Online shopping – why consumers are not clicking

By Josua Namoce

ONLINE shopping is one of the promising outcomes of the information and communications technology (ICT) revolution, especially the exponential development of the Internet and its World Wide Web as the platform for electronic transactions or e-commerce in general.

Online shopping is shopping through the Internet with systems that allow browsing and purchasing of products. It is done mainly on the website of the retailer such as Amazon.com, e-Bay or through a third party online service provider such as America Online. Most e-tailers are in fact third party or play the middleman role, that is, they provide the website and all the electronic functionalities needed for retailing. However there increasing number of producers who are selling directly to consumers through their own websites. This is particular so for computer product companies like Dell, Hewlett Packard, and a host of other new technology producers.

Frances Cairncross (1997) aptly titled her book about the impact of the ICT revolution – *The Death of Distance*. In her discussion of commerce and communication, she uses the term "distance shopping" to include mail order and phone shopping which was already in existence decades before the emergence of network computing. The development of the Internet has dramatically changed the nature of distance shopping to a more convenient, cost effective and more personalized activity. We can take Cairncross's 'death of distance' and literally apply it to online shopping. The distance between the customer and the shop or retailer disappears under the medium of the Internet. This death or disappearance of distance, may appear to be convenient, faster and cheaper for shoppers, it raises many important issues that consumer advocates have highlighted. One important result of the death of distance is the undermining of trust between the consumer and retailer.

How widespread is online shopping? To make a fair account of how big online shopping is we can look back at late 1990s as a starting point to map the trend. This is the period during which e-commerce was in its infant boom. According to a study by commercial research company, Angus Reid Group (in NUA Internet Surveys 2000-a) the end of the last decade of the 20^{th} century an estimated 120 million internet users, or 40 percent of the total number online had already made an online purchase. The *Internet Research* journal noted that web sales reached over 30 billion dollars in the year 2001 (Korgaonkar, P and Wolin, D Lori 2002). The figures look staggering but we must bear in mind that it was not really a worldwide boom. More than 50 percent of this e-tailing occurred in the United States, where the first ever business to conduct retailing through the Internet was a company selling flowers, Grant Florist in 1994.

There had been a lot of optimism that shopping online would offer consumers a whole new and better experience and so forth. Industry and retailers would also benefit, especially through having their products accessible to more people, anywhere and at any time. The concept of buying from a distance is not new at all. Online shopping seems like a new phenomenon, however the basic trait of transactions that involve non-physical contact between the buyer/consumer and the retailer/product has been around longer than the Internet. While there was a rush by telecommunications companies and the emergence of new businesses to provide access to the net, consumers in the U.S were already poised to use this medium. Cairncross (1997) noted the fact that the "…propensity to shop from a distance…" was a familiar part of American culture since the nineteenth century with retail outlets like Sears, Roebuck and Montgomery Ward and their mail-order catalogues. It is no wonder that online shopping and e-commerce has taken off faster in the U.S more than any other country or region of the world. It is also worthy to note that, the widespread use of credit card facilities also provided convenient environment for shopping from a distance. In a little over five years after Grants Florist started selling over the net in 1994, the volume of online consumer activity exploded. According to a study by commercial research company, Angus Reid Group (in NUA Internet Surveys 2000-a) the end of the last decade of the 20th century an estimated 120 million internet users, or 40 percent of the total number online had already made an online purchase. The *Internet Research* journal in noted that web sales reached over 30 billion dollars in the year 2001 (Korgaonkar, P and Wolin, D Lori 2002). Although this estimate does not specify whether theses were record 'consumer' sales, such figures do point to the phenomenal explosion of online transactions. These statistics and countless other surveys reveal the extent to which the Internet or online retails services has radically impacted on the concept of distance shopping.

While the extent of online shopping in Fiji has not even scratched the surface, the concept is slowly being introduced. The most apparent development of online shopping in Fiji is electronic sales through locally-based Internet sites. Popular news websites like Fiji Live and Fiji Village have set up online shopping facilities, allowing users opportunities to make purchases. However, these online vendors targeted mainly the international market which includes current and former Fiji Islanders either living temporarily or permanently overseas. Furthermore the items on sale are very limited in quantity, variety and type – mostly souvenirs and other Fiji-related memorabilia.

Despite all the promises of online shopping and the perception that it will revolutionize how consumers shop, things have not really been up to expectations. A significant number of online companies have gone bankrupt, not only an outcome of the dotcom bust, but also due to unrealistic expectations that people were going to rush in and buy online. One of the front runners of e-tailing Amazon.com had experienced losses during the expected e-commerce boom. Between 1995 and 2001 it had lost a staggering $1.2 billion (*WorldLink*, July/Aug 2002) and it continues to be a largely non-profitable venture.

Problems

While online shopping promises to take that old "distance shopping" further, it has also been plagued by problems and drawbacks, most often revealed at the demand-side of the computer monitor. In an international study of the success factors of online stores, *Click-Here Commerce*, author Shelly Taylor discusses: "Contrary to media hype, web commerce is not a revolution, but an evolution in retailing. Online stores fail to translate the lessons learned from centuries of land-based retailing and merchandising into successful online shopping experiences for consumers…" Even though technology has changed, the way we humans process purchasing decisions has remained the same. While online shopping can be appealing to consumers, it however has its drawbacks, which one can attribute to the basic fact that it is conducted remotely without much physical interaction between participants in the transactions and the other legal and commercial formalities that goes with commerce. The act of buying involves a whole range of interactions and work for consumers. You enter a shop, look around, talk to another human being, look at prices, pick a product, touch it, etc, etc. Online shopping does not allow much of these well-known consumer buying experiences.

While, there a whole serious of benefits provided by online shopping and e-commerce in general (to be discussed in a later contribution), there are consumers concerns which online retailers and service providers need to pay attention to.

Privacy and Security. Two of the most pressing interrelated problems of online shopping are privacy and security. These two issues are well publicised and included in the list of side-effects of the Internet. Consumer organisations continue to highlight these issues as needed redress. According to Consumers International (2001a) survey report on consumer privacy on the Internet, the growth of the internet and electronic commerce has created threats to consumers' privacy on an unprecedented scale. Intimate details about a user's private life are now an open book for those who wish to track down such information, yet consumers often do not know that every time they use the internet, they leave behind a detailed trail of personal information. On the supply side of the equation, surveys by management researchers like Ahmed Sohel (2002) have highlighted services failures of online shops and customer defection arising from fears about privacy and security. Troutt D Marvin (2002) has highlighted the need for more research from the end-user perspective rather than the security being a sole industry (ISP, etc) issue.

Trust. As mentioned earlier, the disappearance of distance in online shopping means the absence of face-to-face meeting between the consumer and retailer. This situation raises the issue of trust as a major concern particularly for the end-user who has to depart with his or her hard-earned money. Not only the sales person or shop assistant that is missing from view, more importantly is the physical absence of the products that the consumer wishes to purchase! In a brief look at consumers trust in online shopping, Sonja Grabner-Kraeuter (in *Journal of Business Ethics*, 2002; 43) concluded that "many consumers are sceptical or suspicious about the functional mechanics of electronic commerce, its transparent process and effects, and the quality of the many products that are offered online." How can consumers confidentially purchase a product they have not seen or handled physically? Or how can they be assured that what is delivered to their doorstep is what they had asked for and bought online?

Unrealistic perceptions? One recurring problem of online shopping is its over-promoted alternative to offline shopping. Despite all the promises of online shopping and the perception that it will revolutionize how consumers shop, things have not really been up to expectations. When looking through at some of the available literature and research on e-commerce and online shopping in particular, it is apparent that online shops or e-tailers as some have termed then, have not done much in terms of understanding consumer needs and behavior. Furthermore they tend to ignore some of the social and economic contexts, which affect consumer behaviour. And especially the perceptions and judgments that consumers have with new ICTs. In the mid 1990s many business jumped on the bandwagon of online or e-commerce, and there was so much hype optimism that consumers will flood in, click and buy. Well there has not been much of a rush. In their study of factors that influence the success of Internet commerce, Torkzadeh and Dhilion (2002) concluded that the success of online shopping rests in the "…customers belief and perception of the net value of the benefits and costs of both a produce and the processes of finding, ordering and receiving it." So it appears that those great statistics of web sales and online shopper figures are just the same as the dot.com burst. Online shopping has just been hyped up and over-promoted especially by web companies desperate to get a share of "hits" on their pages thus attracting advertisers.

Accessibility and Affordability. Online shopping requires that users or consumers are provided with certain necessary items. Firstly one would need a computer with appropriate Internet software, then connection, and very importantly a credit card to allow instantaneous transaction. Most online shopping requires the mandatory use of credit cards, an item which not many people have access too. NUA Internet Surveys/Angus Reid Group (2000; htt://www.nua.net/surveys) revealed that "only half of Internet users outside North America pay for e-commerce purchases by credit card, in comparison with 75 percent of online shoppers in the U.S and Canada." Although there are other methods of payments like bank drafts, bank transfers and cash on delivery, they do not offer the full advantages or benefits of online shopping with credit cards. What about access to the technology itself? While the figures on Internet usage and online shopping patronage presented here may appear staggering, there is still the issue of the digital divide that excludes a large proportion of consumers from experiencing the benefits of online shopping.

Cost. While they are arguments that online shopping reduces many costs to the consumer, the bottom line is, how effective is this? With almost the whole world moving towards the user-pay principle, such services like online shopping costs money. Apart from the cost of the technology used (computers, Internet, net connection, etc.) consumers still have share the burden of credit card payments.

Common internet problems: Technical failures, slow downloads and poorly designed checkout processes are some of the common Internet problems faced by online shoppers. Apart from this there is also the area of user interface. According…

Consumer survey Online shopping (and banking) has featured in campaigns by consumer organizations to ask governments, legal authorities, industry and business to address its end-user problems. The CI 2000/2001 survey report, *Should I buy? Shopping online 2001: An international comparative study of electronic commerce*, which also involved scrutiny and user-testing of many online outlets, the following issues at the top of a list of consumer concerns.

- *Delivery problems*.
- *Identity of the business*: URL is not necessarily the same as the legal name of the business. The consumer may not know the name of the company they are doing business with or what country its are located in.
- *Pricing information*: Websites often never disclosed full prices of products or services. (This paper's opinion is that this may be due to the nature of the online shop having a more promotional/advertisement focus rather than being an effective medium for buying products and services)
- *Cross-border transactions*: Differing an often conflicting differences in regulations dealing with fair trade and consumer complaints
- *Redress mechanisms (complaints management)*: If something went wrong it would be difficult for consumers to have their complaints address adequately. (This essay notes: The net being a borderless world pose problems with redress mechanisms. If I was in Fiji and buying a CD off the net, where the retailer is in Australia, which consumer protection law and redress avenues is available to protect me?

This is an area, which is currently under much discussion where regulators are trying to have some cross-border harmony and homogenization of rules and regulations regarding complaints redress.

- *Privacy and Security*: Survey revealed that too many sites collect personal information from consumer with providing adequate protection for that information.
- *Cookies*: piece of information, or unique identifier, place in your compute which enables web sites to remember information about the choices you make when you visit their sites.

Apart from CI's survey findings, other issues are emerging. Studies in the United States have looked at how online shopping is becoming an addiction. Research has found that compulsive buying or excessive shopping habits common among the youth because of their propensity for addictive online habits. LaRose and Eastin (2002, *Journal of Broadcasting & Electronic Media*) point out that online shoppers were more compulsive than others because this option was more convenient, low priced and personally persuasive in nature. It's no wonder that such an addiction is increasing when the act of shopping online is more personal than conventional shopping.

The promotional hype surrounding online shopping or e-commerce in general does not reveal the limitation of choice. Most online shops offer limited products. There are no one-stop shops, so buyers need to search and navigate the web to find and buys items. Buyers do not have physical access to the goods until they have bought them. Most online shops have exaggerated graphic illustrations of the products to lure buyers.

Should online shopping be more inclusive and recognize consumer perspectives, needs and communication behaviors? There is a great need for consumer perspectives to be emphasized if online shopping is to become successfully in the long term. These reforms will definitely be of mutual benefit to consumers, online shops and online service provides. Market research and consumer behaviour studies are needed to be able to answer the question of why online shopping has not really taken off as predicted.

The success of online shopping has a lot to do with consumer behaviour, trust and confidence. Of course the technology has allowed convenience, access to products and services outside one's locality, new products, and so forth, it is proving difficult to get more people to buy online. An important area of concern is consumer protection law. The role for policy makers both nationally and internationally is to provide some cross-border rules and regulations to protection online buyers. The slow take up of online shopping also reveals how technological innovators and business continue to miscalculate consumer perceptions and judgments about new information and communications services and technologies.

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