A Comparative Study on Factors Shaping Buying Behaviour on B2B and B2C E-Commerce Platforms in India

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Abstract

The retail landscape in India has undergone a stark metamorphosis over the years. Traditional "Brick and Mortar" style retailing is facing staunch competition from the rapid emergence of e-commerce platforms. Having aligned themselves to ever evolving consumer sensibilities, these robust platforms are revolutionizing the Indian retail industry like never before. Our research revealed that while the ease/method of payment and a value driven return policy take precedence in B2C markets, various bulk purchase options are given due importance in B2B e-commerce markets. Moreover, on-time delivery is a common critical factor/parameter common to both markets. In a nutshell, e-commerce appears to be the future with regards to both B2B and B2C markets. However, the onus is on the e-commerce platforms to offer a holistic retail experience whilst carving a niche for themselves in an increasingly cluttered market.

Keywords: Brick and Mortar, Competition, Consumer Sensibilities, e-commerce, India, Retail

1. INTRODUCTION

Electronic retail (e-retail) via e-commerce platforms has witnessed frenetic growth on a global scale in the last 5 years alone. What once began as a mild tempered experiment to test the waters has rapidly evolved into one of the most lucrative business avenues; especially in emerging economies such as India. Set in this backdrop, global B2C e-commerce revenues have continued to rise exponentially.

Having registered a whopping 88% growth in collective revenues between 2009 and 2012, the Indian e-commerce landscape is primed for bristling development in the years to come. Competition is only likely to increase with multiple players venturing into this domain. Despite the conjecture surrounding its "staying power", prima facie evidence suggests that e-commerce will soon become an indispensable part of the Indian retail landscape.
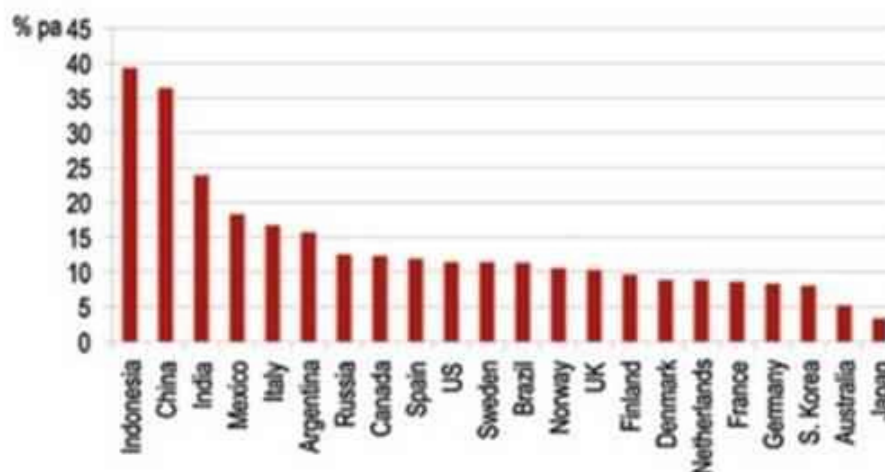

Figure 1: Growth in B2C e-commerce (2013-2017)

According to an ASSOCHAM report of March, 2014; the Indian e-commerce sector will be worth USD 56 billion in the next 10 years. These might be guesstimates, but they certainly augur well for the economy. Evolving consumer sensibilities and the omnipresent desire for convenience has seen massive proliferation of B2C e-commerce platforms that offer customers a plethora of products such as apparels, electronic gadgets and accessories, books, jewellery, sporting equipment and nutritional supplements; amongst others. While e-commerce companies have to continually innovate and focus on customer retention through superior value delivery, there are critical factors worth examining that eventually shape consumer buying behavior in the Indian e-commerce B2C domain.

This is true for B2B e-retail as well. With companies exploring new avenues to ensure better economies of scale, reduce operational costs and optimize purchasing process; B2B e-retail is a fast emerging subset of e-commerce in general in India. There are similarities and differences in the factors shaping consumer buying behavior in both spheres. In addition, the importance attached to each factor is variable for both B2B and B2C e-commerce purchase. Our study also highlighted the reality that despite the burgeoning potential and penetration of e-commerce in consumption psyche, there still exist customers and businesses that prefer the "Brick and Mortar" avenue of purchase owing to their concerns over e-retail such as the lack of physical evidence before buying, risk associated with online payment and the intrusion of privacy.

2. RESEARCH OBJECTIVES

This particular study was undertaken taking cognizance of the following research objectives:

(1) To identify the key differences in factors/parameters shaping buying behavior with regards to B2B and B2C e-commerce platforms and the relative importance attached to each

(2) To identify gaps that e-commerce providers need to fill in order to provide a more satisfactory online retail experience

3. HYPOTHESES

Based on the results of the Pilot Study, the following Hypotheses were formulated:

(1) The promotional schemes and availability of bulk purchase options are the most important factors/parameters shaping buying behavior in B2B e-commerce markets

(2) The ease/method of payment and a proactive company return policy are the most important factors/parameters shaping buying behavior in B2C e-commerce markets

(3) On-time delivery is the most critical factor/parameter shaping buying behavior in both B2B and B2C e-commerce markets

4. RESEARCH DESIGN & METHODOLOGY

4.1 Sample Size

The sampling method used for this particular study was Random Stratified Sampling. The sample size comprised of 200 respondents in all. Of these, 100 respondents comprised of Purchase Managers/Managers from different companies that are engaged in online purchase via B2B e-commerce platforms for their respective organizations. The other 100 respondents comprised of those individuals who have engaged in online purchase via B2C e-commerce platforms.

4.2 Pilot Study

In order to gain a basic insight into the critical e-commerce platform related parameters determining buying behavior in both B2C and B2B markets, 2 Questionnaires composed of 12 questions each were administered to the two sets of 100 respondents each.

5. KEY FINDINGS & INTERPRETATIONS
Questionnaire I: B2B Respondent Segment

Table 1: Demographic Profile of the Respondents

S.No.	Demographic Profile	Number of Respondents	Percentage of Respondents
1.	**Age (In Yrs.)**		
(a)	18 – 21	12	12
(b)	22 – 25	25	25
(c)	26 – 30	34	34
(d)	31 – 35	25	25
(e)	Above 35	22	22
2.	**Gender**		
(a)	Male	71	71
(b)	Female	29	29
3.	**Industry**		
(a)	Manufacturing	64	64
(b)	Services	36	36

Interpretation

Age: A majority of the respondents hailing from corporate business houses were in the age group of 26 – 30 years. There were 25 respondents each in the age group of 22 – 25 and 31 – 35 years. Only 12% of the respondents were in the age group of 18 – 21 years

Gender: An overwhelming majority – 71% - of the respondents were Male, while 29% were Female

Industry: With regards to the B2B e-commerce Questionnaire, 64 respondents hail from the Manufacturing Sector; i.e. from Textile, Jute Bags, and Auto Parts companies. In comparison, 36 respondents are from the Services Industry; i.e. Software, Consultancy, BFSI

Table 2: Agreement/Disagreement Regarding Company being engaged in B2B e-commerce Purchase

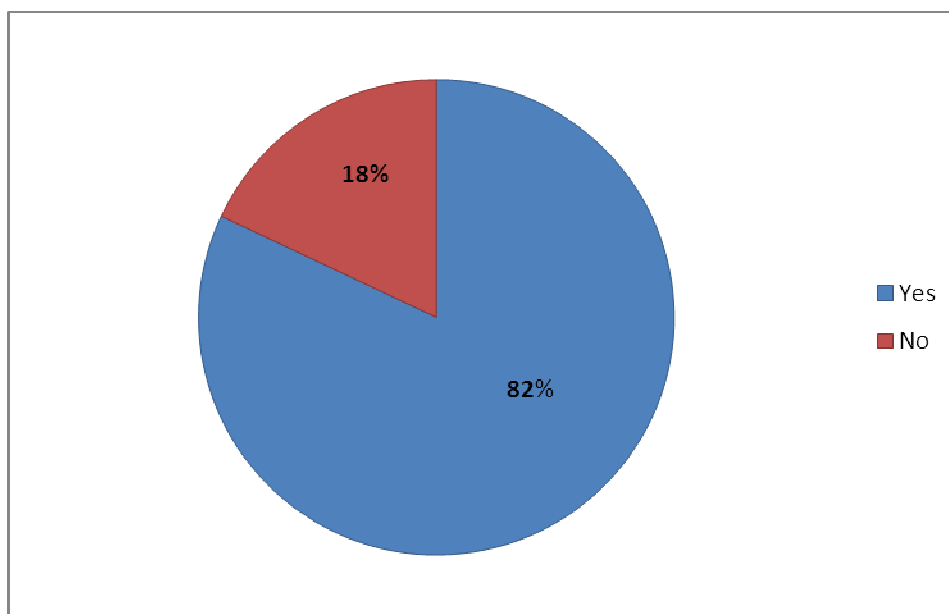| S. No.	Options	Number of Respondents	Percentage of Respondents
1	**Yes**	**82**	**82**
2	**No**	**18**	**18**

Figure 2: Agreement/Disagreement Regarding Company being engaged in B2B e-commerce Purchase

Interpretation: 82% of the respondents who were administered with the Questionnaire stated that their companies, both from the Manufacturing and Services industry, were engaged in purchase of

supplies/items/products via B2B e-commerce platforms. This underlines the increasing popularity and adoption of e-commerce in B2B markets. Although it is still a relatively nascent subset of the overall e-retail industry, it is rapidly growing in stature and choice with companies on the lookout to improve their operational efficiency and reduce their overall procurement costs.

Table 3: Relative Rankings Assigned to B2B e-commerce Platform Parameters

S. No.	Parameter	Relative Ranking
1	Visual Design and Quality of Content	10
2	Availability of Information	6
3	Ease of Navigation	8
4	Website User Experience	9
5	Product Portfolio and Availability	5
6	Product Prices	2
7	Promotional Schemes and Bulk Purchase Options	1
8	Ease of Payment	7
9	On-time Delivery	3
10	Product Replacement Policy	4

Interpretation: The target respondents were asked to rank the aforementioned parameters in decreasing order of importance (1 being the Highest and 10 the lowest). As far as B2B purchase on e-commerce platforms is concerned, *promotional schemes and bulk purchase options* coupled with *product prices* figure high on the list of priorities. This proves our first hypothesis. **(Hypothesis (1) accepted)**. Furthermore, *on-time delivery* is also of critical importance given the tight deadlines that companies often have to contend with. Purchases made online maybe in the form of supplies required for manufacturing purposes or to facilitate service provision to other consumers. This proves our third hypothesis. **(Hypothesis (3) accepted).**

Table 4: Degree of Importance Pertaining to the Quality of Products Purchased Online

S. No.	Degree of Importance	Number of Respondents	Percentage of Respondents
1	Extremely Important	26	26
2	Moderately Important	28	28
3	Undecided	13	13
4	Moderately Unimportant	22	22
5	Extremely Unimportant	11	11

Interpretation: Most companies consider the quality of goods purchased online via B2B e-commerce platforms to be Moderately Important. There were also a notable number of companies – 22 – that consider the same parameter Moderately Unimportant. This highlights a greater emphasis placed on product prices and the various promotional schemes offered on such platforms. This confirms our first Hypothesis. **(Hypothesis (1) accepted)**.

Table 5: Degree of Importance Pertaining to the Value of Bulk Orders made Online

S. No.	Degree of Importance	Number of Respondents	Percentage of Respondents
1	Extremely Important	34	34
2	Moderately Important	27	27
3	Undecided	9	9
4	Moderately Unimportant	18	18
5	Extremely Unimportant	12	12

Interpretation: A majority of the companies clearly stated that this parameter was either Extremely Important or Moderately important. In an effort to achieve economies of scale through bulk purchases, many companies adopt such a stance. This also gives B2B e-commerce platforms an opportunity to develop a competitive advantage through superior account management and customer relationship management practices. This further confirms our first Hypothesis. (Hypothesis (1) accepted).

Questionnaire II: B2C Respondent Segment

Table 6: Demographic Profile of the Respondents

S.No.	Demographic Profile	Number of Respondents	Percentage of Respondents
1.	**Age (In Yrs.)**		
(a)	18 - 21	21	21
(b)	22 - 25	34	34
(c)	26 - 30	23	23
(d)	31 - 35	15	15
(e)	Above 35	7	7
2.	**Gender**		
(a)	Male	64	64
(b)	Female	36	36
3.	**Occupation**		
(a)	Working Professional	48	48
(b)	Student	32	32
(c)	Housewife	18	18
(d)	Other	2	2

Interpretation:

Age: It was observed that almost 55% of the respondents were below 25 years of age. This indicates the fact that e-commerce has particularly gained acceptance with younger age groups across urban India. With increasing disposable income and the desire to infuse convenience into a retail experience, more and more consumers are turning to B2C e-commerce platforms

Gender: It was observed that 64% of the respondents were Male. This is merely indicative of the results from a sample size. B2C e-commerce finds acceptance from both Males and Females alike, given the wide spectrum of products available for purchase online

Occupation: 48% of the respondents were Working Professionals while another 32% were Students. This shows a great insight on the kind of people who show confidence in e-retail. The proportion of Housewives who have notable amount of time and often disposable income backed by needs and desires is also worthy of attention in this regard.

Table 7: Relative Rankings Assigned to B2C e-commerce Platform Parameters

S. No.	Parameter	Relative Ranking
1	Visual Design and Quality of Content	6
2	Availability of Information	5
3	Ease of Navigation	7
4	Website User Experience	9
5	Product Portfolio and Availability	8
6	Product Prices	4
7	Promotional Schemes	10
8	Ease of Payment	1
9	On-time Delivery	3
10	Product Replacement Policy	2

Interpretation: The target respondents were asked to rank the aforementioned parameters in decreasing order of importance (1 being the Highest and 10 the lowest). With regards to B2C e-commerce, the *ease/method of payment* and the *product replacement policy* of the company in question are of paramount importance. Cash-on-Delivery continues to remain the most preferred method of payment. *The same observation found resonance in the paper – "E-Commerce and Delivery" – released by the European Commission in September, 2013.* This confirms our second Hypothesis. (Hypothesis (2) accepted). Furthermore, *on-time delivery* of ordered products is also critical to an eventually satisfactory retail experience to customers. This confirms our third Hypothesis. (Hypothesis (3) accepted). In totality, e-commerce companies need to take into consideration all the above listed parameters in order to create a robust and engaging platform; given the cut-throat competition that exists from both domestic and global players in this domain now.

Table 8: Chances of an Unsatisfactory Delivery Experience Compelling Switch in e-commerce Platform

S. No.	Option	Number of Respondents	Percentage of Respondents
1	High	67	67
2	Medium	28	28
3	Low	5	5

Interpretation: An online retail experience is only considered successful on timely (or before time) delivery of ordered products. A bad past experience in this regard can tarnish the image of the company in question; discouraging repeat purchase. Thus, a majority of the respondents believe that they would be compelled to switch to a competitor e-commerce platform in such an event. Companies have the dual responsibility of making products available online and then ensuring their on-time delivery through effective logistics channels. This confirms our third Hypothesis. (Hypothesis (3) accepted).

6.   CONCLUSION & RECOMMENDATIONS

The staggering rise of e-commerce in India, in both B2B and B2C markets, is indicative of the fact that the retail industry is primed for further growth in the years to come. Consumers are continuing to become more aware, informed and discerning. A rise in disposable income does not mean that consumers are willing to spend their money down any avenue. In fact, that means that these very same consumers are being more prudent about their spending habits. Set in this backdrop, e-commerce platforms have a massive challenge in competing for the market share, mind-share and wallet-share.

Through this study we were able to identify critical parameters that determine the success of a B2B and B2C e-commerce platform. With regards to B2B e-commerce platforms; product availability, promotional schemes and ability to make cost-effective bulk purchase emerged as paramount parameters of significance. The focus appeared to be on receiving value for money on products/supplies sourced; rather than on the relative quality of the same. On the other hand, with regards to B2C e-commerce platforms; the ease/method of payment and a beneficial company return policy were the most important parameters. It was also observed that on-time delivery of ordered goods were critical to success in both markets. The availability of information and reviews provided be fellow consumers also shapes buying behavior in this regard.

In essence, e-commerce platforms are faced with a threefold challenge:

1.   Ensure continual availability of product portfolio and a steady stream of relevant information that would help the consumer make an informed purchase decision
2.   Offer favourable prices to encourage purchase; especially with regards to an average Indian consumer
3.   Establish a robust supply chain to ensure timely delivery and inventory management

In addition to the above, it is also necessary to develop an engaging consumer website interface to facilitate easier navigation and page transition. Visual appeal and website design also assume greater significance. Offering easier payment options through secure and reliable payment gateways is also tantamount. The Cash-on-Delivery is fraught with risk for the company and they would be better served if they encourage customers to make transactions directly online through the provision of loyalty points, bulk purchase discounts or strategic tie-ups with specific banks.

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