DETERMINANTS OF ONLINE SHOPPING IN MANADO

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ABSTRACT

Retailers utilize online media to reach more potential customers. Internet connects the retailer and customers without any geographic location boundaries. Internet growth has a positive impact for business world. There is a new shopping method in non-store shopping as people can buy products or services without having to travel to the outlets like traditional retail does. With the increase of online retailers on internet world, online shopping became popular. The objective of this research is to know the factors that drive people in Manado to purchase online. Theories supporting of research are online shopping and its factors. Population of this research is people in Manado who ever made online purchasing with sample as many as 100 respondents. Confirmatory factor analyze were used to analyze the twenty variables in this research. The results and conclusions are from twenty variables observed, sixteen variables form six factors that drive people to shop online. Those factors are service quality, perceived security, shopping intention, relative advantage, brick and click, and internet knowledge. There are four variables that do not significantly influence shoppers to shop online, namely: payment option, web design, research, and providing good information.

Keywords: online shopping

INTRODUCTION

Research Background

Technology and information grow so fast nowadays. The information that could originally be taken from the books now is easier through internet. Internet development has been so rapid since 1995. Based on internet world statistics (2012), the user of internet has been increasing very significantly from year to year.

Seeing the opportunity that internet media have, retailers begin to look to that to expand their business. Internet was initially just as a networking media, but then it has also been utilized as a medium for trading at global market. To and Ngai (2006) stated that online retailing is online version of traditional retail (AlGhamdi et al., 2011:153). Internet connects the retailer and customers without any geographic location boundaries. There is a new shopping method in non-store shopping as people can buy products or services without having to travel to the outlets like traditional retail does. With the increase of online retailers on internet world, online shopping became popular.

According to statistic brain (2012) from total online user over the world, 83% has made internet purchase and 56% of them have made purchase multiple times. According to ACNielsen (2008:1), more than 875 million customers have shopped online. Indonesia is the eighth country with highest internet users in the world and the fourth in Asia. According to internet world statistic (2012) total population of Indonesia as per June 30, 2012 is 248,645,008 and 55,000,000 of the population are internet users. Haubl and Trifts (2000) stated that despite the explosive growth of electronic commerce and the rapidly increasing number of customers who use interactive media for pre purchase information search and online shopping, very little is known about customers make a purchase decision such settings (Ameri 2009:9).

Research Objective

The objective of this research is to know the factors that drive people in Manado to purchase online.
THEORETICAL FRAMEWORK

Theories

Online Shopping
Singla et al., (2012:247) stated that electronic shopping or online shopping is defined as a computer activity/exchange performed by a consumer via a computer-based interface, where the consumer's computer is connected to, and can interact with a retailer's digital storefront to purchase the products or services over the internet. Online shopping is the process whereby customers directly buy goods and services from a seller without an intermediary service, over internet (Moling 2011:457). According to Laudon and Traver (2011:386) there are eight factors that drive consumers to shop online, they are can shop anytime, can research many products at the same time, can find products there are not available in stores, not need to deal with salespeople, better information, easier to find information, price, products are usually in stock. Segel (2009) states factors that drive people to shop online which are convenience, price, research, control, specialization, trust, emotional connection and entertainment.

The Factors of Online Shopping

Convenience
Breitenbuch (2004:15) stated that convenience is to be able to purchase goods without having to visit shops and order products which will be delivered to the door. Internet enables shoppers to conveniently access and purchase goods without geographic locations boundaries by enabling shoppers to visit and make purchases from vendor websites in the comfort of their homes (Chang and Samuel 2006:71).

Product Value
Product value is often considered to be product quality and firm that has a clear understanding product value is the one most likely to enjoy the highest level of success (Keillor 2013:133). The creation of customer value for the online consumer can be achieved through providing the required product range and adequate tools to viewing them and also enhancing the web atmosphere (Okonkwo 2007:204).

Lower Transaction Cost
Online shopping has lower transaction costs than shopping at physical store, because online shopping requires less time and effort (Arnold 2008:43). According to Liang and Huang (1998:33), lower transaction cost include cost for searching information, comparing attributes, examining products, negotiating terms, paying for products, and post sales services.

Brick and Click
Brick and click refers to the existence of a physical shop besides the online shop (Alghamdi et al., 2011:155). Many industrial distributors think it is efficient for customers to be able to place their orders over internet and then either get the goods delivered or pick them at physical store (Naunheim 2011:32).

Payment Option
The increasing competition for online sales is forcing e-retailers to always lookout for new payment options (Belew and Elad 2011:550). The reasons for the popularity of credit cards and bank transfer are that they are in widespread use and familiar to customer (Hornle and Zammit 2010:112).

Web Design
Web design is important for getting higher levels of satisfaction with the website or for increasing the online purchase intention of the consumer (Psaila and Wagner 2008:31). Menu of website must be easy to find and understand to help a user find any item. If not, user who becomes frustrated and leaves the site (Eccher et al., 2005:126).
Reliability
Reliability can be translated into the proper functioning of the website and delivery of product and services as promised (Leung et al., 2010:250).

Trust
Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another (Acquisti 2010:269). Monsuwe et al., (2004:114) stated that online shopping contains a level of risk. Consumers cannot physically check the quality of a product or monitor security of sending sensitive personal and financial information while shopping on internet.

Time Saving
Internet skills of online shoppers might also have an impact on the duration of the shopping process (Hartner 2009:31). Singla et al. (2012:247) stated that internet technology allows for the expansion of options beyond the traditional methods that may be more time consuming.

Research
Online shopper is variety seeker. Internet enables consumers to access information and buy products across a much larger number and variety of stores, products and brands (Muller and Mitchell 2010:55).

Price
Selling price, for the company, represents the means of recouping costs and making profit (Lancaster and Reynolds, 2005:23). If price of product is greater than what customer get, the more the likelihood of customer alienation and trust breaking down (Gay et al., 2007:14). As more manufacturers and wholesalers cut off retail intermediaries to sell direct to consumers via internet, costs are lowered; and consequently lower prices can be offered (Chang and Samuel 2006:71).

Providing Good Information
Customers go online for products knowledge, production details, use recommendations, recipes and so much more (Segel 2009).

Control
Control relates to an individual’s perception of the availability of knowledge, resources, and opportunities required to perform a specific behavior, in online shopping (Monsuwe et al., 2004:108). Online shoppers enjoy their increased sense of control in the cyberstore compared to other purchase situations (Gao 2005:56). Going online puts control squarely in the hands of customers.

Providing Money Back Guarantee
Van den Poel and Leunis (1999) stated that a money back guarantee would therefore be the most important risk reliever, followed by offering a well-known brand and a price reduction (Clarke and Flaherty 2005:54).

Computer and Internet Knowledge
Consumers with low self-efficacy are uncertain and less comfortable shopping through internet, and therefore need simple procedures that require little knowledge and guide them through the online shopping process (Monsuwe et al., 2004:111).

Tangibility
Tangibles refer to the physical facilities, equipment and appearance of personnel (Khosrowpour 2000:455).

Customer Service
Customer service is a series of activities designed to enhance customer satisfaction-the feeling that a product or service has met the customer's expectations (Turban and King 2003:165).
Experience

Online experience is formed during the navigation of online shopping sites rather than before or after shopping (Ameri 2009:21). If consumers enjoy their online shopping experience, they have more positive attitude toward online shopping, and more likely to adopt internet as a shopping medium (Monsuwe et al., 2004:109).

Offering Well-Known Brand

Brand is important for its ability to attract and maintain consumer attention (from a marketing perspective) (Gero 2011:271).

Previous Research

Alghamdi et al., (2011) found that that trust in Saudi e-retailers (or the lack of it) is probably the most important factor affecting current and potential Saudi customers. Alam et al., (2008) found that consumers’ trust has received the most consistent support as factors that influence online buying as well as for online buyers, the good perception on the customer service is considered as the best predictor when compared to other constructs. Ameri (2009) found that tangible vs intangible product is the most important at the first level, at the second level computer/internet knowledge is most important, at the third level, integrity, information content, offering well-known brand, lower transaction cost, provide money back guarantee, internet purchase experience, time saving and fraudulent behavior is significant influence to buying intention.

Figure 1. Conceptual Framework

RESEARCH METHOD

Type of Research

Type of this research is exploratory research. Exploratory research generates insights that will help define the problem situation confronting the researcher or improve the understanding of customer motivations, attitudes, and behavior that are not easy to access using other research method (Hair et al., 2010:36).

Place and Time of Research

Research was conducted in Manado from June to August 2013 and provides information on knowledge of online shopping. Questionnaire starts spread on July 2013.

Population and Sample

Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate (Sekaran and Bougie 2011:262). Population of this research is people in Manado who ever made online purchasing. Sample is a subset of population (Sekaran and Bougie 2011:263). This research uses nonprobability sampling technique and convenience sampling design. Sample size of this research is 100 respondents which is born between 1977 and 1994 and reaching their age of 19 to 36 years old in 2013 (Generation Y).
Data Collection Method

Data can be obtained from primary data and secondary data. Primary Data is information collected for a current research problem or opportunity. Primary data is firsthand data that has not been published yet and is more reliable and authentic. Secondary Data is information previously collected for some other problem or issues (Hair et al., 2010:26). This research spread questionnaires to collect primary data.

Operational Definition and Measurement of Research Variables

Operational Definition of Research Variables
1. Convenience: Purchasing products anytime, in the comfort of their homes.
2. Product value: Online shopping offer a variety of products or services that are competitively priced and good quality
3. Lower transaction cost: Shop online has lower cost included cost of searching information, comparing attributes, examining products, and negotiating terms.
4. Brick and Click: The existence of a physical shop besides the online shop
5. Payment option: The availability methods of payment for customer to pay their order.
6. Website design: The appeal of the user interface design presented to customer
7. Reliability: Believe that e-retailer deliver the promised services within the promised time frame
8. Trust: A general belief that e-retailer can be trusted.
9. Internet speed: The speed of internet connection at customer’s home.
10. Time saving: Reduce customer’s time in review and compare thousands of products in a shorter period of time
11. Research: Easy to compare and review the products that customer want to buy.
12. Price: Online shopping offered low prices and get easy to compare prices.
13. Providing good information: The information, features or details of product and services that offered in online shop.
14. Control: The control of the whole purchasing process without dealing with someone else.
15. Providing money back guarantee: A guarantee for buying online products.
16. Computer and internet knowledge: The knowledge and ability of customer to operate and use computer more specifically internet.
17. Tangibility: Level of visual appealing of products on online shop equals visual appealing of products on customer’s hand.
18. Customer service: Online shop offered better customer service like providing good feedback to treats customer goodly.
19. Experience: Satisfactory outcomes that leads consumer to continue to shop on internet in the future.
20. Offering well-known brand: Sell branding products to customers.

In this research, the variable will be measured using Likert-scale. Likert-scale is an ordinal scale format that asks respondents to indicate the extent to which they agree or disagree with a series of mental belief of behavioral belief statement about a given object (Hair et al., 2010:162). Likert-format items were presented with 5 point scales, where 1 = "strongly disagree," 2="disagree," 3 = "neither disagree nor agree," 4="agree,” and 5 = “strongly agree”.

Data Analysis Method

Validity is the extent to which the conclusions drawn from an experiment are true (Hair et al., 2010:120). By testing the validity, researcher can decide the scale measuring what it is meant to be measured (Shukla 2008:82). Measures of Sampling Adequacy (MSA) in Anti-image Correlation is used to measured validity test. If MSA in “Anti-Image Correlation” is more than 0.5 then the data is valid. Reliability indicates the extent to which it is without bias (error free) and hence ensure consistent measurement across time and across various items in the instrument (Sekaran and Bougie 2011:161). To be reliable Cronbach’s Alpha must be more than or equal with 0.7, then the measurement is consistency and reliable.
Factor Analysis Model

Factor analysis is a multivariate statistical technique that addresses itself to the study of interrelationships among a total set of observed variables (Wells and Sheth 1971:3). Factor analysis addresses the possibility and the power of a relationship between factors that have been elected with a problem that want to be analyzed. Factor analysis is used when a researcher want to find out the root of the problem or factors at first where other analysis tools can not be able to analyze it. This study uses confirmatory factor analysis approach (CFA) because it’s analyzing the factors that have possibility to drive online shopping based on previous theories and research. Factor analysis usually proceeds in four steps correlation matrix, factor extraction, factor rotation and make final decision about the number of underlying factors (Khelifa 2009:13).

RESULT AND DISCUSSION

Result

All variables in this research are valid. The MSA value of convenience is .789, product value is .808, lower transaction cost is .650, brick and click is .572, payment option is .829, web design is .861, reliability is .830, trust is .737, internet speed is .778, time saving is .726, research is .816, price is .741, providing good information is .803, control is .824, money back guarantee is .838, computer and internet knowledge is .760, tangibility is .855, customer service is .812, experience is .779, and offering well-known brand is .590. The value of anti-image of all the variables are above .50, thus, the results of validity test conducted by questionnaire in this research is valid so that it can be implemented to further analysis.

The result of reliability test indicates that the Cronbach’s Alpha is .875. The consistency reliability of the measure used in this research can be considers as good and can provide consistent results when repeated measurements is conducted to the same subject.

Result of Factor Analysis

The KMO measures the sampling adequacy which must be greater than .5 and significant of Bartlett's test of sphericity must be less than .05 for factor analysis to proceed. The value of KMO measure the sampling adequacy is 0.798, and the significant of Bartlett’s test of sphericity is .000. It can be concluded that the data of this research can be able to use for next test for factor analysis. The core process of factor analysis is to extract the set of variables to form one or more factors. All twenty variables passed the validity test, but only sixteen of them performed as factors based on the rotated component matrix test. The remaining four variables were not included are: payment option, website design, research, and providing good information. The sixteen variables were formed to six factors as the result of the analysis. The result of the analysis are as follows.

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Source: Data analysis result
Factor loading above means that the variables are important and influencing people to shop online. The higher the value of factor loading, the stronger the relationship between the variable and the factor formed. In the first factor which consists of five variables, reliability has the highest factor loading, that means reliability is the strongest variable in factor one. Trust is the most important variable in the second factor with factor loading of 0.748. In the third factor, time saving has the strongest relationship with factor formed. And price is the most important factor in fourth factor with factor loading of 0.789.

Discussion

Service Quality

The first factor is termed as Service Quality, which consists of five variables, they are reliability, tangibility, experience, customer service and product value. Service quality can be defined as global judgment about the superiority or excellence of the service provided (Chang et al., 2004;549). Parasuraman et al., (1988:23) identifies five dimensions of service quality (SERVQUAL): tangibility, reliability, empathy, responsiveness, and assurance. Chang et al., (2004:545) stated that variables of service quality are providing good information, reliability, tangibility, empathy, customer service, and perceived quality of e-vendor. Online retailer must be reliable for all what they said and promise to customers. Online retailer must communicate the delivery date of online order, and deliver the products as promised. Products that bought online must be physically the same as what customer saw on website. Good customer experience could draw shoppers back to websites to make repeat purchase and then recommend the online retailer to other consumers. For online consumers, a good experience means being treated with respect as valued customer to build a long relationship. Experience could be obtained with how well the service quality that e-retailer give to customers, and experience resulted satisfaction and loyalty. Online retailer has a unique way to treat their customers since the trading is not done by face to face communication. Customer can text or call their phone numbers day and night or every day without having working hours/days boundaries. Online retailers are usually quicker to respond because online shoppers do not have to queue up like in physical stores. Great customer service reflected the service quality of e-retailer. Online shop offers variety of products with good quality, unique or unusual products, and an up-to-date. Sometimes, when a new trend comes in, physical stores often left behind to sell it. Online store gives good experience where customers want to find a product that is rarely found in physical stores.

Perceived Security

The second factor induce online shopping is termed as Perceived Security. This factor consists of trust, control and money back guarantee. Perceived security of an electronic commerce transaction may be defined as the subjective probability with which consumers believe that their personal information (private and monetary) will not be viewed, stored, and manipulated during transit and storage by inappropriate parties in a manner consistent with their confident expectations (Chellappa 2007:15). Trust is very crucial thing for online shopping. Online customers trade with someone that they never know, never see or meet before. Transfer some amount of money with the uncertainty if online retailer whether will send the product or not affecting online shopping intention. However, once customer trusts an online retailer, they will begin to get used to face the risks of online shopping and tend to make purchases again. The relationship between trust and perceived security is a very strong and positive. Customers do continue to shop at the websites which they have shopped before and recognized as trustable. Customer trust towards online shopping depends on perceived security. As a company’s perceived security of online shopping site increases, also does the customer trust (Özgüven 2011:995). Perceived security is one amongst many other factors that can increase or decrease this trust (Halaweh and Fidler 2008:448). By controlling the online shopping transaction process, customer feel there are in control and lead it trust, resulted to perceived security during the whole process. Consumers’ ability to control information collection and usage can reduce the risk associated with internet usage (Chellappa 2007:14). Control here means making customers feel comfortable and have the purchasing power. Interference from the sales person is less in online shopping. There is no pressure in the purchase decision. There is also no shame or shy if the customer does not buy. The other way to get the perceived security of customer is by providing a money back guarantee. Provide warranty equal to ensure customers on their purchase. Warranty is a way to make the customer relieve and safe in the purchases risks.
Shopping Intention

The third factor is termed as Shopping Intention, which consists of internet speed, time saving, and offering well-known brand. Intentions represent motivational components of a behavior, that is, the degree of conscious effort that a person will exert in order to perform a behavior (Shim et al., 2001:400). Ameri (2009:37) states that brand conscious and time conscious could drive customers intention to shop online. According to Alghamdi (2011:155) easy access and internet speed could enables customers to shop online. As time becomes priority, online shopping could be a good choice in make a purchase. Online shopping can reduce the time for reviewing products. Just with a single click customer can compare several products at once. Online shopping also reduces a lot of time because the customer does not have to travel to a store to buy a product. The speed of the internet connection which consumers used for e-shopping was also found to be positively associated with actual use of e-shopping (Cao and Mokhtarian 2005:31). Internet speed is important factor affecting customer’s online shopping experience. It affects the online shopping intention. Manado internet users were very concerned with internet speed because the depth level of information of product search depended on internet speed. The faster internet speed, the more information would be retrieved and more satisfaction level will be gained. Online shopping intention also could be depending on what online retailer offer to customers. Offering well-known brand is one of good example to increase the intention of purchasing online. Selling well-known brand will be reducing the fear of product risk on online shopping.

Relative Advantage

The fourth factor is termed as Relative Advantage. This factor consists of three variables, they are: price, convenience, and lower transaction cost. The relative advantage of direct web shopping mirrors the customers’ acknowledgement that this new shopping method provides certain advantages over alternative shopping formats (Karayanni 2003:144). According to Chang et al., (2005:545) online shopping has relative advantage that consists of utility as communication channel, utility as distribution channel, time saving, convenience, easy to order, can try something new, can avoid collecting and transporting product, product value, lower transaction cost, retail price, perceived usefulness, perceived ease of use, and perceived consequence. With the reference above, the second factors termed as relative advantage. Internet has revolutionized the way people shop. With various advantages and benefits of online shopping, more and more people prefer to shop online. With price information that clearly stated on internet, shoppers can avoid overpay the products. Online shoppers are able to buy direct from a manufacturer website. As manufacturers cut the needs of intermediaries or reseller, costs are lowered and they are able to offer lower prices. Moreover, online store are not burden by costs of running a physical store, such as the rent a building, taxes, and wages. The cost savings by online store leads to lower the pricing of products. And it will be a cost savings to online shoppers. The ability to shop online anytime and anywhere has strong drive for respondents to shop online. Online shopping advantages also can be obtain with the lower cost that online shops offer.

Brick and Click

The fifth factor induce online shopping is termed as Brick and Click, which consists of one variable that is brick and click. Brick and click means an online retailer besides have an online store also have a physical store. Online shoppers in Manado are more trust an online store that has a physical store as well. Some online store display their photo of physical store on the website to prove that they are actually sellers. Have a physical store makes online shoppers in Manado would be less feel trick. Customers can review products through website and buy it directly in physical stores without having to wait for delivery time. Moreover, this could mean when they have complaints or problems with the products they purchased, they have option to go to physical store. Thus, it can be concluded that online shoppers in Manado will be more trust an online store and will be more motivated to make a purchase at an online store if there is an existence of physical store.

Internet Knowledge

The sixth factor termed as Internet Knowledge. This factor consists of one variable that is computer and internet knowledge. Online shopping requires basic knowledge of computer as well as knowledge about internet. Adapting with internet it is very difficult for a person who was born not in internet era. Sometimes, using personal cell phones becomes so difficult even more using internet. If people do not have knowledge to operate computers even more internet, they will likely not have an intention to purchase online. So, Computer and internet knowledge become a strong driving factor to purchase online.
The following discuss four variables that do not influence online shoppers to shop online.

1. Payment Option
   The ease and variety of payment options has no significant effect on purchase intentions. Online retailers that provide facilities of payment option, do not influence buying intention from not intention to buy to have an intention to shop online. However, payment option in Manado affect online shoppers to choose to which online retailers they will buy the products. Online shoppers will choose an online retailer that provides the same bank with their bank.

2. Web Design
   Online shoppers in Manado do not feel that the design of an online web store would induce them to shop online. Online shoppers are more concerned with what products offered by online retailers rather than how good web design online store.

3. Research
   Searching product that customer want to buy is much easier on internet. But, it cannot boost online shoppers in Manado to shop online. Browse on internet then just become one advantage to shop online and cannot be factors that can drive people to shop online

4. Providing Good Information
   Information of products that online store offer is list very detail. However, sometimes getting so much information could affect a person's emotions to shop. Got so much information and seems too great for a product to be like, result doubt feelings to online shoppers in Manado to buy online. Online shoppers in Manado feel that providing good information variable has no effect to drive their motivation to shop online.

CONCLUSION AND RECOMMENDATION

Conclusion
The six factor that drive people in Manado to shop online are service quality, perceived security, shopping intentions, relative advantage, brick and, and internet knowledge. There are four variables that do not significantly influence shoppers in Manado to shop online, they variables are payment option, web design, research, and providing good information.

Recommendation
The future research could be better off by including more factors, taking more category of age, and more sample. Then, use combination of qualitative and quantitative will be great for online shopping research for deeper understanding of why people shop online. For online retailers, it is highly recommended to consider the six factors with the top five of the highest factor loading are computer and internet knowledge, brick and click, price, time saving, and offering well-known brand. So, by targeting people who have internet knowledge, had physical store besides online store, keep offer lower price and offering well-known brand will be good to gain more customers and more profit.

REFERENCES


