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Blekinge Institute of Technology

Conversion Rate Problem of SMEs in Internet Marketing - a Developing Country Perspective

Mohammad Arshad Sheikh

680923-P118

Supervisor:

Dr. Klaus Solberg Søylen

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ABSTRACT

Thesis Title: Conversion Rate Problem of SMEs in Internet Marketing - a Developing Country Perspective

Author: Mohammad Arshad Sheikh

Supervisor: Klaus Solberg Søylen

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Blekinge Institute of Technology, Sweden.

In the recent years, electronic commerce has become an important alternative or additional sales and marketing channel. Many companies are only selling through this channel while many others are using it as an additional channel for boosting their sales. Business-to-consumer (B2C) e-commerce represents an important research area because retail consumer expectations, attitudes, and behavior are studied. Companies can design their marketing models around desires and preferences of the customers.

Because of inherent nature of e-commerce retail websites, customers can log on to the sites, perform research and product / price comparisons, fill in their shopping carts, and may log off without making any purchases. Main reasons on the part of website visitors for not converting into paying customers are low level of trust on this medium of purchases because customers are required to give out financial and personal data, customers can do comparison shopping or window shopping, high shipping costs, unclear pricing and return, and refund policies of the websites, etc. From the point of view of sellers, abandoned shopping carts represent potential sales that could not be realized. Companies are, for obvious reasons, interested in converting these lost customers into sales. Retail websites, of large as well as

small-to-medium sized (SME) categories, experience this low conversion rate problem for customers including those from developing countries.

Specifically, purpose of this research was formulated as four research questions:

1. Categories of products and services e-commerce consumers from Pakistan prefer to buy from internet.
2. Reasons for low conversion rates.
3. Extent to which Pakistani online customers are price-sensitive.
4. Choice between product / service differentiation and low price Pakistani customers would make.

This thesis aimed to look at what goes on in the minds of customers from developing countries when they do not make purchases at retail e-commerce websites. A questionnaire asking customers from Pakistan as to what are their preferences about e-sellers and their main turn-offs at vendor websites was developed and circulated among the sample population.

Analysis of data collected via the survey indicates the following with respect to the research questions:

1. In terms of preferences and features concerning products purchased over internet, Pakistani consumers are not basically different from their international counterparts as Pakistani consumers generally purchase the same kind of products and services as international consumers do according to what is reported in the relevant literature. However, some concerns revealed by subjects of the survey were related to reluctance of merchants to ship to Pakistani destinations, potential credit card problems, unavailability of services like Pay Pal in Pakistan, etc.
2. Main reasons for low conversion rates for Pakistani consumers are also similar to those reported for international consumers from a number of countries. Major reason of low

conversion rates is low trust in websites because of concerns related to sharing personal and financial information on the internet.

3. Pakistani consumers are found to be relatively low users of e-shopping and strongly price sensitive.
4. Pakistani consumers are also found to not very much interested in availing differentiated products/services over the internet.

This thesis also presents a review of relevant literature and offers some recommendations for future research into the relevant area.

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I am not sure if this is the right place to express these feelings but I am using this page as an opportunity to say that I owe an infinite amount of gratitude to BTH for having me as a part of its MBA program. Studying from BTH has been a memorable and an extremely enriching experience. All features of the MBA program were great and it has been a privilege for me to be associated with the program.

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I dedicate this academic pursuit to all those scientists who have performed and published research work on countless aspects of e-commerce. What gives me pride is that this humble piece of work makes me a part, however insignificant, of their league.

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ABBREVIATIONS USED IN THE THESIS

B2B	Business to Business
B2C	Business to Consumer
BCC	Blind Copy (of e-mail)
CC	Copy (of e-mail)
EDI	Electronic Data Interchange
GDP	Gross Domestic Product
IT	Information Technology
MBA	Masters of Business Administration
PKR	Pakistani Rupee
RQ	Research Question
SME	Small to Medium Sized Enterprise
UK	United Kingdom
US / USA	United States of America
WTO	World Trade Organization

CHAPTER ONE

INTRODUCTION

Human curiosity, the urge to know, is a powerful force and is perhaps the best secret weapon of all in the struggle to unravel the workings of the natural world.

(Aaron Klug, 1926 , Lithuanian scientist, Nobel Prize, 1982, Chemistry)

As its title suggests, this research thesis is about low conversion rates experienced by small to medium e-commerce enterprises from Pakistani consumers. A number of concepts are brought together in the thesis. These include e-commerce, consumer behavior, conversion, Pakistan's economic conditions, Pakistan's social and cultural norms, questionnaire research, etc. These concepts are briefly introduced in Sections 1.1 to 1.5 below. In Section 1.6, a brief description of how various subjects introduced in earlier sections are merged into a single research effort. Details of what specific questions are addressed in the research and how are given in Chapter 2 and subsequent portions of the thesis. Chapter 3 deals with literature review pertaining to problem at hand and attempts to place this research effort in the context of research work undertaken to date. Results of the research, data analysis, conclusions, recommendations for further research, etc. are presented in Chapters 4 and 5.

1.1 E-Commerce as Marketing Channel

The definitions of electronic commerce or e-commerce are many and varied. Definition by World Trade Organization (WTO) fits for our purpose. WTO defines the e-commerce as 'the production, distribution, marketing, sale or delivery of goods and services by electronic means'. Another definition, which is provided by the Electronic Commerce Team of European Union, exclusively confines e-commerce activities to the internet and reads as 'electronic commerce refers specifically to buying and selling products or services over the internet'. (Kaynak, Tatoglu, & Kula, 2005; Schulze, 2001).

From a marketing point of view, e-commerce offers an alternative marketing channel for a host of companies including Dow Corning (Xiameter), General Electric, Charles Schwab, etc. For many other companies like amazon.com, eBay, etc., e-commerce is simply the only marketing channel pursued (Best, 2005; Johnson, Christensen, & Kagermann, 2008).

Merchant companies reap a number of benefits from adopting e-commerce tools and

technologies. The benefits that are availed include enhanced information on customers, cost savings on account of less marketing workforce, competitiveness resulting from low overhead expenses, good productivity, ability to plan and control in a tighter way, and exposure to new applications (Lederer, Mirchandani, & Sims, 1997). General benefits businesses and consumers gain from e-commerce are (Best 2005; Piris, Fitzgerald, & Serrano, 2004; Richardson, 2009; Strategic E-Commerce Solutions, 2009):

- leveraging of existing brand equity by expanding geographical reach due to 24/7 nature of internet,
- enhanced supply chain capabilities, for example by keeping low inventories and fast deliveries,
- reduction in cost of sales by optimizing manpower, office space, flexible work procedures,
- building customer loyalty,
- collection of customer data,
- convenience for customers,
- availability of more choices for customers,
- environmental friendliness of e-commerce as lesser amount of fuel and energy are required for a given activity,
- streamlining flow of information from and to customers,
- possibility to target market niche,
- monitor industry sales and competition, etc.

From the above, tangible benefits of low business expenses availed on the account of low manpower levels, lesser overheads, and enhanced sales due to global clientele are attractive for the sellers.

In this text, the terms customer and consumer have been used loosely and somewhat interchangeably. However, a distinction between customer and consumer is warranted at this point. A consumer is a person who uses or consumes the product. A customer is an individual or business entity that acquires the product (legally, and probably but not necessarily, physically) and pays for it. A major class of customers is all those types of marketing intermediaries or channel members who buy for resale to their customers (Parasurman & Grewal, 2000). Basic focus of this research thesis is to study behavior of Pakistani retail consumer of internet stores.

1.2 Internet Evolution and E-Commerce

Internet has evolved from being a medium for data sharing in its early years to computer networking, e-mailing, infotainment, e-government, and then applied more and more towards commercial applications since the last 10 years or so. In 1998, there were no more than 50 million internet users worldwide supported by 25 million servers. These numbers have now soared to an estimated 1.3 billion users with 542 million servers (Cerf, 2008). The rate of adoption of internet is eclipsing that of all other technologies preceding it. In its first four years of availability to the public, 50 million people logged on to the internet worldwide. It took 38 years for radio and 13 years for television to achieve this level of acceptance (Sheehan & Sheehan, 1999). Likewise, to support these user adoption rates, technology and communication speeds have developed rapidly.

In 2006, e-commerce growth was found to be faster than total economic activity in major economic sectors covered by US Census Bureau (manufacturers, merchant wholesalers, retailers, and service industry). In year 2006, like previous trend, business-to-business (B2B) activity, that is, transactions by manufacturers and merchant wholesalers, accounted for 93 percent of e-commerce. Evidence from merchant wholesalers indicates that B2B e-commerce

relies overwhelmingly on proprietary Electronic Data Interchange (EDI) systems. (US Census Bureau, 2008).

Future of e-commerce is equally promising. Despite the recent economic slowdown, US internet purchases are forecast to continue to grow at a worst case rate of 18% which is much higher than the corresponding forecast of economic growth of 1.5 to 1.9% (Ray, 2008). Users were forecast to access internet through more than 1.5 billion devices worldwide in 2008, including PCs, mobile phones, and online videogame consoles. By 2012, the number of devices accessing internet will double to more than 3 billion, half of which will be mobile devices. Nearly half of all internet users were foreseen to make online purchases in 2008. By 2012, there will be more than 1 billion online buyers worldwide making business to consumer (B2C) transactions worth \$1.2 trillion. Business to business (B2B) e-commerce will be ten times larger, totaling \$12.4 trillion worldwide in 2012. (European Travel Commission, 2008).

Commercial applications of internet span a whole range of activities and internet is still evolving in this arena. Internet marketing, also referred to as online marketing, or e-marketing, is the marketing of products or services over the internet. E-marketing has revolutionized the way business is done in 21st century. A few facts that give some idea of how internet has penetrated commercial application are: an estimated 44% of internet users in the USA perform banking over the internet, iTunes is already the biggest music marketer in USA, advertising over worldwide web has touched \$ 17 billion a year and has already overtaken radio advertising in terms of dollars (Wikipedia, 2009). 93.4% of those surveyed responded that they use internet to research major business decisions (Dempsey, 2006).

US online population in 2006 was 211 million making e-commerce retail purchases of more than \$130 billion in 2006. Annual spending per buyer is an estimated \$784. (Geocart, 2008). Despite this large volume of e-retailing (business to consumer, B2C sales), most of e-

commerce activity remains in the sphere of B2B. As of year 2005, 92% of e-commerce activity was in B2B sector (US Census Bureau News, 2008). This means total e-commerce business volume in USA had already reached \$ 1.6 trillion in 2006. In Figure 1-1 is shown how online retail sales have grown in the last few years in the USA.

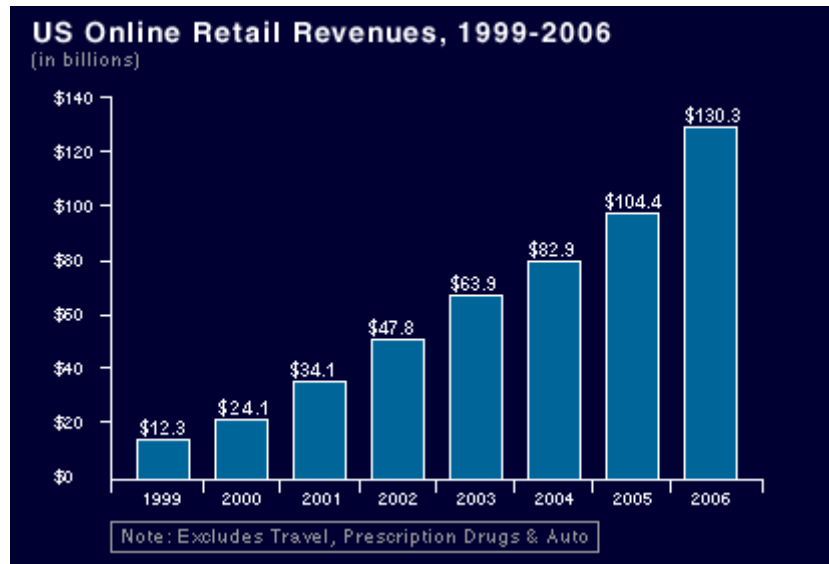


Figure 1-1: USA Online Retail Revenues
(Geocart, 2008)

Internet sales by UK businesses exceeded £130 billion in 2006. This represents an increase of 29% from corresponding figure of year 2005. Internet sales in 2006 represented 6.5% of total value of all sales in UK (National Statistics UK, 2007). Likewise, Canadian consumers ordered goods of over \$7 billion during 2005 over the internet for personal or household consumption (Statistics Canada, 2006). Germany's retail spending totaled nearly \$ 50 billion in 2008 (eMarketer, 2008). France's e-commerce B2C spending in year 2008 has been an equivalent of approximately \$ 35 billion.

Internet use in terms of usage by region comprises of some 42% users from Asia-Pacific, 28% from Europe, and 18% from North America (eMarketer, 2009). China surpasses any other country in terms of number of users online. Followed at present by USA, Japan, and

Germany; India will eventually become the second leading nation with respect to number of internet users (eMarketer, 2009).

Consumers from other countries are rapidly catching up with US and European Union countries in terms of making retail purchases online. Chinese consumers exchanged \$13.3 billion as third-party electronic payments in 2007. More than 100% growth in retail internet purchases was witnessed for 2008. (Market Avenue, 2008).

Emerging economies are also experiencing increase in e-commerce transactions. Between first half of 2005 and 2008, Brazilian e-commerce revenues quadrupled to an equivalent of \$ 2.2 billion. In 2007 alone, the market expanded by 43% with 9.5 million buyers online. Proportion of internet population making online purchases in Brazil is 79% which is one of the highest in the world. (eMarketer, 2008). Brazilian consumers' forecast spending on internet shopping for year 2008 was \$ 5.9 billion. (eMarketer, 2008a).

As the online population of the United States and Canada grows by about only 3 percent, explosive adoption rates in China and India will take place in the coming years. China is expected to reach an online penetration rate of 17% by year 2011. India is also forecast to hit 7% during the same timeframe. This tremendous growth is directly related to infrastructure development and increased consumer purchasing power. By 2011, Asians will make up about 42% of the world's population with regular internet access, 5% more than 2007. (Aun, 2007). The widespread adoption of electronic commerce is especially important for developing countries. The benefits for developing countries range from social to economic. Some of the benefits include: improvement of international coordination, an open economy promoting competitions and diffusion of key technologies, efficient social and infrastructure services, a competitive communication sector, and increased buyer productivity. (Lubbe, 2003). B2C e-commerce sales, including travel, for the five Asia-Pacific countries totaled an estimated \$73 billion in 2007, up 24% over 2006. (European Travel Commission, 2008a)

Categories of products that are most frequently sold on the internet are books/magazines; clothing, clothing accessories; computer hardware and software; cosmetics; electronics; food and beverages; furniture and furnishing products, music and videos; office equipment; sporting goods; toys, hobbies, games; etc. (US Census Bureau, 2007).

Internet is inherently measurable because of its digital nature. A key metric of success of an online store is conversion ratio. It is formally defined as the number of times a desired action is taken, presented as a percentage of the number of opportunities for the action to be taken. Although most people look at this ratio as the conversion of a site visitor into a paying customer, there are many intermediate conversion ratios that are relevant. For example, conversion ratios of site visitors to those who sign-up for any permission marketing opportunity (newsletters, coupons, e-specials) is also a very important ratio as it indicates positive interest of the visitor. Likewise, conversion ratio of those selecting products to buy to those putting items in virtual shopping cart is also vital. Finally, a consumer actually checking out with their credit card details represents those taking the desirable action. (Sweeney, 2004). Of the people visiting e-commerce stores on the internet, only 4% actually make purchases online (Sweeney, MacLellan, & Dorey, 2007). According to Moe and Fader (2001), over 70% of online retailers experienced less than 2% overall purchase conversion rate. 81% sites measured their conversion rates in a survey conducted in 2004. 45% of those surveyed reported an overall 1 to 4 percent conversion rate (Greenspan, 2004). According to another study, the strongest websites have conversion rates of 12% and the poorest ones have 0.4% while the average is 2.5% (Agrawal, Arjona, & Lemmens, 2001)

A popular representation of customer conversion is through funnel model where stages of the process in terms of reducing number of interested customers from one stage of the process to the next is depicted. A relatively large number of surfers visit an e-commerce website in the attention stage. A much lesser number of these customers stay on (interest

phase). This is followed by a desire stage in which all but registered visitors drop out. In the final action stage, only customers proceed with their virtual shopping carts to the checkout and pay point. (Zimmerman, 2002). Various stages of purchase process, including abandonment process, are also described by Clarke (2005). A depiction of funnel model is shown in Figure 1-2 for a hypothetical music CD purchase.



Figure 1-2: Depiction of Funnel Effect for a Fictitious Online Music Store
(Boxed Search Services, 2009)

An alternative depiction of the funnel model is provided in Figure 1-3 below.

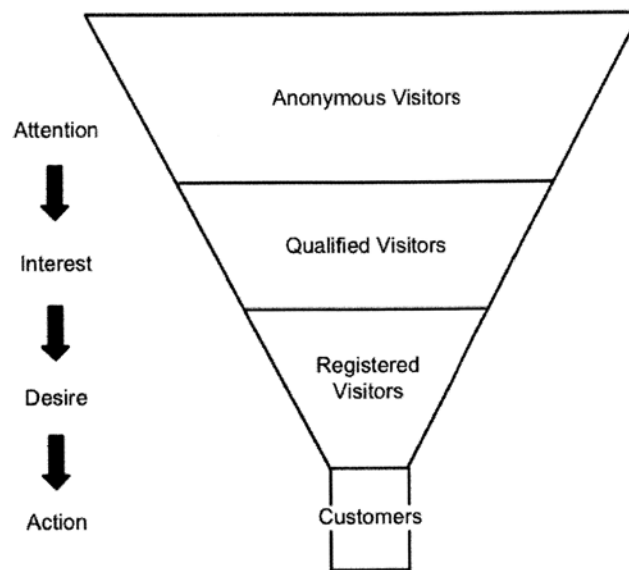


Figure 1-3: Conversion Rate in Direct Marketing Terms

Source: Zimmerman (2002)

When a new product or an innovative technology is introduced in the market, consumers learn about it, decide whether to buy it and whether to repeat purchase of it in the future. In other words, they decide whether to adopt it or not. Adoption implies that consumers have accepted the product (or technology) innovation and use it on a regular basis. Innovations are diffused in the market as individual consumers make their decisions to adopt them, at different time intervals. As a result of this aggregation, a normal distribution develops which represents the diffusion process (see Figure 1-4 below). The consumers in a market adopt the same innovation at different times (Vrechopoulos, Siomkos, & Doukidis, 2001).

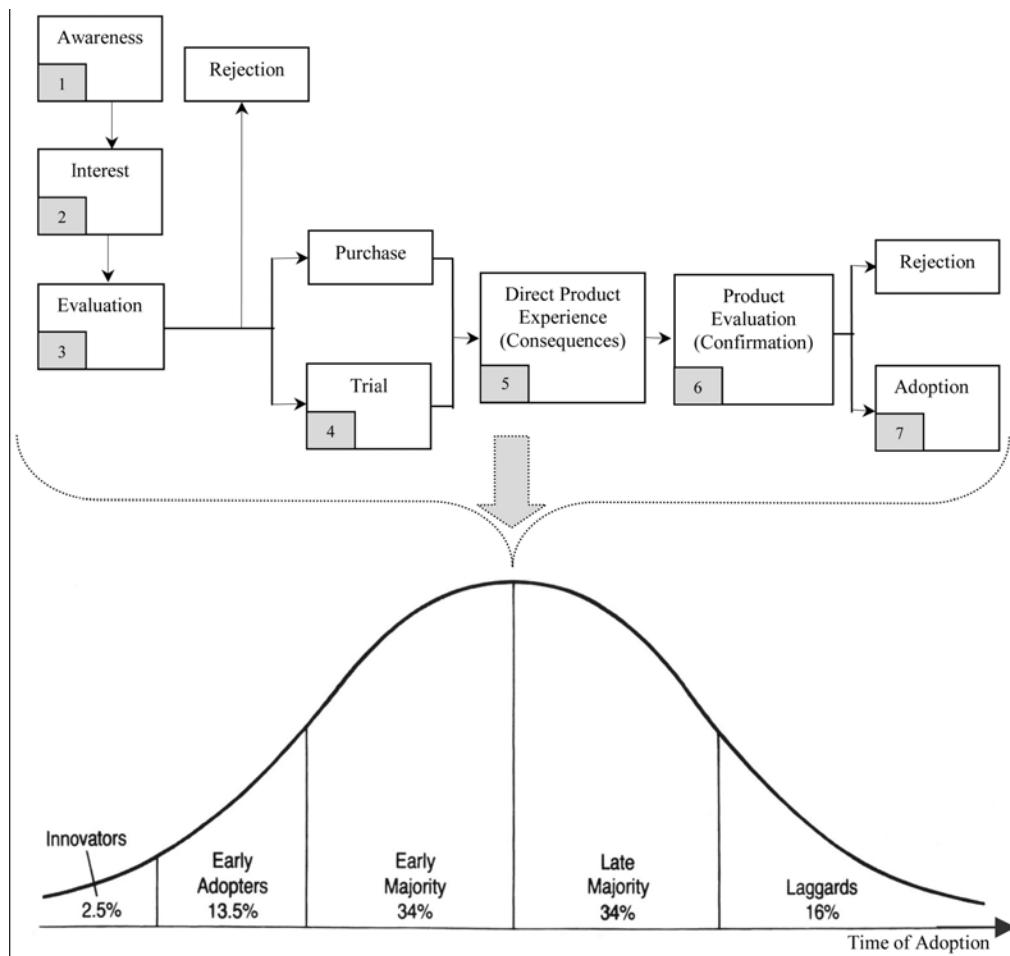


Figure 1-4: The Consumer Adoption Decision and Diffusion of Innovation Processes

Source: Vrechopoulos, Siomkos, and Doukidis (2001)

Customer dropouts represent a critical challenge to e-commerce businesses and represent a barrier to proliferation of electronic retailing. The rates of abandonment of shopping carts across various e-commerce websites ranges from 20% to 90%. Nearly 97% of browsing consumers drop out of a retailer's website or abandon their shopping carts after their initial interactions or navigations on the site. (Betts, 2001). According to another estimate each successful purchase takes 250 visitors to a website. (Zimmerman, 2002). Cho (2004) has quoted a figure of \$ 175 billion as lost revenues from abandoned e-shopping per year.

Popular websites experience traffic of up to 1000 visitors per second (Mao & Fader, 2001). Traffic to digital music websites goes as high as 500,000 visitors per minute (Burns,

2006). With average conversion rates of around 3%, this implies that only a few customers fetch revenue to an e-store. However, this heavy volume of traffic necessitates that technical and user handling capacity of a website are sized to cater for a heavy number of those that are non-paying customers. In other words, the paying customers have to bear the burden of those that are not making any purchases as the website is designed to handle the given traffic volume. Therefore, incentives for e-stores to increase conversion rates in terms of profitability increase are obvious.

E-businesses are constantly looking for methods for improving conversion. A number of tools and techniques have been developed to track online customer and to monitor conversion behavior. The subject of low conversion has been studied by practitioners and a number of tips and advises are available to improve e-conversion rate (Eisenberg, 2002; Dempsey, 2006; Greenfield, 2006). Chaffey (2008) analyzes role of customer ratings and positive reviews on increasing conversion. Other practitioner sources for improving conversion rates for websites are from Marketing Sherpa (2008a, 2003), Bellaiche (2005), and websites like davechaffey.com and practicalecommerce.com. Hayes (2008) gives buying tips for potential consumers on how best to buy from e-commerce websites. Marketing Sherpa (2008b) has reported 685% gain in sales when an online price bargain feature was added on the website of an online golf equipment seller. Customers were reported to enjoy price haggling, sometimes down to pennies. Customers were thought to be enjoying the price bargain process and perceiving that they had got the best price. Detailed literature survey will be presented in Chapter 3.

1.3 Characteristics of and IT Adoption by SMEs

As the name suggests, SMEs represent small to medium sized businesses. There is no universally accepted definition of an SME. In general, it is defined as an enterprise that employs less than 250 persons, has an annual turnover not exceeding Euro 50 million, and/or

an annual balance sheet total not exceeding Euro 43 million. Importance of SMEs to the economy is well recognized because SMEs are estimated to account for 80 percent of global economic growth (Jutla, Bodorik, & Dhaliwal, 2002).

In the UK, in 1998, 95% of all businesses employed fewer than 10 people and as per Day (2000) this statistic is universal enough for it to be considered a common truth.

SMEs have unique characteristics that differentiate them from conventional marketing in large organizations (Carson, 1990). These characteristics may be determined by the inherent characteristics and behavior of the entrepreneur or owner/manager; and they may be determined by the inherent size and stage of development of the enterprise. Such limitations can be summarized as: limited resources (such as finance, time, and marketing knowledge); lack of specialist expertise (owner-managers tend to be generalists rather than specialists); and limited impact in the marketplace. In addition, SME marketing is haphazard and informal because of the way owner-managers do business. The owner-managers make most decisions on their own, respond to current opportunities and circumstances. Decision making seems to occur in a haphazard and apparently chaotic way, according to personal and business priorities at any given point in time. Clearly such limitations will influence, indeed determine, the marketing characteristics of an SME. SMEs do not conform to the conventional marketing characteristics of marketing textbook theories. Instead their marketing is characterized by the limitations outlined above. Thus, SME marketing is likely to be haphazard, informal, loose, unstructured, spontaneous, reactive, built upon and conforming to industry norms. (Gilmore, Caron, & Grant, 2001).

Owing to multitude of benefits of e-commerce, it is particularly important for SMEs to benefit from it. In the past, large-sized companies had increasingly utilized private networks to undertake e-commerce, but high costs impeded to reap the resulting benefits by most SMEs. The internet, however, has changed this equation by making it easier and cheaper for

all businesses to transact business and exchange information. (Kaynak, Tatoglu, & Kula, 2005)

1.4 Pakistan Economy and Internet Use in Pakistan

Pakistan is sixth most populous country in the world. Pakistan is placed in the 'Next Eleven' economies of the world. As a result of continued economic reforms, Pakistan presents highly liberal legal and regulatory structures for foreign investors. (Wikipedia, 2009a).

Pakistan's gross domestic product on purchasing power parity basis is \$504 billion. Pakistan's currency is Rupee also called Pakistani Rupee (abbreviated as PKR or Rs.). Services sector in country's economy has shown rapid progress and is now responsible for 54% of GDP (Wikipedia, 2009b)

With a burgeoning middle class coupled with rapid urbanization, rising proportion of population fluent in use of internet, and raised standards of living, more and more people are logging on to the internet for a variety of purposes. Internet access has been available in Pakistan since the early 1990s. As of March 2008, there were an estimated 22 million internet users in Pakistan meaning that the penetration is 10.4%. Internet users are increasing at a very fast pace in the country. The country has been pursuing an aggressive Information Technology (IT) policy, aimed at boosting Pakistan's drive for economic modernization and creating an exportable software industry. (Wikipedia, 2008; Internet World Stats, 2008).

Government of Pakistan is not only promoting e-culture at local and national levels but is also trying to meet most of the essential requirements that foreign businesses and investors are looking for. Macroeconomic stability, deep-rooted structural reforms, high standards of economic and fiscal governance, outward looking orientation, liberalized trade and investment regime, easy access to policy makers, low production costs, a sophisticated financial sector, and country's location as a regional hub make it a highly attractive country

for global business and investment. These factors, along with the lessons learnt from its historical experience, the development of new capitalistic features and the imperatives of globalization, have led to the conversion of Pakistan's agricultural society to an information society (Shafique & Mahmood, 2008).

It is well documented that adoption of e-commerce is of particular importance for developing countries. The benefits for developing countries range from social to economic. Some benefits include improvement of international coordination, an open economy promoting competitions and diffusion of key technologies, efficient social and infrastructure services, a competitive communication sector, and increased buyer productivity (Lubbe, 2003). In another related collection of articles, Sherif (2005) lists case studies of successful e-commerce from various developing countries. The author also discusses issues faced by developing countries in the realm of e-commerce in more detail.

Despite its promising nature for IT industry and e-commerce, Pakistan has a number of barriers to e-commerce, including inadequate infrastructure (less than sufficient telephone lines and frequent power outages); relatively few internet users; and lack of security for online transactions. The government is working to overcome these problems and has made some progress. (Economist Intelligence Unit, 2006). The issues to e-business in Pakistan are varied. A few of these issues are likely to be overcome in the near future and others are expected to remain over a much longer period. (Kundi & Shah, 2007).

Paper by Aljifri, Pons, and Collins (2003) identifies the following as trust barriers to growth of e-business in lesser developed countries: information security; lack of technical and industrial infrastructure; educational, governmental and political issues; social, linguistic and cultural impediments; etc.

1.5 Consumer Behavior and Decision to Buy Online

E-commerce is studied from a number of perspectives. Much of the focus has been on an e-business's website design and technological issues. Of equal importance is consumer behavior and what goes on in a consumer's mind when he or she visits an internet business website, especially an internet B2C retailer. A sharper focus on and understanding of consumer behavior can help e-businesses improve their performance by enhancing conversion rates. The foremost issue resulting in relatively low conversion rates is that of risk a consumer perceives in sharing personal and credit card information on the internet. It is acknowledged that perceived risk can prevent customers from purchasing from an online retailer. This is because of some of the characteristics of cyber transactions – they are blind, borderless, can occur 24/7, and are non-instantaneous as payment may occur days or weeks before delivery is completed – can cause consumers to be concerned that the seller may not adhere to its transactional obligations. Trust has a positive effect on customer perceptions and spurs consumer purchases over the internet. Most of the studies have focused primarily on analyzing consumers' perceived risk and on identifying the different dimensions of risk (financial, physical, social, psychological, etc.). In general customers perceive a larger degree of risk in internet-based interactions. Essentially and closely associated with the perceived risk is concept of trust (or lack of trust), especially in computer mediated communications. Trust is the basic requirement for any business transaction to occur. In general, we say that a person 'trusts someone to do X' if she acts on the expectation that he will do X when both know that two conditions obtain: if he fails to do X she would have done better to act otherwise, and her acting in the way she does gives him a selfish reason not to do X. (Cases, 2002; Herridge-March, 2006; Kim, Ferrin, & Rao, 2008; Riegelsberger, Sasse, & McCarthy, 2003)

Trust is prerequisite for successful commerce because consumers are hesitant to make purchases unless they trust the seller (Kim, Song, Braynov, & Rao, 2005). Trust is an important consideration for two reasons: (1). Mediated interactions carry an increased risk. As users might be placed in different contexts or cultures, misunderstandings become more likely and enforcement of agreements and regulations becomes more difficult. As risks increase and become more difficult to evaluate, users of collaborative technologies face more complex decisions. Trust helps to reduce this complexity—it is a shortcut for a full-scale, laborious evaluation of the risks and benefits involved. Hence, computer mediated communications require more a priori trust than face-to-face interactions. (2). Many users of advanced communication technology state that they find it hard to develop trust with someone they cannot see face-to-face. This problem is commonly attributed to the fact that these technologies do not convey the full richness of face-to-face encounters. They omit cues that are thought to be crucial for trust-building (Riegelsberger, Sasse, & McCarthy, 2003). Value of trust in service relationships is even more pronounced (Coulter & Coulter, 2003)

A number of tools and techniques have evolved for e-businesses to increase their chances of sales to visiting browsers. The integration of web analytics, e-mail marketing, click-stream analysis, web personalization or optimization, and dynamic content delivery offers a powerful means of capturing and holding markets. (Sterne, 2006). Dempsey (2006) has described the following as basic tools for increasing purchase from interested visitors to a website run by an e-business: (1) Provide good search engine coverage to website content so that potential buyers find on first instance what they are looking for. (2) Ensure that emphatic design of website so that visitors find it convenient to proceed through various steps leading to purchase. (3) Targeted content on the website that would create confidence in the potential customers' mind. (4) Use of tools like buyer recommendations, creation of buyer profiles, provision of real-time payment methods without any hassles and insecurities, etc. Urban,

Sultan, and Qualls (2000) have advocated building consumer trust in the website at every stage of acceptance process for successful conversion improvement.

1.6 Basic Idea of the Thesis

As mentioned at the start of this chapter, this research thesis is going to discuss and explore why rate of conversion experienced by e-business falling in the category of SME is low with respect to consumers from a developing country – Pakistan. With this background, a number of seemingly distinct concepts have been discussed in this chapter. First, e-commerce and internet were introduced and basic benefits of e-commerce over face-to-face purchasing from real life stores, also called brick-and-mortar stores, were pointed out. Some of the advantages of e-commerce apply to the business and some to its customers. The notion of conversion was defined and limitations businesses face because of customer dropouts were highlighted. Following this, some discussion of features of SME that distinguish these from large organized businesses has been presented. Since the thesis will be dealing with customers from Pakistan, a basic introduction to Pakistan and its economy has been included in Section 1.4. The above concepts will be examined from the standpoint of consumers. Accordingly, a brief account into importance of understanding consumer behavior was also provided.

CHAPTER TWO

PROBLEM DEFINITION AND OPERATIONALIZATION

A prudent question is one half of wisdom.

Francis Bacon (British painter, 1909-1992)

2.1 Research Questions

This thesis attempts to answer the following specific research questions (RQ) that were brought out in the thesis proposal:

1. What are the top products / services Pakistani customers prefer to buy over the internet and why?
2. What are reasons for low conversion rates (insecure credit card environment over the internet, low trust, inability to effectively use website features, technology-related issues, etc.)?
3. Compared to Western counterparts, how price-sensitive are Pakistani online customers?
4. Broadly, if low price or product / service differentiation is the choice given to Pakistani customers online what will they prefer?

The above questions, referred to as RQ1 to RQ4 in rest of this thesis, along with relevant research areas will be examined in detail with reference to previous research in Chapter 3. In this chapter, a basic account of how the problem is formulated and operationalized is presented.

2.2 Thesis Methodology and Operationalization

Being concerned mainly with consumer side of e-marketing, this research aims to examine attitudes and behavior of Pakistani consumers. Since no secondary data was available that addresses the RQs of this work, primary data specific to this research was collected. Since Pakistani population using e-shopping is relatively enormous, random sample for statistical inference was analyzed. Questionnaire approach is used when a sample from a given population is believed to represent the whole population (Arsham, 2008; Brace, 2004; Farr & Timm, 1994; Ghauri & Gronhaug, 2005; Hague, 2004; Kaden, 2006; Webb, 2000; Zikmund, 2003). In the questionnaire-based survey, relevant consumers were asked questions about their shopping preferences. A formal questionnaire was developed using

standard techniques from relevant literature. Development of the questionnaire will be discussed below.

Some advantages and disadvantages of survey technique are discussed in this paragraph. Questionnaire-based surveys are inexpensive, easy to administer data gathering methods. Information obtained from questionnaires is mostly quantitative and easy to process. Subjects are generally familiar with the survey mechanism. In situations where the subjects are not required to answer questions at the spot, they can think about their answers and recall more accurate information. However, survey technique suffers from a number of shortcomings too. For example, generally respondents are required to tick one of the possible answers (forced-choice) and are not asked to give their true feelings. Some of the questionnaires are too structured to allow respondents to speak their mind. Survey respondents are also likely to provide socially acceptable answers or avoid strongly negative or positive views and stick to middle ground; other type of respondents deliberately and needlessly gives extreme opinions as their answers. Sometimes, response rates are also low and it takes researchers extra time and expense to collect required number of responses. (Farr & Timm, 1994). Questionnaires are also subject to a number of inherent weaknesses. These include random sampling error and systematic error. Details on these and other types of biases and errors that are part of questionnaire-based work can be found in standard literature on the subject (Ashram, 2008; Zikmund, 2003). Figure 2-1 shows a tree diagram of total survey error:

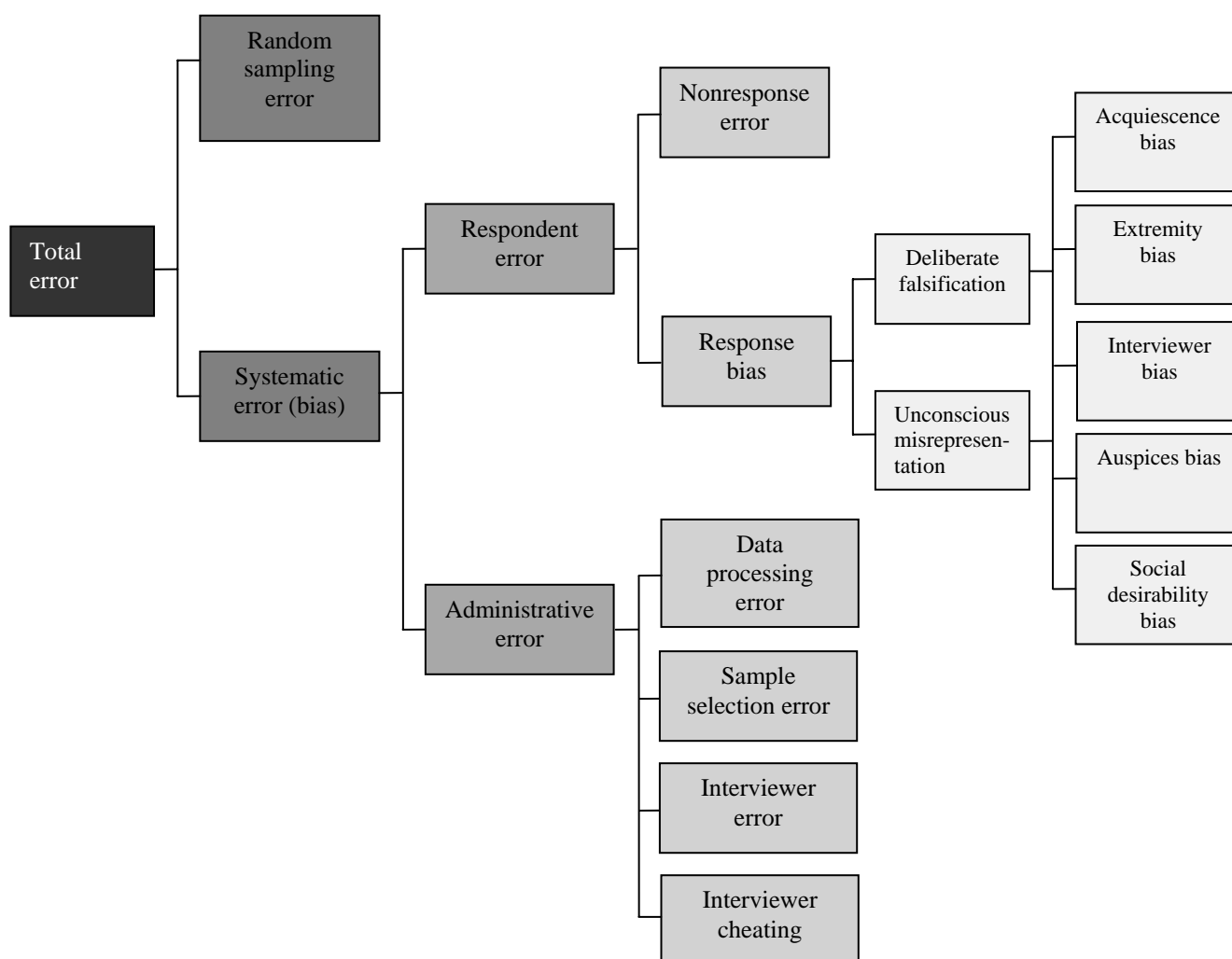


Figure 2-1: Tree Diagram of Total Survey Error

(Source: Zikmund, 2003)

The questionnaire was administered to individual subjects via two modes, e-mail and personal presentation of hard copy of the questionnaire to the respondent. Subjects were requested to either e-mail the filled questionnaire back to the researcher or provide the filled hard copy of questionnaire to the researcher. All subjects were Pakistanis and it was attempted that the questionnaire is sent to only those that were likely to have made internet purchases. Accordingly, only those who regularly use internet and were believed to having

experienced e-shopping were given the questionnaire to fill out. Sample size and number of potential respondents actually contacted will be discussed in the paragraphs below. All attempts were made to maintain geographical and demographic diversity within Pakistan. However, since use of internet is only common in Pakistani urban centers, rural respondents were not specifically targeted. All the gathered responses were analyzed and appropriate conclusions drawn. Therefore, the thesis follows empirical and quantitative methodology.

Primary objectives of questionnaire design for a research are obtaining as accurate and relevant information as possible and maximizing the response rate (Leung, 2008). In the present research, questionnaire was sent to potential respondents. A few responses were received quickly. For others, potential respondents were followed up and reminded (Bean & Roszkowski, 1995; Burgess, 2001; Leung, 2008) for turning in the filled questionnaire so that good response rate could be ensured. To reduce response bias due to deliberate falsification (Figure 2-1), personal questions were restricted to a minimum. As shown in Figure 2-1, interviewing the respondents can introduce a number of possible biases resulting in compromise in quality of gathered information. For the present investigation, questionnaire was sent by e-mail to a large number of respondents. Since the respondents were scattered geographically, reaching out to individual respondents or telephoning them for interview was not possible. Instead of interviewing only a few respondents that were accessible, the researcher decided to not interview any of the respondents so that uniform treatment in terms of questions asked and privilege to maintain anonymity across the whole spectrum of respondents could be availed.

Leung (2008) has recommended starting the questionnaire from easy, forced answer choice questions and then including more difficult, open-ended questions. This approach was adopted for the questionnaire for the current research. To facilitate the respondents and to increase response rate, most of the questions were provided as structured questions, that is,

probable answer choices were listed. However, to allow respondent to provide extra information or specific answer not listed in the choices presented in the questionnaire, a few blank lines were provided so that the respondents can express their comments and opinions freely. Doing so made the questionnaire fall in the category between the strictly fixed-response and open-ended questions (Zikumnd, 2003). At the start of the questionnaire and in the cover note, potential respondents were informed about the objective of the research (MBA thesis and strictly non-commercial), research subject, and the length of time expected to be consumed in filling out the questionnaire. Method to fill in the questionnaire (the respondents may tick the response choices they agree with) was also elaborately told for ease of respondents. To comfort respondents, individual e-mails were sent to all respondents without using the Copy (CC or BCC) features. Likewise, for the respondents to whom the questionnaire was handed in hard copy, individual print of the questionnaire was given to the respondents in full confidence. The respondents were requested to positively pay attention to the questionnaire and do send in their filled questionnaires and were ensured that their responses and contact details would remain completely confidential. To initial few respondents, an e-mail or short text message were sent or a phone call was made notifying that a questionnaire would be sent shortly to them for response.

The initially written questionnaire was discussed for user-friendliness and pilot tested (Burgess, 2001) with four or five close associates and relevant suggestions incorporated. Comments from MBA thesis supervisor were subsequently obtained and incorporated. The revised questionnaire was finally sent to the potential respondents.

Only relevant and accurate questions were included in the questionnaire. Lengthy, difficult to answer, or ego-threatening questions were avoided. Questions were worded and sequenced carefully. Length of the questionnaire was also carefully selected. Bean and Roszkowski (1995) found that if salience of the survey is important to the respondents, length

of the questionnaire does not matter. However, general recommendations that the questionnaire should not exceed six pages and should be on a simple, spread-out layout (Zikmund, 2003) were adhered to.

To simplify filling out process for the respondents, checklist questions were included to a maximum extent asking respondents to tick one or multiple answer choice(s) depending on the type of question. Care was exercised to make the answer choices mutually exclusive. For instance, for Question 1 (respondent age), alternative answers were 21-30 or 31-40 years, not 21-30 or 30-40 years. A common error in questionnaire design is to present alternative answers that have an overlap. For example, asking income of a respondent who earns \$60,000 through the two choices, \$50,000-\$60,000 or \$60,000-\$70,000 confuses the respondent as to which answer choice to tick as both are equally applicable. (Burgess, 2001). Ambiguous questions such as those using relative concepts like often, occasionally, regularly, frequently, many, few, good, bad, etc. were avoided. These not only introduce response bias (Figure 2-1) but also make the statistical analysis of the data difficult.

Sample Size:

Even though statistical determination of sample size is out of the scope of the present MBA thesis, an attempt was made to use short-cut methods for sample size determination. Using websites from Raosoft (2008), Macorr (2008), and American Research Group (2008) for 10% of Pakistan's population using internet in a population of 170 million, we find a sample size of 96 for confidence level of 95% (the usual value used by most researchers) plus minus 10 percentage points. The target for this study, accordingly, is a response rate such that about 100 filled questionnaires are returned by respondents. On the other hand, using 5% confidence interval, one gets a sample size of about 385 respondents. Questionnaire will be floated with the above target of responses in view.

2.3 The Questionnaire and Issues Addressed in it

Questionnaire used for this research is reproduced in Appendix-A. Questions are also listed in Tables 2-1 to 2-5 for reference. General discussion on each group of questions is presented below.

Demographic / Relevance Questions

These form first few questions as given in Table 2-1.

(Question 1) Your age?
(Question 2) How frequently do you buy online?
(Question 3) How long have you been making online purchases?
(Question 4) Approximate Pak Rupee value of your last one year's online purchases made from SME's only (SME stands for Small to Medium-sized Enterprises as described at the top of this e-mail)?
(Question 5) What percentage of your total online purchase comes from SME's?

Table 2-1: Questions 1 to 5 of the Questionnaire

First category of questions concerns demographics and those questions that are meant to ascertain if a respondent is relevant with respect to exposure to and experience of internet retail shopping to participate in this investigation and to form a basis for drawing the conclusions of this work. It is attempted that the number such questions is kept to a minimum so that respondents do not lose interest and confidence. Specifically, age of the respondent, how frequently he or she makes online purchases, how much experience a respondent has for internet shopping were inquired. Questions on gender, income, education level, and marital status of the respondents are avoided as these will not fetch information that is of direct utility with respect to the research topic and RQs but can cause potential respondent irk.

Questions Pertaining to RQ1

The next two questions (numbered as Questions 6 and 7) as given in Table 2-2 are on products and services Pakistani customers prefer to buy from internet. Preliminary idea on

products and services most frequently bought from the internet internationally has been taken from (Kim, Ferrin, & Rao, 2008; Hsu, 2008; Weltevreden & Boschma, 2008; United Nations Conference on Trade & Development, 2003; Ernst & Young, 2001; Bhatnagar, Misra, & Rao, 2000; Silverstein, Stanger, & Abdelmessih, 2001). Additionally, for the convenience of respondents and to minimize bias, an open slot for respondents to fill in their choice if outside the possible response checklist was provided. Question 7 asks the potential respondents as to what have been most significant reasons for them to buy online. Among the checklist answers, major perceived benefits of e-purchasing are listed. These include convenience, lower prices, time savings, availability of more product choices, product reviews on internet, etc. (Ahuja, Gupta, & Raman, 2003; Bansal, McDougall, Dikolli, & Sedatole, 2004; Cho, 2004; Koiso-Kanttila, 2005; Patwardhan & Ramaprasad, 2005; Seock & Chen-Yu, 2007).

(Question 6) What have been the most frequent categories of products / services you bought over the internet?

(Question 7) Most significant reasons you bought the above products / services over the internet?

Table 2-2: Questions Pertaining to RQ1

Questions Pertaining to RQ2

This category of questions attempts to ask respondents about their dropout decisions from a website. Questions are listed in Table 2-3. The reasons why customers abandon their purchases is the most important aspect of behavior of Pakistani consumer being studied in this research. First, number of times a customer visits a website for gathering information and researching features and prices is inquired. Here, respondents are asked to count all visits which do not end up in actual purchase. The next question (Question 9) asks respondents value of trust, website features, price discounts, faster shipping, etc. Trust, or lack thereof, is the most significant factor that drives consumer behavior and conversion in e-retailing.

Owing to increased risk online retail customers perceive compared to brick-and-mortar stores (Riegelsberger, Sasse, & McCarthy, 2003; McKnight & Shervany, 2002; Urban, Sultan, & Qualls, 2000), development of trust is essential for customers to buy online. The next two questions are perhaps the most important ones in this questionnaire inquiring respondents as to what are the predominant reasons for their dropout decisions. Among the choices presented as checklist answers are taken primarily from Survey Pro website (2008). Subsequent questions also focus on the issue of development of trust on e-stores especially those that come under SME category. The last question asking respondents to check the most important barriers they think are not letting internet buying grow in Pakistan. Answers to this question are also expected to shed some light on customer behavior.

(Question 8) Please recall your visits to website an online merchant (for whatever reasons). Approximately how many times do you visit the site before you actually make a purchase? (Include your website visits for product researching and reading reviews. Also include your visits when you abandoned shopping cart or left the site without buying).
(Question 9) What 3 most important things would you think online stores need to do to make you buy (when you have logged in without intention to buy)?
(Question 10) What has been the most frequent reason for abandoning the website without making a purchase?
(Question 11) What are the most frequent reasons that you abandon your purchase process at any stage?
(Question 13) What do you prefer an online merchant to possess as its biggest qualities?
(Question 14) If many online stores are offering a product, the one you buy from should:
(Question 15) How would you trust a SME website compared to a large renowned name?
(Question 16) Biggest barriers in your view as to why internet buying is still not prevalent in Pakistan?

Table 2-3: Questions Pertaining to RQ2

Questions Pertaining to RQ3

This cluster of questions, listed in Table 2-4, on price sensitivity (RQ3) basically aims at asking Pakistani online buyers as to how price sensitive they are. Number of respondents quoting high price as the reason for abandoning a website, those thinking that e-retailers should offer more price discounts, those that consider lower prices to be a virtue for an e-store, those expressing their preference for lower prices over other factors, and respondents mentioning high prices as barrier to e-shopping growth in Pakistan will be analyzed in terms of price sensitivity. One of the questions directly asks respondents to rate their own price sensitivity as either very strong, strong, moderate, low, or insensitive to prices.

(Question 8) Please recall your visits to website an online merchant (for whatever reasons). Approximately how many times do you visit the site before you actually make a purchase? (Include your website visits for product researching and reading reviews. Also include your visits when you abandoned shopping cart or left the site without buying).
(Question 9) What 3 most important things would you think online stores need to do to make you buy (when you have logged in without intention to buy)?
(Question 10) What has been the most frequent reason for abandoning the website without making a purchase?
(Question 11) What are the most frequent reasons that you abandon your purchase process at any stage?
(Question 12) How would you categorize your price-sensitivity to be for online purchases?
(Question 13) What do you prefer an online merchant to possess as its biggest qualities?
(Question 14) If many online stores are offering a product, the one you buy from should:
(Question 15) How would you trust a SME website compared to a large renowned name?
(Question 16) Biggest barriers in your view as to why internet buying is still not prevalent in Pakistan?

Table 2-4: Questions Pertaining to RQ3

Questions Pertaining to RQ4

The final research question attempts to inquire Pakistani online customers if they prefer low price or availability of value-added and differentiated products as more important. The questions are given in Table 2-5. Core question in this category is Question 14.

(Question 12) How would you categorize your price-sensitivity to be for online purchases?
(Question 13) What do you prefer an online merchant to possess as its biggest qualities?
(Question 14) If many online stores are offering a product, the one you buy from should:
(Question 15) How would you trust a SME website compared to a large renowned name?
(Question 16) Biggest barriers in your view as to why internet buying is still not prevalent in Pakistan?

Table 2-5: Questions Pertaining to RQ4

2.4 Importance of the Research Topic

This thesis is an attempt in the direction of promoting understanding of behavior of Pakistani consumers in the context of e-commerce. Somewhat more focus is on purchases made from SMEs. In the next chapter, a review of relevant literature is undertaken. First, the overall problem is placed in appropriate context of previous research work done. This is followed by summaries of each of research questions in the light of previous investigations.

CHAPTER THREE

LITERATURE REVIEW

My heroes are artists and writers.

(Jim Morrison, US songwriter and singer, 1943-1971)

When I am in the company of scientists, I feel like a shabby curate who has
strayed by mistake into a drawing room full of dukes.

(W. H. Auden, Anglo-American poet, 1907-1973)

There is no dearth of research literature pertaining to electronic commerce. Available forms of information are research papers, books, e-books, articles, conference proceedings, practitioner magazine articles, newsletters, news items, professional reports, etc. E-commerce as a field of inquiry and knowledge creation is still evolving.

Over the last 15 years or so, countless aspects of e-marketing and internet customer have been analyzed. As a matter of fact, a researcher in e-commerce confronts an uphill task in prioritizing available research work in terms of relevance. Deciding what work to mention in literature search and what to discard is a demanding task owing to plethora of available research papers and other sources. Researchers over the years have been scrutinizing every possible sub-topic of e-commerce from a number of perspectives. Many models and theories have been developed and are always evolving. Research in internet shopping has been performed from various points of view like website design; applicable technology and information transfer protocols; customer behavior; percentage of buying customers, that is, conversion; measurement of conversion; webmetrics; trust; psychological and behavioral factors; marketing considerations; security of information; governmental policies due to global nature of e-commerce; cultural factors; and so on. In this chapter, only the topics and models that can be considered most relevant to the thesis will be briefly touched upon. The objective of this chapter is to sum up past research efforts and to identify gap in research work done so far so that this thesis can be seen in the perspective of overall research efforts in the field. Specifically, consumer behavior with respect to B2C e-commerce and consumer engagement will be looked into in somewhat detailed fashion. Of relevance are concepts of flow, trust, technology acceptance, etc. as components of consumer decision making process. Each of these will be covered successively in the sections 3.3 onwards.

Matlay (2004) in his paper on digital revolution points out sub-topics and aspects in internet commerce where more research is needed. He mentions that comparatively a few

research studies have been devoted to internet trading in SMEs from an international perspective and recommends it as an area where more research is required. He deems that this type of empirically rigorous research could differentiate between sectoral, national, and international findings that are compatible and comparable in terms of definition, sample size and distribution. From extensive literature search performed in this research thesis, no study on conversion behavior applicable to Pakistani e-customers (or for a country similar to Pakistan) was found in the context of SME or even for large businesses. Consumers from emerging Asian economies like Pakistan are important to internet retailers because of rapid increases in individual purchasing power in the recent times. Potential of customers from Pakistan and similar countries to buy from internet stores, including those that fall in SME category is relatively significant as internet use is increasing and convenience e-commerce offers is being realized by more and more consumers. In fact, internet retailers can use insights gained by research into behavior of customers from economies that have received relatively less attention and effectively expand their customer base into those and similar countries.

Successive sections in this chapter will address previous research into key areas that appear to be relatively detached from one another but are integrated together to form the topic dealt with in the present research effort.

3.1 General Literature Review

A couple of bibliographic papers summarizing literature on various aspects of e-commerce have appeared. Ngai (2003) has given a rundown of research articles published in 46 journals between years 1987 and 2000. Doherty and Ellis-Chadwick (2006) updated the literature survey by publishing a literature summary covering journal articles published in years 1996 to 2005. These authors have categorized research papers on the subject of internet

marketing as retailer perspective, consumer perspective, and technological perspective. A relatively few papers on the area of e-commerce address maximizing conversion.

One of the first scholarly attempts to understand impact of information technologies on marketing was made by Glazer (1991). Though not focusing on consumer behavior or retail purchasing over the internet, this work laid foundation for the future research in the area of computer mediated business. Work of Hoffmann and Novak (1996) can be considered one of the earlier attempts to understand behavior of online consumer in the context of theory of flow. A subsequent publication by Novak, Hoffman, and Yung (2000), based on flow theory, studied consumer behavior for internet purchases and developed a structural model dealing with constructs of an online consumer behavior. More will be said on flow theory in the paragraphs below.

Consumer behavior in e-commerce, that is one of the areas relevant to this thesis, has itself been researched with respect to a large number of points of view. Among various lenses through which consumer behavior has been investigated include perceived trustworthiness of e-commerce websites, flow and diffusion theories, transactional cost theory, knowledge management theory, etc. In the paragraphs below, we discuss some important findings of the e-commerce literature with respect to consumer behavior studied through each of these perspectives. Chang, Cheung, and Lai (2005) provide a comprehensive review of 45 empirical studies of consumer decision-making models leading to online shopping intention and use. In their review, the authors have identified the following three broad antecedent dimensions:

- (1) Consumer perceptions (experience, perceived risk, trust, relative advantage, and service quality)
- (2) Website and product characteristics (product characteristics, web features, and risk reduction measures describe the product, process, and delivery mechanism.)

(3) Consumer characteristics (consumer orientations, demographics, knowledge and competence, attitudes, and psychological variables). (Allred, Smith, & Swinyard, 2006). The authors (Chang, Cheung, & Lai, 2005) study online shopping and evaluate research efforts on it, identify the major antecedent factors significant to online shopping, and derive reference models of online shopping adoption that may contribute significantly to knowledge of online shopping. Antecedents from the reviewed papers are categorized within each of the three frameworks. While observed effects across studies were somewhat mixed, several trends were apparent. For instance, risk perceptions, price, and cost typically had a negative impact on online shopping attitudes, while relative advantage and trust had a positive impact. A summarized depiction of these categories of antecedents of online shopping is shown as Figure 3-1.

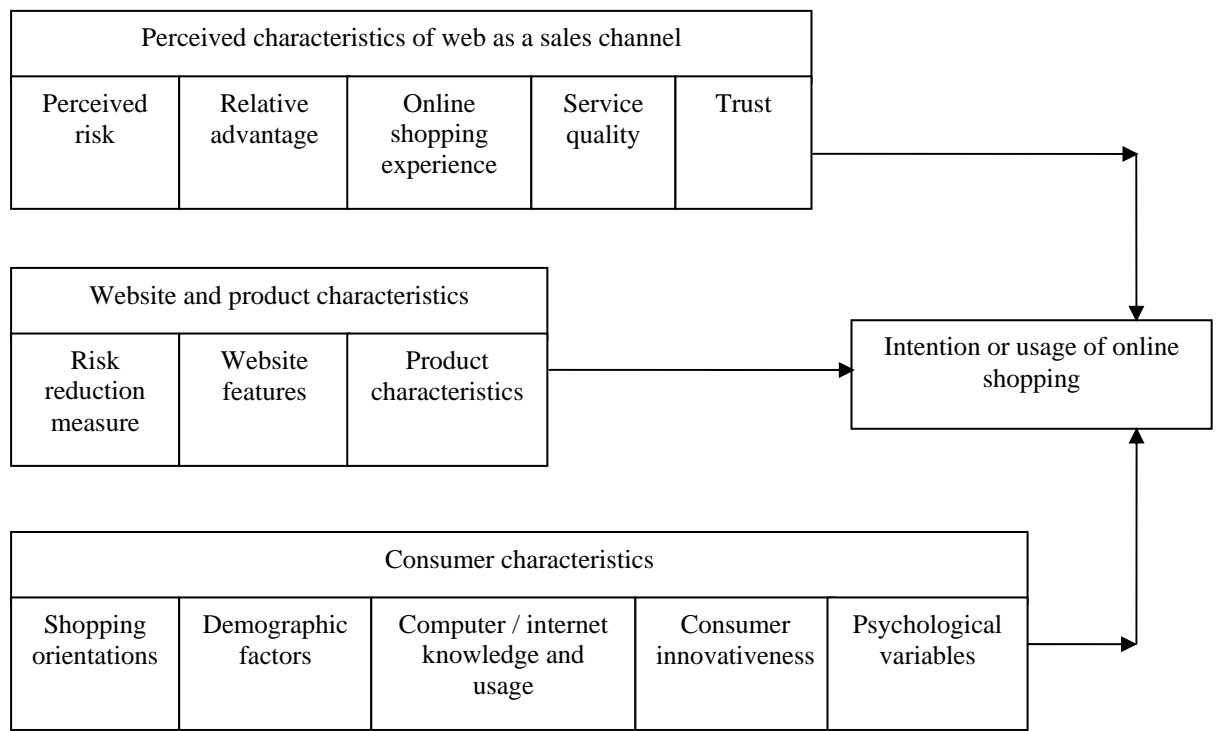


Figure 3-1: Reference Model Summarizing Antecedents of Online Shopping

Adapted from Chang, Cheung, and Lai (2005)

One approach most commonly adopted by researchers in behavior of e-commerce consumer is to apply traditional models of consumer behavior to the process of e-shopping (Patwardhan & Ramaprasad, 2005). Some researchers (Hoffmann & Novak, 1996) maintain that traditional decision-making patterns prevail in the realm of e-commerce. Other researchers (Peterson, Balasubramanian, & Bronenberg 1997) suggest that modifications in traditional models are necessary to explain consumer decision-making in e-commerce transactions. Patwardhan and Ramaprasad (2005) have proposed a rational model of online decision making and have empirically examined the application of rational hierarchy theories to the internet environment. The cross-cultural applicability of the model proposed in this study was also explored by surveying internet users in two different countries that were at different stages of e-shopping adoption. Many traditional consumer decision-making models are based on the assumption that the consumer is rational and adaptive. These models essentially maintain a knowledge-attitude-behavior sequence of decision-making in the mind of a consumer that is rational and goal-oriented. The consumer is envisaged to move from awareness and knowledge to liking and preference stage to conviction and purchase. In general many rational theories are based on premise that knowledge precedes behavior and beliefs precede intent to act. Conceptual model of Patwardhan and Ramaprasad (2005) is a two-staged rational model and was developed basically on the above premise. The authors contend that consumers buying from the internet need more product information for reducing their anxiety about the product and making purchase decision. Internet's ability to store and retrieve vast amounts of information becomes the basis of acceptance of the medium.

In contrast to traditional consumer behavior, online transactions have certain unique dimensions, such as the extensive use of technology for transactions, the distant and impersonal nature of the online environment, and the implicit uncertainty of using open

technological infrastructures for transactions. Consumers must actively engage in technology use by interacting with the retailer's websites, the spatial and temporal separation between consumers and marketers increases fears of e-retailer opportunism arising from product and identity uncertainty, and there is concern about the reliability of the internet itself and the related infrastructure that e-retailers employ to interface with consumers (e.g., the open infrastructure raises the fear that third parties or hackers may threaten consumer privacy and monetary information). Overall, these unique differences reduce consumer perceptions of control over online transactions, thereby increasing their apprehension about acceptance of B2C e-commerce (Pavlou, 2003). In terms of e-retailer opportunism and related risks, theories regarding trust and risk in B2C e-commerce are employed. In terms of technology use for on-line transactions, technology acceptance model (TAM) is employed to describe and predict system use. There is a broad consensus that both traditional merchants and web-exclusive retailers have widely embraced the low-cost internet infrastructure to increase their consumer reach. However, consumers have not adopted B2C e-commerce to the same degree, primarily because of risk concerns and trust related issues. Therefore, uncertainty around consumer transaction intentions is fundamental in predicting acceptance of B2C e-commerce. In order to understand better the role of uncertainty in the proposed e-commerce acceptance model, the constructs of trust and perceived risk are used as fundamental in predicting B2C e-commerce acceptance. The practical utility of proposing trust and perceived risk as salient beliefs stems from the fact that e-retailers have considerable influence on these variables, mainly through their trustworthiness and ability to mitigate risk (Hoffman, Novak, & Peralta, 1999; Palmer, Bailey, & Faraj, 2000; Pavlou, 2003). In the sections below, findings from salient literature articles on trust and TAM will be presented.

3.2 Consumer Behavior in B2C E-Commerce

It has been documented that compared to their non-shopping counterparts, online shoppers are younger, wealthier, more educated, better in computer literacy, spend more time on computer, find internet shopping to be more convenient and entertaining, and less risk averse (Swinyard & Smith, 2003). These authors have clustered internet consumers and non-shoppers into a number of segments depending on reasons of each segment to shop or not to shop online. This segmentation is extended in a subsequent article (Allred, Smith, Swinyard, 2006).

Various consumer behavior aspects have been analyzed by researchers in the field of e-commerce. Paper by Koiso-Kantilla (2004) addresses potential consumer behavior tendencies of perceived time scarcity, competition for consumers' attention, and quest for authenticity. The author finds that the most prevalent consumer concerns are safety, waiting time, and loss of human interaction. Her paper concludes that both time and attention are closely related to measurable attributes of interactive environments, while the ideals of authenticity may influence behavior less directly.

A description of many steps involved in consumer purchase decision cycle has been presented by Markellou, Rigou, and Sirmakessis (2005). Analysis of complete cycle from e-shop selection to product delivery and final assessment of shopping experience have been addressed. Owing to high customer acquisition costs compared to retention costs in online selling (Hoffmann & Novak, 2000; Vorhaus, 2007), a definite incentive exists for online stores to engage in customer relationship management practices. There is little evidence that e-businesses, unlike their offline counterparts, extract price premiums as a result of customer relationship management. CRM is basically targeted at predicting demand, managing inventories, assessing relationships with current and future partners, deterring customer switching, and, where possible, engaging in discriminatory pricing. Privacy concern of

internet retailing consumers in the light of personalization efforts by e-retailers has been studied by Chellappa and Sin (2005). These authors conclude that e-sellers can improve their abilities to acquire and use customer information through trust building activities. They suggest that vendors understand and evaluate the different values consumers place in enjoying various types of personalization.

Brown, Pope, and Voges (2003) have explored a segmentation study of online retail consumers and have found out that product type, prior purchase, and, to a lesser extent, gender are more likely to influence consumer purchase intentions.

Studies on price sensitivity of consumers and price comparison have been put forth by Jiang (2002). Another empirical investigation of consumers from Singapore discovered price sensitivity to be an important factor shaping customer attitudes towards e-shopping (Liao & Cheung, 2001).

3.3 Flow Theory Perspective

Flow is a central construct for the study of the navigation of websites (Hoffman and Novak, 1996) and it is a useful construct for describing human-computer interactions (Richard & Chandra, 2005). Novak, Hoffman, and Yung (2000) define flow as the state occurring during network navigation which is characterized by a seamless sequence of responses facilitated by machine interactivity, intrinsically enjoyable, accompanied by a loss of self-consciousness, and self-reinforcing. Flow has been described as an optimal psychological state reached during engagement in numerous activities, including sports, writing, work, games, and hobbies Novak, Hoffman, and Yung (2000). Researchers have also found that computer-mediated environments facilitate flow experiences because they require high concentration, involve the distortion of time, and bring about increased levels of pleasure Hoffman and Novak (1996). Hoffman and Novak (1996) extended the general applicability of flow to computer-mediated environments by suggesting that the success of

online marketers depends on their ability to create opportunities for consumers to experience flow. To improve the likelihood of flow, firms should try to maximize the interactivity and the user control of web sites. The literature suggests challenge, skills, and interactivity as variables essential to the creation of the flow experience among users (Richard and Chandra, 2005). Among inhibitors of flow are factors like long downloading time, delays to download plug-ins, failure of navigation links, long registration forms, boring or not intuitive sites, slow responses, challenge greater than skills, internet at work, and usage costs.

Work reported by Moore, Shaw, and Chipp (2004) seeks to take seminal work Hoffman and Novak (1996) based on core idea of the construct of flow in the internet environment a step further. Moore *et al* (2004) extended the model by considering the flow in relation to the perceptions, motivations and activities of internet users. The authors also discuss the behavioral controls or the barriers that prevent users from reaching and maintaining a flow state. The model shows the effects of flow on the different session types, that is, surfing, searching and shopping.

Smith and Sivakumar (2004) consider how the link between flow and internet shopping behavior is moderated by a number of factors both internal and external to shoppers. While research seems to suggest that flow is an optimal experience across behaviors, this research investigates influence of flow from a contingency perspective thus exploring how and why different types of flow may be best under various circumstances during online shopping experiences. The authors contend that different types of flow can facilitate various online buying behaviors such as browsing, one-time purchases, and repeat purchases. They further argue that an intense level of flow may not be the best psychological state under all circumstances.

3.4 Risk and Trust in Online Shopping

Despite rapid gains made by B2C e-commerce in recent years, online retail sales still represent only a fraction of total retail sales of all channels (citation needed). A relatively larger proportion of customers research their purchases on the internet but only a few end up purchasing on the internet (citation needed). Consumers enjoy a number of benefits by shopping on the internet, they may also perceive e-shopping to have a higher level of risk, particularly due to the lack of opportunity to physically examine the products. Since consumers do not receive and use the product immediately upon completing the transaction, they may be concerned about whether the product will look, perform, or fit as expected (Klein, 1998). Psychological anxieties are also involved in the delivery process of direct retailing, such as frustration with waiting for delivery, anxiety about products getting lost, receiving the wrong products, etc. Security and privacy issues with regard to sharing personal and financial information over the internet are significant risks of e-shopping (Cho, 2004). All of these are different forms of risk inhibiting further fast expansion of B2C e-commerce. Perceived consumer risk has been quoted to be the major factors impeding browsers from becoming buyers in the context of internet retail shopping (Grabner-Krauter & Kaluscha, 2003; Harridge-March, 2006). The behavior of consumers in the face of the said risk is an important area of study (Cases, 2002). Major dimensions of risk are financial, physical, social, psychological, etc. Risk can be associated not only to the object itself, but also to the situation in which the object is acquired (McCorkle, 1990). Cases (2002) describes risk-perception and risk-reduction behavior in individuals inclined to use internet as a shopping mode. Her empirical study attempts to understand the relationship between risk perception and risk reduction and proposes a theory of consumer preferences regarding risk-reduction.

Trust has been described as a device to reduce complexity, a shortcut to avoid complex decision-making processes when facing decisions that carry risk. (Riegelsberger, Sasse, &

McCarthy, 2003). The notion of trust is perhaps the most important component of consumer-marketer transactions. Therefore, perceptions of trust and risk are important factors in predicting B2C e-commerce acceptance (Paulov, 2003). Trust has many facets and is studied in many disciplines such as psychology, sociology, and management. From the point of view of management research, trust pertains to the willingness of a party to be vulnerable to the actions of another party based on beliefs about the other party's ability, benevolence, and integrity (Mayer, Davis & Schoorman, 1995). Trust also has been examined widely in e-commerce literature. Gefen, Karahanna, and Straub (2003) and Jarvenpaa, Tractinsky, and Vitale (2000) conceptualize trust as general beliefs about an online vendor. Chau, Hu, Lee, and Au (2007) posit that trust refers to the belief that the behavior of an online vendor is dependable. It is pertinent to mention that forging of trust is more important in online transactions as perceived consumer risk is inherently high (citation needed). Online trust is documented to be a cognitive phenomenon and it is often a slow process to build trust yet break down of trust is very quick (O'Hara, 2005).

Online trust is also closely related to offline trust. It is important for e-businesses to understand how online trust is different from offline trust, how the two are intertwined and how to improve online trust and overall performance of the business. This is particularly important for multi-channel organizations, that is, those which have both online as well as offline presence (Shankar, Urban, & Sultan, 2002).

Different technologies and mechanisms are used online to promote trust. These include trusted third parties, online reputation systems, encryption protocols, trusted third-party seals, agents and virtual reality technologies, economic incentive mechanisms, government involvement, and video-conferencing. Trust is measured through the customer's beliefs in the company's integrity, benevolence, and abilities (Koufaris & Hampton-Sosa, 2004).

An influential paper produced by Shankar, Urban, and Sultan (2002) on the subject of online trust presents a broad conceptual framework of online trust from customer perspective. Their framework has been shown in Figure 3-2. The antecedent factors could be classified into three broad groups: (1) Website characteristics, (2) User characteristics, and (3) Other factors (online medium and variables involving a combination of website and user characteristics). Likewise, the consequences could be broadly grouped into three categories: (1) Intent to act, (2) Stakeholder satisfaction and loyalty, and (3) Firm performance.

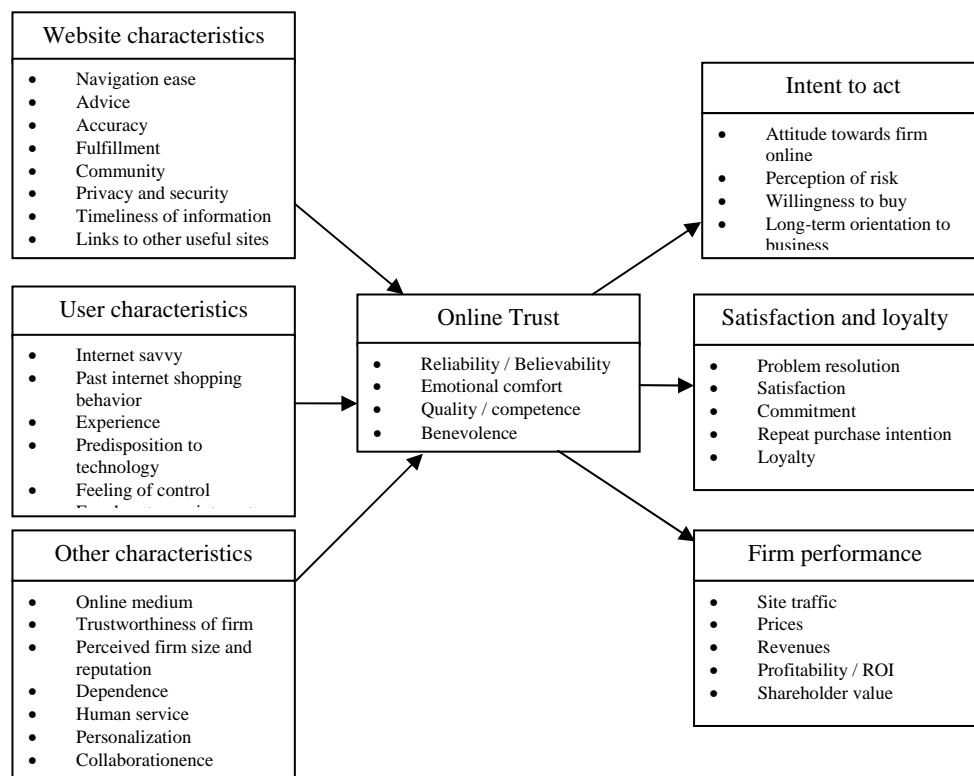


Figure 3-2: A Conceptual Framework for Antecedents and Consequences of Online Trust
Shankar, Urban, and Sultan (2002)

A large research effort has been focused on website design to entice customer to buy. Article by Shankar *et al* (2002) summarizes past research in this direction. Papers by Kuan, Bock, and Vathanophas (2008), Ranganathan and Ganapathy (2002), Taylor and England (2006) deal with details of website design. Although website design and functionality are

very important factors in terms of trust, literature review of this sub-category is not being presented here as this is not one of the subjects addressed in this thesis.

Koufaris and Hampton-Sosa (2004) investigated trust from the point of view of new customer to an e-commerce website. Kim, Ferrin, and Rao (2003) deal with potential customer trust and repeat customer trust separately. Singh and Sirdeshmukh (2000) have dealt with trust at two different stages of e-commerce purchase, pre- and post-encounter stages in terms of the consumer having visited an e-retailer website previously.

A specific study relating trust and customer dropouts from e-stores was reported by Chau, Hu, Lee, and Au (2007). They consider that customer dropouts frustrate not only online vendors but also customers, who after all have incurred the costs involved in information search, product comparison, and entering the check-out procedure but, for various reasons, not completed their purchases. Previous studies have been focused on a single stage of the purchase process. Koufaris and Hampton-Sosa (2004) and Gefen, Karahanna, and Straub (2003) concluded that ease of use of website is an important driver for development of initial trust. Chau *et al* (2007) have empirically studied customer dropout decisions at three different stages of internet buying: information search stage, alternative evaluation stage, and finally the purchase stage. The authors conclude that antecedents of e-shopping are different at these distinctive stages of purchase process. An individual's disposition to trust and perception of the ease of use of the vendor's website appear to be significant antecedents of trust in the vendor during the information search stage. The effect of perceived ease of use remains significant in the alternative evaluation stage but becomes insignificant in the subsequent purchase stage. Structural assurance represents an important trust antecedent in the alternative evaluation stage and remains significant in the purchase stage. Calculative-based belief derived from cost-benefit analyses is a salient antecedent of the customer's trust in the vendor in the purchase stage (Chau *et al*, 2007).

Cho (2004) has indicated a significant link between attitude and behavioral intention. She reported that consumers with positive attitudes toward internet shopping are less likely to abort an intended online transaction. Her results also show that attitudes toward e-shopping mediate the effects of some benefit factors on the intention to abort. The benefit factors that evoke positive attitudes include better product and value offerings, control in information search, and effort saving. The significant negative relationship between positive attitude and likelihood to abort a transaction indicates that consumers who value such indirect benefit aspects are less likely to abort online transactions. Consumers who have higher levels of concern about extra costs and uncertainties associated with deliveries and returns are more likely to abort intended online transactions. Unlike the benefit perceptions, these risk perceptions have direct effects on the likelihood to abort a transaction. Such risk variables can significantly discourage consumers with favorable attitudes toward e-shopping from completing an online transaction. Concerns over the delivery and return process can reinforce (or reduce) the effect of the lack of physical examination on the intention to abort a transaction. This could imply that e-retailers who offer secure delivery and generous return policies can significantly lessen the concern associated with the lack of physical examination, thereby reducing the chance for consumers to abort intended transactions. It was also reported that consumers who had at least one prior purchasing experience from the internet are less likely to abort an online transactions than those without such an experience (Cho, 2004).

Research by van Slyke *et al* (2006) investigates consumers concerns for information privacy as antecedent for development of online trust. In addition, familiarity with the e-retailer may moderate the relationship between concern for information privacy and both trust and risk perceptions.

If e-businesses can forge relationship of trust with their consumers so that consumers' concern for privacy is reduced to a comfortable degree, the businesses can use consumer data

for customer relationship management, customer retention, and personalization (Chellappa & Sin, 2005).

3.5 Technology Acceptance Model Perspective

Another way of dealing with B2C e-commerce is viewing the consumer decision making in the light of technology acceptance model (TAM) and innovation diffusion theory. Basic constructs of technology acceptance model are perceived usefulness (derived from theory of reasoned action) and perceived ease of use of the medium. Other attributes that have been studied and incorporated into extended forms of TAM include computer playfulness, cognitive absorption, product involvement, perceived enjoyment, website design, download delay, navigability, information content, interactivity, response time, website personalization, internet shipping errors, convenience, customer relations, informational fit to task, intuitiveness, visual appeal, etc. (Gefen, Karahanna, & Straub, 2003).

Chen, Gillenson, and Sherrell (2002) have reported an empirical study of consumers' attitudes and behaviors and have concluded that TAM and innovation diffusion models can predict consumer behavior. Gefen *et al* (2003) have integrated TAM aspects and trust-based attributes in their important paper and have studied why online consumers return to an e-vendor.

Koufaris (2002), in his research, has considered the online consumer as both a shopper and a computer user. The author has tested constructs from many disciplines. Considering information systems (TAM), marketing (consumer behavior), and psychology (flow and environmental psychology), an integrated theoretical framework of online consumer behavior has been developed. Specifically, influence of emotional and cognitive responses to visiting a web-based store for the first time on online consumers' intention to return and their likelihood to make unplanned purchases has been examined.

In a theoretical model, Sánchez-Franco (2004) has unified elements from flow theory and TAM. He reports evaluating the mediating role of main intrinsic and extrinsic motives explaining users' internet acceptance and affecting the internet usage to explain and to improve the users' experience of being and reacting in the web.

Crespo and Rodríguez in a recent publication (Crespo & Rodríguez, 2008) propose a model of e-commerce adoption integrating various approaches. The authors take Gatignon and Robertson (1985) model. In the original model, Gatignon and Robertson (1985) extend innovation diffusion process model by postulating that the acceptance or non-acceptance of a novel product or behavior is the consequence of an adoption process followed by a diffusion process. According to Gatignon and Robertson (1985), the intention to purchase, is influenced by three variables: (1) the attitudes toward purchase and the underlying cognitive; (2) the uncertainty or perceived risk in the new product or behavior; and (3) the consumers' purchase patterns. The model concludes that the formation of attitudes toward a new behavior or product is determined by individuals' personal characteristics such as personal innovativeness; characteristics perceived in the innovation; uncertainty or associated risk; and influence of other people or reference groups (Crespo & Rodríguez, 2008).

From the theoretical framework proposed by Gatignon and Robertson (1985), Crespo and Rodríguez (2008) have propounded an overall model of B2C e-commerce acceptance. Their model includes attitudes, other people's influence, perceived risk, personal innovativeness and the system or technology characteristics as variables. The theoretical model proposed is verified on a sample of Internet users without previous experience in online shopping. The model not only supports the explanatory capacity of Gatignon and Robertson's Innovation Adoption Model (1985) but also explains acceptance decision in the light of ecommerce as a new shopping channel.

3.6 E-service Perspective

One of the important phenomena in e-commerce is the service quality for e-businesses. Liu and Arnett (2000) identified that four factors were critical to website success in e-commerce EC: (1) information and service quality, (2) system use, (3) playfulness, and (4) system design quality. The analytical results of an empirical study by Lee and Lin (2002) also showed that the dimensions of web site design, reliability, responsiveness, and trust affect overall service quality and customer satisfaction. Service quality offered by B2C websites has been associated with online business performance and customer retention. E-Service quality can be defined as the extent to which a website facilitates efficient and effective shopping, purchasing, and delivery of products and services (Hadaya & Éthier, 2008). Zeithaml, Parasuraman, and Malhotra (2002) and Rowley (2006) have provided a literature review on e-service. Studies in e-service quality have shown that consumers expect e-retailers to operate their websites efficiently and effectively. They require that B2C websites adequately provide information on the products available, facilitate transactions, deliver the purchased products fast, and offer after-sales services. In order to satisfy these needs, and consequently establish customer value, e-retailers must provide a wide array of service benefits to all customers who shop on their websites. The model proposed by Hadaya and Éthier (2008) posits that, along with website information quality and website quality, e-service quality positively influences customer satisfaction with the purchasing experience which, in turn, influences intent to repurchase on the same website. Research model developed by these authors has been shown in Figure 3-3. Two variables are used to assess e-service quality. The first, e-commerce functionalities available on the website, captures the number of functionalities available on the B2C website to support the customer's online purchasing process. The second, confirmation of the customer's expectations of e-commerce functionalities used, captures the extent to which the e-commerce functionalities used on the B2C website at each stage of the

purchasing process fulfilled the customer's expectations. Effects of website value and advertising applied to complete customer lifecycle have been investigated by Saeed, Hwang, and Grover (2002).

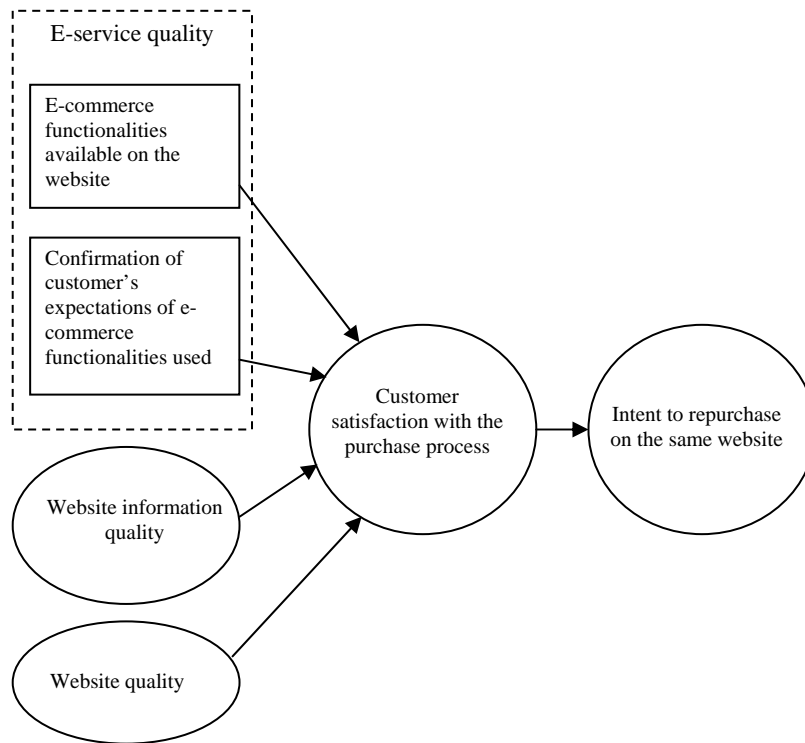


Figure 3-3: Research Model of E-service Quality

Hadaya and Éthier (2008)

From a consumer point of view, many studies of factors that provide satisfaction to the consumers have been conducted. An empirical study by Szymanski and Hise (2000) analyzes shopping convenience, product offerings, product information, site design, and financial security as primary determinants of their model of e-satisfaction. They find website design, convenience, and financial security to be more important factors. Analysis of depth interview data suggests that consumers perceive online service quality to consist of five major dimensions: performance, access, security, sensations, and information (Trocchia & Janda, 2003).

Bauer, Grether, and Leach (2002) studied effect of the internet characteristics on commitment, satisfaction and trust in the context of relationship marketing. Their analysis showed that satisfaction in a business relationship has a positive effect on trust and customer commitment. The authors further find that constant availability of information is restricted by three factors: by the design or redesign of web pages; due to the fact that a server that feeds web pages into the internet may be out of service; and, by a temporary overload of the latter process. High availability of internet sites, that primarily has a positive effect on the trust customers have in a business relationship, was found to be not a motivating but a hygiene factor. Satisfaction was discovered to be more influenced by the products and services themselves than by the sole provision of information on internet sites (Bauer *et al*, 2002).

3.7 Atmospheric Qualities' Perspective

Another perspective to model consumer behavior on the internet retail websites is through atmospheric qualities. The concept of atmospheric qualities of the medium, through which consumers interface the product or service offering, has been found to be one of the major determinants of effectiveness of online retailing. Like physical environment in a traditional retail store impacts the various psychological and behavioral shopping outcomes, certain atmospheric qualities of the online shopping context have been researched and found to affect the use (intentions and actual) and results (e.g., satisfaction, repeat patronage, amount purchased, and time spent online in the virtual store) of online shopping. Early research in environmental psychology tested the stimulus-organism-response (S-O-R) framework in a retail store environment and examined three-dimensional pleasure, arousal, and dominance (PAD) emotional experience as the intervening organismic state (Eroglu, Machleit, & Davis, 2001). Research findings suggested that retail environmental stimuli impact consumers' emotional states, which then result in approach or avoidance behaviors toward the store. This framework was applied to online retailing context in a research study by Eroglu *et al* (2001).

The authors hypothesized that two individual traits, involvement and atmospheric responsiveness, moderate the relationship between atmospheric cues and shoppers' affective and cognitive reactions.

3.8 Transaction Cost Theory Perspective

Liang and Huang (1998) developed a model based empirical study of consumers buying different products to address which products are likely to be bought more through online channel and why. It was shown that customers will go with a channel that has lower transactional costs. In other words, whether a customer would buy a product electronically is determined by the transaction cost of the channel. The transaction cost of a product on the web is determined by the uncertainty and asset specificity. The results of the study showed that different products have different customer acceptance on the electronic market. The results further indicated that the customer acceptance is determined by the transaction cost (Liang & Huang, 1998).

3.9 Cross-country and Pakistan-specific Studies

A recent paper by Ho, Kaufmann, and Liang (2008) explores the role of information technology infrastructure in B2C e-commerce growth at the country-level from the perspective of growth theory in economics. The authors propose and empirically test a hybrid exogenous and endogenous growth model to explain e-commerce growth. Based on data from 24 countries in four regions of the world, they found that endogenous factors (online payment availability, and internet-based selling technology adoption) and exogenous factors (international openness) both contribute to B2C e-commerce growth in a country. The authors also found that there is a two-way interaction between internet-based selling technology adoption and e-commerce growth. The model results show that complex cross-country simultaneous effects of e-commerce interact with each other in a positive feedback relationship. This means increases in e-commerce growth are associated with the adoption of

internet-based selling technology, and the increase of internet-based selling technology adoption will tend to accelerate e-commerce growth. The authors further found that credit card penetration leads to higher e-commerce revenue, so a well-established financial infrastructure for e-commerce is beneficial for e-commerce development. Financial infrastructure includes the availability of online payment tools, and secure online shopping environment. Policies that create the basis for more efficient and more secure online transactions also have a positive impact on e-commerce development. Policies that are favorable to the development of telecommunication also accelerate internet technology adoption and e-commerce development. Government policies appear to dominate the direction and speed of e-commerce development in a country. If governments in developing countries can establish effective financial and telecommunication infrastructures, these policies will encourage firm-level and individual-level of e-commerce adoption (Ho *et al*, 2008).

Kuhlmeier and Knight (2005) studied antecedents to internet purchasing analyzing consumers from three regions of the world (North America, Europe, and Asia) by incorporating consumers from USA, France, and Macao in their empirical sample. Even though this research was basically aimed at studying differences in behavior of consumers from different regions of the world, it made no attempt in advancing holistic understanding of consumer behavior on the demographic lines. Still, the study made it abundantly clear that internet proclivity, internet experience, and perceived risk appear to play roles to different very extents in likelihood of internet purchases by consumers in different national settings. This means that consumers in a given country may process information on e-commerce constructs differently from consumers in other nations. Buying decisions from the internet were found to be influenced by the rate of technological diffusion in various countries,

consumers' exposure level to the internet, internet experience of consumers, perceptions of risk toward internet purchasing, level of economic development of individual countries, etc.

Earlier, Lynch, Kent, and Srinivasan (2001) had analyzed shopping tasks of consumers from 12 countries in North America, Europe, and South America in their study of the characteristics of websites that increase the likelihood of customers shopping at and return to that site. Their research indicated that site quality, trust, and positive affect toward it are critical in explaining both the purchase intentions and loyalty of visitors to the site. This research indicates that the impact of these factors varies across different regions of the world and across different product categories. Results of this research highlight the need to tailor websites according to each world region and product being offered for sale.

Lee and Littrell (2005) have studied US consumers' purchase of cultural products from internet shops. Aljifri, Pons, and Collins (2003) have dealt with barriers to growth of e-business (B2B, B2C, and other forms) in lesser developed countries. Choice of mode of payment (credit card versus cash on demand) has been studied by Hussain *et al* (2007) for China, India, and Pakistan. Odekerken-Schröder and Wetzels (2003) performed a conjoint analysis for their research about product choice, product depth, and product information. They analyzed consumer convenience and trade-offs using fulfillment, transaction, and security in their study of 475 German consumers.

Shafique and Mahmood (2008) have reported state of development of information society in Pakistan and have highlighted what steps need to be taken in order for Pakistan to fully benefit from the digital revolution that can benefit developing countries in many ways.

A study of technical and non-technical issues from management perspectives in the context of e-business in Pakistan has been reported by Kundi and Shah (2007). They have found that all independent variables, that is, economic, political, business, cultural and marketing are mutually correlated and have significant impact on shaping and reshaping of e-

business in Pakistan. Moreover, the authors have presented management implications along with possible solutions to the barriers of e-business in Pakistan.

Ahmed, Zairi, and Alwabel (2006) have identified four key variables of Asian culture that can be linked to development of e-commerce in Asian countries. According to these authors, Asians generally are somewhat uncomfortable with the idea of being in debts so few people have credit cards. Yet the primary means of payment for B2C e-commerce is a credit card, thus potentially eliminating a large segment of the population from engaging in e-commerce. Second, Asians have lower inclinations to trust and are less inclined to share personal information with retailers, especially in transactions where there is no face-to-face contact. Third, availability of a reliable and affordable telecommunications infrastructure, and its physical transportation and delivery systems are not yet complete in Asian countries. Fourth, the uncertainty and risk related to Asia's business and economic climate is also a barrier to e-commerce growth.

Ekasornkorn, Corbitt, and Phalavonk (2002) have studied payment methods in the context of Thailand's e-shoppers. According to their article, there are a significant number of people in Thailand without credit card ownership. A number of people who do possess credit cards feel reluctant to disclose their credit card information on any website, no matter how secure the website claims to be. In general e-retail websites, especially those that claim to provide the convenience of a one-click purchase, store the credit information themselves and are exposed to risk of hacking. Some of the vendors may sell that information to other organizations. Goods such as online magazines, newspapers, articles, reports, or software, offered as downloadable files or browsing permission for small fees on many e-commerce sites, do not justify the burden of paying for them with credit cards. Local Thai credit cards are usually not acceptable to international websites. For these and other reasons, other forms of payment for online purchases have been suggested in this article.

3.10 Knowledge Management Perspective

Knowledge management view of e-commerce is provided by McLean and Blackie (2004). The authors argue that internet is used more as information collection and consumer interaction medium than purchase medium. Two types of consumer knowledge have been identified: 'knowledge about customers' including customer segments, individual customer preferences, potential customers, and 'knowledge possessed by customers' including knowledge about product ranges, companies, and the marketplace. E-commerce is seen to offer an ideal medium for the creation and exchange of both types of knowledge. McLean and Blackie (2004) present the results of a research that looks at e-commerce through the lens of knowledge management. It examines e-commerce provision made by organizations for customers across various facets ranging from transactional to relational facilities.

3.11 Literature Search on SMEs

Company size and consumer trust are related. It has been documented that a store's size assists consumers in forming their impressions on the store's trustworthiness (Jarvenpaa, Tractinsky, & Vitale, 2000). What matters in forming those impressions is the consumer's perception of the store's size, rather than the store's actual size measured by its sales volume or the number of products for sale. In traditional marketing channels, a buyer (i.e., trustor) uses size as a signal that a seller (i.e., trustee) can be trusted. The perception of large organizational size implies that other buyers trust the organization and conduct business successfully with it. This experience of others is taken as a reason to trust that an organization will deliver on its promises. Large size also signals that the firm should have the necessary expertise and resources for support systems such as customer and technical services; the existence of these systems encourages trust. Large size might be also used to signal that the store is able to assume the risk of product failure and to compensate buyers accordingly. In addition, large sellers should be able to control their suppliers, again increasing the

perception of product or service reliability and credibility. Large sellers also have more resources invested in their business and hence are perceived by a trustor to have more to lose than smaller firms by acting in an untrustworthy way. The effect of size on trust might be contingent on the merchandise type. The more uncertainty, ambiguity, or ongoing dependence on the merchant (e.g., for after sales support) inherent in the type of merchandise, the more importance the consumer might place on the store's resources, and hence the greater the influence of the perceived size of the store in determining its trustworthiness (Jarvenpaa *et al*, 2000).

Another aspect with respect to e-business firm size is the extent and level of adoption of e-commerce technologies. Much research on SMEs in the context of e-commerce has been devoted to adoption of technologies and e-commerce by SME. Although, not of direct relevance to this thesis, more can be found on this subject in work by Fillis, Johansson, and Wagner (2004a, 2004b); Gilmore, Gallagher, and Henry (2007); and Karagozoglu and Lindell (2004).

3.12 Relevance of Literature Review and Gap Identification

An attempt was made to summarize important findings and research directions from available literature on various topics that are of research interest in the context of this thesis. Even though papers from Kuhlmeier and Knight (2005) and Lynch, Kent, and Srinivasan (2001) deal with consumers from various countries, these cannot be categorized as research focusing on demographic segmentation of consumers from one particular economy. Accordingly, it can be generally said that almost no studies focusing on conversion behavior of consumers from different countries are available. Economic and social conditions vary across countries and economies of the world. Accompanied with this diversity in underlying conditions is varying consumer behavior from different countries. In particular, no attempt has been made to study conversion approach of consumers from a developing country. As

mentioned in the beginning of this chapter, consumers from developing Asian economies are important to e-retailers owing to potential of these emerging economies. Research is needed to fill this gap in understanding of conversion behavior of consumers from developing countries on B2C websites. A study on Greek consumer profiling basically in terms of stages of internet adoption has been presented by Vrechopoulos, Siomkos, and Doukidis (2001). But this study makes no attempt to compare and contrast consumer behavior and dropout tendencies with those from Western consumers that are well studied. This is the subject of this thesis for Pakistani consumers of e-commerce.

E-marketing has been analyzed for countries with different infrastructure advancement and marketing institutions' development (Sheth & Sharma, 2005). But consumer behavior, particularly conversion behavior, is yet to receive researchers' attention.

CHAPTER FOUR

RESULTS, DATA ANALYSIS, AND CONCLUSIONS

Research is to see what everybody else has seen, and to think what nobody else
has thought.

(Albert Szent-Gyorgyi 1893-1986, Hungarian Biochemist, Nobel Prize, 1937, Medicine)

4.1 Responses to the Questionnaire

As mentioned in Chapter 2, a questionnaire was developed for the present research effort. Details of how the questionnaire was developed, the way sample size of respondents was estimated, and how the questionnaire was floated to potential respondents were also presented in Chapter 2.

The questionnaire was floated to approximately 450 educated Pakistanis who could use English language and were confirmed to be regular / experienced users of the internet. Two mechanisms were used to send the questionnaire to potential respondents: e-mail and hand delivery. In total, 317 correct responses were finally received representing a response rate of 70.4%. 7 filled questionnaires were discarded as these contained potentially misleading data or were filled incorrectly by the subjects to the survey. Response rate of above 70% is higher than that typically observed for survey-based research (Yu & Cooper, 1983; Zikmund, 2003). However, seemingly high response rate obtained in this research is not an entirely new phenomenon. Ahmed, Zairi, and Alwabel (2006) had also reported response rates of 73 and 80% in their survey of internet users in Saudi Arabia organizations. In their research, Ahmed, Zairi, and Alwabel (2006) made contacts with their potential respondents before sending out the questionnaire so that response rate could be increased. Likewise, Mols (2000) has reported response rates of 63% of Danish bank employees for his research. van Slyke, Shim, Johnson, and Jiang (2006) have reported obtaining a response rate of 65% for their internet survey of 1100 individuals.

In the present research, various methods to increase response rate were adopted. Elaborate introduction to the research at the beginning of the questionnaire was included so as to increase comfort of potential respondents about the survey. Many potential respondents were notified in advance that a questionnaire would be sent to them. Design of questionnaire was made user friendly to the possible extent as mentioned in Chapter 2. Cover note to the

questionnaire contained an appeal to the respondents to make sure that they fill out their experiences in the questionnaire. It was also ensured that the only purpose of survey results was academic research with no commercial intent. A pledge to maintain complete confidentiality of the individuals was included in the cover note besides giving in advance an estimate of respondent time that would be consumed in filling up the questionnaire. Moreover, individuals to whom the questionnaire had been sent but had not responded were followed up (Cho, 2004) after two weeks and requested to provide a response. In view of availability of relatively long time for this survey-based research, necessary follow up was possible. It is believed that the healthy response rate achieved is a combined result of the factors mentioned in this paragraph. Furthermore, a statement highlighting Pakistan's relatively backward standing in the arena of e-commerce was included in the cover note. It is believed that general propensity of individuals belonging to developing countries to pay attention to emerging technologies so as to not miss out on the opportunities brought by latest technologies had been another factor that a large number of those that received the questionnaire did choose to respond to it (Deutskens *et al*, 2004).

Healthy response rate not only ensures effective utilization of available resources but also rules out existence of various types of biases in the results of a survey. For instance, response bias is minimized if a good response rate is obtained (Bean & Roszkowski, 1995). Item non-response bias (Zikmund, 2003) has also been low in the present survey results. This indicates that users were interested to share their online shopping experiences (Dolde, Staelin, & Yao, 1980). Sampling error was minimized by increasing the sample size. To reduce non-sampling errors, care was exercised in coding and editing the results of the survey (Brace, 2004). To avoid interviewer presence bias (Zikmund, 2003), all questionnaires (e-mails or hard copies) were administered in such a way that respondents would fill out the questionnaire in the absence of the researcher. To the extent possible, uniform conditions among different

respondents were ensured. Questionnaire had been designed in such a fashion that acquiescence bias, extremity bias, auspices bias (Zikmund, 2003) were minimized. Through careful handling of questionnaires and responses, administrative error was also minimized or avoided (Henry & Keon, 1982). Statistical tools and techniques to judge presence of non-response bias and other possible errors and biases in the collected data were not used as these are considered outside the scope of this MBA research. However, through careful questionnaire design and other means, attempt was made to minimize biases so that correct conclusions could be drawn from the research data.

Appendix-B lists all responses received to the questionnaire and Appendix-C presents one filled questionnaire as specimen.

4.2 Experience of Online Purchases

The next step in the research was to edit and code the gathered responses to the questionnaire. Responses were transferred to Microsoft Excel worksheet, tabulated and cross-tabulated for further analysis. (Auerbach, 2003; Zikumnd, 2003).

From respondents input to survey question number 2 (refer to Appendix-A for manuscript of the questionnaire), a very basic observation was made. It was discovered that about 70% of those surveyed had never made an online purchase. This speaks of low penetration of e-shopping in Pakistan. This resulted in 89 of the 317 respondents replying to survey questions 3 through 15. However, all of the subjects taking the questionnaire were requested to respond to survey question 16 that asked the important question as to what were the major barriers that had impeded internet buying in Pakistan from flourishing to its full potential. Crespo and Rodríguez (2008) had surveyed more than 1000 internet users in Spain for their intentions, attitudes, and perceptions of internet shopping. The authors had also found that 67.64% of the internet users surveyed had never made any online purchases. In this context, it would be worthwhile to mention that 95% of internet users visit online retail stores (Cho, 2004), a vast

majority of internet users in the world (about 85% as per Koufaris & Hampton-Sosa, 2004) do not make purchases over the internet. In the light of these statistics, it is not surprising that majority of those surveyed in the present research had no experience of actually making any online purchases. It is also possible that Pakistani internet buyers are especially low in number.

4.3 Demographics of Respondents

As mentioned in Chapter 2 (see Table 2-1), the first set of survey questions pertains to demographics of respondents and serves to establish relevance of the respondents. According to the results of these questions, average age of respondents is 32 years with a relatively wide spread of age (standard deviation of 8.14). 78% of the respondents fall in 21-40 years' age band. This means respondents were varied in terms of age with mean age representing relatively young but earning individuals. Kau, Tang, and Ghose (2003) have reported findings of a study that profiled age of internet users and online shoppers in Singapore, Taiwan, Hong Kong, and Malaysia. They found that almost half of the internet users and online purchasers fall in 26 to 35 age bracket.

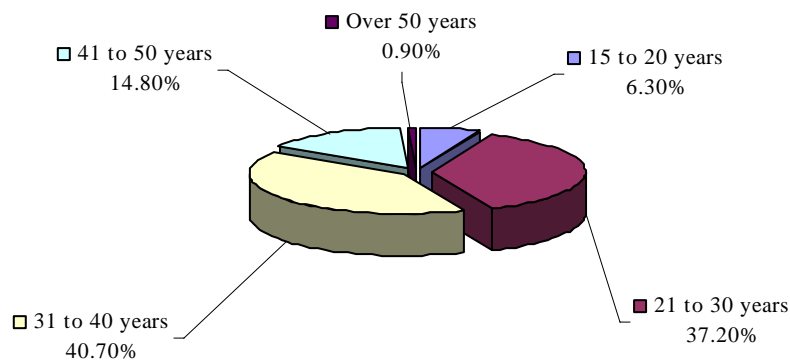


Figure 4-1: Respondent Age

Even though no specific data on gender of the respondents was solicited, it is rough estimate of the researcher that more than two thirds of the respondents were males. This may seem a little too skewed from the point of view of western countries but two relevant facts

need to be kept in mind. First, male population generally participates in internet usage (United Nations Conference on Trade & Development, 2003) as well as e-shopping more than the female in internet shopping in most countries (Ernst & Young, 2001; Shiu & Dawson, 2004). While the trend is for females to catch up with males in terms of online purchases in the US and a few other countries (Jayawardhena, Wright, & Dennis, 2007), female internet users are still behind their male counterparts in terms of making purchases over the internet (eMarketer, 2008c; Fram & Grady, 1997; Shiu & Dawson, 2004). A study in Singapore, Taiwan, Hong Kong, and Malaysia discovered that a predominant majority of internet users as well e-shoppers in these Asian countries were males (Kau, Tang, & Ghose, 2003). Secondly, more male participation tends to represent reality more closely for societies like Pakistan where predominant economic activity is controlled by males in the society (Mammen & Paxen, 2000; Hussain *et al*, 2007).

Average experience of internet buying was 4.3 times per year. Figure 4-2 summarizes results of the survey data for frequency of shopping visits. Corresponding figure for other countries for 2001 is US having 13 purchases per year per buyer, UK 14 per year, Germany 12, France 10, Canada 8, and Spain 7 purchases per year per buyer (Ernst & Young, 2001).

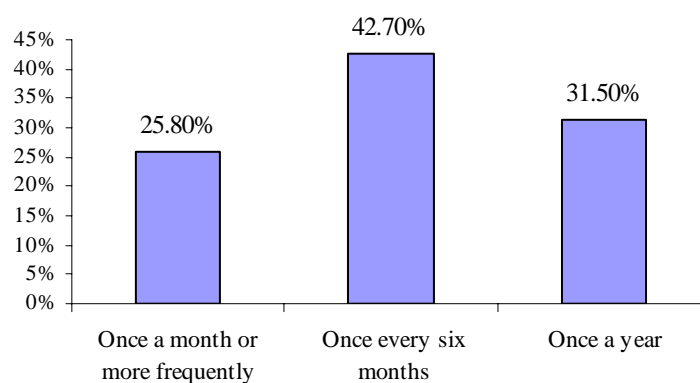


Figure 4-2: Shopping Frequency of Respondents

In terms of frequency of purchases made from the internet, subjects represented a more or less uniform spread among the three bands: 12+ purchases, 2 purchases, and 1 purchase per

year. A vast majority of respondents bought more frequently than once in a year. Most of the subjects had internet buying experience of 2 to 4 years while only 9% had done their first internet buying over the last one year when questioned. About 30% of the respondents had been buying over the internet in the band of 5 to 8 years. These statistics indicate that Pakistani consumers are not at all new to B2C e-commerce. This also gives rise to the interesting question of as to why B2C e-commerce is still so non-prevalent in Pakistan. Even though exclusive research may answer this question, some light is shed from results of the survey conducted for this research effort.

Statistics of Pakistani consumers obtained through the present survey indicate that the respondents of this survey represented overall Pakistani consumer of e-commerce. Since the response rate had been relatively high and the average respondent appeared no different from an average Pakistani consumer, it would be safe to conclude that those who responded were close representatives of those who did not (Zikmund, 2003).

The length of time a customer has been using the internet has been positively related to intentions of making online purchases. Average amount of money a consumer is expected to spend is also positively related to experience of internet use (Lohse, Bellman, & Johnson, 2000). Using panel data, the authors found that over a 12-month period, online consumers doubled the number of items bought online and spent nearly three quarters more money on each purchase. These two facts together resulted in a tripling of the spending of the average online consumer over time.

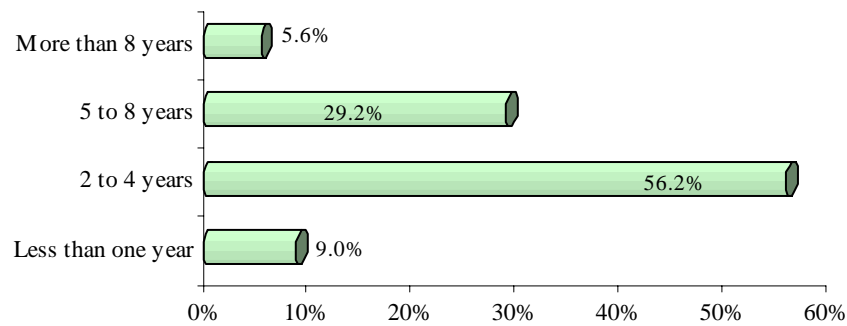


Figure 4-3: Shopping Experience of Respondents

The subjects to this survey reported moderate levels of purchases made from the e-stores of SME category with almost three quarters buying between PKR 5,000 to 50,000 (equivalent of US\$ 80 to 830) per year (see Figure 4-4). Contrasted to this amount of average spending of Pakistani consumers, US consumers' average spending per buyer was reported to be US\$ 780 in 2008 (Chen *et al*, 2008). Another source (Ernst & Young, 2001) reported US spending on online shopping to be US\$ 896. Average amounts of equivalent of US\$ 778, US\$ 709, US\$ 656, and US\$ 590 were spent online by UK, French, German, and Canadian consumers respectively (Ernst & Young, 2001).

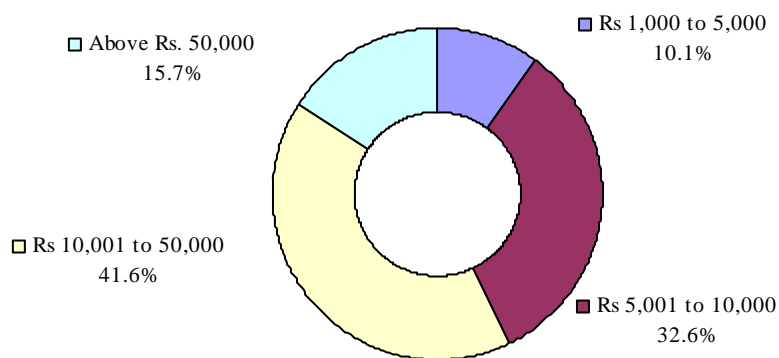


Figure 4-4: Average Spending of Respondents on Purchases from SME

About three quarters of respondents of the present survey bought only up to 25% of their online shopping from SME retailers. Results of survey data are shown in Figure 4-5 below.

Even though comparable international benchmarks are not available, results for Pakistani consumers show relatively low acceptance of SME retailers among consumers from Pakistan.

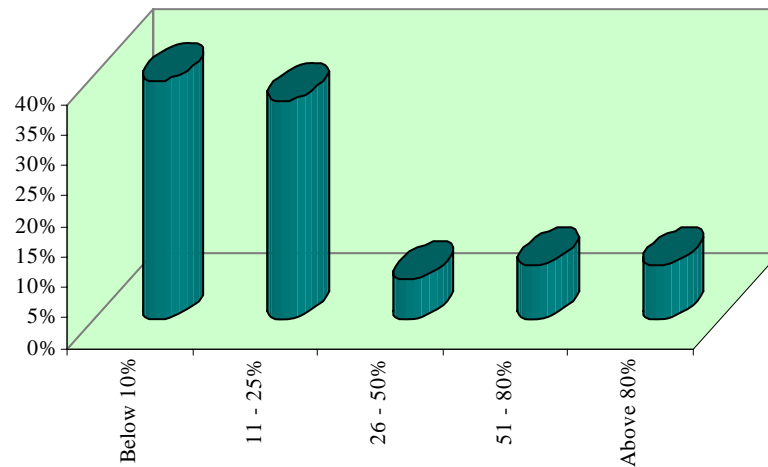


Figure 4-5: Shopping Proportion of Pakistani Consumers from SMEs

Table 4-1 below presents summary of results of first category of survey questions representing demographic / relevance category.

<i>Internet-buying parameter</i>	<i>Value</i>	<i>Percentage of sample</i>
Survey question 1: Respondent age (years)		
	15 to 20	6.3
	21 to 30	37.2
	31 to 40	40.7
	41 to 50	14.8
	Over 50	0.9
Survey question 2: Order frequency (How frequently do you buy online?)		
	Once a month or more frequently	25.8
	Once every six months	42.7
	Once a year	31.5
Survey question 3: Experience of internet purchasing (How long have you been making online purchases?)		
	Less than one year	9.0
	2 – 4 years	56.2
	5 – 8 years	29.2
	More than 8 years	5.6
Survey question 4: Buying amount (Approximate Pak Rupee value of your last one year's online purchases made from SME's only?)		
	Rs 1,000 – 5,000 (Euro 10 to 50)	10.1
	Rs 5,001 – 10,000 (Euro 51 to 100)	32.6
	Rs 10,001 – 50,000 (Euro 101 to 500)	41.6
	Above Rs. 50,000 (above Euro 500)	15.7
Survey question 5: Proportion of purchases made from SMEs (What percentage of your total		

online purchase comes from SME's?)		
	Below 10%	39.3
	11 - 25%	36.0
	26 - 50%	6.7
	51 - 80%	9.0
	Above 80%	9.0

Table 4-1: Results of Questions 1 to 5 of the Questionnaire (Demographics / relevance questions)

4.4 Products Bought Over the Internet

The next set of questions pertains to RQ1 that analyzes top products / services Pakistani customers prefer to buy over the internet and why? According to responses gathered to survey Question 6, most of the survey respondents had bought electronics goods, tickets, and gift items from SME retail internet stores. Many of the respondents gave multiple answers to this question indicating a variety of items purchased in different visits. All the answers were duly accounted for in the data analysis. To ‘Other’ items in the answer choice survey question 6, that is, open choice among the possible answers to survey questions, respondents filled out ‘Tickets’ and ‘Hotel Bookings’ as the most frequently purchased items. Clothing represents the category that has been of least interest to Pakistani consumers.

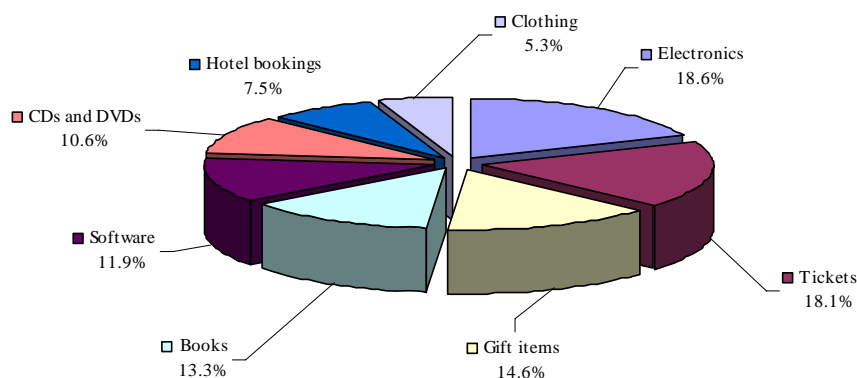


Figure 4-6: Categories of Products Bought from Internet by Respondents

According to Ahuja, Gupta, and Raman (2003) travel, audio-video, and apparel were the most frequently purchased categories of products in US consumers they studied. Groceries represented an item respondents to the US survey were least interested in. In another study (e-

Marketer, 2008b), 65% of those surveyed bought books from online stores. This was followed by apparel and travel (57% each). In yet another study, apparel was found to be the most frequently purchased item through the internet, followed by books, software, and computers (Cho, 2004). Ernst and Young (2001) have listed preferences of consumers from a number of countries in terms of items they most frequently buy online.

From a general comparison of what Pakistani consumers were buying from the internet to trends followed by international consumers, a couple of observations can be made. Pakistani consumers had stronger inclination to buy electronics, tickets, and gift items as compared to books, apparel, and travel arrangements by the international consumer. Electronics goods are categorized as low-touch items by Lynch, Kent, and Srinivasan (2001) that a consumer would not prefer very strongly to have a sensory experience of before buying. Similarly, services such as tickets do not need to be felt or touched by consumers before commitment to buy these.

Clothing items and apparel are not popular among Pakistani consumers as a product they would be interested in buying from the internet. Apparel sales are relatively new arrival in US and western e-retail markets as well (Greco, 1996; Kim & Kim, 2004; Park & Stoel, 2005; Seock & Chen-Yu, 2007). Moreover, fit of clothing and apparel is very important to consumers and some degree of personalization is usually necessary. Pakistani consumers, being situated away from centers of fashion and standardized, branded apparel, cannot take advantage of availability of these products online due to potential problems with product return and exchange. Apparel and related items were also observed to be negative conveniences by Bhatnagar, Misra, and Rao (2000). Most of apparel buyers from the internet in western countries are existing customers of brands they buy over the internet (Grewal, Iyer, & Levy, 2004; Park & Stoel, 2005). Since much of internationally available branded apparel is unavailable in Pakistan, consumers from Pakistan are generally not among the

existing customers of international apparel chains. For this reason of low brand familiarity on the part of Pakistani customers, it is conceivable that apparel purchase from international sellers is not popular among this category of customers. Furthermore, female clothing trends in Pakistani culture are, in general, quite different from those prevailing in western cultures. On most of websites, ladies' apparel of only international types is sold thus not carrying much interest for a large chunk of Pakistani clientele. Another factor that is worth considering in the context of clothing being a relatively unimportant product for Pakistani consumers to buy from online stores is the fact that major apparel websites are mainly additional sales channels of international brands (Seock & Chen-Yu, 2007). Most of Pakistani consumers are not used to multiple sales channels as in-home and catalog purchases are not common in Pakistan. Cho (2004) found that internet shoppers who are more concerned about delivery and return are less likely to buy from internet. This consideration applies to Pakistani consumers in the context of clothing and apparel. Moreover, more price-conscious consumers are likely to engage less in apparel and clothing purchase from internet (Seock & Chen-Yu, 2007). Kim and Kim (2004) have divided products into the categories of cognitive products such as books, CDs, or computer software, etc. and sensory experiential products such as apparel or accessories. In general, cognitive products sell better over the internet than sensory experiential goods. This trend appears to be more pronounced for Pakistani consumers.

Survey question 7 pertains to latter part of RQ1, that is, the most prevalent reason Pakistani consumers purchased the items mentioned in survey question 6. According to the results, convenience of buying over the internet represented the most common reason Pakistani consumers bought from the internet. Another important reason was low prices. This indicates potentially stronger price awareness of Pakistani consumers. Another reason for resorting to the internet provided by the respondents was that some items were not available in Pakistan but could be only purchased from international market or only over the internet.

These may include new book titles, relatively rare CD and DVD titles, deals and special price offerings for a variety of goods, etc. Convenience, time saving, and availability of more product choices and better deals have been found to be the top reason why consumer would buy from the internet (Ahuja, Gupta, & Raman, 2003; Brown, Pope, & Voges, 2003; Hsu, 2008; eMarketer, 2008b; Weltevreden & Boschma, 2008). Therefore, in this respect, Pakistani consumers are found to be following the trend of western or international consumers. However, there are a few products that Pakistani e-shoppers must buy from internet as these are either not available in Pakistani marketplace or are only available over the internet such as bookings to some hotels in overseas locations.

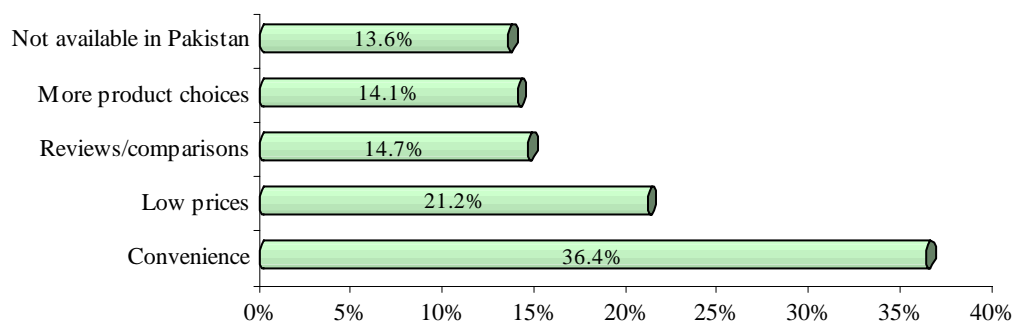


Figure 4-7: Reasons Why Pakistani Consumers Buy Online

Summary of responses to RQ1 is tabulated as Table 4-2 below.

Survey question 6 (What have been the most frequent categories of products / services you bought over the internet?)	
<i>Product / service category</i>	<i>Percentage of responses</i>
Electronics	18.6
Tickets	18.1
Gift items	14.6
Books	13.3
Software	11.9
CDs and DVDs	10.6
Hotel bookings	7.5
Clothing	5.3
Survey question 7 (Most significant reasons you bought the above products / services over the internet?)	
<i>Reason</i>	<i>Percentage of responses</i>
Convenience	36.4

Low prices	21.2
Availability of product reviews and price comparisons available	14.7
More product choices	14.1
Not available in Pakistan	13.6

Table 4-2: Summary of Results Pertaining to RQ1
(Products / services most frequently bought)

From the above, we can conclude that Pakistani consumers are no different from consumers in other countries in their basic reasons for opting to buy from internet. However, products/services they buy are constrained by spatial and cultural factors.

4.5 Reasons for Low Conversion Rate

The next set of survey questions attempts to ask subjects as to what were the reasons for low conversion rates. The first question (survey question 8) concerns number of visits to an online merchant before a Pakistani consumer would actually make a purchase. A feature of internet shopping is that the user can make comparisons and collect product information to his / her heart's content. However, too lengthy searches for products and comparisons can lead to consumer fatigue and information overload thus potentially swaying buyers away from internet shopping (Ahuja, Gupta, & Raman, 2003). To balance the two opposite effects, consumers usually perform limited but meaningful search and comparisons. Results of survey question 8 revealed that a healthy majority of Pakistani consumers visit 10 or less websites or a website 10 times or less before making a purchase. More than a quarter of Pakistani consumers buy during the first 3 visits. Ahuja, Gupta, and Raman (2003) reported that majority of consumers they surveyed bought by visiting less than 3 websites.

Survey question 9 pertains to the most important things online stores need to do to make Pakistani consumers buy when they have logged on to an online store website without any specific intention to purchase. Majority of those surveyed responded that online stores needed to win customer trust by being straightforward and not charging any hidden costs. Moreover,

a large proportion of respondents wanted stores to offer tangible benefits like price discounts, reduced shipping rates, faster delivery times, etc.

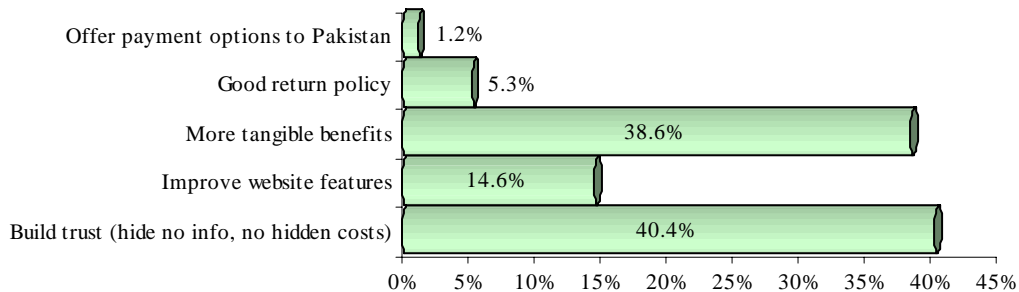


Figure 4-8: Respondent Input to What Stores Must do to Make Them Buy

Respondents are next asked, through survey question 10, the most frequent reason for abandoning a website without making a purchase. From the gathered responses, it can be inferred that many customers log on to a website and populate shopping carts only to be able compare the bottom line price of a product or service from different websites. Other customers reported that they filled in their shopping carts without any intention to make a purchase as they had logged on to an online store just for hedonic purposes.

Most frequent reasons for abandoning their purchase processes at any stage is addressed in survey question 11. In their responses, Pakistani consumers cite either high shipping cost or the fact that cost of shipping is shown very late in the purchase process as the reasons for losing trust in a website and abandoning it. Among other important reasons, longer or unclear delivery times, high price of product, absence of Pakistan from the list of countries that the website would ship its products to, site requiring registration and asking for personal or financial information to an uncomfortable extent before completing the purchase, etc. have been mentioned by the Pakistani consumers. Lack of order tracking options, lack of contact information, etc. are also reported by some of the consumers to result in loss of their trust in an online vendor. See Figure 4-9 below.

SurveyPro (2008) reported results of a survey carried out to inquire reasons for customer dropouts from B2C e-commerce websites. Results of the survey reveal high shipping costs and tendency of merchant websites to show shipping charges late in the purchase process were the most significant reasons the customers dropped out of the purchase process. Another common reason for customers abandoning shopping carts was that many customers were logged on to the website only to research prices and product features rather than to make actual purchases. High total cost of purchases, cumbersome checkout process, requirement on the part of websites to collect personal information that the customers are reluctant to give out, poor website navigational features, etc. were the other reasons cited by customers that result in lowering the conversion rate of e-retailers.

Making a comparison of the tendencies of Pakistani consumers surveyed in the present research and international consumers profiled by Survey Pro (2008), it can be seen that shipping issues such as high shipping cost, higher prices than consumers expect to find on websites, demand for too much personal information, etc. are the predominant factors that deter both the categories of customers from e-commerce websites. Pakistani consumers are not found to be different from those in other locations when reasons for dropouts are considered. However, some additional local factors that apply to Pakistani consumers are long delivery times and some websites not shipping their merchandise to Pakistan.

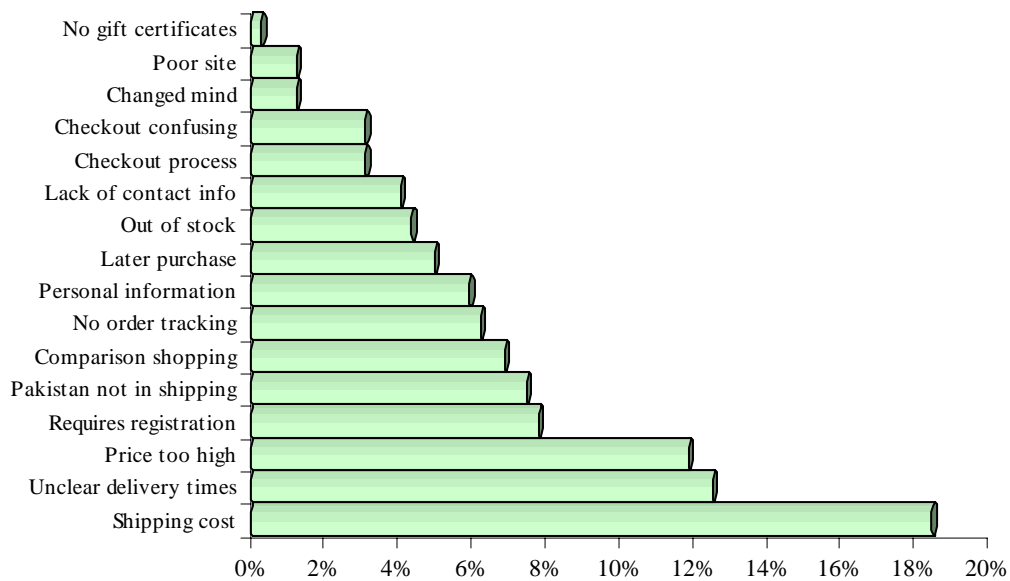


Figure 4-9: Reasons for Abandoning Purchase by Pakistani Consumers

Lack of general trust in online vendors has been found to be the predominant weakness possessed by merchant websites as deemed by Pakistani consumers as a result of survey question 13. This survey question asked the consumers as to what are the most desirable qualities of an online vendor. Low prices and better services such as product return policy, fast order processing, variety in products and services, etc. are also some of the features online customers desire to see in an online store. Interestingly, very small proportion of Pakistani consumers finds website features such as ease of navigation and technical features to be lacking to a degree where they would be dissatisfied.

Survey question 14 pertains to main features Pakistani consumers want to see in the online store they would buy from. Available answer choices were stores with reputable name, low price, good technical features of website, etc. Most of the respondents opted for low price as the feature they would most strongly like to see in the website they would buy from. This tendency is closely followed by desire to buy from a reputable store.

Next survey question inquired if the respondents were willing to trust a SME site selling the same product as much as a large, well-known online merchant. 63% of respondents said they would choose to buy from large, familiar merchant than an unknown SME store regardless of product features and prices. Only 6% said they would not care if the site they were purchasing from represents a SME or a large merchant. 28% of the respondents, however, showed their inclination to buy from SME in lieu of a large store if SME offered good price and service features.

From all those filling up the research survey, it was inquired as to what barriers, in their opinion, were hampering growth of B2C e-commerce in Pakistan. Lack of trust on the store and absence of foolproof credit card and payment mechanisms received the highest number of responses. Furthermore, lack of proactive regulatory infrastructure to protect consumer rights and ensure safe transactions was also quoted to be a hurdle to e-commerce proliferation in Pakistan. A relatively healthy proportion of consumers opined that the fact that a number of websites do not ship their merchandise to Pakistan was another reason why e-commerce growth was slow in Pakistan. Results of responses to this survey question are shown as Figure 4-10.

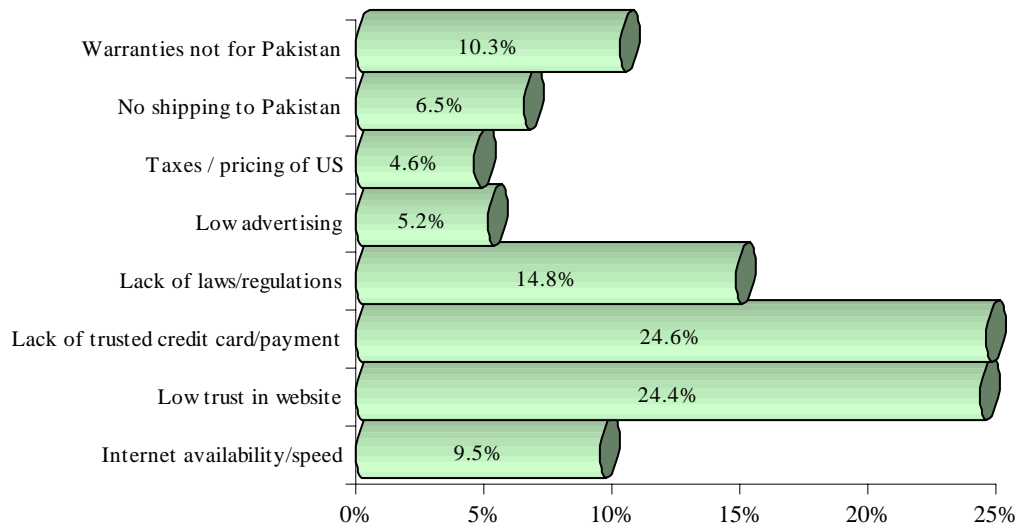


Figure 4-10: Barriers to Internet Buying in Pakistan

Results of the above survey question are presented as Table 4-3.

<i>Parameter</i>	<i>Percentage of responses</i>
Survey question 8 (Please recall your visits to website an online merchant (for whatever reasons). Approximately how many times do you visit the site before you actually make a purchase? (Include your website visits for product researching and reading reviews. Also include your visits when you abandoned shopping cart or left the site without buying)	
1 to 3	27.0
4 to 10	47.2
In excess of 11	25.8
Survey question 9 (What 3 most important things would you think online stores need to do to make you buy (when you have logged in without intention to buy)?	
Build trust (do not hide information, no hidden costs, say what they do and do what they say, etc.)	40.4
Improve website features	14.6
Promise more benefits (price discounts, reduced shipping rates, faster delivery, etc.)	38.6
Good return policy	5.3
Offer all payment options to Pakistan	1.2
Survey question 10 (What has been the most frequent reason for abandoning the website without making a purchase?)	
Will come back later for a purchase when I am done with my research process.	33.8
Abandoned my decision to purchase online and will look for the product in real-life market.	5.7

Will buy from an alternative website	31.8
I logged in only for fun and not to make a purchase.	20.4
Pakistan not included in Paypal or shipping destinations	8.3
Survey question 11 (What are the most frequent reasons that you abandon your purchase process at any stage?)	
Price of the item too high and I am having second thoughts	11.9
Cost of shipping too high or not shown until checkout	18.5
Changed mind and discarded cart contents	1.3
Comparison shopping or browsing	6.9
Saving items for later purchase	5.0
Checkout process is too long	3.1
Out of stock products at checkout time	4.4
Checkout requires too much personal information	6.0
Poor site navigation and long download times	1.3
Lack of sufficient product or contact information	4.1
Checkout process is confusing	3.1
Site requires registration before purchase	7.8
Site unclear on delivery times	12.5
No order tracking options	6.3
No gift certificates	0.3
Pakistan not included in shipping destination	7.5
Survey question 13 (What do you prefer an online merchant to possess as its biggest qualities?)	
Low price	23.6
Reputation for trust and quality	27.6
Variety offered in types of product / service	15.1
Service offered by the website (product return policy, speed of order processing, etc.)	20.9
Website features (ease of use, good product reviews and comparisons, etc.)	7.1
Warranties, product features, etc.	5.8
Survey question 14 (If many online stores are offering a product, the one you buy from should:)	
Have good website features (user-friendliness, layout of webpage, clear pricing, etc.)	8.8
Be a reputable name	40.8
Be low in price	44.2
Clear in refund policy, etc.	6.1
Survey question 15 (How would you trust a SME website compared to a large renowned name?)	
It does not matter to me if the website I am buying from is a SME or a large well-known website.	5.6
I am willing to buy from a SME if it is offering better price, service, offers, etc.	28.1
I will always buy from large websites even if a previously unknown or little known website appears superior in terms of products and prices.	66.3
Survey question 16 (Biggest barriers in your view as to why internet buying is still not prevalent in Pakistan?)	
Internet availability (low speed, limited geographical coverage, frequent lost links, etc.)	9.5
Low trust level for merchant websites (high priced / fraudulent website behavior)	24.4
Lack of trusted credit card and payment mechanisms (include personal information	24.6

security issues)	
Lack of government laws and regulations ensuring safe transactions	14.8
Customers' lack of knowledge because of low advertising by merchant websites	5.2
It is normally expensive to buy from foreign online stores due to more taxes in USA and European countries. Pakistani merchants would follow the pricing level of US and European merchants.	4.6
Site does not ship to Pakistan	10.3
Warranties are not extended to Pakistan	6.5

Table 4-3: Summary of Results Pertaining to RQ2
(Abandoning e-commerce websites)

To summarize the trends observed from answers gathered through the present survey questionnaire, Pakistani customers are characterized by their following preferences:

- be wary of potentially unscrupulous website behavior,
- avail more tangible gains such as price discounts, reduced shipping costs, etc.,
- incur no hidden costs,
- make purchases only when the perceived total cost is low,
- be troubled by lack of trusted payment mechanism and credit card frauds,
- research the products and prices well before purchasing,
- avoid experimentation and buy from only large, reputable online stores,
- look for clean shipping and delivery mechanism,
- be concerned about reputation of online sellers,
- not share too much personal and financial information,
- be bothered by lack of institutional infrastructure to ensure smooth internet transactions,
- have Pakistan included in shipping destinations by all merchant websites,
- see all payment options, such as Pay Pal, extended to Pakistan,
- experience wider internet availability and better speed, etc.

Most of the above reasons have also been cited to be causes of low trust in internet retail websites by general international customers (Bellman, Lohse, & Johnson, 1999; Bhatnagar,

Misra, & Rao, 2000; Chang, Cheung, & Lai, 2005; Jarvenpaa, Tractinsky, & Vitale, 2000; Koutsabasis *et al*, 2008; Liang & Huang, 1998; Pavlou & Gefen, 2004; Ranganathan & Ganapathy, 2002). It is therefore concluded that, in general, e-shoppers from Pakistan are no different in their risk perceptions from those in other countries. A couple of local factors related to shipping to Pakistan, however, have been noted with concern by the surveyed consumers.

4.6 Price Sensitivity

The next set of survey questions is targeted towards RQ3 that deals with price sensitivity of online customer from Pakistan. This RQ is dealt with by survey questions 8, 9, 10, 11, 12, 13, 14, and 16. Survey questions 8, 9, 10, 11, 13, 14, and 16 have already been discussed in the context of RQ2 in the preceding section. In this section, only survey question 12 is discussed. This question asks the subjects to categorize their price sensitivity level on a 5-point Lickert scale. From results of this survey question, two-thirds of the respondents place themselves either in very strongly or strongly price sensitive category. Some 23% are in moderately price sensitive range. 11% of the subjects are either somewhat price sensitive or are not sensitive.

Summary of overall responses to RQ3 is given as Table 4-4 below:

<i>Parameter</i>	<i>Percentage of responses</i>
Survey question 8 (Please recall your visits to website an online merchant (for whatever reasons). Approximately how many times do you visit the site before you actually make a purchase? (Include your website visits for product researching and reading reviews. Also include your visits when you abandoned shopping cart or left the site without buying)	
1 to 3	27.0
4 to 10	47.2
In excess of 11	25.8
Survey question 9 (What 3 most important things would you think online stores need to do to make you buy (when you have logged in without intention to buy)?	
Build trust (do not hide information, no hidden costs, say what they do and do what they say, etc.)	40.4
Improve website features	14.6
Promise more benefits (price discounts, reduced shipping rates, faster delivery, etc.)	38.6

Good return policy	5.3
Offer all payment options to Pakistan	1.2
Survey question 10 (What has been the most frequent reason for abandoning the website without making a purchase?)	
Will come back later for a purchase when I am done with my research process.	33.8
Abandoned my decision to purchase online and will look for the product in real-life market.	5.7
Will buy from an alternative website	31.8
I logged in only for fun and not to make a purchase.	20.4
Pakistan not included in Paypal or shipping destinations	8.3
Survey question 11 (What are the most frequent reasons that you abandon your purchase process at any stage?)	
Price of the item too high and I am having second thoughts	11.9
Cost of shipping too high or not shown until checkout	18.5
Changed mind and discarded cart contents	1.3
Comparison shopping or browsing	6.9
Saving items for later purchase	5.0
Checkout process is too long	3.1
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Checkout requires too much personal information	6.0
Poor site navigation and long download times	1.3
Lack of sufficient product or contact information	4.1
Checkout process is confusing	3.1
Site requires registration before purchase	7.8
Site unclear on delivery times	12.5
No order tracking options	6.3
No gift certificates	0.3
Pakistan not included in shipping destination	7.5
Survey question 12 (How would you categorize your price-sensitivity to be for online purchases?)	
Very strongly price-sensitive	30.3
Strongly price-sensitive	36.0
Moderately price-sensitive	22.5
Somewhat price-sensitive	7.9
Not price-sensitive at all	3.4
Other (please specify)	0.0
Survey question 13 (What do you prefer an online merchant to possess as its biggest qualities?)	
Low price	23.6
Reputation for trust and quality	27.6
Variety offered in types of product / service	15.1
Service offered by the website (product return policy, speed of order processing, etc.)	20.9
Website features (ease of use, good product reviews and comparisons, etc.)	7.1
Warranties, product features, etc.	5.8
Survey question 14 (If many online stores are offering a product, the one you buy from should:)	
Have good website features (user-friendliness, layout of webpage, clear pricing, etc.)	8.8
Be a reputable name	40.8

Be low in price	44.2
Clear in refund policy, etc.	6.1
Survey question 16 (Biggest barriers in your view as to why internet buying is still not prevalent in Pakistan?)	
Internet availability (low speed, limited geographical coverage, frequent lost links, etc.)	9.5
Low trust level for merchant websites (high priced / fraudulent website behavior)	24.4
Lack of trusted credit card and payment mechanisms (include personal information security issues)	24.6
Lack of government laws and regulations ensuring safe transactions	14.8
Customers' lack of knowledge because of low advertising by merchant websites	5.2
It is normally expensive to buy from foreign online stores due to more taxes in USA and European countries. Pakistani merchants would follow the pricing level of US and European merchants.	4.6
Site does not ship to Pakistan	10.3
Warranties are not extended to Pakistan	6.5

Table 4-4: Summary of Results Pertaining to RQ3
(Price sensitivity of Pakistani e-shoppers)

Presence of economic segment of shoppers has been identified by many consumer segmentation studies. In conventional shopping, Stone (1954) identified a group he termed 'economic shoppers' based on recognizable patterns of social characteristics demonstrated by the group members. In the online shopping world, existence of multiple consumer segments has been studied by many. Jayawardhena, Wright, and Dennis (2007) have segmented internet shoppers into five categories and have referred to a significant number of shoppers as 'price sensitive'. Brynjolfsson and Smith (2000) have reported that general price level on online stores is lower than the corresponding level in terrestrial stores. Internet's ability to offer price comparisons is recognized to be one of the most competitive advantages of B2C e-commerce (Jiang, 2002; Hoffman & Novak, 1996). E-commerce websites inherently have no way of illustrating unique nature of their products and services to their customers. Therefore, price level often becomes the only yardstick customers can judge the seller by (Chen, Gillenson, & Sherrell, 2002). Availability of better prices is also known to be one of prime reasons why shoppers choose to buy over the internet (Keeney, 1999). Brown, Pope, and Voges (2003) also identified a price sensitive segment in retail internet shoppers. Other work

(Joines, Scherer, Scheufele, 2003; Kau, Tang, & Ghose, 2003) also identifies a consumer cluster that is very sensitive to prices.

Addition of online price haggling option raised sales of an online golf equipment seller by almost 7 times (Marketing Sherpa, 2008). Price sensitivity of consumers and comparison of prices has been researched by Jiang (2002) who reports that price represents a very important consideration internet shoppers in general exhibit. Likewise, an empirical study of Singaporean online shoppers found price sensitivity to be one of the prime factors that define customer attitudes towards e-shopping (Liao & Cheung, 2001). eMarketer (2008d) also reported online buyers to be generally price sensitive. Karlsson *et al* (2005) also report that customers expect prices to be lower in an online environment than in a traditional sales channel.

A segment of Pakistani online consumers studied in this research is also found to be price sensitive at least to the extent of its international counterparts. Average Pakistani consumers appear to be more sensitive to prices perhaps to the extent of difference in national economic conditions of Pakistan in comparison to countries for which much of consumer studies have been performed. Therefore, it can be concluded for RQ3 of this research that Pakistani consumers are equally or somewhat more price sensitive compared to their western counterparts.

4.7 Price versus Differentiated Products

The last research question (RQ4) pertains to Pakistani online customers' preferences for low price versus value-added and differentiated products / services. Survey questions 12, 13, 14, 15, and 16 attempt to inquire these tendencies. All of these survey questions have been discussed in above paragraphs. Table 4-5 summarizes the results.

<i>Parameter</i>	<i>Percentage of responses</i>
Survey question 12 (How would you categorize your price-sensitivity to be for online purchases?)	
Very strongly price-sensitive	30.3
Strongly price-sensitive	36.0
Moderately price-sensitive	22.5
Somewhat price-sensitive	7.9
Not price-sensitive at all	3.4
Other (please specify)	0.0
Survey question 13 (What do you prefer an online merchant to possess as its biggest qualities?)	
Low price	23.6
Reputation for trust and quality	27.6
Variety offered in types of product / service	15.1
Service offered by the website (product return policy, speed of order processing, etc.)	20.9
Website features (ease of use, good product reviews and comparisons, etc.)	7.1
Warranties, product features, etc.	5.8
Survey question 14 (If many online stores are offering a product, the one you buy from should:)	
Have good website features (user-friendliness, layout of webpage, clear pricing, etc.)	8.8
Be a reputable name	40.8
Be low in price	44.2
Clear in refund policy, etc.	6.1
Survey question 15 (How would you trust a SME website compared to a large renowned name?)	
It does not matter to me if the website I am buying from is a SME or a large well-known website.	5.6
I am willing to buy from a SME if it is offering better price, service, offers, etc.	28.1
I will always buy from large websites even if a previously unknown or little known website appears superior in terms of products and prices.	66.3
Survey question 16 (Biggest barriers in your view as to why internet buying is still not prevalent in Pakistan?)	
Internet availability (low speed, limited geographical coverage, frequent lost links, etc.)	9.5
Low trust level for merchant websites (high priced / fraudulent website behavior)	24.4
Lack of trusted credit card and payment mechanisms (include personal information security issues)	24.6
Lack of government laws and regulations ensuring safe transactions	14.8
Customers' lack of knowledge because of low advertising by merchant websites	5.2
It is normally expensive to buy from foreign online stores due to more taxes in USA and European countries. Pakistani merchants would follow the pricing level of US and European merchants.	4.6
Site does not ship to Pakistan	10.3
Warranties are not extended to Pakistan	6.5

Table 4-5: Summary of Results Pertaining to RQ4
(Preference for low price or value-added and differentiated products / services)

RQ4 focuses on if they prefer low price or availability of value-added and differentiated products. Price sensitivity of Pakistani consumers was discussed in the last section. About two-thirds of those surveyed fall in very strongly or strongly price sensitive cluster while only 10% are less price conscious. Only 36% of consumers wanted to see a wider choice of variety in products by online sellers or good customer services such as decent return policy, fast order processing, etc. In general, customers surveyed in this work cared about reputation and perceived size of an online seller they would trust. In open answer choices to survey questions pertaining to RQ4, almost none of the customers showed desire to see more differentiated products or services. However, the customers did show their concern about delays in shipping, lack of contact information for the website, etc. The customers exhibited high price sensitivity from responses to survey questions 12, 13, and 14. These facts adequately reflect preferences of online shoppers from Pakistan to be more inclined to buying at low prices than availing any value added, differentiated products or services if offered a choice between the two.

This attitude of Pakistani consumers is found to be consistent with Hofstede's cultural dimensions applied to Pakistan society in general (Hofstede, 1980). Broadly, Asian societies are classified in terms of Hofstede's dimensions to be more oriented towards stronger uncertainty avoidance, less individualism, and more 'femininity'. In such societies, consumers are likely to be more satisfied with a standardized product than a personalized or differentiated product (Moon, Chadee, & Tikoo, 2008). Customers that prefer to buy on the basis of pricing are less likely to buy personalized or differentiated products (Moon, Chadee, & Tikoo, 2008). This feature is also applicable to Pakistani online shoppers as surveyed in the present research and indicates weak preference for value-added products and services in comparison to low priced products. Furthermore, for value-added products and services to be available for consumers, e-sellers should be able to collect more personal information on

individual customers (Chellappa & Sin, 2005). Pakistani consumers, given their reluctance to provide extra information online due to privacy and information security concerns, are not likely to avail personalized products and services.

Retail buying over the internet is primarily a product of strengthening of forces of globalization (Frynas, 2002). Suh and Kwon (2002) observe that consumers belonging to various cultural origins exhibit different attitudes towards buying foreign products even when completely exposed to forces of globalization. Cultural differences do affect behavior and attitudes of consumers (Aaker, 2000). These factors, in the context of e-shopping, allow room for online consumers to follow their cultural peculiarities. Therefore, Pakistani e-commerce consumers while following same basic trends as their international counterparts go on exhibiting features that are dictated by cultural considerations.

Owing to importance of credit card related considerations, a few words on the role of payment mechanism on development of e-commerce in Pakistan and the like countries are due. Hussain *et al* (2007) studied payments by credit cards in three Asian countries including Pakistan and concluded that credit card prevalence was very low (only 0.5% of population in 2006) in Pakistan as people perceived it safe and convenient to deal in cash. Technical, legal, social, and economic infrastructure for use of credit card was also reported to be underdeveloped in Pakistan (Hussain *et al*, 2007). Basic problem with low credit card use for e-shopping was the perception that credit card payments over the internet are unsafe. Paulmbo and Herbig (1998) also noted that due to cultural differences, credit card popularity is not equal among various countries.

CHAPTER FIVE

RECOMMENDATIONS FOR FURTHER RESEARCH

Why should you be content with so little? Why shouldn't you reach out for
something big?

(Charles L. Allen, 1913-2005, US pastor)

- Topic of the present thesis is relatively broad encompassing three basic areas: low conversion rate, consumers from a developing country, and purchases made from e-commerce websites that can be categorized as small-to-medium enterprises. This combination of sub-topics makes work on the thesis relatively difficult. It is recommended that broader e-consumer behavior from developing countries be established first. Once that is done, then entering into specific role of SME or non-SME (large scale) e-stores should be attempted.
- Due to limitation of MBA research, statistical tools available for sample size determination, ruling out various types of errors and biases from the survey results, and statistically testing hypothesis of the thesis could not be utilized. It is recommended that appropriate statistical tools and techniques be used to perform the above and other functions.
- At a couple of locations in the questionnaire, respondents were asked to select answer choices containing more than one possible reason for a specific observation. Only specific responses to survey questions would lend themselves for further analysis, especially when statistical techniques are used.
- Further research into consumer segmentation and profiling is recommended for Pakistani customers or those from some other developing country.
- Further research on price sensitivity of consumers is recommended using conjoint analysis.
- E-satisfaction study is recommended on the lines of research paper by Szymanski and Hyse (2000).
- A question asking respondents if they have ever tried e-commerce transaction should have been included in the questionnaire. This would have enabled many of those that

said had not made any purchases to relate to some personal experiences of being in a purchase situation but not completing the purchase successfully.

- Impact of dispute resolution policy of Pakistani banks and credit card agencies is recommended for further study. Unsatisfactory way of addressing credit card disputes is a major reason for slow consumer adoption of internet retailing in Pakistan.
- Further research into role of web assurance seals and other institutional trust-building mechanisms needs to be studied for consumers from Pakistan and the like countries.

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APPENDIX-A

THE QUESTIONNAIRE

This survey concerns online purchase behavior and preferences of Pakistani customers from internet websites. Special focus is on websites representing small to medium enterprises (SME). This means large online stores such as ebay, amazon.com, Yahoo!, MSN, barnesandnobel.com, buy.com, dell.com, nikestore.com, etc. will not be included in the survey.

Pakistani customer and businesses have not caught up with huge amount of e-business that happens around the world. Today, estimated worldwide value of retail e-sales is to the tune of 93 billion US\$. Pakistani online customers represent almost negligible fraction of this business volume. This survey is a very small effort in understanding what goes on in minds of Pakistani customers buying online from SME websites.

QUESTIONNAIRE (ONLINE PURCHASES BY PAKISTANI CUSTOMERS)

(Question 1) Your age? (Please tick one option from those given below)

- (A) 15-20
- (B) 21-30
- (C) 31-40
- (D) 41-50
- (E) Over 50

(Question 2) How frequently do you buy online?

- (A) Once a month or more frequently
- (B) Once every six months
- (C) Once a year
- (D) I have never bought online

<If your answer to Questions 2 is (D), move to Question 16. Otherwise continue with Question 3>

(Question 3) How long have you been making online purchases? (Please tick one)

- (A) Less than 1 year
- (B) 2 – 4 years

- (C) 5 – 8 years
- (D) More than 8 years

(Question 4) Approximate Pak Rupee value of your last one year's online purchases made from SME's only (SME stands for Small to Medium-sized Enterprises as described at the top of this e-mail)? (Please tick one)

- (A) Rs. 1,000 – 5,000
- (B) Rs. 5,001 – 10,000
- (C) Rs. 10,001 – 50,000
- (D) Above Rs. 50,000

(Question 5) What percentage of your total online purchase comes from SME's?

- (A) Below 10%
- (B) 11 to 25%
- (C) 26 to 50%
- (D) 51-80%
- (E) ABOVE 80%

(Question 6) What have been the most frequent categories of products / services you bought over the internet? (Tick all that apply)

- (A) Clothing
- (B) CDs and DVDs
- (C) Books
- (D) Software
- (E) Gift items
- (F) Electronics
- (G) Others (please specify)

(Question 7) Most significant reasons you bought the above products / services over the internet? (Tick all that apply)

- (A) Convenience
- (B) Low prices
- (C) More product choices
- (D) Availability of product reviews and price comparisons available
- (E) Others (please specify)

(Question 8) Please recall your visits to website an online merchant (for whatever reasons). Approximately how many times do you visit the site before you actually make a purchase? (Include your website visits for product researching and reading reviews. Also include your visits when you abandoned shopping cart or left the site without buying). (Please tick one)

- (A) 1 to 3
- (B) 4 to 10
- (C) In excess of 11

(Question 9) What 3 most important things would you think online stores need to do to make you buy (when you have logged in without intention to buy)? (Tick all that apply)

- (A) Build trust (do not hide information, no hidden costs, say what they do and do what they say, etc.)
- (B) Improve website features
- (C) Promise more benefits (price discounts, reduced shipping rates, faster delivery, etc.)
- (D) Others (please specify)

(Question 10) What has been the most frequent reason for abandoning the website without making a purchase?

- (A) Will come back later for a purchase when I am done with my research process.
- (B) Abandoned my decision to purchase online and will look for the product in real-life market.
- (C) Will buy from an alternative website
- (D) I logged in only for fun and not to make a purchase.
- (E) Other reason (please specify)

(Question 11) What are the most frequent reasons that you abandon your purchase process at any stage? (Tick all that apply)

- (A) Price of the item too high and I am having second thoughts
- (B) Cost of shipping too high or not shown until checkout
- (C) Changed mind and discarded cart contents
- (D) Comparison shopping or browsing
- (E) Saving items for later purchase
- (F) Checkout process is too long
- (G) Out of stock products at checkout time
- (H) Checkout requires too much personal information
- (I) Poor site navigation and long download times
- (J) Lack of sufficient product or contact information

- (K) Checkout process is confusing
- (L) Site requires registration before purchase
- (M) Site unclear on delivery times
- (N) No order tracking options
- (O) No gift certificates
- (P) Other (please specify)

(Question 12) How would you categorize your price-sensitivity to be for online purchases?

- (A) Very strongly price-sensitive
- (B) Strongly price-sensitive
- (C) Moderately price-sensitive
- (D) Somewhat price-sensitive
- (E) Not price-sensitive at all
- (F) Other (please specify)

(Question 13) What do you prefer an online merchant to possess as its biggest qualities? (Tick all that apply)

- (A) Low price
- (B) Reputation for trust and quality
- (C) Variety offered in types of product / service
- (D) Service offered by the website (product return policy, speed of order processing, etc.)
- (E) Website features (ease of use, good product reviews and comparisons, etc.)
- (F) Others (please specify)

(Question 14) If many online stores are offering a product, the one you buy from should:

- (A) Have good website features (user-friendliness, layout of webpage, clear pricing, etc.)
- (B) Be a reputable name
- (C) Be low in price
- (D) Others (please specify)

(Question 15) How would you trust a SME website compared to a large renowned name?

- (A) It does not matter to me if the website I am buying from is a SME or a large well-known website.
- (B) I am willing to buy from a SME if it is offering better price, service, offers, etc.
- (C) I will always buy from large websites even if a previously unknown or little known website appears superior in terms of products and prices.

(Question 16) Biggest barriers in your view as to why internet buying is still not prevalent in Pakistan? (Tick all that apply)

- (A) Internet availability (low speed, limited geographical coverage, frequent lost links, etc.)
- (B) Low trust level for merchant websites (high priced / fraudulent website behavior)
- (C) Lack of trusted credit card and payment mechanisms (include personal information security issues)
- (D) Lack of government laws and regulations ensuring safe transactions
- (E) Customers' lack of knowledge because of low advertising by merchant websites
- (F) It is normally expensive to buy from foreign online stores due to more taxes in USA and European countries. Pakistani merchants would follow the pricing level of US and European merchants.
- (G) Others (please specify)

END OF QUESTIONNAIRE

Thank you for your time.

APPENDIX-B

SUMMARY OF RESPONSES TO THE QUESTIONNAIRE

Questions 1 to 9

Respondent	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9
1	C	B	C	A	A	E, F	A, B, C, D	B	A, B, C
2	A	B	B	B	B	D, F	A, D	B	C
3	B	A	B	B	B	A, D, F	A, D	A	C
4	A	B	A	B	B	F	E	A	A, B, C
5	A	B	A	B	C	D, F	A, B, E	B	A, C
6	D	B	B	C	E	B, C, G, H	A	B, A	A
7	D	C	B	C	B	C, G	A, B, C	C	A, B, C, D
8	C	B	B	C	B	A, C, D	A, C, D	A	A, B, C
9	C	A	C	C	A	B, C, D, G	A	B	A
10	C	C	B	C	A	G	A, B, C	B	A
11	A	B	B	C	B	B, C, D, E	A, B, C, D	C	A, B, C
12	C	C	B	C	E	C	A, E	B	A, C
13	C	B	C	B	B	E, F	A, B, C, D	B	A, B, C
14	B	B	A	C	B	D, E, F, G	A, C, D	C	C, D
15	C	B	B	B	E	E	A	B	A
16	B	B	B	B	A	E, F	A, B, E	C	A, C
17	B	B	C	C	B	B, C, D, F	A, B, C, D	C	A, C
18	C	B	B	D	B	A, E, F	B, C	C	A, C
19	D	B	C	C	B	C, E, F, G, H	A, B, E	C	A, C
20	B	A	A	C	B	A, E, G	A, B	A	A, B, C
21	C	C	C	D	B	D, F, G	A, B, E	C	A, C
22	C	A	A	A	D	C, E	A	B	A
23	D	A	C	C	C	B, F, G	A, B, E	B	A, C
24	D	C	B	D	B	A	A	A	A, C
25	C	A	B	B	A	D, E, F, G, H	A, B, D	C	A
26	E	B	C	C	A	B, E, F, G	A, B, C, E	B	A, B, C
27	E	A	C	C	E	D	A	B	B
28	B	A	B	C	B	A, D, F	A, C, D	B	A, C
29	B	B	B	B	C	D, E, F	A, B	C	A, C
30	D	C	C	D	A	G	A, B	A	A
31	C	C	C	B	A	C, D, F, G	A, D, C, D, E	B	A, C
32	D	A	B	C	B	H	B	B	A, C
33	B	B	B	D	A	B, C, F, G, H	A, B, C, D	B	B, C
34	B	C	A	C	A	C, F	A, E	B	B, C
35	C	B	B	B	B	B, C	E	B	A, C
36	B	B	B	D	A	B, F	A	B	B, C

37	A	A	B	C	D	D, E	A, E	B	A, C
38	C	C	D	A	A	H	A	A	A, C
39	B	A	B	D	B	A, B, C, D, E, G	A, C, E	A	C, D
40	D	C	D	A	A	B	E	A	C
41	B	B	B	C	A	B, C	A, E	B	A, C
42	C	C	C	B	B	D, F, G, H	A, E	A	A, C
43	C	C	B	C	A	G	A	A	C
44	C	A	C	C	D	B, C, H	B, E	C	A, B, C
45	C	C	B	C	A	H	B	C	A
46	C	A	B	D	C	E, F, G, H	A, B, C, E	C	A, B, C
47	B	B	B	C	E	D, F	E	B	A
48	B	A	A	C	B	A, E, G	A, B	A	A, B, C
49	D	B	B	B	A	C, E	A, B	B	C, E
50	C	C	C	B	A	B, C, F, G, H	A, D	A	A, C
51	C	A	B	B	C	F	A, B, C, D	B	A, B, C
52	B	C	C	C	B	C, G	A, E	A	A, D
53	B	A	B	A	A	E, A	A, B, C, D	B	A, C
54	B	A	B	D	E	C, E, F	A, D	A	A
55	D	A	C	D	B	A, B, C, E, G B, C, E, F, G, H	A, B, C, D	B	A, B, C
56	C	B	B	C	D		A, D	A	C
57	B	B	B	B	A	F	E	A	A
58	D	A	D	D	D	B, C, D, G	A, B, C, D	C	A, C
59	C	B	B	B	A	D	A	A	A
60	C	A	C	C	B	B, C, G	B, E	C	A, B, C
61	B	B	C	D	A	B, D, G	A, B	B	A, C
62	B	C	B	A	A	E, F	A	B	A
63	C	C	C	B	B	A, B, E, F, G	A	B	A, C
64	A	B	A	B	E	D, E, F	C, D	A	C
65	C	B	B	B	A	C	B	A	A, B, C
66	D	B	C	C	A	C, F, G	B	C	A, B, C, D
67	E	C	D	B	C	G	A, D	B	A, C
68	D	C	B	C	E	H	E	B	B, C
69	B	C	B	B	D	E, G	B, C	C	C, D
70	C	B	B	B	B	B, C, E, F, G, H	A, C, D	B	A, C
71	C	B	B	B	B	F, G	B, C	A	A, B
72	D	C	C	B	A	B, G	E	B	A, C, D
73	B	B	B	D	A	F	A	B	B, C
74	B	B	B	B	A	D, E, G	A, B, C, D	C	A, C
75	C	B	B	C	D	H	A, B	A	A, B
76	A	A	B	B	D	D, E, F	A, E	B	A, D
77	C	B	C	C	B	C, D, G	A, E	C	A, C
78	D	B	C	D	A	A, E, G	A, C, D	B	A, C
79	D	A	C	C	A	C, E, G	A, B, D	B	C, E
80	B	A	B	C	A	D, F, G	E	B	A
81	C	B	B	C	A	D	A	B	A
82	C	C	B	C	B	G	A, C, D	B	C
83	C	C	D	C	B	H	A	B	A, C
84	B	C	B	B	A	E, F	E	A	A
85	C	C	C	A	B	B, F	E	C	A, B, C
86	D	B	C	B	B	G	E	C	D

87	D	C	B	A	A	C, F	A	A	C
88	C	C	B	A	B	E, F	A, B	C	A
89	C	C	B	C	A	B, G, H	B	C	A, C
90	C	D							
91	B	D							
92	B	D							
93	B	D							
94	B	D							
95	B	D							
96	C	D							
97	B	D							
98	B	D							
99	C	D							
100	B	D							
101	C	C							
102	B	D							
103	B	D							
104	B	D							
105	C	D							
106	B	D							
107	B	D							
108	B	D							
109	C	D							
110	C	D							
111	D	D							
112	B	D							
113	B	D							
114	C	D							
115	B	D							
116	B	D							
117	B	D							
118	C	D							
119	C	D							
120	B	D							
121	B	D							
122	B	D							
123	D	D							
124	C	D							
125	B	D							
126	C	D							
127	B	D							
128	C	D							
129	B	D							
130	D	D							
131	B	D							
132	B	D							
133	C	D							
134	D	D							
135	D	D							
136	D	D							
137	C	D							
138	A	D							

139	C	D							
140	B	D							
141	C	D							
142	D	D							
143	D	D							
144	B	D							
145	C	D							
146	B	D							
147	D	D							
148	B	D							
149	C	D							
150	C	D							
151	A	D							
152	B	D							
153	C	D							
154	C	D							
155	C	D							
156	B	D							
157	C	D							
158	C	D							
159	B	D							
160	B	D							
161	D	D							
162	B	D							
163	B	D							
164	C	D							
165	C	D							
166	B	D							
167	C	D							
168	C	D							
169	C	D							
170	B	D							
171	B	D							
172	B	D							
173	B	D							
174	C	D							
175	B	D							
176	D	D							
177	B	D							
178	B	D							
179	C	D							
180	C	D							
181	B	D							
182	C	D							
183	C	D							
184	B	D							
185	B	D							
186	C	D							
187	C	D							
188	C	D							
189	D	D							
190	B	D							

191	C	D							
192	B	D							
193	C	D							
194	B	D							
195	B	D							
196	B	D							
197	D	D							
198	C	D							
199	B	D							
200	B	D							
201	D	D							
202	C	D							
203	C	D							
204	C	D							
205	B	D							
206	C	D							
207	C	D							
208	C	D							
209	C	D							
210	B	D							
211	D	D							
212	A	D							
213	C	D							
214	C	D							
215	C	D							
216	A	D							
217	D	D							
218	C	D							
219	C	D							
220	C	D							
221	C	D							
222	B	D							
223	B	D							
224	D	D							
225	C	D							
226	A	D							
227	B	D							
228	C	D							
229	A	D							
230	B	D							
231	B	D							
232	A	D							
233	C	D							
234	C	D							
235	B	D							
236	B	D							
237	A	D							
238	C	D							
239	B	D							
240	C	D							
241	B	D							
242	A	D							

243	C	D							
244	B	D							
245	D	D							
246	B	D							
247	B	D							
248	A	D							
249	C	D							
250	B	D							
251	C	D							
252	C	D							
253	B	D							
254	B	D							
255	C	D							
256	C	D							
257	B	D							
258	C	D							
259	B	D							
260	C	D							
261	B	D							
262	C	D							
263	C	D							
264	A	D							
265	B	D							
266	D	D							
267	C	D							
268	B	D							
269	C	D							
270	A	D							
271	C	D							
272	D	D							
273	B	D							
274	D	D							
275	C	D							
276	B	D							
277	D	D							
278	C	D							
279	B	D							
280	C	D							
281	B	D							
282	B	D							
283	B	D							
284	C	D							
285	B	D							
286	D	D							
287	B	D							
288	D	D							
289	C	D							
290	D	D							
291	C	D							
292	B	D							
293	D	D							
294	C	D							

295	C	D							
296	C	D							
297	B	D							
298	C	D							
299	B	D							
300	C	D							
301	D	D							
302	A	D							
303	C	D							
304	C	D							
305	C	D							
306	D	D							
307	B	D							
308	D	D							
309	C	D							
310	C	D							
311	B	D							
312	C	D							
313	B	D							
314	B	D							
315	C	D							
316	B	D							
317	C	D							

Questions 10 to 16

Respondent	Q10	Q11	Q12	Q13	Q14	Q15	Q16
1	A	B, H, L	A	B, D	B, C	C	B, C
2	C	A, F	C	A, D, E	C	A	A, B, C, D, E, F
3	B	B, G, J, M	B	A, C, D	B	C	A, B, C, D, E
4	A, C, D	B, M, N, P	D	A, D	C	B	A, B, C
5	A, C	B, F, G, H, L, M, P	B	A, B, D	C	B	A, B, C, G
6	B, C	B, G, L	B	A, B	C	A	B, C
7	A, C, E	A, B, D, E, H, L, P	A	A, C, F	C, D	A	B, C, G
8	A	A, B, G, H, K, L, M, N	C	B, C, D, E	A	C	A, B, C
9	A, B, C, E	B, J, M, N	B	A, B, C, D	B, C	C	B, C, G
10	C	B, D	C	B, C	A, B, C	C	A, B, C, D, E
11	A, B, C, D, E	A, B, E, J, M	B	A, B, C, D	B, C, D	C	A, C, D
12	A	A, B, D, H, K, M, N	B	A, B, D	A	B	A, B, F
13	A, C, D	B, H, L, M	A	A, B, D	B, C	C	B, C, G
14	A, C, D	B, P	A	A, C, D	C	B	A, C, D, G
15	A	A	B	B	C	A	B
16	A, D	A, B, D, P	A	A, B, C	A, B, C	C	A, B, C, G
17	A, C, D	B, D, E, F, G, M, N	B	A, C, D	A, B, C	C	A, B, C, D, F
18	A	B, F, I, L	D	B	B	C	B, C
19	A, C	A, B, H, P	A	A, E	C	B	A, B, C
20	D	A, D, I, J	B	A, B	B, C	C	C, D, G
21	A, C	A, B, L, M	A	A, B, D	B, C	C	A, B, C, D
22	C	A, F	C	B, D	B	C	A, C, D
23	A, C, D	A, B, D, M	B	A	C	B	A, B, C, D, F, G
24	D	B, H	C	B	B	C	B, C, D
25	A, C	B, E, F, J, L, M	B	B	B	C	A, B, C, G
26	E	B, M, P	C	C	B, C	C	B, C, D
27	A	K	A	E	A	B	C
28	B	B, E, G, J, M	A, B, C, E	A, C, D	B, C	C	A, B, C, D, G
29	A, C, D	A, B, D, E	A	A, B, E	C	B	A, B, C, D, F
30	A	D	B	B	B	C	B, C, E
31	A, C, D, E	D, E, G, P	D	A, C, D, E, F	B, C, D	C	C, D
32	A	A, B, J, M, N	C	A, B, C, D, E	C	B	A, B, C, D
33	A, C	C	B	B, D	B, C	C	C, G
34	C, D	B, G, H, L, M, P	B	A, B, C, D	B, C	C	A, B, C, D
35	A	A, E	B	A, B	B, C	C	B, C, D, F
36	A, C	B, M, P	B	B, D	B, C	C	B, C, G
37	C, D	A, B, H, L, P	C	A, B	C	B	A, B, C, D
38	A	D	D	B	A	C	A, B, C, D, E, F
39	D	B, M, P	D	C, F	D	B	C
40	D	C	E	C	C	B	A, E

41	A, C	A, C, D	B	A, B, D	B, C	C	A, B, C, D
42	A, C, D	B, F, G, H, L	A	A, B	B, C	C	A, C, D
43	D	A	A	A	B	C	A, B, C, D, E, F
44	C	A, E, M, N, P	B	A, C, D	C	B	A, C, G
45	D	A, P	A	A, D, E	A, B, C	C	B, C, D, G
46	A, C, D	A, B, D, E, G, H, J, L, M, N	A	A, C, D	C	B	B, C
47	A	B, N	C	B, D	B, C	B	A, B, C, F
48	D	A, B, D, I, J, M	A, B	A, B, D, I, J, M	B, C	C	B, C, D, G
49	A	B, M	B	A, C	B	C	C, E
50	A, C, D	B, G, H, L, P	A	A, B	B, C	C	C, D, G
51	C	A, B, D, H, J, M, N	A	A, B, C, D, E	B	C	A, C, D, F
52	C, E	E, F, J, M, N	E	B, C, D, E	A, B, D	C	A, B, C, D, G
53	A	B, J, L	B	A, D	B	C	A, B, C
54	A	A, I, J, K, L	C, E, F	B, D	B	B	A, C, D
55	C, E	M, N	D	B, C, D	B, C	C	C, D
56	A	A, B, K, L	C	A, B	C	B	A, B
57	C	B	C	B	C	B	C
58	A, C	A, B, E, N, P	A	A, B, D	C	B	A, B, C, D, F
59	D	B	A	B	B, C	C	B, C, D
60	C	A, E, M, N, P	B	A, C, D	C	B	A, C, G
61	A, B, C	G, K, M	C	B, C, D	B, C, D	C	A, B, C, D, F
62	C	A, L, N	B	B, E	B, C	C	B, C, D
63	E	A, B, M	B	B, C, F	B	C	B, C, G
64	C, D	L, M, O	D	A, B, C, D, F	C	B	A, B, C, D
65	A	D	B	B	B	C	A, B, C, D
66	A, C	A, B, E	A	A, D	B, C	C	B, C
67	C	F, G, M	C	B, D, F	C	B	B, C, F
68	B	D, P	C	A, B, C, D, E	B, C	B	B, C, G
69	D, E	D, H, K, L	A	A, F	C, D	A	E, G
70	A, C	B, K, L	B	A, B, D	B, C	C	A, B, C, D, G
71	D	A, B	C	B, C	B	C	A, B, C, D, E, F
72	A, C, D, E	B, M, N, P	A	A, B, C, D, F	B, C, D	C	A, B, C, D, G
73	C	C	C	B, D	B, C	C	C
74	A, C, D	A, B, D, E, M	A	A, B, E	B, C	C	A, B, C, D, F, G
75	A	H, K, L	C	A, B, E	B, C	B	B
76	C, D, E	A, B, H, L, M, P	C	A, B	C	B	B, C, D
77	A, C	A, B, D, E, M, P	B	A, B, C, D, F	B, C	C	B, C, D, G
78	A, D	B, H, K, M, N	B	B, C, D	B	C	B, C, D, G
79	A, C	B, M, N, P	B	A, C	B	C	C, E, G
80	A	B, M, N	B	B, D	B, C	C	A, B, C, F, G
81	D	B	A	B	B, C	C	B, C, D, G
82	D	A, B, M	A	A	B, C	C	A, B, C, D, E, F
83	A, C	D, M	C	B, C, D	A, B	C	A, B, C, D, E, F, G
84	B	B	B	B	B	C	A
85	A, C, E	A, B, D, P	A	A, B, C, D, F	A, B, C	C	C, D, G
86	A, C, E	B	E	B	C, D	C	B, C, D, E, F, G

87	A	B, F, G, H, L	B	A	A, B, C	C	A, B, C, D, E, F
88	C	A, L, M, N	B	B, E	B, C	C	B, C, D, G
89	A, B, C, D	A, B, P	A	A, D, E	A, B, C	C	B, C, D
90							A, B, C, D, E
91							C, D, G
92							B, C
93							C
94							A, E, F
95							B, C, G
96							B, C, D
97							B, C, D, E, F, G
98							A, B, C, D, E, F
99							B, C, D
100							B, C, D
101							C
102							C, D, G
103							B
104							B, C, D, G
105							A, B, C, D
106							B, C, F
107							B, C, D
108							B, D
109							A, E
110							B, C
111							B, C, D
112							A, B, C, D, F
113							A, E
114							A, B, C, E
115							A, B, E
116							E
117							B, C
118							B, C, D
119							B, C
120							A, B, C, D
121							A, B, C, D, E, F
122							B, C
123							B, C, D
124							B, C
125							B, E
126							B, C, D
127							B, C, D
128							A, E
129							C
130							B
131							B, C, D, E
132							B, C, D
133							B, C
134							B, C, D
135							A, B, C, D, E, F, G
136							B, C, D

137							B, C, D
138							A, B, C, E
139							C, E
140							B
141							A, B, C, F
142							B, D, E, F
143							B, C, D
144							B, C, G
145							B, C, D
146							B, D
147							B, C, D
148							B, G
149							C, F
150							B, C, D
151							A, B, C, F
152							A, B, C, D, E, F, G
153							B, C, D
154							B
155							B, C, D
156							A, E
157							B, C, F
158							B, C, D, G
159							B
160							C
161							B, C, D
162							B, C
163							B, C, D
164							C
165							B, C, D
166							A, B, C
167							C
168							A, E
169							B
170							B, C, D, E
171							B, C, D
172							B, C, G
173							B, C, G
174							B, C, D
175							B, C
176							B
177							B
178							B, C, D
179							B
180							B, C, D
181							B, C
182							B, C
183							B, C, D
184							A, B, C
185							A, B, C, G
186							B, E
187							B, C, D

188							B, C
189							B, C, D
190							B, C
191							B, C, D
192							A, B, E, F, G
193							B
194							B, C
195							B
196							B, C, D
197							B, C, D
198							A, B, C, D
199							B, C, D
200							B, C, G
201							B, C, D
202							B, C, D
203							B, C, D
204							B, C, F, G
205							A, B, C
206							B, C, D
207							A, B
208							B, C, D
209							B, C, D
210							B, C, D, G
211							B, C, D
212							B, C
213							B, C
214							B, C, D, E, G
215							B, C
216							A, B, C, D, E, F
217							B, C
218							B, C, D, G
219							B, C
220							B
221							B, C, D
222							B, C
223							B, C
224							B, C, D
225							B, C
226							A, B, C
227							B, C, D
228							B
229							B, C
230							B, C, D
231							B, C
232							B
233							B, C
234							A, B, E
235							F
236							H
237							H
238							H
239							H

240							H
241							H
242							H
243							H
244							H
245							H
246							H
247							H
248							H
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250							H
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297							H
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299							H
300							H
301							H
302							H
303							H
304							H
305							H
306							H
307							H
308							H
309							H
310							H
311							H
312							H
313							H
314							H
315							H
316							H
317							H

APPENDIX-C

SURVEY RESPONSE SPECIMEN

QUESTIONNAIRE (ONLINE PURCHASES BY PAKISTANI CUSTOMERS)

(Question 1) Your age? (Please bold one option from those given below)

- (A) 15-20
- (B) 21-30
- (C) 31-40
- (D) 41-50**
- (E) Over 50

(Question 2) How frequently do you buy online?

- (A) Once a month or more frequently
- (B) Once every six months**
- (C) Once a year
- (D) I have never bought online

If your answer to Questions 2 is (D), move to Question 15. Otherwise continue with Question 3.

(Question 3) How long have you been making online purchases? (Please bold one)

- (A) Less than 1 year
- (B) 2 – 4 years**
- (C) 5 – 8 years
- (D) More than 8 years

(Question 4) Approximate Pak Rupee value of your last one year's online purchases made from SME's only (SME stands for Small to Medium-sized Enterprises as described at the top of this e-mail)? (Please bold one)

- (A) Rs. 1,000 – 5,000
- (B) Rs. 5,001 – 10,000**
- (C) Rs. 10,001 – 50,000
- (D) Above Rs. 50,000

(Question 5) What percentage of your total online purchase comes from SME's?

- (A) **Below 10%**
- (B) 11 to 25%
- (C) 26 to 50%
- (D) 51-80%
- (E) ABOVE 80%

(Question 6) What have been the most frequent categories of products / services you bought over the internet? (Bold all that apply)

- (A) Clothing
- (B) CDs and DVDs
- (C) **Books**
- (D) Software
- (E) **Gift items**
- (F) Electronics
- (G) Others (please specify) _____

(Question 7) Most significant reasons you bought the above products / services over the internet? (Bold all that apply)

- (A) **Convenience**
- (B) **Low prices**
- (C) More product choices
- (D) Availability of product reviews and price comparisons available
- (E) Others (please specify) _____

(Question 8) Please recall your visits to website an online merchant (for whatever reasons). Approximately how many times do you visit the site before you actually make a purchase? (Include your website visits for product researching and reading reviews. Also include your visits when you abandoned shopping cart or left the site without buying). (Please bold one)

- (A) 1 to 3
- (B) **4 to 10**
- (C) In excess of 11

(Question 9) What 3 most important things would you think online stores need to do to make you buy (when you have logged in without intention to buy)? (Bold all that apply)

- (A) Build trust (do not hide information, no hidden costs, say what they do and do what they say, etc.)
- (B) Improve website features
- (C) **Promise more benefits** (price discounts, reduced shipping rates, faster delivery, etc.)
- (D) Others (please specify) _____

(Question 10) What has been the most frequent reason for abandoning the website without making a purchase?

- (A) Will come back later for a purchase when I am done with my research process.
- (B) **Abandoned my decision to purchase online and will look for the product in real-life market.**
- (C) Will buy from an alternative website
- (D) I logged in only for fun and not to make a purchase.
- (E) Other reason (please specify) _____

(Question 11) What are the most frequent reasons that you abandon your purchase process at any stage? (Bold all that apply)

- (A) Price of the item too high and I am having second thoughts
- (B) **Cost of shipping too high or not shown until checkout**
- (C) Changed mind and discarded cart contents
- (D) Comparison shopping or browsing
- (E) Saving items for later purchase
- (F) Checkout process is too long
- (G) Out of stock products at checkout time
- (H) Checkout requires too much personal information
- (I) Poor site navigation and long download times
- (J) Lack of sufficient product or contact information
- (K) Checkout process is confusing
- (L) Site requires registration before purchase
- (M) **Site unclear on delivery times**
- (N) No order tracking options
- (O) No gift certificates
- (P) Other (please specify) _____

(Question 12) How would you categorize your price-sensitivity to be for online purchases?

- (A) Very strongly price-sensitive
- (B) **Strongly price-sensitive**
- (C) Moderately price-sensitive
- (D) Somewhat price-sensitive
- (E) Not price-sensitive at all
- (F) Other (please specify) _____

(Question 13) What do you prefer an online merchant to possess as its biggest qualities? (Bold all that apply)

- (A) **Low price**
- (B) Reputation for trust and quality
- (C) **Variety offered in types of product / service**
- (D) Service offered by the website (product return policy, speed of order processing, etc.)
- (E) Website features (ease of use, good product reviews and comparisons, etc.)
- (F) Others (please specify) _____

(Question 14) If many online stores are offering a product, the one you buy from should:

- (A) Have good website features (user-friendliness, layout of webpage, clear pricing, etc.)

- (B) **Be a reputable name**
- (C) Be low in price
- (D) Others (please specify) _____

(Question 15) How would you trust a SME website compared to a large renowned name?

- (A) It does not matter to me if the website I am buying from is a SME or a large well-known website.
- (B) I am willing to buy from a SME if it is offering better price, service, offers, etc.
- (C) **I will always buy from large websites even if a previously unknown or little known website appears superior in terms of products and prices.**

(Question 16) Biggest barriers in your view as to why internet buying is still not prevalent in Pakistan? (Bold all that apply)

- (A) Internet availability (low speed, limited geographical coverage, frequent lost links, etc.)
- (B) Low trust level for merchant websites (high priced / fraudulent website behavior)
- (C) **Lack of trusted credit card and payment mechanisms** (include personal information security issues)
- (D) Lack of government laws and regulations ensuring safe transactions
- (E) **Customers' lack of knowledge because of low advertising by merchant** websites
- (F) It is normally expensive to buy from foreign online stores due to more taxes in USA and European countries. Pakistani merchants would follow the pricing level of US and European merchants.
- (G) Others (please specify) _____

END OF QUESTIONNAIRE