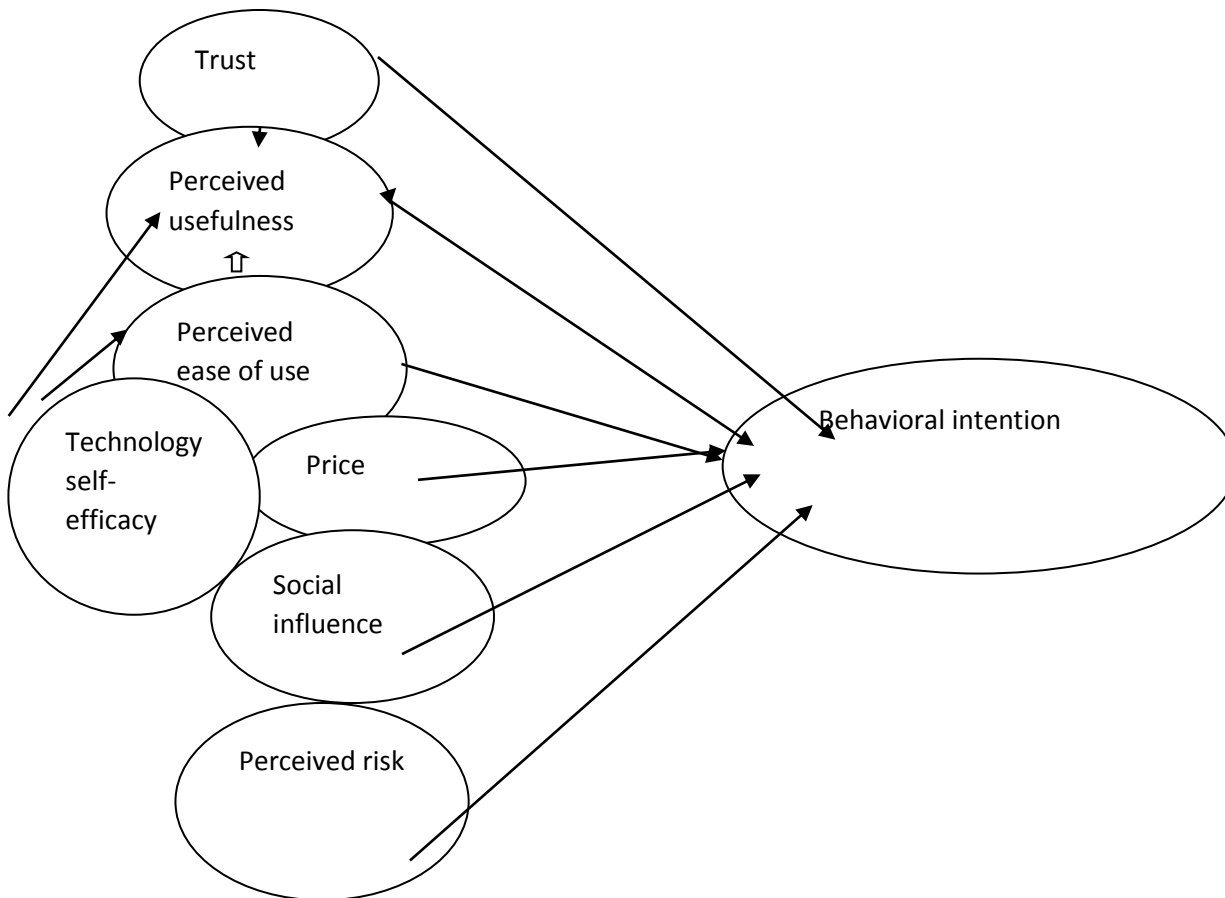
- Does the perceived usefulness will have a positive impact on behavioral intention of online customers?
- Does the social influence will have a positive influence on behavioral intention of online customers?
- Does the perceived risk will have a negative impact on behavioral intention of online customers?

Research Objectives:

Following are main research objectives of This Study.

- To understand customers' buying behavior towards online shopping.
- To determine the factors which motivate customers to buy online.
- To develop a model based on the identified factors from the literature.
- To empirically validate the proposed model through field survey.
- To provide recommendations for the policy makers and business owners.

Research Framework:



Research Hypotheses:

- ▶ H1a: Perceived ease of use has a positive impact on behavioral intention of customers.
- ▶ H1b: Perceived ease of use has a positive impact on user's perceived usefulness of online shopping.

- ▶ H2 :Perceived risk has a negative impact on behavioral intention of customers.
- ▶ H3: Price has a negative impact on behavioral intention of customers
- ▶ H4: Perceived usefulness has a positive impact on behavioral intention of customers.
- ▶ H5: Social influence has a positive influence on behavioral intention of customers.
- ▶ H6a: Technological self-efficacy has a positive impact on user’s perceived ease of use of online shopping.
- ▶ H6b: Technological self-efficacy has a positive impact on user’s perceived usefulness of online shopping.
- ▶ H7a : Trust has a positive impact on behavioral intention of customers.
- ▶ H7b: Trust has a positive influence on perceived usefulness of online shopping

Research Methodology:

Data was gathered throughout a survey questionnaire. This technique of survey questionnaire is widely-applied approach in business especially in marketing. To develop the questionnaire Seven point Likert scale has been used. For the pilot study 30 respondents were approached. Data was processed through a software called SPSS (Statistical Package for the Social Sciences) to check the relevance of data and for the validity of hypotheses. As there is no way to examine the exact number of online shoppers within the region of Hyderabad, therefore, sample is determined based upon the formula from unknown population. For the present study, SEM was used to examine the data. SEM requires at least 300 samples to run the parallel regression model (Chin, 1998). Therefore, sample for the present study based upon Krejcie and Morgan (1976) and Chin (1998) was 300.

Statistical Package of Social Science(SPSS) was used for Analysis the data.

Pilot Study:

Following is the table showing analysis of pilot study.

Construct	No of items	Cronbach @	CFA no of factor	KMO	Bartlett’s test of sphericity	Variance explained	Average/mean
Price	6	0.833	1	0.667	0.000	75.00	2.55
Social influence	11	0.822	1	0.628	0.000	65.90	3.96
PEOU	6	0.822	1	0.837	0.000	70.12	4.31
Trust	10	0.816	1	0.755	0.000	65.77	3.79
PU	6	0.877	1	0.753	0.000	84.78	4.178
PeR	5	0.858	1	0.818	0.000	71.42	2.42
BI	4	0.934	1	0.841	0.000	79.97	5.33

In this research there were three main parts of survey questionnaire. The first part had questions pertaining to use of internet. Second section contained demographic questions which the respondents had to provide like age, gender, occupation, education, income level. Third part contained question items of various constructs that are already mentioned in research model. The questionnaire was administered personally to the respondents. In order to motivate the respondents, gift scheme was introduced and they were told that they can participate in lucky draw for the gift by writing their names and contact numbers after completion of survey.

Data analysis:

Total 300 surveys questions were distributed out of them 200 were returned but only 161 were involved as 39 were incomplete and were wasted. Therefore, the rate of response was 53.6%.

	AVE	Composite Reliability	R Square	Cronbach's Alpha	Communality	Redundancy
BI	0.5564	0.8328	0.4774	0.7302	0.5564	-0.082
PEOU	0.6492	0.88	0.179	0.8163	0.6492	0.1157
PER_RSK	0.7006	0.8743		0.7829	0.7006	
PRICE	0.5029	0.8017		0.6712	0.5029	
PU	0.6748	0.8913	0.3972	0.8351	0.6748	0.2173
SI	0.5316	0.8718	0.3512	0.587588	0.5316	
T_SE	0.5508	0.8305	0.454269	0.7286	0.5508	
Trust	0.5344	0.9171	.454269	0.9326	0.5344	

Table 1 values of AVE, composite reliability, Cronbach's alpha, R square value

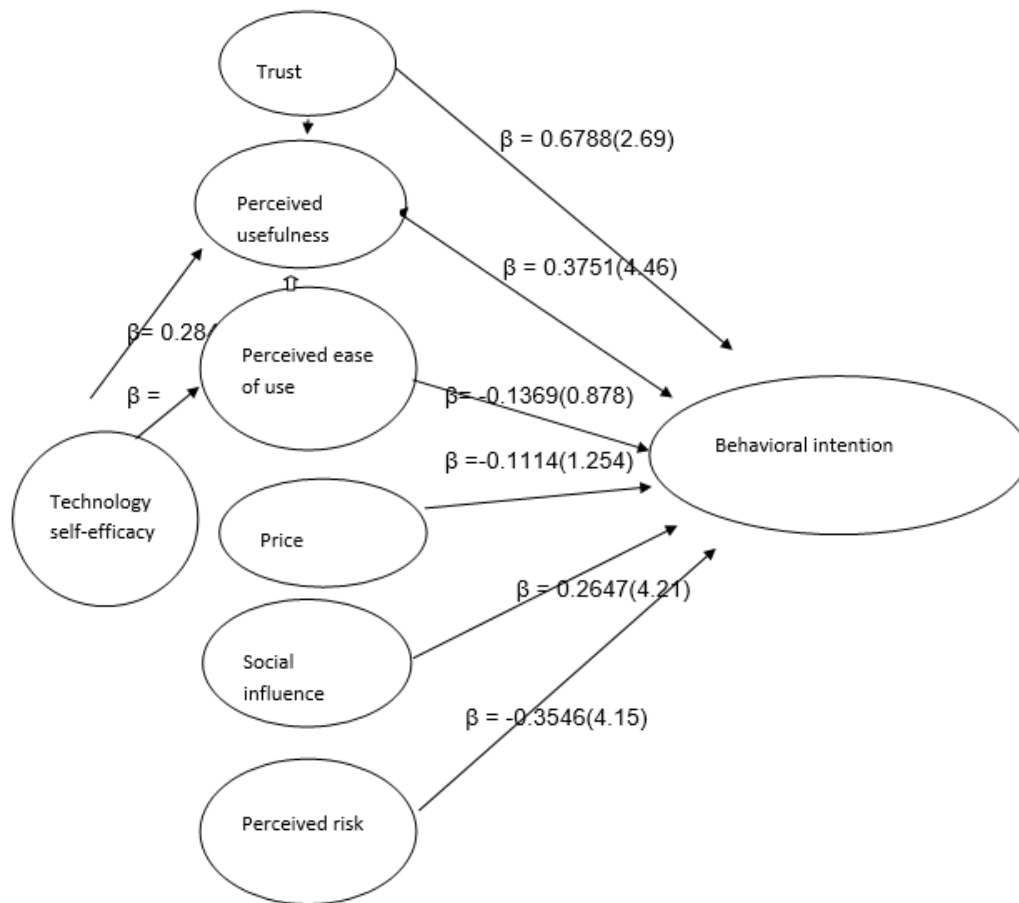


Figure Research Model

The R² values of behavioral intention is 0.4774, PEOU 0.179 and PU is 0.3972. In figure, the model shows β values and t values in bracket. β value of technological self-efficacy for PEOU is 0.4221 and for PU is 0.2847.

Conclusion:

According to the present study, people of Hyderabad who do online shopping are less making 29.2% and the people who don't do online shopping comprise of 70.8% of the sample. The results show that 28.6% of the people of Hyderabad had internet usage experience of more than six years and only 29.2% of the people do online shopping. Most of the people (29.2%) said that they use internet in their leisure time at their homes where they can shop online. The demographic details show that the majority of the people who do online shopping are females (68.32). Online shopping is more common in people within age bracket of 20-40 years. Among the people who do online shopping in Hyderabad, (80%) are housewives who prefer using this mode of shopping in terms of ease, usefulness and accessibility. 40% are the students who said that they do online shopping. According to demographic details (86.9%) of the people were with income range of 10,000-20,000 with mostly (31.67%) bachelor's degree. Thus in short, housewives and students within age of 20-40 years with minimum bachelor's degree and income of Rs10,000-20,000 are doing online shopping. Thus we can say that online shopping is more popular among young people and among females who are more attracted towards this mode of shopping.

H1a: PEOU → BI (not-supported), H1b: PEOU → PU (supported), H2: Per Risk → BI (supported), H3: P → BI (not supported), H4: PU → BI (supported), H5: SI → BI (supported), H6a: TSE → PEOU (supported), H6b: TSE → PU (supported) H7a: T → BI (supported), H7b: T → PU (supported).

Among ten proposed hypotheses, H1a and H3 are not supported whereas all other eight hypotheses are supported. PEOU and PU also show a significant path showing that intended users perceive online shopping to be useful so they perceive it easy to adopt as it has many advantages. TSE and PEOU also have a significant path showing that operating the online shopping system is only easy for those who are technologically self-sufficient. The path between PU and BI is also significant implying that the customer's intention is increased when they perceive online shopping to be useful. Trust and BI path is also significant showing that when the trust factor increases the behavioral intention of customers towards online shopping also increases by many folds. Thus the present study implies the importance of Trust on PU, PEOU on PU, TSE importance on PEOU, PU on BI, Trust on BI, Risk on BI and TSE on PU in order of their highest to lowest β values respectively.

Future Work:

The model developed by this study helps in understanding the behavioral intention of intended customers of Hyderabad Pakistan and the perceptions they relate to the phenomenon but still there are important areas for research purpose that should be explored. For instance, the findings of the study are confined to online shopping but the current model can be used in future for online domains like online banking or e-commerce environment. In this way the external validity of the model will also be created and proved. Moreover, this model can be used in future to carry out the study in some other city of Pakistan and other cultural settings like Western or Asian countries. Cross-sectional survey was carried out to collect data in present study but in future longitudinal data should be obtained in order to find out the determinants that will influence the perceptions of intended users in continuing to use online shopping. By applying the model in other cultural settings will prove its strength. The strength of the model can change when applied to other culture so there is a need of testing it empirically (Mao, 2006).

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