

# **CONSUMER ONLINE BUYING PATTERNS – A SOUTH AFRICAN PERSPECTIVE**

By

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## **ABSTRACT**

This study examines the extent to which South African consumers have embraced online shopping as a retail channel, and what factors are acting negatively, preventing more consumers from adopting online shopping behaviour. An excellent comparison was reached by utilizing research data from other sources e.g. Master Card and Nielsen as to how South Africans fared with their overseas counterparts when it came to online buying.

A sample of 440 possible respondents were chosen from the La Lucia Ridge Office Park business district as they fitted the profile of consumers who were aware of purchasing via the internet medium, and who had access to the internet. Data was collected using a web based questionnaire that provided built-in statistical and correlation tools.

Statistical analysis revealed that more males (77%) made online purchases than females (61%). Most South Africans' (29%) would make an online purchase after viewing a newspaper, catalogue, or handout advert and the majority of South African consumers bought from local and international online retailers (53%). Security (28%) was the primary reason for those not purchasing items online. Potential customers (75% of those who are currently not shopping online) wanted guaranteed online buying safety, and there was a strong indication (24%) that they needed to trust the online vendor.

E-retailers and web developers have a huge responsibility to ensure their online purchasing portals are created with a strong security focus in mind and security should not be an afterthought. With the correct advertising and as internet usage increases, online buying has huge potential to grow amongst South Africans.

In addition to creating secure web sites, recommendations were made for e-retailers to increase their efforts in valuing the customer, improving service levels, online web sites to be informative and be more user friendly, the possibility of greater utilization of the social media channel, and for online consumers to use their credit and debit cards in a responsible manner.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction

The world has progressively changed in the last century, and the invention of the World Wide Web in 1989 has made the way we accomplish things change in leaps and bounds. There have been huge strides in the development of software applications that make the lives of ordinary people simpler.

The Internet has rapidly become an important communication channel for research, entertainment, collaboration, and purchase of products and services over the past years Dijk, Minocha & Laing (2007); Richard, Chebat, Yang & Putrevu (2009). Even though the Internet is being utilized by millions across the world to read their e-mails, watch videos, communicate with each other, and play games, there is also a serious side to the Internet and that is business. According to Richard et al (2009 pp:1) 'the Internet is becoming an important facet of communication strategy due to its ability to deliver information, entertainment, and e-shopping' and touches human beings lifestyles on virtually all aspects due to 'its ease of use, wide access, and wealth of information'.

Consumers have been exposed and are knowledgeable with the centuries old tradition of physically going into a store to make the necessary purchases, however; there exists the possibility of never having to leave ones home to make certain purchases. Depending on the design of the supply chain, "some organizations have moved from a brick-and-mortar format to a clicks-and-mortar format" (Singh 2004 pp: 187). It is very possible to open a retail business and not have a physical presence i.e. selling goods online only.

In fact e-commerce web sites have introduced an entirely new way of purchasing that offers the consumer time saving, convenience, item comparison options, and selection from a wide range of products. The internet has created a new retail

channel and everything from clothing, food, travel, accommodation, books, and computers are available at the click of a mouse (Huarng & Christopher 2003).

## **1.2 Motivation for the Study**

The study benefits individuals who make online purchases, those contemplating whether it is safe to shop online, those who just want to know what online buying is all about, e-retailers who need to know how online shoppers think and what online shoppers are looking for before committing to an online purchase and web developers who want to improve their skills when creating web sites that are appealing to the eye and at the same time using technology best practices to maintain user privacy, store confidential data, and prevent unlawful access of this data.

It is easy to enter confidential user information into an e-retailers web site, but if web developers did not think about security when building a web site, consumers and e-retailers are at huge financial risk should these web servers be compromised. If confidential user information e.g. credit card details are unlawfully taken from an online web servers database, the new owner of this information can make un-authorized purchases or even sell this information to other less desirable individuals. Experts in the field of building secure web sites share their best practice knowledge which is discussed later on in this dissertation.

If e-retailers come to understand how the mind of online buyers work, e-retailers will be able to create an online experience that will work in their favour by capturing larger market share volumes and retaining these customers. Online customers have specific needs and if these are known and are able to be provided, a win-win situation is created.

Just as there are consumers who are not aware of any dangers when using the internet, there may be others who are overly cautious, preventing themselves from accomplishing tasks in new and easier ways. Their cautious behavior may have been developed through rumors, not having access to correct information, and ideas which may be incorrectly conceived. This dissertation will list the dangers of

using the internet and measures to have in place to ensure a safe and enjoyable browsing experience.

### **1.3 Focus of the Study**

The focus of this study is to understand the online buying habits of South African consumers through carefully chosen objectives and matching questions. Once respondents have answered the survey their responses will be compared to other published works on online buying to gauge any similarities or differences. South Africa is a country that is aspiring to reach out in terms of technology and it will be interesting to know just how South Africans fare with the rest of the world in terms of online purchases, type of goods purchased, concerns of online shoppers, and average amounts spent on online purchases. Whilst this study looks at the 'culture' of online shopping in South Africa, the reasons why people are not shopping via the online retail channel is also researched and possible reasons are discussed later on in this study.

### **1.4 Problem Statement**

With the development of the World Wide Web in 1989 there have been huge strides in development of software applications that makes the lives of ordinary people simpler. Consumers have been exposed and are knowledgeable with the centuries old tradition of physically going into a store to make the necessary purchases. The internet and previously mentioned applications, including the wider availability of broadband access have made access to the internet easier and also now removed the need of going to a store. Research suggests that, for some people, e-shopping could be a time-saving strategy, and leisure-oriented for others. This research investigates the type of online browsing experience that will lead to online buying; attitudes, beliefs, and behaviour differences of those that use online channels for their purchases and those that do not.

### **1.5 Research Questions**

The research questions that the study will attempt to answer include:

- reasons why people shop online and factors that attract them to the online shopping retail channel
- to determine why some people may be cautious about making online purchases
- when, how often, from where, and approximate amounts are spent on online purchases

Both Surveysystem.com and Research-advisors.com recommended for a population of 250 000 – 300 000 000, the survey sample size should be 384. This suited the requirements of the population size for La Lucia as the population size was within the defined limits. The online survey contained 14 questions. These questions were in the form of radio boxes, selection lists, text boxes, and check boxes. Forty of the authors friends were used to complete the questionnaire and they in turn provided the author with 10 of their friends e-mail addresses who also completed the questionnaire, giving a total of 440 possible respondents.

The home page of the questionnaire on Question Pro, was the informed consent document, which stated the nature of the intended research, what the objectives were, that completing the online questionnaire is on a voluntary basis, that they could withdraw from completing the questionnaire at any time, that there was no monetary gain, that confidentiality and anonymity is assured, and if the respondent had any questions or concerns who they may contact. The respondent could only start answering questions when he / she agreed to the above mentioned nature of the research.

E-mails were sent in April and May 2010 to 440 people who worked in La Lucia Ridge Office Park. The mail directed respondents to an online questionnaire that took two minutes to complete. This questionnaire contained open and closed questions and ranking scales. The online survey web site allowed the researcher to design simple web pages with questions and respondents answers were collected and stored. Questions were in the form of radio boxes, selection lists, text boxes, and check boxes. The types of questions asked included: “why do you shop online?”, “how often do you buy online?”, “I usually make the following online purchases”, and “I usually make an online purchase after”. The respondents used

a continue button at the end of the questionnaire which when clicked, updated the web sites data collection for the questionnaire. Because respondents' data could be collected centrally, it was the predominant reason for using an online web survey. Furthermore, there were built in correlation and statistical tools which were useful for analyzing data.

## **1.6 Objectives of the Study**

An online survey was created which contained 14 questions and sent to 440 people who worked for various entities in the La Lucia Ridge Office Estate. The objectives of this study included:

- determining what consumers look for before purchasing from a website
- to determine the factors that promote or inhibit the practice of online purchasing
- to determine the items that online consumers buy, where, when, and how often

This survey also attempted to find the reasons why some consumers steered away from online purchases and whether these reasons were serious concerns or if they were un-founded and old thinking. Research from other online buying institutions i.e. World Wide Worx, Master Card, Nielsen Global Online Survey, Accenture, and other leading researchers in this field, will be compared with results obtained from this survey for similarities and differences.

## **1.7 Limitations of the Study**

There are three limitations to this study. Firstly, data obtained may not be a true reflection of all South Africans online buying habits. The reasons include: people surveyed from La Lucia Ridge Office Park, were employed by corporates, who earned higher salaries, and have access to the internet. The limitation of probability sampling (simple random sampling) therefore, is that the results of the survey cannot be generalised to the population of South Africa i.e. a heterogeneous study incorporating respondents from other areas and industries instead of a homogenous study would provide a better sample. There are many

communities in South Africa who live in poverty and may have never heard of the internet, let alone online buying. Secondly, although data indicates what items are purchased online, there is no definite indication of what items are purchased locally or internationally. Lastly, to prevent the respondent from feeling uncomfortable with the questionnaire; the level of education was not requested. As a result, no comparison could be accomplished between education and levels of online buying.

## **1.8 Summary**

With advancements in technology and the invention of the internet human beings are accomplishing tasks in ways that are different from our forefathers. Society has become more reliant on technology and computers to perform dangerous, mundane, and repetitive tasks.

E-retailers were once upon a time the traditional brick-and-mortar retailers. As applications on the internet improved, retailers decided to attempt selling their products online. An entirely new shopping channel was created as the internet and supporting technologies grew in use and popularity. Research shows that the numbers of online shoppers are growing in most parts of the world.

The structure for the rest of this study is as follows: Chapter 2 uses literature from journal articles, books, newspapers, and other research to provide a greater understanding of the topic being discussed. Chapter three discusses the research methodology instrument that was implemented for this study. Chapter 4 presents results of data obtained from respondents that completed the online survey in the form of descriptive and inferential statistics. Chapter five provides a discussion of the research findings from the previous chapter by contrasting the findings with research from previous research and readings, both locally and internationally. Chapter six is the final chapter and discusses whether user data in accordance to the pre-defined objectives were received, lists recommendations and provides a conclusion.

## **CHAPTER TWO**

### **An Overview of Consumer Online Buying Patterns**

#### **2.1 Introduction**

The Internet has rapidly become an important communication channel for research, entertainment, collaboration, and purchase of products and services over the past years (Dijk, Minocha & Laing 2007; Richard, Chebat, Yang & Putrevu 2009). Even though the Internet is being utilized by millions across the world to read e-mails, watch videos, communicate with each other, and play games, there is also a serious side to the Internet and that is business. According to Richard et al (2009 pp:1) 'the Internet is becoming an important facet of communication strategy due to its ability to deliver information, entertainment, and e-shopping' and touches human beings lifestyles on virtually all aspects due to 'its ease of use, wide access, and wealth of information'.

Consumers have been exposed to and are knowledgeable about the centuries old tradition of physically going into a store to make the necessary purchases, however; there exists the possibility of never having to leave ones home to make certain purchases. Depending on the design of the supply chain, "some organizations have moved from a bricks-and-mortar format to a clicks-and-mortar format" Singh (2004 pp: 187). It is very possible to open a retail business and not have a physical presence i.e. selling goods online only.

In fact e-commerce web sites have introduced an entirely new way of purchasing that offers the consumer time saving, convenience, item comparison options, and selection from a wide range of products. The Internet has created a new retail channel and everything from clothing, food, travel, accommodation, books, and computers are available at the click of a mouse (Huarng & Christopher 2003).

This chapter will address the following: technology required for online shopping, online buying patterns, concerns of those who do and do not shop online, and the future of online shopping in South Africa.

## **2.2 Technology Required for Online Shopping**

O’Cass & Fenech (2003), termed an online users ability to successfully execute the use of the Internet as ‘Internet self-efficacy’. Since the Internet is a complex web of routers and communication links, it is often referred to as a cloud. According to Lian & Lin (2008), buyers and sellers conduct business via a virtual environment allowing for high anonymity. This anonymity creates security concerns that don’t exist when going physically to a store. Understanding consumer online buying patterns in South Africa is important to gauge how South African buying behavior compares with developed countries, and whether similar trends is experienced in South Africa. Internet services and applications are found in most places of work, in homes, latest cell phones, and Internet cafes. Broadband technologies such as ADSL and 3G are commonly adopted technologies for fast home and business Internet access (Goldstuck 2010). Fixed line broadband Internet access has increased by 50% from 2008 to 2009 and wireless broadband Internet access has also increased three times as fast as fixed line broadband in South Africa (Goldstuck 2010). A study by World Wide Worx in 2010 revealed that the number of South African Internet users passed the five million mark for the first time, representing 10% Internet penetration for South Africa (Goldstuck 2010).

Reasons cited for the increase includes:

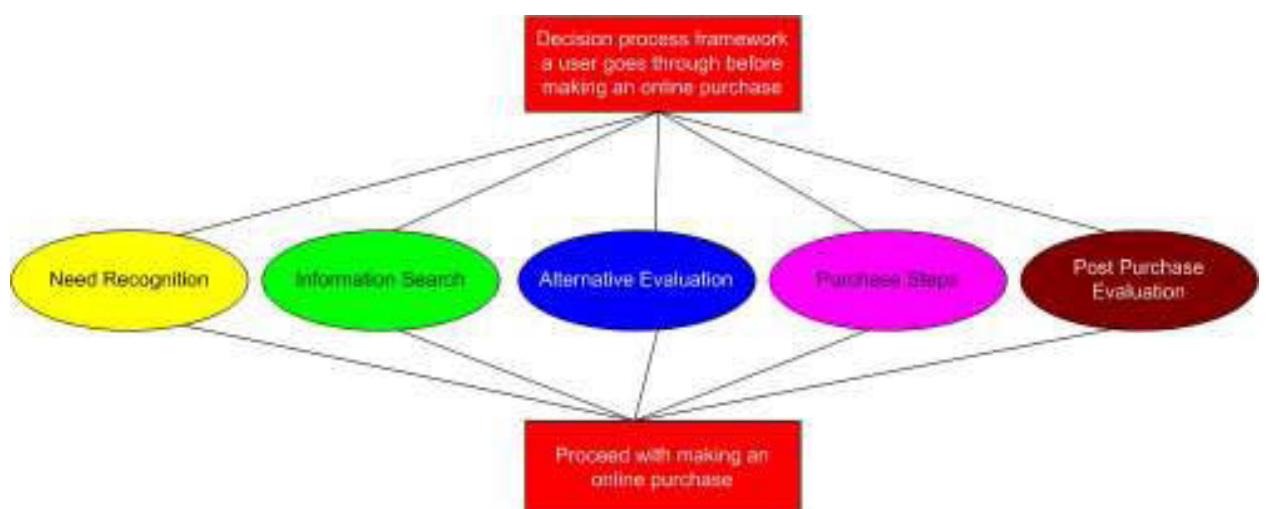
- granting Electronic Communications Network Service licenses to more than four hundred organizations, enabling the Internet service provider industry in South Africa to be opened up creating more competition
- small and medium enterprises (SMEs) upgrading to ADSL which resulted in more than half a million people gaining access to the Internet, who did not previously have access

- South African employers embracing the concept of remote connectivity and allowing their workers the freedom of being connected to business applications whilst not physically at work. This is achieved by issuing 3G cards to employees who need to be connected while not being at the office, allowing them to still be productive, responsive, and creative. The result is that wireless broadband grew by 88% in 2009
- New fibre-optic networks laid in cities and the new SeaCom cable are making corporates re-align their thinking on infrastructure to take advantage of bigger, faster, and more flexible capacity (Goldstuck 2010).

### 2.3 Online Buying Patterns

To maximize market share, it is important to ‘understand the behavior of the different types of Internet shoppers in order to address the shoppers specific needs, expectations, and more importantly their concerns’ (Soopramanien 2007, pp.73). Some of these needs and expectations may include web experience (site design and functionality), security, privacy, and trust of the online vendor.

An analytical framework (Figure 2.1) developed by Engel et al cited in Chau et al (2007), identifies five distinct phases that general consumers utilize as a decision process before committing to an online purchase.



**Figure 2.1** Consumer Decision Process before making an Online Purchase

Adapted from: Engel et al cited in Chau et al (2007)

Before committing to making an online purchase, an online user will run through: need recognition, information search, alternative evaluation, steps to make the purchase, and post-purchase evaluation and if the results are positive an online purchase is made. Some of these stages occur offline such as need recognition, alternate evaluation and post purchase evaluation, in some instances even the purchase occurs offline (Singh 2001).

## **2.4 Retail Channel Alternatives**

Traditional retail stores are being challenged by numerous alternate retail service channels, which include the Internet, direct mail, interactive telephone systems, and interactive television (Dijk et al 2007). The advantages of using the web as a retail channel include time savings, convenience, and customer empowerment (Dijk et al 2007). According to Dijk et al (2007), it is the perceived transaction cost that drives the consumers channel choice. If consumers think they will benefit from time, money, savings, convenience, and lesser effort than another channel, they will make a switch. Ruyter et al cited in Dijk et al (2007) added customer empowerment to this list which means customers will switch channels if they feel they are being empowered.

According to Schoenbachler & Gordon (2002), retailers need to refine their methods of attracting and retaining customers. This could be achieved by changing from a channel-focused approach to a customer-centric approach. These authors also advised businesses to identify and respond to factors that enticed consumers to use a particular channel, and not to attempt to persuade customers to use competing channels.

In Western countries, research has confirmed a direct relation between the increase in the amount of information gathered and shopping (Richard 2009). Furthermore, the Internet is emerging as a prominent channel when searching for information, because of its wide access, and ease of use (Richard 2009). Research conducted by (Dijk, et al, 2007: 13), revealed that many participants used the Internet for 'broad information searches and triangulation of cheap deals' and often used other channels to make the final purchase.

One of the industry success stories of using the Internet as a retail channel is the travel industry. This industry is ideally suited to provide a wide range of comparable information and efficient access to online users. Whilst certain components of this industry were slow to see the benefits of utilizing the Internet as a channel, it is one of the online success stories, playing a key role in the arrangements and experience of today's travelers' (Nielsen Global Online Survey 2008). A possible reason for lower Internet prices is costs such as rent, salaries, water and electricity, are either much lower or eliminated for an online retailer, so the possibility of offering discounts to online buyers is much greater when compared to a physical store.

As of 2007 there were 1014 online retail web sites but twelve sites which accounted for more than three quarters of online retail sales in South Africa dominated the online retail environment. Some of these sites include: M-Web ShopZone, eBucks, Digital Mall, Pick 'n Pay Home Shopping, Woolworths, Kalahari.net, Exclusive Books, Musica, Cybercellar, Digital Planet, Ascot Direct and NetFlorist (Goldstuck (2007). Newer dominance in online retailing websites include: Inthebag and Streetcar.com (Goldstuck 2010).

## **2.5 Online Sales**

In an effort to increase sales, key players in the online retail market widen their product ranges to achieve sales targets. Retail outlets that utilize Internet purchasing channels e.g. Kalahari.net, experienced year-on-year growth of 20-25% in 2009. Goldstuck (2009), said people like to put the blame on the post office for the reason why online buying will not work in South Africa. The problem in South Africa is that we do not have a tradition and infrastructure for a low cost, quick delivery service (Goldstuck 2009).

NetFlorist upgraded its technology and bandwidth just before Valentines Day 2008. There was a relatively low advertising budget compared to previous years, yet sales on Valentines Day 2008 were reported to be 30% higher than in 2007. Some credit to this success was the growing penetration of the Internet into

everyday life. Valentines Day 2008 saw NetFlorist receiving up to four orders per minute and were forced to triple the size of their call centre (Mwanza 2008).

The Online Retail in South Africa Research (2007) estimated online sales to reach R929 million, up from R688 million the previous year. Although these figures are high, they exclude the sale of online air tickets which accounted for R2,3 billion in 2006 and is the major growth driver of online retail sales (Mwanza 2007).

At the end of February 2010, online sales slowed to the worst recorded annual growth in the past ten years history, with sales just 5% up on January 2009 (UK: January growth ...2010). Possible reasons may include higher product prices, high debt levels and the world recession that had just ended after a firm 18 month grip. Price increases have a negative impact on real disposable incomes which limits growth in spending. Ironically, it was multi-channel retailers who held off on heavy discounting, instead of solely online retailers that bore the brunt of poor sales. Other sectors in e-retailing however, reported higher growth figures, some up to 46% up from last year, leading one to come to the conclusion that online sales results are sector specific. The sector in this instance was fashion items. Despite the concern of slow online sales, solid growth was expected in the e-retail industry with the market expected to grow by 12% (UK: January growth ...2010).

Statistics South Africa (2010), released a report which said retail sales increased by 3,2% year-on-year, but provided no data on online sales figures (de Vries 2010).

## **2.6 South African Online Trends**

South African online spending has not caught up with developed Western countries and even some emerging economies due to access constraints, which according to Singh (2001) includes: high cost of connectivity, slow access speeds, and caps on the amount of data that can be downloaded. Internet access is relatively expensive and there has to be a real need before consumers invest in this technology at home.

In 2006, research conducted by Nielsen Company revealed approximately 10% of the world's population had shopped online. Two years later, this figure had increased by approximately 40% with the highest percentage of online shoppers found in South Korea where 99% of those with Internet access had shopped online, followed by the United Kingdom (97%), Germany (97%), Japan (97%), United States (94%), and South Africa (73%) (875 million shoppers ...2008).

In 2008, the Nielsen Global Online Survey revealed that more than 85% of the world's online users had used the Internet to make a purchase and that more than half of all Internet users had made at least one purchase in every month of 2007. In South Africa, just under a third of all respondents made purchases using the Internet at some time in 2007 (875 million shoppers ...2008).

MWeb announced that they will be the first Internet service provider in South Africa to cut the costs of uncapped Internet by more than 40 percent lower than their competitors in 2010 (Serrao 2010). This means MWeb users can download as much data as possible, whenever they want to, without having to look at their cap limit and worrying about paying additional costs. According to Jansen cited in Serrao (2010), South Africa has fallen behind other African countries in terms of Internet penetration in recent years. Holgate cited in Serrao (2010) says that cheaper Internet service offerings, translates to the possibility of more small businesses having an online presence because of affordability. Goldstruck (2010) was quoted as saying 'cheap, unlimited broadband marked a shift in the South African Internet industry' and that 'accessible technology builds the economy'. The Nielsen Global Online Survey (2008), revealed the most popular items purchased globally over the Internet were:

**Table 2.1:** Most popular items purchased via the Internet Globally

Books	41%
Clothing / accessories/ shoes	36%
Videos / DVDs / games	24%
Airline tickets	24%
Electronic equipment	23%

Whilst books were the most popular item purchased via the Internet globally, videos, DVDs, and games were the most popular online South African purchases. Although clothing was the second highest Internet purchase globally, this accounted for only 10% of South Africans online purchases, however, 51% of South African respondents utilized the Internet to purchase airline tickets (Nielsen Global Online Survey 2008).

Credit cards were used by 60% of respondents in the Nielsen Survey (2008) to pay for online purchases, whilst 25% opted to pay via PayPal. There were 82% of South Africans on the other hand who preferred using their credit cards to make online payments. Paypal was only introduced in South Africa at the beginning of 2010, which may explain why South Africans have not used this service en masse (Transaction fees for ... 2010). Interestingly, 53% of international credit card online payments were made using Visa, whereas 51% of South Africans paid using Mastercard and 42% of South Africans paid via Visa (Nielsen Global Online Survey 2008).

Research conducted by Jacobs and de Klerk (2007), reveals consumers in the USA have a tradition of ordering clothing items through the mail, which was easily converted into an online product category. South Africans on the other hand have a history of purchasing books and CDs' via mail ordering systems, and these were successfully converted into online sales e.g. Kalahari.net.

A MasterCard survey in 2009 found that 80% of South Africa's Internet users were shopping online with the majority (58%) buying items like CDs' and DVDs'. This trend hasn't changed much since 2001 where it was found that CDs' and DVDs' were the main items purchased online (Singh 2001). Three quarters of South Africans with Internet access made at least one online purchase in the first half of 2009 with 50% saying online shopping is one of the reasons for using the Internet (West 2009). From June 2008 to June 2009 there were 4,6 million Internet users and this figure was expected to expand by 2014 as was the pattern in the fifteen years prior to 2008 (West 2009).

## **2.7 Alternate Payment Methods**

### **2.7.1 eBucks**

People without credit cards could not make Internet purchases, as all Internet purchase payments were originally made by credit card. Seeing an opportunity, alternate means of paying for Internet purchases were devised and one such method of paying for Internet purchases is by eBucks. eBucks was developed by the FirstRand group and boasts more than a million members, 'it is the leading rewards programme in the land' (Apteker & Drennan 2008). There are four ways to use eBucks i.e. :

- eBucks Shop – there are thousands of products on offer in the eBucks shop
- eBucks Travel – eBucks can be used to pay for accommodation, flights, and car hire
- eBucks Card – an eBucks card can be swiped at eBucks card partners (together with a 4-digit PIN), to pay with ones eBucks
- Shopping Online – eBucks can be used to purchase goods online from any one of a number of eBucks Internet partners

Partners of eBucks include: Kulula.com, Kalahari.net, Vottle, NetFlorist, Want It All, Avis, Engen, Incredible Connection, Spec Savers, Look and Listen, Makro and many others. eBucks is safer than using a credit card as eBucks transactions are secured, similar to online banking, preventing copying of credit card numbers. There are two ways how one can earn eBucks:

- by purchasing goods and services from eBucks partners or
- by buying them

eBucks never expire, so once earned, they are as good as cash (Apteker & Drennan 2008).

### **2.7.2 Ukash**

Just as eBucks prevents online fraud, another method of making Internet purchases is through Ukash vouchers. There are 275 000 global locations where

cash can be converted for Ukash vouchers and it will soon be possible to obtain these vouchers by online bank transfer. These vouchers can then be utilized to purchase goods from any of the thousands of Ukash friendly websites.

Ukash has been authorized by the South African Reserve Bank to operate in this country and is also regulated by the Financial Services Authority in the UK. For people who do not have a credit card or other alternate online payment options, yet still desire to shop online, Ukash and eBucks must surely be two attractive alternate methods that addresses this shortcoming. Use of Ukash and eBucks also prevents copying of credit card numbers and online fraud (Apteker & Drennan 2009).

## **2.8 Online Shoppers Concerns**

### **2.8.1 Security**

Findings of the study conducted by Soopramanien & Robertson (2007), indicate a major inhibiting factor of Internet shopping adoption is online consumers' perception of security risk. This perception is more evident if the online purchase is relatively expensive (Lian & Lin 2008). The concern for security is warranted as the web is accessible by anyone and from anywhere. If the design of a website does not offer security, hackers could infiltrate the vendor server and harvest credit card information. Ranganathan & Ganapathy (2002), identified security as one of the most important factors to be considered when designing a web site. Confirming this statement was Wolfinbager & Gilly (2003), they measured online retailer service quality by four factors, and one of them was security of the web server. A study by Singh (2001), also confirmed security as a major concern expressed by online users, he found that consumers were afraid to use their credit cards online and they feared non delivery of items purchased.

### **2.8.2 Viruses**

As per Microsoft, the definition of a computer virus is that it is a small software program that spreads from one computer to another computer which interferes

with normal computer operation. The reasons why viruses are not good for computers are listed below:

- A computer virus may corrupt or data files on a computer
- Propagates itself by using an e-mail program to spread the virus to other computers
- Deletes everything on the hard disk
- Hampers normal computer operations due to slowness

(Computer viruses description ...2010)

Computer viruses are usually and most easily spread by attachments in e-mail messages. Computer viruses can be disguised as attachments of funny images, greeting cards, or audio and video files. Computer viruses also spread by using download files from the Internet. Symptoms that a computer may be infected with a virus include:

- “The computer runs slower than usual
- The computer stops responding, or it locks up frequently
- The computer crashes, and then it restarts every few minutes
- Applications on the computer do not work correctly
- Disks or disk drives are inaccessible
- You cannot print items correctly
- You see unusual error messages
- There is a double extension on an attachment that you recently opened, such as a .jpg, .vbs, .gif, or .exe. extension
- An antivirus program is disabled for no reason. Additionally, the antivirus program cannot be restarted
- An antivirus program cannot be installed on the computer, or the antivirus program will not run
- New icons appear on the desktop that you did not put there, or the icons are not associated with any recently installed programs
- Strange sounds or music plays from the speakers unexpectedly

- A program disappears from the computer even though you did not intentionally remove the program”

(Computer viruses description ...2010)

Although the above are common signs of virus infection, these signs may also be caused by hardware or software problems that have nothing to do with a computer virus.

An example of how problematic a computer virus can be is taken from computer security company Symantec has released reports of a virus called Clampi, making its rounds in South Africa. This virus is especially dangerous because it was written to sit unnoticed on a user's computer, until that user logged onto bank, credit card or other financial websites. The virus captures log-in and password information and transmits it to a server run by the attackers. The recommendation was for users to have latest antivirus software patches on their computers to prevent being a victim of Clampi (Online banking virus ...2009).

Besides Clampi, there are hundreds perhaps thousands of other viruses around. Many were written for specific purposes, but the viruses that were written with intentions similar to Clampi are of particular concern. Methods of how to deal with these treats are discussed in the recommendations chapter.

### **2.8.3 Trust**

An improvement in security measures has contributed to the increase in the level of trust shown by the online consumer. Other factors that increase levels of trust include:

- providing detailed product information, assurances, policies, and guarantees (Chau et al 2007)
- use of e-seals (Kimery & McCord 2002) and (Kovar et al 2000)
- use of digital certificates (Chau et al 2007)
- use of third party endorsements and approvals i.e. Verisign, Truste, WebTrust, and Trusted Site Seal (Constantinides 2004)

Some consumers who were security conscious felt if web sites were not secure and private in terms of their privacy and personal information, such information could become generally available, which could result in them being targeted for receiving junk mail and spam over the internet (Jacobs & de Klerk 2007).

According to Constantinides (2004), online marketers should identify factors hindering trust among potential online customers. Factors influencing online trust include: transaction security, customer data abuse, customer data safety, uncertainty reducing elements, guarantees, and return policies (Constantinides 2004).

#### **2.8.4 Privacy**

Together with providing security, online retailers need to protect their online customers' privacy. Privacy disclosures on websites have a direct bearing on shoppers trust of a website (Pan & Zinkhan 2006). Wolfinbager & Gilly (2003), found that customers perceptions of an online retailers service quality was strongly influenced by their privacy concerns. Hsu (2006), concurred that privacy concerns varied due to personal differences which included educational background, culture, and demographic background. Lian & Lin (2008) concluded that as personal privacy concerns increased, attitudes towards online purchasing were negatively affected. According to Jacobs & de Klerk (2007), online consumers were concerned about the privacy of their personal information and giving personal information over the Internet. South Africa's high crime rate was one of the leading reasons provided by some respondents highlighting the importance for online security. There is most definitely a great need for e-retailers to implement risk-reduction strategies which will persuade South African consumers to utilize the online retail channel (Jacobs & de Klerk 2007).

#### **2.8.5 Reputation**

According to Parker (2010), the reputation of an online store is also crucial to its success, since the online buyer never sees the e-retail store staff, and cannot tell whether an online retailer will keep their promise in terms of warranties, guarantees, and returns and even delivery (Singh 2001). In research conducted by

Constantinides (2004), 46,1% of respondents revealed that a web sites design was the most important factor to promote credibility, followed by information structure (28,5%), and information focus (25,1%).

## **2.9 Mechanisms for Comparing Online Prices**

A method of comparing prices is to use the web sites [www.jump.co.za](http://www.jump.co.za) and [www.pricecheck.co.za](http://www.pricecheck.co.za). These web sites provide a list of leading retailers that stock a product from which one could compare prices. Besides the price comparison advantage, one could also check for different model versions of the product e.g. a television. These web sites are neutral because they have nothing to gain by persuading a customer to buy from a specific retailer and they also provide a rating system so potential customers can read whether the retailer is considered trustworthy and has a good reputation (Apteker & Drennan 2008).

As per de Vries (2009), online shoppers are increasingly looking towards the internet to compare prices before buying products in-store. A means of knowing how reputable an online retailer or any organization for that matter, is to perform a search on the Internet. It is a worthwhile exercise to know who one is dealing with before handing over one's hard earned money, especially if business with them was never conducted in the past. Any search engine e.g. Google or Altavista could be used and the text 'better business bureau + company name' will display some very interesting data about the company which will be useful as a determining factor of whether to continue doing business with that entity (Purchasing on the ...2010).

The worst thing for any consumer is to make a purchase in a hurry only to find that the item purchased could be bought at a lower price in another shop. Even if the item is returned for a refund, the consumer is not refunded for lost time and energy. All consumers must research their purchases carefully to prevent this happening to them (Online shopping South ...2005).

## **2.10 Online Shoppers Expectations of Online E-Retailers**

MasterCard (2009), consumers identified the following as key expectations of online retailers: 85% wanted secure payment facilities, 62% wanted value for money, and 61% said a websites reputation was important. These statistics confirm that security is the greatest concern of online shoppers.

## **2.11 Factors Favouring Growth Of Online Shopping**

### **2.11.1 Changing Lifestyles**

Time constraints, price, quality, emotional wellbeing, and socio demographic factors are the driving forces to making an online purchase (Bosnjak et al 2007). Lian & Lin (2007) identified high product involvement as a determinant towards consumer characteristics that positively influence online shopping acceptance. Online buying is very convenient in today's fast paced world. Shopping online allows the user to shop from the comfort of work or home environment and get the items delivered at a convenient time which allows the user to use his time for other tasks which have a higher priority. In addition to easily comparing prices, online shopping web sites offer advance information about sales at stores and from online merchants. As an incentive to lure shoppers to make use of online shopping facilities, many e-retailers offer online buyers free delivery (Online shopping South ...2005). In a Visa survey conducted in 2009, 78% of consumers in the UK said they intended to shop online at the end of the year, and 73% of respondents said online shopping was cheaper (Mochiko 2009). This translates to an increasing number of shoppers who are looking to the Internet to make their purchases.

### **2.11.2 Use of Virtual Assistants**

According to Chau et al (2007), customers may rely on 3<sup>rd</sup> party ratings, consumer feedback forums, and product ratings to safeguard their online purchases. This may be true especially for those new to online purchasing and if one is not familiar with a particular website. Just as there are sales assistants when making physical visits to retail outlets, Jones et al (2008) suggest that having online sales agents, aptly named 'avatars', increases consumers levels of satisfaction with the online

retailer, which results in a “knock-on” effect with improved attitudes towards the product, and ultimately improves the consumers intention to purchase. Senecal et al cited in Bosnjak et al (2007), however disagreed, saying that although product recommendations ‘make the decision making process more complex’, this has no bearing on online buying behaviours.

### **2.11.3 Web Site Design**

There are factors that either promote or inhibit online buying. Web atmospherics, is a term used to describe the functional characteristics of a websites environment e.g. structure, effectiveness, informativeness, and entertainment to induce a positive response (Childers et al 2001). Research showed that the easier a website is to use, the easier it is to process the information (Richard et al 2009). According to Elliot et al (2005) efficient websites create positive feelings towards websites. Luna et al cited in Richard et al (2009) however, said the opposite; a more positive attitude towards a website was seen when the website offered optimal challenge relative to possessed skill. Richard et al (2009) found that women preferred more challenging web sites than men.

### **2.11.4 Fast Internet Access**

According to Farag et al (2007) those who are well versed in Internet browsing and those with a faster Internet connection are more inclined to increase online shopping. This translates to people living or working in urban areas, who have access to the Internet making more online purchases than those further away from the city that have inferior Internet access. Even though there are currently many online shoppers, and research shows the potential for online shoppers increasing, online shoppers have admitted that 76% of their shopping was still done the old fashioned way i.e. by physically visiting retail outlets (Consumers keen to ...2009).

Goldstuck (2007) made two predictions: with increases in the rollout of broadband more online users will make online purchases, and only when users have been online for around six years will they be comfortable with making purchases on the internet.

In the past dialup was a problem in that users were pressured for time and cost and therefore could not spend much time browsing. With broadband implementation and usage, users are able to browse at their leisure, conduct more product research, and then make informed decisions. As of July 2009, there were 700 000 South African dialup users that still had to migrate to broadband technologies (Dingle 2009). The second prediction: initially users have to become familiar with the Internet and to determine how to fit the Internet into their world.

#### **2.11.5 Social Media**

According to the Nielsen Global Online Survey (2009), social media such as Facebook and Twitter have become powerful tools that influence what people buy online. Nearly three in four people worldwide who use the internet have visited a social network or blog. Online product reviews are the third most trusted source of information coming after recommendations from friends and family when deciding whether to purchase a product. Social media is big, is growing very quickly, and in un-predictable ways everywhere in the world (Facebook, Twitter powerful ...2010). Social media is here to stay and advice is for this media to be taken seriously by the broader business community (Facebook, Twitter powerful ...2010). Businesses cannot sit on the sidelines and observe the social media phenomenon, they need to embrace it and make themselves part of the action (Facebook, Twitter powerful ...2010)

Young people's purchasing decisions however are still more influenced by traditional media such as television, rather than new media according to the latest research by the Bureau of Market Research at Unisa (Mochiko 2010).

#### **2.11.6 Improvements to Infrastructure that Promote Technology**

As stated earlier, South Africa is experiencing growth in terms of improvements to infrastructure which will promote acceptance and adoption of internet technologies. Some of the reasons for this growth are: granting of network service licenses allowing companies to operate as internet service providers, companies upgrading to adsl, more employers giving employees the choice of working

remotely, and new fibre-optic networks laid in urban areas by various third parties which is leading to robust competitive online business.

Growth is expected to surge over the next five years to reach nine million users who will be online, boosted by the installation of undersea cables like Seacom (Mochiko 2009). This growth in the number of internet users means that the number of online buyers will grow exponentially.

## **2.12 Summary**

As the age of the internet progresses, software applications have reached a point where goods could be viewed on an e-retailers web site and payments made via credit or debit cards. The majority of South African online users access the internet by means of fixed line broadband or wireless broadband technologies. Due to competitive prices for access to the internet, rollout of next generation technologies, and users embracing remote connectivity the number of internet users in South Africa passed the five million mark in 2010.

A diagram was used to list the steps that an online buyer goes through to commit to a purchase. While a few retail channels exist, the reason driving the choice of a channel is the perceived transaction cost. Whilst the internet provides an easy avenue to view products, gain product information, and compare prices the ultimate purchase may not be committed through the medium of the internet.

One third of respondents of an internet survey in 2007 confirmed they had made online purchases, which is a huge improvement, since most South Africans when surveyed in 2001, found it costly and uncomfortable to access the internet. DVDs, videos, and games were the most popular South African purchases. Credit cards payments were the choice of payment for online purchases both internationally and locally.

The areas of concern for consumers that made online purchases included security, viruses, trust, privacy, and reputation of the e-retailer. There are websites that cater for online shoppers to compare prices and to hear testimonies of experiences of other shoppers at a particular e-retailer.

Online shoppers have specific expectations of e-retailers; however, there are factors which indicate that the future of online shopping in South Africa will continue growing.

The literature used to gather data for this chapter gave an excellent review of internet buying, of international trends and how South Africa compared. Well known research e.g. Mastercard, Nielsen Global Online Survey, and World Wide Worx were consulted, which provided a solid foundation to compare the results of those surveys and the survey for this research. The next step is to prepare the research instrument, which will be used to obtain respondents data for this survey. The next chapter will look at data collection strategies, research design and methods, how to recruit respondents, pretesting and validation of the data, and analysis of the data.

## **CHAPTER THREE**

### **Research Methodology**

#### **3.1 Introduction**

To be a progressive country or entity, the responsible persons need to map the road ahead; but in order to do so, they need to understand the challenges already faced when earlier technologies, products, or services were implemented and became accessible to the general population. This understanding can be achieved through a process of research which is a series of well thought out and carefully executed activities that enables one to know how an entity's challenges can be solved. Research is therefore the process of enquiry, investigation, examination, and experimentation (Cooper and Schindler 2006).

This chapter discusses the research methodology implemented to understand the depth and prevalence of online buying in South Africa and is discussed under the headings of aim and objective, data collection strategies, research design and methods, and analysis of the data.

According to Bryman and Bell (2007), the biggest mistake is for quantitative researchers not to know at an early stage how their data will be analysed. The two reasons put forward as to why researchers need to know how their data is to be analysed are: appropriate techniques have to be matched to the variables that were created through the research instrument and the size and nature of the sample are likely to create challenges to the techniques deployed (Bryman and Bell 2007).

#### **3.2 Aim and Objective of the Study**

With gains in technology from the 20<sup>th</sup> century, man is living a life that cannot be compared with previous generations, especially with the introduction of the internet in 1989, how man accomplishes things has changed drastically. The Internet has rapidly become an important communication channel for research, entertainment, collaboration, and purchase of products and services (Dijk, Minocha & Laing 2007; Richard, Chebat, Yang & Putrevu 2009).

The aim of this study is to understand online buying behaviour in South Africa and the extent to which South Africans' embrace online purchasing.

Online shopping has taken off in leaps and bounds in mostly first world countries and comparisons between South Africa and these countries are made.

The objectives of this study are:

1. To determine what consumers look for prior to purchasing from a website
2. To determine the factors which promote / inhibit online purchasing
3. To determine what consumers buy online, where and how often

These objectives were chosen as they contribute towards the research question, are clear and concise, and ensure the data collection instrument is designed appropriately.

### **3.3 Data Collection Strategies**

The data collection strategy for this study was put together by carefully considering the data sources, data instrument, and measurement questions that appeared on the survey; which provided valid and reliable data. The literature review in chapter two was completed by using secondary data which comprised of journals, books, internet sources, and news paper articles. This secondary data provided a theoretical background for a study on internet buying in South Africa.

For purposes of this research, primary data was collected by using an online web survey. Four hundred and forty people were sent e-mails which introduced myself, stated the purpose of the research, and thanked them for participating. The said mail also contained a link, which directed the user to the online survey. Of the four hundred and forty people who participated in the survey, forty were co-workers of the author, and they in turn provided ten of their friends or family e-mail addresses. According to Cooper and Schindler (2003), the strength of a survey as a primary data collection is its versatility, since information can be gathered by questioning others.

The sample size is important for any survey as this is a representation of the entire population. It will be almost impossible to interview every individual who works in La Lucia Ridge Office Estate; so a sample representing the population is required. For this reason, there are two sample possibilities that the researcher can choose from:

- Probability sampling – this is a sample where random selection is employed so that each individual in the population has a known chance of being selected. When this selection of the population is used, it is generally assumed that a representative sample is the outcome of this process. Probability sampling also keeps sampling error to a minimum.
- Non-probability sampling – using this technique ensures a non-random selection method. This translates to some individuals of a population having a better chance of being selected for a survey (Bryman and Bell 2007).

Based on the above sampling descriptive, probability sampling will be used for this research. The four types of probability sampling include: simple random sample, systematic sample, stratified random sampling, and multi-stage cluster sampling.

Simple random sample was chosen as there is no opportunity for human bias, the selection of whom to interview is entirely mechanical, the process is not dependant on the respondent's availability, the process of selection is accomplished without the respondent's knowledge (Bryman and Bell 2007).

According to The Research Advisors (2006) and The Survey System (2007), for a population size of 250 000, at a confidence level of 95%, and a margin of error of 5%, a sample size of 384 is required.

### **3.4 Research Design and Methods**

#### **3.4.1 Description and Purpose**

With vast development of offices at La Lucia Ridge Office Park, this represented an ideal urban metropolitan area within South Africa. The scope of this research was therefore conducted with respondents who worked in this office park.

A promising factor was that there were at least four IT services companies and one internet service provider operating from within the said office park, so there was a greater possibility that many tenants in this office park had links to the internet. Having access to the internet from work was important for this research as previous literature indicates most internet browsing is accomplished during office hours.

#### **3.4.1.1 Construction of the Instrument**

Since the survey was web based, careful consideration had to be taken that the respondent could complete the questionnaire without any assistance.

Questions were asked in English and they took the form of radio boxes, selection lists, text boxes, and check boxes. The types of questions asked included: “why do you shop online?”, “how often do you buy online?”, “I usually make the following online purchases”, and “I usually make an online purchase after”. The respondents used a continue button at the end of the questionnaire which when clicked, updated the web sites data collection for the questionnaire. Because respondents’ data could be collected centrally it was the predominant reason for using an online web survey. Furthermore, there was a built in cross tabulation tool which was useful for analyzing data.

The first few questions dealt with demographics which was important for later analysis and included questions such as age, race, and gender. The next few questions elicited from the respondents whether any online purchasing was made, from where, and the average amounts bought for. Additional questions asked the respondent what prevented him / her from making online purchases and the reasons why he / she will commit to online buying in the future.

#### **3.4.1.2 Recruitment of Study Participants**

Forty working colleagues of the author were used as the initial respondents. The forty were asked to recommend ten of their friends or family members to participate in this survey. The only requirement was that the recommended people

also worked at La Lucia Ridge Office Park. The four hundred people who were recommended were unknown to the author.

Although only 384 respondents were required, all ten working colleagues were requested to provide e-mail addresses of forty of their friends or family working in La Lucia Ridge Office Park to keep the referrals as simple as possible.

### **3.4.2 Pretesting and Validation**

#### **3.4.2.1 Pretesting**

According to Bryman and Bell (2007), it is good practice to conduct a pilot study before administering a self-completion questionnaire. Piloting assists in ensuring that the research instrument as a whole functions well. Especially for self-completion questionnaires, it is particularly crucial to pilot the questionnaire since there is no interviewer available to clear up any confusion (Bryman and Bell 2007).

Careful consideration was given to ensure the questionnaire did not deviate from the specified objectives. The questionnaire was pretested by staff of the University of Kwazulu Natal to ensure:

- respondent answered all questions
- Questions were phrased to promote accurate responses
- Questions were not biased, derogatory, or made the respondent feel uncomfortable
- Wording of questions did not lead the respondent
- The questions answered the study objectives
- Respondents could complete the questionnaire without assistance

The questionnaire was captured on Question Pro. Once questions were loaded onto Question Pro, a few trial runs were simulated of how the online questionnaire behaved. Data collection was also tested to ensure analysis could be accomplished after all respondents had completed the questionnaire.

### **3.4.2.2 Validation**

According to Bryman and Bell (2007: p.41), validity is the most important criterion of research, and “is concerned with the integrity of the conclusions that are generated from a piece of research”. Validation has to do with whether or not a measure of a concept really measures the concept. Measurement validity is sometimes also commonly referred to as construct validity. Validity comes in the categories of: measurement validity, internal validity, external validity, and ecological validity.

#### **Measurement Validity**

This category is predominantly for quantitative research in the quest for social scientific concepts. Measurement validity is related to reliability, so if measuring a concept produces fluctuating results, the result is not valid (Bryman and Bell 2007).

#### **Internal Validity**

Internal validity checks whether the conclusion reached between two or more variables is true e.g. if X causes Y, we need to be sure that only X is responsible for this variation in Y and not any other external factors or in other words, how confident are we that the independent variable really is at least responsible for the change in the dependent variable (Bryman and Bell 2007).

#### **External Validity**

This issue addresses the question whether results of one study can be generalized beyond the research context. Quantitative researchers go to great lengths to ensure their research generates representative samples (Bryman and Bell 2007).

#### **Ecological Validity**

Ecological validity is concerned with whether or not social scientific findings whose instruments capture daily life conditions, opinions, values and attitudes are applicable to people’s everyday, natural social settings. Business research

sometimes produces findings that may be technically valid but have little to do with what happens in peoples everyday lives (Bryman and Bell 2007).

A means of checking validity will be to compare this survey's completed results with other well known research. Any similarities between other research data and this research will mean that the measurement instrument was constructed correctly. It will also mean that the random sample of respondents chosen for this survey, provided responses that closely resembled those of other surveys. External validity, as previously mentioned, will yield a positive result i.e. this survey can be generalized beyond the context of this research.

### **3.4.3 Administration of the Questionnaire**

E-mails were sent to the 440 people who worked in La Lucia Ridge Office Park. The mail directed respondents to an online questionnaire hosted on Question Pro that took less than five minutes to complete. This questionnaire contained fourteen open and closed questions and ranking scales. The online survey web site allowed the researcher to design simple web pages with questions and respondents answers were collected and stored by this web site for data analysis.

### **3.5 Analysis of the Data**

The proposed data analysis is designed to deliver on the primary objectives of the research, which is to understand the extent of online purchasing in South Africa, factors leading up to the decision to make or not to make the online purchase, and what online consumers purchased, where, and how often.

Using cross tabulations, analysis of the data will be presented in the form of graphs and frequency tables which will include a short description. Further to cross tabulations and frequency tables, correlation analysis will also be deployed on collected data. Correlation analysis is used to find if any relationships exist between two variables.

### **3.6 Summary**

This chapter discussed the research methods that will be used to obtain data. Careful consideration was taken for the research instrument to incorporate the aim and the objectives of this study so as to obtain relevant and reliable data. The questionnaire was pre-tested for accuracy and to ensure none of the questions were offensive, biased, derogatory, or led the respondent. Since the questionnaire was online, the author had to ensure respondents' could answer all questions without any assistance.

Data analysis will be presented in the next chapter in the form of frequency tables, graphs, cross-tabulations, and correlations. The rich quality of data obtained from the questionnaire will enable the author to report on these results with much confidence.

# CHAPTER FOUR

## Presentation of Results

### 4.1 Introduction

The previous chapter provided an overview of the research proposal and the methodology used to compile the research. This chapter reports on the results obtained from the survey and uses both descriptive and inferential statistics, to analyse the data.

Results are initially presented in the form of frequencies and graphs which were provided by Question Pro's data analysis tool. Further to this, Question Pro's built-in analytical application i.e. cross tabulation was used to analyse the data to determine the relationships between variables. Data was exported for use with the SPSS program to generate more detailed reports.

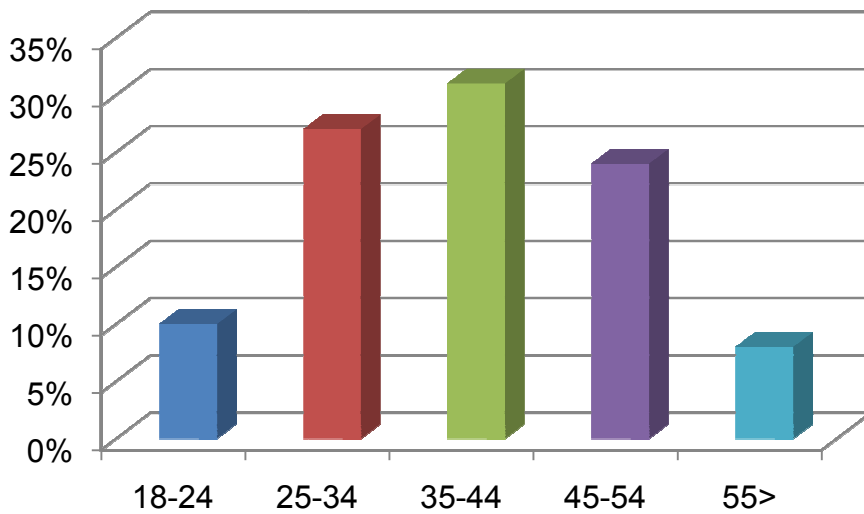
### 4.2 Analysis of Results

Univariate (analysis of one variable at a time) and bivariate (an analysis of two variables at a time to check whether or not the two variables are related) techniques will be employed to provide feedback on the survey results (Bryman and Bell 2007). Frequencies are presented by means of tables, graphs (bar and pie) with a discussion around the diagram.

#### 4.2.1 Age of Respondents

Figure 4.1 provides an age group dispersion of respondents who answered the questionnaire.

**Figure 4.1** Age distribution of online buyers

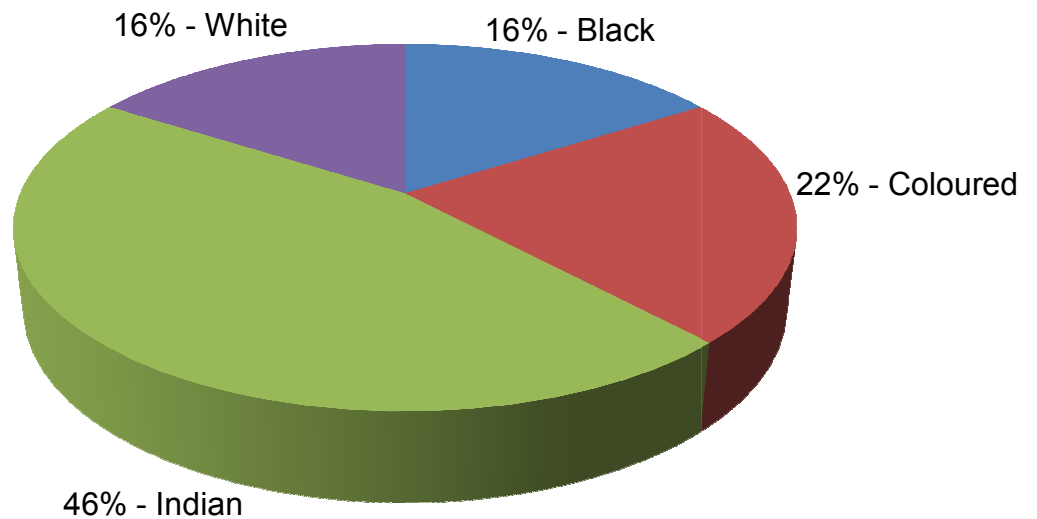


The age group with the highest return rate was in the age group 35-44 (31%) of respondents, the second largest group (27%) was in the age group of 25-34, followed by 45-54 (24%), 18-24 (10%), and 55 and older (8%).

#### **4.2.2 Racial Composition**

The racial composition, as shown in Figure 4.2 of online buyers, shows under half (46%) were Indian, followed by Coloured (22%), and Whites and Blacks both (16%).

**Figure 4.2** Racial composition of online buyers



### 4.2.3 Gender

Table 4.1 shows the total number of respondents, 54% were male and 46% were female. As per Rice and Katz (2003), gaps between Internet users and non-users is no longer associated with gender, so is unlikely to impact on the results of this survey, especially since the difference between male and female respondents is only 8%.

**Table 4.1** Gender and Online Shopping Cross Tabulation Analysis

	Male	Female
Gender	54%	46%
Does Online Shopping	77%	61%

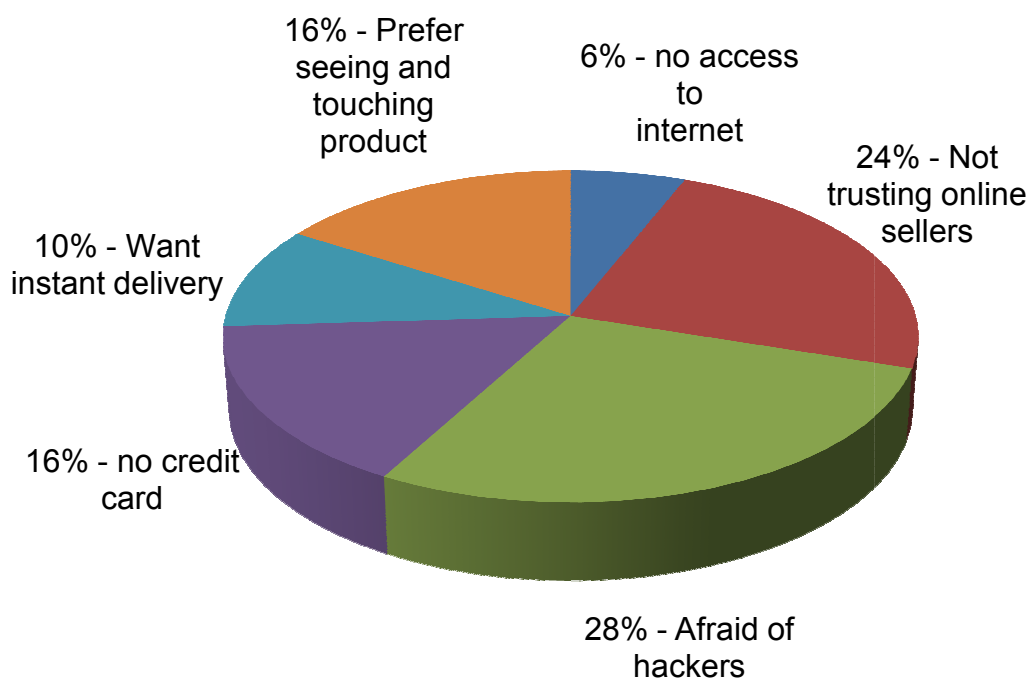
#### 4.2.4 The Number of Online Shoppers

Seventy seven percent (77%) of male respondents and 61% of female respondents confirmed shopping online. Based on these results, the typical online buyer was an Indian male between the age group 35-44. Research conducted by Singh, (2001) found the typical internet user to be Indian, male, and in the age group 25-34.

#### 4.2.5 Reasons for not Shopping Online

The reasons for not shopping online are depicted in Figure 4.3. Twenty eight (28%) of respondents were afraid of hackers, 24% did not trust online retailers, and 16% preferred seeing and touching what they were buying as depicted by figure 4.4.

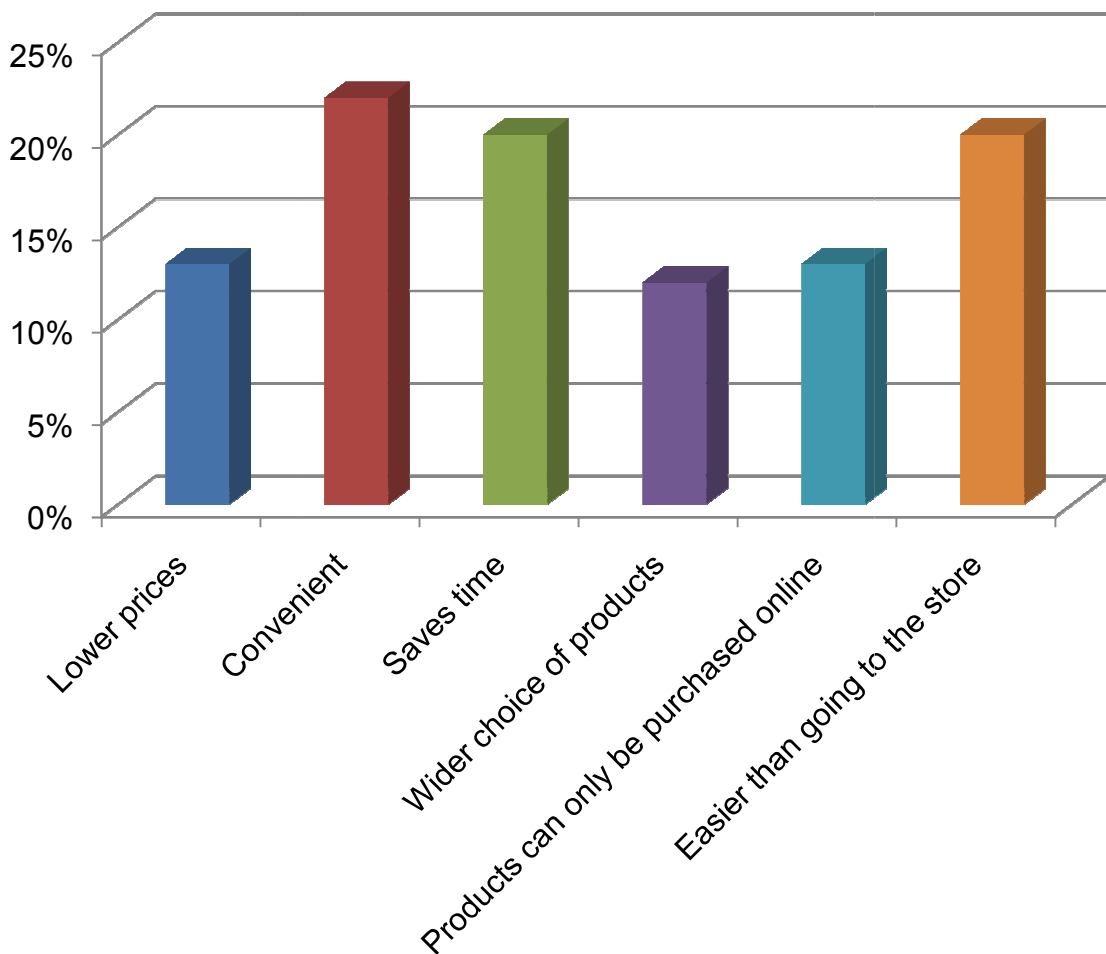
**Figure 4.3** Reasons why people do not buy online



#### 4.2.6 Why and How Often do People Shop Online?

Figure 4.4 provides a graph with all the reasons of why people purchase online. The main reasons for people wanting to buy online were: convenience (22%), followed by saving time (20%), and easier than physically going to the store (20%). These three reasons are very similar indicating that time is a critical factor in these modern times.

**Figure 4.4** Reasons why people buy online



The frequency of internet purchases varied from 32% of respondents saying they made online purchases every six months, to 28% opting to make internet purchases every three months. However, 27% of the respondents said they did not make any internet purchases.

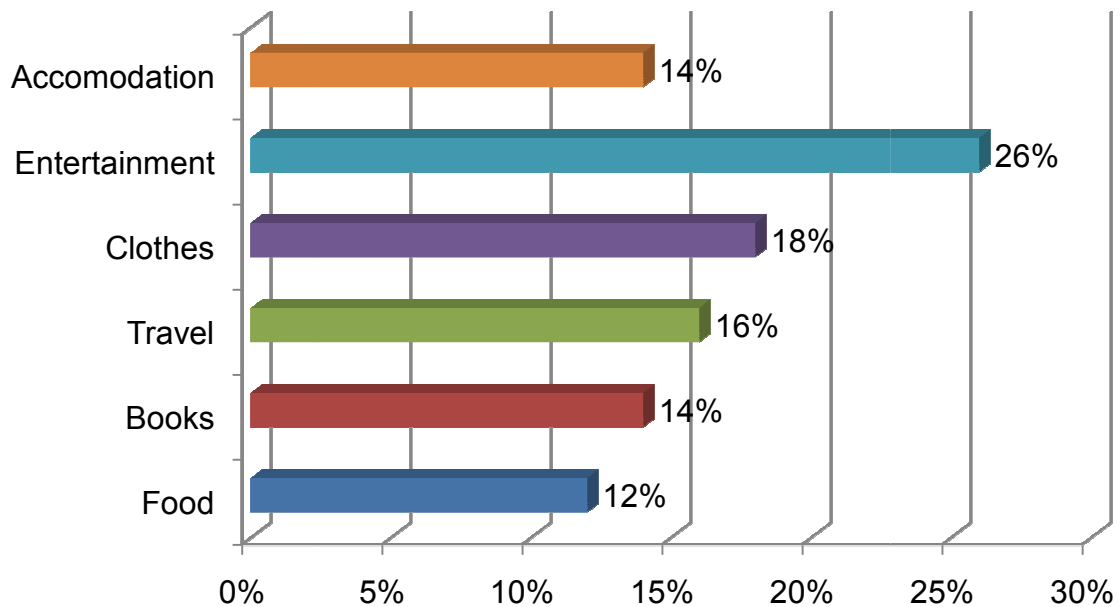
#### 4.2.7 What is Purchased from Where and When?

Of the respondents who made online purchases, 26% purchased entertainment, 18% clothes, 16% travel, 14% accommodation, 14% books, and 12% food (Figure 4.5).

On examination of where online purchases were more popular, 40% bought locally, 6% only made international purchases, and 53% made online purchases from both local and international retailers.

There were 29% of respondents who said their online shopping is usually done after seeing an advert from a newspaper, catalogue, or handout, 27% said their purchases are made after referral from a trusted source, 24% made a purchase after watching a television advert, and 20% after viewing an online advert.

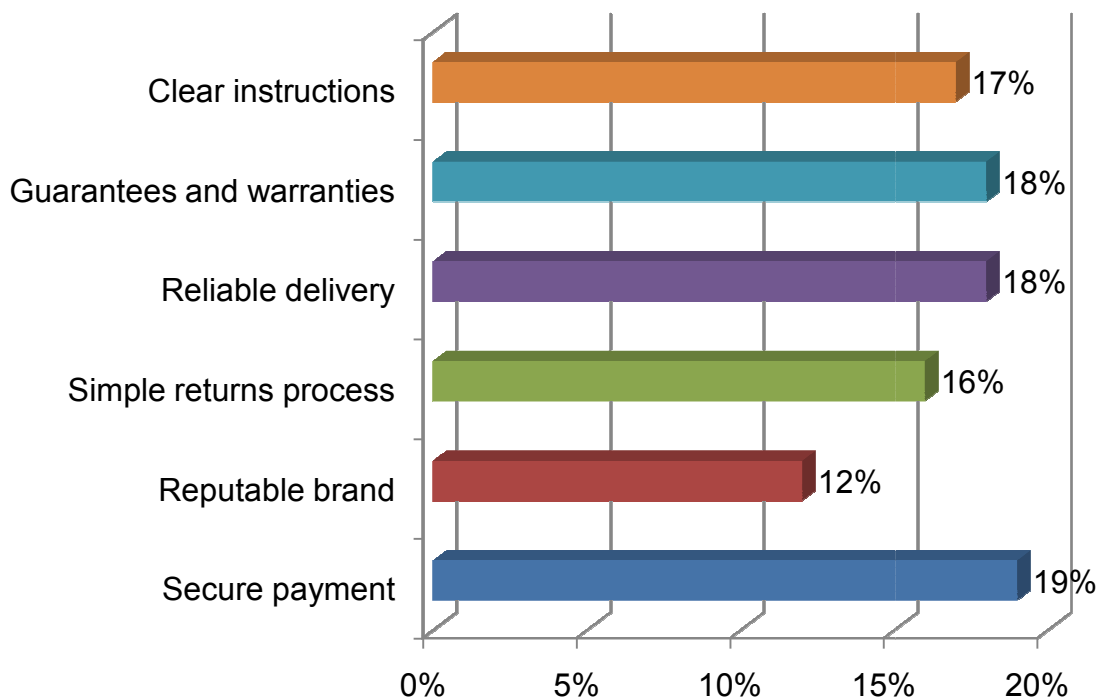
**Figure 4.5** What are people buying online?



#### 4.2.8 What do People Look for in an Online Retailers Web Site and How Much on\_Average is Spent?

As previously stated, consumers are very security conscious. Factors that increase levels of online buying are shown in Figure 4.6. Nineteen percent (19%) of respondents stated secure payment was the most important concern when making an online purchase. Following secure payment, the next most important concern was reliable service delivery (18%), guarantees and warranties (18%), clear instructions for online purchases (17%), a simple returns process (16%), and reputable brands (12%).

**Figure 4.6** Factors promoting online purchasing

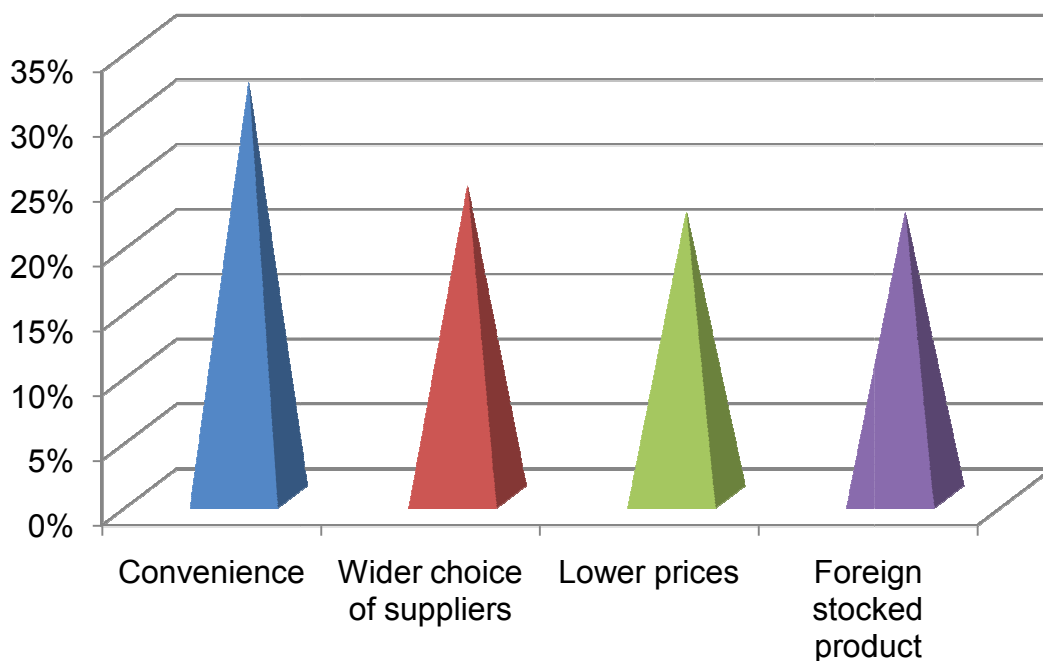


In the spending category, 29% of respondents who shopped online spent on average R501-R1000, tying in with MasterCard's 2009 online survey. Twenty six percent (26%) spent R1-R500. The spending categories: R1001-R1500, R1501-R2000, and greater than R2000, all had 15% of respondents choosing them.

## 4.2.9 The Future of Online Shopping

Even though 31% of respondents did not shop online, 75% of these non-online buyers indicated that they would consider shopping online in the near future. Figure 4.7 lists the reasons that are contributing to the growth of online shopping. When asked the reason why they would shop online, convenience (32%) topped the list followed by wider choice of suppliers (24%), lower prices (22%), and products not available locally (22%). The need for an easier mechanism to purchase and save time will therefore increase the number of online shoppers.

**Figure 4.7** Factors fuelling growth of online purchasing



## 4.3 Inferential Statistics

### 4.3.1 Cross Tabulations

Cross tabulations may also be referred to as a two-way tabulation and is a statistical technique that establishes an interdependent relationship between two tables of values, which does not extend to identifying a causal relationship between the values (Business definition for ... 1999).

#### 4.3.1.1 Cross tabulation between Age and Shopping Online parameters

Table 4.2 depicts the various age groups of respondents' and the percentages that shop online. The age groups 18 – 24 and 25 – 34 yielded 61% and 68% respectively of the respondents that shopped online, whilst the age group 35 – 44 produced 79% of respondents confirming they shopped online. The possible reasons for the age group 35 – 44 producing the largest number of respondents that shopped online could include that these shoppers are confident of how the internet works, are busy juggling family and career lives, and shop online due to convenience and saving time. The age group that produced the lowest number of online shoppers was 55 and over (48%).

**Table 4.2:** Age and Online Shopping Cross Tabulation Analysis

Age Group	Do You Shop Online?		Total
	Yes	No	
18 – 24	61%	39%	100%
25 – 34	68%	32%	100%
35 – 44	79%	21%	100%
45 – 54	65%	35%	100%
55 and over	48%	52%	100%

#### 4.3.1.2 Cross tabulation between Age and What Items are Purchased Online Parameters

Table 4.3 provides a detailed breakdown of what is purchased according to age groups. Whilst the age group 18 – 24 was the highest online purchaser of clothes (23%), the age group 25 – 34 made most of their online purchases in the entertainment category. The age group 55 and over booked their travel tickets online (20%). The 18 – 24 age bracket purchased the most books online at 21%.

**Table 4.3:** Breakdown between Age and the Various Items that are Purchased Online.

Age	Food	Books	Travel	Clothes	Entertainment	Board	Other	Total
18 – 24	9%	21%	13%	23%	19%	11%	4%	100%
25 – 34	9%	9%	16%	18%	30%	14%	4%	100%
35 – 44	12%	14%	14%	17%	27%	15%	1%	100%
45 – 54	14%	14%	13%	18%	26%	13%	2%	100%
55 & >	3%	20%	20%	11%	20%	20%	6%	100%

#### 4.3.1.3 Cross tabulation between Gender and Items that are Purchased Online

In an attempt to better understand the buying patterns of online shoppers, Table 4.4 provides a breakdown of what items are purchased by gender. More females (12%) than males (9%) purchased food online. Books were almost evenly distributed i.e. males at 13% and females at 14%. Travel was evenly split at 15%. Females purchased more clothing apparel online at 19% compared to males at 17%. Males purchased more entertainment (28%) and accommodation (15%) than females at 24% and 12% respectively.

**Table 4.4:** Gender and Items purchased online.

Items Purchased Online	Gender	
	Male	Female
Food	9%	12%
Books	13%	14%
Travel	15%	15%
Clothes	17%	19%
Entertainment	28%	24%
Accommodation	15%	12%

Respondents' listed other reasons for shopping which included: computer software, online exams, electronic devices, jewellery, health and beauty products, and cell phone accessories.

#### 4.3.1.4 Cross tabulation between Gender and Reasons for Not Shopping Online

Hackers and trust were two factors that produced the highest response for not wanting to shop online (Table 4.5). Not owning a credit card was evenly poised at 16%. Wanting instant delivery and having no access to the internet both produced the lowest statistics. There were 14% of males and 18% of females who wanted to see and feel the item before purchasing.

**Table 4.5:** lists the reasons why both genders prefer not to shop online.

Reasons for not purchasing online	Gender	
	Male	Female
Trust	27%	22%
Hackers	31%	26%
No credit card	16%	16%
Require instant delivery	3%	14%
No access to the internet	8%	4%
Prefers touching the product before buying	14%	18%

#### 4.4 Correlation Analysis

Examining the statistical significance of a correlation coefficient which was calculated on a randomly selected sample, provides insight whether there is a likelihood that the coefficient will be found in the population from which the sample was taken (Bryman and Bell 2007). The two factors that determine whether a correlation coefficient is statistically significant or not are the size of the computed coefficient and the size of the sample (Bryman and Bell 2007).

The two types of correlation analysis are Pearson's  $r$  and Spearman's  $\rho$ .

#### 4.4.1 Pearson's r

This is a method for examining relationships between interval / ration variables. The coefficient value lies between zero and one, where zero equates to no relationship between the variables and one represents a perfect relationship. The closer the coefficient is to one the stronger the relationship, and the closer to zero means the weaker the relationship. The coefficient could be either positive or negative representing the direction of the relationship (Bryman and Bell 2007).

#### 4.4.2 Spearman's rho

Spearman's rho is designed for the use of pairs of variables, but can also be used with one ordinal variable and the other parameters are intervals / ratios. This form of correlation analysis is exactly like Pearson's r in that the computed value of rho will be either positive or negative and will vary between zero and one. If the requirement is to calculate the correlation between an ordinal and an interval / ratio variable, Pearson's r cannot be used because both variables must be at the interval / ratio level of measurement. To overcome this limitation Spearman's rho is used, hence, for purposes of this study Spearman's rho will be utilized (Bryman and Bell 2007).

Table 4.6 depicts the relationship between race and online shopping. As discussed previously, a negative or positive value represents the direction of the relationship, hence, in this example the negative correlation coefficient of  $-.064$  means race does not have any bearing on whether online shopping is supported or not.

**Table 4.6:** Correlation Analysis between race and shopping online.

		Race	Do you shop online?
Race	Correlation Coefficient	1.000	-.064

The next diagram (Table 4.7) looks at the relationship between age and online shopping. In this analysis, the relationship between age and online shopping yielded a correlation coefficient of .044 which is closer to zero, hence, age plays an extremely small role when contrasted with the profile of who are online buyers.

**Table 4.7:** Correlation Analysis between age and shopping online.

		Age	Do you shop online?
Age	Correlation Coefficient	1.000	.044

The third correlation investigates whether gender has any relationship with how often one shops online. Table 4.8 reveals that this correlation is -.086 which translates to gender not having an impact on the number of times online shopping is done. Both males and females shop when it is convenient for them.

**Table 4.8:** Correlation Analysis between race and shopping online.

		Gender	How often do you shop online?
Gender	Correlation Coefficient	1.000	-.086

The last correlation (Table 4.9) investigates whether gender will impact on the habits of consumers who use traditional retail channels (visiting and buying from shops). The correlation coefficient of 0.173 implies that whilst there is a direct positive relationship that gender does play a role in the future shopping habits of consumers, the strength of this relationship is not particularly strong.

**Table 4.9:** Correlation Analysis between gender and shopping online in the future.

		<b>Gender</b>	<b>Would you shop online in the near future?</b>
<b>Gender</b>	Correlation Coefficient	1.000	0.173

#### **4.5 Summary**

This chapter provided an analysis of the results. With the pace and challenges facing modern humans, ways and means of saving time, convenience, and the bonus of lower prices are the key factors driving consumers to shop online. South African consumers are being spoilt for choice when it comes to choosing the means and the service provider to connect to the internet. Wireless broadband technology is readily available in most places, and with major progress in inter-continental connectivity via Sea-Com, access to foreign e-retailers web sites to source goods not found locally is a reality. Chapter five follows with a discussion based on the results of this study.

# CHAPTER FIVE

## Interpretation of Results

### 5.1 Introduction

To make research more meaningful, it has to be presented and referenced together with other research material from similar studies. In this instance, the study was conducted to understand the online buying patterns of South African consumers. The objective of this chapter is to discuss the results presented in the previous chapter.

Research by recognized sources coupled with empirical results presented in the previous chapter will only enhance the findings of this study. The discussions in this chapter may also lead to new directions for future research, which may afford the reader with an even greater understanding of the behavioural characteristics of online purchasing in the South African context.

### 5.2 Gender and Education as determinants for Online Shopping

Of the total number of respondents, 77% of males confirmed they purchased goods online compared to 61% of females. According to the findings of Richard et al (2009), women and men differed in their web navigation behaviour. Males preferred websites that presented information in a well structured, easy to access and process. Websites that had a good combination of entertainment, challenge, and structure were well supported by males. Females on the other hand took a liking to websites that encouraged and supported exploratory behaviour through a provision of detailed information, entertainment, and attributes that stimulate both the skills and challenge of females. The most effective websites for both males and females were those that entertain, are moderately challenging, and contained current information (Richard et al 2009). It was Farag et al (2007) that noted females and older individuals who had less internet experience had a more negative e-shopping attitude than males and younger individuals; which may explain why there are fewer females than males making online purchases.

According to Farag et al (2007), there was a relation in that people who are more highly educated have more internet experience than the less well educated. The conclusion was that people who earned a higher income made more online purchases. Farag et al (2007) also found that credit card owners had more internet experience and a more positive e-shopping attitude than people who did not own a credit card.

### **5.3 Reasons for Shopping Online**

According to Mochiko (2009), South African consumers that shopped online did so because of convenience and more competitive prices. These two reasons are expected to boost sales of online retailers as people become more time starved. Since time management is a crucial element in our lives, shopping from the comfort of our homes appears to be beneficial to the modern human. One does not even have to dress up, contend with crowds, and spend money on fuel for the car for an item that may not be stocked in a store. With all the hustle and bustle in the life of a 21<sup>st</sup> century person, something that could save time is construed positively. Online stores provide information in great detail about goods that are not always found on the packaging (Comparing online to ...2010). A total of 73% of respondents in a Visa survey said online shopping was cheaper and a similar trend was emerging in South Africa, with many consumers citing similar reasons for shopping online (Mochiko 2009). This was evident when 22% of respondents in this research said convenience was the main motive for them shopping online, followed by saving time (20%), and easier than physically going to the store (20%). One of the many advantages of online purchasing is that consumers can easily track one's own order which does become very convenient (Kucuk and Krishnamurthy 2007). Due to e-retailers dealing with local and international consumers they are more likely to carry hard to find items that does not have a large market share. With a low overhead advantage, even slow moving items create no real problems (Comparing online to ...2010). By selling online, companies can reduce costs and offer their products to a wider international market (Parker 2010). Possible reasons for the need to shop online include: South Africans are looking to save more as they have just emerged from the global

recession and face high rates of un-employment. In fact 88% of South African online shoppers stated that their shopping was planned in advance with some research going into the planned purchase. There was virtually no impulse buying (Consumers keen to ...2009). Goods are priced more competitively on e-retailers web sites than at traditional retailer outlets because the e-retailer has a very low overhead, since there is no need to pay for retail display space and storage costs are non-existent or negligible. Delivery of the product is often direct from the factory, further reducing warehousing costs and eliminating the expense of multiple shipments to various distributors which allows these savings to be passed directly to the consumer. A brick and mortar store has unavoidable overheads. Examples of these expenses include: lighting, air conditioning, water, wages, maintenance, movement of stock, and warehousing. If shoplifting occurs this too increases costs to the retailer. The advantage for retailers is that they can purchase in bulk which leads to paying lower prices for goods and these savings can be passed onto their customers (Comparing online to ...2010). This is also echoed by Kucuk and Krishnamurthy (2007) where manufacturers focus more on consumers than on middlemen, which means passing on a higher level of profit onto consumers than to retailers by introducing better deals to consumers.

Whilst we are some pace behind first world countries like the United Kingdom and United States of America in terms of internet buying, more and more South Africans are getting onto the internet and as they do so, they are finding out there are better deals to be found when shopping online (Mochiko 2009). As America continues to emerge from the global recession, consumers are becoming less loyal to retailers that they traditionally supported and are making fewer trips to these retailers. One in five Americans has decided that online shopping will be their primary mode of shopping and 39% of all online shoppers were turning to mobile, online, and social media and utilizing user reviews to help them make their purchases (American consumers will ...2009). The Accenture Report 2009 supported the above findings by saying 74% of their respondents were looking for a more convenient service and 66% wanted better customer service (Youth won't tolerate ...2010). Kucuk and Krishnamurthy (2007), informs us that using the

internet allows the consumer to simultaneously access comparable products and services with low costs of searching and switching, which empowers the consumer in that he has more options and also the ability to easily compare prices.

#### **5.4 Reasons for not Shopping Online**

When respondents of this survey were asked the reasons for not purchasing goods online, 28% were afraid of hackers, 24% did not trust online retailers, 16% had no credit card and 16% wanted to hold and see the item before making the purchase. This finding complimented the MasterCard survey of 2009, when 85% of respondents said security and reputation were more important than value for money (Consumers keen to ...2009). Fraudsters have created devious means of scamming online customers, warranting the need for a secure payment facility. Hackers could also be interpreted as exposure to viruses, worms, trojans, and phishing attacks. A clever method of stealing on the internet is by phishing attacks. How this works is that websites are created to look identical to major shopping sites like eBay or Amazon. Once an unsuspecting individual clicks on a link and enters confidential details, the owners of these fake sites harvest personal credentials, then logs into the real web site, commits identity theft, and purchases goods. The affected person may only realize at the end of the month when looking through credit card statements that he had been scammed (Shopping online risks ...2010). In a survey conducted by MasterCard 61% of respondents said a websites reputation was extremely important (Consumers keen to ...2009). This is the possible reason why trust of online retailers was lacking i.e. online consumers do not know how to differentiate an authentic web site from a fake.

According to Kim and Gupta (2009), perceived risk has a greater impact on value than price for potential online customers and for repeat customers perceived price has a greater impact on value than risk. This could be interpreted as potential customers perceive greater risk and uncertainty in carrying out transactions while repeat customers perceive greater certainty in completing a purchase with the online vendor. Lian and Lin (2008), informs the reader that some consumers who purchase online may be more comfortable with purchases that do not outlay a substantial amount of money example books, and only consumers who perceive

the web as a secure environment will spend large amounts of money online. Although it is true that product prices are lower if purchased online, some consumers avoid online shopping for fear that their credit card details may be put at risk (Parker 2010). According to Elliot and Speck (2005), less than 5% of e-customers purchased during a visit, only 1% of customers are repeat customers, and most of those who place something in a e-shopping basket eventually abandon it. Two thirds of e-shoppers confirmed that they will not purchase from a poorly designed web site. A disadvantage of purchasing from online stores is that should an item have to be returned, it is up to the consumer to pay for the packaging and shipping of the item (Shopping online risks ...2010). Some customers may want the purchased items immediately, in case they wanted to wear it directly. The time taken to receive an item purchased online or exchange a wrong purchase could also take a lot of time preventing customers from buying goods online (Jacobs & de Klerk 2007). According to Jacobs & de Klerk (2007), online consumers avoid risks or mistakes by purchasing brands that they are comfortable with (size, fit, and quality), instead of purchasing new and un-familiar brands.

## **5.5 Promoting Online Shopping by using New Age Media**

The following section will discuss why online shoppers shop from certain stores, when they shop, the amounts spent, and what is purchased.

### **5.5.1 The Number of Online Shoppers**

The results of this survey revealed 77% of male respondents and 61% of female respondents confirmed shopping online. Facebook, Twitter and other blogging sites have become powerful tools which influence the online buying decisions of consumers (Facebook, Twitter powerful ...2010). Facebook, Wikipedia, YouTube, Twitter, and NetLog were identified as being the biggest social media websites. These online social sites are attracting a massive following of subscribers and as more consumers make use of these websites the influence that can be wielded on online consumers is enormous (Facebook, Twitter powerful ...2010). Just how many people actually use the social media sites was identified by a Nielsen report

in 2010 that said three in four people worldwide who made use of the internet have visited a social networking or blog, and are spending approximately six hours a month on them. The same Nielsen report went further on to say that online product reviews were the third most trusted source of information; after recommendations from friends and family, when deciding whether to purchase a product (Facebook, Twitter powerful ...2010). According to Buchwalter (2010), "social media is having a larger and larger influence on purchasing decisions" (Facebook, Twitter powerful ...2010). This contradicted with the Bureau of Market Research at Unisa who conducted research in 2009 on 2292 high school pupils in South Africa, and results from the research revealed that traditional media, such as television, catalogues, and magazines have a stronger influence on the purchasing decisions than new media, such as cell phones and the internet (Mochiko 2010). A MasterCard survey in 2009 found that 80% of South Africa's internet users shopped online (Mochiko 2009).

### **5.5.2 What is Purchased Online**

According to Goldstuck (2004), the most commonly purchased items are groceries, apparel, and books. The single fastest growing retail category by number of items purchased from various sites is flowers and gifts, followed by apparel and then food, beverages, and groceries. As per the survey undertaken for this study; 26% of respondents purchased entertainment, 18% clothes, 16% travel, 14% accommodation, 14% books, and 12% food which closely matches the list of Goldstuck (2004). According to a MasterCard survey conducted in late 2009, the most popular items purchased online included music CDs', DVDs', airline tickets, and books (Mochiko 2009). The reason for these types of products being product leaders in the online buying category, is because one does not require personal inspection and most, if not all features, can be outlined in the product description catalogue (Analysis of consumer ...2010). According to Lian and Lin (2008), books are one example of a low outlay, frequently purchased, and a tangible product. This could be interpreted as a product that a consumer will look at purchasing online and reflect on the purchase and experience which may or may not lead him to purchase additional goods or services online. It appears that

those who travelled almost always had a requirement to book accommodation at their destination. The entertainment purchases match that of findings of Singh (2001) and a 2009 MasterCard online shopping survey. Amazon.com and Klahari.net were two of the more popular online sites from which to purchase books, accounting for 14% of online sales. Online retailers in most instances include costs associated with postage and packaging, which enable online buyers to be completely aware of what the total purchase amounts to. This fact, coupled with fast courier services, promotes online purchases, whether it be local or overseas.

### **5.5.3 Where and When is Online Shopping Done**

The dominant online retailers in 2004 were Pick 'n' Pay Home Shopping, Klahari.net, Woolworths, Inthebag, Netflorist, Cybercellar, Streetcar.com, MWEB ShopZone, Digital Mall, The Shopping Matrix and StopQ.com (The need for ...2004). In 2007 the e-retailers that attracted most of online sales in South Africa included: M-Web ShopZone, eBucks, Digital Mall, Pick 'n Pay Home Shopping, Woolworths, Klahari.net, Exclusive Books, Musica, Cybercellar, Digital Planet, Ascot Direct and NetFlorist (Goldstuck (2007). Newer dominance in online retailing websites include: Inthebag and Streetcar.com (Goldstuck 2010).

According to The Goldstuck Report: Online Retail in South Africa 2004; only 20% of online retail sales were recorded in the November / December period. This means that e-retailers cannot count on the bumper festive period to boost revenue if sales were poor in the previous ten months. People who purchased goods online did not concentrate only at the end of the year to make these purchases; purchases are made throughout the year. Goldstuck (2004) sums up the need for e-retailers: "with costs of online retail high and margins tight, they have to be on their toes around the clock as well as around the year." Respondents in this survey stated that most of their online shopping (29%) is usually done after seeing an advert from a newspaper, catalogue, or handout, followed by 27% of respondents saying their purchases are made after referral from a trusted source, 24% of online shoppers made a purchase after watching a television advert, and 20% after viewing an online advert.

## **5.6 Factors Assisting the Growth of Online Shopping**

Of all the respondents who were currently not shopping online, 75% indicated they will consider shopping via the online channel. It was also highlighted that as our lives become more disjointed and cluttered, consumers turn to the unrivalled convenience of the internet to research and purchase goods (875 million shoppers ...2008). NetFlorist's 30% increase in sales year on year in 2008 could only be attributed to the growing penetration of the internet in more South Africans lives (Mwanza 2010). The increase in revenue was achieved even though NetFlorist's advertising budget was less than that in 2007. According to Goldstuck (2010) businesses across Africa are expecting an upsurge in internet access, technology, and reduced costs as a result of the new undersea cables. The expectations are so vast that the term internet revolution is mentioned. As per the Telecoms Trends in Africa 2010 report, more than 90% of business decision makers across Africa are expecting prices to drop and competition to increase considerably. The survey was completed by using 1100 internet-using small, medium and large businesses across 20 African countries. The survey revealed that most African countries still remain heavily reliant on slow or expensive forms of connectivity, such as dial-up and satellite; however, they are beginning the move to broadband.

ADSL is becoming the standard medium to connect to the internet, with more than 40% of businesses in these 20 countries using them. The limitation was satellite connectivity which was seen as a very expensive means to connect to the internet. According to Goldstuck (2010) more than one in five respondents said they were using satellite technology, which means even though there is an expectation for better and cheaper connectivity, infrastructure is a limitation. The advantages of having a fast internet connection in relation to online purchasing was researched by Farag et al (2007); where it emerged that people with fast web access searched online more frequently. In addition, fast internet connectivity makes the user to think positively about e-shopping, leading to a total positive effect on online buying which results in more frequent online shopping (Farag et al 2007). Kolko (2009) informs us that broadband adoption increases the usage of the internet

overall. Besides a noticeable increase in music downloads, online purchasing volumes also increase.

Perhaps the most interesting fact of the Telecoms Trends in Africa 2010 report, is that the level of internet subscribers and usage increases wherever new undersea cables have been landed and fibre optic networks that have linked these undersea networks to urban centers. Perhaps two other factors that contribute positively to online purchasing are the increasing numbers of personal computers and mobile phones with internet browsing capabilities. At the beginning of 2006 it was estimated that the number of personal computers in South Africa would reach the 5,3 million mark by the end of the year (Laschinger 2006). The use of mobile internet services has literally exploded in South Africa with less than half of mobile users who are able to browse the internet making use of this service. There are 60% of mobile cell phone users who have the capability of browsing the internet from their phones but only 21% actually use this service. Facebook and Mixit are the two most popular online services being used from cell phones (Goldstuck 2010). In chapter 2 another study by Goldstuck (2007) revealed that online purchases take place after users become more confident with the internet. Additional factors that will fuel the acquisition of additional personal computers and mobile phones with internet browsing capabilities include: continued strong economic growth, the emergence of the black middle class, improved education levels, including computer literacy, the evolution of the distribution channel, improved affordability of PCs, both as a result of cheaper product and new financing options, convergence of voice and data, technology improvements, and demand for more server / storage capability to meet higher levels of corporate governance requirements (Laschinger 2006).

Farag et al (2007) also indicated that since most home shopping is accomplished at home, consumers are adversely affected due to time pressures when using slow outdated technologies to connect to the internet. Besides the slowness experienced when using older modem solutions, it is also a costly exercise. As more home users move from modem to ADSL technologies, they will experience

faster online times, overcoming any time pressures which can only lead to more online purchases (Farag et al 2007).

## **5.7 Conclusion**

This chapter discussed the empirical results of the study in conjunction with pertinent previous research and other appropriate studies and surveys on online purchasing. It was determined that designs of websites can attract more males, more females, or both males and females. Internet experience and education also contributes to the attitude of consumers when it came to internet purchasing. Chapter 5 listed several key factors that either favoured online buying or was against online buying. From user data obtained, the habits of online buyers could be categorised into what were the preferred items purchased online, where and when online shopping was done, and factors which promoted online shopping. The findings of the study will be utilized to formulate justifiable recommendations for further research. This will be discussed in Chapter 6.

# CHAPTER SIX

## Recommendations and Conclusion

### 6.1 Introduction

This chapter suggests recommendations based on the previous chapters discussions. In addition, this chapter will determine whether results obtained from user data were sufficient to address the objectives of this study, identify limitations in the results, and recommend possible future studies around the topic of this research.

### 6.2 Have the problems been solved?

To report with confidence on whether the problems were solved, one has to contrast the objectives listed at the beginning of the study with the data obtained from respondents utilized for this study. The objectives of this study included:

1. determining what consumers look for before purchasing from a website
2. to determine the factors that promote or inhibit the practice of online purchasing
3. to determine the items that online consumers buy, where, when, and how often

Using respondents' data which was presented in chapter 4, the top three responses were chosen to determine whether objectives were met.

Before making up their minds to purchase from a certain online retailer, consumers look at the website for certain criteria. These criteria include: a secure payment facility, reliable delivery, and guarantees and warranties.

Convenience, time saving, and easier than going to the store were the reasons wanting to commit to shopping via the internet. Respondents stated the reasons for not wanting to shop online included being afraid of hackers, not trusting online retailers, and wanting to hold and see the product.

Items that were purchased online included entertainment, clothes, and travel. Respondents made purchases from both local and international e-retailer web sites. Purchases were made after seeing an advert from a newspaper, catalogue, or handout, after referral from a trusted source, or after watching a television advert. The frequency of purchases varied from three to six months.

Based on the evidence listed above, results for all objectives were received, and there were no objectives with limited or no data preventing reporting thereof.

### **6.3 Recommendations**

#### **6.3.1 Site Design**

Respondents have indicated that before deciding to make online purchases, they want to trust the online retailer, want guarantees, reliable service delivery, and clear instructions on their online purchase; therefore, it is recommended that online retailers display this information on their websites. Online retailers need to ensure homework is done on choosing a logistics company if this is an outsourced function, since a poor delivery experience generates a negative relationship between customer and online retailer.

Websites should also cater for secure and varying payment methods such as smart cards and e-cash, provide money back and replacement guarantees. Deliveries must also be made on time. Firms must respond quickly to consumer complaints and suggestions and understand changing consumer characteristics.

#### **6.3.2 Valuing the Customer**

According to de Vries (2009), e-retailers need to show their consumers that they value them, and this can be achieved by offering daily and weekly deals. Additional examples of how to spice up an online customers experience is by offering free delivery, offer various payment options, guaranteed delivery times on premium products, possible door to door delivery, and even a free gift wrapping service (de Vries 2009). This can be sweetened even further by allowing the customer an additional discount for purchases totalling a certain amount or if the combined total of all purchases over time reaches a certain amount. New and

ingenious ways must be sought to attract and keep the customer e.g. a discount for introducing a new online shopper.

According to Tyrer (2010), 69% of all consumers switched retailers in 2009 due to poor customer service, which means that e-retailers have to ensure their clienteles' needs are fulfilled (Youth won't tolerate ...2010).

According to the Nielsen Global Online Survey (2008), 60% of online shoppers said they will make repeat purchases from shopping sites they are familiar with. This means, for online retailers to capture new online shoppers as they make their first purchases on the internet, positive shopping experiences must be created to capture these customers' loyalty and money.

### **6.3.3 Security Fixups**

According to Lian and Lin (2008), positive perceptions of web security changes consumers attitudes about online purchasing. Methods of overcoming security concerns and increasing levels of trust places a responsibility on online retailers to use digital certificates (e.g. Verisign), use of secure encryption-supported exchanges based on Secure socket Layer (SSL) and Secure HTTP protocols (HTTPS), and joining privacy seal programs (e.g. Truste) (Chau et al 2007).

Parker (2010) states that secure web sites use web page addresses prefixed with <https://> which appears only when confidential data such as credit card details are being submitted. Https is secure in that the customers Internet browser and the retailer's web site use an SSL certificate which allows the browser to verify that the site it is communicating with is authentic. SSL certification is powerful in that the web sites and their owners are traceable and the certification must be renewed annually by only one of a handful of trusted certificate vendors (Parker 2010).

Other recommendations are that consumers should never click on hyperlinks (urls) contained within spam (unsolicited) e-mail. Hyperlinks contained in e-mails may not translate to the actual web site url when clicked on. As previously stated, secure web site addresses always start with <https://> especially when the time comes to enter payment details. When a purchase has been made the completed

invoice appears on the computer screen; this is valuable and should be saved onto the hard drive or printed and stored safely in case of discrepancies' (Internet basics purchasing ...2010).

#### **6.3.4 Ease of Use**

Online buyers indicated convenience as being the biggest motivating reason for wanting to shop via the online channel; so it is recommended that retailers need to go out of their way to ensure that customer experiences when shopping online is enjoyable. Everything that the customer needs to know must be provided e.g. expiry dates, delivery times, postage and packaging costs, availability of stock, how to exchange items, guarantees and warranties, and any additional costs

#### **6.3.5 Credit Card and Debit Card Usage**

Extremely useful advice is to use credit cards rather than debit cards to pay for internet purchases. The reason for this is paying by credit card utilizes the banks money and does not directly take out money from ones bank account (Internet basics purchasing ...2010). This is helpful in that should a dispute arise, it is the banks money and not the consumer's money that is affected. However, if a debit card is used, banks will assist in a dispute, but the money for the purchase had already been taken directly out of the buyers account, and this money will not be available until the dispute is settled, which could take days, weeks, or even months (Internet basics purchasing ...2010).

#### **6.3.6 Social Media**

As mentioned in chapter 2, social media is already extremely popular and consumers are using to these sources as a means of making up their minds to making purchases. Online reviews are the third most trusted source of information after recommendations from friends and family when deciding whether to purchase a product. E-retailers and consumers must therefore take cognizance of this medium and harness its power to suit their requirements.

The importance of the internet has implications for individuals, society, and our country as a whole, hence, the South African government and major private

companies should form alliances to make access to the internet possible for the masses.

## **7. Ability to Address the Objectives of this Study**

Objectives of this study included determining how often were online purchases made, factors promoting or restricting online purchasing, what consumers look for before purchasing from a website, items that consumers purchased online, and where these items were purchased from.

Since the questionnaire was built around the objectives, rich user data was received. In addition to reporting on user data, additional research material from journals, books, newspapers, and the internet was referenced to validate whether the reported trends of South African online consumers matched those previously researched. Foreign trends of online consumers were also matched to those of South African online consumers.

## **8. Limitations of the Study**

Three limitations of this study were highlighted. The current study was conducted only at the La Lucia Office Parks. The workers were white collar employees representing a homogenous population and sample. A more detailed research approach would include institutions from different industries thereby making the sample heterogeneous. This study did not factor employees who worked from home and people who used the internet only from home. Another limitation was that the questionnaire did not ask for the respondent's level of education, so a cross tabulation between education and online purchasing could not be completed. This fact became evident since other research stipulated that the more educated an individual is the greater the chances of this individual making purchases via the internet. To facilitate a comparative analysis across South Africa, this questionnaire should not be limited to a section of Kwazulu Natal but conducted countrywide. Lastly, respondents indicated that items are purchased from local and foreign stores but exactly which items are purchased from where are unknown.

## **9. Recommendation of Possible Future Studies**

Future studies on online purchasing in South Africa could look at an individuals earning in comparison to whether online purchasing is accomplished. Social trends are another grey area when researching online purchasing. There may be people who are making purchases online to be socially accepted and want to appear to be hip. Another study could include the power of advertising and to understand whether the consumer had a real requirement to make an online purchase or whether they were lured by imaginative advertising. Similarly, the power of social media recommendations that lead to online purchasing could be investigated.

## **10. Implication of this Research**

This research study has looked at the power of the internet and how it has changed the means by which to acquire an item or service by means of purchasing this online. The stake holders included online consumers, online retailers, and web designers. An effort was made to provide a view from both online purchaser and online retailer. This study has provided a detailed report on the online buying habits of internet browsers. Furthermore, using the objectives of the study, the reader can obtain information on what is purchased online, when is purchasing accomplished, how much is purchased, information on local and foreign purchases, what factors online buyers look for in a website before making a purchase, and factors for and against online shopping. This research also documented in great detail the current best practices for web site security and design. Consumers who were unaware that safety measures are a possibility when it came to online shopping will now know what to look out for when doing their shopping online.

## **11. Conclusion**

Using information from journals, books, and the internet, recommendations to the challenges facing both online buyers and online retailers were provided. There were several objectives of this study which provided a thorough understanding of online buyers. Utilizing data received from an online questionnaire, information on

these objectives were received. Results obtained with the aid of descriptive and probability sampling techniques clearly identified the reasons why some consumers use the internet as a shopping channel, whereas others are hesitant. Online retailers can use information from this research to ensure secure web designs are implemented and best practices are followed to ensure a safe and pleasant online buying experience. The findings and supporting academic literature of this study prove that South African online consumer and e-retailer trends are not far behind, if not, on par with first world countries. Literature has indicated that online buying is huge in first world countries, and with people becoming more starved of time, the trend is that consumers will turn to the internet for convenience and time saving. In addition, there is the advantage of items being offered at reduced prices when purchased via the internet. The internet, it seems, is the future, so it will be wise to be an early adopter, and experience the savings earlier rather than later.

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# APPENDIX 1

## ETHICAL APPROVAL



30 March 2010

Mr P Pillay  
P O Box 50256  
Musgrave  
DURBAN  
4062

Dear Mr Pillay

**PROTOCOL: Consumer Online Buying Patterns – A South African Perspective**  
**ETHICAL APPROVAL NUMBER: HSS/0153/2010 M: Faculty of Management Studies**

In response to your application dated 20 March 2010, Student Number: **208516454** the Humanities & Social Sciences Ethics Committee has considered the abovementioned application and the protocol has been given **FULL APPROVAL**.

**PLEASE NOTE:** Research data should be securely stored in the school/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

**Professor Steve Collings (Chair)**  
**HUMANITIES & SOCIAL SCIENCES ETHICS COMMITTEE**

SC/sn

cc: Prof. A M Singh (Supervisor)  
cc: Mrs C Haddon

## APPENDIX 2

### QUESTIONNAIRE



UNIVERSITY OF KWAZULU-NATAL  
Graduate School of Business  
Westville Campus

Dear Respondent,

#### **Proposed Qualification Research Project**

**Researcher:** Mr. P.D. Pillay (031-560 6318)  
**Supervisor:** Prof A.M. Singh (031-260 7061)  
**Research Office:** Ms P Ximba (031-260 3587)

I, Pragalathan D. Pillay am an MBA student, at the School, of the University of Kwazulu Natal. You are invited to participate in a research project entitled: Consumer Online Buying Patterns – A South African Perspective. The aim of this study is to: understand what consumers look for before purchasing from a website, factors promoting / inhibiting online purchasing, and what do online consumers buy, where, and how often.

Through your participation I hope to understand: the prevalence of online shopping, the reason(s) why consumers choose / don't choose to shop online, and to determine what online shoppers purchase, how often online purchases are made, and the value of their online shopping. The results are intended to contribute to and benefit retailers who have an online presence, in that they are aware of the criteria that are important to online purchasers, and the said retailers could gear their web sites to meet these requirements. This research could also benefit consumers who may have the incorrect perceptions of online purchasing to experience a new way of shopping.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this survey/focus group. Confidentiality and

anonymity of records identifying you as a participant will be maintained by the Graduate School of Business, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take you about 5 minutes to complete. I hope you will take the time to complete this survey.

If you agree to the above and want to proceed to the questionnaire, please select the I AGREE tab, alternatively to opt out of the questionnaire, please select the I DISAGREE tab

**I AGREE**

**I DISAGREE**

Sincerely

P.D. PILLAY

Investigator's signature \_\_\_\_\_ Date \_\_\_\_\_

1. Age group:

18-24	25-34	35-44	45-54	55 and over
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2. Race:

Black	Coloured	Indian	White
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3. Gender:

Male	Female
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4. Do you shop online?:

Yes	No
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If you have answered yes to the previous question, please answer the following:

5. Why do you shop online (choose all that apply):

Lower prices
It is convenient
It saves me time
I enjoy a wider variety of products
Some products can only be purchased online
It is easier than physically going to the stores
Other: _____

6. How often do you buy online?:

Never	Every week	Every month	Every 3 months	Every 6 months
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7. I usually make the following online purchases (choose all that apply):

Food	Accommodation	Travel	Clothes	Books	Entertainment	Other
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8. I usually shop online from the following vendor websites:

Local only
International only
Both local and international

9. I usually do online purchases to the amount of:

R1-R500	R501-R1000	R1001-R1500	R1501-R2000	R2001 - >
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10. I look for the following from a website when making online purchases (choose all that apply):

Reputable brand
Secure payment
Reliable delivery service
Simple returns process
Guarantees and Warranties
Clear instructions for purchasing online
Other

11. If you do not shop online, please state the reasons why this is so (choose all that apply):

I don't have access to the Internet
I don't trust online sellers
I am afraid of hackers
I don't have a credit card
I want instant delivery
I like to see and touch what I am buying
Other

12. Would you shop online in the near future?:

Yes	No
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13. If yes why (choose all that apply):

Lower prices
Convenience
Wider choice of suppliers
Products not available locally
Other

14. I usually make an online purchase (choose all that apply):

After referral from a trusted source	After watching a T.V. advert	After seeing a newspaper, catalogue, handout or advert	Based on online advertising	Other
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Thank you for taking the time to complete the questionnaire.