

Consumer Buying Behaviour and E-Commerce – An Indian Perspective

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Abstract—India is considered to be in its third stage of E-evolution. After a widespread use of internet connectivity and internet savvies, India is ushering into the phase of on-line transaction. The number of internet users has been growing steadily and there is a tectonic shift in the demand curve of Indian consumers majorly due to the increased want for comfort, brand and luxury. This is plotting a framework for internet market and hence is attracting huge national and global investment. In this article an attempt is made to understand Indian B2C online market particularly in customers' perspective.

Index Terms—online marketing, virtual store, consumer behaviour, online marketing strategies.

I. INTRODUCTION

Indian consumers in the recent era are drawing global attention because of its dramatic shift occurring in nature of demand. Increasing urbanisation, Increasing income and rising aspiration for better life is making Indian consumer more discerning than ever and they are now willing to spend money on brand, quality and convenience. Increase in the mall culture where all products of attractive brands are available under one roof and giving comfort and quality to customers is revealing how closely marketers have understood the changing dynamics in Indian consumer market. Next in line are the virtual shops or virtual malls that not only provide quality, brand, competitive pricing but also gives comfort of 24X7 shopping experience and home delivery facilities. The growth and acceptance of internet in India has paved the way for internet to emerge as a good alternative to brick and motor stores.

With the number of internet users in the country reaching to a figure of 150 million in 2012, which is just 10% of India's total population, India has become the third largest populated country in terms of Internet usage. With a change in the nature of work and various government initiatives to strengthen infrastructure and internet connectivity in the country, Venture capitalists (VC's) are optimistic about potential of Indian E-commerce market. The point of concern is retail sites accounts which constitutes only 2% of total time spent online [1], although it

has increased by 0.5 points since 2011 yet it is moving with tardy pace. Internet being a new medium for shopping requires a change in habitual buying behaviour of Indian consumers which increases discomfort and pessimism has become a concern for internet marketers. It is important for entrepreneurs to not only understand Indian online market but also the factor that drives and prevents the Indian consumers from shopping online if they wish efficient utilisation of their strengths and simultaneously mitigating the negativism from the psyche of Indian consumers.

II. SUCCESS FACTORS FOR INDIAN E COMMERCE

It is a well known fact that every business is affected by two types of factors namely Internal and External, where Internal factors are in the control of the industry, External factors lies outside the ambit of their control. These external components have a higher level of influence over the growth of E-commerce Industry in India. Some of the factors which play a major role in changing the consumer buying behaviour are:

A. Internet Access and 3G Penetration

Among the various parameters that determine the status of E-commerce in country the number of internet users is perhaps the most significant one. This is obvious as there is a high level of correlation between internet penetration and willingness to shop online. India has the third largest number of internet users in the world which is witnessing 38% year on year growth. However this is just 10% of the total population and hence is much below the global benchmark that is 31% of total population.

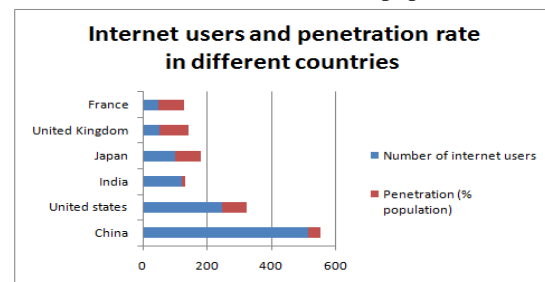


Figure 1. Indicates India after China and United states has the largest number of internet population but internet penetration rate is very low. (source: [2])

Fortunately government is implementing various steps to improve infrastructure and increase internet penetration. Implementation of National broadband plan 2010 amounting for an investment of \$ 4.5 billion to build national optical fibre network with an objective to build infrastructure to envisage internet in every village by 2014 is one of them. One other crucial initiative is the commercial launch of 3G mobile service in early 2011. With 10 million 3G connections within 6 months of its launch and 39 million subscribers with a penetration rate of 4% in early 2012, Indian consumers have well expressed their acceptance and enthusiasm towards the technology. The introduction of 4G in Indian market is expected to act as the next game changer. With various technological initiatives in the country it is expected that the number of unique internet users in India will increase 5 times its current number by 2015.

B. Increasing Disposable Income

Indian consumer market which was traditionally defined as a pyramid with a very small affluent class at top, middle class in between and a huge disadvantaged group at the bottom is now collapsing and is getting replaced by a diamond indicating a huge growth in middle Income class people.

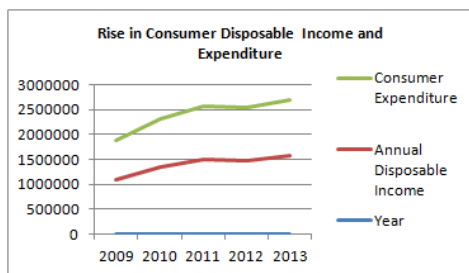


Figure 2. Indicates Growth in annual disposable income and consumer expenditure. [3]

There is 35% increment in annual disposable income of Indian as compared to 2009. Consumer expenditure as seen in figure 2 has also grown accordingly and is expected to grow by 7% in 2013 compared to previous year. According to a report by Mckinsey global institute, if India continues to grow at the current pace, its average household income will triple in the next two decades and will become the 5th largest consumer economy of the world. Consumers now a day's do not hesitate to spend money in the pursuit of unique lifestyle and experiences. The rapid economic growth of the country has not only increased the employment rate and business opportunities but also has changed work culture and lifestyle. Online shopping has become good alternative for people with hectic lifestyle and unpredictable working hours as seen in Indian metros.

C. Young Consumer Group

India is a country in which youth comprises more than 50% of population. As the acceptance of technology is higher in younger group, they are supposed to be an easy target for online marketers. Targeting this youth market not only reduces their acquisition cost but also promises a

rise in internet savvy people in higher age groups and hence increasing potential for e commerce in future also. Research has also proved that younger generation are less concerned about security and reliability aspects of internet technology. [4] In India, 75% of online users are between the age group of 15-35 and hence considered to be a very lucrative market for global investors.

D. Impact of IT/MNCs

The paradigm shift of IT//BPO/KPO industries to India in search of cheap and qualified labour has increased consumers disposable income. It is by virtue of the nature of the job these customers spend most of their time on desktop/laptop usually lashed with internet facility, which along with other factors makes them accustomed to online shopping.

E. Government Policies

Government policies have always played a significant role in evolution and expansion of any industry in their respective country. From infrastructural development to demand generation, Government support is required. After recognizing the contribution of E-commerce in economy, Indian government is playing an important part in promoting digitalization of the country. Adoption of technology in income tax processing in IT act 2000 not only brings Indian close to the technology but also helps in building trust over digital medium, the most significant factor for e-commerce development. Government e-payment gateway (GePG) introduced to handle all government payment transactions by the pay and accounts office of government of India is other important initiative to bring Indian close to the technology. Government focus on e governance and aim to digitalise all services will facilitate more internet acquaintance and will help Indian e commerce market.

III. UNDERSTANDING CONSUMER ONLINE SHOPPING BEHAVIOUR

Researchers have proved that consumers' decision making is based on utility concept. Sheth [5] postulated that functional and non functional motives are the two personal determinants shaping consumer shopping behaviour. Functional motive reflects utilitarian functions or task related functions [6] such as convenience, product quality, variety of product offered and price required possessing that product. Non functional motives include satisfaction of social and emotional needs. They are often termed as hedonic motives and include enjoyable or interesting shopping experience. Prior researches on virtual shopping have suggested that most online shoppers are goal directed and hence there is a dominance of functional motives over non functional motives [7]-[9]. It is important for virtual stores to identify the key motivators that attract Indian consumers in order to determine key areas where things must go right. Below mentioned are some critical reasons derived on the basis of literature review and study of market statistics that makes Indian consumers go shopping online.

A. Product Offerings

An easy reach to the hottest brands of various parts of the world with doorstep delivery and ease of payment facilities in home currency is a great motivator that prompts traditional Indian customers to move online. As per research conducted by a US based research firm Harris interactive about 74 % adult Indian customers go for brand while purchasing clothing or accessories. (Afaqs News bureau). One other research proved that a large percentage of people turn to the internet to look for the products that they cannot find anywhere else. [10]. The penetration of branded outlets in tier II/III cities is much lower than in tier I cities. The desire of branded products turn people of tier II/III cities to go online as virtual stores have the capability to solve this availability issues faced in these cities. This is well supported by the statistics that says 30-40% of total sales revenue of e-tailing industry comes from tier II/III cities.

B. Convenience

Internet provides 24/7 nonstop services which is not limited by time, space or weather. In the words of Wolfenbarger and Gilly [11] convenience is a prime motivator in online shopping and virtual stores provides a comfortable and convenient shopping environment. The comfort of shopping at home excites customers but above that they like the medium because it prevents them from standing in long queue. Products or services that may require a long waiting time if opted through traditional modes like movie tickets, train or flight reservations or various banking services have gained easy and huge acceptance by Indian consumers. Although online shopping is new for Indian and they are apprehensive regarding reliability and trust issues, the benefit of convenience particularly for these products increases the total utility customers perceive about using online medium. Online travel hence dominates in total e commerce revenue. 28% of travel today in India gets booked online where IRCTC alone accounts for 117 million transactions. Sites like BookmyShow.com, makemytrip, Redbus.com etc understood this motive of Indian consumers and provided them with excellent customer experience which made them a hit in the country.

C. Cost Saving

Miler [12] said that one of the important motivator for online consumers is cost saving. Indian goes online in search of good discounts and offers. It is in fact a belief that Indian E-commerce industry is growing on the back of deep discounting. Discounts on product price and free shipping is perceived as a premium for the risk they take on buying a product without inspection and price war among different websites have made it an expected feature. According to a discount site snapdeal.com they sold 300 Gucci wallets in just 45 minutes on a day when they offered 77% discount and on an average they are able to sell 25000 deals in a day. [13]. The same fact is also supported by the report of Comscore [14] that says coupon sites are gaining popularity in India with 16.5% of Indian online population visiting these sites.

D. Richness of Information

The most confusing and costly stage in respect to time and money in consumer decision making process is evaluation of different alternatives which becomes even more prominent when the products are of high involvement nature. Comparison websites and customers information sites by helping customers at this stage not only acts as the first in the transaction series of buyer and seller but also reduces customers frustration by helping him locate a range of products with detailed price and feature comparison without much physical or monetary loss. Indian statistics revealed that comparison sites have witnessed a growth of 25% in 2012 as compared to previous year with 5.8 million online users visiting these sites for their deals. They have 75% year on year and is dominating Indian retail online market with a penetration rate of 15%. Naptol and network 18 are among the pioneer comparison sites for physical products while policybazaar is for financial services.

Portals and classifieds that provide customised information are very popular in Indian market. Portals attract high traffic with more than 50% of internet users visiting top portals. Shadi.com and Bharatmatrimony are among the top rated matrimonial sites while naukari.com is the top rated job portal in the country.

IV. UNDERSTANDING CONSUMER BEHAVIOR: LEADING TO SUCCESS

A. Redbus.Com

After a huge success of internet as shopping medium for rail and air travel products, technology/software companies where leaving no stone unturned to trap the huge market of roadways. The multi-billion industry however scared everyone because of it being highly unorganized. The industry had approximately 20,000 private buses running daily in thousands of routes by over 2000 operators. Redbus instead of focusing on operators concentrated on customers with an assumption that as customer's acceptance and desire for convenience will increase, operators will find incentive to join, which undoubtedly proved to be true. Redbus went through a journey full of innovations to provide a great customer experience at the front-end and a perfect back-end. Redbus understanding the basic requirement of consumers, focused on providing good service and convenience and hence broke the myth that Indian e commerce can run only on discounts and offers.

B. Naukari.Com

Naukari.com that pioneered online recruitment and job search in India is one of the top viewed sites in the country. The unique idea to provide a match between job seeker and employer through online medium changed out the way Indians looked at job hunting. The site has the first mover advantage and its nomenclature made it easily acceptable. The site has an interactive and simple design that provides convenience and better experience to job seekers and helps recruiters in better screening of applicants. It has the advantage of clear revenue model since

its incorporation. While it provides free service to job seekers to attract more applicants and create an application pool, its majority of services are paid for recruiters. This revenue model is made considering the mindset and benefit of both the segments. The site is ranked as India's number one job site in all parameter page view, reach and traffic.

C. *Bookmyshow.Com*

Understanding the pain of people standing in long queue at the cinema ticket counter or buying tickets in black BookmyShow launched the facility of online ticket booking. It was launched in August 2007 with a view to capture the changing consumption pattern of Indian consumers. The site and service was designed keeping a superior customer experience in mind. It was the first Indian site that allowed ticket purchasing without any registration process which made the job simple and fast. Bookmyshow later expanded itself by targeting event promoters for selling tickets. BookmyShow at present has launched its mobile applications and mobile sites to come more close to the customers. One other innovative step of the company is its facebook integration which allows friends to view booking details of their friends and to plan their tickets with them. BookmyShow has been the pioneer in its field and with the deep understanding of consumer behavior and continuous innovations has a long way to go.

D. *Snapdeal*

It is an innovative website that features daily deal with discounts on various products or provide coupons promising a discount of 50-80% in leading restaurants, dance classes, spa, weekend getaways or any other form of entertainment. There are different deals for different days and consumers can purchase one only on the day it is available but can redeem it anytime in next 1-3 months. Snapdeal initiative to give attractive offers to its customers compensate for the risk people perceive in purchasing products without a touch and feel inspection and has attracted customers towards online medium. It has a huge network of above 5000 retailers across country to manage quick and quality delivery. Precisely the company has understood the mindset of Indian consumers that asks for value to money. Where Snapdeal satisfies its customers by providing value to deals it helps merchants with heavy fixed costs to achieve their breakeven point easily by acquiring good number of high lifetime value customers. Merchants benefit by passing the cost of customer acquisition to the customers in the form of discounts. This innovative idea not only gave Snapdeal a first mover advantage but has made it one of the largest selling e-retailer in the country.

E. *Ferns and Petals*

Ferns and petals one of the leaders in online gifting in India has registered 100% year on year growth. It gave a solution to customers who are looking to send fresh flowers and cake to their loved ones at distance. Unique and attractive gifts in several product bundling offers

with personalized message and love notes and on time delivery made the site more attractive for its customers. Understanding the importance of on time and quality delivery ferns and petals have a vendor evaluation process where they evaluate their vendors on a regular basis and award and penalize them based on their past performance. They also keep on adding personalized gift options based on their research done on customers taste. A large call centre and back office man power strength to provide better customer experience helps them gain customer's locality.

V. STRATEGIES FOR SUCCESS

Study of cases of various market leaders of Indian e-commerce revealed some facts that virtual market success is based on good customer experience and satisfaction of underlying motive of shopping online. Some important strategies that is common among all the leaders are as follows:

- No financial information like debit/credit card number is asked on the site page to avoid any leakage. Secured payment gateway and Availability of various payment modes like debit card, credit card, net banking cash on delivery etc helps in further reducing financial risk.
- A good customer care service and customer complain and feedback centre helps customer experience
- Free, quick and quality delivery with proper return policies is important to gain customer's trust.
- Simple and user friendly WebPages with minimum downloads provide convenience and speed to its customers.
- Order tracking system available on most of the leading websites decreases non delivery risk.
- Periodical vendor evaluation and strong supply chain is required to ensure quality in delivery.
- Focus on standard products and brand building strategies to compensate for lack of touch and feel.

VI. CONCLUSION

Because of high number of young online users with an innovative mindset and favorable initiative from the external ecosystem India is promising a huge online market in near future. Annual average transaction in Indian travel e commerce is above global average showing acceptance of internet as a shopping medium by Indian consumers however condition is not same for retail category which is much below than that of global average. Indian hesitates to purchase products without touch and feel inspection. In other words we can say that Indian as a rationale customer who compares benefits and risks before deciding upon any shopping medium and tries to maximize their utility. Convenience, low price, easy availability of branded products and rich source of infor-

mation are the major motivators that attract Indian towards virtual stores however hesitation is still there regarding product performance, reliability of stores and E vendors. It is hence important for online marketers to not only understand Indian online market but also consumer perception so as to design their strategies accordingly and provide excellent customer experience to trap this huge market.

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