



ONLINE MARKET: ANALYSIS OF FACTORS RESPONSIBLE FOR BUYING

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*Abstract*

*Mobile phone has improved communication such that there is a regular communication with break. Escalators, Automatic lifts, Cranes, computers, scanners, RIFD, have all contributed to make organized retail a reality. Internet and smartphones have penetrated to remotest corner, making online retailing a viable option. The marketing innovators keep working on formats that will surpass customer expectations. The work on specialty stores, super markets their combinations and variants and still come up with new innovative store design.*

*Even target segment keeps changing. It was the large urban settlement which disbursed to include the smaller ones too. And now there are plans to take on the rural population too in the ambit of organized retail. Therefore, testing of the variables which effects online shopping decision is very important. A segmentation analysis on the basis of variables which affect e-shopping decision helps online retailers to understand the need of their target market more clearly. Here consumer purchase behaviour (dependent variable) is investigated by a structured questionnaire consists of more than 35 items ( factors of online consumer market as independent variable) and with the help of Principal Component Method of Factor Analysis. Who are the buyers, and what are they looking for? The papers attempts to look for the factors responsible for buying online.*

*Index Terms—Online retailing, RIFD, Internet, segment, target, variables, factor analysis, consumer purchase behaviour. (key words)*



## **I. INTRODUCTION**

Technology is a driver of organized retail. Without technology it was not possible to operate efficiently at such large scales. Technology a processing speed of computer has made it possible to work at a large scale and at the same time keep precision accuracy, work efficiently and maintain a tight control on the day to day affairs. Feedback and reports are generated at the touch of a button. Inventory is updated with the scanning of incoming material and outgoing merchandise. Goods are located with satellite sensors when they are in transit. Mobile phone has improved communication such that there is a regular communication with break. Escalators, Automatic lifts, Cranes, computers, scanners, RIFD, have all contributed to make organized retail a reality. Internet and smartphones have penetrated to remotest corner, making online retailing a viable option.

## **II. GAP: CHANGING FACE OF THE RETAIL SCENARIO**

Online retailing has been challenged by government regulations restricting what at one stage was fair competition. Developing nations are wooing the organized retail sector considering the tremendous employment opportunities generated by the sector. The other additional factors like inflow of capital and technological knowhow are being lapped up! There is opportunity to be found for both the host and the investor. The investor finds tremendous opportunity to extend a developed brand and technology to new market. The future potentials are mind boggling. With advent of modern technology the barriers to global business have been reduced beyond recognition. Training and Development has taken new turns leading to the human resources deficiency created by spurt in demand being met by local educated youth.

Increasingly the purchase from organized retail is from the value format. Whether it Wal-Mart in USA or Big Bazar in India they are both offering discounts and price cuts that make the customers happy even in inflationary and recessive environment. These value formats push up sale up to 25% (AC Nelson). On the other hand there is recession several categories, where the discretionary power of the consumer is exercised. The consumers want more value for their money, and the actively seek out value formats where this need is satisfied. Corporate is forced by the value seeking customer and real time competition to give discounts and lower their margins. Inflation and recession have made the customers sentimental about their spending. In today's situation such value formats are finding more and more acceptance and are growing rapidly.

Brands in organized retail are also working hard to establish a loyal set of customers. There are various ways in which they work towards it. Tools like loyalty discounts, privilege cards, are used abundantly. The technology makes it possible to detect customers in short span of time and extend the privileges. The customer feels recognized and important. The retailer is able to maintain a loyal customer base.

There are innovations in formats of retail too. There are various ways in which the retail formats can vary. They vary on account of size, type, ownership patterns. The combination approach is now catching up fast in the retail format. Some of it is need based. If a retailer is looking for franchise the size of the retail format makes it prohibitive. At once he decides to go for multiple franchises with each being a specialty store. Where real estate is available, sprawling retail



establishments come up to surpass all other structures and sizes made before. The marketing innovators keep working on formats that will surpass customer expectations. The work on specialty stores, super markets their combinations and variants and still come up with new innovative store design.

Even target segment keeps changing. It was the large urban settlement which disbursed to include the smaller ones too. And now there are plans to take on the rural population too in the ambit of organized retail. We notice boundaries and shackles being broken as the concept grows and attempts to reach out and optimize growth.

### **III. RETAIL THE NEXT STEP - GLOBAL MARKET**

Whether it is government or business entrepreneurs they have to take a broad view of the situation. Global opportunities call for far more visionary look than in local opportunities. The flow will always be both ways. Goods where opportunity exist host country will be put on the global map for availability worldwide.

The combination of price, product and service will be the winning combination for the future. Even today many of the product categories are yet to come under the umbrella of the organized retail sector. There is tremendous opportunity for brands and big players as the retail sector is bound to grow bigger than ever before. The infrastructure will be bigger and the lucre will be same for consumers. The huge size will determine the brand of the future. The future trend will revolve around super structures with mechanized movement for customers. Assortment which will hardly know a variety which doesn't exist! Service levels which are sure to delight customers!

Prices which can be authentic and give satisfaction to customers.

Innovation in use of malls for shopping and entertainment enjoyment.

Global Supply chain management for most efficient retail mix.

As in accordion theory, with the big retail outlets comes the small but organized outlets. The necessity of looking for franchise and not being able to find such people forces retailer to look for smaller options calling for lesser investment so that more franchises can be interested. Some large retailers have several franchises based on category of products with common brand covering all categories. Another trend is to set up smaller format stores less than 2000 sq. ft. in select categories with expertise in the category. This idea is especially appealing to manufacturer's who can go for forward integration and open their own retail outlets. It is able to consolidate their position and with assured sale in some related categories they can always expand their ambit to include those categories in manufacturing too. This gives the manufacturer's an added lucre to forward integrate into retailing.

Increasing call of value format is another global trend. More and more retail organizations are opting for value format. The larger chunk of customers lie in this segment and it is a sure success formula for attracting and retaining customers. While all customers are willing to shop in good ambience, not all are ready to pay for it. However, if they find that along with the good ambience they are also getting a bargain they would be more than willing. That they get all that they need under the same roof acts as an added incentive for the customer. This is what has led



to the trend of going in for value format. More and more retailers in the organized sector are going in for these kinds of formats and their numbers will increase in the coming days.

#### IV. WHO ARE THE ONLINE BUYERS?

Online retailing: online retailing or electronic retailing which is also known as e-tailing is the process of sale of goods and services through the internet. It is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the Internet using a web browser. Alternative names are: e-web-store, e-shop, e-store, Internet shop, web-shop, web-store, online store, online storefront and virtual store. Mobile commerce (or m-commerce) describes purchasing from an online retailer's mobile optimized online site or app.

Now, coming on to our main topic, i.e., market segmentation for online marketing, the online marketers have segmented the market on following basis:

□□Gender: Since, men and women have different attitudes and behave differently, based partly on genetic makeup and partly on socialization<sup>1</sup>, there are online marketers who have taken this fact into consideration and segmented and targeted specific gender only. One of the example is Limeroad.com which only conduct their business in the field of women clothing, accessories, home and decor, kitchen, etc. Another instance is standout.net which only sells men's wear.

□□Lifecycle: Since consumers wants and abilities change with age. There are many websites which have segmented the market on the basis of age. For instance, websites known as totaltoys.com and yellowgiraffe.com have segmented the market on the basis of age and targeting kids and children only by selling toys.

□□Geographic: As we know, segmentation of market is done on the basis of geographic location also, the online marketers or retailers too are not lagging behind on this base of segmentation. The online retailers like Flipkart.com and Snapdeal.com have restricted or targeting the consumers of India only because of their resources and capabilities.

□□Benefits Sought: Rather than provide offerings based on design and style, the 'benefit sought' approach is based on the principle that organizations or marketers should provide customers with exactly what they want. For instance, websites or retailers such as olx.com and quickr.com have segmented the market and found that there is specific segment of market which wants to sell its old goods and also at the same time, there is specific segment which want to purchase second hand or old goods. So, they targeted on these segments and made a platform where these activities can be carried out.

□□Usage: A company may segment a market on how often a customer uses its offerings, categorizing these into high, medium and low users. As far as online retailing is concerned, they have also segmented the market on these bases. For instance, the retailers like Flipkart.com,

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<sup>1</sup> Marti Barletta, Marketing to Women: How to Increase Share of the World's largest Market, 2nd Ed., 2006, Kaplan Business, New York.



Snapdeal.com, Amazon.com, etc. provide a facility of registered user to those customers who more often visit their store and they are given some extra benefits like they can add the item to wish list which they can buy at later point of time.

Hence, above are the bases on which the market segmentation has been done in the online retailing. But, it should be noted that the bases are not limited to above-mentioned only. There can be more ways to segment the market. For example, Revolutionplussize.com is an online store which offers clothes or wearing to only plus sized women. It has segmented the market on the basis of weight and size of the customers and catered or targeted the needs of plus sized women only, which was earlier a niche market. In this way, there are various niche market existing currently to which online retailers can cater to with the help of the process of market segmentation.

#### **V. WHICH FACTORS INFLUENCE ONLINE BUYERS?**

Online retail sector has been fast changing the style of shopping by making it available on touch of fingertips. It has eased the shopping to one click removing all the hassle to go one shop to another for shopping. Now people can buy anything whatever they want and get it shipped at their doorstep by doing few clicks that too from any place. Considering its rising importance, online retailers must need to understand the pattern of online shopping behaviour completely in order to gain competitive advantages.

Therefore, testing of the variables which effects online shopping decision is very important. A segmentation analysis on the basis of variables which affect e-shopping decision helps online retailers to understand the need of their target market more clearly.

#### **VI. CONSUMER PURCHASE BEHAVIOUR IN ONLINE SHOPPING**

Here consumer purchase behaviour( dependent variable) is investigated by a structured questionnaire consists of more than 35 items ( factors of online consumer market as independent variable) and with the help of Principal Component Method of Factor Analysis, significant component or factor is extracted.

#### **VII. FACTOR ANALYSIS**

##### **Factors identified**

Time convenience
Place convenience
Easy price comparison
Easy access to information
Infinite choice in products and services



Easy access to customer review
No shopping traffic or crowds
Better price
Better security (payment and delivery)
Fewer expenses (reduces expense of eating, travelling etc. While shopping)
No compulsive shopping
Discreet purchases
Save time
Better after sales service
24/7 availability for any problem
Easy payment option
Easy placing order
Better scope of discount
Easy maintenance of purchase records
Better security for personal details
Faster Service
Proper billing
Quick return policy
Cash on Delivery Option
No wait period
Quick refund
Details match product delivered
No price change on delivery (additional costs added)
After sales service
Decrease in price on website soon after delivery
Quality promised/ delivered
Ease of buying
Loyalty reward
Bulk discount offers
Satisfaction on usage

These factors were measured on a Likert scale on one hundred respondents and the measures were subjected to SPSS giving the following output.



Table 1 Component Matrix<sup>a</sup>

	Component											
	1	2	3	4	5	6	7	8	9	10	11	12
Infinite choice in products and services	.642	-.269	-.092	-.089	.095	-.119	.061	.134	-.167	.194	-.143	.101
Easy maintenance of purchase records	.612	-.069	-.106	-.318	-.142	.154	-.195	.287	-.098	-.066	-.120	-.063
Ease of buying	.605	-.168	.238	.228	.285	-.140	-.137	-.247	-.077	-.299	.057	-.004
Easy access to customer review	.589	-.242	-.207	.083	.019	.212	-.217	.194	.104	.165	-.041	-.245
Easy payment option	.579	-.279	.073	.193	-.171	.079	.000	-.224	-.049	-.351	-.195	-.062
Easy placing order	.569	-.286	-.073	-.046	-.123	-.040	.034	-.176	-.111	-.317	-.085	-.082
Easy Price Comparison	.567	-.402	-.016	-.329	.124	.003	.008	.193	-.244	.090	.008	-.032
Proper billing	.566	.047	-.119	-.251	-.233	-.132	-.191	-.320	.178	.039	-.041	.183
Satisfaction on usage	.549	.163	.236	-.218	-.332	-.088	-.233	.106	.098	.112	.043	-.255
Better after sales service	.533	.225	-.466	.104	-.094	-.053	.002	.246	-.075	.016	-.198	.354
Better price	.518	-.228	-.055	-.028	-.155	-.179	.407	-.016	-.050	.362	.321	-.016



Better security for personal details	.516	.119	-.117	-.084	-.275	.207	-.347	.103	.020	-.213	.220	.257
Bulk discount offers	.490	.060	.377	-.270	.082	.325	.002	-.049	.310	.034	-.089	.297
Discreet purchases	.454	.082	-.392	-.130	.263	.160	.080	-.294	-.059	-.195	.303	-.129
Save time	.449	.046	.263	.157	.240	.193	-.054	-.206	-.236	-.071	.031	.231
No shopping traffic or crowds	.443	-.186	.011	.440	.237	.042	-.027	-.057	.412	.150	.009	.061
After sales service	.428	.416	-.053	.078	.108	-.201	-.249	.064	.034	.072	-.390	-.192
Easy access to information	.419	-.317	.149	.032	.213	.220	-.196	-.174	-.067	.308	.243	-.317
Quality promised/delivered	.405	.249	.196	-.118	.190	-.346	.292	.218	.201	-.337	.112	-.269
No wait period	.065	.666	.131	.077	-.283	.369	.091	-.051	.010	.168	-.067	-.018
Quick refund	.436	.588	-.091	.082	-.102	.088	.322	-.044	.010	.073	.060	-.091
Faster Service	.370	.505	.174	.093	-.293	.056	-.056	-.011	-.310	.017	.189	-.272
Quick return policy	.433	.434	-.386	-.239	.244	-.264	.134	-.074	-.144	-.125	.037	-.023
24/7 availability for any problem	.456	.165	-.508	-.063	.144	-.092	.002	-.243	.260	.206	.058	.123
Loyalty reward	.391	.118	.493	-.204	.079	-.138	-.284	.036	.203	.151	.234	.126
Place Convenience	.288	.033	-.199	.521	.087	-.222	-.129	-.186	-.111	.280	-.071	-.047





No compulsive shopping	.361	.047	-.106	.473	-.156	.362	.060	.122	.140	-.185	.104	.039
Decrease in price on website soon after delivery	.152	.249	.089	-.217	.523	.164	.119	.192	.022	-.055	.183	.145
Better security (payment and delivery)	.428	-.395	-.014	-.055	-.446	-.278	.089	.033	.150	-.073	-.034	-.004
No price change on delivery (additional costs added)	.293	.226	.231	.190	.373	-.274	-.210	.335	-.015	-.003	-.257	-.023
Details match product delivered	.219	.068	.301	.228	-.238	-.526	.198	-.030	.191	-.026	.190	.171
Better scope of discount	.432	-.238	.131	-.057	.020	.123	.526	.215	-.145	.145	-.160	.107
Fewer expenses (reduces expense of eating, travelling etc. While shopping)	.381	-.112	-.025	.389	.003	.217	.178	.469	.109	-.114	.156	-.056
Time Convenience	.384	.123	.399	.140	-.073	-.034	.078	-.163	-.517	.096	-.069	.221
Cash on Delivery Option	.309	.026	.206	-.177	.052	.249	.384	-.342	.271	.019	-.454	-.207

Extraction Method: Principal Component Analysis.

a. 12 components extracted.



First component extracted includes:

1. Infinite choice in products and services
2. Easy maintenance of purchase records
3. Ease of buying
4. Easy access to customer review
5. Easy payment option
6. Easy placing order
7. Easy Price Comparison
8. Proper billing
9. Satisfaction on usage
10. Better after sales service
11. Better price
12. Better security for personal details
13. Bulk discount offers
14. Discreet purchases
15. Save time
16. No shopping traffic or crowds
17. After sales service
18. Easy access to information
19. Quality promised/ delivered
20. 24/7 availability for any problem
21. Place Convenience
22. Better security (payment and delivery)
23. Cash on Delivery Option

All the 23 factors can be clubbed under “Improved Retail Service” as a component

The second factor includes the following variables taken up for study

1. No wait period
2. Quick refund
3. Faster Service
4. Quick return policy

These four variables can be taken up in the component “Swift Operations”

The third component includes the factors as extracted by principle component method.

1. Loyalty reward
2. Details match product delivered
3. Time Convenience

This factor can be termed as “Customer Relationship Management”

The fourth component includes the factors

1. Decrease in price on website soon after delivery
2. No price change on delivery (additional costs added)

The factor can be termed as “Consistency in delivery”



The fifth component extracted includes

- No compulsive shopping

This factor can be termed as “Planned buying”

The sixth component includes

- Better scope of discount

We can term this as “Price advantage”.

The seventh component includes

- Fewer expenses (reduces expense of eating, travelling etc. While shopping)

We can term this as “Reduced shopping cost”.

## VIII. CONCLUSION

Our study concludes that online buyers are influenced by various benefits which accrue from the advantages that technology has on offer. These have been clubbed under the following after factor analysis. Buyers have made purchases due to benefits accruing to them in the following

1. Areas
2. Improved retail service
3. Swift operations
4. Customer relationship management
5. Consistency in delivery
6. Planned buying
7. Price advantage
8. Reduced shopping cost

It is clear from our analysis that these are the areas which are driving online shopping and their purchase behaviour is effected by the improved retail service that they get in terms of variety, availability, comparisons, advisory which often are missing in retail.

Swift operation influences the behaviour as within no time the order has been placed and quickly we find that the product arrives, with various express delivery option available. Even returns and returns are lightning fast. The buyer is attracted due to this and online sellers should find ways to improve this.

The easy tracking of records becomes an easy tool for have perfect CRM and this delights the customers of online shopping. They can easily be targeted and mass customization becomes an option.

Consistency in delivery is provided through online tracking, awareness to all and quick solution when there is a problem.

Buyers do planned buying and are not downloaded things they do not need while what they actually required is off the shelves in traditional retailing. The buyer behaviour is positive as



they are assured of getting what they want and they will not be pressurized through cross selling or up selling.

Price advantage turns a very positive buying behaviour as this becomes a major factor based on which purchase are made.

Reduced shopping cost helps them to decide the mode they would use to buy. The buying behaviour in majority is very greatly influenced by these to convert the buying into a positive mode.

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