

## Why Hong Kong Internet Users Do Not Shop Online – An Empirical Study

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### ABSTRACT

Past research papers on consumer behaviour of Internet non-shoppers in Hong Kong have been lacking. This empirical study by on-line questionnaire and focus group interview is an attempt to explore further into the key aspects in this subject area. The focus of this study is on understanding what are the barriers against Internet shopping in Hong Kong, and what can be done to facilitate local Internet shopping.

Research overseas suggests that major barriers against Internet shopping are “payment security”, “privacy and trust”, “shipping cost” and “logistics”. (Deloitte, 1999 ; Fromkin, 1996 ; Lockett, 1996 ; Slatalla, 2000 ; Ernst & Young, 2000 ; Oxley & Yeung, 1999). This study came to similar conclusions in Hong Kong.

Inducements for non-shoppers to purchase on-line include “increasing web traffic”, “trust building”, “online co-operative program” and “bricks and clicks”. (Hoey, 1998; Picken, 1999 ; Zellner, 2000 ; Pine, Peppers & Rogers, 1993 ; Mara, 2000 ; Gulati & Garino, 2000). This study in Hong Kong indicates that more effort needs to be made to improve trust”, “delivery logistics” and “online payment method”.

The marketing implications of these findings are identified and discussed.

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### INTRODUCTION

Internet shopping is still relatively new in Hong Kong. There is substantial reluctance by the general public to purchase and make payment on-line. Despite the recent down-playing of e-commerce, because of the price crash of web stocks and the fast slowing world economy after the 9.11 event, there is no doubt that the Internet as a technology will continue changing world consumer practices.

“With companies facing cutbacks, what could be better and cheaper than an on-line marketing campaign, or taking your ordering system on-line, or having a web-site instead of a brochure?” (Internet, 2001). Indeed, the making of an e brochure normally costs only one-fifth of the traditional paperback. Also, e-brochures can be easily updated, readily distributed and environmental resources saving.

To e-marketing personnel, e-service providers and regulatory authorities, the need to understand more about the ever-changing on-line shopping behaviour is, if not increasing, certainly not diminishing. Business transactions, including B2B (business-to-business) , B2C (business-to-consumer) and C2C (consumer-to-consumer) have all been fast growing.

Past research on “barriers” to on-line shopping in Hong Kong has been minimal and inconclusive. There is a lack of systematic study into understanding Internet non-shoppers. It is of importance to local e-commerce operators to have more information about this group of potential customers. Through understanding what inhibits Internet shopping could help them to shape future e-marketing strategies.

This empirical study employs a multi-research methodology, namely an on-line questionnaire as the major data collection process, and an ancillary focus group discussion.

## REVIEW OF LITERATURE

### Why do People Refuse to Shop On-line?

#### (1.1) Trust and Privacy:

Of all concerns related to trust and confidence, data privacy is regarded as dominant (Lam, 2001). Unless consumers are assured of the privacy (including security) of their personal data, this new mechanism for customers to perform commercial transactions (via Internet platforms) will be held back from achieving its full potential (McLeish, 2001). Indeed, the Privacy Commission's surveys consistently show that privacy is a major issue for the people of Hong Kong (McLeish, 2001).

In short, a strong (negative) relationship was found between consumer perceptions of the risk of web-shopping and purchase behavior (Barwise, Elberse and Hammond, 2000).

#### (1.2) Payment Security:

Deloitte (1999), Froomkin (1996) and Sampson, Kolodinsky & Greeno (1997) all pointed out that worry over on-line payment security is the major inhibitor against Internet shopping. Their views were shared by Ernst & Young (2000), who suggested that payment security and the cost of payment had severely limited the e-trading of small items.

Also, as a consequence of the worry about payment security, Internet users in Hong Kong tended to shop for inexpensive items only (Apple, 2000).

#### (1.3) Shipping Cost:

Shipping and related handling cost has been another major inhibitor of on-line shopping. Forrester Research (Slatalla, 2000) reported recently that over ninety per cent of on-line shoppers were concerned about shipping and handling charges. Indeed, it is important to keep the shipping fee structure simple (Lyndon, 2000; Argenti & Boritz, 1999).

#### (1.4) Logistics and After-sale Services:

Other inhibitors include worry over a lack of good logistic support and after-sale services. There have been many complain on post transaction issues, such as billing and delivery. Also, many Internet shoppers have wondered whether there will be "hassle-free" returns and speedy refunds (Meuter, Ostrom, Roundtree & Bitner, 2000; Morck, Oxley & Yeung, 1999).

#### (1.5) Physical Shopping Experience:

Internet is unsuitable for products which require "touch and feel", not to mention "taste and smell" (Barwise, Elberse and Hammond, 2000). High-priced, differentiated goods and apparel need to be physically examined prior to purchase (Rosen & Howard, 2000). Another consideration is that physical shopping is a social experience.

### Inducements for Internet non-shoppers to shop on-line

#### (2.1) Increasing Web Traffic:

Rowley (2000) suggested that to facilitate on-line shopping, e-retailers have to make their e-shops a great place to visit. A lower cost base is a myth. There is a fine balance between providing sufficient information for the customer to make a decision and too much information, which provokes overload. For those customers seeking for a specific item, it will be necessary to provide information about the product in sufficient detail to answer consumer questions. At the same time there is a need for an easy, user-friendly display to attract browsers.

#### (2.2) Product Customisation:

There are some commercially acceptable ways by which businesses gather information on web users to promote customized products. One basic approach is through registration. Another common approach is to capture electronic addresses of the web users. A third method of gathering information on customers is by using cookies. Data is written to a file, which can then be accessed by the cookie owners. Users' demographic, attitudinal and behavioural information will permit e-firms to be more precise in their service and product customization (Prabhaker, 2000).

#### (2.3) Trust Building:

No matter how advanced technology is, or how sophisticated the products are, or how knowledgeable customers become, the formula for a successful sales transaction has not changed over the ages. It comes down to a company building and maintaining a feeling of trust and confidence in the minds of its customers. The bond of trust, especially in the de-personalized setting of the Internet, is very fragile (Prabhaker, 2000).

Indeed, as suggested by Ratnasingham (1998), when on-line shopping you do not just trust that the quality of the goods or services will be satisfactory; you may also have to trust that you will even receive them.

#### (2.4) On-line Co-operative Program:

Mara (2000) suggested that group buying on-line, as with

the traditional cooperative society, may help to bring prices down for every participating purchaser. It is difficult to organize group buying in physical shopping, but by uniting, Internet purchasers from all parts of the world can easily come together to make a collective bid.

**(2.5) Bricks and clicks:**

“Bricks and clicks”, also named as “Bricks and mortar” means physical retail shops building up their own on-line virtual shops or merging with Internet operators. By integrating virtual and traditional, physical operations, sellers can promote brand names more cost effectively. The sharing of back-office support and pooling merchandise buying enable higher bulk discounts, and most importantly, can achieve distribution efficiencies (Gulati & Garino, 2000).

**METHODOLOGY**

An online questionnaire survey was carried out to explore into why Internet users in Hong Kong chose not to shop online.

**(1) On-line Questionnaire:**

In this study, random sampling on-line was not applied, because normally this would require the ability to download client-side scripting language to the users’ browser or mining server-side programs from the web server. In practice, this is not commercially viable. Instead, participants came to the survey site from a variety of avenues. Responses were automatically downloaded to a database for further statistical computations and analysis.

Also, e-mails have not been used as a survey tool, because Hong Kong lacks a general, unbiased, e-mail address list. This means that using e-mail as a survey tool will inevitably lead to a biased sample.

This survey was posted from the 12<sup>th</sup> of July 2001 until the 31<sup>st</sup> of July, 2001, for a period of 20 days. Two local web sites were used, namely Mandarinnet.com and Sinob2bnet.com. The former is a film and entertainment web site operated by the Mandarin Films Group, a listed film producer in Hong Kong. The latter is a Chinese networking website run by the Sun Wah Group, which has over 30 years close business connections in China. Also, these two web sites are in turn hyper-linked to various arts, entertainment and Chinese database websites.

All Internet users visiting these web sites were invited by homepage banner advertisement to participate in this survey. No promotional items were given for click-through.

This decision was to deter respondents entering for a reward. This would have distorted the survey results by leading to a skewed users’ profile.

Data obtained from the survey was tabulated and analyzed using the statistical tools available on SPSS for Windows Release 10.01. In most cases, the Pearson two-way Chi-square test, which is a non-parametric inferential procedure, was conducted to test the independence of variables at a 95% significance level.

In all 386 responses received, out of which 292 were Internet shoppers and 94 Internet shoppers.

**(2) Focus group Discussion:**

In addition, a focus group discussion of six Internet non-shoppers was conducted to explore further the subject of how to induce on-line shopping in Hong Kong, and to facilitate interpretation of the findings of the above-mentioned web questionnaire.

This study used a focus group methodology to collect information from Internet non-shoppers in Hong Kong, regarding their experiences with Internet shopping, and how they could be attracted to shop on line. The group interview, as a focus group survey method, is well suited to produce a rich body of data for interpretation and analysis. The current focus group was structured using broad, open-ended questions. These questions or discussion guidelines served to encourage a moderated discussion between participants within the group.

The main objective of this focus group discussion is to obtain first-person descriptions of interviewees’ experiences of, and anticipation towards, on-line shopping in Hong Kong. The discussion was carried out in a relaxed atmosphere that precipitated an open dialogue.

The focus of this study was on how to facilitate Internet shopping in Hong Kong. Data for this research were collected by a focus group discussion, consisting of six Internet non-shoppers ranging in age from 18 to 35 years old. Educational levels ranged from secondary school graduate to tertiary degree holder. They were recruited from office workers in Central District, Hong Kong. Table 1 provides profiles of the Internet non-shoppers who participated in this discussion.

For purposes of confidentiality, participants are referred to by pseudonyms.

**(Table 1) Profiles of focus group participants:**

Name	Age	Gender	Education
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Grace	35	F	Tertiary
Axel	32	M	Secondary
Skiva	28	F	Secondary
Kris	19	F	Tertiary
John	23	M	Secondary
Thomas	21	M	Secondary

The discussion on the 9<sup>th</sup> of October 2001 lasted about two hours. To enable an open and free exchange of ideas, the participants requested that the meeting should not be taped. The author of this paper took extensive notes during the discussion. A rough draft of the transcript was presented to the six participants for their comments. Appropriate criticisms were considered in the revision of the final transcript

**The following issues were tabled for discussion:**

- (1) Competitive pricing;
- (2) Convenience (shopping at home around the clock);
- (3) Product variety;
- (4) Personalized items;
- (5) Bad physical shopping experience (for example; shopping for embarrassing personal items; and queuing up for payment);
- (6) Logistic support (for example; delivery delay; out of stock; delivery of wrong items; and goods arriving in bad condition);
- (7) Payment security;
- (8) Privacy and trust concerns;
- (9) Shipping cost;
- (10) After-sales service (for example; no refund; and no return of goods);
- (11) Web traffic and technology;
- (12) Customer relationship management;
- (13) On-line bulk discount/ co-op programs;
- (14) Bricks and clicks; and
- (15) Developing new mass loyalty.

The results reported are based upon the synthesis of the interview transcripts. Transcripts were read multiple times to insure thorough and accurate categorization of interviewees’ opinions. Common themes that emerged have been identified.

**FINDINGS AND ANALYSIS**

**(1) Why Refuse to Shop On-line?**

**(1.1) Traditional versus On-line:**

There has been very little research into the attitudinal and motivational factors on why Hong Kong Internet non-shoppers refuse to shop on-line. To explore this further, on-line questionnaire interviewees were asked to evaluate the

relative importance of the following factors on their traditional physical shopping decisions. The same questions were then asked with respect to their on-line shopping decisions. The answers were represented on a Likert scale ranging from 1 to 9, with a “1” as the rating for “very unimportant” to a “9” as the rating for “very important”.

**(Table 2) Factors affecting Hong Kong Internet non-shoppers’ purchases decisions:**

Total score		
Traditional shopping	Product Availability	1668
	Convenience	1740
	Pricing	1909
	Trust	1758
	Popular Brand name	1786
Online shopping	Product Availability	1950
	Convenience	2029
	Pricing	2188
	Trust	2249
	Popular Brand name	1803

Overall Internet non-shoppers give higher weighting to factors such as “product availability”, “convenience”, “price” and “trust” with regard to their on-line shopping decisions (versus traditional purchases decisions). All these factors have been confirmed by overseas research in e-commerce as major on-line customers’ considerations (Mara, 2000; Lyndon, 2000; Zellner, 2000; Alba & Lynch, 1997; McLeih, 2001; Lam, 2001).

For instance, when making an online shopping decision, Internet non-shoppers have more serious consideration on whether the product is available (commanding a score of 1950 versus a score of 1668 in physical shopping decision), compared with making a traditional physical purchase. This implies unless a product is not easily available in physical stores, will an Internet non-shopper considers to shop online. To e-shops, the lesson is to offer something special to attract this segment of potential buyers.

These findings are important for e-retailers in Hong Kong to consider when shaping their e-marketing strategies. They must meet customers’ requirements (particularly those of non-shoppers) on price and trust, both command a high total score of 2188 and 2249. This, in practice, means on-line pricing has to be competitive (relative to pricing offered in physical stores), while non-shoppers’ concern on “trust” must be addressed.

“Convenience” is the factor that Internet non-shoppers place heavy consideration on (a high score of 2029) when making an online shopping decision (versus that of traditional physical shopping). Because these Internet non-shoppers are a segment of buyers that demands “convenience shopping”, and the fact that in Hong Kong

online shopping delivery is so “inconvenient”, turn these people away from shopping online.

This marked a significant deviation from overseas literature on subject. Research in the States comes to the conclusion that Internet shopping, which offers purchase online opportunities at home 24 hours a day, is convenient compared with traditional physical shopping. “Convenience” as a major attraction will induce more and more consumers joining this shopping model.

Indeed, multi-national consumer e-commerce operators have to watch out for this difference in attitude towards “convenience” associated with Internet shopping, when they move in Asian market, especially into crowded urban cities alike Hong Kong. In their marketing strategy in major Asian cities, they should not highlight “convenience” as an attraction. In addition, they should spend more effort in solving this delivery logistic issue. For instance, they may have to consider offering convenient pick-up points.

Also, a Wilcoxon T-test was conducted to explore further the difference of attitudes of Internet non-shoppers towards on-line versus traditional shopping. This T-test was applied to confirm whether the “differences in total scores” between online shopping versus physical shopping are random (a coincidence only) or statistically significant.

Statistically, if the asymptotic significance is below 0.025, it implies that there exist significantly different distributions between the two set of variables (online versus traditional shopping decision factors) at a confidence interval of 95%. In practice, this means that Internet non-shoppers do place different weights on these factors when making an on-line shopping decision (versus making a traditional shopping decision).

Findings in this study (factors including product availability, convenience, pricing and trust all have asymptotic significances below 0.025) indicate that online non-shoppers in Hong Kong do place heavier weightings/considerations on these four factors (product availability, convenience, pricing and pricing) when making their Internet shopping decisions. In fact, “product availability”, “convenience”, and “pricing” are seen by past research as the main benefits of on-line shopping, while “lack of trust” is the major barrier.

**(Table 3): Wilcoxon T-test: Relative importance in factors affecting on-line shopping versus traditional shopping decisions**

**For non-shoppers:**

	Asymptotic significance (2-tailed)
<b>Product availability</b>	0.000
<b>Convenience</b>	0.000
<b>Pricing</b>	0.000
<b>Trust</b>	0.000
<b>Popular brand name</b>	0.127

**For shoppers:**

	Asymptotic significance (2-tailed)
<b>Product availability</b>	0.000
<b>Convenience</b>	0.306
<b>Pricing</b>	0.000
<b>Trust</b>	0.000
<b>Popular brand name</b>	0.011

By comparing results of the two Wilcoxon T-tests respectively on Internet non-shoppers and Internet shoppers, there appears a material difference in the asymptotic significance in the factor of “convenience”. This is an interesting finding, and helps to explain why certain Internet users become non-shoppers (that is, refuse to shop online).

For Internet non-shoppers there is an obvious difference in attitude on “convenience” (asymptotic significance of 0.00) as a decision factor with respect to on-line versus traditional shopping. On the other hand, Internet shoppers do not show any significant difference (asymptotic significance of 0.306 is higher than the benchmark of 0.025) in attitudes towards “convenience” with respect to on-line (versus traditional shopping decisions). This means, in practice, Internet non-shoppers are more concerned about “convenience” in their on-line shopping decisions, than Internet shoppers.

Because Internet non-shoppers are more concerned about “convenience”, they tend to refuse to shop online in Hong Kong. As discussed above, in Hong Kong delivery problems and delays have made Internet shopping inconvenient (compared with physical shopping).

In summary, implications drawn from this T-tests confirmed that of Table 2 above-discussed.

**(1.2) Motivational and Attitudinal Factors Analysis:**

To further help to answer the question “why refuse to shop on-line?” questionnaire interviewees were asked the following fifteen questions to evaluate the relative importance of the factors influencing them not to purchase on line. The answers were represented on a Likert scale ranging from 0 to 5, with a “0” as the rating for “no influence” to a “5” as the rating for “most influence”.

**(Table 4) Factors influencing consumers not to shop on-line:**

	Number of responses	Mean score
Past unhappy on-line shopping experience	121	2.40
Heard of unhappy on-line shopping	271	3.39
Worry about payment security	288	3.81
Worry about privacy	285	3.91
No confidence in the e-retailer	275	3.75
No need to make purchase on-line/offline	192	2.57
No access to the Internet	119	2.37
No computer and/or no credit card	86	2.30
Do not know how to make on-line purchase	197	2.47
Physical shopping more fun	245	3.07
Physical shopping more convenient	261	3.48
Shipping cost too high	283	3.05
Need to physical examine products	283	3.58
Worry not receiving items ordered on-line	284	3.55
Worry items arrived delayed/in bad condition	282	3.89

Out of fifteen suggested factors influencing non-shoppers not to purchase on-line, eleven questions had answers of mean score higher than the arithmetic mean of 2.5. Ten of these were above the mean score of 3.0, out of which six were above score of 3.5.

Three of the most influential factors inhibiting Hong Kong Internet users from shopping on-line were “worry about payment security” (mean score of 3.81), “worry about privacy” (mean score of 3.91), and “no confidence in e-retailers” (mean score of 3.75). These findings confirmed overseas research on the subject. Deloitte(1999), Froomkin (1996), Luckett (1996), Sampson, Kolodinsky & Greeno (1997), McLeish (2001), Lam (2001), Prabhaker (2000) and Hoffman, Novak & Chatterjee (1996) all suggested that worries about payment security, privacy and lacking of trust were major barriers against Internet shopping.

The other three factors deterring users from shopping on-line were the need to physically examine products” (mean score of 3.58), “worry about not receiving the products ordered” (mean score of 3.55) and “worry about the goods arriving late and/or in bad condition” (mean score of 3.89). These views were shared by researchers overseas including Meuter, Ostrom, Roundtree & Bitner (2000), Morck, Oxley & Yeung (1999), and Rosen & Howard (2000). However the overseas research gave less significance on these factors, perceiving them as secondary inhibitors of on-line shopping. A reason why these three factors, connected to logistics, played a more important role in the local situation, may be because in Hong Kong waiting at home for goods delivery is so much more inconvenient and uncertain (compared with physical shopping, which is so easy, safe

and convenient).

## (2) Facilitators:

The following is a summary of recommendations made by attitudes and suggestions expressed by the focus group towards Internet shopping in Hong Kong:

### (2.1) Payment Security:

Payment security has been the major deterrent against online shopping. A respondent reported an event that after an online order of beauty products, her visa card had been used to purchase online for other electronic appliances without her notice and authorization. Most likely, during her previous online payment process, the visa card number had been stolen and misused.

Some of the respondents who mentioned payment security as an issue of concern were fairly confident that it is possible to overcome any future vulnerability in this area by developing more advanced techniques like encryption, digital certificates, digital signatures and firewalls. One participant mentioned that the recent introduction of the public-key system by the Hong Kong Post Office as the certification authority; and the passing of appropriate enforcement laws are important steps towards providing sufficient protection to Hong Kong e-transactions.

An interim solution recommended is to make payment off-line or by using debit card. For instance, one can order online and then make payment through deposit dollar consideration direct into vendor’s bank accounts, or writing cheques. Also, in future, one may be able to pay online at home using debit/cash card (which has no credit limit) like the Octopus card. The maximum loss will then be contained to the pre-stored value of this debit/cash card. Hong Kong Bank is moving in this direction.

A respondent suggested an alternative to pay through utilities monthly billings. For example, an e-shop can ask a strategic partner or a collection agent like the Hong Kong Water/Gas/Electric Supplies, to collect payables on their behalf.

### (2.2) Trust and Privacy:

It was suggested that the issue of the security of personal data is becoming the key issue in the emerging Internet based business environment. Until these issues have been properly addressed, many people will continue to refrain from purchasing via the Internet. Their lack of trust arises from the perceived lack of control over e-operator’s access to their personal information during the order placing and payment process. They are also worried about the control over the secondary use of information, that is, whether the

data will be misused or sold to unknown third parties. For instance, the receiving of junk mails from an unknown third party is one of the undesirable consequences.

Also, there is always the question of whether the traders will honour an e-transaction. The problem becomes particularly acute for high value orders. All participants were of the same opinions. They all agreed that “trust” and “privacy” were their major concern for on-line shopping.

It was suggested during the discussion, that the deployment of a range of remedial measures, for example, digital signatures, the creation of pseudo-identities and trusted third parties, will allow customers to engage in Internet-based transactions without necessarily revealing their identity. Indeed, the e-operation management should realize that in most cases, it is the determination to apply privacy safeguard technologies that are lacking, not the technologies themselves. This view was shared by a majority of the participants. A few of them went further to state that the benefits of building trust and confidence in the e-economy will in the long term reflect favourably upon e-brand reputations.

In fact, Barwise, Elberse and Hammond (2000) suggested that consumers are willing to disclose personal information and to have that information subsequently used to create customer profiles for business use, if they also perceive that there are fair procedures in place to protect individual privacy.

Also, interviewees shared McLeish's (2001) view that sometimes “they are entirely unaware that their personal data has been transferred offshore”. To induce them to shop on-line, “data collectors must state the purpose for which data is collected” (McLeish, 2001).

### **(2.3) Bricks and Clicks:**

Respondents stated that personal contacts with employees are important in building trust. This is an added advantage in merging virtual shops with traditional, physical stores in order to promote sales for both of them. Consumers may go to physical stores to talk to sales staff and inspect, touch and otherwise experience products. Subsequently, when the need arises, they can place orders via the Internet. This B2B (back-to-basic) model has been very successful recently in the United States, and is a fast growing e-commerce business model.

In Hong Kong, “bricks and clicks” operation has the added advantage that an on-line shopper can choose to pick up the goods themselves from physical stores. The latter may be located close to their office or on their way home. This saves the time and anxiety of waiting for delivery of goods. A few respondents specifically pointed out that they do not mind picking up goods ordered on-line, from pick-up points close to their working places. Thus, shipping costs associated with on-line orders will also disappear.

Finally, after-sales services, such as refunds and returns, for goods purchased on-line, could be more easily carried out through traditional physical stores. Respondents pointed out that in Hong Kong e-shops, “refunds and returns” system is lacking. Backed by a sizable traditional physical stores, will help to build up Internet non-shoppers' confidence in e-shops' after-sale services.

### **(2.4) Popularity and Brand Name Building:**

A majority of the respondents considers that a popular brand name associated with the e-retailer helps to increase their confidence in on-line shopping. “Trust” will be increased, while fear towards problems associated with “logistics” and “after-services” reduced.

Indeed, in the context of the Internet, the brand is the experience and experience is the brand. Loyalty is not won with technology. It is won through the delivery of a consistently superior customer experience” (Barwise, Elberse and Hammond, 2000).

### **(2.5) Improve Web Traffic:**

A few participants had indicated that they would only visit a web-site for fun. To induce them to consider on-line shopping, it must be fun. They had suggested that e-shops could add games, competitions, lifestyle information and links to other e-shops. These have to be changed everyday to reflect customer response. Also, there needs to be an easy navigation and e-shopping process to convince users to shop on-line. A respondent pointed out that broad bandwidth has been increasingly popular in Hong Kong, making the downloading of games and video files faster and less of a waiting exercise. Also, the latest streaming techniques, which enable the downloading of films and other real-time events, will help to attract more and more web traffic in the future.

However, one respondent stated otherwise. Making e-shopping fun would not make him consider shopping on-line. A purchase decision to him is based on pricing, product quality and delivery guarantee. Games and other attractions will only make him spend more time surfing the web site. Barwise, Elberse and Hammond (2000) recommended similar view that e-managers should aim not only to maximize the breath (time spent on a site) and depth (number of pages viewed) of visits to their website, in addition to the repeat-visit rate, but also, the amount of money spent per customer.

### **(2.6) Customer Relationship Management:**

A respondent indicated that one-to-one marketing is important to induce on-line shopping. In the Internet world, through the application of customer relationship

management “e-CRM” software, e-shops can easily keep track of customers’ visit and preference records. This data can then be used to create an ongoing sales dialogue with each particular customer. Allowing, for example, an e-retailer to take the initiative in introducing new products to fit that particular customer taste and budget. Such a task is formidable in a physical sales environment, while in the virtual world it is both possible and practicable. This “segment of one” is a new technology enabled marketing strategy that e-commerce operators should learn and apply. CRM also helps to facilitate on-line product personalization as well.

Another participant pointed out that two of the local leading newspaper groups and an electronic appliances manufacturer recently installed the Oracle ERP (enterprise resource planning) software system, which include a customer relationship management module. This will help them to keep real-time client database, and definitely will facilitate their future moves into online shopping market.

### (2.7) On-line Discount Shop:

In general, interviewees think that the “online discount shop” concept is practicable, and may induce them to consider shopping on-line. This in turn confirms that “price competitiveness” is a major factor driving on-line orders. This conclusion is in line with that of the online questionnaire survey above-mentioned, and overseas empirical studies on subject.

Also, an interviewee mentioned that merging an on-line discount house with a traditional physical store would help to solve delivery issues, and at the same time address the “trust” concern.

As a matter of fact, online discount shops have a major competitive edge over physical stores, that over web-platform it is much easier to pool collective bids together. This is a business direction e-operators should closely look at.

### SUMMARY AND IMPLICATIONS

Respondents both from the on-line questionnaire and focus group discussion indicated that issues of “payment security”, “privacy and trust”, “logistics”, “after-sale service” and “shipping costs” have to be adequately addressed, before on-line shopping in Hong Kong can prosper.

Also, the concepts of “bricks and clicks” and “on-line co-op discount programs” appear to be promising developments for the future.

Implications drawn from this study on why certain Internet

users in Hong Kong refuse to shop online? Also, what can be done to facilitate online shopping in Hong Kong will assist e-shop operators in shaping their future marketing strategies. They may also help future researchers to build an e-commerce consumer behaviour model.

However, any conclusions drawn from these studies are time and space specific. Given that Internet technology and the business environment are changing so rapidly, any finding of online shopping behaviour will need to be updated periodically to reflect.

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