

**INTRODUCING THE ONLINE MARKETPLACE TO KYRGYZSTAN:  
WHAT DRIVES CONSUMERS TO SHOP ONLINE?**

**By**

**Esen Sagynov**

**THESIS**

Submitted to

KDI School of Public Policy and Management

in partial fulfillment of the requirements

for the degree of

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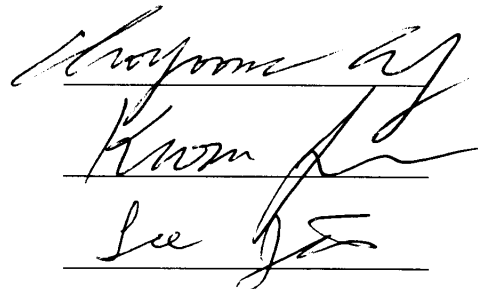
**MASTER OF BUSINESS ADMINISTRATION**

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## **ABSTRACT**

**By**

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This thesis analyses which factors drive consumers to shop online in Kyrgyzstan, an environment that provides very little or no prior online shopping experience. A research model was developed on the basis of Technology Acceptance Model. The data was collected by online means either via email or Online Survey service providers. The survey results underwent the factor and regression analysis on IBM SPSS Statistics version 20.0 for Mac OS X. Based on the answers of 216 respondents with Kyrgyzstan citizenship or currently residing there, perceived usefulness, perceived ease of use, and trust had a statistically significant effect on behavioral intention to shop on the Internet.

Dedicated to my dearest parents and wife.

## ACKNOWLEDGMENTS

I would like to express my sincere gratitude to all my professors at KDI School of Public Policy and Management for helping me further broaden my knowledge and for seeding new and exciting ideas. Special thanks to my thesis supervisor Cho Yoon Cheong, Professor Jung Kwon, and Professor Choi Tae-Hee.

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## INTRODUCTION

### III. INTRODUCING THE ONLINE MARKETPLACE TO KYRGYZSTAN

Nowadays, people consider more and more about methods of living that are green and time saving. They switch to low calorie, sugar-free and low fat foods. They think more about the well-being life and conserving nature through the limitation of the carbon dioxide emission. They try to spend every moment of their life more effectively, green and happy.

For those people, who value their precious time, the business world in combination with the modern technology has provided a unique solution – the new way to accumulate precious time for other more important purposes rather than spending several hours purchasing goods in outside markets and department stores. A new business model has been developed to give an opportunity for people to buy necessary products on the Internet without the need to leave their homes or workplaces.

Today shopping online is an increasingly common practice for consumers worldwide, especially in those countries whose marketing infrastructures are well developed (Kau, Tang, & Ghose, 2003). Customers in all age groups use the Internet as a substitute channel for acquiring goods and services. According to Consumer Choice Survey conducted by Princeton Survey Research Associates International for the Pew Internet & American Life Project, “almost all Internet users (93%) have at one time or another done something related to e-commerce. That is, they have used the Internet to research products and services, make purchases, book travel, trade stocks, or participate in auctions. On any given day, more than a quarter of Internet users (26%) are doing something online related to e-commerce” (Horrigan, 2008).

The existence of a fully functioning Internet marketplace<sup>1</sup> might determine the developmental stage of a particular country. It might indicate how well the banking sector is developed in the country, and whether or not the citizens are provided with an opportunity to use an advanced door-to-door delivery system. However, it is obvious that online shopping websites did not exist even in developed countries two decades ago due to several reasons. First, the banking system did not provide the electronic means of money transfer. Second, the countrywide delivery system was slow and unreliable. Third, the people themselves were not ready for such innovations. Either the majority did not have the necessary computer and Internet skills, or customers simply did not have Internet access.

Exactly this situation is currently being observed in Kyrgyz Republic. According to the public foundation of Civil Initiative on Internet Policy in Kyrgyzstan, there are 760,664 Internet users in the country as of May 2009 with 14.35% Internet penetration rate<sup>2</sup> out of 5.3 million of population. 77% of all Internet users live in the capital city Bishkek, where 20.75% of the whole population resides. This indicates that Internet access problem is one of the main barriers for the Internet marketplace to flourish in the countrywide but the capital city. Indeed, Kyrgyzstan has weakly organized delivery services. In order to send a specific item a person in general needs to reach the nearest post office, which requires a transportation fee as well as an estimated one-hour of travel. Yet, the postal fee varies according to the weight of the item and the time it is necessary to be delivered. Thus, if a person needs to deliver the item the same day, usually a high price is charged for the service, which discourages using the postal service and might significantly impact the acceptance of online shopping.

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<sup>1</sup> In this survey a *fully functional online shopping website* refers to an online website where a person can find and buy *almost any* product, including fashion goods and food, for a price that is *fixed* and *cheaper* or equal to that at an ordinary shopping center, and requires *an online bank card payment*.

<sup>2</sup> The Internet penetration was generated not only from the broadband access, but also from all Internet sources as well like dial-up and ISDN (Integrated services digital network).

Additionally, the banking sector of Kyrgyzstan is not yet popular. People approach banks mainly for running their business, to receive loans and maintain their company accounts. According to Information Policy Management Department of Culture and Information Ministry of Kyrgyz Republic, in 2007 less than 2% of the entire 5.3 million population of the country used banking services. Still the main medium of payment is cash; thereby payments via electronic means should be recognized first prior to introduction of a fully functional online marketplace.

Thus, the objective of this study is to explore the factors that influence the behavioral intentions of Kyrgyzstan citizens to shop on the Internet in a context where most people have very little or no prior online shopping experience. For this purpose, a conceptual framework, which was adjusted to the local Kyrgyzstan environment factors, was developed. The core constructs of the framework are adapted from the well-known Technology Acceptance Model (TAM) by Davis (1989), one of the most influential extensions of Ajzen and Fishbein's theory of reasoned action and has been proven to be suitable as a theoretical foundation for the adoption of e-commerce by numerous researchers (Chen, Gillenson, & Sherrel, 2002; Moon & Kim, 2001; Lederer, Maupin, Sena, & Zhuang, 2000; Agarwal & Jayesh, 1999; Gefen & Detmar, 1997; Adams, 1992). The framework was empirically tested with the responses of 216 survey participants either with Kyrgyzstan citizenship or currently residing there. The answers were collected by means of email, online survey site at <http://incorex.com/survey>, and the hard-copy of the survey questions.

As the research concerned online shopping intentions, the target population included both customers who had some online shopping experience and those who had not yet made any purchases online, though they had possibly used the Internet for seeking product characteristics and detailed information. This setting intentionally excluded those who had not yet adopted Internet technology. This could be one of the limitations of this thesis work,

but it was deemed acceptable as this group of people did not have either means or motives for online shopping, and therefore it would not have been meaningful to include them in the target group. For this purpose, it is appropriate to use students or recent graduates as subjects, because they are highly likely to have adopted and excelled in the use of the Internet, in addition to being potential consumers. Such choice of the target group is supported by researchers who state that “younger adults, especially those under age 25, are more interested in using new technologies, like the Internet, to find out about new products, search for product information, and compare and evaluate alternatives” (Wood, 2002). Besides, previous studies evaluating design and presentation of web sites have also found students to be a reasonable proxy for regular web users (Robinson, Shaver, & Wrightman, 1991).

This thesis work is intended to reveal the answer for the main research question “What drives consumers to shop online?” where consumers refer to Kyrgyzstan citizens or those who reside there. It is hypothesized that perceived usefulness, ease-of-use, and trust are the major drivers for consumers to shop on the Internet. In order to determine the significance value for each of these three constructs, the factor and regression analyses have been run over the following hypotheses: detailed product information, lower price, convenient shopping and perceived product & service quality has a significant positive effect on perceived usefulness of online stores; convenient shopping, perceived product & service quality, and desire to shop without a salesperson positively influence perceived ease-of-use of online stores. In this survey other less important but statistically significant factors are also expected to influence the overall behavioral intention of consumers to shop online, as well as the perceived usefulness and ease of use of online stores. They are the desire to see/touch/feel the products before buying them, the overwhelming feeling by the amount of information consumers find online, the limited knowledge in advanced technologies, as well as the willingness to socially interact at offline stores.

This thesis is structured in the following manner: first, this thesis will review the literature of electronic commerce, particularly referring to the consumers' purchasing intentions, and the Technology Acceptance Model, and then analyze and justify the use of this specific construct in this paper. Further, we report the results of the empirical testing of the research model. After that, we discuss the implications of the results for further use or practice.

This thesis work is significant for several reasons. First, these research findings will suggest the potential customers' acceptance level of online shopping in Kyrgyzstan, whether or not they are ready for the new idea of life style, and, if not, what discourages consumers from shopping on the Internet. Second, the necessary strategies for businesses to implement will be proposed along with the approaches they can use to enhance the introduction of Online Shopping Marketplaces in Kyrgyzstan. Third, these findings can also predict behavioral intentions of consumers from other developing countries, where the concept of e-commerce is likewise not mature yet. Last, this thesis work will serve as a basis for further research on e-commerce, particularly in Central Asian countries, for there has been no prior research conducted pertaining to this market.

#### **IV. Theoretical Background**

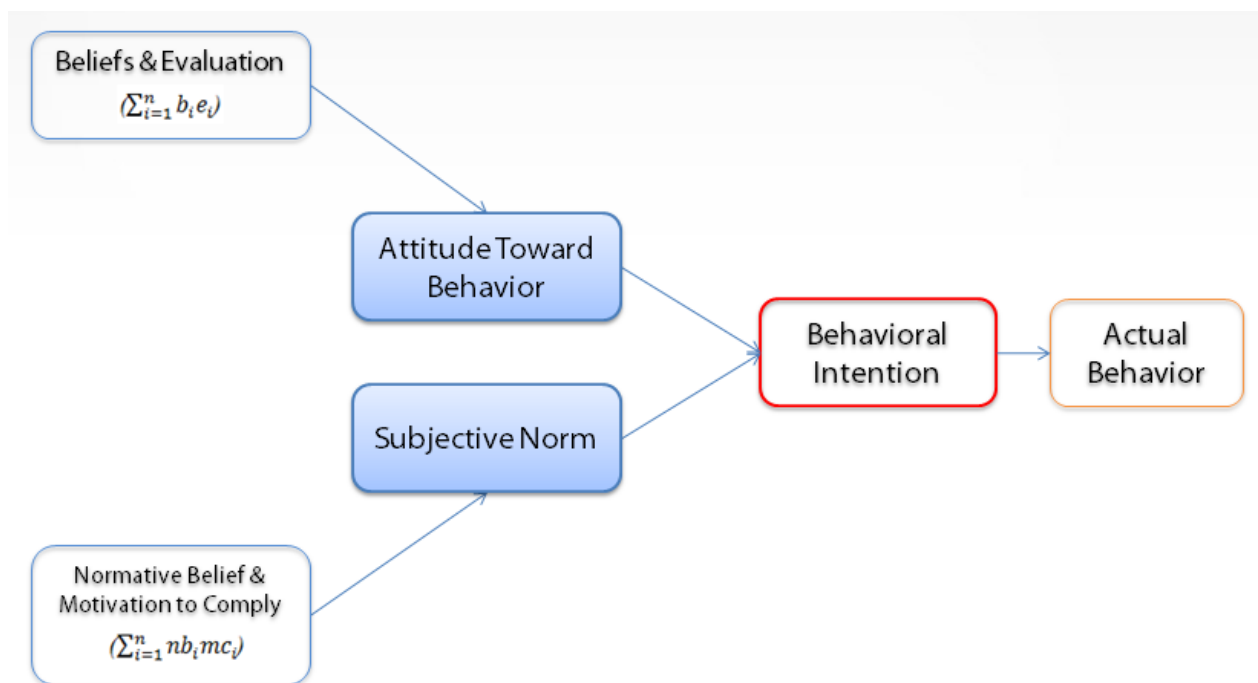
The contemporary market compasses a wide range of businesses and services. Some of them are tightly involved in electronic commerce, commonly known as e-commerce, which is defined as “purchases and sales of goods and services transacted over the Internet” (Choo & Bontis, 2002). E-commerce includes two primary forms: business-to-consumer (B2C) and business-to-business (B2B). Here we focus on business-to-consumer commerce, since “the core knowledge of B2C companies relates specifically to retail sales, such as knowledge related to the mix of products desired by consumers” (Choo & Bontis, 2002). Well-known examples of B2C retailers include those such as Amazon or Barnes and Noble (Ghemawat, Baird, & Brown, 2004) that sell retail products directly to consumers over the Internet.

Since the Kyrgyzstan market is currently at the initial stage of B2C electronic commerce, customers’ behavioral intention to shop online is anticipated to be highly influenced by their acceptance of a new technology. Hence, we need to base our study on a valid and proven model to explain previously unexplored consumers’ willingness to adopt a new way of purchasing goods using a new technology. A new research model developed on the basis of Technology Acceptance Model is expected to highly accurately predict the motives of consumers’ specific behavioral intentions. TAM has been tested and validated by numerous researchers and proven to be suitable as a theoretical foundation for the adoption of e-commerce (Chen, Gillenson, & Sherrel, 2002; Moon & Kim, 2001; Lederer, Maupin, Sena, & Zhuang, 2000; Agarwal & Jayesh, 1999; Gefen & Detmar, 1997; Adams, 1992). In addition, researchers agree that it is appropriate to make analogies between online shopping and the components of Technology Acceptance Model, as the model has been widely used in the study of online user behavior and explained why online users accept or reject websites and how their internal beliefs and attitudes affect their usage behavior (Davis, Bagozzi, & Warshaw, 1989b; Baroudi, Olson, Ives, & Davis, 1986). Thus, the theoretical importance of

the behavioral intentions of consumers as the determinants of actual use of certain products or services is indicated in several diverse lines of research.

#### IV.I. Fishbein's Attitude Model and Theory of Reasoned Action

TAM is one of the most influential extensions of Ajzen and Fishbein's Theory of Reasoned Action (TRA), which suggested (Figure 1) that individuals' performance of a given behavior is primarily determined by their intention to perform that behavior (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975).



**Figure 1. The Theory of Reasoned Action.**

The TRA has been developed from the *Fishbein's Attitude Model* (i.e.  $A_0 = \sum_{i=1}^n b_i e_i$ )<sup>3</sup>, which has focused on demonstrating statistically significant correlations between a “direct” measure of brand attitude (e.g.,  $A_0$ ) and the cognitive structure index of attitude ( $\sum_{i=1}^n b_i e_i$ ) based on product attribute beliefs (Mitchell & Olson, 1981; Wilkie & Pessemier, 1973).

<sup>3</sup> Where:

$b_i$  = The strength of the association about the level of product attribute  $i$ ,

$e_i$  = The evaluation of the  $i^{\text{th}}$  salient concept,

$A_0$  = The overall evaluation of, or attitude toward, concept, and

$n$  = The number of salient beliefs.



**Table 1** (Cho, 2009) illustrates the application of the *Fishbein's Attitude Model*, which measures a particular respondent's attitude toward two leading online bookstore companies in the U.S. Amazon.com and BN.com. Let us assume that after the primary research has been completed, the "Price Offering" characteristic of online bookstores is rated as the most important factor with 3 points, "Content of Information" having 2 points, and "Speed of Service" with 1 point, being the least important factor for customers. According to the current respondent's valuations, his/her attitude toward both online bookstores Amazon.com and BN.com appeared to be the same, even though the valuation of particular factors differs for both companies.

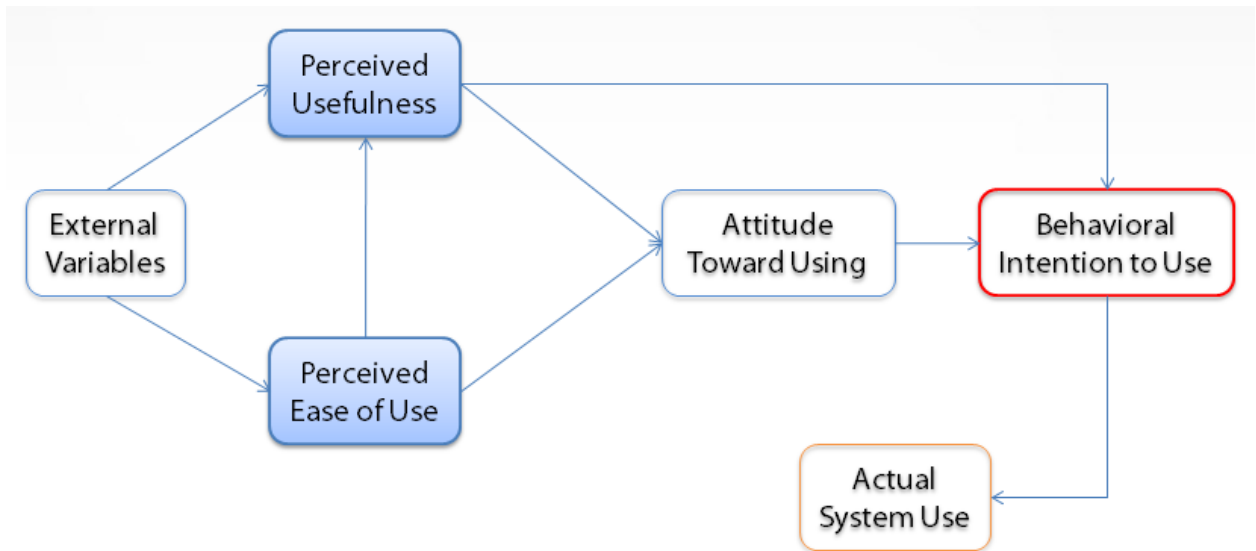
**Table 1. Example of Fishbein's Attitude Model.**

Attitude ( $i$ )	Belief ( $b_i$ )		
	Evaluation	Amazon.com	BN.com
Price Offering	+3	7	5
Speed of Service	+1	2	4
Content of Information	+2	5	7
Attitude toward Amazon:	$\sum_{i=1}^3 b_i e_i = 7x3 + 2x1 + 5x2 = 33$		
Attitude toward BN.com:	$\sum_{i=1}^3 b_i e_i = 5x3 + 4x1 + 7x2 = 33$		

#### IV.II. Technology Acceptance Model

On the basis of Fishbein's Theory of Reasoned Action the TAM is constructed well toward explaining how users come to accept and use a new technology (Davis, Bagozzi, & Warshaw, 1989b). In TAM, behavioral intention to use a new technology is determined by the individual's attitude toward using this technology. TAM originally identifies two determinants of a person's attitude toward using a new technology (**Figure 2**) (Davis, Bagozzi, & Warshaw, 1989b). The first determinant is the "perceived usefulness", which is defined as the individual's perception that using the new technology will enhance or improve her/his performance. The second determinant, the "perceived ease of use", refers to the extent

to which a person believes that using the new technology will be free of effort. While “perceived usefulness” refers to consumers’ perceptions regarding “*the outcome of the experience*”, “perceived ease of use” refers to their perceptions regarding “*the process leading to the final outcome*” (Monsuwe, Dellaert, & Ruyter, 2004). Both variables are the equivalents of internal beliefs from the *Theory of Reason Action*.



**Figure 2. The Technology Acceptance Model.**

Besides the functional and utilitarian dimensions of consumers’ perception like “perceived usefulness” and “perceived ease of use”, a more recent addition to the Technology Acceptance Model considers an emotional and hedonic dimension of perception as “enjoyment” (Menon & Kahn, 2002; Childers, Carr, Peck, & Carson, 2001). The “enjoyment” construct refers to the extent to which the activity of using the new technology is perceived to provide reinforcement in its own right, apart from any performance consequences that may be anticipated (Monsuwe, Dellaert, & Ruyter, 2004). Childers *et al.* supported the idea of the “dual characterization” of consumers’ motivations, suggested by Hirschman and Holbrook in 1982, which described consumers as either “problem solvers” or seekers of “fun, fantasy, arousal, sensory stimulation, and enjoyment”. For “problem solvers” shopping is considered to be “an errand” or “work”, as they merely shop online in order to acquire a specific product

or service (Babin, Darden, & Griffin, 1994). Their main concern is to purchase products in an efficient and timely manner with the least effort. In contrast, the second category of consumers perceives online shopping as “enjoyment”, looking for the potential entertainment resulting from the fun and play arising from the Internet shopping experience. They appreciate the online shopping experience for its own sake, besides any other consequence, like an online purchase that may result (Holbrook, 1994). The next sections elaborate on the discussion that “perceived usefulness”, “perceived ease of use” and other constructs ultimately affect consumers’ intentions to shop on the Internet.

#### *IV.III. Perceived Usefulness*

The “perceived usefulness” is defined as the individual’s perception that using the new technology will enhance or improve his/her performance (Davis, 1993, 1989). Applying this definition to our context of online shopping, we refer *usefulness* to the degree to which consumers believe using the Internet as a shopping medium will improve their performance or productivity, and thus will enhance the outcome of their shopping experience (Monsuwe, Dellaert, & Ruyter, 2004). Thus, it relates to *the final outcome of the shopping experience* (Monsuwe *et al.*, 2004).

Detailed information, accessibility, and speed as well as inexpensive and convenient purchases have often been mentioned as the main benefits of online shopping (Khalifa & Limayem, 2003; Shim, Shin, & Nottingham, 2002). For experienced Internet users who are busy during normal shopping hours, the accessibility and the speed of shopping may be truly useful features. As an example, we would like to refer to observed shopping habits of South Korean consumers. It is commonly known that traditional shopping malls in Korea mainly do not start their work in the morning. Sellers understand that a usual employed person is in rush in the morning and not able to visit shopping centers during work hours. For this reason, stores start their operations during the afternoon and work almost until midnight, thus

providing for employed group of customers the opportunity to purchase goods at their convenient time.

In contrast, Kyrgyzstan sellers have not yet noticed such consequence. Both merchant at shops and ordinary employed people work until approximately 6 pm. Those who are willing to purchase some products in traditional department stores lose their concentration by the end of the working day and start getting prepared to rush for shopping. Based on personal experience, potential customers are spoiling for shopping. However, once they are late by half an hour or so, stores cease their operations for that day, ignoring potential customers. Therefore, accessibility and the speed provided by online shopping marketplaces are expected to be highly appreciated and valued by Kyrgyzstan consumers.

Overall, by investing in a computer and learning to shop on the Internet, consumers will expect a desired result, such as a fast online searching tool, possibility to choose from a wide range of identical products, or the final purchase, in return from shopping on the Internet. If this return satisfies their expectations, “perceived usefulness” of online store as a shopping medium will be positive. Thus, we hypothesize:

**H1:** Perceived usefulness of online stores has a significant positive effect on consumers’ behavioral intention to shop online.

#### *IV.IV. Detailed Product Information*

We allocated *detailed product information* as a separate independent variable to analyze its influence on “perceived usefulness”. One of the major differences between traditional and online stores is the amount of information provided during shopping activities. In the case of traditional shops, consumers are highly exposed to a salesperson’s promotional speech. Particularly in the Kyrgyz market many merchants prioritize individual sales over customers’ loyalty, i.e. a salesperson tries very hard to sell the product, occasionally exaggerating the

quality and ease of use of the product. Consequently, customers become victims of limited and subjective information.

On the Internet users are provided with an opportunity to surf the great amount of Web sites, which clearly describe the characteristics and the use of a particular product. In most cases consumers are free to learn the objective feedbacks and ratings of desired items. Indeed, they can take advantage of publicly available complaints management web portals, such as Complaints.com, bbonline.org (Better Business Bureau Online), Cnet.com, and eComplaints.com. These websites provide customers' feedback, their opinion, comments, and products ratings. According to the provided information, consumers may decide whether the chosen product is the best option to buy.

Moreover, due to the easy-to-implement nature, online stores are best places to compare products and their prices. The enormous amount of identical products available at the online store makes it possible for consumers to concentrate on finding the most suitable offer with best price and after sale service. The Nielsen Company regularly conducts the largest survey of its kind on the topic of Internet shopping habits. One of its latest studies of 1,000 individuals polled between November 2nd and 4th, 2009, revealed that consumers primarily used the Internet to search the product related information. Particularly, the ease of comparing the prices between retailers online was chosen by 51% of respondents as the reason why they shop online. They used the Internet before going into the physical store to find good deals and promotions, to learn about sales, compare prices or find information about sales and coupons for physical locations.

Therefore, detailed product information, ability to compare the prices and a visual guide as well as independent choice available at online shopping stores would possibly positively affect consumers' behavioral intentions to shop on the Internet through perceived usefulness of shopping websites. Hence, we hypothesize:

**H2:** Detailed product information provided by online stores positively influences perceived usefulness of online stores.

#### *IV.V. Lower Price*

Kyrgyzstan citizens can be characterized as price sensitive consumers. Additional fees charged by manufacturers or service providers have a significant effect on the purchasing decisions of customers. Transaction fees at commercial banks might be one example of why banking services are not popular for personal use. Any extra charge over the initial product price puts heavy weight on the purchasing decision of customers, thus influencing their perception about usefulness of online stores. Hence, a delivery fee will have the same negative effect on usefulness of web store, finally affecting their intentions to order items online. If this survey reveals a high relationship between lower prices at online stores on the one hand and perceived usefulness of web stores or behavioral intention to shop online on the other hand, businesses are highly recommended to consider about attracting customers by providing lower prices in order to successfully introduce online shopping marketplace in Kyrgyzstan market. Thus, we hypothesize:

**H3:** Lower price provided at online stores positively influences perceived usefulness of online stores.

#### *IV.VI. Perceived Ease of Use*

The “perceived ease of use” is defined as the individual’s perception that using the new technology will be free of effort (Davis, 1993, 1989). Applying this to our context of online shopping, we refer *ease of use* to consumers’ perception that shopping on the Internet will involve a minimum of effort. Whereas “perceived usefulness” refers to consumers’ perceptions regarding *the outcome of the online shopping experience*, “perceived ease of use” refers to their perceptions regarding *the process leading to the final online shopping outcome*

(Monsuwe *et al.*, 2004). In a simplified manner, it can be stated that “perceived usefulness” is how effective shopping on the Internet is in helping consumers to accomplish their task, and “perceived ease of use” is how easy the Internet as a shopping medium is to use (Monsuwe *et al.*, 2004).

According to the Technology Acceptance Model, “perceived ease of use” has a dual effect, direct as well as indirect, on consumers’ intention to shop online. The *indirect effect* on intention is through “perceived usefulness”, as the easier a technology is to use, the more useful it can be (Venkatesh, 2000; Dabholkar, 1996; Davis *et al.*, 1989b). Therefore, we suggest our fourth hypotheses:

**H4:** Perceived ease of use of online stores has a positive effect on perceived usefulness of online stores.

The *direct effect* is explained by the fact that in behavioral decision making consumers attempt to minimize effort in their behaviors, thus it is also the case with consumers’ perceptions regarding the “perceived ease of use” – the perception that Internet shopping will be free of effort (Venkatesh, 2000). This leads us to our next hypotheses:

**H5:** Perceived ease of use of online stores has a significant positive effect on consumers’ behavioral intention to shop online.

#### *IV.VII. Convenient Shopping*

People are often attracted to activities that require less effort, time and money. Consumers worldwide try to pursue the most convenient way of shopping. Meanwhile, Kyrgyzstan citizens usually satisfy their shopping needs at traditional street markets due to price advantages in comparison with other alternatives. Some of them feel satisfied as they do not know better options and, sometimes, even do not know their rights as consumers. The latter happens very rarely, but does occur. Nevertheless, there are many consumers who are dissatisfied with their current shopping experience. This group of people complains about

overcrowded marketplaces especially before coming holidays in addition to prices climbing up very rapidly due to the potential demand. In such situations customers encounter the additional inconvenience of a parking problem. Almost none of the traditional high-street markets have designated parking lots. Drivers desperately park their cars along the road, making it extremely difficult to drive through. Even if one finds an empty space to park the car, it is going to be stressful to drive out, for there is a chain of cars, ahead and behind.

In order to escape from such discomfort, some people leave their cars at home and come to markets by public transportation. However, even this solution does not solve the problem thoroughly: sometimes customers have to carry heavy items back home. Many well-educated and employed consumers visit department stores and shopping malls instead. These stores sell high quality products and provide high-end services. Besides the higher price they are charged at shopping malls and department stores, customers have to allocate a special time or day they could spend for shopping. This indicates that Kyrgyzstan has a vital necessity to develop its own online shopping marketplace in order to meet customers' demand locally and remain its competitiveness globally.

Online stores make huge effort to provide the best shopping experience by encompassing the most important and complex functionalities while delivering them in easy and user-friendly way. In addition to fast checkout process, some online stores like [www.webvan.com](http://www.webvan.com), a California-based online grocer, provide an opportunity for customers to specify a 30 to 45 minute window, during which the online store guarantees delivery. Customers do not need to be at home to receive orders. They can sign a bilateral agreement to leave the order at their garage or at the front door. Otherwise, the orders can also be delivered to a customer's office. Buyers can also track the status of their orders by using an order tracking number provided by online stores (Rogers, 2003). Thus, the convenience of online shopping makes it possible to save time, avoid crowded markets, solve parking problems, and



access online stores 24 hours a day, 7 days a week, without stress and need to carry heavy items. In fact, the No. 1 reason (69%) for shopping online based on the poll conducted by The Nielsen Company in November 2009 was that “when I buy online I can shop whenever I’d like.” The No. 2 reason (57%) was that the online shopping “allows me to avoid the holiday shopping crowds at stores.”

For all these reasons, consumers across the globe are increasingly swapping traditional crowded markets for one-click convenience, as online shopping becomes a safe and popular option. The 2008 survey by Nielsen Company polled 26,312 participants from 48 markets: Europe, Asia Pacific, the Americas and the Middle East. According to this Global Nielsen Consumer Report, over 85 percent of the world’s online population has used the Internet to make a purchase, up 40% (875 million) from two years ago (627 million), and more than half of Internet users are regular online shoppers, making online purchases at least once a month.

Therefore, the convenience factor is expected to have high influence on the perceived by Kyrgyzstan consumers usefulness of web stores and on their intention to shop online. Thus, we hypothesize:

**H6:** Convenience of using online stores has a significant positive effect on perceived usefulness of online stores.

**H7:** Convenience of using online stores has a positive effect on perceived ease of use of online stores.

#### *IV.VIII. Perceived Product and Service Quality*

The online marketplace is, perhaps, the only place where customers can reach thousands of absolutely identical products at once from a variety of sellers. Since there was no possibility for Kyrgyzstan consumers to use such an advantageous tool in the domestic market, the introduction of an online marketplace would possibly lead to a compelling shift from traditional markets to Internet purchases. The buyers are expected to be highly attracted

by the product and service quality provided at online stores, as consumers do not need to deal with the cash and be exposed to cold weather conditions. Instead they can enjoy the use of advanced and modern service by choosing from a variety of alternative as well as identical products, customizing and, finally, receiving them directly to their home.

Referring to service, Holbrook (1994) stated that as “service excellence operates as an ideal, a standard against which judgments are ultimately formed”, delivering promises and performed functions will lead to positive perception regarding the “usefulness” of online shopping and its service quality. Thus, we hypothesize:

**H8:** Perceived product & service quality has a positive effect on perceived usefulness of online stores.

#### *IV.IX. Desire to Shop without a Salesperson*

Experienced Internet users from developed countries with developed business-to-consumer electronic commerce have already become accustomed to shopping without an assistant. However, the Kyrgyzstan consumer, having very little or no prior experience in shopping online, at the initial stage would probably have difficulties with making purchasing decisions without salespersons’ guidance, explanation or help. On the other hand, some consumers complain about the importunity of a salesperson. Some of them might prefer to order products online either because they do not prefer a salesperson’s interference, or they think online stores might provide more objective and detailed information. At some point consumers might prefer to read product specifications from Web pages rather than to listen from a salesperson. Therefore, we hypothesize:

**H9:** Willingness to order products without a salespersons’ interference has a positive effect on perceived ease of use of online stores.

#### IV.X. *Trust*

One of the most frequently cited reasons for consumers not shopping on the Internet is the *lack of trust* (Lee & Turban, 2001). Since we assume in this thesis work that Kyrgyzstan consumers have very little or no prior online shopping experience, shopping on the Internet would provide a great challenge to many consumers. Researchers found that “people rely on their general disposition to trust” when the situation is novel (Rotter, 1971). According to Doney & Cannon, “the most salient source of trust in a retail setting is the salesperson”, where consumer trust is dependent on the salesperson’s expertise, likeability, and similarity to the customer (1997). However, with online shopping this physical salesperson is replaced by help buttons and search features, thus removing the basis of consumer trust in the shopping experience (Lohse & Spiller, 1998). Furthermore, online shopping also contains a level of risk. Consumers cannot physically check the quality of a product or monitor the safety and security of sending sensitive personal and financial information while shopping on the Internet (Lee & Turban, 2001). This condition creates a sense of powerlessness among online shoppers. Therefore, trust has an important effect on consumers’ intention to shop online. Consequently, we hypothesize:

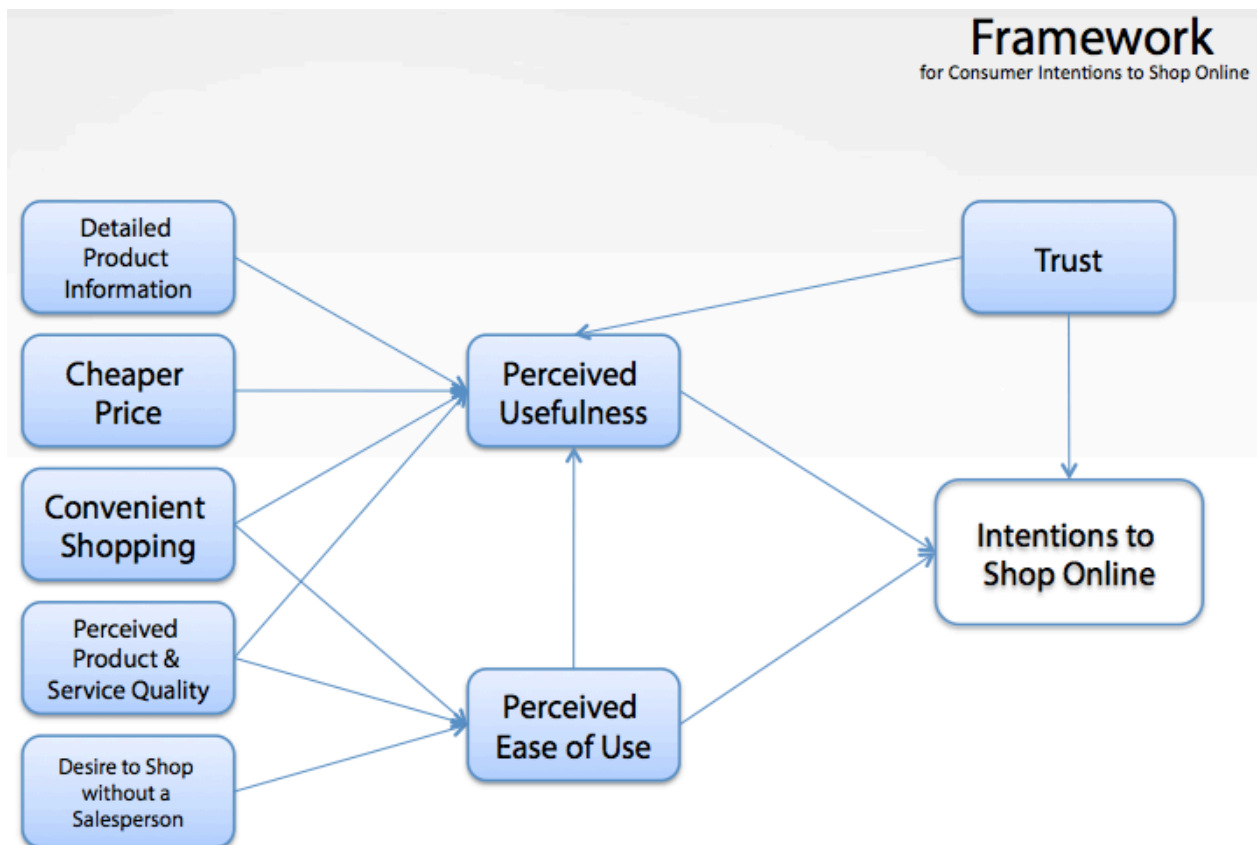
**H10:** Lack of trust to online shopping websites has a significant negative effect on behavioral intention to shop on the Internet.

Finally, in this thesis work we would like to suggest that consumers’ trust to online store has a positive effect on “perceived usefulness” of the online store. Hallegatte & Nantel confirmed that the non-technological related construct “trust on a website” not only affects the intention to visit again a commercial website, but also have a significant influence on the perceived usefulness of this website (2006). Thus, we suggest our last hypotheses:

**H11:** Lack of trust to online shopping websites has a significant negative effect on perceived usefulness of online stores.

## V. Research Model

Behavioral intentions of consumers to shop online will be measured with the model illustrated in **Figure 3**. The research model consists of 8 constructs, previously explained in this paper, which are expected to predict customers' intentions to shop online.

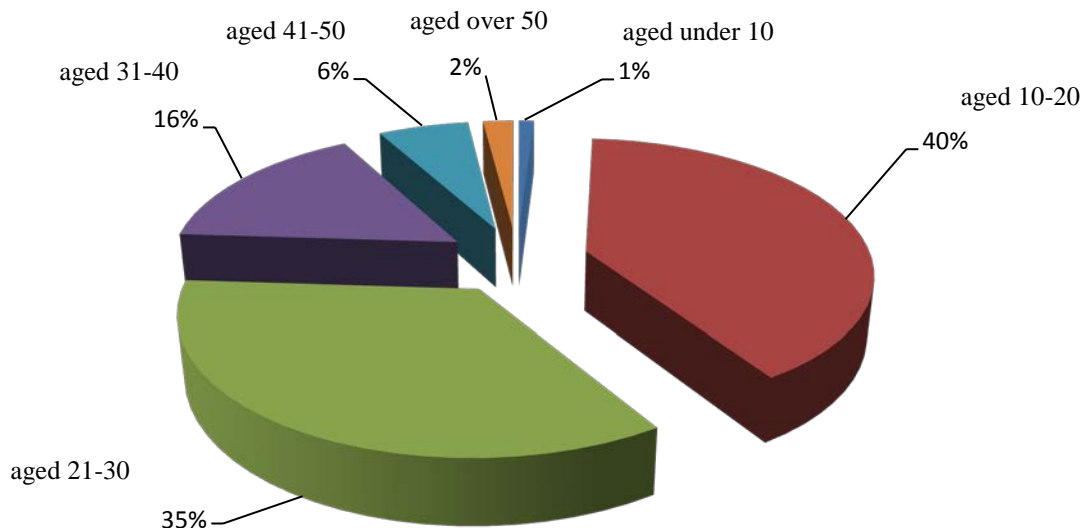


**Figure 3. The research model.**

## VI. Methodology

In order to evaluate the consumers' behavioral intention to shop online, the quantitative data was collected using email, online survey website at <http://incorex.com/survey>, and hard copy of the survey questions.

As the research concerned online shopping intentions, the target population included both customers who had some online shopping experience and those who had not yet made any purchases online, though they had possibly used the Internet for seeking product characteristics and detailed information. This setting intentionally excluded those who had not yet adopted Internet technology. This could be one of the limitations of this thesis work, but it was deemed acceptable as this group of people did not have either means or motives for online shopping, and therefore it would not have been meaningful to include them in the target group. For this purpose, it is appropriate to use students or recent graduates as subjects. Moreover, they make up the major group of Internet users (75%) in Kyrgyzstan (**Figure 4**).



**Figure 4. Internet users by age groups.**

Students and recent graduates are highly likely to have adopted and excelled in the use of the Internet, in addition to being potential consumers. Such choice of the target group is supported by researchers who state that “younger adults, especially those under age 25, are

more interested in using new technologies, like the Internet, to find out about new products, search for product information, and compare and evaluate alternatives” (Wood, 2002). Besides, previous studies evaluating design and presentation of web sites have found students to be a reasonable proxy for regular web users (Robinson, Shaver, & Wrightman, 1991).

The decision to take advantage of Internet tools was made because Internet survey is a faster and cheaper way to gather a great amount of data. In addition, the data coding is as easy and reliable as with any computer supported data collection method. However, ensuring the validity of the respondents is not easy with Internet surveys, because of the anonymity of the respondents. In order to reach the target population and valid participants, the survey document and the link to the online survey website were sent deliberately to familiar people in the email contact list. Thus, only users who fit the target group were requested to answer the questionnaire. Having answered via email, each respondent was limited with a single chance to fill out the survey. However, due to the impossibility to personally monitor the survey activities at the online survey website, this method does not guarantee that each participant will answer once. Besides the survey characteristics, being quite long, complex and time consuming, which would highly likely discourage participants to go the second round, the more rational solution was applied: when respondents answered the questions at the online survey website, the client side cookie tracking in addition to the server side session control were implemented. In addition, no incentives were provided to further decrease the likelihood of duplicate responses. Thus the problem of multiple responses from the same respondent thereby was eliminated. As a result, 216 responses populated the survey database.

### *VI.I. Prototype Survey*

In order to develop the correct and meaningful set of survey questions, in summer 2009 a prototype survey was conducted over a small group of fourteen respondents, then, based on

the obtained results the current and more comprehensive survey with meaningful questions was developed.

The prototype survey consisted of two parts: qualitative and quantitative. First, it was necessary to conduct a qualitative survey in the form of in-depth interviews due to the fact that there was no prior research conducted to base on and measure any attitudes or behaviors of Kyrgyzstan consumers. In-depth interviews were supposed to make a clear foundation for further mass quantitative survey and reveal practically applicable and essential factors that influence consumers' behavioral intention to shop online.

Based on the results of the in-depth interviews, the research model shown in **Figure 4** has been created for the prototype survey.

In order to validate the prototype model, the quantitative survey was run over the same target respondents for consistency purpose. The data was collected likewise via email. Respondents were also provided with the functionality to *automatically submit the form* in PDF Form. The responses were collected by Adobe Acrobat Pro Extended Form collector.

The descriptive data of the prototype survey showed that 35.7% of the respondents had had prior online shopping experience, though had shopped for specific purposes like work travel and school examination, rather than personal use. Half of the respondents (50%) had had bank accounts, and almost all of them (46.86%) had used bank payment cards (debit or credit) as an alternative to cash, though bank card usage had occurred mainly abroad during work travel or education. When we had asked the respondents if they felt that they needed an online shopping website in Kyrgyzstan, 70% responded as "Yes" or "Absolutely Yes".



**Figure 5. Research Model for the Prototype Survey.**

The statistical data indicated that *perceived usefulness* and *availability of detailed information* had a considerable impact on behavioral intention, with the latter being strongest. The effect of *wide product selection* was smaller but still statistically significant.

According to the initial research model, *need for salespersons' help* was expected to have significant effect on behavioral intention of consumers to shop online. However, the survey results showed that this variable has insignificant impact; therefore it was eliminated from the final version of research model illustrated in **Figure 6**. Likewise, *cheaper price* was omitted from the model. **Table 2** shows summarized results of hypothesis testing.

**Table 2. The summarized results of hypothesis testing for the prototype survey.**

Hypothesis	Remarks
H1 Perceived usefulness has a significant positive effect on behavioral intention to shop online.	Supported
H2 Detailed information availability significantly influences behavioral intention.	Supported



H3	Perceived cheaper price has a significant positive effect on behavioral intention.	Not supported
H4	Wide product selection availability has a significant positive effect on behavioral intention to shop on Internet.	Supported
H5	Need for personal contact with salesperson has a significant negative effect on behavioral intention to shop online.	Not supported



**Figure 6. The modified research model with standardized regression coefficients.**

#### *Prototype Survey Limitations*

The prototype survey was very limited. Its major limitation was the sample size. It is obvious that 14 respondents do not represent the population, thus the data cannot be generalized. For the new study of Kyrgyzstan consumers' it was suggested to gather the data from at least 200 respondents to reach 6% sampling error.

The size limitations led to limited analysis of the collected data. Some important relationships and their effects could not be revealed for this reason. Another limitation of the prototype survey was insufficient questions related to the model. Many questions designed were irrelevant to the research and could not be analyzed. For the further study it was

suggested to generate the relevant questions prior to developing the survey questionnaire, which can be analyzed by the software. In addition, it was suggested that more expanded version of the research model should be developed to cover broader causes of consumers' behavioral intention. Thus, each construct item in the research model should be distinctive in order to provide higher predictions of behavioral intention.

## VI.II. Sample

Even though the prototype research had several limitations, it showed the direction where it was necessary to head to. Besides the profiling questions, which helped to gather the descriptive data, based on the prior prototype survey nine major variables were developed as the constructs of the research model. The dependent variable was the behavioral intention of consumers to shop online. The rest eight instruments were independent variables. Each of the constructs is discussed in details in the previous chapters of this thesis paper. All questions concerning the respondent's personal opinion were answered on a 7-point Likert scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*); a "Not Applicable" alternative was also available. The survey sample questionnaire can be found in the **Appendix**.

For this survey the data was collected in six months between October 27, 2009, and March 15, 2010. The total number of respondents was 270. However, only 216 responses were unique and valid. This primary validity was determined manually by checking each response. The **Table 3** below provides the summary of respondents' descriptive characteristics.

**Table 3. Survey Descriptive Statistics.**

	n=216		n=216
Gender		Visited online shopping websites	
Female	56.94%	Yes	58.33%
Male	43.06%	No	41.67%
Age		Purchased online	
Under 21	44.44%	Yes	33.33%
21 – 30	51.85%	No	66.67%

31 – 40	3.24%	Purchasing frequency	
Over 40	0.46%	Once in 6 months or less	66.67%
Education		Once in 2-3 months	16.67%
High-School	1.85%	Once in a month	9.52%
Undergraduate School	76.39%	Several times a month	4.76%
Graduate School	21.76%	Every week	2.38%
Socioeconomic group		Online shopping satisfaction	
Students	61.57%	Not applicable	0.00%
Housekeepers	0.93%	Strongly dissatisfied	0.00%
Middle level employees	28.24%	Dissatisfied	2.38%
Higher level employees	5.09%	Somewhat dissatisfied	9.54%
IT Specialists	4.17%	Neutral	19.05%
Monthly salary		Somewhat satisfied	16.67%
\$50 or less	22.69%	Satisfied	33.33%
\$51 – 100 USD	17.59%	Strongly satisfied	19.05%
\$101 – 200 USD	16.20%	Offline shopping satisfaction	
\$201 – 300 USD	14.81%	Not applicable	10.65%
\$301 – 500 USD	12.96%	Strongly dissatisfied	1.85%
\$501 – 700 USD	5.09%	Dissatisfied	0.93%
\$701 – 1000 USD	6.02%	Somewhat dissatisfied	6.94%
\$1001 – and above	4.63%	Neutral	25.00%
Used banking services		Somewhat satisfied	18.05%
Yes	71.30%	Satisfied	23.15%
No	28.70%	Strongly satisfied	13.43%
Possess bank account		Need online shopping website	
Yes	37.04%	Not applicable	6.02%
No	62.96%	Strongly disagree	2.78%
Payment system		Disagree	3.70%
Credit/Debit Cards	29.63%	Somewhat disagree	7.41%
Wire Transfer	11.57%	Neutral	13.43%
Paypal/Webmoney	0.032%	Somewhat agree	19.44%
Internet experience		Agree	19.91%
Beginner	2.78%	Strongly agree	27.31%
Pre-Intermediate	3.70%	Intention to shop online	
Intermediate	29.17%	Very unlikely	9.26%
Upper-Intermediate	32.87%	Unlikely	9.72%
Advanced	31.48%	Less likely	11.11%
Internet access frequency		Neutral	17.59%
Never	0.00%	More likely	21.30%
Very seldom	1.85%	Likely	18.06%
Once in a month	1.85%	Very likely	12.96%
Once in a couple of weeks	2.31%	Which items would you buy	
Once in a week	3.70%	Electronics	58.80%
Several times a week	26.85%	Food	16.67%
Everyday	63.43%	Books	68.06%
Internet access location		Clothes	34.26%
Home	53.70%	Furniture	18.98%
School	37.50%	Office Supplies	29.17%

Office	36.57%	Tickets	67.59%
Internet shops	45.83%	Home Appliances	21.76%
Mobile	3.24%	Other (flowers, souvenirs, gifts, mobile phone topping up credits, sports goods, movies, cosmetics)	4.63%

As a result of this survey it is possible to notice that the exact target group has been successfully surveyed. Basic descriptive statistics indicate that respondents are almost equally dispersed based on the gender characteristics. Since this survey has intentionally excluded those who had not yet adopted Internet technology, the students or recent graduates were chosen to be the subjects in this research. The data of *Internet users by age group* illustrated in **Figure 4** indicated that exactly the residents between 10 and 30 compound the majority (75%) of Internet users in Kyrgyzstan. As a result 96.29% of respondents in this survey were under 30 years old: under 21 years old (44.44%) and between 21 and 30 years old (51.85%). According to the descriptive statistics gathered as a result of this survey 76.39% of respondents have Bachelor Degree or currently pursue it, and 21.76% possess the Masters Degree or studying in the Masters daytime program. Socioeconomically the subjects are divided into two major groups: those who are students (61.57%), and those who work as middle level employees (28.24%), which indicate that they belong to the group of the recent graduates. The age, educational and socioeconomic statistics indicate that the target group of respondents (students and recent graduates) has successfully been reached.

Salary wise the majority of the target subjects receive less than \$500 in a month with only 15.74% of the total number receiving above 500 USD. Almost third (28.70%) of respondents has never used the banking services. Among those who have somehow contacted with banks only 37.04% currently possess bank accounts, though undetermined whether the accounts are active or passive. Considering the fact that everybody has used the cash for any kind of purchases, almost the third (29.63%) of the respondents have used Credit or Debit

Cards, and 11.57% have approached to financial institutions such as Western Union, which provide the Wire Transferring services.

The majority of the respondents (93.52%) consider themselves as Intermediate (29.17%), Upper-Intermediate (32.87%), or Advanced (31.48%) Internet users. Very high percentage (90.28%) of the respondents accesses the World Wide Web daily (63.43%), or at least several times a week (26.85%). They access the Internet at home (53.70%), school (37.50%), office (36.57%), Internet shops (45.83%), or through their mobile phones (3.24%).

Slightly higher than the half of the respondents (58.33%) have ever visited online shopping websites. Only 33.33% of them have made purchases on the Internet. However, this makes 19.44% of the total number of subjects, which is quite a high percentage for a country with no online shopping website which provide online means of payments. According to the individual responses these purchases have been made outside of the country during their business trips, educations, or travelling. These respondents usually (83.34%) bought products or services once in two or more months. When subjects with online shopping experience were asked how satisfied they were with online shopping experience, only 11.92% indicated their dissatisfaction. At the same time among the total number of respondents in this survey most (79.63%) of them were quite satisfied with their offline shopping. When everybody was asked whether they agree that there is a need for a fully functional online shopping website<sup>4</sup> in Kyrgyzstan, 80.09% of them were neutral or positive. 9.26% responded they *very unlikely* had any intentions to shop online even if there was any in Kyrgyzstan, 9.72% - *unlikely*, 11.11% - *less likely*, and 69.91% answered neutrally or positively. The majority of votes for the groups of products the subjects would buy on the Internet dispersed between electronics (58.80%), books (68.06%), and tickets (67.59%).

## VII. Analysis and Results

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<sup>4</sup> In this survey a *fully functional online shopping website* refers to an online website where a person can find and buy *almost any* product, including fashion goods and food, for a price that is *fixed* and *cheaper* or equal to that at an ordinary shopping center, and requires *an online bank card payment*.

All the quantitative data analysis was conducted using IBM SPSS Statistics (Statistical Package for the Social Sciences) version 20.0 for Mac OS X. The Structural Equation Modeling (SEM) was tested using IBM SPSS Statistics version 21.0 for Windows with AMOS (Analysis of Moment Structures) add-on.

*VII.I. Reliability and Validity*

The results of the construct reliability test, which includes *Cronbach’s alpha* and *convergent validity test* (principal component analysis with Varimax rotation and Kaiser normalization), are presented in Table 4.

The alpha coefficients of PU, PEOU, TRUST, PRICE, INFO, SERV, CONV are higher than 0.7, which is considered “acceptable” (George, 2003). This suggests that the items have relatively high internal consistency. Moreover, according to Hair et.al. (1998) the factor loadings of above 0.5 are perceived to be practically significant. Cronbach’s alpha coefficients do not exceed 0.95, which suggests that items are not redundant (Streiner, 2003). Additionally, the computed ratios of the first and second eigenvalues of PU, PEOU, INFO, CONT, SERV, and CONV constructs are over 3. This suggests that the scale items are unidimensional (Robins Richard W., 2007).

Even though the computed ratios of the first and second eigenvalues of TRUST and PRICE constructs are less than 3, there are signs of unidimensionality in the scree plots of eigenvalues which display clear knee points that emerge after the first factors (Robins Richard W., 2007). The construct and convergent validity measures of the variable CONT are relatively low, but according to previous studies modest reliability of .60 or .50 will suffice (Nunnally, 1978; Robins Richard W., 2007).

**Table 4: Reliability and Convergent Validity of Constructs**

<i>Construct</i>	<i>Cronbach Alpha</i>	<i>Factor Loadings</i>
Perceived usefulness (PU)	.895	.802

		.826
		.856
		.882
		.831
Perceived ease of use (PEOU)	.922	.827
		.831
		.897
		.888
		.919
Absence of trust (TRUST)	.718	.769
		.733
		.822
		.618
Cheaper price (PRICE)	.706	.506
		.808
		.766
		.819
Detailed product information (INFO)	.769	.887
		.885
		.781
		.501
Desire to shop without a Salesperson (CONT)	.679	.726
		.827
		.787
Perceived product & service quality (SERV)	.832	.715
		.595
		.659
		.494
		.834
		.837
		.833
Convenience (CONV)	.789	.699
		.690
		.632
		.732
		.555
		.698
		.705

The correlation matrix of each construct is presented in Table 5. When discriminant validity is checked, it is possible to see that the main constructs PU and PEOU on one hand and TRUST on the other hand establish discriminant validity. The correlation between PU and PEOU is quite high which is explained earlier in the section focusing on the TAM. Additionally the correlation between PRICE, SERV and PU can be noticed which suggests

that the construct relationships in the proposed conceptual framework is valid. Likewise, the correlation between PEOU and SERV is relatively high. In these respects the reliability and validity of constructs are sufficient.

**Table 5. Correlation Matrix.**

	PU	PEOU	TRUST	PRICE	INFO	CONT	SERV
PEOU	.620**						
TRUST	-.149**	-.103*					
PRICE	.574**	.438**	-.198**				
INFO	.338**	.296**	-.061	.306**			
CONT	.373**	.301**	-.060	.394**	.441**		
SERV	.648**	.523**	-.151**	.470**	.336**	.382**	
CONV	.590**	.475**	.077	.386**	.124	.189**	.455**

*Note.* PU = perceived usefulness; PEOU = perceived ease of use; TRUST = absence of trust; PRICE = cheaper price; INFO = availability of detailed product information; CONT = desire to shop without a salesperson; SERV = service & product quality; CONV = convenience of online shopping.

\*  $p = .05$  (two-tailed). \*\*  $p = .01$  (two-tailed).

### VII.II. Structural Equation Model

Further, the research model was tested with Structural Equation Modeling (SEM) using IBM SPSS Statistics version 21.0 for Windows with AMOS (Analysis of Moment Structures) add-on. All 216 responses were included in the test. The goodness-of-fit measures for the hypothesized model were  $\chi^2(24, N = 216) = 267.218$ ,  $\chi^2/df = 11.134$ , Goodness-of-Fit Index [GFI] = .749, Adjusted Goodness-of-Fit Index [AGFI] = .529, Comparative Fit Index [CFI] = .583, Normed Fit Index [NFI] = .568, root mean squared residual [RMR] = .271. Because the  $\chi^2/df$  ratio is higher than 3:1 and RMR is not less than .05, the measures are not acceptable (Gefen, Straub, & Boudreau, 2000; Wheaton, Muthen, Alwin, & Summers, 1977). Therefore the research model requires modification.

On the first iteration it was revealed that the support for the relationship between trust and perceived usefulness as well as detailed product info and perceived usefulness were



insignificant, therefore they were removed from the research model. To further improve the model fit, the Modification Indices [MI] were referred to, which suggested potential modifications to the research model.

Based on MI, a statistically significant relationship between the price and the dependent behavioral intention variable was revealed. In addition, a weak relationship between price and perceived ease of use was found. Based on the modified research model, it was determined that the effects of the trust and the “desire to shop without a salesperson” variables were no longer significant. Therefore they were removed from the final research model. The modified model with the standardized regression coefficients is shown in Figure 7, and the detailed results are given in Table 6. The goodness-of-fit measures of the modified model were  $\chi^2(2, N = 216) = 2.993$ ,  $\chi^2/df = 1.496$ , GFI = .995, AGFI = .952, CFI = .998, NFI = .994, RMR = .030.

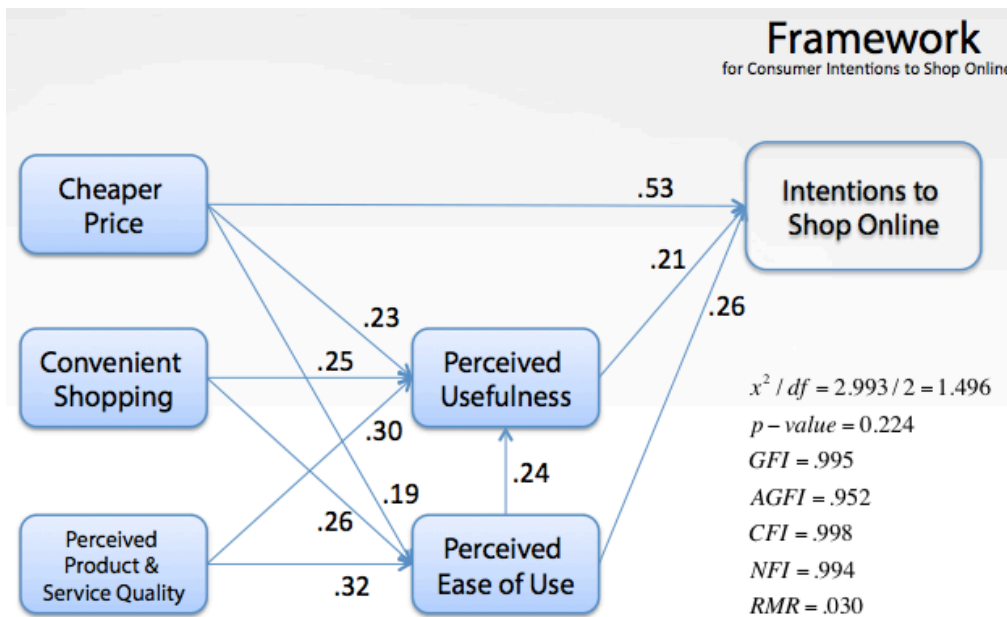


Figure 7. Research model with standardized regression coefficients.

As expected, PU (.21) and PEOU (.26) had a statistically significant positive effect on behavioral intention to shop online. Cheaper price (.53) had a larger statistically significant positive effect on behavioral intention to shop online than PE and PEOU.

Perceived ease of use (.24), cheaper price (.23), perceived product & service quality (.30), and convenience of online shopping (.25) all had statistically significant positive effect on PU. Perceived product & service quality (.32), convenience of online shopping (.26), and cheaper price (.19) had a statistically significant positive effect on PEOU.

**Table 6. Structured Equation Modeling Results.**

	<i>B</i>	<i>SE</i>	<i>Beta</i>	<i>t</i>		<i>B</i>	<i>SE</i>	<i>Beta</i>	<i>t</i>
PEOU	.244	.053	.244	4.590***	Perceive usefulness R <sup>2</sup> = .790	.214	.157	.118	1.266
PRICE	.231	.050	.231	4.610***					
SERV	.298	.053	.298	5.569***					
CONV	.250	.050	.250	4.952***					
PRICE	.190	.063	.190	2.999***	Perceived ease of use R <sup>2</sup> = .610	.256	.143	.141	1.794
SERV	.317	.065	.317	4.841***					
CONV	.258	.063	.258	4.123***					
						Cheaper price	.520	.137	.286

*Note.* PEOU = perceived ease of use; PRICE = cheaper price; SERV = service & product quality; CONV = convenience of online shopping.  
\*\*\*  $p < .001$ . \*\*  $p < .005$ . \*  $p < .05$ .

## VIII. Discussion

In this study we pursued to find the answer for the following research question: what factors influence the behavioral intentions of Kyrgyzstan citizens to shop on the Internet in a context where most people have very little or no prior online shopping experience? Our findings show that 19.44% of the total number of subjects have made purchases on the Internet. Such a high percentage for a country with no online shopping website which provides online means of payments can be explained by the fact that these purchases have been made outside of the country during their business trips, educations, or travelling. This suggests that there is a great undiscovered potential of the target market for businesses. Due to the characteristics of online shopping, customers favor certain products such as electronics, books, and tickets.

Our data shows that consumers' perceived ease of use of online stores is positively related to their intention to shop online. This supports prior research that suggests that ease of navigation through the online store and fast checkout process are important factors to attract customers to shop online (Arnold et.al., 1977). Our data also supports previous findings (Xiaoni Zhang, 2003) stating that perceived ease of use has an indirect affect on customers' intention to shop online via perceived usefulness.

The perceived usefulness of online stores is positively related to customers' behavioral intention to shop online, which is similar to usual TAM studies. However, unlike the previous findings, the present study shows that perceived ease of use had a larger effect on consumers' behavior intention to shop online than perceived usefulness. This finding was significantly affected by the fact that cheaper price was revealed to have statistically significant positive effect on behavioral intention to shop online which was not part of the original research model. In fact, cheaper price has shown to have a larger effect on consumers' behavioral intention to shop online than perceived ease of use and perceived usefulness combined. In addition, cheaper price has an indirect affect on customers' intention to shop online via perceived usefulness and perceived ease of use.

The strong effect of lower price on customers' intention to shop online can be explained by the economic status of Kyrgyzstan, where citizens can be characterized as price sensitive consumers. Additional fees charged by manufacturers and service providers as well as cheaper price offered by online stores have a significant effect on the purchasing decisions of customers. The results of this thesis work further emphasize the above statements.

### *VIII.1. Theoretical Implications*

To evaluate the theoretical implications of this study, the results of hypothesis testing are summarized in Table 7. The current quantitative research supports TAM. Perceived usefulness and perceived ease of use had a statistically significant effect on customers'

behavioral intention to shop online. Also perceived ease of use had an indirect positive effect on behavioral intention through perceived usefulness.

Surprisingly, when the conceptual framework was modified by adding a direct relationship between PRICE construct and the dependent behavioral intention variable, it was observed that PRICE had a statistically much greater positive effect on behavioral intention than perceived usefulness and perceived ease of use. We can assume the reason to be the fact that Kyrgyzstan citizens are price sensitive consumers as explained in the theoretical background of this work. However, this requires more research.

**Table 7. Summarized Results of Hypothesis Testing.**

Hypothesis	Remarks
H1 Perceived usefulness of online stores has a significant positive effect on consumers' behavioral intention to shop online.	Supported
H2 Detailed product information provided by online stores positively influences perceived usefulness of online stores.	Not supported
H3 Lower price provided at online stores positively influences perceived usefulness of online stores.	Supported
H4 Perceived ease of use of online stores has a positive effect on perceived usefulness of online stores.	Supported
H5 Perceived ease of use of online stores has a significant positive effect on consumers' behavioral intention to shop online.	Supported
H6 Convenience of using online stores has a significant positive effect on perceived usefulness of online stores.	Supported
H7 Convenience of using online stores has a positive effect on perceived ease of use of online stores.	Supported

H8	Perceived product & service quality has a positive effect on perceived usefulness of online stores.	Supported
H9	Willingness to order products without a salespersons' interference has a positive effect on perceived ease of use of online stores.	Supported
H10	Lack of trust to online shopping websites has a significant positive effect on behavioral intention to shop on the Internet.	Not supported
H11	Lack of trust to online shopping websites has a significant positive effect on perceived usefulness of online stores.	Not supported

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### *VIII.II. Practical Implications*

Event though in this analysis the lack of trust was not determined as a variable with a statistically significant effect on behavioral intention, it should still be considered when designing and developing online shopping stores. We suggest that in order to build trust to an online store the businesses should leverage the use of established brands, third party trust marks, and deploy Secure Sockets Layer to encrypt the transactions on their Websites. However, it is important to inform customers about all these efforts done toward securing the buyers. If online stores sell products cheaper than the brick-and-mortar stores, people are likely to perceive online stores as useful. Companies should also note that customers who intend to shop online are keen to buying electronic goods or books because these do not require buyers to touch and feel products. However, businesses are recommended to provide options to customize products, especially those from electronic category. This affects how online stores are perceived.

In the markets like in Kyrgyzstan, where most people have very little or no prior online shopping experience, online stores are recommended to emphasize the convenience of the

services through their delivery services and marketing campaigns. Targeting at working class can also be considered, for they tend to value their time more.

To increase the first online shopping experience, it may be a good idea to start providing a limited number of alternative products. Because if there are too many alternative products to choose from, it may become an exhaustive task for inexperienced customers who do not know when to stop (Järveläinen, 2007).

In less developed countries like Kyrgyzstan in order to successfully enter online shopping market, the businesses are highly recommended to offer products with lower price than they could be found on offline marketplaces, as cheaper price was identified as the most important factor that influences consumers' behavioral intention to shop online.

## **IX. LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH**

The current setting did not consider important aspects of consumer behavior such as their attitude toward online shopping, their prior online shopping experience, risk and enjoyment factors, which are often cited in similar works. These aspects were disregarded in this exploratory study to avoid over-complexity of the model. Further research need to include the data to analyze these constructs.

At the time the questionnaire was designed there was a limited number of studies reporting the significant impact of the social networking on constructs such as trust, usefulness, attitude and behavioral intention. The situation has been radically changed during the last 2 years. These days SNS is everywhere on the Internet, in every Internet user's life. Social environment can have significant influence on the attitude toward online shopping especially when there is no prior online shopping experience. Thus, in further studies of behavioral intention to shop online the level of social impact should be considered along with the prior online shopping experience. Recent studies in this area can assist achieving better research model and reliability.

Some constructs in this paper were named unique. In further studies it is recommended to use the common names used in research papers to allow ease of comparison to a reader.

The further research should also consider a larger sample size to decrease the sampling error. It is said that even a relatively small sample size increase will lead to large gains in accuracy (Burns Alvin C., 2009). Considering the current sampling error of 6.4% with a sample size of 216 at a 95% confidence level, it is possible to decrease the sampling error down to 4.4% with a sample size of 467, or 3% with a sample size of 1005.

## **APPENDIX**



## X. APPENDIX

### *X.I. The Survey Questionnaire*

Dear Respondent,

Thank you so much for participating in our questionnaire about online shopping. In this questionnaire, you will be asked about your shopping experience, expectations, preferences, and concerns. It should take approximately 30 minutes to complete the questionnaire.

Your participation in this study is completely voluntary. There are no right or wrong answers as your responses will be based on your personal opinions. There are no foreseeable risks associated with this research. The intent of this work is academic research only.

Your survey responses will be strictly confidential and data from this research will be reported only in the aggregate. Your information will be coded and will remain confidential.

If you have questions at any time about the survey or the procedures, you may contact Esen Sagynov at [kadishmal@gmail.com](mailto:kadishmal@gmail.com).

#### **NOTES!**

In this survey an **Online Shopping Store** refers to an online website where a person can find and buy *almost any* product, including fashion goods and food, for a price that is *fixed* and *cheaper* or equal to that at an ordinary shopping center, and requires *an online bank card payment*.

**Survey Coverage** – Please note that for the purpose of this survey all questions are designed to survey the Kyrgyz Republic market.

Thank you very much for your time and support! You may now start the survey.

## PART I - PROFILE

---

1. Please indicate your age: \_\_\_\_\_
2. Check your gender: \_\_\_\_\_Female \_\_\_\_\_Male
3. Please choose your **highest** education level.
  - High-School
  - Undergraduate School
  - Graduate School or above
4. Please choose your current **major** occupation.
  - Student
  - Housekeeper
  - Educator (teacher, kindergarten educator)
  - Manager
  - Own a personal business
  - Other (please specify) \_\_\_\_\_
5. Select the interval where your monthly salary\* fits.  
(\* or amount of monthly financial support you receive from someone)
  - \$50 or less       \$51-100 USD       \$101-200 USD       \$201-300 USD
  - \$301-500 USD       \$501-700 USD       \$700-1000 USD       \$1000 or above
6. Have you ever used banking services? \_\_\_\_\_Yes      \_\_\_\_\_No (please proceed to the question # 8)
7. Do you have a personal (not company's) bank account in Kyrgyzstan?  
(The answer you provide will be reported only in the aggregate and will be strictly confidential.)
  - Yes
  - No
  - I had one before

**8. What kind of payment system do you personally use in Kyrgyzstan?** (Choose all that apply.)

- Credit/Debit Card
- Cash
- Wire transfer
- Other (please specify) \_\_\_\_\_

**9. Please indicate your level of Internet experience.**

- | Beg<br>inner             | Pre-<br>Intermediate     | Intermediat<br>e         | Upper-<br>Intermediate   | Advanc<br>ed             |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

None (if you do not have any prior Internet experience, you may stop the survey.)

**10. Where do you usually access the Internet?**

- Home
- School
- Office
- Internet Shops
- Other (please specify) \_\_\_\_\_

**11. How often do you access the Internet?**

- |                          |                          |                          |                              |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|------------------------------|--------------------------|--------------------------|--------------------------|
| Never                    | Very<br>seldom           | Once in a<br>month       | Once in a couple<br>of weeks | Once in a<br>week        | Several times a<br>week  | Every<br>day             |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
-

**PART II – YOUR ONLINE SHOPPING EXPERIENCE**

**12. Have you ever visited any online shopping website?** \_\_\_\_\_ Yes \_\_\_\_\_ No (If no, proceed to the question # 16)

**13. In this survey, purchasing on the Internet means not just finding the item you want and then contacting the seller and buying at the traditional store. But instead, it means purchasing directly on the Online Shopping Website using a bank payment card. Considering this fact, have you ever purchased any item on the Internet?**  
 \_\_\_\_\_ Yes \_\_\_\_\_ No (If no, proceed to the Q.16)

**14. How often do you buy products on the Internet?**

Once in 6 months or less [ ]	Once in 2-3 months [ ]	Once a month [ ]	Several times a month [ ]	Every week [ ]
------------------------------------	------------------------------	------------------------	---------------------------------	-------------------

**15. Overall, how satisfied are you with your online shopping experience?**

Strongly dissatisfied	1	2	3	4	5	6	7
Strongly satisfied			N/A				

**16. Overall, how satisfied are you with your offline shopping experience?**

Strongly dissatisfied	1	2	3	4	5	6	7
Strongly satisfied			N/A				

**17. Do you think there is a need for an online shopping website in Kyrgyzstan?**

Strongly disagree	1	2	3	4	5	6	7
Strongly agree				N/A			

**18. If there is one, how likely do you intend to buy products online?**

Very unlikely	1	2	3	4	5	6	7
Very likely				N/A			

**19. What kind of products would you buy on the Internet?**

<input type="checkbox"/> Electronics	<input type="checkbox"/> Clothes	<input type="checkbox"/> Tickets
<input type="checkbox"/> Food	<input type="checkbox"/> Furniture	<input type="checkbox"/> Home Appliances
<input type="checkbox"/> Books	<input type="checkbox"/> Office Supplies	<input type="checkbox"/> Other (please, specify) _____

**PART III – YOUR OPINION ABOUT ONLINE SHOPPING**

**Please rate your overall opinion about online shopping based either on your experience or expectation:** 1 = strongly disagree; 2 = disagree; 3 = somewhat disagree; 4 = neutral; 5 = somewhat agree; 6 = agree; 7 = strongly agree. You may select N/A, if it is not applicable.

**20. Price Factor**

Strongly Strongly

	disagree		agree		
a. I think online stores provide lower prices than traditional markets.	1	2	3	4	N/A
	5	6	7		
b. If the product I need is cheaper online, I will try to buy it on the Internet.	1	2	3	4	N/A
	5	6	7		
c. I would prefer to purchase products online, as online stores provide the opportunity to compare prices.	1	2	3	4	N/A
	5	6	7		
d. If online stores offer discounts regularly, I will try to buy products online.	1	2	3	4	N/A
	5	6	7		

## 21. Informational Factor

	Strongly disagree		Strongly agree		
a. I think I can find more information about the products and their specifications at online stores than at traditional markets.	1	2	3	4	N/A
	5	6	7		
b. I think online stores may provide me with sufficient information about the products that are hard to find at traditional offline markets.	1	2	3	4	N/A
	5	6	7		
c. I think online stores may provide me with more objective information.	1	2	3	4	N/A
	5	6	7		
d. I often refer to online stores for information purposes only.	1	2	3	4	N/A
	5	6	7		

**You may choose: 1 = strongly disagree; 2 = disagree; 3 = somewhat disagree; 4 = neutral; 5 = somewhat agree; 6 = agree; 7 = strongly agree; or N/A, if it is not applicable.**

**22. Salesperson Factor**

	Strongly disagree		Strongly agree		
	1	2	3	4	
a. I would buy products online even if there is no physical salesperson.	1	2	3	4	N/A
	5	6	7		
b. I would order products online, because I do not prefer a salesperson's interference.	1	2	3	4	N/A
	5	6	7		
c. I would prefer to read product specifications from web pages rather than to listen to a salesperson.	1	2	3	4	N/A
	5	6	7		

**23. Convenience Factor**

	Strongly disagree		Strongly agree		
	1	2	3	4	
a. I might prefer to buy products online since it is more convenient than at traditional offline markets.	1	2	3	4	N/A
	5	6	7		
b. I might prefer to buy products from online stores because it will save time.	1	2	3	4	N/A
	5	6	7		
c. I do not like traditional markets because they are too crowded.	1	2	3	4	N/A
	5	6	7		
d. Online shopping would be more convenient as I can easily access it 24 hours/7 days a week.	1	2	3	4	N/A
	5	6	7		
e. Shopping at traditional markets is stressful.	1	2	3	4	N/A
	5	6	7		

f.	I might prefer to shop online because items can	1	2	3	4	N/A
	be delivered to my home.	5	6	7		
g.	Online shopping is more convenient as I do not	1	2	3	4	N/A
	need to carry heavy items.	5	6	7		

**You may choose: 1 = strongly disagree; 2 = disagree; 3 = somewhat disagree; 4 = neutral; 5 = somewhat agree; 6 = agree; 7 = strongly agree; or N/A, if it is not applicable.**

**24. Perceived Usefulness Factor**

	Strongly disagree		Strongly agree		
	1	2	3	4	
a. I think using online stores would make my shopping easier.	1	2	3	4	N/A
	5	6	7		
b. I would prefer to shop at online stores as it would enable me to find and purchase products more quickly.	1	2	3	4	N/A
	5	6	7		
c. I would prefer to shop online because online stores would provide me many useful functions to make my shopping easier.	1	2	3	4	N/A
	5	6	7		
d. I think using online shopping websites would give me more opportunities to find and buy what I want.	1	2	3	4	N/A
	5	6	7		
e. Overall, I think online stores would be useful in my life.	1	2	3	4	N/A
	5	6	7		

**25. Perceived Ease of Use Factor**

	Strongly disagree		Strongly agree		
	1	2	3	4	
a. I think learning how to use an online shopping website would be easy for me.	1	2	3	4	N/A
	5	6	7		
b. I think I would find it easy to search at online stores the product I want.	1	2	3	4	N/A
	5	6	7		
c. I think online shopping process would be clear	1	2	3	4	N/A



	for me.	5	6	7		
d.	I think I would find online shopping websites to	1	2	3	4	N/A
	be flexible to interact with.	5	6	7		
e.	Overall, I think online shopping websites would	1	2	3	4	N/A
	be easy to use.	5	6	7		

**You may choose: 1 = strongly disagree; 2 = disagree; 3 = somewhat disagree; 4 = neutral; 5 = somewhat agree; 6 = agree; 7 = strongly agree; or N/A, if it is not applicable.**

**26. Product & Service Factor**

	Strongly disagree		Strongly agree		
	1	2	3	4	
a. I think online stores sell more products than traditional offline stores.	1	2	3	4	N/A
	5	6	7		
b. Ordering items from online stores is an advanced and modern service.	1	2	3	4	N/A
	5	6	7		
c. I would prefer to order items from online stores as I do not need to deal with cash.	1	2	3	4	N/A
	5	6	7		
d. I do not like to shop at traditional markets in winter seasons.	1	2	3	4	N/A
	5	6	7		
e. I might prefer to order items from online stores as they provide larger variety of products than traditional markets.	1	2	3	4	N/A
	5	6	7		
f. I would prefer to buy products at online stores as they may provide me easily customizable personalized services.	1	2	3	4	N/A
	5	6	7		
g. I think online stores would provide more alternative products than traditional markets.	1	2	3	4	N/A
	5	6	7		

**27. Trust Factor**

	Strongly disagree		Strongly agree		
	1	2	3	4	
a. I would prefer to shop at traditional markets because I do not trust online stores.	1	2	3	4	N/A
	5	6	7		

b. I don't like giving my credit card number or	1	2	3	4	N/A
personal information online.	5	6	7		
c. I think it is risky to pay for the products over the	1	2	3	4	N/A
Internet.	5	6	7		
d. I would prefer to shop at traditional markets	1	2	3	4	N/A
because I cannot see the salesperson at online	5	6	7		
stores.					

**You may choose: 1 = strongly disagree; 2 = disagree; 3 = somewhat disagree; 4 = neutral; 5 = somewhat agree; 6 = agree; 7 = strongly agree; or N/A, if it is not applicable.**

**28. Other Factors**

	Strongly disagree	2	3	Strongly agree	4	
a. I prefer to see the products before I buy them.	1	2	3	4	5	N/A
	5	6	7			
b. I prefer offline shopping as I enjoy shopping with my friends or family.	1	2	3	4	5	N/A
	5	6	7			
c. I am willing to shop at an online store if it becomes popular.	1	2	3	4	5	N/A
	5	6	7			
d. I prefer offline shopping as it provides me more social interactions.	1	2	3	4	5	N/A
	5	6	7			
e. I prefer offline shopping as I am not good at new technology.	1	2	3	4	5	N/A
	5	6	7			
f. I think online shopping might be stressful.	1	2	3	4	5	N/A
	5	6	7			
g. I am overwhelmed by the amount of information I find online.	1	2	3	4	5	N/A
	5	6	7			
h. I feel frustrated by an inability to find what I am looking for online.	1	2	3	4	5	N/A
	5	6	7			

**THIS IS END.**

Thank you very much for your time and support!

If you have any comments on this survey, please leave your message below then send this survey to Esen Sagynov at [kadishmal@gmail.com](mailto:kadishmal@gmail.com):

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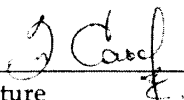
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