

Chapter 3

E-Retail Adoption in Emerging Markets: A Perspective on Predictive Constructs

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ABSTRACT

A five-factor e-shopping adoption model grounded upon TAM and an additional dimension of “trust” have been tested through confirmatory factor analysis (CFA). A structured instrument has been administered as part of survey to 600 eligible respondents comprising of online shoppers. A total of 539 shoppers spread across national zones, age, and gender groups constituted the final sample. Perceived usefulness (PU), perceived ease of use (PEOU), trust, intention to use (ITU), and attitude towards use (ATU) are reliable and valid factors predicting e-shopping adoption. PU and PEOU along with trust bear significant causation towards ATU. ATU serves as strong predictor of ITU, while PEOU determines PU as well. Further, ATU partially mediates PU and ITU relationship. This chapter highlights the applicability of modified TAM framework in predicting the inclination of emerging market consumers to embrace online shopping mediums scantily represented in extant literature.

INTRODUCTION

Recent decade has witnessed exponential growth of e-commerce and internet enabled services (Agarwal & Wu, 2015; Ramcharran, H., 2013). This growth has been a result of several benefits derived by the early adopters of e-commerce practices such as reduced cost, enhanced business opportunities, facilitation of personalized service provisions and reduced lead time. In present times, the significance of the

DOI: 10.4018/978-1-5225-5014-3.ch003

application of web and network based technologies assumes all the more prominence (Turban *et al.*, 2008). Electronic retailing (e-retailing) or online shopping is an e-commerce variant enabling consumers to directly purchase goods or services from a seller over the internet using a web browser. An e-shop is the virtual equivalent of buying products or services at a brick and mortar retail store.

According to the Global Retail E-Commerce Index (2015) released by AT Kearney, USA (100), China (100), United Kingdom (87.9) and Japan (77.6) are the top four countries in terms of online market size; comparatively smaller markets like Venezuela, Saudi Arabia, Belgium, Mexico and Chile recorded high scores in terms of growth potential. The index highlights that global e-retail sales stood at \$694.8 billion in 2013, and forecasts that the figure would touch \$1,506 billion by 2018. Further, statistics portal Statista reveals that 41 percent of global internet users purchased products online during the year 2013.

In recent years, developing and emerging economies previously viewed as unattractive markets have witnessed an unprecedented rise in domestic e-shopping habits. In fact, the 2013 edition of IT major Google's Online Shopping Festival (GOSF) saw 16 million Indians shopping online within a span of four days. According to a research report released by Internet and Mobile Association of India (IMAI) in the year 2013, online shopping has grown by a CAGR of 35 per cent between 2009 (\$3.8 billion) and 2013 (\$12.6 billion). Projections by IMAI and Price waterhouse Coopers (PwC) forecast that the CAGR may reach the 50 per cent mark by the year 2020 in context of Indian e-shopping. These statistics demonstrate the existence of huge untapped opportunities waiting to be exploited by retailers in India and other emerging markets.

While the growth and future scope of e-commerce has been generally established, the dramatic development of commerce through the Internet has also brought forth its own set of risks (Forouhandeh *et al.*, 2011), such as: risk pertaining to financial loss (due to reliance on electronic information, exposure to incomplete, inaccurate or distorted information given by Web vendors and third parties; risk arising from providing private information (willingly or involuntarily) to Web traders; uncertainty regarding quality of service/product delivery; and lack of control in the transaction (Luhmann, 1979). As a result, on-line transactions seem to be shrouded in uncertainty and customer trust in on-line interactions remains shaky. According to Stewart, Pavlou, and Ward (2002), trust is probably the most significant element in consumer-marketer transactions.

Pastore (2000) revealed that despite the significant increase of online shopping in the past, fewer consumers than anticipated actually purchased electronically; they increasingly used the medium to obtain information, but not for purchasing products. Authors such as (Luhmann, 1989; Wicks *et al.*, 1999) argue that exercising trust and pursuit of information are substitute instruments to cope with uncertainty. In other words, more trust in any given circumstance would result in lesser search for information, and vice-versa. According to Tomkins (2001), perceived uncertainty levels and probable negative outcomes of an act affect the equilibrium between information and trust which is required for dealing with uncertainty. Several scholars have emphasized trust as essential for understanding interpersonal behavior and economic exchanges (Hoffman *et al.*, 1999; Tan & Thoen, 2004). Further, it has been viewed as a catalyst in buyer-vendor transactions that provides customers greater expectations of fulfilling exchange relationships. While many studies (Luhmann, 1982; Mcknight & Chervany, 2001) have examined trust, trust as an influencer of initial use has received relatively less research attention. An understanding of trust as initial use influencer is critical for e-retailers to enhance customer attitude and usage intention towards their offerings.

In light of the above, the present study attempts to validate an integrated TAM and Trust model of e-retailing adoption. It determines empirical significance of adoption factors in terms of causality towards

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