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# A Study on the Perception of the Consumers towards Online Shopping in UAE

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**GJMBR-E Classification:** *JEL Code: M30*



A STUDY ON THE PERCEPTION OF THE CONSUMERS TOWARDS ONLINE SHOPPING IN UAE

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# A Study on the Perception of the Consumers towards Online Shopping in UAE

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**Abstract-** The paper examines the perceptions of consumers towards online shopping. Population of the study was restricted to customers who prefer and to those who do not prefer online shopping in UAE. As exact population is unknown here, the research has used Krejcie and Morgan formula of sample size calculation for infinite (unknown) Population. A sample of 100 customers has been taken for the study. Samples were selected as per convenience sampling method. Chi square test and Proportional test has been used to analyse the data. The analysis reveals that majority of the customers prefer manual shopping to online shopping. The analysis was done to find out the various barriers of online shopping and the factors effecting the perception of the customers towards online shopping.

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## I. INTRODUCTION

The rapid growth of internet over the past several years and the development of e-commerce have increased the popularity of online shopping worldwide. E-business is done online without face to face interaction. Purchasing goods from the comfort of your own living room certainly is more convenient than actually driving to a store. A lot of pros have come from this; no waiting in lines or in traffic, you can shop from the convenience of your home, easier to do comparison shopping, discounts, you can shop at any time, etc. Shopping online has come a long way from being just another new trend. E-commerce is gaining immense popularity in UAE and has grown to become a preferred medium of purchasing for a rising number of consumers in the region. UAE leads global smart phone penetration at 73.8 per cent and the country's internet usage statistics show that 91.9 per cent of the population has internet access. Robust internet and mobile penetration across the UAE are playing an active role in enabling the growth of e-commerce in the country. E-commerce will be a mega-trend and fastest growing businesses in UAE. The market is expected to be valued at \$10bn (Dhs36.7bn) by 2018, and will continue to expand as consumer behaviour evolves with the advancement of technology.

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### a) *The perception of the consumers about the pros and cons of online shopping*

People are leading busier lives, and when there is a growing demand for convenience; e-commerce caters to this requirement. Perception of the customers regarding the pros and cons of online shopping has been considered as fundamental factors that affect their satisfaction level and decision making process during online shopping. Key factor that helps to nurture online shopping culture is customer satisfaction and trust. Once e-commerce players are able to satisfy people and gain consumer trust, people will prefer the online shopping. Lack of trust has been a reason for the slower growth of e-commerce. Despite the benefits of online commerce over traditional commerce and the optimistic predictions for future growth of online shopping, negative aspects associated with this shopping method are also becoming critical.

Internet is changing the way consumers shop for goods and services and has rapidly evolved into a global event. Rowley Jennifer, (1998) examined that internet is becoming a hotbed of advertising, shopping and commercial activity. Hsieh et al., (2013) stated that internet influences people's daily life more so as compared to past. People's daily activities have gradually shifted from physical conditions to virtual environment. Even though consumers perceive the Internet as offering a number of benefits, the Internet tends to magnify some of the uncertainties involved with any purchase process. Consumers perceive a higher level of risk when purchasing on the Internet compared with traditional retail formats (Lee & Tan, 2003). BCG report, (2012) stated that there will be three billion internet users globally, almost half the world's population. The internet economy will reach \$4.2 trillion in the G-20 economies. If it were a national economy, the internet economy would rank in the world's top 5, behind only the USA, and India, and ahead of Germany.

Prashant Singh (2014) in his article "Consumer's Buying Behaviour towards Online Shopping- A case study of Flipkart.Com users in Lucknow City" published in 'Abhinav' stated that the future of e-retailers in India is very bright. E-retailers give consumers the best way to save money and time through purchasing online within the range of budget. Flipkart.com offers some of the best prices and completely hassle-free shopping experiences. The whole concept of online shopping has altered in terms



of consumer's purchasing or buying behaviour and the success of E-retailers in India is depends upon its popularity, its branding image, and its unique policies. Upasana Kanchan, Naveen Kumar and Abhishek Gupta (2015) in their article "A Study of Online purchase behaviour of Customers in India" Published in IJCTACT Journal on Management Studies stated that online shopping is gaining popularity among people of young generation. Higher income groups and educated people are purchasing more via e-retailing websites. Some people have hesitations in doing online shopping due to security concerns. At the same time people are resistant to change because of technological complexity in making online purchase. Companies involved in online retailing should focus on building trustworthy relationship between producers and customers.

#### b) Objectives of the Study

The objectives of this research work is to understand the perception of customers regarding online shopping and to identify the various factors affecting online shopping behaviour of the customers in the UAE. On the basis of the above theoretical perspective, the following research objectives have been developed for this study.

1. To know the perception of the customers towards online shopping.
2. To analyze the various factors that affects customer's attitude towards online shopping.
3. To identify the common problems faced by customers in online shopping.
4. To offer suggestions to overcome those problems for the growth of online shopping in UAE.

#### c) Hypothesis

The following hypotheses are maintained for the purpose of the study.

$H^0$ : Majority of the customers in the UAE prefer online shopping to manual shopping.

$H^1$ : Majority of the customers in the UAE prefer manual shopping to online shopping.

For the purpose of this study respondents are separately studied on the basis of their age, sex and income.

$H^0$ : No relationship exists between the age of the customers and their preference towards online shopping to manual shopping.

$H^0$ : No relationship exists between the sex of the customers and their preference towards online shopping to manual shopping.

$H^0$ : The perceived financial and product risks have no effect on online shopping

$H^1$ : The perceived financial and product risks have negative effect on online shopping.

## II. METHODOLOGY

#### a) Data collection

Data has been collected from both primary and secondary sources. Primary data has been collected from 100 respondents with the help of structured questionnaire. All questionnaires were accompanied with a covering letter stating the purpose of this study. The covering letter also guaranteed anonymity of respondents. Right before collecting data from the final respondents, the instrument was reviewed by an expert in the area to provide justification for the content validity. While selecting a respondent, due importance was given to various factors such as age, sex, and income etc. The researchers adopted a face-to-face distribution of questionnaire to the respondents of this study in scrutiny of obtaining higher response rate. The response of the respondents was rated by using five point Likert scales anchored by 1 = strongly disagree and 5 = strongly agree. The secondary data for the study was collected from the published journals, magazines and other periodicals, books published on research works etc. Internet services were also used to collect the latest information through various websites.

#### b) Sampling Design

This research was intended to understand the perception of customers regarding online shopping. Population of the study was restricted to customers who prefer and who do not prefer online shopping. Samples were selected as per convenience sampling method (As per their availability and willingness). As exact population is unknown here research has used Krejcie and Morgan formula of sample size calculation for infinite (unknown) Population.

$$N = X^2 p(1-p) / d^2 = 1.96^2 * 0.5(1-0.5) / 0.1^2 = 96.04 \text{ (Round off 100)} \\ d^2 = 0.1^2 \text{ Here } X = 1.96 \text{ for 95% confidence level, } P = 0.5 \text{ and } d = 0.1$$

#### c) Techniques for Data Analysis

In this study we mainly use the chi square test to test whether hypothesis that attributes are associated or not. And the Proportional test to test whether the proportion (ratio of number of responded in favour to total number of respondent) is greater than 0 p (50% in our case) or not. We use the statistics where x is the number respondent in favour and n is the total number and  $q_0 = 1 - p$ .

### III. FINDINGS

The demographic profile of the sample

Table 1: Respondent's profile

Sl.No.	Variables	Frequency	Percentage
1.	Age	25	25
	Below 25	20	20
	26-35	34	34
	36-45	21	21
	Total	100	100
2.	Sex		66
	Male	66	34
	Female	34	
3.	Total	100	100
	Income		
	Below 10,000	45	45
	10,000 — 20,000	37	37
	More than 20,000	18	18
	Total	100	100

Source: Field Survey

Table 2: Perception of the customers towards online shopping

Respondents opinion about which method of shopping they prefer				
Online Shopping		Manual Shopping		
Frequency	Percentage	Frequency	Percentage	Total
37	37	63	63	100

Source: Field Survey

The table 2 presents the perception of the customers towards online shopping. Majority 63 percent of the respondents are still using traditional manual method of shopping whereas only 37percent of the respondents are using online shopping method. In this context the following hypothesis is constructed and put to test, such that  $H^0$ , Majority of the customers in UAE prefer online shopping to manual shopping. To verify this we have conducted the proportional test which gives Calculated value ( $Z$ ) = 3.4 and is significant at 5% level (Tabled value = 1.645). Since calculated value is greater than tabled value we reject  $H^0$ . Hence we can conclude that the Majority of the customers in the UAE prefer manual shopping to online shopping. For the

purpose of this study customer's preference towards online shopping are separately studied on the basis of their age, sex and income.

#### i. Relation between the age of the respondents and their perception towards online shopping

In order to prove that relationship exists between the age of the respondents and their perception towards online shopping, the following hypothesis is constructed and put to test, such as  $H^0$ , there is no relationship existing between the age of the respondents and their perception towards online shopping. Chi-square test for independence is applied to test whether  $H^0$ , is true or not.

Table 3: Perception of the customers towards online shopping based on their age

Cross tab								
			Age					
			Below 25	25-35	35-45	45 and above		
Perception of the customers towards online shopping based on their age.	Online Shopping	Count	16	10	7	4	37	
		% within Age	64%	50%	20.59%	19.05%	37%	
	Manual Shopping	Count	9	10	27	17	63	
		% within Age	36%	50%	79.41%	80.95%	63%	
Total		Count	25	20	34	21	100	
		% within Age	100.0%	100.0%	100.0%	100.0%	100.0%	

Chi-Square Tests			
	Value	df	Tabled value
Pearson Chi-Square	16.10	3	7.81
Significant			

Source: Field Survey

Since the calculated value is greater than table value, the Hypothesis  $H^0$  is rejected. Hence it is proved that there is a close association between age of the respondents and their perception towards online shopping.

ii. Relation between the sex of the respondents and their perception towards online shopping.

In order to prove that relationship exists between the sex of the respondents and their perception

towards online shopping, the following hypothesis is constructed and put to test, such as  $H^0$ , there is no relationship existing between the sex of the respondents and their perception towards online shopping. Chi-square test for independence is applied to test whether  $H^0$  is true or not.

Table 4: Perception of the customers towards online shopping based on their Sex

Cross tab				SEX		Total		
				Male	Female			
Perception of the customers towards online shopping based on their Sex.	Online Shopping		Count	24	13	37		
			% within SEX	36.36%	38.24%	37%		
	Manual Shopping		Count	42	21	63		
			% within SEX	63.64%	61.76%	63%		
Total			Count	66	34	100		
			% within SEX	100.0%	100.0%	100.0%		

Chi-Square Tests			
	Value	df	Tabled value
Pearson Chi-Square	0.256	1	3.84
Not Significant			

Source: Field Survey

Since the calculated value is less than table value, the Hypothesis  $H^0$  is accepted. Hence it is proved that there is no close association between Sex of the respondents and their perception towards online shopping.

iii. Relation between the income of the respondents and their perception towards online shopping

In order to prove that relationship exists between the income of the respondents and their

perception towards online shopping, the following hypothesis is constructed and put to test, such as  $H^0$ , there is no relationship existing between the income of the respondents and their perception towards online shopping. Chi-square test for independence is applied to test whether  $H^0$  is true or not.

Table 5: Perception of the customers towards online shopping based on their Income

			INCOME			Total	
			Below 10,000	10,000 to 20,000	More than 20,000		
Perception of the customers towards online shopping based on their Income.	Online Shopping	Count	12	17	8	37	
		% within income	26.67%	45.95%	44.44%	37%	
	Manual Shopping	Count	33	20	10	63	
		% within income	73.33%	54.05%	55.56%	63%	
Total		Count	45	37	18	100	
		% within income	100.0%	100.0%	100.0%	100.0%	

Chi-Square Tests			
	Value	df	Tabled value
Pearson Chi-Square	3.06	2	3.84
Not Significant			

Source: Field Survey

Since the calculated value is less than table value, the Hypothesis  $H^0$  is accepted. Hence it is proved that there is no close association between income of the respondents and their perception towards online shopping.

In order to find out why customers prefer Manual Shopping to online shopping, further analyses have been conducted among the customers who prefer manual shopping.

Effect of perceived financial and product risks on online shopping

Risk is an emotional factor that cannot be measured objectively. In online shopping primary risk for consumers is the financial risk which means to lose their credit card or any other way to lose money. Financial risk is a potential net loss of money. Financial risk plays

significant role in decision making for those who shop online because financial risk pose threats in consumers' mind which leads negative effects on consumer behaviour. Product risk is the perception that a product purchased may fail to function as originally expected and it is the loss incurred when a brand or product does not perform as expected. This is largely due to the shoppers' inability to accurately evaluate the quality of the product online.

In order to prove the effect of perceived financial and product risks on online shopping the following hypothesis is constructed and put to test, such as  $H^0$ , the perceived financial and product risks have no effect on online shopping. Chi-square test for independence is applied to test whether  $H^0$ , is true or not.

Table 5: Effect of perceived financial and product risks on online shopping.

			Cross tab					
			Perception of the respondents on perceived risks					Strongly Disagree
Effect of perceived risks on online shopping.	Financial risk	Count	Strongly Agree	Agree	Neutral	Disagree	Total	
		Count	8	9	7	6	5	35
	Product risk	% within income	22.86%	25.71%	20%	17.14%	14.29%	100%
		Count	5	7	6	5	5	28
		% within income	17.86%	25%	21.42%	17.86%	17.86%	100%
		Count	13	16	13	11	10	63
	Total	% within income	20.63%	25.4%	20.63%	17.46%	15.88%	100%

Chi-Square Tests			
	Value	df	Tabled value
Pearson Chi-Square	12.70	4	9.49
Not Significant			

Source: Field Survey

Since the calculated value is greater than table value, the Hypothesis  $H^0$  is rejected. Hence it is proved that perceived risks have effects on online shopping.

In order to find out the barriers of online shopping, further analyses have been conducted among the customers who prefer manual shopping.

Table 6: Barriers of Online shopping

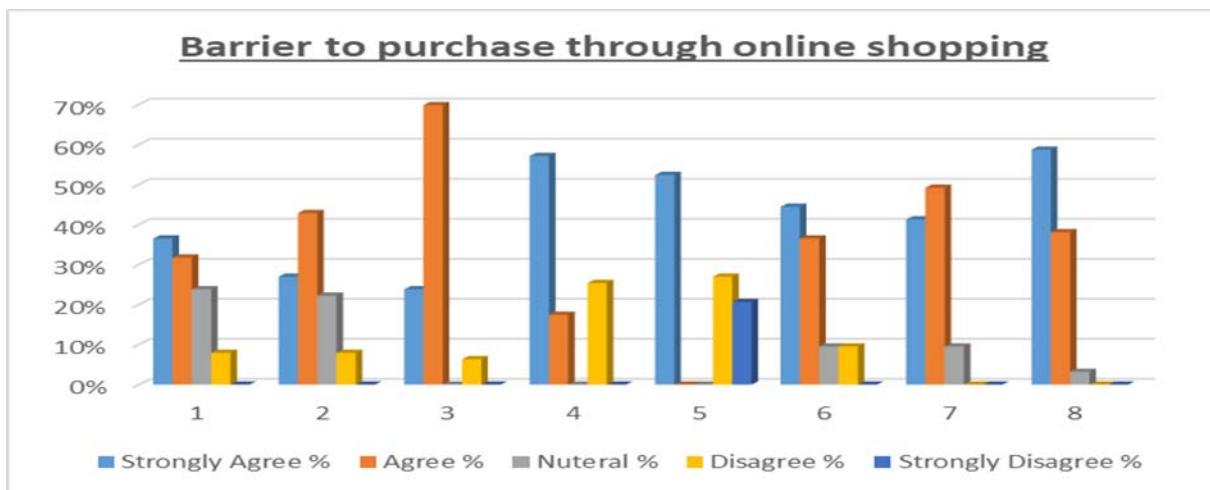
Barrier to Purchase through online shopping	Strongly Agree %	Agree %	Neutral %	Disagree %	Strongly Disagree %	Total
Financial Risk						
Concerned about credit card details may be compromised and misused.	37%	32%	24%	8%	0%	100%
Concerned about online payment fraud	27%	43%	22%	8%	0%	100%

Concerned about the reliability of websites	24%	70%	0%	6%	0%	100%
<b>Product Risk</b>						
Concerned about Quantity difference	57%	17%	0%	25%	0%	100%
Concerned about Quality difference	52%	0%	0%	27%	21%	100%
Concerned about the risk of getting wrong products	44%	37%	10%	10%	0%	100%
Concerned about after sales service	41%	49%	10%	0%	0%	100%
Concerned about lack of guarantee in the case of damage	59%	38%	3%	0%	0%	100%

Source: Field Survey

An analysis of the customers who prefer manual shopping and to find out the major barriers they face while purchasing through online shopping reveals the facts that 97 percent of the respondents have the opinion that there is lack of guarantee in online shopping in the case of damage. Reliability of different online websites is another major concern. 94 percent of the respondents expressed their concern about the reliability of different online websites. 90 percent have the opinion that they prefer manual shopping because there is no after sales service if they purchase through online

shopping. 81 percent of the respondents are concerned about the risk of getting wrong products while shopping through online. 74 per cent of the respondents pointed out quantity difference as the reason why they do not prefer online shopping. 70 percent of the respondents expressed their concern about online payment as fraudulence. 69 percent of the respondents are seriously concerned that in online shopping credit card details may be compromised and misused. The following chart explains the opinion of the respondent regarding each factor.



Source: Field Survey

Chart 1

#### IV. FINDINGS

1. Majority of the customers prefer manual shopping than online shopping.
2. Age is a factor that influences the preference of customers between manual shopping and online shopping. There is a close association between age of the respondents and their perception towards online shopping.
3. Majority of the customers who prefer online shopping belong to the age group of below 25.
4. Majority of the respondents who are above 35 years of age prefer manual shopping than online shopping.

5. There is no close association between sex of the customers and their perception towards online shopping.
6. There is no close association between income of the respondents and their perception towards online shopping.
7. The analysis reveals the fact that perceived risks have a negative effect on online shopping.
8. The above analysis reveals the fact that majority of the customers have the opinion that there is lack of guarantee in online shopping in the case of damage.

9. Analysis reveals the fact that customers are very much concerned about the reliability of different online websites.
10. Majority of the respondents have the opinion that they prefer manual shopping because there is no after sales service in online shopping.
11. Many respondents are seriously concerned that in online shopping credit card details may be compromised and misused.
12. Analyses of respondents, show that they prefer manual shopping to online shopping because after sales service is absent in online shopping.
13. Some respondents pointed out quantity difference as the reason why they do not prefer online shopping.
14. Analysis reveals the fact that customers are very much concerned about online payment fraudulence.
15. A detailed analysis to find out why majority of the respondents prefer manual shopping to online shopping because of perceived financial and product risk.

## V. SUGGESTIONS

Based on the findings following suggestions seem feasible for managing the credit card debt.

1. When you are doing online shopping it always recommendable that you buy only from reputed and well-known companies. Beware of "Gray Market".
2. It is always recommendable that before you proceed to purchase through online shopping make sure the credibility of the web site with the help of an IT expert.
3. Avoid impulse spending via credit or debit cards.
4. It is always recommendable that instead of online payment customers are recommended to prefer COD (cash on delivery). This will help them to protect themselves from financial fraudulence.
5. It is recommendable that customers must thoroughly evaluate the quantity, quality and specifications of the items which they would like to purchase through online shopping just like manual shopping.
6. Rampant usage of credit cards should be avoided.
7. Customers must thoroughly evaluate the extended-service packages from retailers or third parties are usually overpriced and generally are not a good value
8. Sharing the credit cards with others may lead to over spending, misuse of the card and related disputes.
9. Customers must understand the shipping charges. A retailer may try to squeeze a profit from heavily discounted items by tacking on an extremely high shipping rate, most of it not actually used for shipping.

10. Sometimes Gray market goods are sold with a warranty provided by a third party, but described only as a "warranty." This is not the same as a manufacturer's warranty and typically provides an inferior level of protection.
11. Online shoppers need to look out for fake online shopping apps, that make lofty promises of several great deals.
12. Smartphone owners need to be even more cautious, since their devices are highly vulnerable through multiple channels.
13. Before you type in your credit card information, take time to research the web site.
14. Most reputable e-sellers will have a toll-free customer service phone number. If the site has only an email address and no phone number, start an email or instant message dialogue with the people running the site before buy anything from them.
15. Encryption is key to secure Internet purchases. It is a feature that automatically codes personal data when it is entered. The safest web sites have a key or closed lock displayed in the web browser, meaning encryption is used.

## VI. CONCLUSION

Today's ear rising internet and mobile phone penetration have changed the way we communicate and do business. Growth in E-commerce opens new opportunities for doing business. To capitalized these opportunities and to develop the strategies to deal with challenges that are prevailing in E-commerce market online retailers have to understand E-commerce market and consider all those factors that affect online shopping. The aim of the research is to identify the factor affecting online shopping behaviour in UAE. The results of hypotheses testing indicate that perceived financial risk and product risks have negative effect on attitude toward online shopping behaviour. Further analysis of respondent's based on their age reveals the fact that, there is a difference in opinion of the respondents based on their age. Analysis of respondent's demographic profile is carried out and it is found that as far as the gender is concerned, there is no difference in opinion of male and female customers towards factors affecting online shopping, and is the same with respect to income group, i.e. income category wise there is no difference in responses towards factors affecting online shopping. These findings may be helpful for the customers when they do online shopping. Consideration of various factors affecting online shopping business, retailers are able to understand the association between factors and consumer buying behaviour. With these understanding companies are in better position to develop strategies related to potential and actual consumers.



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