Factors Affecting Online Consumers Purchase Intention

Shahnawaz Alam  
Department of Business and Hospitality, Lincoln University College, Malaysia

Vikram Bansal  
Department of Business and Hospitality, Lincoln University College, Malaysia

Abhijit Ghosh  
Department of Business and Hospitality, Lincoln University College, Malaysia

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FACTORS AFFECTING ONLINE CONSUMERS PURCHASE INTENTION

Shahnawaz Alam*
Dr. Vikram Bansal**
Dr. Abhijit Ghosh***

ABSTRACT

Innovation in technology has enhanced many fields. The sector which is highly influenced by technological development is online retailing. The rapid spread of E-Commerce provides great benefits both for consumers and sellers. On the other side, the complexity of online marketplaces produces new issues and challenges. These escalating concerns about E-Commerce can restrict its growth and discourage consumers from performing online activities. This paper aims to examine the factors which affect the Indian online consumers’ purchase intention on the basis of framework proposed by the authors in the form of 3R’s (Reliability, Risk and Responsiveness) of online shopping. Since this study is conceptual in nature, the novelty of this article is mounted on researching the existing theoretical retail concepts and implying them in the case of current challenges faced by online consumers. The result of this study adds to the existing literature on E-Commerce by introducing the concept of 3R’s of online shopping which is found to be the major cause of concern among Indian e-consumers and affect their online shopping intention resulting in distrust, dissatisfaction and disloyalty towards the online retailers.

Keywords: Online marketplace, E-Commerce, online retailing, purchase intention, online consumers, shopping intention.

INTRODUCTION

Advances in technologies in recent years have made internet networks an integral part of the business environment. It has transformed the face of retailing from physical market to the digital market commonly called as E-Commerce, which is defined as the exchange of goods and services using internet. It is an important trade channel without distance between products and consumers (Lucian and Farias, 2009). It provides information to visitors and allowed retailers for targeting, positioning and delivering goods and services to match their needs and wants continuously (Dangi and Singh, 2015)

*Doctoral Fellow, Department of Business and Hospitality, Lincoln University College, Malaysia. He can be contacted on his email address trade.shah@yahoo.com.

**Associate Professor, Department of Business and Hospitality, Lincoln University College, Malaysia. He can be contacted on his email addressvikram@lincoln.edu.my.

***Dean, Department of Business and Hospitality, Lincoln University College, Malaysia. He can be contacted on his email address: abhijit@lincoln.edu.my.
Online shopping has experienced a rapid growth during the recent years due to its unique advantages for both consumers and retailers, such as 24x7 shopping facilities, decreasing dependence to store visits, saving time and travel costs, increasing market area, decreasing overhead expenses and offering a wide range of products.

With growing Indian online sales, issues pertaining to internet usage have prompted serious concerns to consumers and created new challenges for practitioners. Technologies related to online businesses changes day by day resulting in steep increase in the concern of online shoppers. These growing concerns result in distrust and dissatisfaction towards the websites which in turn restrict consumers to perform online activities. Lack of physical interaction between the seller and the buyer catalyzes the concern among online shoppers.

Although there are some issues of online consumers which are common to the offline one, this study focuses on the factors affecting online consumer’s purchase intention on the basis of proposed framework named 3Rs of online shopping. There are various studies conducted on the factors affecting the buying behaviour of online consumers, this study mainly focuses on the factors which may restrict consumers from making online purchase. In an online retailing concept, this study proposes a model that will study the effect of 3Rs (Reliability, Risk and Responsiveness) on consumers’ online shopping intention. A need for this type of study is implied by the fact that the growth rate of electronic commerce in India has yet been much below anticipation; its proportion of total retail business is still small due to its certain limitations (Sylke et al., 2004). Inspite of increased internet usage, availability of cheaper hand phones and growing income among the consumers, the rate of growth of Indian online retailing is far below as compared to other developing nations. Thus the current study aims to fill the gap by examining the major factors affecting consumers in performing online transactions.

LITERATURE REVIEW

According to Rao (1999), E-Commerce offers increased market activity for retailers in the form of growing market access and information and decreased operating and procurement costs. The activities of e-tailing encompass three main activities. They are: (i) A product search facility (often referred as a product evaluation or information gathering facility), (ii) An on-line purchase function and (iii) A product delivery capability (Kolesar and Galbraith, 2000). Kim and Lim (2001) examined that information quality of the importance and reliability of the satisfaction is statistically significant for distinguishing buyers from non-buyers. Syed and Zaharah (2008) have suggested that consumer perceptions of the customer service, reliability and trust of online purchasing.

Kim and Lee (2002) have studied that the design of e-store influences consumer’s access to e-store. In the e-store, website design, design of product and service comparison and information, time to complete online order form, easy of searching product and service, screen layout, screen complexity, page composition, information retrieval methods, information display, use of color and background, assistance to the user and speed of accessing the e-store are notable factors attracting e-customers.

Miyazaki and Fernandez (2005) pointed that the government and industry organizations have declared information privacy and security to be major obstacles in the development of consumer-related E-Commerce. Previous research found financial risk being a primary reason consumers choose not to shop online (Miyazaki & Fernandez, 2001; Teo, 2002). Mohd (2008) pointed out that perceived usefulness, perceived ease of use, perceived enjoyment, information on online shopping, security and privacy, quality of internet connection gets the most attention. Consumers look most for information about the product, shopping frequency, about pricing, buying volume and time.
Gurvinder and Zhaobin (2005) revealed that website security/privacy, website design, website reliability/fulfillment and website customer service are the four dominant factors which influence consumer perceptions of their online purchasing experiences. Many studies have indicated credit card security, buying without touching or feeling the item (tactile input), being unable or facing difficulty to return the item, shipping charges and privacy (security) of personal information as still being the main concerns of online shoppers (Bellman et al., 1999). Price, quality of service and information, speed and reliability of delivery, ease of online ordering, and trust towards vendors are important factors for consumers considering online purchases that will increasingly determine their propensity to engage in E-Commerce.

Jayendraand and Jiyeon (2012) suggested that product risk is defined as the risk of receiving the product that is different from what's perceived to be in the product description. This could be resulted from the quality of the retailer's product description and the visual representation of the product, significantly influencing the consumer's ability to understand the product. Rabinovich (2004) and Cao and Zhao (2004) have identified the challenges of e-tailing industry such as the response time of the web-server; moves to the amount of time the customer must wait until the order ships, and also includes the time the shipping process takes.

India's distribution system is unable to provide timely and reliable delivery of products. This limitation is further exacerbated when the return of products purchased online is taken into consideration (Bingi et al., 2000; Hoffman et al., 1999; Teo, 2002). The ease of return policy is often a concern to online shoppers (Teo, 2002). The ramifications of how to exchange products, the length of time allowed to return a product, and the cost associated with the shipping of merchandise back to the online retailer are often concerns associated with an online return policy (Shim et al., 2002).

RESEARCH METHODOLOGY

This study seeks to highlight the factors affecting online consumers' purchase intention. To collect the statistical data we have used various sources like annual report, research articles from e-journals, reference books, research articles from offline journals and sources from internet, etc. Analysis of data and information collected from published sources were made keeping the objectives of the study in mind.

3Rs OF ONLINE SHOPPING

With the rapid technological change in online retailing, the consumers' concern about the authenticity of the goods and services provided by the websites also continue to rise resulting in negative consumer perceptions. Although there are various factors which restrict consumers from performing online activities, this study aimed to study the effect of Reliability, Risk and Responsiveness (3R's) on online consumers' purchase intention. This is illustrated in figure 1 below:

![Figure 1-Conceptual Framework](image)
Reliability

One of the major concerns of e-consumers in online shopping is reliability. Studies suggest reliability is an important determinant of consumers' satisfaction with an online retailer's website (Wolfinbarger and Gilly, 2003). Previous studies recommend that reliability refers to the extent to which the websites fulfill their promise. The term reliability refers to proper product representation, on time and accurate delivery, and a proper technical functioning of the website (Wolfinbarger and Gilly, 2003; Zeithaml et al, 2002).

Product Representation

The product is the first and foremost thing which is viewed by the e-consumers in making online purchase. Since the online shoppers lack the opportunity to physically touch and feel the actual product, their representation on the website plays a key role in consumers' purchase intention. Information quality is the customers' perception of quality of product information that is provided by E-Commerce websites (Park and Kim, 2003). Varying technology may make it difficult to represent the true colors or dimensions of a product. This distortion made consumers uneasy about making an online purchase therefore, negatively affecting online shopping behavior (Eroglu, et al., 2003).

Use of software to beautify the product picture, overstating the benefits of the products, use of models to attract customer of opposite gender and improper guarantee and warranty terms are the common strategies followed by Indian online retailers in promoting their products. The price to quality ratio is the deciding factor in online purchase. Hence, the concern regarding the actual benefits offered by the products displayed on the websites limit the online shoppers in their purchase intentions.

Pricing

Price is the most sensitive attribute of reliability as far as Indian online consumers are concerned. The price is indeed the dominant attribute to attract consumers to an online shop (e.g., Reibstein 2002). There are different prices for the same product on different websites causing concern among the online shoppers. Online retailers are able to offer cheaper prices because of the shrinking cost of information processing, lower operating cost and global reach provided by the internet (Rowley, 2000). Indian online marketplaces follow different pricing strategies to attract customers. Because of the low overhead expenses in selling the products online, E-Commerce players indulge in predatory pricing strategy in which the price of the goods are kept lower than the market price to remove competition.

One way for a retailer to engage in price discrimination is through intelligent agents dynamically inserting personalized discounts on pop-up windows on a consumers' screen (Johnson 2000). There are cases of physical branded stores complaining about the online marketplaces to Competition Commission of India (CCI) regarding predatory pricing. Furthermore, the price is increased two folds and then heavy discounts are given to make the consumers feel the massive promotions offered by the websites. Use of software allows internet sites to analyze their customers' shopping patterns and set prices accordingly. These misleading pricing strategies give negative impact about the websites in the minds of the consumers.

Website Functioning

Website is the only platform through which goods are bought and sold in online format. The proper functioning of the website plays a crucial role in consumer purchase intention. McKnight et al. (2002) found that perceptions of the site design and quality were strong predictors of trusting beliefs in the retailer and in consumer intentions to buy from the site. Some of the elements identified as website
attributes are: third-party approvals and endorsements; the site’s usability and interactivity; the credibility of the online vendor; and the content elements including the aesthetic aspects of the online presentation and the marketing mix (Loebbecke, 2003; Chen and Chang, 2003; Demangeot and Broderick, 2007).

Customer interface quality is a concept involving many aspects and is measured in different ways. Negash et al. (2003) mentioned three facets: information quality (information and entertainment), system quality (interactivity and access) and service quality (tangibles, reliability, assurance, responsiveness, and empathy). Online retailers spend huge amounts to ensure that their consumers have ease in accessing the information related to product, making online transactions and tracking the shipment. During Indian festive seasons, the online retailers market their products aggressively by giving huge discounts resulting in massive traffic on their websites, affecting its performance which in turn results in negative perception towards the online shoppers. Case of website struck while making online payments, difficulty in navigating the website and slow processing are very prominent in India affecting customer purchase intention.

Risk

Information sharing in context to E-Commerce refers to sharing of personal and financial information of the customers by the online retailers (Alam and Bansal, 2015). A consumer must provide financial information (e.g., credit card details) and personal information (e.g., name, address and phone number) for delivery in order to complete the purchasing process. According to Sinha and Kim (2012), risks perceived or real, exist due to technology failure or human. Hamed et al. (2010) revealed there is a significant correlation between trust & trustworthiness and security and privacy information.

Ye Diana and Henry (2005) opined lack of trust has been identified as one of the main formidable barriers to people for engaging in e-marketing, involving transactions in which personal and financial informations are submitted to merchants via the internet. Effective security is important for the continuity of business, trust of clients, and compliance with industry specific laws and regulations (Rahman and Lackey, 2013). Non privacy and insecurity of personal and financial information are the major risks of consumers while engaging in online transactions.

Privacy

To make online purchase, a certain amount of personal information is required such as contact and bank details. Personal information is given in order to complete the transaction. Due to the lack of agreements between the buyer and the seller, privacy is violated if the online retailer later uses that personal information or discloses to a party who is not involved in the transaction. When people are concerned about their privacy, they tend to either retreat from performing purchases online or provide incomplete information due to fear (Chunyong et al., 2007).

A survey conducted by the Federal Trade Commission (1998) noted that only few websites provide notice of their information collection practices to consumers (Mohsen and Ilja, 1999). Hoffman et al. (1999) revealed willingness of consumers in providing personal information is one of the most important determinants of the commercial development of the web. There is great lack of consumer’s confidence which in turn causes a severe problem to complete scale electronic commerce. When a user visits a website, a small text file known as a ‘cookie’ is fixed into their computer, this file acts as a barcode recording or tracking customers behaviour, which pages they visits, which ads they see and for how long (Mayor et al., 2003). Consumer privacy is replacing theft and fraud as top customer concerns for E-Commerce (Randy and Joseph, 2002). It was discovered from a study based on tracking and history recording technologies that users showed great concern in terms of privacy on the above
mentioned technologies (Craig and Mihajlo, 2011). It is therefore clear the adverse effects that lack of privacy or privacy concerns have on consumer purchase intention.

**Security**

Security is defined as “the protection of data against accidental or intentional disclosure to unauthorized persons, or unauthorized modifications or destruction” (Godwin, 2001). It usually refers to the provision of access control, privacy, confidentiality, integrity, authentication, non-repudiation, availability and effectiveness (George and Jianzhong, 2005; Ralph and Thomas, 1999; Licun et al., 2010). Types of security threats include gaining physical access to premises, accessing wiretaps, unauthorized acquiring of information, viruses, lack of integrity, financial fraud, vandalism, etc (Someswar et al., 2001; George and Jianzhong 2005).

According to Forbes (2013), the Indian market demands cash on delivery (COD) option, in which the consumer pays the amount after they have received the product. It’s a hard problem to get around, because credit card usage is quite low in India, and consumers do not trust in putting financial information into online forms. According to KPMG (2013), high dropout rates (25-30 percent) on payment gateways, consumer trust deficit and low use of online payments are compelling E-Commerce companies to rely on costlier payment methods such as Cash on Delivery.

**Responsiveness**

Responsiveness means willingness to help consumers and provide prompt service. It basically refers to the speed of the company’s response to the customers, measures the ability of e-tailors to provide appropriate information to customers when a problem occurs, have mechanisms for handling returns and provide online guarantees (Zeithamal et al., 2002). Post-purchase intentions have been frequently used as a basis for predicting customers’ future behaviors (Kuo et al., 2009).

Alam and Bansal (2015) studied that unethical business practices such as issues in refund, delay in delivery, defective products, return or replacement and poor customer care service are prominent in Indian E-Commerce industry. In online business concept, responsiveness refers to the accurate and on time action taken by the e-retailers in response to the complaints made by their customers. Most of the complaints occur after the payment process as it is the time when customer can physical touch and feel the product.

**Accurate Delivery**

Accurate delivery is a key part of the online shopping experience with reliable and prompt delivery a key selling point for many consumers. Reliability relate to the accurate display and description of a product so that what consumers receive is what they thought they ordered, as well as the delivery of the right product within the frame promised (Wolfinbarger and Gilly, 2003). Zeithaml (2002) has defined that the success of e-tailing depends on the efficient website design, effective shopping and prompt delivery. From delayed deliveries, non-deliveries and missed delivery cards, consumers are becoming increasingly irritated by an unreliable delivery network.

Delivery of the accurate product comprising of the same quality features on time as stated on the website is a major cause of concern among online shoppers. Because of the poor supply chain management in India, the consumers rarely get their products delivered on time. Cases of wrong delivery to the consumers are very common in India because of the inefficient management of the online marketplaces and third party logistics providers making the consumers question about the ethics followed by online retailers.
Return/Refund

Customers claim for refund when they find the actual quality of the product does not meet the specifications mentioned on the website. In this case, the consumers believe that the website uses deceptive practices to sell its products. Since online shopping does not allow a consumer to examine the product before purchasing, online shopping has experienced higher return rates when compared to traditional retailing (Bhatnagar, et al., 2000). In the case of online shopping, where the majority of products have been delivered through some third-party means, the customer is now faced with utilizing a similar service in the return process, an additional inconvenience and potential expense. These issues negatively affect online shopping behavior (Kunz, 1997; Taylor & Cosenza, 1999). Furthermore, the customer has to bear the cost of reverse logistics in case the refund is made. According to data gathered by ExpertRecall, the quantity of recalled units increased by 292% in the fourth quarter of 2013, compared with the prior quarter indicating that rate of growth of refund far exceeds that of online sales.

Customer Support Service

Post payment activities are considered to be very important as far as satisfaction and trust of customers are concerned. Customer support service is one of the most important attributes of post payment activities. Modern consumers put a premium on personal service (Scott, 2000). Halima et al., (2011) argued that a two way communication is a fundamental aspect of relationship development. It provides business with opportunities to listen and respond to customer queries, gain a better understanding of customer needs and find effective ways of meeting those needs.

Providing customers with different contact options, including phone and fax numbers, as well as e-mail addresses can assist customers to easily make contact with the organization when necessary (Parasuraman et al., 2005). In managing communication with customers, Yen and Lu (2008) emphasized the need for online retailers to ensure that customer queries are attended to without delay. They found that difficulties associated with contacting online service providers result in customers evaluating services negatively. The lack of face-to-face service is certainly a limitation for internet shopping and may negatively affect it (Schneider & Bowen, 1999).

RESULTS AND DISCUSSION

This study finds 3 Rs as the major factor affecting online consumers purchase intention. In line with many researches concerning the factors affecting online purchasing, this paper found that to enhance customer purchase intention and retention, online stores should develop marketing strategies to better address the trustworthiness, reliability, and responsiveness of web-based services. Product information and representation, privacy of information, issues related refund/return and communication between the two parties are found to be key variables in online purchase behaviour. Managers and site developers should maintain effective privacy and security policy for the customers personal and financial information as these are the vital factors affecting e-trust. Before and after-sales operations should be carried out efficiently and quickly so that consumers are satisfied which will benefit the E-Commerce players in customer retention.

CONCLUSION

E-Commerce in India has grown and is growing continually which brings both opportunities and challenges for customers, businessmen and regulators. This study is motivated by prior research on
challenges faced by online shoppers, indicating that lots of consumers who search online retail sites abandon their purchase intentions. Converting online visitors into buyers is one of the major problems that many online businesses face in daily basis. E-trust and e-satisfaction plays an important role in shaping purchase intentions of online consumers which can be achieved if 3Rs are dealt effectively and efficiently. Unlike brick and mortar business, rapidly changing technology continuously brings new strategies to sell products and services through online mode. But if these strategies are performed ethically with the sole intention to satisfy the customers, then it will surely lead to greater inclination of consumers towards the website which in turn will affect purchase intention. If these rising concerns are not dealt quickly, the customers will shift back to traditional business models which will have adverse effects on the growth of E-Commerce industry.

MANAGERIAL IMPLICATIONS

This study will be helpful for Indian e-retailers to formulate their strategies in order to gain customer base. The 3Rs discussed in this study should be taken great care by the e-retailers as it directly affects consumers' purchase intentions. The ease with which online consumers can switch from one website to another, brand loyalty is difficult to maintain. Since website is the only medium through which online shopping is done, e-businesses should design it in such a way that it is well organized, easy to navigate, encourage online consumers to compare online pricing and provide detail product information. Privacy of information, reliability of website and response of customer support staff plays a major role in framing behavioral intentions of online consumers. Because of perceived lack of secured transaction, e-retailers should introduce a mechanism that would enhance safety and privacy to motivate people to buy online. Often the e-retailers are concerned only in selling the products, issues arising in post purchase behavior are not dealt properly. The study shows the importance of effective customer support response on online purchase intention. This study is also helpful to e-consumers by providing knowledge about the strategies adopted by e-businesses to attract customers like offering conditional discounts, overstating benefits of the product and inefficient post purchase response. Thus, online shoppers can protect their consumer rights and shield themselves from unethical practices of e-businesses.

LIMITATIONS

Typical of most research, this study suffers some limitations. Due to the limitation of time and convenience, this study is based on secondary data. The results of the study performed using primary data may have given different results. The adoption of e-shopping and online revisit intention might also be influenced by the product or service itself (Klein 2003). Since this study has not focused on any particular products or e-retailers, it is not known to what extent this study results may be extended to specific products or services. Apart from 3Rs, there are other factors like attitude, convenience and behavior (Jayendra and Jiyeon (2012) which affect consumers online buying behavior. But because of limited time period, this study only focused on the attributes of e-retailers such as reliability, risk and responsiveness as the core issues of online shopping.

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