

Perceived advantages and disadvantages of Internet Shopping

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Abstract

In comparison with the traditional way of trading, the Internet business companies have greater growth potential. This is true for as long as they are able to recognize and expand efficient marketing activities within the ever changing boundaries of e-commerce. For Internet shops this implies the ability to design an attractive purchase conditions and propositions. It is for this reason that this paper researches the advantages and disadvantages of Internet shopping as perceived by customers.

The main objectives are to find out the strength of the perceived advantages and disadvantages and to consequently define some recommendations for Internet shops. At the same time, the research sought to identify significant clusters of customers according to their identically perceived advantages of Internet shopping. Significant clusters are then described.

For this purpose, an extensive survey was conducted in the form of an electronic survey. In addition to methods of statistical description, cluster analysis, including classification trees, was used to search for and identify significant segmentation criteria. The most strongly perceived advantages and disadvantages are identified, recommendations for value co-creation are formulated and new potential segmentation criterion is created. The results of this research should be helpful to Internet business companies to keep and strengthen their market position compared to conventional shops.

Keywords: Internet shopping, e-commerce, value-creation, segmentation, perceived advantages

Introduction

The volumes of business transactions realized via Internet businesses continues to grow. This is true for as long as they are able to recognize and expand efficient marketing activities within the ever changing boundaries of e-commerce.

The key issue is to obtain and take full advantage of the knowledge of how customers perceive offered value within the realms of e-commerce and how this perceived value can be increased and co-created (Simová, 2009).

The concept of creating value for the customer on the basis of the joint work of business and customers is referred to in literature "value co-creation". This theory is developed on the basis of the interactive cooperation of customers whilst shopping via the Internet (Chih, 2015). The essence of value co-creation is primarily based on the fact that online trading occurs in real time and that information can be exchanged by which it is possible to regulate the purchasing behaviour of the customer. Value, under the joint creation of value, is considered to be that value that has been obtained within the context of the integration into customers' processes before-the purchase behavior (Amit, Zott, 2001). The value is formed by customers on the basis of useful information from which they gain greater understanding, satisfy themselves that their behaviour is correct, and hedonistically fulfill the purchasing process (Smith, Colgate, 2007). Value creation therefore involves the analysis of online customer behaviour in order to determine which information sources and formats are most likely to meet the customer's specific requirement at a particular time.

Many authors agree on the finding that, compared with the traditional way of trading, companies providing Internet business have the greatest potential for growth (To et all, 2007). The volumes of transactions realized this way and the number of buyers on Internet shops is constantly increasing and this trend is set to continue for a long time to come. Internet businesses should therefore pay maximum attention to and take full advantage of these new opportunities and explore the creation of value perceived by customers (Bucklin et al., 2002).

The traditional method of trading is linked to customer interaction with the physical environment of a business, its staff and the services it provides. Electronic technology, by contrast, creates an entirely different customer experience, often diametrically different from those that occur in traditional trade formats.

When shopping online there is no longer a shoppers' presence in conventional store and the experience of shopping is converted into Web interactions. In an environment of e-commerce Internet shops usually communicate with consumers through an automated interface, without having direct contact with the product. With fewer services on offer, Internet shops can reduce their transaction costs considerably. There is, however, a serious error in the interpretation of this fact. Internet shops believe that customers purchasing in the online mode will take "the burden of these costs and effort" and they will not ask for a "refund" (Chen, 2006). A favourable experience with online shopping only generates a satisfied buyer if Internet shops provide them with the following three attributes:

- Relevant information,
- Ease of use website,
- Customer Service (Moon & Frei, 2000).

To understand the composition of attribute values, and draw conclusions and recommendations for enhancing the perceived value it is also necessary to study (and subsequently create) possible classifications of customers (Hassouneh, Brengman, 2011). Further, classification approach can also be used where clusters are formed on the basis of differences that the clusters exhibit, determine the factors that most significantly contribute to the perception of value that is offered to the customer.

In terms of e-commerce it is possible to extend the segmentation of customers of conventional stores on the basis of other attributes including, values such as convenience, wide product range, but also social status (Tišlerová, 2012). The greater transparency of proposition, savings in time and effort, and other benefits associated with online stores are also of significant importance for value creation. According to the perceived benefits and valued attribute values (components of purchase proposal), additional classification criteria can be uncovered and new customer segments identified.

Materials and Methods

The main tasks are to find out the strength of the perceived advantages and disadvantages, then to formulate some recommendations and to try to create clusters of respondents according to their attitude. If a significant cluster is found, to subsequently describe who the customers are in the cluster.

At first, in order to identify the main perceived advantages and disadvantages of Internet shopping three focus groups were conducted. The main goal was to reduce the number of items to an acceptable level suitable for the questionnaire. Finally 15 main advantages and disadvantages were formulated for the purpose of this survey.

An extensive survey was conducted in the form of an electronic survey. Respondents were sent questionnaires containing questions on the perceived advantages and disadvantages accompanied by questions on both basic and extended classification data. This survey also includes questions on the demographic, sociographic and other characteristics of the respondents e.g. their habits, plans, experience, etc. covering the field of Internet shopping. Based on the Likert scale, respondents marked the strength of their opinion (according to importance of each advantage/disadvantage stated).

As to data processing - except for methods of statistical description (to define the strength of perceived advantages), cluster analysis, including classification trees, was used to search for potential significant segmentation criterion. There have been many different ways of clustering applied: division into two clusters (two-step), or sequential reduction and adding the number of clusters (K-means). Quality aggregates and meaningful segmentation was assessed by the percentage of errors, or the non-members and the size of the resulting cluster. All the classification criteria and several other identified characteristics have been taken into account.

The total number of valid questionnaires totalled 503. The structure of the respondents is as follows:

- Gender: 45% male, 55% female
- Age: cumulatively 60% younger than 30 years
- Education: cumulatively 42% undergraduates
- Income: average income per person: CZK 13 800
- Frequency of internet shopping: cumulatively 75% of respondents make purchases via Internet shops less than 30 times per year, 25% do Internet shopping more frequently
- Volume of money spent via internet shops: cumulatively 77% made purchases totalling up to CZK 50 000
- Intention to increase/decrease Internet shopping: cumulatively 69 % intend to maintain their Internet purchases at the same level as the current year, 26 % plan to increase their level of Internet shopping.

Results

The three research objectives have been defined. Therefore, there are the three sections of results arising from the survey and data processing.

The strength of perceived advantages

At first, the research task to find out the strength of the perceived advantages and disadvantages of Internet shopping is presented as follows in Table 1:

Table 1: The strength of perceived advantages/disadvantages

Advantage, Disadvantage (A,D)	Mean	St. Dev.
A – The possibility to shop from the comfort of your home	1.42	.728
A – The possibility to do shopping at any hour	1.44	.728
A – Cheaper goods	1.71	.832
D - A chance to try/touch the goods	1.73	1.079
A - Can be undisturbed and as long as you make decisions on purchasing	1.84	.913
A- Larger choice of goods	1.85	.867
A - No need to browse the shops - saving time	1.90	.987
A - Can see and take into account references of other buyers	1.92	.867
A - Do not succumb to pressure and influence of the shop-assistant	2.21	1.002
D - Unsecured claims	2.24	.989
A – To return goods back within 14 days	2.34	.959
A - No need to browse the shops - saving physical effort	2.35	1.087

D - I do not know who I am dealing with	2.39	1.048
A – I hate to visit shops	2.58	1.110
D – After sending the order my shopping is not completed	2.84	.911

Source: own processing

In total 15 advantages and disadvantages of Internet shopping (compared with the traditional way of shopping) were selected. Respondents could mark each on a scale of 1 to 5, whereby 1 represented an item that was of great importance to them, and 5 an item that was unimportant to them. The highest average value achieved is 1.42, the lowest 2.84. The most important advantage seems to be the possibility to shop from the comfort of your home, the second is the possibility to shop anytime during the day/night. These two main advantages also have the highest compliance of respondents (the lowest standard deviation).

The strongest disadvantage respondents identified is the chance to try/touch the goods (on average 1.73). However, some differences appear in this opinion, because the standard deviation reaches 1.079.

Recommendations for value-creation arising from perceived advantages

The conclusions and recommendations in this area are formulated on the basis of an analysis of the advantages and disadvantages that Internet shops have compared to conventional stores. The benefits that customers perceive whilst making purchases on Internet shops should be encouraged and strengthened. The fulfilment of these expected benefits is a necessity if Internet shops are to increase the perceived value of their business proposals.

- Two dominant advantages can be outlined: customers can shop from the comfort of their own home and they can do so at any time. Especially the second most important advantage is crucial for Internet shops when it comes to creating the concept of Internet business venture that does not bind all its services and communications to traditional sales period (as it does quite often). The company that offers "live" communication during the night and at weekends (answering questions and providing further information), will face increasing operating costs, but certainly gains a significant competitive advantage
- Customers select online stores also because of the lower prices of the goods, when compared with those in conventional store (although they use the words "cheaper goods"). Their expectations, however, stem from the fact that Internet shops need not spend such operating costs as the conventional shops. However, this does not mean that they would be willing to accept goods that are of secondary, inferior quality, damaged, etc. (ie those where the price reduction was achieved by making certain "compromises").

Sometimes Internet businesses misrepresent the aforementioned customer demand for "cheaper goods" by seeking substitutes and alternative imports instead of offering the standard goods at lower price due to their lower operational costs.

- It is with relatively difficulty (high importance of this disadvantage) that the customers accept the fact that they cannot try the goods, touch them, etc. This is the reason why Internet shops must describe their goods accurately and adequately. By doing so, they are perceived to be customer friendly. If they only describe the general characteristics of the goods, then their potential customers would be greatly discouraged and would redirect to the pages of another Internet shop. Alternatively, the customers might return to conventional stores.
- The considerable advantage of Internet shopping compared to the traditional way of purchasing goods is that e-customers can select of goods undisturbed and that they therefore spend any long periods on their purchasing decisions. It is therefore recommended to add extra-help applications to facilitate the selection of goods (e.g. the possibility to view the favoured merchandise, mark the goods with their preferences, eliminate and compare items).
In contrast, there should be no aggressive sales menus, pop-up windows, unexpected advertisements, banners and similar distractions which obstruct the purchasing process.
- Customers expect a larger range of goods from Internet shops. Whilst in conventional stores customers understand that (due to limited space) it is not possible to offer products in all variants of sizes, colours and types, Internet shops are required to ensure such offer. It is therefore not possible for a successful Internet shop to supply customers only several times a year. Online stores that strictly maintain the extensive variability of the goods all year round tend to attract a larger number of customers.
- Customers of Internet shops also usually dislike passing conventional stores; because it is time-consuming (the next disadvantage is because of the energy and effort they consume). Therefore a successful Internet shop concept depends on its ability to replace several stores at the same time, particularly in the sense of providing a "deep" assortment.
- The possibility to view the references of other buyers is considered a significant advantage of Internet shops. Even though the published references might be adjusted by the Internet shops themselves, customers trust these views more than "ordinary" advertising. Furthermore, the references often give the customer additional insights, advices and recommendations relating to the product. This does not incur any additional costs but can potentially generate additional sales. Internet shops should therefore expand and promote their references section and discussion forums so that they are easily accessible.

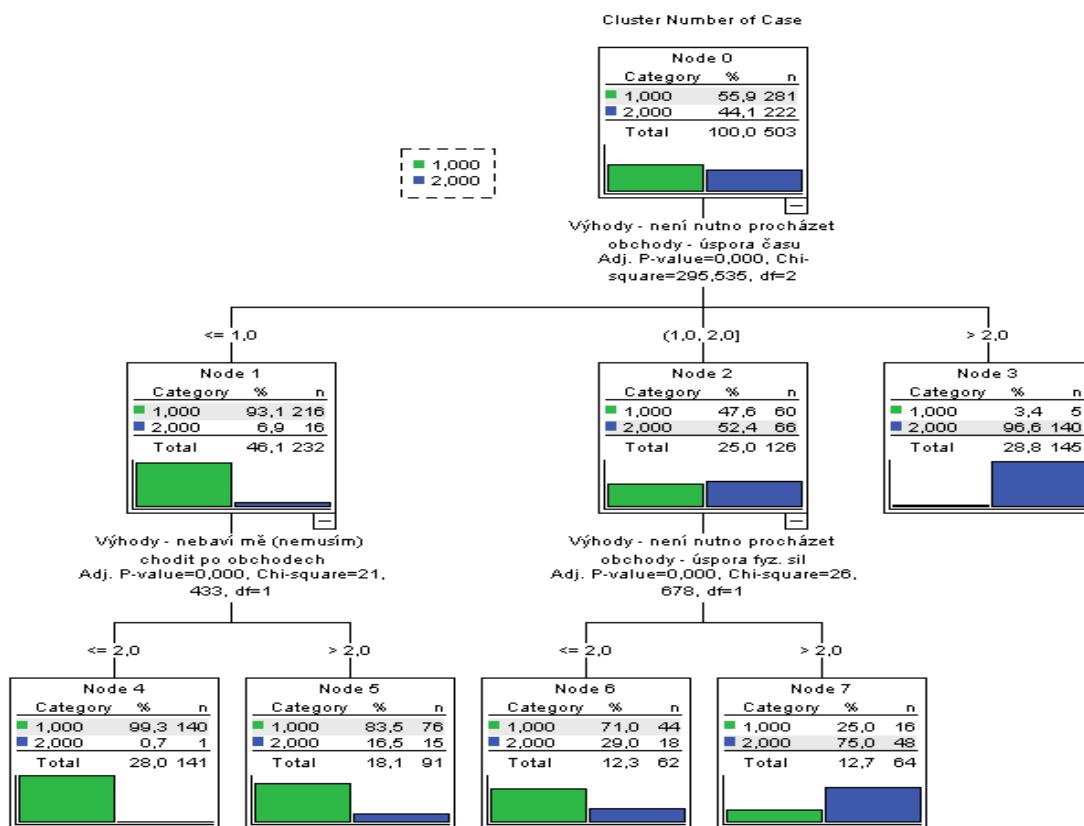
Clustering of Internet shoppers

After data processing the most significant advantage of Internet shopping was identified as being time saving.

A diagram of the cluster analysis is shown in Figure. 1. It can be said of the first cluster (marked in green) that these are customers for who time saving (they do not need to physically browse the shops) it is an unequivocal "definitely important" advantage (216 respondents). Furthermore, the cluster is characterized by customers who hate the idea of browsing shops. The second cluster (marked in blue) evaluates the time saving factor

as "rather important" and "neutral". In both clusters there is still a mixed valuation advantage with regards to savings physical effort when making purchases through online stores. Only 11 % left as unexplained.

Fig. 1: Cluster creation



Source: own processing – SPSS output

Translation of SPSS output:

- Advantages - No need to browse the shops – time saving
- Advantages
 - No need to browse the shops - saving physical effort
 - Advantages - I hate to visit shops

All the respondents are classified by demographical, economical and behavioural criteria. The independent variables for cluster analysis are as follows (translation of the model summary):

- Education
- Income
- Frequency of Internet shopping
- Volume of money spent via Internet shops
- Intention to increase/decrease Internet shopping in future
- Gender
- Age

The structure of data processing in cluster analysis is shown in Table 2:

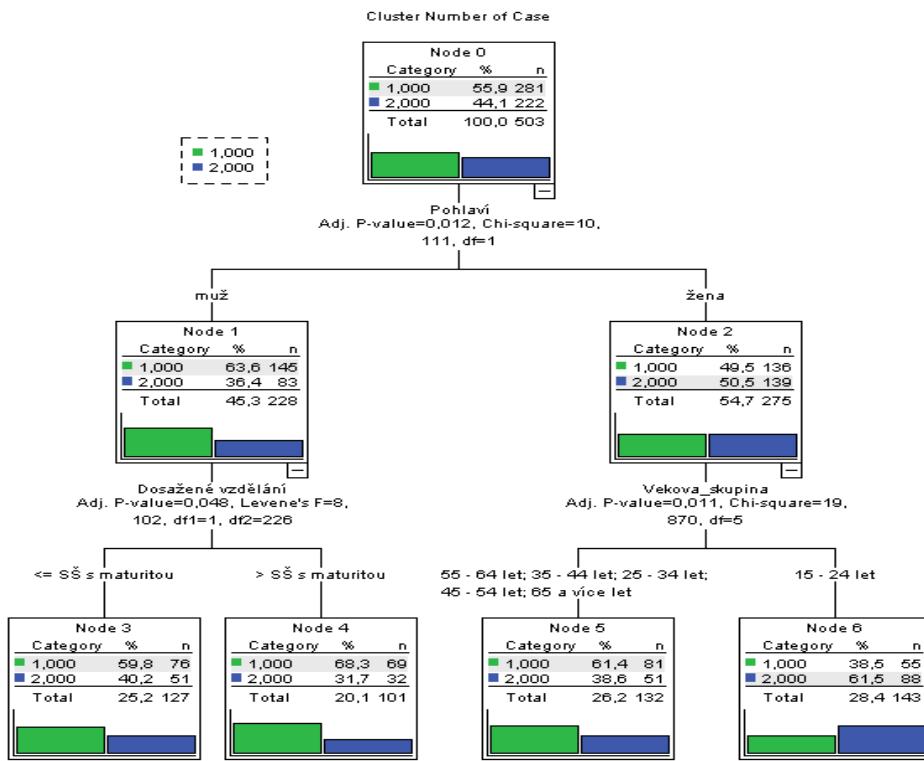
Table 2: Model Summary – Cluster Analysis

Specifications	Growing Method	QUEST
	Dependent Variable	Cluster Number of Case
	Independent Variables	Dosažené vzdělání, Kolik let již nakupuje přes internet, prijem_skala, frekvence, utrata, zamer, Pohlaví, Vekova_skupina
	Validation	None
	Maximum Tree Depth	5
	Minimum Cases in Parent Node	100
	Minimum Cases in Child Node	50
Results	Independent Variables Included	Pohlaví, utrata, Kolik let již nakupuje přes internet, prijem_skala, Vekova_skupina, Dosažené vzdělání, frekvence
	Number of Nodes	7
	Number of Terminal Nodes	4
	Depth	2

Source: own processing – SPSS output

With the usage of a classification tree it was possible to characterize one of the two resulting clusters (see Figure 2). Members of the first (green) cluster are predominantly men, in particular university graduates. These customers therefore greatly appreciate and require time-saving. In the second cluster are those who are looking for attributes more important than saving time while shopping on-line. This is typical characteristic of women aged 15-24.

Fig. 2: Cluster identification



Source: Own processing – SPSS

Translation of SPSS output:

- Gender (the main cluster)
- Male, Female
- Education:
 - Less than undergraduate – More than undergraduate
 - Age: 55-64, 35-44, 25-34, 45-54, 65+ - 15-24

Discussion

The trend towards value co-creation should be developed in order to generate a competitive advantage (Waal, 2012). The competitors of Internet businesses are arising not only from other Internet businesses but also from conventional shops. How then do Internet shops successfully compete? The solution is to work with the customer to design a proposition (in its complexity) that is attractive as possible and which is, together with the customer, tailored to and matches segment of customers.

It is important to note that all customer preferences and values are important. Unfortunately, only the most important perceived advantages and disadvantages of

Internet shopping are examined in this survey. This means that only a fragment of the complex nature of consumer behaviour is explored. However, some valuable recommendations for designing proposals and the creation of segments are formulated.

Conclusion

Two dominant advantages can be identified. Customers can shop from the comfort of their own home and they can make a purchase at any time. In contrast, customers miss the opportunity to try and touch the goods. These are the most strongly perceived advantages and disadvantages. It is generally known but important to emphasize, that all the perceived advantages must be dealt with - in their entirety and complexity, including knowing exactly their "ranking", the distances between their positions, etc. It is only on the basis of these circumstances that an e-business is able to formulate the best purchase proposal and offer better services than its competitors can.

The other research objective (resp. result) gives different insight into possible segmentation criteria. Even though the advantage "saving time" is a common one, this paper shows and proves the necessity for a deeper insight, because there are many inner differences (shown in the cluster analysis).

The obtained results and conclusions derived should serve as a solid basis for further research in the field of marketing in Internet business. Due to the implications of the research and the recommendations which were formulated, this paper should also be beneficial for the corporate practice, because increasing perceived value is an important tool for improving the attractiveness of proposals, which in turn creates competitive advantage.

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TIŠLEROVÁ, K. Perceived advantages and disadvantages of Internet Shopping. *Littera Scripta* [online]. České Budějovice: Vysoká škola technická a ekonomická v Českých Budějovicích, 8 (2), 125-135 [cit. 2015-12-17]. ISSN 1805-9112. Dostupné z:
<http://portal.vstecb.cz/publishingportal/littera-scripta/rocnik/8/cislo/2>
