FACTORS AFFECTING THE CONSUMER PREFERENCE TO BUY ONLINE: AN EMPIRICAL STUDY ON STUDENTS OF PUNJAB UNIVERSITY, LAHORE

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Abstract
This study examines why people still hesitate to shop online and specifies four factors that influence the consumers’ decisions to buy from an online store or not. Quantitative study has been conducted to test the result from the data which was collected through a survey from 106 students of University of the Punjab, Lahore. Our regression results show that only two variables i.e. convenience and risk were found significant, effecting the online shopping preference of consumers. Whereas the other two factors cost and enjoyment are not quite significant to influence the consumer decisions about whether to shop online or not.

Key words: online shopping preference, consumer behavior, convenience, enjoyment, online stores

Introduction and Background
Grocery shopping has been considered as stressful routine work (Geuens et al., 2003). A survey conducted by Nielsen Co. found that about 38 percent of primary shoppers regarded grocery shopping as a chore (Ryan, 2009). This fact, with the growing levels of internet penetration and customer time deficiency (ONS, 2001, 2002a, b), proposes that it would be rational to expect customers to willingly embrace the convenience provided by online grocery stores. However, surprisingly the uptake of online grocery facilities has been slower than estimated. In US, a study conducted by PricewaterhouseCoopers found that, internet websites capture only around one per cent of customers’ monthly trips for grocery shopping. Only 7 percent of shoppers having online shopping experience show that they shop nearly half of their grocery online, but almost half admit to shop online “very little” (Pastore, 2000). In the same way, in the UK, online shoppers’ spending accounted for only 0.4 percent of the total £95 billion UK grocery market (Peppers and Rogers, 2001). Even for Tesco, the most successful online grocery store, only less than 2 percent of its whole group sales represent the online section (Rigby, 2005).
One of the main reasons of the low interest in online shopping seems to be the delivery costs charged by the online grocery store. Indeed, a study conducted by Price Water house Coopers (Clarke, 2000) showed that 46 percent of internet users cited free delivery of huge orders as the feature that most likely will attract them to use an online grocery facility in the future. In study conducted by OMD snapshots, delivery charges discouraged 20 per cent of the respondents from online shopping for groceries (Anonymous, 2001).

Clearly, delivery fees are only one of the possible reasons why a mainstream of customers is still unwilling to use the internet for grocery shopping. Security issues and privacy concerns are other reasons (Miyazaki and Fernandez, 2001 privacy). Even after increasing interest in online shopping for grocery, its rate is lower from other shopping’s made at online. We can say, that many consumers may have experienced of shopping for other products online rather than online shopping for grocery. According to research security and privacy concerns are less confusing issues for the consumers who have experienced of online shopping (Forsythe and Shi, 2003) So the security is not the single issue for the applicability of online shopping for grocery. The aim of this study is to investigate the other reasons which effect the decision of the consumers regarding shopping either from online or in-store.

Studies till now on online retailing of grocery have been centering on structure of cost and business model limitations and have been driven from the retailer’s point of view (Anckar et al., 2002; Doherty et al., 2003; Ka‘ma‘ra‘inen et al., 2001; Punakivi and Saranen, 2001), in addition it has focused on failure or success lessons among retailers of online grocery (Keh and Shieh, 2001; Ring and Tigert, 2001; Tanskanen et al., 2002). Existing research on consumers has been studied the differences in consumers behavior regarding choice when they shop online against in traditional markets (Currim & Andrews, 2004), consumer characteristics and their effect on accepting online shopping (Ellisavet Keisidou, 2011), and the approach of the prevailing shoppers of online grocery (Morganosky and Cude, 2000; Rajias, 2002). There are few studies have been done on the other factors of consumers choice of channel (Verhoef and Langerrak, 2001).

The aim of this study is to discover the other factors which are situational, affect the decision of consumers of either shop online or from the store for the grocery. We pay head on charges of delivery and other factors and find out that how they influence the preferences of channels of shopping. Availability of time, time for travel to store, and purpose of trip are other factors. We theorized that consumer perceptions of convenience, risk, cost and shopping enjoyment have mediating effects. A choice experiment was designed to test our hypotheses among a sample of intercepted shoppers. Before presenting the scenarios, respondents were asked about their last grocery trip and then each respondent was presented with two hypothetical scenarios. They indicated the degree to which they would like to shop online/in-store for each scenario. The respondents were also asked about their willingness towards online grocery shopping and their attitude to use the online channel. In the conceptual model, the latter measures allow us to assess the validity and reliability of the mediating constructs assumed. The exploratory analysis of the assumed constructs with combination of experimental testing represents a novel way of assessing the validity of choice experimental results and these contributes to a better understanding of the effects of our experimental factors on shopping online versus in-store channel preference.

For this study, the data were collected in the UK. Whereas the US market has been dominated by
pure-plays (Finch, 2001) and traditional retailers saw the launch of internet services only recently (Reyes, 2004), with an online channel the traditional retailers have been the key players in the UK market, including Waitrose, Asda, Tesco, and Sainsbury (Mills, 2001; Stewart, 2000; Thomas, 2002; Wearden, 2002). Ocado is the only exception, a pure play supermarket service that was funded by the investment bank UBS and Waitrose owner the John Lewis partnership (Thomas, 2002). In the UK Retailers who have ventured into the online business have shown mixed results. In the UK Tesco was the first grocery retailer to enter the online business and is the biggest online supermarket operator in the world now. It has been in profit since 2001. Tesco recently started using a combination of the warehouse model to expand its product range, where deliveries are collected from a central warehouse, and the pick-and-pack model, whereby pickers collect orders from the shelves and the deliveries pass through the individual store’s accounts. Local stores deliver groceries items, and warehouses deliver non-grocery items (Rowley, 2003). Recently, five years ago, after its launch Ocado, has realized its first operating profit (IMRG, 2005). However, the others are struggling with profit margins still, as they make every effort to reach a critical mass (Thomas, 2002; Veitch, 2002). In the UK, the online grocery retailer’s delivery charges range from £0 (for large orders) to £5.99.

Theoretical framework

The theoretical model that we build and test in this research paper is shown in figure 1. Here we spot four factors (perceived cost, perceived convenience, perceived risk, and perceived enjoyment) that are relevant to these study characteristics in terms of online grocery shopping. We identify the effect of above mentioned factors on online shopping preference. Now the four factors are discussed briefly.

Cost factors

Cost of shopping consists of 1.Fixed cost 2.Variable cost. Bell et al. (1998) point out that fixed costs include costs of travel to store and buyer’s previous preferences and past loyalty for the physical store. Consumer’s list of shopping identified the variable costs. Because in UK in case to shop online or from the store the charged prices are same, the main distinct between shopping from internet or from the store in form of monetary terms, is the cost of travel to a store or charges of delivery when ordered online.

Consumers may want to ignore the travel costs which may include petroleum and stand or parking charges. Alike, customers want to cut the premiums for day-to-day necessities (Barker, 2000). Previous studies (Anonymous, 2001; Clarke, 2000) have shown that due to delivery charges many consumers hesitate to shop online.

H1: Perceived cost has a significant negative effect on online shopping preference.
Convenience Factors

Costs other than monetary costs like time, tension, energy and psychological cost are the part of convenience cost (Aylott and Mitchell, 1998; Cassill et al; 1997). To coordinate with Berry et al.’s (2002) convenience of service and convenience of shopping concept may be explained as cutting of opportunity costs of shopping deeds like time and energy. As compare to shopping from a store the online shopping is far convenient because shopping can be done from the consumer want, at any time. The online shopping has many more advantages like it saves the time of consumers to visit the physical store and ignore the irritating process of picking the products and handle the Tralee. Big order purchasers considered it attractive.

Like the convenience of online shopping it has inconveniences. For example, most of the families still do not have internet and they have to get familiar themselves with the system and how to set an account in their first use (ONS, 2002b).

\textit{H2:} Perceived convenience has a significant positive effect on online shopping preference.
Risk factors

There is a broad array of research on risk factor and its impact on customers’ behavior (Mitchell, 1999). Most of the consumer’s researchers define perceived risk as the consumer’s perceptions of the insecurity, uncertainty and adverse consequences of buying a product or service (Dowling and Staelin, 1994). In addition to the risk of the likely misuse of personal data and credit card information, the present study is focused on product performance risk, which can be defined as the loss incurred when a product or brand does not perform properly (Horton, 1976). Forsythe and Shi (2003) find that product performance risk has a negative effect on online shopping. Product performance risk seems principally relevant for online grocery shopping. Many grocery items like perishable goods fruits and vegetables that belong to the touch/see/smell type, which generally customers prefer to physically, check the quality of the products before the purchase (Baker, 2000; Ernst & Young, 1999; Citrin et al., 2003). In an online environment, physical examine cannot be done. Although some e-grocers may guarantee about the quality and freshness of the products, the preferences of different consumers about online shopping vary still vary, leading to the risk that the product received by the consumers may not meet their expectations. In addition, unlike in-store shopping, where consumers receive products instantly, in online shopping purchase and delivery of products is made separately, thus there is less assurance about the receiving of products in time. Perceived product performance risk will depend on the goals and intended usage of the products (Dowling and Staelin, 1994). For example, when consumers want to purchase ingredient for an important dinner party instead of regular household meal items, consumers will have a higher level of situational involvement for grocery items (Bloch and Richins, 1983; Houston and Rothschild, 1978). This higher involvement will result a greater awareness about negative consequences of online shopping and thus in online shopping have a greater level of perceived risk compared to in-store shopping.

H3: Perceived risk has a significant negative effect on online shopping preference.

Enjoyment factors

According to Beatty and Ferrell (1998) perceived enjoyment is a happiness one receives from the shopping process. As noted by Alba et al. (1997), shopping is an experience for many consumers that transcend product purchase. Thus shopping enjoyment concept relates to the hedonic and utilitarian shoppers. A hedonic customer enjoys and gets satisfaction from shopping processes while utilitarian customers do shopping as a duty (Babin et al., 1994). There are different kinds of hedonic shopping including, value shopping, gratification shopping, social shopping, idea shopping, role shopping, and adventure shopping (Arnold and Reynolds, 2003; Tauber, 1972). Grocery shopping has been considered as stress full routine work (Geuens et al., 2003; Aylott and Mitchell, 1998). However, some evidence shows that many customers do enjoy going to the shopping mall (Prus, 1991; Smith and Dickinson, 1994). Moreover in the online shopping, advanced technology is anticipated to set aside greater use of “virtual reality” and “interaction” with customers and suppliers, which is more likely to increase the “shopping experience” for online shoppers (Freeman et al., 1999). A recent innovation by Tesco of an online community (iVillage), and an online interactive magazine that has targeted at parents and parents-to-be (You
and Your Child) are seen as initiatives to change and exceed social contacts in-store (Rowley, 2003).

Time pressure is a principally relevant factor in online shopping. Time pressure can be considered as the degree to which customers think themselves busy (Srinivasan and Ratchford, 1991). It has been recognized that time pressure has a negative effect on shopping enjoyment (Beatty and Ferrell, 1998). Therefore, under time pressure, the levels of customer’s in-store and online shopping enjoyment both will decrease but the in-store shopping will decrease more speedily, as it generally takes up more time. Subsequently, we are expecting that under time pressure consumers to be more willing to shop online. We expect that trip purpose also affect the enjoyment. As already mentioned in our introduction, the more routine and chore-like the trip, most people would seem to be the less enjoyable the visit to the grocery store (Aylott and Mitchell, 1998; Geuens et al., 2003) and the more probable they would be to endorse on-line shopping.

H4: Perceived enjoyment has a significant positive effect on online shopping preference.

Methodology

Data collection method

Data was collected from students of University of the Punjab, Lahore through a survey. The instrument used in the survey was questionnaire adopted from previous research studies. In questionnaire used five Likert-scales strongly agree, agree, neutral, disagree, and strongly disagree. The demographic section is also included like education, gender, age (in years).

Participants and response rate

A total of 120 questionnaires were distributed among the customers especially the students out of which 106 were received them (Response rate=88%).

Demographics

106 respondents complete the questionnaires out of which 37.7% respondents were male and 62.3% were female (table 1). 42% respondents were graduated (table 2) and largest numbers of respondents were of the age group of 20-22 years.

Results and Interpretation

A table 3 show the reliability of questionnaire is 77%, N is 106 and total number of items is 21. This reliability is considered good.
Table 1: Online shopping preferences vs. Gender

<table>
<thead>
<tr>
<th>Online shopping preference</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitely buy in-store</td>
<td>20</td>
<td>33</td>
<td>53</td>
</tr>
<tr>
<td>somewhat buy in-store</td>
<td>5</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>Neutral</td>
<td>8</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>somewhat buy online</td>
<td>7</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>definitely buy online</td>
<td>0</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>40</td>
<td>66</td>
<td>106</td>
</tr>
</tbody>
</table>

Table 2: Online shopping preferences vs. Education

<table>
<thead>
<tr>
<th>Online shopping preference</th>
<th>Graduation (14 years)</th>
<th>Graduation/Masters (16 years)</th>
<th>Masters/MPhil (18 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitely buy in-store</td>
<td>22</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>somewhat buy in-store</td>
<td>6</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Neutral</td>
<td>7</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>somewhat buy online</td>
<td>4</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>definitely buy online</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42</td>
<td>34</td>
<td>30</td>
</tr>
</tbody>
</table>

Table 3: Reliability

<table>
<thead>
<tr>
<th>No. of items</th>
<th>N</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>106</td>
<td>0.770</td>
</tr>
</tbody>
</table>

Regression Analysis

Regression analysis was conducted to identify the influence of independent variables (perceived cost, perceived convenience, perceived risk, and perceived enjoyment) on dependent variable (online shopping preference). Following results has been found after analyzing the data. Model Summary, in table 4 shows that adjusted $R^2$ is 18.2% which means that dependent variable i.e. online shopping preference entails 18.2% variation due to independent variables (perceived cost, perceived convenience, perceived risk, and perceived enjoyment)
Table 4: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Std. error of estimate</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.461</td>
<td>.213</td>
<td>.182</td>
<td>1.11937</td>
<td>.000</td>
</tr>
</tbody>
</table>

In Table 5 ANOVA specifies that online shopping preference is being significantly affected by perceived cost, perceived convenience, perceived risk, and perceived enjoyment at level of sig 1%.

Table 5: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Square</th>
<th>df</th>
<th>Mean Sqr</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>34.212</td>
<td>4</td>
<td>8.553</td>
<td>6.826</td>
<td>0.000</td>
</tr>
<tr>
<td>Residuals</td>
<td>126.552</td>
<td>101</td>
<td>1.253</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>160.764</td>
<td>105</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Hypothesis Tests

Regression is also used to test the hypotheses i.e. to test the impact of factors (perceived cost, perceived convenience, perceived risk, and perceived enjoyment) on online shopping preference of consumers. The results in Table 3 show that perceived cost ($\beta=0.148$, $p>0.05$) has not a significant negative effect on online shopping preference which means that $H1$ is rejected. Perceived convenience ($\beta=0.542$, $p<0.05$) has a significant positive effect on online shopping preference hence $H2$ is accepted. Perceived risk ($\beta=-0.874$, $p<0.05$) has a significant negative effect on online shopping preference so that $H3$ is accepted. Perceived enjoyment ($\beta=0.201$, $p>0.05$) has not a significant positive effect on online shopping preference so that $H4$ is rejected.

Table 6: Hypotheses Tests

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Coefficients $\beta$</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>2.267</td>
<td>.007</td>
</tr>
<tr>
<td>Perceived cost</td>
<td>.148</td>
<td>.157</td>
</tr>
<tr>
<td>Perceived convenience</td>
<td>.542</td>
<td>.003</td>
</tr>
<tr>
<td>Perceived risk</td>
<td>-.874</td>
<td>.000</td>
</tr>
<tr>
<td>Perceived enjoyment</td>
<td>.201</td>
<td>.264</td>
</tr>
</tbody>
</table>

Dependent variable: online shopping preference
Conclusion and Discussions

Majority of consumers still feel hesitations to buy online. In this research paper we aimed to indicate four factors i.e. perceived cost, perceived convenience, perceived risk, and perceived enjoyment that make people hesitate to buy their groceries online and the influence of those factors on consumers’ online buying preferences. The results in this study indicate that among those four factors only two has an effect on consumers’ online shopping preferences. Perceived convenience and perceived risks has an impact on online buying behavior of consumers. Consumers go for shop online if the convenience associated with the online shopping is high. Convenience in terms of buying from anywhere at any time or not having go to store personally, no need to wait in any lines or having any worry about carrying the good by themselves from stores to their homes, while shopping on an online store, significantly influence the consumers’ decisions about online shopping.

On the other hand, another factor, perceived risk has negative impact on consumers’ willingness to shop online. Consumers feel hesitation to buys online because of doubt of safety of their personal data and credit cards information. They are also worried about the quality and the on time delivery of online ordered goods. Because of all these kind of risk associated with online shopping, consumer are not willing to buy online. More the risks linked with online shopping, lesser the consumer motivation to buy from an online store.

Moreover, this study concludes that there is no significant effect of perceived costs and perceived enjoyment on consumers’ preference to buy online. In other words, consumer attitudes towards online shopping are not affected by the costs factors related to online shopping. Low or high costs in online shopping do not affect the consumers’ readiness to buy on line. Their decision about whether to shop online or not, do not get affected by the low or high costs of online shopping.

Similarly, the fourth factor, perceived enjoyment also does not have any significant influence on consumers’ online purchasing preference. Their decisions about online shopping to shop online or not are not influenced by any enjoyment factors associated with online shopping. Expectations about having fun while doing online shopping or discovering new products on online store with one click do not affect the consumer attitude toward online purchasing.

Finally, this research paper concludes that consumers are reluctant to buy from an online store. Four factors were indicated which could build barriers for consumers to shop online. But only two variables i.e. convenience and risk were found significant, effecting the online shopping preference of consumers. Whereas the other two factors cost and enjoyment are not quite significant to influence the consumer decisions about whether to shop online or not.

Limitations and Future Implications

There are some future implications in relation to this research study. One of them is that in this paper the sample size is relatively small. Future researchers can take larger sample size. Study can also be discussed by future researchers with some additional variables such as security issues.
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