

The importance of online shopping

Project skills

Literature Review

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Abstract

This paper explores the benefits and problems with online shopping. It looks into reasons why more and more people are turn to online shopping every year. Online shopping has grown substantially over the years in places all over the world especially in the US and Europe. It discusses the history of online shopping, from the beginning when it all began with Michael Aldrich in 1979. It also has a look of the expansion of online shopping over the years and how it has turned into an essential part of everyday like. This paper takes a close look into the problems that consumers have experienced while shopping online, and the concerns they have with online shopping such as privacy and security. These problems and concerns have been highlighted by studies conducted by Populus and Forrester Research. This paper also discusses possible improvements which can be made to online shops to help improve consumers' experience. It also discusses the improvements to privacy and security which will help online stores gain consumers trust.

Literature Review

Introduction

Shopping is very essential part of everyone's life. Today shopping has become much more efficient through online shopping. In today's society more and more people are using the internet to purchase items such as food, clothing, books and technology. One of the main reasons more people are choosing to shop online rather than going to brick and mortar stores is because of the price. Online shops are normally cheaper than brick and mortar shops as they have less expense. They tend to run out of warehouses rather than shopping centres and they normally require less staff. Online shopping is also a lot more convenient for customers as they can buy an item anytime, anywhere. Most business hours are the same as everyone else's working hours. Therefore, people are unable to find the time to go shopping. Online shopping is also great for people who are trying to buy items that are unavailable in their area. Instead of just being able to choose from the items in their local stores, they can choose from a long list of items from stores around the world.

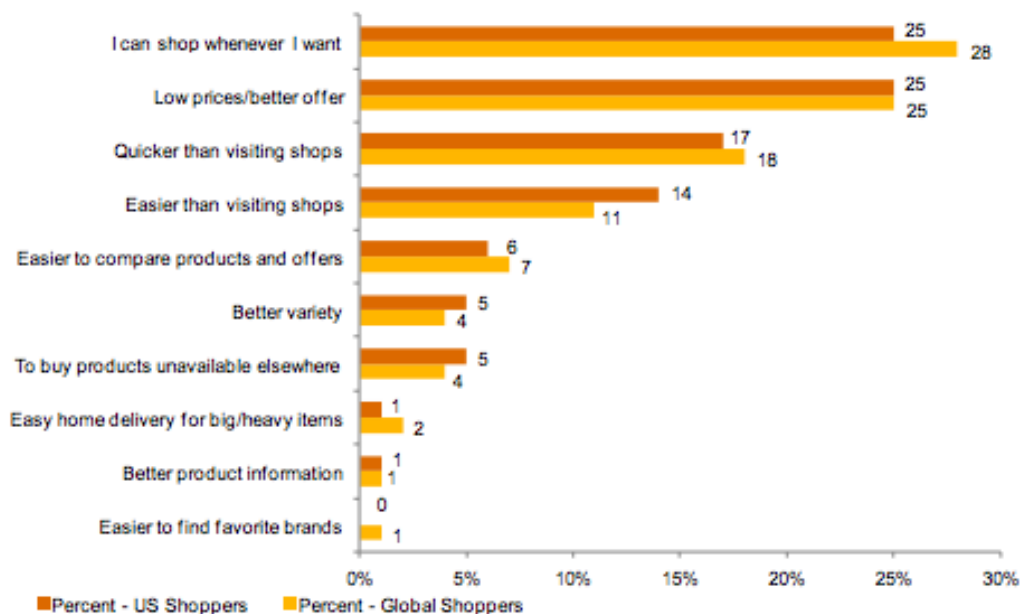


Figure 1: Study conducted by PWC about reasons people choose to shop online.

History of online shopping

Online shopping was invented in 1979 by Michael Aldrich. It was invented, implement and succesful in a very short period of time. The first Business to Business online system called Thompson Holidays was released in 1981. The first computer system used for online shopping used standard communications hardware and a standard human interface. Aldrich

system connected a modified TV to a real-time transaction processing computer with a telephone line. It was a very basic and easy to use system.

Business to Business online shopping was commercially viable since 1981 although, Business to Consumer online shopping did not become commercially viable until the 1990s. In the 1980s B2Cs pilots were funded by social security funding to see if there was potential for computing to help benefit people who are physically challenged by offering them this service.



Figure 2: English entrepreneur Michael Aldrich invented online shopping in 1979.

Growth of online shopping

Over the last few years online shopping has rapidly increased in all parts of the world. Although it has been around for many years a lot of people were too reluctant to give their credit card details to online shops. This is no longer the case as customers are now able to shop online in a much more secure environment. There are many other reasons for the growth in online shopping such as the increase in mobile devices. In an annual survey conducted by PriceMe in New Zealand, they were able to discover that smartphone ownership had increased from 29% in 2011 to 56% in 2012. They also discovered that tablet ownership increase from 10% in 2011 to 34% in 2012.

There are many examples of the growth of online shopping around the world. Research carried out by IBIS world research is evidence of this growth. They have projected that the amount of money that Australians spend online will increase by \$10 billion dollars next year.

They believe this increase is because of the faster and cheaper delivery, and better return policies online shops are now offering.

In African countries online shopping has also increased dramatically. In South Africa, 51% of users with internet access now shop online. And in Kenya 18-24% of people with internet access shop online. The main reason for the increase of online shopping activity in Africa is because more people are getting access to the internet. The International Telecommunication Union (ITU) figures state that approximately 28% of the Nigerian population now have internet access and the number of mobile network subscriptions has reached 87 million.

Online shopping has grown massively in the US and Europe over the years. Research by Forrester Research illustrates that \$248.7 Billion in online sales are expected to take place by 2015. They forecast a growth of 10% in the next five years. They also expect that online sales in Western Europe will reach up to \$155.7 billion, a growth of 11% annually.



Figure 3: Forrester research online retail forecast for US

Problems with online shopping

Although shopping online is considered a better alternative to shopping in person by most people, it is not a great of an experience as it could be. Research conducted by Populus February 2014 has shown this. They surveyed over 2000 people and discovered that almost half of the consumers where not happy with an online purchase they made over the past two years. Out of the 46% who had problems, 34% of consumer claimed to have problems with Amazon and 29% had problems with Ebay.

The problems the consumers had the most where items arriving late, arriving damaged or faulty, or not arriving at all. 19% claimed their item arrived late, 13% claimed that their item came damaged or faulty, 12% claimed that their item did not come at all, 11% said that their item was left outside without permission, and 4% said they were charged unexpected additional fees.

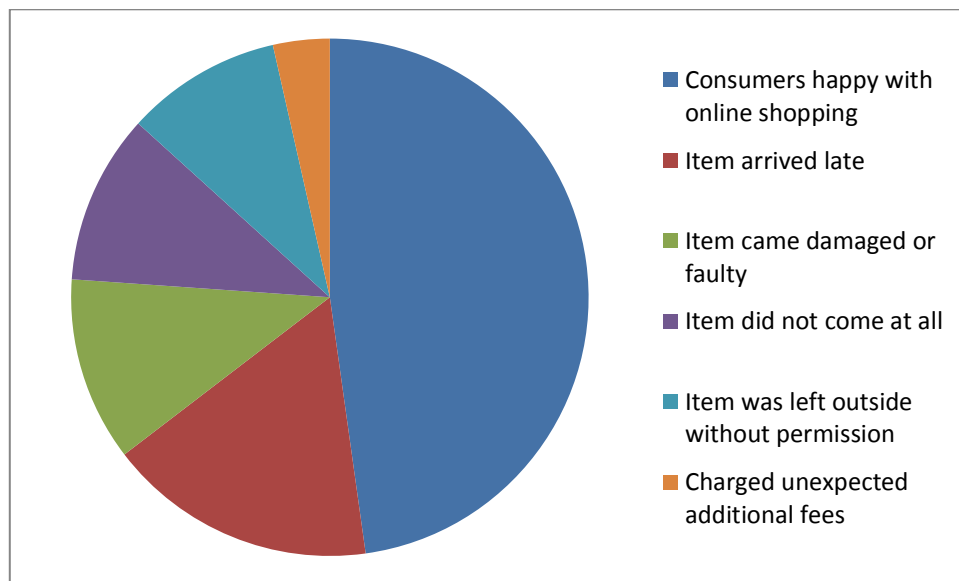


Figure 4: Populus study results

Another big problem with online shopping is that all of users are afraid to shop online. In a study carried out by the National Consumer Council (NCC) they found out that a lot of consumers in the UK lack confidence in the security of online shopping. This has played a big role in hindering the expansion of online shopping in the UK. They discovered that the risk of paying for an item from a fraudulent supplier was a big deterrent. The report also revealed that 35% of adults thought the internet was the most risky place to shop.

A lot of consumers don't trust online stores with personal data. This is illustrated in a report released by Forrester Research in 2011. They conducted a survey with 31,000 people and of those people only 16% of the consumers believed that online stores are trustworthy to keep personal data safe and secure.

The main privacy concern when it came to online shopping was identity theft. 66% of the consumers feared their identity would be stolen while online shopping. 43% of consumers did not like the idea of online shops recording their personal information, and 23% said they did want online shops to share their information with advertisers.

Possible improvements to online shopping

There are many improvements online shops can make to give their consumers the best experience. The consumer should be giving the best shipping service possible so that they are more likely to receive their item on time and not damaged. They need to set reasonable estimates for when their product will arrive and to their best to stick to these dates.

Online shops will have to do their best to gain their consumers trust. They should a privacy policy that tells consumers what information they collect and what they do with it. They should explain how the data they are using benefits the user such as display consumer promotions that are suitable for them. They can also ease consumer's fears by giving them the ability to see what information they have about them. This gives the user a sense of control.

Online shops should carry out the best practices to keep their consumers data safe from potential attacks. They can achieve this by updating the site regular, use a firewall and use spam filters. A firewall will help keep out hackers and keep in important data. Spam filters can help by blocking out any spam which contains malicious software and phishing scams which can harm the business and consumers.

Conclusion

Online shopping is a global phenomenon and it is only getting bigger. It is a greater concept which has many great benefits for people all over the world. From the research I explored I was able to see how online shopping all began and how it has expanded in all areas of the globe. By looking at studies carried out by Populus and Forrester Research I got to see the reasons for the expansions such as more internet access worldwide and reasons that hinder the expansion such as consumer's trust issues. Overall online shopping is a positive experience for consumers but it does have problems that do affect consumers' experience negatively which I found out by reading a study by the National Consumer Council. These problems include the lack of consumer privacy, security and safety online. I believe these problems can be solved with better policies and practices carried out by online stores.

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