

## Chapter 64

# Factors Influencing Online Shopping Behavior of Urban Consumers in India

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### ABSTRACT

*This study examines the factors influencing online shopping behavior of urban consumers in the State of Andhra Pradesh, India and provides a better understanding of the potential of electronic marketing for both researchers and online retailers. Data from a sample of 1500 Internet users (distributed evenly among six selected major cities) was collected by a structured questionnaire covering demographic profile and the factors influencing online shopping. Factor analysis and multiple regression analysis are used to establish relationship between the factors influencing online shopping and online shopping behavior. The study identified that perceived risk and price positively influenced online shopping behavior. Results also indicated that positive attitude, product risk and financial risk affect negatively the online shopping behavior.*

### INTRODUCTION

India is witnessing an unprecedented economic boom and there has been an exponential rise in consumer spending in recent years. At the same time, as more and more consumers are looking for easy ways to shop due to time constraint, the panacea is online shopping. Opportunity in online marketing is huge because of a large population base, changing consumer lifestyle and lack of infrastructure for bigger brick and mortar stores. With more than hundreds of websites currently operating in the sphere and many more to join the space, it is obvious that online marketing is going to be a game changer in India. Online marketing is an opportunity to stay in contact with their consumers, provide satisfaction and build loyalty that was not possible before.

Despite being large and strategic, the Indian consumer market has not experienced the intrusion of online shopping although at the same time, online shopping has made large strides in the global market.

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However, a large potential exists. According to a report by The Boston Consulting Group (BCG) online shopping, currently affecting \$30 billion of urban consumer spending, is expected to greatly accelerate over the next four years as the number of internet users in India is expected to nearly triple from 125 million in 2011 to 330 million by 2016 (The Times of India April 26<sup>th</sup> 2013). Malhotra, CEO of Home-shop18.com (PTI, Dec 16<sup>th</sup> 2012), predicts based on current trend that the Industry is expected to grow at a compound annual growth rate of 57 per cent. Global retailers are stepping up technology spend as more consumers prefer to shop from the comfort of their homes, and look beyond their traditional brick and mortar stores as the retail battleground shifts from store front to desktops, laptops and mobiles (Nandakumar 2012).

According to Anandan (The Economic Times 28<sup>th</sup> Jan 2013), Google India MD & VP, growth of online shopping could come from outside of the top eight cities in India as was evident in the “Great Online Shopping festival” which saw over 51% of traffic from non-metros. With rising Internet penetration and adoption of mobile devices across the country, companies selling products and services through websites are looking at smaller cities for expanding business. Metros have a dominant share of purchases, with Tier 2 and 3 cities catching up fast. Metros contributed 51 per cent of all e-commerce transactions, while Tier 2 and 3 cities contributed about 40 per cent and rural India 9 per cent (PTI February 5<sup>th</sup> 2012). While consumers in the metros buy products and services mainly because of convenience, those in the non-metros buy due to non-availability of products. Big brands don’t find it viable to open shop in small towns and e-commerce is the perfect route to deliver their products to those who can afford from non-metros. Online shopping portals expect the number of orders coming in from these areas to go up further helped by rising Internet penetration, growing purchasing power and adoption of mobile devices (PTI February 5<sup>th</sup> 2012).

The continuous growth of online marketing has stimulated great interest in studying online consumer behavior. Given the significant growth in online shopping, better understanding of consumers allows better marketing strategies to be designed. In spite of the growing shopping mall culture in the country, more and more net savvy Indians are now shifting towards online shopping. The potential growth of on-line shopping has triggered the idea of conducting a study on on-line shopping in India. On the other hand, the exponential increase in online shopping and the fast rate of growth in the number of retailers selling online have created an extremely competitive marketplace. In this scenario, it becomes essential for online marketers to understand the factors affecting online Indian behavior to further develop their marketing strategies to convert potential consumers into active ones, while retaining existing online shoppers.

## **REVIEW OF LITERATURE**

Consumers who prefer traditional in-home shopping such as by mail order via catalogues, tended to show high intentions toward online shopping, whereas individuals with a preference for mall shopping tended to have low online shopping intentions (Ling et al, 2010). Andersone and Sarkane (2009) identified the most important benefits of the traditional shopping are buying process and interaction with sales personnel and by e-shopping as money saving, time saving, conveniences and all round-the-clock. Physical stores have been noted as reassuring compared to online shops (Evans, 2011).

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