

Analysis of consumer perceptions of 'communications' by online retailers in India

Rekha D. Chikhalkar

National Institute of Industrial Engineering
Mumbai, India

Dayanand G. Chikhalkar

Freelance management consultant, Mumbai, India

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Abstract

The retail sector in India was dominated by traditional retailers for many decades. That scenario is changing significantly due to spurt in internet and its accessibility by large Indian population. There has been exponential growth in use of online shopping in recent past with the use of internet on mobile phones or computers. The availability of purchasing power by large population has witnessed the entry of even global and local online retailers to cater to the demands of customers. The communication provided for customers by online retailer is one of the prime determinants of success especially for vast consumer base in India. This study chooses the communication perspective to understand customer perception and its impact on purchase decision. This study has selected sample from young engineering graduates, as they have the required knowledge & understanding to use the online retailer site and they have disposable income to buy their products online. The results strongly indicate that effective communication can help to develop positive attitudes of customers toward online retailer, which in turn induce favorable behavioral outcomes such as frequent site usage, loyalty and product purchase. The finding of the study presents a practical framework to guide communication content strategy formulations for the online retail industry. Detailed managerial implications are discussed based on conclusion.

Introduction

Online shopping or Internet shopping facilitates convenient and speedy transactions. India has one of the world's youngest internet populations, with 75 percent of users under 35, and many of them have much more disposable income than their parents did. There is a vast difference in purchasing a particular product in the store or from online. To put it simply, one can say that the most obvious difference is the interaction between human to human shifts to interaction between human to machine. It implies that consumer needs to be provided with adequate information, for any e-commerce or shopping website to make the consumer's job easier in their purchase process for a product. The significant website content for a b2b or shopping website are - Product availability and time to ship, Product price information, Concise product information for features set, benefits etc., Clear and plain product pictures, Shipping cost, Contact information or physical address of company, Order print catalogue from website, Telephone number, Comparison between related products for price range, benefits, feature set etc., White papers or data sheets, The security features in buying online etc. The new crop of online marketplaces, require the foundation: 'Content'. In providing descriptions and data about products and services being offered, content is a vital link between buyers and sellers.

Literature review

The Internet is fundamentally information medium, and most businesses operating online are providing information designed to improve visitors' ability to make decisions.

DeLone and McLean (1992, 2003) measured information quality in terms of accuracy, timeliness, completeness, relevance, and consistency. It suggests that providing the "right" information on a company website could have a dramatic impact on usability of a website, and ultimately improve a visitor's ability to determine which products to buy and from whom. Researchers validating the DeLone and McLean Model of Information System Success have found the association between information quality and decision-making performance (and other individual impacts) to be significant.

Creating and managing content is proving to be a challenge. Early predictions were that the Web would eliminate seller-buyer knowledge discrepancies and thus, create a frictionless, price-based market. Numerous studies have concluded that low prices are not the driving force behind B2C commerce. In fact, research has demonstrated that the Internet does not inevitably provide lower prices than traditional mediums, nor do customers tend to buy from the lowest priced seller. Rather, the main advantage of the Internet for business-to-consumer (B2C) website customers lies in the relatively low cost of obtaining high quality information. Hence, for B2C websites, success depends upon understanding how customers use information to make decisions about what products to buy, what company to buy them from, and whether or not to purchase the product on-line.

Resnik and Stern (1977) defined information content as 'cues that enable viewers to better achieve their own personal sets of purchase objectives. Information 'cues' are information points that allow a consumer to differentiate between products or otherwise make a more informed decision. One of the challenges facing website designers is determining what information cues need to be on their websites and alternatively, what information cues distract visitors from their decision making tasks.

Dholakia and Rego (1998) used regression to examine which elements correlated with site popularity (they used daily hit-rate as a proxy variable for site popularity). Website quality and information quality have been found to play an important role in user perceptions of the abilities and trustworthiness of the e Businesses. In one such study experts were asked to rank the content of websites based on the number of links, graphics, words, and banner advertisements at each site. The study indicated that when users were relatively uninterested in the topic of the websites they evaluated, they rated the sites with high information content as more informative than sites with low information content. In contrast, subjects who exhibited relatively high interest did not equate information content with in-formativeness.

Kang and Kim (2006) speculate that disinterested users used a simple heuristic (such as, a large amount of data implies high informative value) to judge the in-formativeness of a site. On the other hand, users who displayed a relatively high level of interest did not rate all information cues equally and were more discriminating about which information they considered important. This and other research clearly indicates that interface issues such as information quality, usability, and attractiveness all have a significant influence on a consumer's perceptions about a business, increase the percentage of those who intend to purchase from or use a website and affects how much they are willing to pay.

Goodhue and Thompson (1995) suggests that an instrument for evaluating the information available on a website could be an important first step towards better understanding of how website content needs to vary based on how websites are used in different domains. Such an instrument could greatly advance the investigation of how various information influences consumer behaviors across various types of websites.

Many authors have done a significant work to identify the elements of successful e-commerce websites. High quality information content, along with effective design, navigation,

security, and functionality, are consistently cited as critical aspects of website success. In fact, e-commerce researchers have found that the context in which a product is sold is statistically a better predictor of customer attitude toward the e-commerce business than the product is.

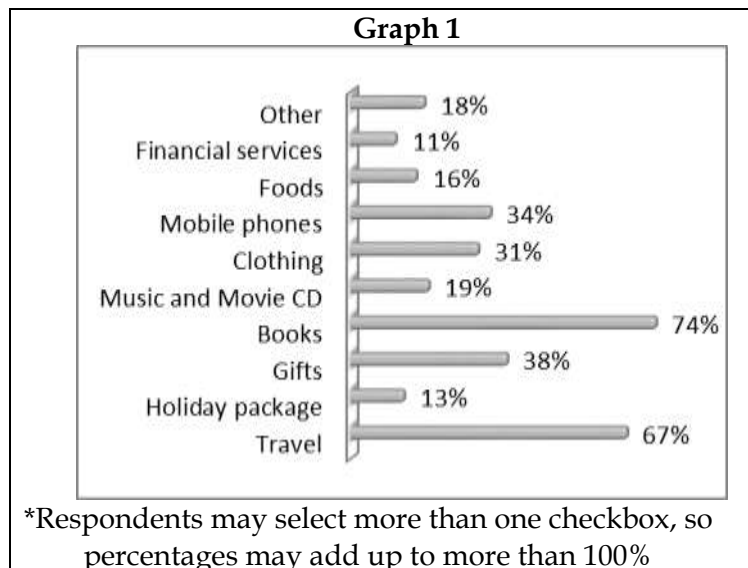
Purpose of study

Although internet retailing in India is on the verge of rapid growth, relatively little is currently known about Indian online shopping behavior. The purpose of this study is to fill that knowledge gap by exploring the most important dimension of 'Content' in online purchase by consumers with technical qualification.

Methodology

The study was conducted by questionnaire method and data was collected online. A random sample of 280 respondents who are engineers & are doing further studies were selected, from amongst those who had purchased at least one product during last 6 months in on-line retail were chosen for mailing a questionnaire. A total of 186 respondents responded, out of which responses from 73 respondents were incomplete. They were excluded from research framework. Hence, the research is based on 113 respondents. The respondents had purchased various categories of products; the results are given in Graph 1* below.

The graph 1 indicates that these respondents are spending relatively more on books, travel, gifts, mobile phones, clothing and gifts. These engineering graduates are buying those products which are having variety to choose from and are easy to acquire. They are not using online retail site for information alone, but they are buying the same from online store.



A 'Communication' dimension was studied on 17 variables, out of which 14 variables were finally chosen based on testing of questionnaire. This variable relating to 'Retail Internet sites'

1. Should not have too many advertisements or banners
2. Retail sites should have clear instructions
3. In problems, they should communicate sympathetic and reassuring way
4. Should not have too much information
5. Should not have customer message boards
6. Should send a welcome letter to new customers
7. Should have customer chat rooms
8. Should have customer feedback mechanisms

9. Should have a signed e-mail response
10. Should not have user written reviews or comments
11. Should not send out unsolicited commercial e-mail
12. Should be e-mailing suggested products based on profile
13. Should send a follow-up confirming an order
14. I am overall satisfied with the clarity & mode of communication by online retailing site

These variable are similar to the one studied by Long Mary & McMellon Charles. (2004). Financial resources are primarily required to purchase any product online. A hypothesis was tested to assess its relevance with 'Communication' dimension. A factor analysis was carried out to reduce the data and combine the variables to get a total understanding of the output. A statistical package SPSS was used for data analysis.

Hypothesis:

Hypothesis Ho: There are no significant differences on measurement of 'Communication' dimension on retail internet site on different incomes.

ANOVA was conducted to test the hypothesis. The significance of all the variables is more than .05, hence null hypothesis is rejected. This indicates that there is a significant difference in the variables of 'Communication' dimension and all the variables are independent. The results are given in Table1

Table 1 - ANOVA

	Sig.
Not many advertisements	.909
Clear instructions	.467
Communicate reassuringly	.500
Not much information	.667
Should not have any message boards	.256
Welcome letter to new customers	.348
Customer chat rooms	.147
Customer feedback mechanisms	.665
Signed e-mail response	.455
Should not have user written reviews	.567
Not send unsolicited commercial e-mail	.898
Suggest products based on profile	.237
Follow-up confirming an order	.492

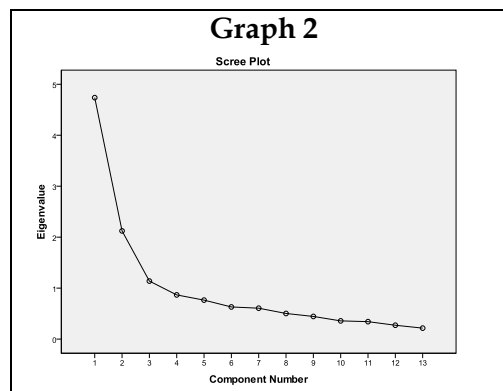
For efficient performance and profitability by any online retail organization, it is essential that they have a focused approach in assigning their resources. It is imperative that it focuses on only those parameters which are having large commercial implications. To achieve the same, it is essential to reduce the data, a factor analysis was performed. The result of the factor analysis helps to combine variables such that it reduces the number of parameters to be analyzed for any vital decision to be taken by an organization.

A factor analysis was done for the same. KMO and Bartlett's Test result in Table 2, indicates that the reliability of data is 81%, which is reasonably good to accept the sampling adequacy.

Table 2 - KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.810
Bartlett's Test of Sphericity	Approx. Chi-Square	574.384
	Df	78
	Sig.	.000

Total variance explained for three factor solution is expressed by 61.53% of sample respondents, which is a statistically reasonably significant size to represent the sample, for Eigen value as 1. It was performed using Principal Component Analysis for extraction. A scree plot was drawn to also understand the number of expected factors, based on Eigen value 1. A **graph 2** indicates that it has three expected factors.



A factor analysis was performed, by using Eigen value as 1. A rotated component matrix using varimax rotation was prepared, using principle component analysis for extraction. The results in Table 3, indicates that it is three factor solutions.

The variables 'Retail Internet sites should have customer feedback mechanisms', 'Retail Internet sites should have customer chat rooms', 'Should have a signed e-mail response' and 'When customers have problems, the retail Internet site should communicate in some way that it is sympathetic and reassuring' are included in one factor. These four variables express 'Clarity' of communication by on-line retail site. The variables included in first factor indicate that the online retail Company is very clear in providing communication required for any search. The customers should be able to collect data or clarification from any one by getting feedback or through online chat. Retail site should remain committed in giving confidence while doing online-retailing and they should understand the problems of vast potential of existing & new customers by resolving any problem by giving very sympathetic & reassuring communication.

The second factor includes variables as 'Retail Internet sites should not have too many advertisements or banners', 'It should not send out unsolicited commercial e-mail', 'Retail sites should have clear instructions' and 'Retail Internet sites should send a follow-up confirming an order'. These four variables express 'Content' of communication by on-line retail site. The variables that are included in second factor indicate that the online retail internet site has desire to provide only those details which are required by their customers. Unwanted emails or too much of advertisements can hamper the interest of customers to search and buy the product online. The company should give clear guidelines for searching & buying the products, information about delivery and payment of the product. When communication about 'content' is stated in legible statements, customers can firmly decide and buy the product.

The third factor includes the variables that are 'Retail Internet sites should not have customer message boards', 'It should not have user written reviews or comments', 'Retail Internet sites should not have too much information', 'It should send a welcome letter to new

customers' and 'It should be e-mailing with suggested products based on ones profile'. These five variables express 'Intent' to communication by online retail organization. The variables included in this factor, conveys about 'intent' of online retail site, it indicates meaningful purpose of online retailer. It expresses that retail site should communicate all necessary details to customers, the flooding of unnecessary information will distract customer's mind from concentration. In fact, it should suggest the complimentary and supportive products based on customers profile. A welcome gesture to new customer or revisiting existing customers will be appreciated. When a customer walks into a physical store, he feels delighted when his presence is noticed and he is welcomed. Similarly a welcome by a letter or highlighting expression will get appreciated by the virtual customers. This factor indicates that the main purpose of retail site should be satisfied customer which will lead to buying product from retail site

Table 3 - Rotated Component Matrix^a

	Component		
	1	2	3
Customer feedback mechanisms	.753	.308	.017
Customer chat rooms	.726	-.016	.410
Signed e-mail response	.689	.156	.035
Communicate reassuringly	.667	.473	.043
Should not have many advertisements	.155	.724	.152
Not send unsolicited commercial e-mail	.270	.718	.090
Clear instructions	.572	.638	-.085
Follow-up confirming an order	.522	.552	.065
Should not have message boards	-.022	.057	.813
Not have user written reviews	.146	-.264	.726
Not much information	-.218	.463	.666
Welcome letter to new customers	.213	.316	.640
Suggest products based on profile	.412	.151	.495

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Conclusion

The online retail sites in India are showing growing pattern of purchase. The consumers give adequate importance to 'Communication' dimension. As the customers do not have any direct human interaction while placing an order. They decide to buy from any particular retail site based on their information from various sources. A particular on line retail site should communicate based on 'Clarity', 'Content' and 'Intent'. Clarity' is based on variables, customer feedback mechanisms, customer chat rooms, signed e-mail response and communicate reassuringly. It means that providing proper clarity in dealing with online retail site will ensure proper services with utmost ease. While 'Content' is based on variables as, it should not have many advertisements, should not send unsolicited commercial e-mail, clear instructions and follow-up confirming an order. It means content should be so legible that a customer has no hassle in getting services from on line retail site. 'Intent' is based on variables as, it should not have message boards, should not have user written reviews, not much information, welcome letter to new customers and suggest products based on profile. It means that the purpose of online retail site should be to provide adequate information about product, delivery payment process etc, such that the customer would be able to find ease in placing an order. The Internet is fundamentally information medium, and most businesses operating online are providing information designed to improve visitors' ability to make decisions.

Managerial Implications

A company should have proper online and offline backup of resources to execute their business. The 'communication' in terms of giving order and executing the order timely, will determine the satisfaction of customer by online retailer. The online retailer should provide proper information to understand various products available in different categories and they should have proper logistical support to execute the same. The consumers are directly dealing with machine that is 'computers' in online purchasing. The absence of any person, who can be contacted, can deter a person to 'depend' on online retail. The clarity, content and intent in 'communication' should be robust enough such that consumer does not face any difficulty in placing order or getting delivery of the product, such that he is not required contacting the firm. These proper actions will enhance the 'communication' dimension among customers, which will ultimately enhance the profitability of the online retailer.

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