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Keywords: e-commerce, Internet, online, consumers, Web, local, global

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E-commerce — The world's consumers have their say

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Abstract

Research International Observer (RIO) is an annual qualitative research programme carried out through Research International's companies all over the world. The purpose of RIO is to provide those involved in marketing and advertising with a better understanding of the world consumer, and to offer insight into the potential for optimising brands, products and communication across international markets.

In June and July 2000, RI offices in 37 markets around the world examined trends in e-commerce and, in particular, the two-way relationship between consumers and e-commerce providers. The research was qualitative in nature, examining the needs and perceptions of consumers in an in-depth manner, allowing researchers to get 'under the skin' and understand some of the drivers behind the mass of statistics available about the Internet.

The results show a fascinating diversity of reaction to the e-commerce revolution. If one believes the e-commerce evangelists, the technology allows access to a seamless global community. The reality that was found illustrates that, although the technology allows global access, local and cultural influences remain strong and must be addressed if e-commerce is really to become an integral part of our lives.

The USA model for e-commerce is not global . . .

Something like three-quarters of all e-commerce takes place in the USA. The country also accounts for 90 per cent of all commercial websites.¹ The Internet was originally developed in the USA and, although the original work that led to the development of the World Wide Web was done in Europe, we tend to regard e-commerce as an American invention. Consequently, much of the thinking about the needs and expectations that drive consumer e-commerce behaviour has come from the USA.

It was found that, although consumers everywhere are intrigued by the possibilities of e-commerce, there are high levels of scepticism and resistance in many countries outside the USA. The key conclusion was that e-commerce marketers cannot just assume that a US development model will be successfully exported. The bar that they must aim for is higher, and it can only be reached by localising offerings to fit the specialised cultural and structural conditions in the countries concerned. Outside the USA, the consumer still needs to be convinced that e-commerce is for the mainstream and not just those who seek novelty or have a high acceptance of risk.

Cultural effects on e-commerce

But what is meant by the US model for e-commerce? In general, this refers to the types of standard processes to be found on many of the revenue-generating websites designed by individuals, dot.coms and multinationals alike. The typical stages to be found could be summarised as in Figure 1.

But while this has proved to be a very successful model within the USA, is e-commerce in the rest of the world living up to its potential? Yes, the projections look good, but there are some basic cultural issues that are being ignored or overlooked and are preventing e-commerce becoming a truly integral part of our lives.

This study showed that, although differences appear in every market outside the USA, there was more enthusiasm for e-commerce in Australia, Israel, Northern Europe, Japan and Korea. In Southern and Eastern Europe, Asia and Latin America the market currently appears more restricted

This scepticism and resistance is rooted in a variety of factors: some cultural, some historical, some linked to the experience of the Internet itself. Two key consumer drivers stand out as organising principles that cut across most consumer segments in most countries: the need to control and the need to trust. While these drivers operate in real-world commerce, the intrinsic nature of the Internet and the way it is experienced by consumers mean that their importance is paramount.

E-commerce outside the USA

Cultural and historical influences

The US consumer is influenced by a number of factors that have favoured the development of e-commerce. While clear and defined in the USA, there are obvious contrasts with the rest of the world.

Figure 1: The US model for e-commerce

Relationships with the PC

Attitude to technology

The USA displays more of a general faith in and openness to the benefits of technology than other markets. Technology appears to be embedded across most layers of society, whereas in other parts of the world it remains the domain of the younger generation.

In the USA, the PC has permeated to an extent that it can be viewed as a part of home life and an entertainment tool. In many of the Southern European and Latin American markets, the computer is seen as a serious work tool. A computer in the home therefore poses a dilemma. It is in contrast to more normal spare-time activities which are mentally linked to enjoyment, sun, fun, relaxation and leisure outdoors.

‘In this part of Europe we like to come out of our houses, to enjoy life. I’ve been to Germany once, and at night there is nobody on the streets, so it is logical that they navigate on the Internet a lot more than we do.’ Spain.

Shopping cultures

Retail heritage

The USA has a long history of successful shopping from catalogues. Some of America’s most successful retailers (eg Sears) began as a mail-order channel. Contrast this with the often poor reputation of mail order in many other countries. The decline of neighbourhood store locations throughout the USA has resulted in the need to drive to get to shopping outlets and malls.

Shopping is far more than a simple acquisition activity in many cultures (eg South-East Asia and Mediterranean and Latin American countries). It is a complex social and cultural activity in which the purchase of goods is only a single element.

Payment inflexibility

Credit card usage

The existence of a robust and largely secure payment system (eg credit cards) in which consumers have faith is important.. While concerns about security and fraud do exist in the USA and are a major factor cited by e-commerce resisters, the overall levels are dwarfed by those in other countries. Levels of credit card usage are very low in some highly developed economies (eg Germany). There is clearly a need for the development of alternative payment systems; in fact the RIO study came across a number of intriguing and creative ways in which consumers in emerging markets handle their payment requirements. Paradoxically, the robustness of the credit card payment system in the USA may have inhibited the successful development of alternative e-cash payment systems.

The importance of personal information

While the USA has a heritage of direct and database marketing approaches and an understanding of their implications, in many other markets consumers are much more possessive about the use of their own personal details and fear that e-commerce removes any protection. Fears

range from a basic intrusion of individual privacy (eg Germany) to real concerns over safety (Latin America).

Fears about privacy

‘There are crazed, really sick people on the Net that know everything there is to know about it and can, therefore, not only rob you but harm you as well.’ Mexico.

‘It worries me very much. The individual has been stripped bare by the power of the media. You hand over information and don’t know what’s done with it.’ Germany.

Fulfilment infrastructure

The existence of physical delivery systems which consumers trust is another factor. This faith is far weaker in some quite developed economies (eg Norway). Delivery is already a big issue everywhere and has led to the development of hybrid e-commerce acquisition models in which goods are ordered electronically but are picked up by the buyer from the store or another location (Australians pick up their goods from post offices).

Trust in delivery

The USA has a large market-place with a largely common legal system that (currently) does not tax e-commerce purchases. Contrast this with Europe and the complex nature of intra-state e-commerce transactions. For this reason, it was found that many consumers in these economies would only buy from a local site (in contrast to consumers in countries like Russia or Taiwan, who were much more secure buying from sites outside their countries).

Clear pricing policies

While e-commerce in the USA has been simplified with no additional indirect taxation (such as additional sales or state tax), other markets operate a more complex or undefined system which can hinder e-commerce in a number of ways. Issues include hidden costs such as value added tax, exchange rate fluctuations and customs and import duties, all of which can discourage the potential purchaser.

Taxation and duties

Some cultures may actually not value a fixed cost and negotiation to barter down the cost is commonplace (Israel, South Africa, Asia, Latin America and some Mediterranean countries).

Basic market conditions

But history and culture are not the only reasons why the current e-commerce model has flourished in the USA. In talking to consumers, it was very often the most basic of issues that meant that the Internet succeeded or failed for them. In the USA these basic issues are taken for granted and present no barriers to online buying.

The USA has around 144 million consumers connected to the Internet. The six biggest markets after the USA account for a combined connected audience of 123 million (and this is growing quickly). Just these six markets alone offer a huge potential to e-commerce providers, and are

Markets are fundamentally different

likely to outgrow the USA in number of connections over the next two years.

However, if we look at some of the key issues identified by consumers as affecting e-commerce take-up (Figure 2), we can see that there are some basic differences. Yet many e-commerce providers fail to address these. The message is clear: although this is a global medium, providers need to acknowledge and adapt to local conditions before e-commerce will truly grow to match the hype.

Buying online is different: The need for control

The very nature of the online shopping experience often sets a series of expectations that are very different from those that prevail in the offline world. It was found that consumers seek a degree of control in their online experience that they would never require in their offline transactions. This is partly due to the insecurity many of them feel about buying in this new medium, but it is also related to the medium's lack of 'humanness'. It is a two-dimensional, rational experience that lacks the emotional dimension of the real world, a dimension that can often help mitigate shortfalls in product or service performance. Online shopping is often very goal oriented and purposeful; as a result, consumers can be very unforgiving of errors they would tolerate in the real world.

Online customers more unforgiving

'I feel like I am standing up alone against the world. I feel very small.' Spain.

The vital issues defined by this research	US	Japan	UK	Germany	China	S.Korea	Canada	Italy
Credit card use	high	medium	high	low	low	high	high	low
Willingness to give personal information	✓	X	✓/X	X	✓	X	✓	✓/X
Use of English language	✓	X	✓	X	✓	X	✓	X
Effective postal system	✓	✓	✓	✓	✓/X	✓	✓	✓/X
Clear legal system	✓	✓	✓	✓	✓	X	✓	✓/X
Telecoms access cost	low	high	medium	medium	high	low	low	medium
Availability of hi-speed access	high	low	low	low	low	high	high	low
Tax requirements	✓	X	X	X	✓	X	X	X
Easy access to traditional retail	X	✓	✓	✓	X	✓	✓	✓
Trust	high	low	low	low	low	medium	low	low

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Figure 2: Key economic issues by market

‘Technology is very demanding, it exhausts you, it leaves you isolated.’ Argentina.

‘It’s empowering but still has power over us.’ USA.

Relative to the USA, it was found that many consumers in Europe and elsewhere favoured sites with a ‘bricks-and-mortar’ presence. This need for a real-world equivalent has psychological value; it also provides consumers with the reassurance that, at least in theory, there is a place to which goods can be returned and questions answered. One challenge for ‘bricks-and-mortar’ marketers with an online presence will be to meet the expectations of their online customers in the offline world. There is no doubt that the best sites will raise the service expectations of customers (as Amazon.com has done), and that these expectations will be transferred to the real world.

The varying expectations of e-commerce

All consumers come to the e-commerce experience with a certain set of expectations. Some of these expectations change by market, some by individual need. However, consumers express frustration at the inability of sites to address the full range of needs and expectations. Many are considered inflexible and one dimensional, leading again to the feeling that the consumer is still not in control when visiting.

Some of the key drivers identified by consumers for taking an online purchasing route are outlined below.

The inflexible nature of websites

Convenience and speed

There is some evidence from US consumers that price may decline in importance once a secure relationship is established and the very real convenience benefits of e-commerce are realised.

There is also a requirement for speed: an easy, quick ordering process and fast product delivery. Delivery requirements are often faster than for mail order: fulfilment should not be based on a mail-order delivery model.

Cheaper price

Prices that are lower than offline retail are also a natural expectation, especially in the early stages of a brand/customer relationship and particularly outside the USA. Clear information on the total cost (including delivery charges) is required.

Product availability

Most expect a greater choice of products in a particular category than is available from other channels. They also expect products to be ‘in stock’ if actually presented on a site, and are extremely frustrated if this is not the case.

Products that are not easily accessible in the local market may be available through e-commerce — this is a particular driver for Central European and Russian markets.

Fun/entertainment

For some, particularly younger people or those accessing from a home environment, the e-commerce experience can be enjoyable: they will look to browse or to explore new possibilities.

Safety

For some markets, eg South Africa and some Latin American countries, e-commerce offers a safe and convenient option in comparison to the potential offline shopping experience.

‘I don’t know a lot of people who have been shot over the Internet.’
South Africa.

Strategies for success

In the eyes of the e-commerce supplier, true success is achieved when a customer is an active and loyal user of your site. In traditional media companies have looked to the power of branding to generate that loyalty, and in the world of e-commerce they have taken a similar approach. Once the site is up and running, they have put vast amounts of effort (and money) into ‘building the brand’.

According to consumers, they appear to have got ahead of themselves slightly. While promoting brand is an important influence in getting a consumer to a site, the real customer experience of the site effectively determines the perception and feeling towards that brand.

Consumers were quite negative about the current e-commerce offerings, feeling that many sites do not respect their individual needs or expectations. Sites that show a lack of understanding or respect for consumer needs in design can damage even those brands that previously have been held in the highest of esteem.

The message to e-commerce providers is clear. While a strong brand is important, do not put the cart before the horse. A closer understanding of the consumer is required.

- Recognise that not all consumers are the same and reflect that in site design and promotion.
- Recognise the hard cultural differences between consumer types and markets.
- Recognise the ‘soft’ underlying needs and feelings of a consumer in what is essentially a shopping experience.

Generating a feeling of control

The ‘sensory deprivation’ in e-commerce leads to the consumer feeling alone and perhaps demanding more control than they would have in an offline relationship. It would appear that the very nature of the customer/brand relationship is subtly different. The consumer needs to feel more in control, even if this is really only an illusion.

E-commerce design, tonality and fulfilment need to reflect this understanding. Only by overcoming these basic barriers can the e-commerce provider then move on to build a trusting and lasting brand

The website is the brand

Giving more power to the user

Reflecting the 'real world' online

relationship with the consumer. Some key learnings and insights from the survey are given below.

Reflecting consumer expectations and mode

Respect the mode in which the consumer wants to browse your site, offering him a choice between a streamlined (fast) or an elaborated (slow) mode early on in the experience.

Respect the customer's time

Keep registration systems short. Locate them just before the ordering process, not as a condition for entering the site. If more lengthy information is required, let the customer know why it is needed and how it will be used.

Be honest about product availability. Provide this information as early in the site experience as possible.

Have easy downloads. In many countries restricted bandwidths pose a problem for effective downloads (as boo.com experienced).

Restrict the amount of banner advertising on a site. Although consumers recognise that this may subsidise the e-commerce offering, they do not want to feel bombarded (as they may be paying call charges to access).

Respect the customer's language

English-only sites were seen to be a problem in countries like Spain, Greece, France and Germany. Develop local language versions, as language is an important component of trust. However, in some countries where the local retail economy is less well trusted (eg Russia and Taiwan) English-language sites were favoured

Respect the customer's experience of the real world and its importance

It was found that early-stage e-commerce customers will initially seek out packaged goods brands they know. Help them find these products quickly by showing the packaging graphics with which they are familiar.

Dot.com companies need to demonstrate a real as well as a virtual existence to provide reassurance. They can do this by:

- displaying addresses and phone numbers
- operating a help desk
- responding to e-mails quickly and being proactive via e-mail in the event of problems.

Offering choice

Respect attitudes towards money and credit cards

Many countries, some quite advanced, prefer COD to credit card payments, eg Belgium, Chile, Germany and Hong Kong SAR. Payment by invoice was popular in Germany and the Scandinavian countries.

Offer alternative payment systems to credit cards (cash on delivery, payment through the ISP, money orders, Internet-specific credit card accounts etc) in most countries outside the USA, UK and Japan.

Respecting local fulfilment conditions

Fulfilment is often ignored as part of the overall online brand experience. E-commerce providers may feel that once an order is placed on a site, their part of the transaction is completed. This is not the case for consumers. Issues such as the reliability of delivery, the quality of packaging, the branding of that packaging and the ability to 'keep a promise' all reflect strongly on the online brand. In a way this is the one part of the process to which consumers relate strongly, already holding well-defined views from offline experiences on what is effective fulfilment.

**Do delivery models
add value?**

Fulfilment arrangements should reflect local postal/delivery capabilities and be honest and realistic. However, note that the Internet itself often creates expectations of quick fulfilment (again, this is not a catalogue fulfilment model).

Delivery times were typically seen as a problem in places like Hong Kong, where the offline alternatives were usually nearby and products could usually be obtained quickly. If the benefit of the Internet is convenience, why order products which are more easily available offline?

The Japanese, especially those who work, pick up their e-commerce packages from convenience stores. Clearly, the problem of getting products to people who are not at home to receive them will provide all sorts of business opportunities in the years to come. For a medium whose key benefits include convenience, consumers are asking why are e-commerce providers not providing flexibility at the back end of the buying process?

Respecting attitudes to risk

Concerns about warranties and return policies are also key components of trust. Consumers in many countries sought to reduce their exposure to risk, at least in the early stages of their e-commerce relationship, in a number of ways:

**Websites must earn
trust**

- limiting their purchases to low-ticket standardised products like books, music and computer parts
- buying services where the product required is delivered electronically, eg concert and travel tickets, software
- buying financial services where there is an existing relationship with the retailer; thus banking and other financial services were popular in Scandinavia, the UK and South Africa as well as the USA
- in some countries, food is a commodity bought online (the USA, the UK and Germany) where trust in the trader superseded any misgivings about doing business on the Web; countries with a greater emotional involvement in food (Southern Europe, Latin America and some Asian countries) were much more likely to reject grocery shopping on the Web.

The use of the Web as a medium for information gathering on higher-ticket items was popular in many places. In the USA, it is now estimated that the Web is involved in 80 per cent of all car purchases by consumers.

Linking the virtual to the real world

For retailers and manufacturers, the key will be to find strategies to move consumers from low-ticket items to high-ticket ones, as well as to extend the role of the medium from information gathering into purchase.

Generating trust

In the sensory-deprived world of e-commerce, consumers appear to be looking for some orientation and 'familiarity' to help them. One obvious expression of this is a preference for 'clicks-and-mortar' brands in some markets. Some strategies identified by consumers for creating trust are illustrated below.

Familiarity

Brand values should be consistent for the offline and online experiences. If a consumer is familiar with a particular brand offline, consumer expectations will be the same for the Web. Change of brand image, or even store layout and product offering, tends to cause disappointment and frustration. Wherever possible the e-commerce provider should offer a user experience that replicates or can be related to the offline offering.

Reality

Although visiting a virtual location, mainstream consumers are reassured by the presence of 'real-world' support. Visible illustrations of this are telephone numbers, offline addresses, help desks and security reassurances. Again replicating the support available in an offline environment goes a long way towards the formation of trust.

Treat me as an individual

Consumers are wary of being forced down certain routes in e-commerce sites and of having a standardised and limited choice, hence requests to be 'treated as an individual'. There has been some recognition of this, and e-commerce providers have reacted by building personalisation into their offering. However, in many instances consumers complained that this was having an even more negative effect.

'We don't want a leash, we don't want a collar.' France.

Personalisation in an e-commerce sense can actually be perceived as restrictive and a threat to an individual. Often personalisation requires consumers having to register information on interests and behaviour (which is in itself an issue), with little apparent benefit to them other than unsolicited e-mail. Successful personalisation has been based on the observed behaviour of the consumer and polite suggestions for alternatives (see Amazon.com), rather than an intrusive e-mail or registration approach.

Consistency (product, promotion, price)

It has been stated that there should be consistency in the online and offline approaches for a brand, but this should also be reflected in the product and price offering. Consumers who purchase a product in a store only to find it cheaper online may be disappointed (or even disadvantaged

if they do not have Internet access). This kind of price competition between channels appears to antagonise consumers and they would like to see the online and offline media working in harmony. Good examples included buying/reserving a product online to collect from a store, or trying a product in-store to order online at a later stage. Clicks-and-mortar companies that offer special Internet 'deals' run the risk of alienating part of their customer base and damaging their coordinated offer.

Moving forward

Although this paper has focused on many of the current problems with e-commerce identified by global consumers, the long-term view appears to be promising. For the majority of mainstream consumers there is a desire to be more integrated with technology (if only driven by the need to be more involved as the younger generations of families grow up with the technology). Expectations of e-commerce are high for the future (one of the drivers of the disappointment with current offerings), with a real belief that it will become a fully integrated part of life over the next five years or so.

For many of the more technically literate segments, the Internet itself has already become so integrated into life that it functions almost as a 'sixth' sense. At its most profound, this sixth sense is an ethereal, but also very functional, connection to the wider world, allowing these individuals to reach out and interact on a broader global scale. In the USA, quite a few of these consumers were broadband users; the existence of a fast, 'always on' connection has clearly had a dramatic impact on the usage of the medium for these people. In a very real sense, the Internet is no longer 'technology' for these individuals but a vital everyday medium like TV or the telephone. So with the advent of broadband, interactive television and third-generation mobile making high-speed access to online services more readily available, we may see this sixth sense spread into the mainstream consumer audience.

In summary, business-to-consumer e-commerce is clearly the most exciting and dramatic development in retail since the introduction of the shopping mall. Just as the development of cheap, reliable automobiles made the success of shopping malls possible, so do consumers need to feel confident in this new virtual transportation system. However, while technology will make it possible to do things of which we can only dream, the speed with which these dreams are realised will depend upon adapting the technology to needs of consumers and the requirements of local cultures and not the other way around.

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Appendix: About RIO

The research aimed for an understanding of the world of e-commerce in terms of:

There is interest in technology . . .

. . . but few have integrated it into their lives

- barriers
- behaviours
- attitudes
- implications for brands.

A total of 37 countries participated in the study, representing a spread of the Western and developing world.

Europe (15 countries)

Belgium	Netherlands
Czech Republic	Norway
Denmark	Russia
Finland	Spain
France	Sweden
Germany	Turkey
Greece	UK
Italy	

North America (two countries)

USA (New York, Boston and San Francisco)
Canada

Latin American (seven countries)

Argentina
Brazil
Chile
Colombia
Costa Rica
Mexico
Puerto Rico

Asia Pacific (12 countries)

Australia	Korea
China	Malaysia
Hong Kong	New Zealand
India	Singapore
Indonesia	Taiwan
Japan	

Middle East and Africa (two countries)

Israel
South Africa

In all, 176 group discussions were conducted with consumers at various degrees of affinity for e-commerce:

- highly involved (46 groups)
- newly involved (50 groups)
- not yet involved (48 groups)

— suspicious or rejecting (32 groups).

Overall, the sample was representative of the more urbanised and culturally developed sectors of society (all had access to computers) — rural areas were not represented. In some countries, two or more locations were used. In most the work was carried out in the capital or in a major industrial city. Thus the attitudes of the respondents were more similar to each other because of the 'capital city effect' than they perhaps were to their more rural compatriots.

Between four and eight group discussions were undertaken in each market, with six to eight respondents in each session. The sessions were not designed as traditional question-and-answer sessions with quantitative findings, but as a more open-ended, in-depth investigation of respondent needs and attitudes.

In addition 130 in-depth interviews were conducted with expert commentators (individuals working in or with the technology). These were drawn from fields such as technology provision, academia, journalism and government.