

A Study on Factors affecting consumers Purchasing Decisions in Online Shopping in Bangalore.

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Abstract

The main objective of this study is to identify the factors responsible for the purchasing decisions of consumers in online shopping. In the study, the independent variables considered were Trust, Return Policy, Cash on Delivery, Cash Back Facilities, Service, and Reputation, and the effect of these variables on the dependent variable Purchasing Decision is found. The study involved 100 respondents, and responses were collected using a structured questionnaire. Multiple regression is used to identify the existence of a linear relationship between exploratory variables and the outcome variable Purchasing Decision. The analysis revealed the existence of a strong relationship between purchasing decisions and Trust, return policy, Service, and Reputation

Keywords: Purchasing Decision, Trust, Multiple Regression, Online Shopping.

Introduction

Worldwide, we see consumers turning to the internet for their shopping needs and concerns. This opened all businesses a window and business opportunity. One of the obvious advantages is the global internet reach, whereby consumers can buy goods and services in a wide range of categories anywhere at any location.

In 1994, for the first time, e-commerce or online shopping started. Since then, internet use is not only used to build a network, but also a marketing and transaction medium. Ecommerce can now be quickly built as cheaper Internet access than ever before, and many banks provide internet banking features that can help support the payment process in e-commerce to develop quickly. Advance in technology also leads to e-commerce development with ease, as there are many free applications to build e-commerce sites right now. Shopkeepers tend to establish online stores as an online retail method when product brands and Reputation are well established and widely known to consumers. In line with this, internet shopping becomes an alternative for consumers as it is more comfortable than conventional shopping, usually attributed to anxious, crowded, traffic jams, Limited time, parking space, etc. Thus the Internet retailing is one of the world's fastest-growing sectors and has significant effects on traditional retail supply.

The objective of the study is to identify the factors that affect the purchasing decisions of consumers in online shopping. In order to gain insight into online shopping and to increase online shopping, it is essential to the E-commerce companies to identify the driving forces towards online shopping intention.

Literature Review

A. Trust

(Nga, 2018) their researcher work showed six factors affecting online shopping trust, namely credibility, business size, protection of the information, comparison group, and perceived quality of Service. Among the six factors, company size has the highest consequences on confidence, followed by credibility, community comparison, quality of operation. In contrast, the website and computer protection are at the lowest.

(Tuteja, Gupta, & Garg, 2016) their analysis indicates there are different contexts such as brand orientation, website design, previous online experience, content orientation, security impacts trust in internet shopping. The study also revealed that Indian consumers buying intentions are affected by the model's secrecy component.

B. Return Policy

(Pei, Paswan, & Yan, 2014) in their study, empirically illustrated that the e-tailer return scope has a positive impact on customer perceived return policy value and purchasing intent. The study indicated e-tailer related rivalry and its credibility improve the relationship between the scope of the return policy and understanding of return policy related fairness and intention to buy.

C. Cash On Delivery

(Halaweh, 2018) in their study, compared COD to other types of e-payment and discussed the consequences of COD for both consumers and E-vendors. The study also explored the implications for the field of e-commerce and outlines fields for future study.

D. Cash Back Facility

(GUGLANI, 2016) in their study presents the various strategies adopted by e-marketers to attract and retain customers and implements the strategies from the success stories among different approaches. The introduction of the cashback model is making fast progress in the Indian marketplace.

E. Service

(Rita, Oliveira, & Farisha, 2019) in their work focussed on the dimension of e-services to predict customer behavior. This study not only tested the impact of customer satisfaction on customer behavior such as repurchase intention and word of mouth but also the importance of customer trust. The study tried to bring about different country cultures with regard to service quality.

F. Reputation

(Ong & Chan, 2016) in their work, focusing on the importance of merchant reputation that makes consumer decision making in online shopping. The research revealed that merchant reputation has a direct influence on consumer confidence and Trust, which indirectly affects the decision to shop online.

RESEARCH METHOD

The empirical study aims to identify the factors that influence customers purchasing decisions, which aims to determine the influence or relationship between two variables or more. The target population in this study is people in the city of Bangalore with different age group, gender, and education level. Samples are selected using Random sampling, which represents the entire population. A sample was determined by 100 respondents, with a well-structured questionnaire using a five-point Likert scale to measure the purchase decision dimensions of the respondents. The Cronbach's alpha value of the dimensions of purchasing decisions is 0.712, which indicates that the questionnaire is reliable. Descriptive statistics are applied to the demographic and the dimensions of purchasing decisions, and multiple regression is applied to find the relationship between the exploratory and dependent variables. SPSS tool is used for data management and analysis of data. The stated hypothesis is tested using multiple regression analysis

Hypothesis:

H0: There exists a linear relationship between the Purchasing Decisions and the Trust, Return Policy, Cash on Delivery, Cash Back Facilities, Service, and Reputation

Data Analysis and Result

The demographic characteristics of the respondents are represented in the table below. The demographic variables considered are age, Education, Marital Status, and a number of years of usage of online shopping. Out of 100 respondents, 45% of the respondents are aged between 20 to 30 years, whereas only 4% are aged above 60 years. Most of the respondents are young. The education of respondents will have a significant impact on buying online. It is evident that 50% of the respondents are graduates, and only 20% are Nongraduates. The marital status may be correlated with buying online. The majority of the respondents that are 60% are married, and 40% are single. 70% of the respondents are buying online from the last 3 years, whereas only 10% are buying for 5 years.

Table 1: Demographic variables of respondents

Demographic variables		Frequency	Percentage
Age	20-30	45	45
	30-40	35	35
	40-50	12	12
	50-60	14	14
	60 and Above	4	4
Education	Non Graduates	20	20
	Degree	50	50
	Post Graduation	30	30
Marital	Single	40	40

Status	Married	60	60
Duration of usage	1-3 Years	70	70
	3-5Years	20	20
	5 Years and above	10	10

Source: Field Survey, 2020

To test the hypothesis that the factors affecting consumers purchasing decisions, a five-point Likert scale is considered on the determinants of factors that results in consumer purchasing decisions such as Trust, Return Policy, Cash on Delivery, Cash Back Facilities service, and Reputation. The opinion of 100 respondents is recorded, and the average responses of determinants are considered for further analysis. The dependent variable under study is Purchase decision, and the independent variables are Trust, Return Policy, Cash on Delivery, Cash Back Facilities, Service, and Reputation. The descriptive statistics of the parameters of the hypothesis is depicted in the table below.

Table 2: Descriptive statistics

	Mean	Std. Deviation	N
PURCHASE DECISION	3.9400	.73608	100
TRUST	3.9600	.68046	100
RETURN POLICY	4.0900	.68306	100
CASH ON DELIVERY	4.1800	.75719	100
CASH BACK FACILITY	3.4400	1.22532	100
SERVICE	3.8100	.86100	100
REPUTATION	3.7900	1.24150	100

Multicollinearity is tested whether the explanatory variables are highly correlated. To access the multicollinearity, when the Variance Inflation Factor (VIF) is greater than 10, and Tolerance (TOL) is less than 0.1, then it can be said that multicollinearity exists.

Table 3: Table of Multicollinearity

Variables	Collinearity Statistics		Findings
	Tolerance	VIF	
TRUST	.543	1.842	No Multicollinearity
RETURN POLICY	.514	1.945	No Multicollinearity
CASH ON DELIVERY	.834	1.199	No Multicollinearity
CASHBACK FACILITY	.877	1.141	No Multicollinearity
SERVICE	.911	1.097	No Multicollinearity
REPUTATION	.890	1.123	No Multicollinearity

From Table, all the Tolerance values were more significant than 0.1, and the VIF values were below 10. Thus, the results indicate that all the independent variables were not correlated with each other. Therefore, a multicollinearity problem does not exist.

From the model summary table, it is evident that $R=0.645$ indicates a positive correlation between Purchasing decisions and Trust, Return Policy, Cash on Delivery, Cash Back Facilities, Service, and Reputation. The R^2 value indicates the contribution of the effect of independent variables on the dependent variable Purchasing Decisions. In this case, 41.6% can be explained.

Table 4: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.645 ^a	.416	.379	.58015	2.060

The Analysis of Variance table indicates that the regression model statistically predicts the outcome variable that is Purchasing decisions as the p-value is less than 0.05. Therefore we can conclude that the relationship between the Purchasing decisions and Trust, Return Policy, Cash on Delivery, Cash Back Facilities, Service, and Reputation is significant.

The Coefficient Table predicts the Purchasing Decisions from the independent variables Trust, Return Policy, Cash on Delivery, Cash Back Facilities, Service, and Reputation. From the Table, all independent variables affect the purchasing decisions as P-value is less than 0.05.

Table 5: Coefficient

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.393	.470		2.965	.004
TRUST	.430	.116	.397	3.694	.000
RETURN POLICY	.240	.119	.223	2.016	.043
CASH ON DELIVERY	-.199	.084	-.205	-2.360	.020
CASHBACK FACILITY	-.136	.051	-.227	-2.677	.009
SERVICE	.191	.071	.223	2.691	.008
REPUTATION	.115	.050	.194	2.317	.023

The prediction equation for the model is

$$Y(\text{Purchasing Decision}) = 1.393 + 0.430 (\text{Trust}) + 0.240 (\text{Return Policy}) - 0.199 (\text{Cash on Delivery}) - 0.136 (\text{Cash Back Facility}) + 0.191 (\text{Service}) + 0.115 (\text{Reputation})$$

For every unit of Trust achieved, it will lead to an increase of 0.43 of Purchasing decision; for every 1 unit Return of policy, it will lead to a 0.24 increase in Purchasing decision and for every unit of Service Provided, lead to an increase of 0.19 in Purchasing decision. According to the analysis, an essential factor that influences purchasing decisions is Trust, followed by the return policy and Reputation.

Conclusion: The study identified the factors that affect consumer's online purchase decisions. With the help of extensive literature review, the factors affecting the consumer's online purchasing decisions were identified. The six exploratory factors were selected, and their relationship with the outcome variable purchasing decision is analyzed using multiple regression. The analysis revealed that Trust, Return policy, Service, and Reputation is strongly correlated with the Purchasing Decisions. Therefore the E-commerce Business is advised to pay more attention to these factors in order to attract more consumers to transact on their site.

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