

Literature review on online shopping



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Chapter 2 Literature Review

Introduction to Literature Review

This chapter will mainly discuss on the study that are done by previous research of other authors in the similar area of the present study.

Throughout this chapter, there will be comprehensive discussion on theoretical and practical views of previous studies done in online shopping and offline shopping for apparels. This study combines factors that other studies have done that will influence the consumer's purchasing decision in online and offline stores for apparels. It includes the price attractiveness, time saving, perceived risk, enjoyment and excitement, tangibility and high interactivity. All of these factors will contribute to the study of customer's purchasing intention for apparels on both stores which includes online and offline shopping. Pan, (2007) defined purchasing intention as the eagerness of purchasing the product. Similarly, Engel, Blackwell and Miniard, (1990) defines purchasing intention as a psychological process of decision-making. In online shopping, it is expected that shoppers are more likely to associate price attractiveness and time saving with their intention to shop while in offline shopping, consumers are more likely to associate tangibility, high interactivity and enjoyment with their intention to shop. As a result, online marketers or retailers should be aware of the problems faced by the consumers and their perceived risk to increase their intention to shop in online. Designers must take note of consumers' needs because the usability is the starting point to get the confidence and support of the consumers (Alzola et. al., 2006).

Research Variables

In this part of the study, definition and citations from other authors of the dependent and independent variables in the similar area of research will be presented here.

Purchase Intention

From the study of Pan (2007, p. 5), the author cited from Engel, Blackwell and Miniard (1990), that defines purchasing intention as a psychological process of decision-making. According to Pan (2007), “ purchasing decision process” is when the relevant information is searched by the consumers that are motivated by the fulfillment of demands according to personal experience and the external environment; then after accumulating a certain amount of information, they begin to evaluate and consider; and finally after comparison and judgement, they make the decision on certain products.

In the recent study of Chen, Ching and Tsou (2007), the authors cited from Azjen (1988); Azjen and Fishbein (1980), that the theory of reasoned action (TRA) states that behavioral intentions formed through the attitude toward a behavior and subjective norms lead to actual behavior given the availability of resources and opportunities. A person’s interest in performing a particular behavior is reflected by the attitude toward a behavior and it is determined through behavioral beliefs; these beliefs are obtained through a cognitive evaluation of outcomes associated with performing the behavior and the strength of the association between outcomes and behavior; while the evaluation produces either a favorable or unfavorable response to the object, person, thing or event (Chen, Ching and Tsou, 2007).

According to Monsuwe, Delleart and Ruyter (2004), there are five external factors to understand consumer's intention to purchase in the internet which is the consumer personality, situational factors, product characteristics, previous online shopping experiences and the trust in online shopping. Consumer's trait includes their demographic factors such as age, income, gender and educational level will lead them to have the intention to shop online. For age factor, consumers that are aged under 25 has more potential to shop in online because of their interest in using new technologies to search for product information and compare and evaluate alternatives (Wood, 2002). For educational level, higher educated consumers are more likely to use the internet for their shopping medium because they are more computer literate (Burke, 2002).

Situational factors will also lead a consumer to have the intention to shop in the internet such as time pressure, lack of mobility, geographical distance, need for special items and attractiveness of alternatives (Monsuwe, Delleart and Ruyter, 2004). Time pressure can be the insufficient time for consumers to shop in traditional stores because of their hectic lifestyle. Consumers are able to shop any time of the day or night in the comfort of their home; especially for consumers who have little amount of free time because of extended working hours (Wolfenbarger, et, al., 2001). For consumers that lack of mobility might be caused by their inability to reach the traditional store. Geographical distance is referred to as the far distance between the consumer's residential area and the shopping mall. Need to special items could be the consumer's needs of customized products to suit their demand (Monsuwe, Delleart and Ruyter, 2004).

Product characteristic is also another factor that will influence the consumer's intention to purchase in the internet. Product characteristic can be tangible or intangible; standardized or customized. In an online context, lower tangibility of a product is caused by the lack of physical contact and assistance in the shopping process; consumer's intention to shop on the internet will be low when there is a need to seek advice from a salesperson regarding the considered product (Monsuwe, et. al., 2004). Products such as car, computers, perfume, perfume or lotion has the lower potential to be purchased by the consumer because it requires more personal knowledge and experience (Elliot, et. al., 2000).

Another factor that influences the consumer's intention to purchase in online is the previous online shopping experiences. Consumers will continue to shop in the internet in the future is because they are satisfied with the online shopping experience and it was evaluated positively (Shim, Eastlick, Lotz and Warrington, 2001). Consumer's perceived risk will tend to reduce when they are satisfied from the shopping experiences (Monsuwe, Delleart and Ruyter, 2004).

The last factor that will influence consumer's intention purchase in online is the trust in online shopping. According to Lee and Turban (2001), reasons that consumers choose not to shop online is because consumers lack of trust in online shopping. Attitude towards security transaction such as payment security, consumer information privacy, return policy, and product shipping guarantee predicts online purchasing intentions for apparels product (Kim, et. al., 2003). Similarly, consumer's trust towards online shopping is based on the level of security and privacy.

Price attractiveness

Price is a form of monetary that people use for any transactions. It is predicted that price of a product differs in online and offline shopping. According to Xia and Monroe (2009), consumers will save in monetary when there are price promotions on specific products. In an online context, consumers are more likely to depend on the price cues to determine the quality of a product which are presented in the web site because they cannot see or touch the actual product (Jiang and Rosenbloom, 2005). The study of So, Wong and Sculli (2005) resulted that when there is the presence of promotional offers, consumers will have higher intention to purchase in web-shopping; purchasing decisions and choice making from alternative evaluations can be made easily when there is the presence of promotional offers.

According to Xia and Monroe (2009), their study resulted that consumers with a shopping goal are more responsive towards promotional messages such as “ pay less” and “ discount” while consumers without shopping goal are responsive towards promotional messages such as “ save more” and “ free gift”. Xia and Monroe (2009, p. 691) cited from (Monroe, 2003) that price promotion have several benefits such as to increase demand, adjust fluctuations in supply and demand, and increasing consumers’ purchasing over time.

As we know that online shopping requires shipping fees for product delivery. It is expected that some consumers intention to purchase a particular product because they have to pay extra charges for the delivery service. But

according to Jiang and Rosenbloom (2005), e-tailers can use charges for shipping and handling as a tool to attract patronage by matching consumers' delivery needs; for example, some consumers who would prefer a quick delivery will have to pay higher cost while others may prefer to wait if they pay lower shipping and handling charges.

According to Parasuraman, Zeithaml and Berry (1988), perceived quality and price are thought of as a cue to assume a product's value. Xia and Monroe (2009) viewed that at a certain point, perception of lower quality of the product will be evoked when there is a price reduction or there will be questions on the retailer's intention to reduce the price. Price will be a primary factor when consumers search for a product on a web and this would show that customer behavioral intention are related to the price cues that are more readily accessible from memory (Jiang and Rosenbloom, 2009).

According to Liu, He, Gao and Xie (2008), it is important for e-tailers to provide varied types of merchandise and preferential price because customer satisfaction is still based on product price and product variety; to create competitive advantage, small e-tailers should offer more product choices for the consumers and offer competitive prices. In online shopping, consumers are able to compare prices on the internet in different web sites and they will have the material benefit because they can analyze and compare prices based to enhance their decision to purchase (Liu, He, Gao and Xie, 2008). According to Jin and Kim (2003), diverse consumer groups with various motivations and economic conditions can be satisfied through discount stores that are available in Korea.

Pricing factor will also contribute to the shopping convenience. Price perception is positively and strongly correlated with shopping convenience (Jiang and Rosenbloom, 2005). Similarly agreed by Jayawardhena and Wright (2009), shoppers who value convenience can obtain the benefits of product and services with less money spent and this would have a positive relationship with shoppers' excitement; increasing search efficiency by eliminating travelling costs and psychological costs brings convenience in e-shopping.

Time saving

Time is also perceived as one of a factor that relates with intention to purchase in a shopping context. It is believed that consumers have their own perception of time, whether or not to shop from the internet. According to Hansen and Jensen (2009), accomplishing the shopping trip as soon as possible refers to the time-saving oriented consumers and they prefer store choices favoring quick shopping; people who dislike shopping and approaching for time saving retail stores refers to the economic shoppers or known as "problem-solvers".

In online shopping, it requires less effort and better decision making for consumers who opt to purchase at the e-store (Jiang and Rosenbloom, 2005). Shoppers may save their time in e-shopping because they do not have to go through any effort on travelling to a mall or saving their time in other psychology factors such as traffic jam etc. Online shopping increases search efficiency by eliminating travelling costs and psychological costs brings convenience in e-shopping (Jayawardhena et. al., 2009). Comparing online

and traditional shopping, Alreck and Settle (2002) found that internet shopping was viewed as saving more time.

Shoppers who value convenience can obtain the benefits of product and services with less effort and this would have a positive relationship with shoppers' excitement (Jayawardhena et. al., 2009). Ordered products are directly delivered to the door is the greatest interest to many consumers because online shopping does not requires us to leave the hours or office (Chen and Chang, 2003). According to Monsuwe, Delleart and Ruyter (2004), the main drive of online shopping is that the internet is time saving and accessible 24 hours a day. Shopping in the internet saves time and effort because consumers are able to shop any time in the comfort of their home; especially for consumers who have little amount of free time because of extended working hours (Wolfinbarger and Gilly, 2001).

Consumers expect timely delivery in the online store as they browse and "internet shopping" is just alike as they visit the "offline stores" and they "create order transaction" just like they "purchase the product" (Ahn, Ryu and Han, 2004). In the previous study of Koyuncu and Bhattacharya (2004), the researchers found that online shopping offers better prices on the products and it allows consumers to shop more quickly than other shopping alternatives, and this will lead individual to be inclined to increase their shopping from the internet. According to Monsuwe, Delleart and Ruyter (2004), online shopping requires least effort, inconvenience and time investment for consumers to browse the whole product-assortment; consumers can make the correct decisions efficiently because they can gain vital knowledge about firms, products and brands.

Consumers also expected that product delivery in online shopping will be quicker compared to offline stores and timely delivery on their convenience time; factors that keep consumers satisfy in using internet as a tool for shopping is timely and reliable delivery (Ahn, Ryu and Han, 2004).

Broekhuizen and Huizingh (2009) expected the relationship between time or effort savings and purchase intentions is strengthen; consumers will place more emphasis on the time and effort savings once they have experienced how little time and effort takes to make an online purchase. Liu, He, Gao and Xie (2008) suggested that to save customer's time and fully reflect the convenience of online shopping, e- marketers should strengthen the web site's transaction capability and make sure all operations can be completed online.

Perceived risk

Perceived risk is defined as consumer experiencing consequences or the amount of uncertainty in contemplating as particular purchase decision. (Cox and Rich, 1964). Similarly, Gronhaug, (1976); Newall, (1977); Upah, (1980) defined perceived risk as the potential of unfavorable consequences and the level of uncertainty in a purchasing situation. Stone and Gronhaug (1993) defined perceived risk increases psychological costs when feelings of discomfort occur in an individual. According to Walker and Johnson (2006), they stated that perceived risk has two main concerns. First is concerning the service delivery system's technical performance or functional reliability; and second is concern on privacy and security. Functional or performance goals, psychological goals, or the means of money, time and effort invested

to attain those goals may be regarded as the consequences (Park and Stoel, 2005).

There is certain risk that consumers will face when making online purchase. Shopping on the internet which is a new medium for consumers will be a challenge for them because shopping on the internet is relatively new and consumers have less experience with it (Monsuwe, Delleart and Ruyter, 2004). According to Sorce, Perotti and Widrick (2005), perception of convenience in the internet and its informative sources will positively affect good decision making for online shopping but the decision will be negatively influenced when there is high perceived risk. From the research of So, Wong and Sculli (2005), excessively worries of security from the perceived risk will lead a consumer to decide not to conduct web-shopping. When consumer's perceived risk is lower, then their purchasing intention will be higher (Park and Stoel, 2005).

When purchasing occurs in an online environment especially for products such as apparels, it can't be denied that consumers will have the feeling of unsecure regarding the product information and the actual material and color that they will receive by viewing the display in the website. This is also agreed by Park and Stoel (2005), clothing such as skirts and sweaters are high risk items where size, color and fit matters to the consumer. According to Burke, (2002); Parasuraman and Zinkhan, (2002), in internet shopping, there will be risk involved, privacy, security, visual appeal, delivery terms, form of payment and product information. Besides that, quality of a product cannot be physically checked by the consumers and the security of sending sensitive personal and financial information while conducting online

shopping cannot be monitored by the consumers (Lee and Turban, 2001). For apparel shoppers, they should use the internet to search for extra information to reduce risk in decision making because of they are unable to try on the garment (Park and Stoel, 2005). Attitude towards security transaction such as payment security, consumer information privacy, return policy, and product shipping guarantee predicts online purchasing intentions for apparels product (Kim and Kim, 2003).

Perceived risk is expected to be more distinct in online shopping compared to offline shopping. Perceived risk in online shopping can be reduced in terms of appropriate description the product. To reduce risk, product information and its description should be clearly stated as well as the store policies (Kwon, 1991). Internet marketers must also create trust with online buyers so to lower the buyer's perceived risk. There is an important moderating effect on trust with the relationship between consumers' attitude toward Internet shopping and intention to shop online (Monzuwe, Dellaeart and Ruyter, 2004).

Perceived risk can be reduced when the consumers are more familiar with the online technologies (Kleijnen, 2007). Similarly, Bucklin and Sismeiro (2003) state that consumer's skills are more advanced when they learned how to shop through a site this will increase their efficiency in shopping. Past experience and ongoing usage of internet-based purchase will increase consumer's familiarity and thus, feeling of anxiety and perceived risk should be reduced of such purchases; to lessen consumer's anxiety, knowledge about the actual experience with the internet should be increased (Kuhlmeier and Knight, 2005).

Enjoyment and excitement

Excitement is defined as high level of enjoyment and stimulation that has the positive emotional state (Russell, 1980). Excitement can also be associated as to satisfy retail outcomes (Dawson, 1990). According to Lotz, Eastlick and Shim (1999), the emotion that has been considered as the key experience that attracts customer to a shopping mall is excitement. Jeong, Fiore, Niehm and Lorenz (2009, p. 109) cited from (Eroglu, Machleit and Davis, 2003; Mano and Oliver, 1993) that emotional pleasure is defined as the degree of happiness and pleasantness and arousal as the degree of stimulation, excitement, and alertness; therefore, dimensions of emotional pleasure and arousal may mediate consumer experiences and web site patronage intention. Similarly, as the web site's shopping is more enjoyable, consumers are more likely to purchase a product (Monsuwe, Delleart and Ruyter, 2004).

Consumer also associate shopping with enjoyment and excitement which they would think is a fun activity to them regardless in an online or offline context. Enjoyment is defined as the extent to which online shopping is perceived to be personally enjoyable and fun (Chiu, Chang, Cheng and Fang, 2009, p. 767). Shoppers nowadays tend to be more leisure driven compared to the shoppers in the early 1990's (Nicholls, Li, Kranendonk and Roslow, 2002). For some consumers, shopping for apparels is fun, enjoy, relaxing, pleasure or leisure. In offline shopping, consumers may associate enjoyment and excitement in the shopping mall environment with their friends or family. According to the research of Dennis (2002), he suggests that offline shopping will be more enjoyable than online shopping as regarded by the <https://assignbuster.com/literature-review-on-online-shopping/>

consumers. Hunter, (2006) suggested that retailers should increase the level of positive emotions in their shopping mall by creating an exciting and happy experience.

The research of Millan and Howard (2007) resulted that Hungarian shoppers visited shopping centers for both utilitarian and experiential reasons; some viewed shopping as a leisure activity accompanied by somebody and enjoyed looking around while accomplishing their shopping task. Rajamma, Paswan and Ganesh (2007) suggested that there is a higher importance to the enjoyment aspect of shopping for consumers who prefer to shop in offline stores compared to those consumers who feel comfortable purchasing from the internet. Otieno, Harrow and Lea-Greenwood (2005) stated that women enjoyed shopping because of the fashion, trends, fun, for browsing, felt special, looked good on the apparels, claimed to be “shopaholic”, retail therapy, forget other problems, love for clothes, etc.

While in online shopping, consumers is expected to relate enjoyment and excitement with the experience absorbed in the purchasing process and the excitement level is expected to arise during the product delivery process. According to Broekhuizen and Huizingh (2009), online shopping causes enjoyment which is fun and playful rather than from shopping task completion; customers may regard the purchase of goods in online shopping as an experience and the perceived entertainment will be regarded as enjoyment to them.

Consumers tend to browse more, engage in more unplanned purchasing and seek out more stimulating products when they feel pleasant and aroused in

the shopping environment (Monsuwe, Delleart and Ruyter, 2004).

Consumer's intention to return should increase as the extent a consumer associate excitement with an e-tailer increase; as the psychological cost reduces, the online shopping experience will be more enjoyable and therefore creates excitement (Jayawardhena and Wright, 2009). Consumers will have more positive attitude when they enjoy the experience of online shopping and are more likely to adopt internet as a shopping medium; potential of entertainment of online shopping will reflect consumers' enjoyment (Monsuwe, Delleart and Ruyter, 2004). From the research of Jayawardhena and Wright (2009), it resulted that the assessment of the e-tailing environment leads the customers to enjoy the shopping experiences; they also found that positive word of mouth will be created when it is influenced by the excitement positively.

Regardless of online or offline shopping, retailers should put in more effort to create better environment so that shoppers are able to shop in positive emotions and enjoy the shopping process. The study of Liu, He, Gao, and Xie (2008) stated that the page design, layout and color match will bring the first impression to the visitors; thus e-tailers should design comfortable and pleasing pages to attract customers and prolong their stay so that it will increase the possibility of purchase.

Tangibility

Regardless of online shopping or offline shopping, tangibility is expected to be a factor that consumers will consider during the purchasing process.

Tangibility products including shoes and clothes; although it is considered as

standardized products, consumers need to feel it and touch it to make their purchasing decisions (Rajamma, Paswan and Ganesh, 2007). Consumers are particular about the tangibility of a product is because they need the security and assurance of the product purchased is in a good condition and assurance of purchasing the right thing.

According to Kotler (1974); Bitner (1992); Solomon, Suprenent, Czepiel and Gutman (1985), assurance is important to capture confidentiality, shopping security, complaint resolution, problem solving and warranties. In an online shopping environment, consumers are not associated with a physical location while they are only communicating with a machine and not human being (Ekeldo and Sivakumar, 2004). With the inability of consumers to feel and touch the product in an online context because online retailing lacks the tangible features, it makes it difficult to market those products on the internet. (Lindstrom, 2001).

Rajamma, Paswan and Ganesh (2007) stated that offline shopping will be perceived in higher tangibility level because of its physical location and buildings that consumers can attached with the sensory cues; while in online shopping are by definition but in virtual. Monsuwe, Delleart and Ruyter (2004) states in an online context, lower tangibility of a product is caused by the lack of physical contact and assistance in the shopping process; consumer's intention to shop on the internet will be low when there is a need to seek advice from a salesperson regarding the considered product. The reason why consumers like to shop in an offline context is because the stores fulfill the realistic expectations (Rajamma, Paswan and Ganesh, 2007).

For internet shopping, product such as books, CD's, videotapes, groceries and flowers which is more familiar will have higher potential to be purchased by the consumers (Grewal, Iyer and Lavy, 2004) while products such as car, computers, perfume, perfume or lotion has the lower potential to be purchased by the consumer because it requires more personal knowledge and experience (Elliot and Fowell, 2000). Rich, sensory-oriented product information on the screen is provided for clothing to substitute the tactile experience, so that it may be useful to satisfy the consumer's purchasing criteria (Park and Stoel, 2005). Personal contact is required or expected when there is event of something going wrong or creating uncertainty in the mind of the customers (Walker and Johnson, 2006). Some consumers may perceive that the items offered in online shopping will be difficult to choose than offline shopping because they need to seek advice from sales personnel (Hansen and Jensen, 2009).

To reduce insecurity in online shopping, designers must take note of consumers' needs because the usability is the starting point to get the confidence and support of the consumers; besides that, tangibility also helps to reduce heterogeneity of the web site in the supply of the service and to improve quality control (Alzola and Robaina, 2006). This statement is also parallel with the study of Liu, He, Gao, and Xie, (2008) where they suggested that because the products are intangible in the online shopping environment, detailed and complete product information should be provided; to know the quality of a product, consumer can only rely on the pictures and description on the web page because they are unable to feel and touch the product. Moreover, to ensure customer can make purchasing decisions, the web site

should provide complete description of a particular good, including its color, functionality, model, etc (Liu, He, Gao, and Xie, 2008).

High Interactivity

Interactivity is defined as the degree to which two or more communication parties can act on each other, on the communication medium, and on the messages and the degree to which such influences are synchronized (Liu and Shrum, 2002, p. 54). According to McMillan and Hwang (2002), interactivity is defined as direction of communications, user control and time.

Interactivity can be applied in online and offline shopping. The terms of interactivity in an online context is based on the detailed information given, easy-to-read or descriptive information is available (Park and Stoel, 2005) and also the degree of communication between the buyer and the seller. In an offline context, interactivity will be based on the atmosphere of the shopping mall and also the interaction between the consumer and the shop's promoter.

To highlight the term of "atmospheric", consumer's purchasing probability is enhanced through purposefully design the buying environment to produce specific affective responses in shoppers (Kotler, 1973-1974). When purchasing on the internet, perceived trustworthiness will be higher when the web site has greater interactivity (Merrilees and Fry, 2003). A citation has been done on Hoffman and Novak (1996) by Ballantine, (2006, p. 463), there are two main types of interactivity are considered to be applicable to the web. The first, person-interactivity, is the ability for a person using the web

to communicate with other individual. The second, machine-interactivity, refers to the ability for an individual to access hypermedia content.

Consumers are then able to make better purchasing decision because of the increased availability of information provided in the web site, causing a consumer to be more knowledgeable. (Cook and Coupey, 1998). The research of Ballantine (2006) resulted that the satisfaction of customer increases when the level of interactivity provided by an online shopping environment increase; and similarly the consumer's satisfaction is also increased when the greater number of attributes provided on a per-product basis; similarly, Dholakia and Zhao (2009) agreed that the shoppers were more satisfied when there are higher interactivity level compared to lower interactivity level web site.

Research done by Dholakia and Zhao (2009) resulted that online shoppers' satisfaction and behavioral intention is influenced by both objective and subjective interactivity. Objective interactivity refers to the types of communication mediums available in an individual website while subjective interactivity refers to perceived interactivity. To show that online vendors are customer-oriented, a quick response is requested to reduce uncertainty of the customers (Gummerus, Liljander, Pura and van Riel, 2004). Interactivity is also known as contact which refers to the availability of assistance through telephone or online representatives (Parasuraman, Zeithaml and Malhotra, 2005). However, Hansen and Jensen, (2009) found that customer have difficulties in selecting items because personnel advice is not available through the internet and this will prevent them from purchasing the apparel.

According to Chen and Chang, (2006), interactivity is one of the conditions to achieve flow; if there were inadequate interactivity, it will cause a company to occur lost. For example, consumers long wait for the system feedback and difficulty in maneuver within some Web sites that causes frustration; unreliable connection of system interruption from ISP will also cause frustration of the consumers. Response time of a web site is also very important as the speed in the interaction process will give users a negative perception if the response time is slow (Lin and Lu, 2000). In order to enhance interactivity in an online context, a web site should convey the excitement of shopping, attracting consumers to browse more and let them know more about the products than other shops (Demangeot and Broderick, 2006).

Lastly, interactivity is a factor that must be augmented in internet shopping. Various components of the shopping process that will affect one's online experience and overall shopping process must be aware by the internet marketers (Chen and Chang, 2006). Besides that, company representatives must be able to answer customer inquiries and solve problems as soon as they occur because customer lack of direct, face-to-face interaction with the service provider (Liu, He, Gao and Xie, 2008). Hansen and Jensen, (2009) suggested that company should provide personnel advice via chat rooms to provide guidance to the consumers so that it can mediate the effect of difficulty in selecting items

Store type (Moderating variable)

In this study, store type is divided into two, which is online store and offline store. Online stores are stores that sell product but through a virtual medium; offline shopping is also known as bricks and mortar