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E-Business: Customer Acceptance

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Abstract

Numerous business-to-consumer (B2C) Internet enterprises have failed over the past few years. Many reasons have been proposed for the failures of these e-businesses. This empirical study examines one possible reason for lack of success of B2C, the extent to which this online shopping opportunity actually alters the traditional purchasing behavior of the retail consumer. Based on accepted marketing theory, the findings indicate more retail shoppers use the Internet for information gathering than for actual purchasing. Clearly, Internet buyers have choices in their purchasing decisions.

1. Introduction

In the past few years, numerous business-to-customer (B2C) e-commerce startups have been unsuccessful. The reasons for this lack of success have been debated extensively. In the popular press much attention has been directed at many proposed contributing factors to e-business (B2C) failures. These factors include, but are not limited to: evaporation of the market for initial public offerings, the failure of consumers to adopt online buying practices, ill conceived business plans, flawed pricing structures, the ability of consumers to better detect price discrepancies, limited or no customer service, security and trust issues, the cost of attracting customers, and general lack of old-fashioned merchandising [1] [2] [3] [5] [9] [10] [12]. Clearly, much of the problem with these failures was the hype associated with the Web. Many entrepreneurs thought that setting-up a Web Site would attract customers by the thousands to buy their products or services. The reality is that there is no substitute for sound management and marketing practices.

Companies such as Amazon.com and eBay have held on during the e-commerce shakeout. Amazon and eBay (an online book seller and a person-to-person online auction, respectively) had the advantage of being first movers, but both have continually changed their sites to offer their customers what they want. For example, Amazon.com has used software to hone in on customer buying patterns. EBay uses a rating system for to buyers to rate sellers on quality of merchandise, speed of delivery, and other factors [12].

E-business entrepreneurs knew that the Internet would benefit consumers by allowing them to easily compare prices among competing retailers to find the lowest price for purchase. However, making effective use of online competitive price information, and actually purchasing online has been more difficult for consumers than online retailers originally thought [5]. While this online price comparison opportunity is available to Internet users and may be helpful, the question that remains is to what extent this online shopping opportunity actually alters the traditional purchasing behavior of the Internet consumer.

As noted above, the popular press has repeatedly reported on the recent e-business failures. However, these reports do not have a theoretical foundation, and are not based on a scientific study. This research project explores the actual purchasing practices of Internet users. In this study, based on marketing theory, we analyze the online shopping practices of Internet users to discern how they utilize the Internet in their actual purchasing process. Based on these results, we offer some possible explanations of their buying behavior as well as suggestions for future research.

2. Background

Over the years, marketing research has developed a theoretical model for describing consumer decision making in the purchasing decision process. It consists of five major phases as follows: (1) need identification, (2) information search, (3) alternatives evaluation, (4) purchase and delivery, and (5) after-purchase evaluation [8]. This model offers a generic overview of the consumer's decision making process, and is not always followed by a consumer, nor is it a linear process for the consumer.

Recently, this consumer decision model was extended to web purchasing, in the form of a framework called Consumer Decision Support System [11]. While this framework addresses all five of the decision making phases, our research focuses on the use of the Internet in the second phase, the information search, and the fourth phase, purchase and delivery.

The second stage, information search, can occur internally by recalling information stored in memory, or it can occur externally. The external information search for an Internet user can be greatly enhanced by the Web, which is fast, readily accessible, and essentially free. Internet databases and product search engines can be very beneficial at this stage.

The Web consumer's search will generate a set of preferred alternatives, which will be compared and

evaluated to derive the fourth stage, the ultimate purchase decision. However, the alternatives include many buying options, only one of which is purchasing online. Since each phase of the decision making model is independent, the Internet user may purchase the product either online or offline, even after using the Web to gather information on product(s). In fact, the purchase decision may actually favor a traditional retailer, since utilizing an online retailer often involves uncertainty as to credit card privacy, timely arrival of the product, satisfactory return policy, and even accurate vendor pricing. This study collects data on how online shoppers use the Web in the second stage, information search, and whether or not they have actually purchased goods or services on the Web, the fourth stage.

3. Overview of the Study

The purpose of this study is to determine the buying practices of Internet users. This study is an extension of a past study done in 2000 using students as subjects [6]. At the suggestion of reviewers and discussants, we extended the study to include a cross section of shoppers.

In this study, a sample of 137 consumers from an American shopping mall was chosen from a typical American city. Shoppers were chosen at random at times and on days viewed by the mall marketing manager as appropriate for conducting the survey. Shoppers were asked to fill-out a questionnaire (Table 1) and assured anonymity in filling out the survey. The questionnaire was validated with a test group before giving the instrument to the one-hundred and thirty-seven consumers used in the survey.

Table 1: Questions and Responses

Question	Responses
1. Please indicate your sex.	A. Male B. Female
2. Please indicate your age.	A. 18-26, B. 27-31, C. 32-36, D. 37-40, E. Over 40
3. Please indicate your marital status.	A. Unmarried, B. Married
4. Indicate the number of hours per week you are currently employed.	A. None B. 1 to 15 C. 16 to 25 D. 26 to 40 E. Full time
5. Highest level of education attained.	A. Some high school B. High school graduate C. Some college D. College graduate E. Graduate work
6. Total approximate amount of family's annual income.	A. $10,000 or less B. $10,000 to $25,000 C. $25,000 to $40,000 D. $40,000 to $50,000 E. More than $50,000
7. Use of the Internet for personal communication	A. Frequently B. Occasionally
purposes.	C. Seldom D. Never
8. Use of Internet for business purposes.	A. Frequently B. Occasionally C. Seldom D. Never
9. Use of Internet for pricing purposes.	A. Frequently B. Occasionally C. Seldom D. Never
10. Use of the Internet for purchasing purposes.	A. Frequently B. Occasionally C. Seldom D. Never

The first three questions are used to collect demographic data on the users in this study. This will allow us to compare the demographics of our sample with the demographics of previous studies on Internet users. The next three questions (4, 5, & 6) are used to determine buying potential through employment status, education level, and income. The next two questions (7 & 8) are used to determine personal and business use of the Internet by shoppers. The next question (9) is used to determine how the shopper uses the Internet in determining information about products or services, the second phase of the consumer decision model. The last question (10) serves to determine whether users purchased a product or service over the Internet, the fourth stage of the consumer decision model.

4. Findings

The demographics of our sample are distributed as follows. In our sample, approximately 39% were male and 61% were female, approximately 36% were between 18 and 26 years old, 33% between 27 and 40, and the users over 40 years old accounted for about 31%. Approximately 52% were married, 45% were not married.

With the exception of gender, the demographics of this study fit very well with those of the typical Internet consumer as reported by the latest GVU Center Survey at Georgia Institute of Technology [4] in 1998. The GVU Survey indicates that most users are between the ages of 16 and 40 (approximately 60%). Most of the users in this study are between the ages of 18 and 40 approximately 70%. In the GVU Survey 64% were male and 36% female. In this study, there are approximately 61% women and 39% men participating. Our population consisted of a cross section of American shoppers (72%) had some college and as indicated by the 1998 GVU Survey almost 90% of Internet users had at least some college. In the GVU study, approximately half of the respondents were married and half were not. In this study, 55% were married and 45% were not.

Time spent on the Internet by users for personal and business use varied. Approximately 86% of the shoppers in the study used the Internet for personal use. For personal use purposes, approximately 54% use the Internet frequently, 20% use the Internet occasionally, 12% seldom use the Internet, and 14% never use the Internet for personal use.

Approximately, 66% use the Internet for business purposes. Frequent use for business purposes is 27%, occasional use is 20%, seldom use is 19%, and 34% did not use the Internet for business purposes.

We analyzed aspects of the consumer decision model. The results of this study indicate Internet consumer application of Phases 2 and 4 of the five-phase consumer decision model [8]: 1. Need identification , 2. Information search, 3. Alternatives evaluation 4. Purchase and delivery, 5. After-purchase evaluation.

Over 71% of the users in this study use the Internet to gather information (Phase 2) on products or services for pricing, but only 57% actually make the purchase (Phase 4) on the Internet. As stated earlier, the use of the Internet offers an online price and product/service comparison opportunity, but this online shopping opportunity only partially alters the purchasing behavior of the Internet consumer as seen by the 14% who do not purchase (Phase 4) on the Internet.

4. Discussion

This study confirms that Internet users have choices in their purchase decision. It demonstrates that many of them use the Web to access information in order to compare products and services. However, it appears that fewer of these same Internet users have broken away from their traditional purchasing habits to actually use the Web to buy products and services. While most of these Internet users find the Web helpful in the information search phase of the purchase decision, fewer apparently are comfortable enough on the Web to actually consummate their purchase online.

The findings of our study are consistent with the e-commerce concepts proposed recently by noted IT author Peter Keen (2001) [7]. He states that the central problem that the Internet poses for shopping online requires that we trust people and organizations in which we have no experience. We are interacting with organizations, which we have never seen, whose identity we may not be able to validate. And all of this is occurring in situations where misunderstandings occur frequently and are difficult to correct. Modern, online trust involves trust relationships with entities we have never met face-to-face, where the proverbial handshake is absent.

So, how does an e-commerce firm overcome this trust obstacle? In order for the Internet to become a viable and profitable media, online companies must heed Keen's advice and build trust in their relationship with the customer. One possible alternative is to look to a successful e-commerce firm like Amazon.com, which was mentioned above. Amazon.com ensures that every customer interaction is a two-way dialog, that customer questions are fully answered, that customer problems are immediately handled, and that the customer is kept informed of their order status. Over time that attention to the customer's concerns builds a trust relationship that has translated to an 80% repeat business rate for Amazon.com [7]. E-commerce firms must offer more than products that customers want. They must also build customer trust with policies that ensure convenience, credit, security and easy returns. E-commerce firms must take the fear out of the purchasing transaction process for their customers.

5. Conclusions and Suggestions for Future Research

This study extends previous exploratory research examining consumer buying practices on the Internet. The previous study [6] involved the Internet buying behavior of American University students. The current study extends this research to American retail shoppers chosen at random in a retail shopping mall.

The findings of the current study indicate that while 71% of the respondents use the Internet for information search in the purchasing decision process, whereas only 57% of those surveyed, have actually purchased products or services over the Internet. The findings are consistent with the previous study using students as subjects. Customers do have choices in the purchasing process and will buy goods and services using the approach that satisfies their need for trust at the time of purchase.

One advantage of this study over the previous study was that a better cross section of shoppers was surveyed, as opposed to the last study where only student subjects were used. The study could be extended to include questions on ethnicity of shoppers and types of products and services purchased. A more global perspective on purchasing could be achieved using an international sample.

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