



Online Shopping: Advantages over the Offline Alternative

By Dr Joshua Chang

Dr Joshua Chang is currently an independent researcher in the field of Internet Marketing, and has previously carried out research and teaching at the University of Canberra, Australia. Dr Chang has presented at several international marketing conferences, and has an active interest as a web entrepreneur, being the founder of one of Singapore's most popular online stock investment forums.

Abstract

The advent of the Internet as a shopping medium has enabled shoppers to gain shopping benefits such as convenience and time-saving, better information, and price savings. This paper aims to provide a better understanding of the benefits of Internet shopping by identifying and discussing the advantages of Internet shopping over traditional storefront shopping.

Introduction

The use of the Internet as a shopping medium has empowered shoppers with advantages over traditional storefront shopping. This paper identifies and discusses these advantages in terms of: 1) convenience and time-saving, 2) powerful research instrument, 3) lower search costs and better product selection, and 4) better price information and lower prices.

1. Convenience and time-saving

Shopping on the Internet offers convenience and time-saving benefits to shoppers, as compared to shopping in traditional brick-and-mortar stores. Changing consumer lifestyles and lack of time may make it more difficult for consumers to shop at physical locations such as stores and shopping malls (Davies 1995, Cheeseman and Breddin 1995). Shopping on the Internet addresses this problem as shoppers can shop in the comfort and convenience of home. Results of the MasterCard Survey 'Internet Shopping' (1996) revealed that consumers viewed the Internet as an "Instrument of Convenience".

The Internet operates 24 hours a week, seven days a week, and can be accessed anywhere in the connected world; shoppers can expect to browse and purchase goods on the Internet anytime, unlike traditional storefronts that have fixed opening hours. Shoppers can also purchase goods that are unavailable at their location, and are able to bypass restrictive import policies, as the Internet allows shoppers to make purchases from vendors in other locations around the world. Ernst and Young's reports 'Internet Shopping' and 'Global Online Retailing' (1998, 2000) noted that in comparison to brick-and-mortar stores, when shopping on the Internet, there were no store lines, surly clerks, pickpockets or panhandlers to contend with, no bad weather to travel under, nor any transportation cost involved; the Internet allows shoppers to develop their own timetables for research and purchasing.

The 'Australian Online Shopping and Future Expenditure Report' (2001) reported that Australian shoppers cited convenience as the leading reason to purchase online, followed by price and product selection. A survey carried out by the Danish E-commerce Association stated similar results, with convenience cited as the most important reason for Danish shoppers to shop online, followed by price and product selection, which were tied in importance (Nielsen 1999). GartnerG2 research director David Schehr mentioned that all of their research shows that consumers are most interested in convenience, not price. According to him, shoppers do still expect bargains online, but fast delivery and a wide selection are more important factors; price comes into the picture along with convenience, but it's no longer the main reason people shop online (Regan 2002).

2. Powerful research instrument

Shoppers are able to use the Internet as a powerful research instrument in the purchasing process. For certain products such as books and Videos/CDs/DVDs, reviews and recommendations are important factors in influencing purchase decision. With such products, shoppers are not only able to browse through a larger selection on the Web in sites such as Amazon.com, but are also able to conveniently obtain reviews and recommendations that are usually unavailable in offline stores.

Shoppers who shop online do not necessarily make the purchase online, but 'offline' from a brick-and-mortar storefront, and vice versa. 46 percent of online buyers research online to purchase offline, while 27 percent research offline to purchase online and 17 percent research in both ways, according to Forrester Research (Vigoroso 2001). Ernst and Young's report ('Internet Shopping' 1998) found that more than half of the customers with Internet access gathered information and researched products online and later bought them through traditional channels; 46 percent of consumers with Internet access researched online and then bought products by fax or telephone while 64 percent researched products online and then bought them through traditional stores; these purchases were double of those of consumers (32 percent) who researched online and then bought on the Web. Similar results were found in the 1997 American Internet User Survey conducted by Cyber Dialogue ('Online Shopping Gaining' 1998); this research noted that 75 percent of Web consumers sought online product information with 36 percent of those searchers purchasing in traditional stores. The above information gives evidence that the Internet can also be viewed as a supplement to traditional storefront purchasing, rather than as a competitor. Ernst and Young's report ('Internet Shopping' 1998) concluded that this ability to shop, research, and view potential purchases on the Internet empowered customers and accelerated their purchase decisions.

3. Lower search costs and better product selection

Shopping using the Internet overcomes the time and pecuniary costs of traditional shopping; shoppers can shop from the comfort and convenience of home, and need not travel to physical storefronts. Shoppers are able to locate many vendors online using search engines and websites designed to navigate shoppers, view detailed product information from a variety of vendors' websites, compare price and quality among different vendors, and make purchases online.

With online shopping, shoppers no longer have to suffer the costs and incomplete information of traditional hierarchical search, making product searches easier and more effective. For example, a shopper is able to search over 3 million titles in Amazon.com from the computer screen at home, as compared to going physically to the bookstore, which carries an average of 80,000 titles

The Internet offers a greater selection for shoppers as compared to physical retail storefronts. According to Sharma and Krishnan (2002), the Internet store can provide a larger inventory of products and sizes, and can virtually guarantee the availability of any type and size of merchandise. According to Ernst and Young's 'Global Online Retailing' survey (2000), 56 percent of consumers surveyed cited the Internet's good selection of items, 14 percent of which were not available in stores, and 40 percent cited its competitive prices as helping to simplify their shopping experiences. Grewal et. al. (2002) state that in the past, retail salespeople had a captive audience; for many merchandise categories, few viable alternatives were available to going to a store; today, the Internet provides an extremely viable alternative shopping mode.

4. Better price information and Lower Prices

The Internet makes it easier for shoppers to compare prices between vendors. Online vendors offer the prices of their goods in their websites. Simply by viewing different vendor websites, shoppers are able to obtain and compare prices easily, as compared to visiting different physical storefronts, which is

costly and time consuming. Shoppers are able to find lower prices using the Internet due to the wider reach of information, and navigator websites such as www.autobytel.com that offers prices of competing vendors. With price information on the Internet, shoppers are less vulnerable to overpaying when buying from physical storefronts that may manipulate prices to shopper's disadvantages.

Shoppers are able to obtain lower prices when buying online. According to the Ernst and Young Survey ('Internet Shopping' 1998), prospective shoppers viewed price savings and selection as more important benefits than convenience, which was ranked third. Edgecliffe-Johnson et. al. (2002) reported that online shoppers are more concerned about price than about new features or convenience - the advantage which e-tailers once thought would allow them to charge more than offline stores. Moynagh and Worsley (2002) state that online shopping could transform consumer behaviour, driven by cost saving and convenience and spurred on by competition. Shoppers are able to buy direct from a manufacturer's or wholesaler's website using the Internet. As more manufacturers and wholesalers cut off retail intermediaries to sell direct to consumers via the Internet, costs are lowered and hence they are able to offer lower prices. Examples of such companies are Dell Computer and Amazon.com, which are able to offer its products at lower prices as compared to most physical retail storefronts.

Online stores are not burdened by the costs of running a physical store, such as the rent of the physical premises and operating costs such as the wages of sales staff. The cost savings by online stores lead to lower pricing on the Internet, passing on cost savings to shoppers. The Internet encourages online vendors to compete amongst one another by lowering prices. Sharma and Krishnan (2002) state that in the last three years, the threat of the Internet has increased the competitive pressure that retailers face. According to Evans and Wurster (2000), online vendors are aware that due to the wider informational reach of consumers on the Internet, which leads to low levels of pricing secrecy, they have to focus on low prices to gain the competitive advantage.

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