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Online Shopping Attitude of Indian Tier 2 Consumers:
Some Qualitative Insights

Preeti Thakur, Jaypee University of Information Technology Waknaghat, Solan, India
Anupriya Kaur, Jaypee University of Information Technology Waknaghat, Solan, India

ABSTRACT

This study explores the antecedents to online shopping attitude formation that is typical to Indian tier 2 consumers. Qualitative research has been carried out and semi-structured depth interviews were conducted. The grounded theory approach has been used for analysis and a conceptual framework has been developed. Based on the overall analysis, the model depicted the causal antecedents and outcome of online shopping attitude. The findings from this study reveal that online shopping is not limited to a purely convenience-oriented patronage and is rather influenced by a much more holistic approach leading to the attitude formation in tier 2 consumers. The study identified 5 major antecedents to online shopping attitudes specific to Indian tier 2 cities. This study holds meaningful insights for internet marketers and e-commerce business strategist. In particular, for the marketers the study suggests that non-metro cities can no longer be overlooked as they have emerged as significant markets for the future.

KEYWORDS

Grounded Theory, Online Attitude, Online Shopping, Purchase Intention, Tier 2 Cities

1. INTRODUCTION

India is a big growth story with consumption expenditures to reach $4 trillion by 2025 (BCG, 2017). It is pertinent to note that this growth is marked with rapid shift in consumer behaviour and spending patterns as well as rise of new consumer segments. Although, rising affluence is a major driver of increasing consumption, the rapid growth of internet adoption in smaller towns and rural India would be a definite game changer. Understanding the changes taking place in internet adoption and use in India and how these shifts will affect existing markets and ways of communicating—and create entirely new ones—is essential for anyone doing business in the world's second-most populous country, which is also soon to be the world's second-largest nation of connected consumers (Jain & Sanghi, 2016). Traditionally, the focus has been on metropolitan cities, however close to 3,133 cities that fall under the tier 2 and tier 3 category, comprising of almost 31.16% of India's total population would presume importance and attention of marketers in the time to come (Bajpai, Jain & Samtani, 2015).

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It is beyond doubt that cities that fall under tier 2 and tier 3 segments are most definitely India's financial and developmental future with both balanced and equitable growth are fast becoming the core of projected urbanization in future India. With the exposure facilitated by television, social media, internet penetration and migrant population, the consumers of tier 2 and tier 3 cities are increasingly following and trying to emulate lifestyles of their counterparts in metros and tier 1 cities. E-commerce has emerged as a potent leveler between rural, semi-urban and urban population. An evident influence of e-commerce on tier 2 and tier 3 cities is tied to the paradigm shift in consumption pattern and buying behaviour. It is of no surprise therefore that one of India's leading e-commerce player Flipkart is focusing on adding customers, especially from Middle India (non-metro cities) (Variyar, 2017). The same sentiment is echoed by Jayant Sood, chief experience officer, Snapdeal (another leading e-tailer), "E-commerce solves the big problem of access and availability for people in non-metro areas. Over 70% of order volumes on Snapdeal, come from tier 2/3 cities. This indicates an evolution in consumer behaviour and expectations, leading to the growing adoption of e-commerce as a habit in these regions."

Amidst such a promising scenario it is imperative to understand that small town consumers have their own buying behaviour distinct from their big-city counterparts. The 2017 BCG report on the changing facets of Indian consumers rightly highlights the same by stating – "They (tier 2/3) have a strong value-for-money orientation, significant local cultural affinity, and a more conservative financial outlook. They have high purchasing aspirations but are often constrained by product availability. Emerging cities of similar sizes and growth rates differ from each other and from metropolitan centers in just about all other respects. It would be a mistake to approach consumers in these cities as a homogeneous group. In addition, as the cities grow larger, companies will need to segment further within each one, to identify small areas of opportunity". Given the rapid reach of internet in the erstwhile alienated tier 2/3 segments, the bottom line for organizations is therefore to seek newer models for marketing, brand engagement and ultimately, commerce. Academic or practitioner research can lend support in this direction. Regrettably, the Indian academic literature in this field is limited in providing insights and directions to marketers and other stakeholders to formulate their marketing strategies for these segments. This study aims to bridge the gap and endeavors to make a meaningful contribution to gain insights on the determinants of online shopping attitude in tier 2 cities by using qualitative techniques. In the sections that follow first, the classification of Indian cities is presented followed by prior perspectives on online shopping attitude. Next, the methodology and findings are presented. The concluding section discusses the implications thereof.

2. TIER 2 – CLASSIFICATION AND CONSUMPTION STORY

The cities in India are categorized on the basis of a grading structure devised by the Government of India. This system helps the authorities to allot House Rent Allowance (HRA) to the employees of the public sector, posted in different cities across the country. As seventh central pay commission report by Government of India (2015), cities have been classified as tier1, tier 2 and tier 3 and the division was made on the grounds of Compensatory City Allowance (CCA) and HRA. The population of the city has been set as the criteria for the segregation. The cities which have population above 50 lakh has been segregated as tier1 city, the cities which have population between 5-50 lakh categorized as tier 2/3 cities and the cities having less than 5 lakh population is segmented as Indian small town.

As India grows economically, its rising purchasing power has naturally made its emerging cities promising yet untapped markets. Furthermore, aspirational customers from tier 2 and tier 3 cities have moved away from the notion of wanting a car and house to wanting an international vacation. They are willing to pay the price for their demanded comfort level. Social media plays a large role as well. It has been able to influence customers in the way they want to fit in particular categories with their peers (Evolving shopping habits in tier 2 cities, Published in Business, 2017). Until now, the Indian

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