



## Examining Factors that Affect Consumer Online Shopping Behavior

### A Review Based Study

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#### ABSTRACT

Online shopping in India is an emerging trend for marketers to promote their merchandise in wide geographical area using internet. In 2012, E-Commerce revenue was US\$ 1.6 billion but it is expected to be US\$ 8.8 billion by 2016. It speaks about the success of e-commerce. Trust is an important dimension in the success of online shopping. The present study focuses on critical review of consumer behavior towards online shopping through extensive literature survey. The finding reveals that knowledge, privacy, security, perceived risk and perceived benefits are very important factors for the consumer's behavior towards online shopping. Winning trust is the primary condition for enduring success in e-commerce. Finally, some useful implications have been offered to the marketers at the end.

**KEY WORDS:** Online Shopping, Privacy, Knowledge, Risk, Online Trust

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## 1. INTRODUCTION

Online Shopping has emerged as one of the most happening trait of Indian Consumer and Trustworthiness is found to be an important determinant in influencing consumer attitude in online shopping. The main focus of this paper is to examine the factors that influence the consumer behavior towards online shopping.

### 1.1 Factors Affecting Consumer Online Shopping Behavior

Trust in a dyadic relationship arises from attributes associated with trustee and a trustor. Trustee attributes his / her belief towards knowledge, privacy, security, perceived risk and perceived benefits.

#### Knowledge

Knowledge is defined as consumer's degree of acquaintance with selling entity, which includes knowledge of the vendor and understanding its relevant procedures such as searching for products, information and ordering through website [10]. Knowledge based trust occurs when internet users familiar to one another interact frequently [11].

#### Privacy Protection

It is defined as consumer's perception that internet vendor will try to protect consumer's confidential information collected during e-transaction. (At the time of transaction, the online seller collects the names, email address, phone numbers and home addresses of buyers). Privacy protection is very important factor in building on line trust [8], [17]. Customers cannot avoid leakage in their private information over the internet due to risk in the transaction [15].

#### Security Protection

Consumer's perception that internet vendor will fulfill the security requirement eg. Authentication, encryption and non repudiation. Concerning about whether information of credit cards gets intercepted and information of the transaction is correctly transmitted [16].

#### Perceived Risk

Consumer's belief about potential uncertain negative outcomes from the online transaction. Eg. Product risk, Financial risks [10]. Perceived risk is the potential for loss in pursuing a desired outcome when engaged in online shopping [12].

#### Perceived Benefits

A perceived benefit is a consumer's belief about the extent to which he or she will become better off from online transaction with a certain website. These benefits include convenience, time saving because of finding information about the product within a short time frame and less time spent on shopping, or having more products to choose [10]. Consumer trust can only be inspired if the risk associated with online purchases are reduced to a level that is tolerable to consumers [3].

### 1.2 Online Shopping Scenario in India

Online shopping in India is gaining popularity in almost every sphere. India's online retail sales are estimated at \$2.84 billion as compared to \$1.9 billion in 2012. India is the fifth country in world e-commerce and second country in Asia. India seems to have grasped the ability to shop merchandise through internet. India has encountered a great exponential increase in its online market. As of June 2012, India has 137 million internet users and the inclination towards online shopping in youth will help the online retail industry to reach a mark of 7,000 Crore by 2015. The penetration of online shopping and money spent in India is much lesser when compared to USA and UK, but it is growing at a much faster rate than expected.

Mobile internet is being enormously responsible for opening up the online world to Indian consumers. It provides lot of convenience in the direction of the buyers. The buyers can benefit from wide variety of options and heavy discounts on their every purchase. Internet has made the lives of Indian consumers much easier. It is helping consumers to do intense product research and price comparison and actual shopping. There are some critical issues that discourage consumers from online shopping fear of fraud, lack of standard technologies for the secure payment, privacy concerns are the major reasons that the consumers do not want to engage in an online shopping. Online shopping sites in India have been adding more and more categories and products to their websites. EBay and Amazon are the market leaders in online shopping in the world.

### 1.3 Objectives & Methodology

1. To evaluate the significance of factors in consumer behavior.
2. To critically examine the Online Shopping factors relationships attempted in previous studies.
3. To offer useful implications to marketers.



The present study attempts the extensive literature review to explore the constructs related to Trust Antecedents along with Online Shopping and contributes to marketing literature through a critical appraisal of relationships among the factors that influence the consumer online shopping behavior

## 2. REVIEW OF LITERATURE

A number of previous studies relevant to the present topic are reviewed in the following section:

### 2.1 Knowledge

Relationship between the knowledge and trust in online shopping was examined. Lack of knowledge is a biggest obstacle to trust in online shopping. Success of online shopping is determined by whether consumers have knowledge about the sellers and their product which they cannot touch physically. The finding showed that trust in online shopping was positively associated with online shopping activities. Many factors influence the consumer trust but knowledge is very strongest. The more the consumers know, the more they trust online shopping [20]. Consumer attitude towards online shopping and intention to shop online was not only affected by ease of use, enjoyment and usefulness but also affected by previous online shopping experiences etc [15]. Sources were identified that helped the e-merchants to build online trust. E-Merchants must understand the characteristics of web interfaces, procedure and policies that promote the trust. Therefore e-merchants should use the different variety of trust building techniques to enjoy long term success in future. The researcher developed a framework of sources like journals, trade magazines, practical books and others which influence e-merchants [9].

### 2.2 Perceived Risk

Effect of individual characteristics on consumer online buying decision and factors that influence the trust in online shopping were examined. There were seven antecedents of trust in the model. But the result showed that perceived risk, perceived security protection and perceived reputation were significant predictors of the consumer trust in online shopping [5]. The antecedents and consequences of trust in e-commerce were identified. Consumer trust is very important aspect of e-commerce and understanding the antecedents and consequences are also very important. The findings showed that consumer trust has negative relationship with perceived risk but reputation, trust propensity has positive relationship with online trust. The design of the websites convey the good reputation of the company and different measures should be taken to protect consumer privacy and security while conducting online transactions [18]. Online trust between the people and transactional websites were examined. Findings were identified in literature. He developed the online trust model that includes three factors that put impact on online shopping: perception of credibility, ease of use and risk [4].

### 2.3 Perceived Benefits

The demographic profile of adopters and non adopters of online shopping and also the various reasons for adoption and non adoption of online shopping were identified. Perceived benefits like price consciousness, convenience, variety and easy payment option are the four significant factors of online shopping. Respondents of age group 36-45 years were adopters of online shopping. Males were adopters as compared to females. The adopters were mostly post graduates with monthly income of Rs.20,000-Rs30,000. The respondents who use internet from 5-7 hours were the adopters of online shopping [7]. Theoretical model that explained the consumers trust based decision making process was developed. Risk, benefits and trust were the three indicators and its impact on purchase intentions. The result showed that there is strong positive effect of consumer trust and perceived benefits on the purchase intentions but consumer's trust has negative effect on the perceived risk [10].

### 2.4 Privacy

Whether the availability and accessibility of privacy information affect the purchasing decision of online shopping was identified. More prominent display of privacy information will cause consumers to incorporate privacy considerations into their online purchasing decisions. Participants in the privacy information condition were more willing to purchase from that website irrespective of higher prices [19]. The impact of perceived security and perceived privacy on the intention to use internet shopping was explored. Technology acceptance model was used here. Technology acceptance model had two beliefs: perceived usefulness, perceived ease of use. Perceived security and privacy strongly influence the use of internet. Ease of use does not affect the usage of internet [13]. The relative importance of four trust constructs 1. Third party privacy seals 2. Privacy statements 3. Third party security seals 4. Security features were investigated. The result showed that security and privacy features put significant affect on trustworthiness of online consumers. Consumers willingness to provide private information depends upon his trustworthiness whether the merchant is electronic only or land and electronic [1].

### 2.5 Security

Broad conceptual framework of online trust including its elements, antecedents and consequences by reviewing the past literature was developed. The result showed that web site characteristics i.e privacy, security; refund policies, user characteristics eg. Long term orientations to online, internet savvy etc, satisfaction and loyalty e.g. Repeat purchase etc, firm performance e.g. revenues were the consequences of the online trust [17]. The interrelationship related to construct of perceived security and role of financial liability trust was identified in EC transactions. Mechanism of encryption, protection, authentication and verification were the antecedents of perceived security. There was significant relationship between the perceived security and trust. Financial risk was not significant predictor of trust in Electronic commerce transactions [2].



## 2.6 Trust

Factors that influence the online shopping behavior were identified. Trust plays key role in online relationship. Online shopping behavior influenced by factors of trust and economic conditions, but educational level and tech-savvy did not put significant positive impact on online shopping behavior [14]. Another study showed the long term orientation in a buyer /seller relationship and examined two factors: mutual dependence and extent to which they trust each other. The researcher discovered that trust and dependence play important roles in determining the long term orientation between buyer and seller relationship [6].

**Table 1: Review of Selected Studies on Consumer Behavior towards Online Shopping**

Study	Objectives/ Research Questions	Constructs	Research Method	Findings
Consumer's Perception Towards Online Shopping- The Case of Punjab, <i>International Journal of Management and Information Technology</i> , Gurleen (2012)	To identify the demographic profile of adopters and non adopters of online shopping.	1.Price consciousness 2. Convenience 3. Variety 4.Easy option payment	Survey	1. The result showed that most the respondents of age group 36-45 years were adopters of online shopping. 2. Males were adopters as compared to females. 3. The adopters were mostly post graduates with monthly income of Rs 20,000 – Rs 30,000.
Factors Influencing Iranian Consumers' Trust in Internet Shopping, <i>European Journal of Social Science</i> , Dolatabadi and Ebrahimi (2010)	To examine the factors predicting trust in online shopping.	1.Perceived risk 2.Perceived security 3.Perceived protection 4.Perceived reputation 5. Perceived benefits 6. Perceived size	Experiment survey	The result showed that perceived risk and perceived security were the significant predictors of trust in online shopping.
The Effect of Online Privacy Information on Purchasing Behavior: An Experimental Study, Tsai et al (2010)	1. To determine whether a more prominent display of privacy information will cause consumers to incorporate privacy considerations into their online purchasing decisions.	Privacy in Online Purchase	Experiment	The result stated that Participants in the privacy information condition were more willing to purchase from that website irrespective of the high prices charged by them.
The Impact of Knowledge and Trust on E- Consumers' Online Shopping Activities: An Empirical Study, <i>Journal of Computers</i> , Wang et al(2009)	To study the relationship between Knowledge and Trust in online shopping.	1.Knowledge 2.Trust propensity 3.Perceived integrity	Survey	Knowledge is the Strongest variable that affects the trust in online shopping.



An Examination of Individual's Perceived Security and Privacy in Malaysia, <i>Journal of Internet Banking and Commerce</i> , Lallmahamood (2007)	To study the impact of security and privacy on internet shopping.	1.Perceived security & privacy 2.Perceived usefulness 3. Perceived ease of use.	Survey	1. Perceived security & privacy strongly influence the use of internet. 2. Ease of use doesn't affect the usage of internet.
Consumer Trust in E-Commerce in United States ,Singapore and China, <i>The International Journal of Management Science</i> , Teo and Liu(2005)	To identify the antecedents and consequences of online trust in United states, Singapore and china.	1.Perceived risk 2.Perceived size 3.System assurance 4.Propriensity to trust	Online survey	Consumer trust has negative relationship with perceived risk but reputation, trust propensity has positive relationship with online trust.
What Drives Consumer to Shop Online? A Literature Review, <i>International Journal of Service Industry</i> , Monusuwe et al (2004)	To understand the consumer attitude towards internet shopping and their intention to shop on the internet.	1.Usefulness 2.Ease of use 3.Enjoyment	Literature review	The result showed that consumer attitude towards online shopping and intention to shop online was not only affected by ease of use, enjoyment and usefulness but also affected by trust , previous online shopping experience etc.
The Online Consumer Trust Construct: A Web Practitioner Perspective, <i>Southern Association of Information System</i> , Johnston and Warkentin (2004)	To identify sources outside the discussions available in academic literature.	1.Trade journals and Magazines 2.Practical Books 3.Self training 4.Previous experiences	Literature review	Result showed that sources including trade magazines, Journals and previous experiences influence the e-merchant.
On-Line Shopping Behavior: Cross – Country Empirical Research, <i>International Journal of Electronic Commerce</i> , Mahmood et al,(2004)	To identify the factors that promote the online shopping behavior	1.Economic condition 2.Education level 3.Tech- savvy 4.Trust	Literature review	1. Online shopping behavior is influenced by trust and economic condition. 2. Educational level and technological savvy not put positive impact on online.
On-Line Trust: Concepts, Evolving Themes, A Model. <i>International Journal of Human-Computer Studies</i> , Corritore et al (2003)	To examine on Line trust between people and Informational or transactional Websites.	1. Perception of credibility 2.Ease of use 3.Risk	Literature review	He developed the online trust model that includes three factors that put impact on online shopping: perception of credibility, ease of use and risk.
Perceived Information Security, Financial Liability and Consumer Trust in Electronic Commerce Transactions, <i>Logistics Information Management</i> , Chellappa and Pavlou (2002)	To identify the interrelationship related to construct of perceived security and role of financial liability trust in EC transactions.	1.Perceived security 2. Financial risk	Survey	The result showed that 1. Mechanism of encryption, protection authentication and verification were the antecedent of perceived security was an important in EC trust transaction. 3. Financial risk is not sufficient predictor of the trust.



<p>Online Trust: A Stakeholder Perspective, Concepts, Implication and Future Perspectives, <i>Journal of Strategic Information System</i>, Shanker et al(2002)</p>	<p>To develop a broad framework of online trust indicating its elements, antecedent and consequences.</p>	<p>1.Privacy 2.Security 3. Refund policies</p>	<p>Literature review</p>	<p>The result showed that website characteristics eg. Privacy, security, refunds policies etc. User characteristics eg. long term orientation etc.  And satisfaction, loyalty, firm performing eg. Revenues, price etc.</p>
<p>Trustworthiness in Electronic Commerce: The Role of Security, Privacy and Site Attributes, <i>Journal of Strategic Information System</i>, Belanger et al(2002)</p>	<p>To Investigate the relative importance of four trust constructs.</p>	<p>1. Third party privacy seals 2. Privacy statements 3.Third party security seals 4. Security features</p>	<p>Survey</p>	<p>The result showed that consumers gave more importance to privacy and security features.</p>
<p>Determinants of Long Term Orientation in Buyer- Seller Relationship, <i>Journal of Marketing</i> Ganesan(1994)</p>	<p>1. To examine the antecedents of long term orientation of both retailer and vendor.  2. To identify the major dimensions of trust.</p>	<p>1.Long Term Orientation in Buyer Seller Relationship 2. Mutual Trust</p>	<p>Survey</p>	<p>Trust and dependence both are very important to build long term orientation with both retailer and vendor.</p>

### 3. DISCUSSION & IMPLICATIONS

The present study provides evidence that consumers trust in online shopping is the result of specific factors. Wang et. al found that there is positive relationship between knowledge and trust in online shopping and online shopping activities. They discussed that more the consumer has experience in online shopping, more they trust more they purchase. But this study did not discuss the relationship of privacy and security with trust in online shopping. Johnston and Warkentin identified the variety of trust building techniques, sources which influence the e- merchants through literature review but they did not evaluate the specific websites, sources which influence the e-merchants. Monsuwe et al focused on understanding the consumer attitude towards online shopping. They identified factors which influence online shopping but this study did not investigate the differences, similarities, advantages and disadvantages of online shopping with traditional shopping. Dolatabadi and Ebrahimi identified four factors which influence the consumer online shopping but this study do not put consideration on experience of respondents towards online shopping. Teo and Liu identified the trust antecedents and its consequences in e- commerce. Because the survey was conducted in three countries US, Singapore and China; these countries have different culture but this study did not consider the cultural factors that can affect the consumers trust towards online shopping. Corritore et al examined the online trust between the people and transactional websites. The model includes the effect of perception towards credibility, ease of use and risk on trust but this study examined only one construct of Technology Acceptance Model(TAM); it can also use the other construct of Technology Acceptance Model to make the study more beneficial. Gurleen focused on identifying the demographic profile of adopters and non adopters of online shopping. He included the convenience, easy payment benefit but if such study can also include the elements related to risk to know more about the perception of consumers towards online shopping. Kim et al developed model that explained the consumer online trust based decision making. This model includes cognition based, affect based, experience based, personality oriented factors but this model is not applicable to older consumers because they have lack of familiarity with computers and the internet. This model only studies the impact of different factors on trust. Another critical reason is that this model did not show how different factors complement and contradict each other. Tsai et al determined whether availability and accessibility of private information affect the purchasing decision of consumer towards online shopping. This study found that consumer like to buy from privacy protected site either they have to pay high prices but this study cannot design to establish whether the consumers are willing to pay for privacy in absolute terms or relative ones. Such studies should be conducted in natural setting to get more relevant responses from the respondents. Lalimahmood explored the impact of perceived security and perceived privacy on the use of internet shopping. This study takes only two measures of technology acceptance model. Perceived usefulness and perceived ease of use are not only the predictors of intention to use of internet shopping there may be other significant factors that affect the intention to purchase online. This study does not cover the entire Malaysia but a small part. Belanger et al investigated that security and privacy features put significant affect on trustworthiness of online consumers. Students are taken as sample for the study. It limits the scope of the study. They should take sample from general population .They should also include the past



experience with selected sites as it also influences the online purchasing significantly. Shanker et al developed framework of elements, antecedents and consequences of consumer trust. This study should also take brand as determinant of online trust so that to find out the brand and trust on purchase intention. Mahmood et al identified that online shopping behavior is influenced by factors of trust and economic conditions. This study did not focus on the impact of culture on consumer online shopping behavior.

## Implications

- If online vendor want to target quality oriented customers, then he should provide full online version information about the product quality and product search information to them through website.
- Marketers can promote their online business by sending free samples to the online shoppers. People love free gifts. So, marketer can consider sending free gifts or samples as a surprise in their customer order.
- Consumers are afraid to share their personal information and credit card information, so the marketer should use the proper strategies to build the trust among the consumer related to privacy and security.
- Knowledge is very important antecedent of consumer trust because if more consumers know about the online shopping, more they have trust in online shopping.
- Website should be designed in such a way that it is easy for customer to find any products from the home page and from search engine.

## 4. CONCLUSION

The above stated discussion uncovers the significant role of factors in consumer behavior towards online shopping. A critical review of leading researchers in field concludes that dimensions namely; knowledge, privacy, security, perceived risk and perceived benefits have been established as strong constituents in online purchase decision making. The marketers planning to leverage the online trends must assign the space, this trust dimension and its antecedents deserve. By studying relationships among knowledge, security, perceived risk, perceived benefits and trust, marketers can plan impactful strategies which will help them in building trust among consumers

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