Who Spends the Highest Penny in Online Shopping?

Prateek Kalia, Ludhiana College of Engineering & Technology, Ludhiana, India

ABSTRACT

After familiarisation of masses with online shopping, online retailers aim to encourage e-shoppers to spend more. However, lack of research and literature related to this specific issue, make marketers look for reliable and accurate information to segment, target and position their products to most profitable customer. This article addresses this problem by answering two specific questions: (1) what are the demographic factors which affect annual online expenditure and, (2) what is the highest amount spent in single transaction by an e-shopper. Analysis of data collected through web survey of 308 e-shoppers revealed significant association between annual online expenditure and demographic factors like city of residence, age, gender and occupation. Similarly, association was found between highest amount spent in a single transaction and the demographic factors like age, gender, occupation and marital status. Subsequent chi-square post-hoc test via a standard residual method revealed some surprising results. For example, the highest online expenditure slab for annual expenditure done among different occupational categories was by students and servicemen contributing significantly to the omnibus chi-square statistics instead of the business class category.

KEYWORDS

Demographics, E-Shopper, Expenditure, Online shopping

INTRODUCTION

The term ‘Demography’ was first coined by a Belgian statistician, Achille Guillard in 1855. However, modern demography can be traced from John Graunt’s quantitative analyses of the “Bills of Mortality” published in 1662 (Smith & Keyfitz, 2013; Timeus, 2014). Since inception of this concept researchers and marketers have used it for customer segmentation and developing marketing strategies. Demographics-based marketing strategies are still prevalent, but continuous migration of customers onto online environments has stirred the emphasis towards websites as important consumer interfaces along with underlying facets like value (Kalia, 2015), e-satisfaction (Kalia et al., 2017a) and e-service quality (Kalia, 2017b; Kalia et al., 2016).

Worldwide business-to-consumer (B2C) e-commerce sales is expected to grow by 14.8% to reach $2.357 trillion by 2017. Factors like, increase in number of online and mobile users in emerging markets, boom in mobile commerce, better shipping and payment options, and entry of major brands in international markets are further accelerating this growth (Kalia et al., 2017b). In last decade, Worldwide Internet penetration has grown up from 20.6% to 46.1% of total World population (Internetlivestats.com, 2017b). Due to this rapid transition, we need fresh set of studies based on recent primary information. A business can capitalize on this tremendous opportunity only if it is equipped with right kind of knowledge. This paper serves the purpose by analysing and presenting direct association between demographic characteristics and two important expenditure related aspects.
of e-shoppers in a lucid way. To fulfil this purpose this article is divided into four parts. First part presents extensive literature review to propose different hypotheses. Second section presents research methodology which briefs about sample description, research instrument and statistical methods. Third section presents results of data analysis and post-hoc testing. Finally, conclusions, managerial implications, and limitations of current research are outlined.

CONCEPTUAL BACKGROUND AND HYPOTHESES DEVELOPMENT

Current research has been carried out in India, which is emerging as one of the most promising e-commerce markets in Asia-Pacific region (Kalai, 2016b; Kalai et al., 2015). In last year, India has witnessed 30.5 percent growth in number of internet users, which is highest among all the countries of World (Internetlivestats.com, 2017a). Number of online shoppers will grow to 175 million by 2020, of which 60 million will be ‘high-value’ customers who will contribute to 68 percent of total spend (Thehindubusinessline.com, 2017). For mapping of such online shoppers’ hypotheses have been proposed in this study to check association between annual online expenditure and highest single transaction amount spent by online shopper with respect to demographic variables like city of residence, education, age, gender, family income, occupation and marital status. Conceptual background based on extensive literature review of previous research is discussed below.

City of Residence

Responses under this study have been collected from the residents of three capital cities of Northern India i.e. Chandigarh, Delhi and Jaipur. These cities are located in different states/Union Territory and they are at least 150 miles away from each other i.e. road distance from Chandigarh to Jaipur is 312 miles, Chandigarh to Delhi is 153 miles and Delhi to Jaipur is 168 miles (Mapsofindia.com, 2017). It is noteworthy that India is a geographically and culturally diverse country and this cultural difference increases at short geographical distances (Prakash, 2004). Researchers have recommended additional research to understand online shopping intention of people in different cultural setup (Koo & Ju, 2010). Many others have found culture as significant moderating variable. For example, Tsikriktsis (2002) observed association between higher Web site quality expectations and two cultural dimensions (masculinity and long-term orientation), Zhang et al. (2012) found specific moderating effects of culture on mobile commerce adoption and Ganguly et al. (2010) observed that culture acts as moderator in the relationship between website design factors and trust, and also between trust and purchase intention. Above discussion helps in proposing following hypotheses:

H1: There is significant association between city of residence and annual online expenditure.
H8: There is significant association between city of residence and highest single transaction amount spent on online shopping.

Education

Researchers have noticed that higher education decreases resistance to change and increases ability to challenge existing norms (Pereira, 1998). Therefore, an educated person will be more cosmopolitan, open-minded, self-confident, socially mobile, venturesome with greater inclination towards online shopping (Kalai, 2016a). Previous studies have supported the fact that more educated consumers are more likely to buy online (Bellman et al., 1999), adopt online shopping early (Chen et al., 2002), show strong purchase intention due to their higher income (Kim & Lim, 2001) and have tendency to engage in information search (Klein & Ford, 2003). Basahih (2013) found that consumers with proficiency in English language prefer online shopping over physical shopping. Other researchers also confirmed that educated consumers have inclination for online shopping (Sin & Tse, 2002; Vrechopoulos et al., 2001) than consumers with no college education (Hiser et al., 1999). Education can be considered as
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