

PREFERENCE OF SHOPPING ON ONLINE VS OFFLINE IN BANGLADESH

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ABSTRACT

Technological advancement creates a new wave by changing the way of buying and selling goods and services on internet. Especially after the rapid growth of Internet, most of the businesses move to the click and mortars to increase revenue and ensure survival in the stiff competitive market situation. Recently, Bangladesh has experienced a tremendous growth in e-commerce due to fast growing number of Internet users and the growing awareness among business community and consumers about its future opportunity. This paper attempts to identify factors which are creating major barrier for the customers moving to online shops in Bangladesh. In our study we found that because of confusion in pricing, lack of trust, dissatisfaction regarding delivery process, uncomfortable payment method offline shopping is more preferable than online method. As there are so many scopes for improvement in online business so future research can be directed to develop a model that will be helpful to reduce the barriers of online transaction and increase the preference for it.

Keywords: Online business, Offline business, E-commerce.

INTRODUCTION:

E-Commerce is becoming a prominent feature of future sales channels. The characteristics of the global e-market creates unique opportunity for companies to reach more efficiently to existing and potential customers by replacing traditional retail stores with web based businesses (Limayem, Khalifa and Frini ., 2000). There are two patterns of E-Commerce. One is **Business to Business (B2B)** and another is business to consumer (B2C). In this study we concentrate on Business to consumer form of E-Commerce.

E-commerce is one of those sectors that needs more attention if we are to be a part of global village (Laisuzzaman, Imran, Nahid, Amin & Alim ., 2010). Online transaction would increase the Gross Domestic Product growth and thus, help Bangladesh accomplish the Millennium Development Goals (MDGs). The internet has gone through revolutionary changes, and in developing countries, e-commerce has become a common norm of doing business (Dey, Nabi, Anwer ., 2009). Bangladesh cannot stay behind from this phenomena.

Consumers' preference mainly goes for simple transaction process and also a convenient delivery of products. By considering this, E-commerce is can be mentioned as a platform that allows buyers to buy products from a distant place without having physical presence and makes the transaction process simple and convenient (Tariq , Jafar & Arif, 2014). There are many retailers who are now using online retailing to attract their target customers. In this competitive context, the way consumers decide to use a particular shopping channel, particularly the internet, is important to understand from a managerial standpoint. Since consumers do not concentrate their shopping activities within one particular shopping channel, it is imperative for the marketer to find out the forces driving consumers' choice, which is essential for retailing strategies (Chiang & Dholakia, 2003).

Easier access to computers, the modernization of countries around the world and an increased utilization of smartphones has given people the opportunity to use the internet more frequently and with more convenience. However, internet penetration often pertains to the current state of development regarding communications networks. According to the *Globaleconomy.com*, there were approximately 632 million total internet users in China and 269 million total internet users in the United States (figure 02, data accessed on April 2016). However, broadband internet usage is not equally present in many developing countries and due to inadequate infrastructure; developing online markets now rely heavily on mobile connectivity.

Social networking is one of the most popular online activities and Facebook is the most popular online social network based on active usage. As of the second quarter of 2015, there are a total of roughly 1.5 billion monthly active Facebook users, accounting for almost half of internet users worldwide (*www.statista.com*). Connecting with family and friends, expressing opinions, entertainment and online shopping are amongst the most popular reasons for internet usage. The most active online users were Millennials aged from 18 to 32 years with an average of 7.43 hours online every day (*source: globaleconomy.com, the World Bank*).

OBJECTIVES OF THE STUDY:

This paper attempts to identify the most influential factors that create barriers for customers to migrate to online shopping rather than offline in the context of Bangladesh.

LITERATURE REVIEW:

The trend of the consumers regarding the Internet use and buying products online is increasing day by day. Because of the use of tablets and smartphone in Europe, online retail transactions in 2014 increased by 130.8% and 121.6% accordingly and in 2015 the growth in use is expected to be 83.6% and 92.8% respectively. In USA, online sales in 2014 were estimated to be \$306.85 bn (Centre of Retail Research Limited, 2015) The competition in e-commerce industry is getting very intense. Hence, the online retailers should have concern on understanding the consumers' perception, what consumers accept on online shopping to build a long term relationship with the customers (Zhou, Dai, & Zhang, 2007).

E-commerce can be explained as a type of business where both the customers and suppliers exchange goods and services over internet (Bartelt and Lamersdorf, 2001). 85% of consumers compare price information online (Chaing& Dholakia, 2003). However, it is not evident whether these consumers continue and purchase the products online or on the high street.

Lack of trust is one of the most frequently cited reasons for consumers not shopping online (Jubayer 2015). Consumers may not be buying due to the risks associated with internet shopping, such as the possibility of credit card fraud, the inability to touch or feel something before buying it. Wang, Chen & Jiang (2009) mentioned in their study that online activities and knowledge are very much associated and linked with the trust of consumers. The more, the consumer knows about the activities of online shopping, the more they will trust it.

Ahn, Ryu&Han (2004) categorized the activities of internet shopping in two ways. One is Online (System, information & service quality) and the other one is offline (Product delivery)(Ahn, T., Ryu, S & Han, I, 2004). In case of buying from an online store, there are some costs as shipping and handling charges, or delayed consumption during the delivery period which sometimes exceed those costs associated with buying from a traditional store. It is essential that the time of the product delivery and the charge of the product delivery should be less. Logistics, product delivery and customer service have been one of the most important factors of online shopping after the trust issue. Liu & Arnett (2000) has divided the activities of e-business as 'Pre', 'Online' and 'Aftersales'.

Consumers in Bangladesh are not comfortable in using debit or credit card for online shopping. Some online shops do not have online payment options. Most of them rely on 'Cash-on-delivery' method. Almost every e-commerce site in Bangladesh has this method. Karim (2013) showed in his research that the dark sides of online shopping are faulty delivery system, difficulty in online payment systems, lack of trust for personal privacy and poor personal customer services. On the other hand, the motivators for online shopping were round the year availability, easy accessibility, less stress and saving of time.

Online shopping is now increasing in Bangladesh. A good number of online shops have been launched. In this research, the acceptance levels of Online Shopping in Bangladesh will be investigated against the traditional or offline shopping. This paper will help the future researchers and e-commerce site owners to understand what are the basic reasons for which online shopping is not growing in expected way even through it has a lots of prospects.

METHODOLOGY OF THE STUDY:

The nature of this research is descriptive. This paper deals with both quantitative and qualitative data. Quantitative data has been collected from primary source through conducting survey using structured questionnaires containing the 5-points Likert Scale statements. For qualitative data, we add some open ended questions in our survey questionnaire and also use the secondary data sources such as Internet and articles etc. We tried to observe the practical situation from Bangladesh and discussed these with relevant literatures developed by recognized sources on online shopping. The sample is 77 to collect primary data. Among the respondents 50% are university students and 50 % are service holders. For students we went for convenience sampling and for service holders we followed snowballing technique. All the respondents are from Dhaka city. We prefer the respondents who have some experience on online shopping or have some knowledge about the online transaction process. Again the respondents were limited to only merchandise shopping (such as physical goods) rather than service shopping (such as travel & entertainment) where entire transaction can be completed electronically. Majority of the respondents were relatively young (aged from 20 to 35) with high educational background.

This paper is prepared to find out customers' perception on most critical barriers for online shopping in Bangladesh. After reviewing some selected published articles some factors were identified that influence the behavior of customers to shop online.

FINDINGS AND DISCUSSION:

a) Overall Preference for Online Shopping:

If we can buy any products from our home, we will be able to make ourselves available for other important works. The total number of Internet Subscribers has reached 63.290 million at the end of June, 2016 (<http://www.btrc.gov.bd/content/internet-subscribers-bangladesh-june-2016>). A survey by Google has found that Internet users in Bangladesh spend over Tk7,184.018 crore in online shopping each year, with the amount expected to grow further with the increase in use of smart phones. A Google research paper titled "Research Insights: Emerging Trends as Bangladesh Goes Digital" found that 22% of the country's total internet users shop online, spending Tk7,594.10 annually on an average (www.dhakatribune.com/bangladesh/2015/may/08). So we asked the respondents about their preferences for Online Shopping and offline shopping.

Among 77 respondents of our survey, only (10.3+19.1)29.4% respondents agreed that they prefer online shopping most of the time [chart 01]. Whereas, in the case of offline shopping, (10+31.4+38.6)80% respondents go for offline shopping mostly [chart 02].

(b) Opinion about Pricing:

Pricing of a product is crucial factor of purchase decision. If the consumers feel that the price is not justified according to the product features and quality, they will not buy the product. However, in case of online

shopping, there is little chance of bargain. Therefore, we asked our respondents what they feel about the pricing of the products both online and offline.

In our survey on 77 respondents, it is found that (22.1+33.8+10.3) 66.2% people agreed that while offline shopping they get relatively fair price [chart 04]. But in the case of online shopping (4+17.6+20.6) 42.6 % people disagreed with the fairness of pricing [chart 03]. From the opinion taken by open ended questions, most of them notified that as they cannot negotiate online, they are not comfortable with the price. There were some respondents who mentioned that they cannot directly check the product online. So they cannot be sure about the justification of price.

(c) Rely on the seller:

In a developing country like Bangladesh, people become suspicious about the product and its quality as there is always a chance of fraud. But some shoppers try hard to inspect every product before buying them. Chen & Barnes (2007) found that both online initial trust and familiarity with online purchasing have a positive impact on online purchase intention. So in our research we tried to find out how much trust the respondents have on their seller.

In this research we found that (14.7+19.1+26.5) 60.3% respondents had no trust on online sellers [chart05]. Whereas (36.2+ 24.6+5.8) 66.6% respondents said that they rely on offline sellers [chart 06]. From the open ended response, most of them said that physical presence actually helps a lot to get confidence on sellers.

(d) Easiness of Payment Method:

Due to the risks associated with internet shopping, such as the possibility of credit card fraud sometime may create the resistance for consumers to go for online shopping (Bhatnagar, A., Misra,S and Rao, RH, 2000) or may feel insecure psychologically for online payment. A popular method for online payment is used in Bangladesh which is ‘Cash on Delivery’. They feel comfortable with ‘Cash on delivery’ method.

In this research we found that, (12.9+18.6+21.4) 52.9% respondents feel the payment methods are easy when they do online shopping [chart 07]. On the other hand, the offline shoppers are also satisfied with the payment methods. It is observed that around (8.7+ 17.4+49.3) 75.4% respondents feel that payment methods are easy when they buy physically from the store [chart 08]. Therefore, the respondents are much comfortable with the payment methods of offline shopping compare to online shopping.

(e)Delivery of production:

Delivery is the most vital part of the whole system. According to Valarie A Zeithaml (1998)“Delivery of service quality” states that “delivering consistently good service excellent is difficult but profitable for function organization”. Rashad, Terry and Seyedi said that offering a combination of convenience and value will hold the key to the continued success of e-commerce.

It is found in our research that (4.5+9+20.9) 34.4% of total respondents are satisfied with the delivery process of the online shopping [chart 09] whereas (20.9+32.8+16.4) 70.1% of total respondents of offline shopping are satisfied with the delivery of products [chart 10]. Therefore, delivery of products is more convenient in case of offline shopping than online shopping. The mostly referred reason behind the higher dissatisfaction in online business is the difference between the design they saw in website and the design of actual product they got after delivery. Again trust became the prime factor to get the confidence on the seller.

CONCLUSION:

This study reveals that although we are living in a digital world but still in Bangladesh the people are more comfortable to shop from brick and mortars stores rather than online stores. It is observed that the factors like fair price, trust, delivery methods, and payment methods are causing hindrance the shoppers to buy from online in Bangladesh.

However this study is not beyond limitations. We conducted survey on 77 respondents. If we could do the survey on different groups from different regions in Bangladesh we could have come up with more accurate results.

For future research, we plan to use this variable and create a model which will help to increase the popularity of online shopping.

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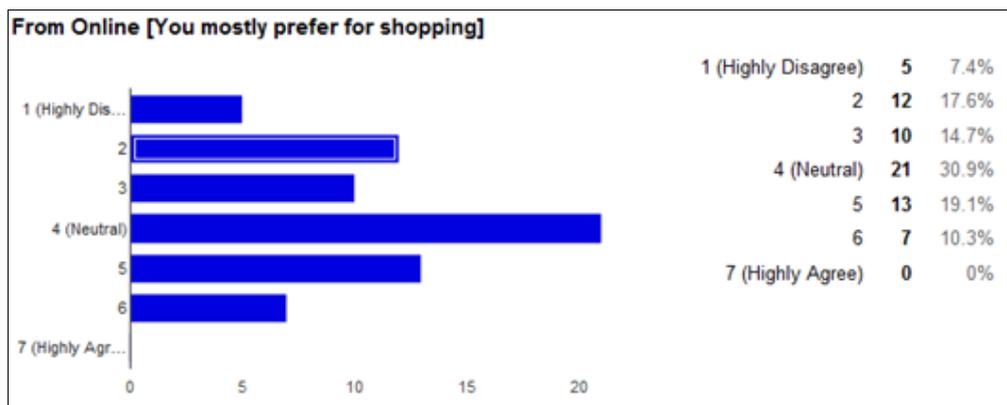


Chart 01

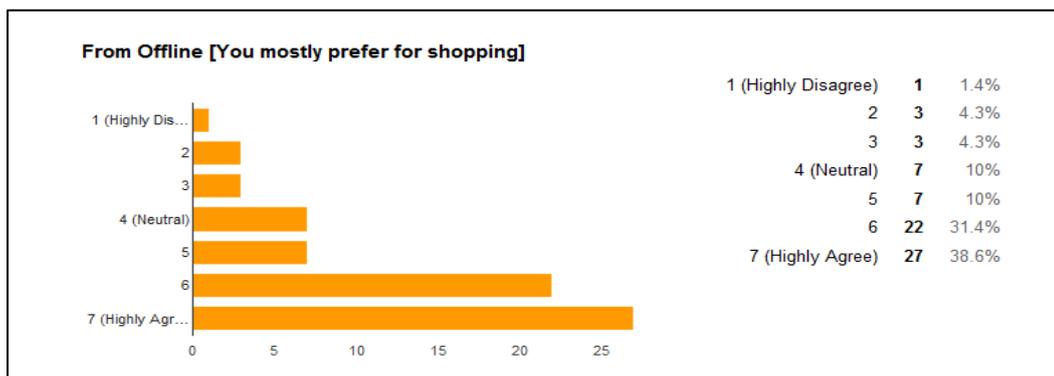


Chart 02

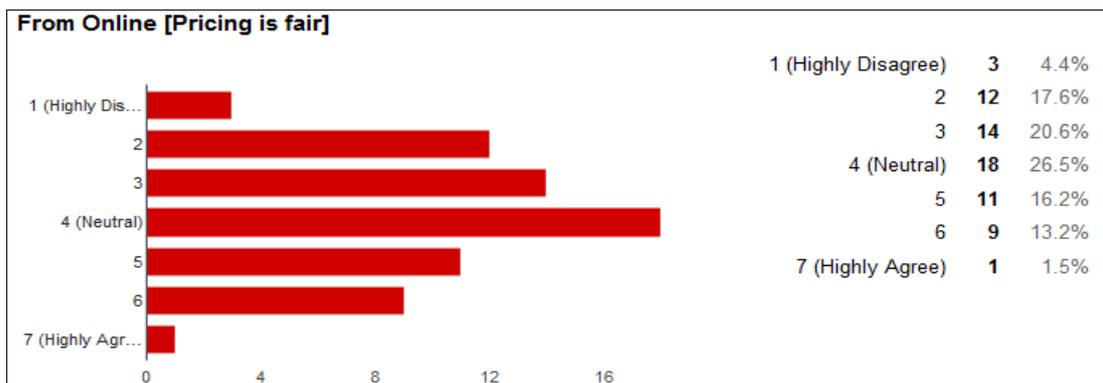


Chart 03

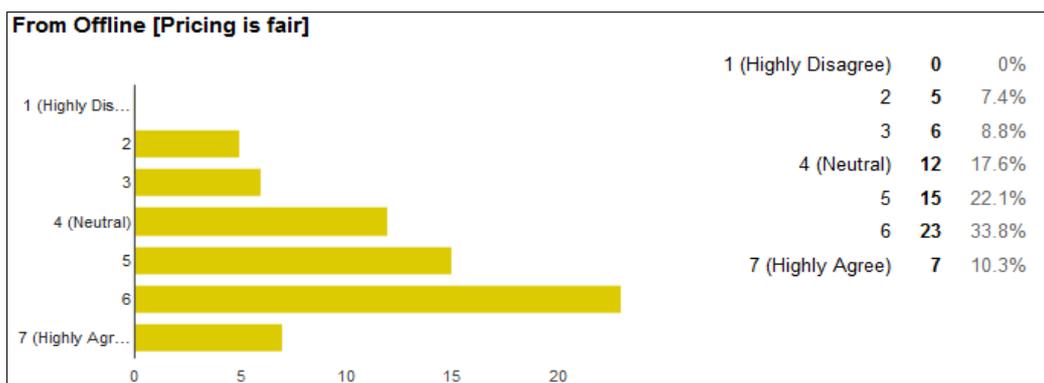


Chart 04

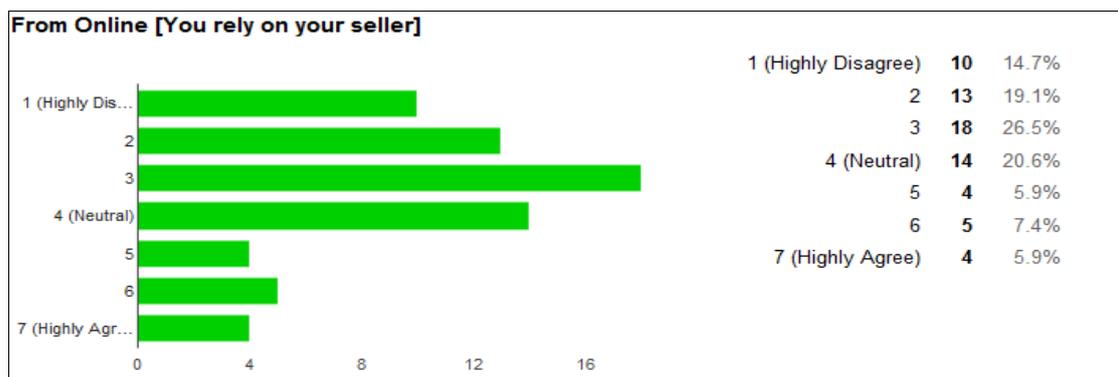


Chart 05

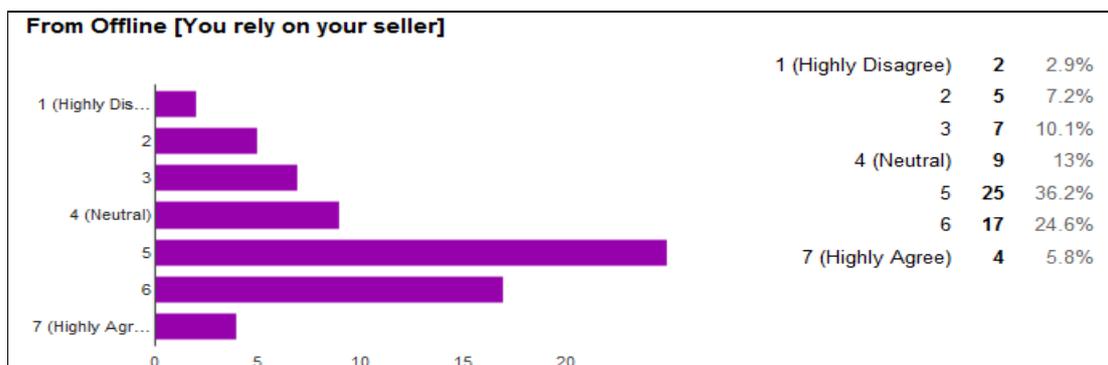


Chart 06

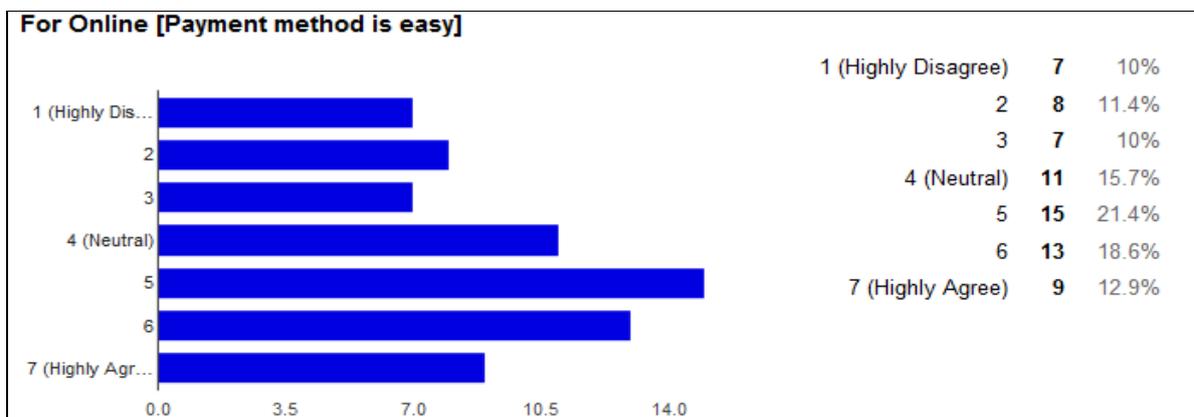


Chart 07

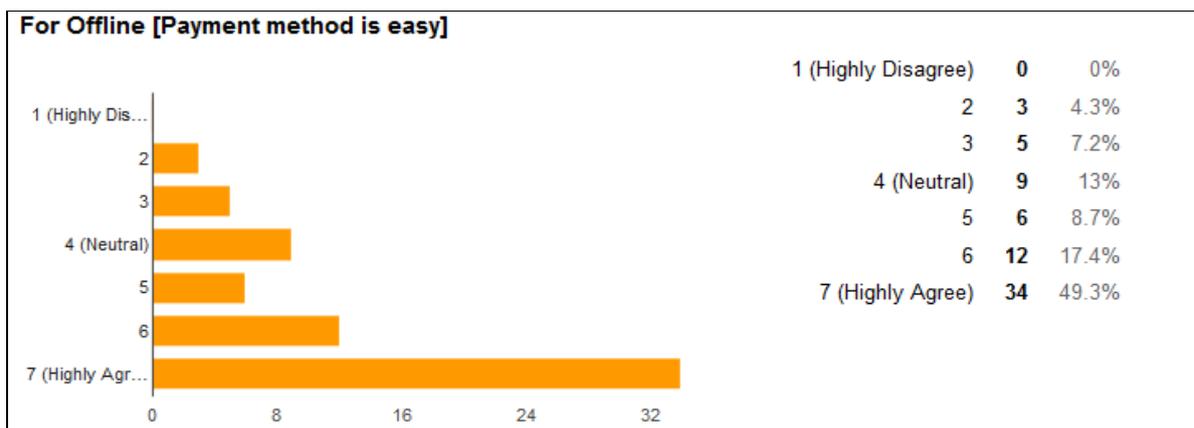


Chart 08

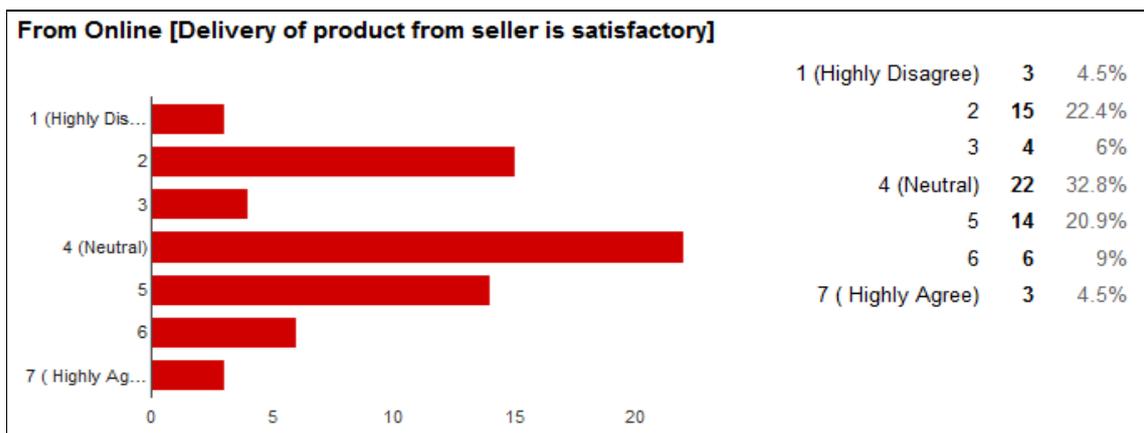


Chart 09

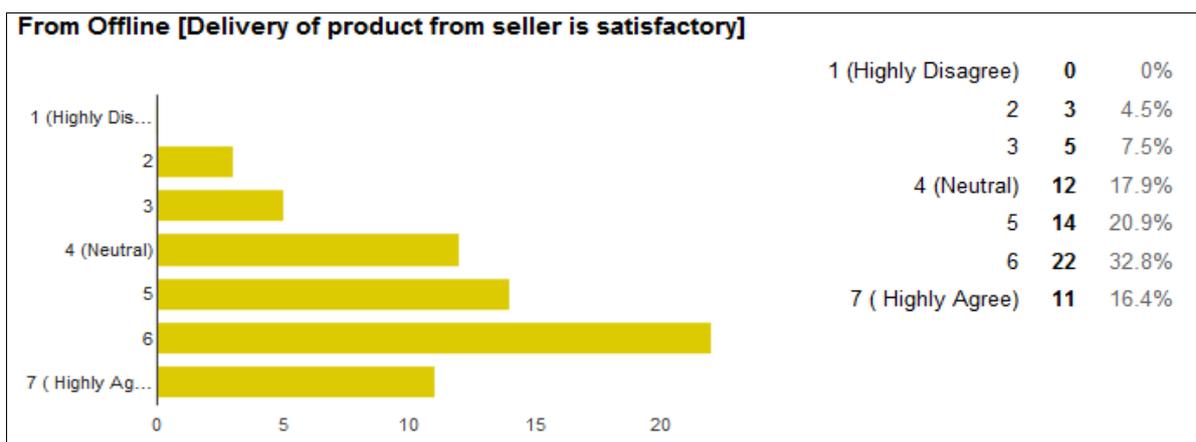


Chart 10

APPENDIX

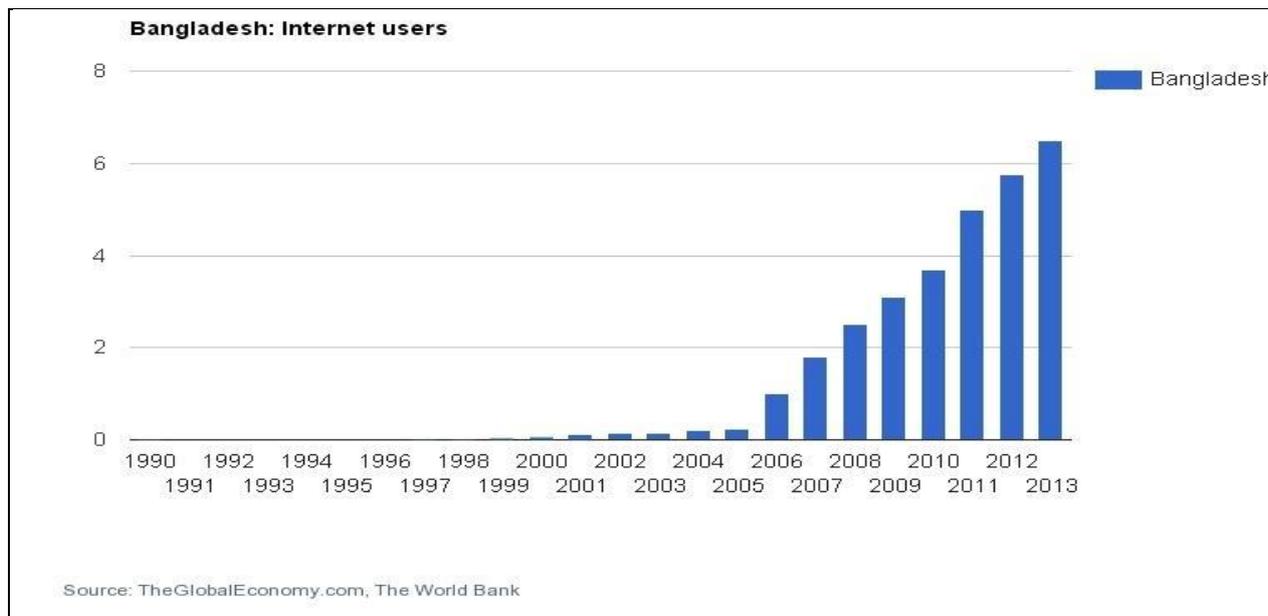


Figure 01: Increase of internet users in Bangladesh

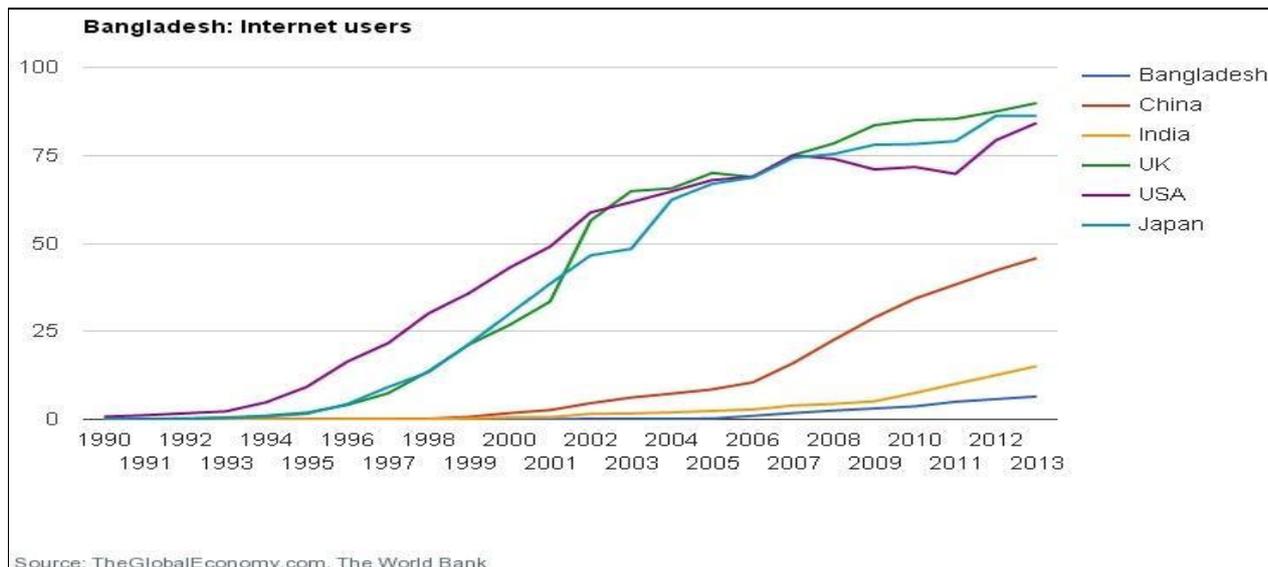


Figure 02: Increase of internet users in Bangladesh comparing with other countries
