

# **A Study of E-retailing: Analysing the Factors and Perceptions of Indian Millennials for Online Retailers**

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**Abstract:** Retail industry in India has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It is over 10 per cent of the country's Gross Domestic Product (GDP) and approx. 8 per cent of the employment. India is the fifth-largest global destination in the retail space in the world. India's retail market is likely to grow at a Compound Annual Growth Rate (CAGR) of 10 per cent to US\$ 1.6 trillion by 2026 from US\$ 641 billion in 2016. Various online retailers like Amazon, Flipkart etc. are enticing customers through innovative marketing strategies and services. It is necessary to understand factors that drive Indian millennials to a particular online retailer in India and perceptions of millennials towards these online retailers. The paper studies the same in the Indian context. It is found that millennials are more or less satisfied with the services of selected online retailers. It was also found that four factors were statistically significant for millennials for selecting a particular online retailer.

**Keywords:** Retailing, Millennials, Service Quality, Perceptions

## **Introduction**

Retail industry in India has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It is over 10 per cent of the country's Gross Domestic Product (GDP) and approx. 8 per cent of the employment. India is the fifth-largest global destination in the retail space in the world. India's retail market is likely to grow at a Compound Annual Growth Rate (CAGR) of 10 per cent to US\$ 1.6 trillion by 2026 from US\$ 641 billion in 2016. India has replaced China as the most promising markets for retail expansion, supported by expanding economy, coupled with booming consumption rates, urbanizing population and growing middle class. India is expected to become the world's fastest growing e-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users. Various agencies have high expectations about growth of Indian e-commerce markets. Indian e-commerce sales are expected to reach US\$ 120 billion by 2020 from US\$ 30 billion in FY2016. Further, India's e-commerce market is expected to reach US\$ 220 billion in terms of gross merchandise value (GMV) and 530 million shoppers by 2025, led by faster speeds on reliable telecom networks, faster adoption of online services and better variety as well as convenience.

E-commerce is expanding steadily in the country. Customers have increasing choice of products at the competitive rates. E-commerce is probably creating the biggest revolution in the retail industry, and this trend would continue in the years to come. Retailers should leverage the digital retail channels, which would enable them to spend less money on real estate while reaching out to more customers in tier-2 and tier-3 cities. Both organised and unorganised retail companies have to work together to ensure better prospects for the overall retail industry, while generating new benefits for their customers. Also the long-term outlook for the industry is positive, supported

by rising incomes, favourable demographics, entry of foreign players, and increasing urbanisation. This statistic gives information on the retail m-commerce revenue in India from 2015 to 2020. In 2015, mobile retail e-commerce sales in India amounted to 6.02 billion U.S. dollars and are projected to reach 37.96 billion U.S. dollars in 2020.

Millennials (also known as Generation Y) are the demographic cohort following Generation X. No exact dates are available for when this group starts or ends; demographers and researchers use the early 1980s as starting birth years and the mid-1990s to early 2000s as ending birth years. Millennial characteristics vary by region, depending on social and economic conditions; the generation is generally marked by an increased use of communications, media, and digital technologies. In many parts of the world, their upbringing was marked by an increase in a liberal approach to politics and economics.

As per article of Morgan Stanley, (e Gov Innovation, 2017), millennials are expected to drive the boom in India's online consumption. Also as per reports that unlike the previous generations, the Generation Y consumers look for a level of transparency in their transactions and prefer to have a tech savvy and barter-free buying experience. It highlights the accessibility of the Internet and the social media making them more influential, well-informed, and social than their predecessor. The youth is now more into style, technology and politics while retaining music and entertainment in their interests. A research study was conducted by professional services company Accenture on the shopping habits of Millennials in 2016. The study shows that 41% of millennials practice show rooming where they inspect merchandise in a retail store and shopping for it online to search the lowest price. The research of Accenture indicates Millennials use their senses when shopping and visit stores. The article studies the tendency of millennials to use social media on their mobile devices, than other consumer target-groups, suggesting that businesses are finding it challenging to create content that would engage multiple target-groups. Indian Millennials spend 50% more time on mobile than baby-boomers.

## Objectives of the Study

The major objectives of the study:

1. To find out key factors influencing millennials while choosing online retailers for buying products
2. To study the consumer perceptions towards online retailers in India
3. To compare the customer perceptions regarding selected online retailers

## Hypotheses of the Study

*Hypothesis 1:* The quality of services provided by online retailer is not satisfactory

*Hypothesis 2:* There is no significant difference between customer' s perception scores regarding quality of services of selected online retailers

## Research Methodology

The study was based on a survey conducted for online retailers like Amazon, Flipkart and Snapdeal in Pune city. A sample of 250 customers (millennials) was sent a questionnaire using convenience sampling technique. Only millennials who have shopped at least once in the last 3 months were interviewed through online questionnaire using Google forms. There were 177 males and 73 females in the sample. Out of which only 4 customers had shopped from Snapdeal. So these four feedbacks were not taken in to consideration while analysing the data. 155 customers opted for Amazon and 91 customers opted for Flipkart. Remaining was for Snapdeal. The primary data was collected with the help of a structured questionnaire designed specifically for the study.

The questionnaire was constructed to record the quality of service provided by online retailers. The responses were measured on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), to rate the extent of customers perceptions towards services provided by online retailers. The secondary data was collected from research papers in journals, articles in magazines, reports in news papers, and Internet websites. Factor analysis, t-test, using SPSS was applied for statistical analysis.

## Review of Literature

E-services are the services that are offered via the internet (Rust, 2001), are managed by customers (Ruyter, 2001), and are interactive in nature ( Fassnacht, 2006). Initially, it was thought that a web presence and low prices for the items were the main factors ensuring success in e-services. This relationship often results in customer purchase intentions (Aladwani, 2006), customer satisfaction (Kim, 2004), website brand equity (Tsao, 2011).

It is important to understand better how customers perceive and evaluate services (Zeithaml, 2002), and to develop a strategy based on providing customers with high quality e-SQ. Following such a strategy, customers would feel satisfied with the service and their loyalty would be gained, as is the case with traditional services (Reichheld, 2000). There is no unanimous agreement in the literature on the concept of e-SQ. Some scholars have studied the quality of the website (Loiacono, 2002). (Grönroos, 2000) believe that e-SQ can be divided into a functional dimension and a technical dimension (how the service process is delivered). In this view, e-SQ is the degree to which a website facilitates a purchase efficiently, meeting the needs and expectations of the customer and without creating problems (Gummerus, 2004). In the library context, (O'Neill, 2001) studied an online library service quality scale. In the tourism context, (Ho, 2015) developed an E-travel service quality scale. In the banking context, a scale to measure E-banking service quality was developed by (Ibrahim, 2006). In the web context, a number of researchers ( Barnes, 2002) (Bauer, 2006) have developed scales to measure website service and portal quality. Moreover, in the retailing context, a number of scales to measure electronic retailing service quality have been developed by (Collier, 2006).

Some researchers have examined e-retail store characteristics that are concerned to consumers during different phases of online shopping. Information search is one of the key stages in consumer purchase process. Before purchasing a product, consumers seek information about alternatives that may satisfy their need. Quality information helps shoppers learn about products and make informed and better choices. Consumers may seek information about brands, features, functionality, quality, prices etc. Some of the factors that are used to judge information quality include accuracy of information and completeness (Ahn, 2005). Relevant and easy to use information play an important role in influencing online shoppers ((Ranganathan, 2002)(Ho C. F., 1999)). It has been found that information relevance was seen as one of the top web site quality factors by both online shoppers as well as managers/designers of e-business companies (Lee, 2006).

While information content is critical for a web site's success, navigation is another factor that is related to a website's success (Palmer, 2002). (Ahn, 2005) found that navigation necessary element of system quality of an internet shopping website. After information search, the next phase in consumer buying process is comparing and evaluating different alternatives and short listing one of them for final purchase. Internet retailing, however, provides opportunity for retailers to offer decision aids that are interactive and enable consumers to compare alternatives. Research shows that interactive decision tools that help consumers narrow down alternatives and make detailed comparisons among the short listed ones can lead to better purchase decisions with lesser effort (Häubl, 2000). This may lead to more satisfaction with purchases among consumers. Product/brand variety is an important factor that customers seek while shopping either online or offline.

Product quality is another aspect that is important to consumers in both online and offline purchases. It has been studied that maximizing product quality for the price paid tends to one of the fundamental objectives of customers (Keeney, 1999). Shipping charges, which increases the overall cost for consumers can also affect online shopping behaviour. Consumers share personal details like name, e-mail, phone number, address etc. along with credit/ debit card details while making online purchases. Websites also gather information regarding user browsing behaviour using means like cookies. Thus security and privacy are amongst the major concerns that consumers have while shopping online. (Udo, 2001) found that security and privacy are the main factors for adoption of internet purchases. A number of research studies also showed security as one of the most important factors that customers look for while shopping online(Lee Y. &, 2006).

(Rami Mohammad Al-dweeri1, 2017) in their research paper studied the impact of e-service quality and e-loyalty on online shopping. (Qinchang Zhu, 2016) studied the impact of characteristics of B2C retailers on purchasing intentions using TAM model.(Akalamkam, 2016) had explained the B2c e-commerce websites success factors in the Indian context. He found 8 factors relevant to online shopping. (Mpinganjira, 2015) studied the perceived service quality in online shopping in South Africa. Few studies on millennials perception of online shopping are found in Indian literature. It is necessary to study the impact of millennials perception and expectations on online shopping. This study fills the necessary gap of studying the important factors in choosing online retailer and perception of millennials regarding online retailer's service quality in the Indian context.

## Data Analysis and Interpretation

### Validity and Reliability of Data

Reliability test of data was carried out using Cronbach Alpha Test in SPSS.

**Table 1**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.931	.887	24

From the Table, it can be seen that Cronbach's alpha is 0.931, which indicates a high level of internal consistency for our scale with this specific sample.

Validity test was done using correlation analysis in SPSS. It was found that the Sig (2 tailed was 0.000) for all the questions. So the questionnaire compiled is valid.

Factor analysis was conducted using principal component analysis in SPSS to find out most important factors millennials give importance while undertaking online shopping.

**Table 2**

	Rotated Component Matrix (Factor Analysis)			
	Component			
	1	2	3	4
Online_retailer_websitemobile_app_is_attractive	.465	.290	.145	.563
Website/mobile_app_of_online_retailer_opens_immediately	.173	.344	.265	.544
Website/mobile_app_is_user_friendly	.187	.233	.214	.705
The_product_photos_are_clear_and_features_are_explained_in_easy_language	.021	.144	.173	.742
If_the_product_is_faulty_i_am_assuredofreplacementorrefund	.077	.611	.365	.305
Delivery_boy_product_provides_me_the_service_satisfactorily	.085	.268	.638	.274
Reviews_of_product_are_Authentic	.016	.312	.694	.092
Online_retailer_assures_me_about_privacyofmypersonal_data_	.365	.465	.396	.261
The_product_reaches_me_on_time_as_per_specification_give	.216	.089	.802	.249
Service_is_always_performed_right_the_first_time	.446	.056	.668	.202
The_product_is_always_the_same_which_i_have_ordered	.250	.673	.224	.128
If_the_product_is_faulty_replacement_of_product_or_money_is_refunded	.139	.649	.496	.153
Behaviour/Mails_of_customerareexecutivesinstillsconfidence	.366	.610	.321	.167
Online_retailer_understands_the_specific_needs_ofcustomers	.411	.466	.272	.463
It_is_easy_to_reach_the_appropriatestaffpersonby_telephone	.682	.156	.295	.209
Customer_care_executives_show_politeness_respect_consideration	.718	.354	.120	.235
Website_tells_me_exactly_when_the_product_will_reach_me	.562	.172	.457	.306
Feedback_system_of_retailer_is_easy_and_quick	.636	.189	.357	.356
I_feel_safe_and_secureinonlinemoneytransactionswithonline	.252	.602	.156	.312
Product_which_i_want_to_buy_can_be_searched_immediately_on_the_website	.427	.239	.202	.586
Employees_of_online_retailer_refrainfrompressuringmeto_buy	.708	.218	-.091	-.022
Online_retailer_guarantee_its_services	.533	.512	.307	.108
Products_i_have_received_throughonlinepurchasearedurable_	.490	.528	.207	.288
Prices_of_Products_whicharepurchasedonlinearealways_less	.210	.578	-.148	.263
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 8 iterations.				

From Table no. 02, following factors were found in the factor analysis which is statistically significant while choosing online retailer for buying the product by the millennials.

- a. Website design and website response.
- b. Access of retailers staff in case of any issue or problem
- c. Assurance of security and confidentiality of data
- d. Actual service provided by Online retailers and final price of product

Website design includes various factors like location of various categories of product on the website, attractiveness of website, and website response includes ease of navigation, ability to quickly download the product, payment mechanism and time required to open the website. Assurance of security is concerned with security of online transaction and confidentiality of personal data shared by customer. Actual service is concerned with booking of product and delivery of product within the stipulated time and to deliver same product which is booked. Also people compare price of product on different retailer before taking purchase decision. Also important is the factor of accessibility of staff in case of problem in online transactions like money debited but order not booked, product received is faulty, late receipt of product. All this factors should be considered by online retailers while designing its services.

To test hypothesis 1, one sample t test was carried out which compared perception of online retailers with test value of 5. It was found that there is Sig. was close to 0.000 for all variables which is less than 0.05. So we reject the null hypothesis and accept the alternate hypothesis that quality of services provided by online retailers is satisfactory. Due to constraint on number of pages, it is difficult to add Table of t test.

To test hypothesis 2, independent sample t test was conducted between perceptions of customers of Amazon and Flipkart. Due to constraint on number of pages, it is difficult to add Table of independent t test. As the Sig is above 0.05 for all variables considered, null hypothesis is accepted which states that, there is no significant difference between customers perception scores regarding services of selected online retailers i.e. Amazon and Flipkart.

## **Discussions and Conclusion**

As can be seen from the analysis, various factors for selecting online retailers are website design and response which is as found in various review of literature. Because if the response is not quick, the customer will try to look for other websites. Second factor is actual service provided by the online retailer. In addition security while doing online transaction and confidentiality of data is an important factor in the selection of online retailer. Last but not the least; service provided by online retailer in case of any problem is also important factor in India for millennials. As the millennials are young and dynamic, they expect the same type of response from the website.

Also you can see the millennials are satisfied with the services of online retailers as per hypothesis 1. Reason is that there is cut throat competition between the two major players i.e. Amazon and Flipkart. Also at present they are offering huge discounts on various products to convert offline buyers to online buyers. But it is not sustainable in the long term. They need to create loyal customers for the brand. New innovative marketing strategies are required to retain the existing and new customers. It is also found that very less millennials shop through Snapdeal. This may also be due the fact recently the company was on for sale to Flipkart, which failed. The second hypothesis shows that there is no difference in perceptions of millennials regarding the services provided by the Amazon and Flipkart. That shows that consumers in addition to above factors compare price of the product while selecting the online retailer for purchase.

## Recommendations

Online retailers should consider above factors identified while designing the online retailing strategy. Millennials will get irritated if website response is slow. So website and products should be easily seen on the website. Assurance of online financial transaction and confidentiality of data is also very important factor for millennials. Proper policy statements and secure payment gateways should be visible while transactions are done. Also in case of problems, staff should be easily accessible. Actual service should also be provided right the first time itself.

It is recommended that online retailers should give importance to above factors to remain competitive in the market. As the millennials are more vulnerable to marketing campaigns, they can easily be lured by new offers by the competition

## Limitations of Study

The study was done through online questionnaire sent through Google docs. So the study depends on the responses of consumers. Though proper care was taken while selecting the sample More study in the Indian context is required for to understand the expectations of millennials from online retailers in different retail segments and to study switching habits of millennials in India.

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