

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

In the Marketing field of study, the consumer decision-making process has in the past been documented as comprising of a distinct series of steps. First, the consumer has to be aware that a need exists, followed by the search for alternatives to satisfy the identified need. Once alternatives have been identified, the consumer will compare the possible alternatives in terms of attributes or other values of importance. From the evaluated alternatives, the consumer will purchase a preferred product or service. The decision-making process is usually concluded by a post-purchase evaluation phase that will result in either satisfaction or dissatisfaction with the chosen alternative (Solomon, 1996: 268; Assael, 1995: 80; Engel, Blackwell & Miniard, 1995: 142-143; Peter & Olson, 1990: 171; Runyon & Stewart, 1987: 26; and Engel & Blackwell, 1982: 23.)

Considering the well-documented decision-making process, Richardson (2001: 137) predicts that the Internet will have an enormous impact on how consumers make buying decisions. The time and cost of searching and evaluating alternatives and negotiating terms are being driven lower and lower. Through the Internet consumers find that they no longer have to accept fixed prices for products and services and through the click of a few buttons the lowest priced, highest quality product can be found.

Before the Internet became a reality, consumers were often frustrated by having to make ill-informed decisions on products and services they wished to acquire. Sinha (2000: 44-45) supports this statement by stating that obtaining information was time consuming and required a great deal of effort from the consumer. Some information was available in the form of newspaper advertisements, flyers

and brochures, but this information could often not be used since it was outdated. An item on sale today may not be on sale tomorrow; the consumer may take the effort to visit a store without being aware that the store is out of stock or sales people may not be able to provide the consumer with correct information. It was therefore difficult for the consumer to compare a variety of products and to compare prices for different products, often with different attributes.

Considering the above scenario, it is clear that the Internet has brought many advantages to the consumer, enabling knowledgeable consumers to make more informed decisions and purchases. According to Sinha (2000: 44), advantages to the consumer include the availability of free information, easily obtainable from the Internet. The search for information is reduced to a few effortless keystrokes, where collecting the same information traditionally would require considerably more time and energy. The Internet also offers a wealth of information on product features, quality of products and reliability of different suppliers. Prices for products are available from various outlets and can be compared in real time at various Online price comparison sites, by the click of a few buttons. Prospective buyers can even read about purchasing experiences of others who have already purchased the product from a specific outlet. Not only are the product choices discussed but often the retail outlet provides the consumer with peace of mind for an intended purchase.

Sinha (2000: 44) continues by stating that the influence of the Internet, specifically the availability and ease of obtaining product information, features, quality and prices, is also assisting the Online consumer with traditional, "Offline" purchases. Consumers are more knowledgeable about products they wish to purchase and have a better understanding of how prices are determined by sellers. This information assists the consumer to apply more pressure to the traditional retailers to reduce prices and cut high profit margins.

The Internet represents some major threats to companies and pressure is placed on manufacturers and retailers as a result of the wealth of information available on virtually all products and services. According to Sinha (2000: 44-45), companies are not able to build brands for their products, which would have resulted in price premiums as well as high profit margins. The availability of manufacturing cost makes it more difficult for the retailer to impose high price premiums, and consumers are demanding lower profits generated by retailers due to their knowledge obtained from the Internet.

Lohse & Spiller (1998: 82-85) add to the view expressed above by identifying a number of factors influencing Internet store traffic that affect the Online seller. The first noticeable factor is the merchandise selection available Online. Internet sellers often do not offer as wide a variety of merchandise as that offered by traditional sellers, which lead to disappointed consumers. In addition to the lack often experienced in terms of variety, consumers can also not interact with the product as with paper catalogues. Sellers therefore need to be pro-active by offering hyperlinks to more detailed information on products and product testimonials.

Service is a second factor that should be considered by sellers on the Internet. Lohse & Spiller (1998: 82) suggest that the Internet has placed operational pressure on companies, where consumers demand continuous, useful communication, across geographic barriers (worldwide shipping, multilingual sites), 24 hours a day, 365 days a year. Service required by consumers includes sales information, support for merchandise selection as well as answers to frequently asked questions. Consumers also need information on the companies they are dealing with, their history, background, credit, return, and payment policies, equipping them with the knowledge on the credibility of the organisation they are dealing with and providing their credit cards details. The latter is especially important for new companies operating solely on the Internet.

Sellers of products and services on the Internet should also consider the importance of convenience to the consumer, including Online store layout and ease of use with regard to the site being visited. General help functions may assist the consumer to find a particular function or information when visiting a site for the first time. Convenience features may also assist with management of consumer expectations, for example including a status indicator, updating consumers on the status of a transaction or time remaining for down-loading of large files.

The checkout process is also of importance since most checkout processes are relevant only to a specific site. If the checkout process is too long or confusing to the consumer, sales will be lost. Lohse & Spiller (1998: 84) continue by pointing out that in a real department store, it is easy to undo a purchase by simply telling the sales person that you have changed your mind and will only take part of your purchase. On the Internet executing this simple function is often difficult and may result in all products considered for purchase being discarded, forcing the consumer to start with his selection process all over. Information of importance to the consumer, for example items out of stock, delivery time and cost, may also be omitted when purchasing Online, resulting in unhappy consumers.

The final factor to be considered is store navigation. Every seller's page has to have consistent navigational links to enable the consumer to move around in the site. This need is highlighted due to product searches executed on the Internet that will link the consumer directly to the end product page. If there are no navigation links on the end product page, the consumer may not be able to browse the rest of the Online store to find other products of interest.

Lohse & Spiller (1998: 81) continue by expressing the opinion that understanding the consumer is of extreme importance to Online marketers, since the Internet offers a number of dimensions that need to be considered to evaluate the success of an Online operation. Internet sellers should not presume that

consumers do not want a specific product based only on the fact that a product is not selling. Attention should be given to the relationship between sales and the user interface since this may discourage consumers to purchase products Online. Links to related information, limited menus, poorly designed navigation and structured World Wide Websites as well as difficulty to obtain or compare information on the same screen all have adverse effects on Internet shopping.

From the above discussion, it is clear that marketers need to understand the consumer to be successful on the Internet. In order to gain knowledge about consumer behaviour, marketers should place specific emphasis on consumer decision-making and buying behaviour, since knowledge obtained about the way consumers choose products will ensure more focused strategies to purchase a marketer's product as opposed to that of a competitor. Phau & Poon (2000: 102) support this view by stating that markets can be served more effectively and profitably if Internet marketers understand the underlying reasons for differences in consumer choices.

From a South African perspective, considering the relative low level of penetration by Internet users, the economic dichotomy of the country and the low levels of Online purchases, it is especially important for both the local and international marketer to understand the dimensions of decision-making and buying behaviour of the South African Internet user.

1.2 DEFINING THE AREA OF RESEARCH

This study will focus on household Internet users in South Africa. Before setting the objectives for this study it is important to look at the broader context of the South African Internet user market.

1.2.1 A South African perspective of Internet access and usage

Media Africa.com (2000: 13) provides a history of the South African Internet and indicates that the Internet was introduced to South Africa during the late 1980s through the efforts of researchers at various Universities in South Africa. The more technically inclined members of the public followed by accessing the Internet by means of electronic Bulletin Boards in the beginning of the 1990s. More than 150 Bulletin Board operators were operational by 1994, offering at least e-mail access in South Africa. The first commercial Internet Service Providers emerged late 1993, offering services to corporate clients followed by the first consumer Internet Service Providers in 1994.

Aggressive marketing campaigns by several newcomers to the Internet Service Provider market resulted in the Internet reaching a critical mass of consumers in South Africa, marked by rapid growth during the period October 1997 to December 1998. Media Africa.com (2000: 6) continues by indicating that following the period of rapid growth, the growth in the South African Internet market slowed down significantly during 1999 with expectations that this trend would continue during 2000.

It can therefore be concluded, according to Media Africa.com (2000: 13), that if 1998 was considered the year of critical mass for the Internet in South Africa, 1999 was the year of maturity, followed by a year of consolidation during 2000. This historic perspective as well as the somewhat pessimistic view of the future of Internet access in South Africa is justified by a number of inhibitors to Internet growth in the South African economy. According to BMI (2000b: 26) the three most prominent factors causing this are the current telecommunication monopoly, the population distribution and economic dichotomy.

- a) **Telecommunications monopoly:** Due to the fact that South Africa has only one fixed line telecommunications network provider, namely Telkom, the

availability of alternatives is reduced and no pressure can be applied to Telkom to meet market expectations. Internet services provided are characterised by slow response times and substandard quality, causing frustration to Internet users.

- b) **Population distribution:** The provision of telecommunications and Information Technology infrastructure is hampered by high costs due to the relatively large geographical size of South Africa with a relative small population concentrated in a few metropolitan areas. In addition to the factors influencing telecommunications and Information Technology, the distribution of products purchased Online is also hampered by the distances between the major metropolitan areas, often resulting in distribution not being economically feasible.

It should however be noted that the high concentration of people in the major metropolitan areas such as Gauteng, Western Cape and KwaZulu-Natal could be a driver for localised service offerings, which could prove economically viable.

- c) **Economic Dichotomy:** South Africa is characterised by elements of both first and third world economies and is often referred to as a “digital divided” country. On the one hand of the economy, South Africa has sophisticated information technology and financial infrastructures with an established middle class and on the other hand the country is characterised by large numbers of poor people living in areas with only the most rudimentary infrastructure. Very limited benefits are derived from the Internet and e-Commerce by this “third world” component and it will take decades to cross the bridge between the first and third world components and to substantially improve the ratio between the two worlds. It should be noted that although the third world component will benefit, they will not be the drivers of either the Internet or e-commerce.

In contrast with the limiting factors to Internet access, it should be stressed that the main driver in the South African Internet market currently is the fact that the number of users are growing. Of even greater importance from a marketing point of view, is that Internet users are also spending more time using the Internet. BMI (2000b: 25) remarks that as users get more exposure to the Internet they are gradually starting to do transactions via the Internet, thereby decreasing perceived risk concerns in terms of the security of Online transactions.

In addition it should be stated that an optimistic view of the future of the Internet in South Africa, expressed by BMI (1999: 3), is that it will ultimately become a reality for the majority of consumers. This will occur as education levels rise, as the younger generation becomes exposed to information technology in schools and as the Internet becomes more ubiquitous in public places as well as in the working environment.

1.2.2 Structure of South African Internet users by access method

The predominant Internet access methods available to South African users are via corporate networks (by means of leased lines), academic networks and dial-up access via modems and personal computers. Dial-up access includes users accessing the Internet from home, small-office-home-office (SOHO), businesses and Internet cafés.

While this study will focus on the buying behaviour of household Internet users in South Africa, it is important to first consider the size of the overall Internet market and access methods in South Africa. The discussion in Section 1.2.2 is based on the findings of Media Africa.com (2000: 8-42), unless otherwise stated.

In contrast with the limiting factors to Internet access, it should be stressed that the main driver in the South African Internet market currently is the fact that the number of users are growing. Of even greater importance from a marketing point of view, is that Internet users are also spending more time using the Internet. BMI (2000b: 25) remarks that as users get more exposure to the Internet they are gradually starting to do transactions via the Internet, thereby decreasing perceived risk concerns in terms of the security of Online transactions.

In addition it should be stated that an optimistic view of the future of the Internet in South Africa, expressed by BMI (1999: 3), is that it will ultimately become a reality for the majority of consumers. This will occur as education levels rise, as the younger generation becomes exposed to information technology in schools and as the Internet becomes more ubiquitous in public places as well as in the working environment.

1.2.2 Structure of South African Internet users by access method

The predominant Internet access methods available to South African users are via corporate networks (by means of leased lines), academic networks and dial-up access via modems and personal computers. Dial-up access includes users accessing the Internet from home, small-office-home-office (SOHO), businesses and Internet cafés.

While this study will focus on the buying behaviour of household Internet users in South Africa, it is important to first consider the size of the overall Internet market and access methods in South Africa. The discussion in Section 1.2.2 is based on the findings of Media Africa.com (2000: 8-42), unless otherwise stated.

1.2.2.1 Corporate users

The estimate of South African corporate Internet users, accessing the Net by means of leased lines, grew from 700 000 in 1998 to 980 000 individuals in 1999 with Internet access (often only e-mail access) through corporate networks.

Closer examination of the growth trend in the corporate access market during the first six years of corporate Internet access in South Africa indicates two growth spikes, the first during 1995 and the second in 1997. Table 1.1 indicates year-end figures (and projected totals) for corporate Internet users for the period 1994 to 2004.

TABLE 1.1: CORPORATE INTERNET USERS

Year	Corporate users	Percentage growth
1994	25 000	
1995	65 000	160%
1996	150 000	114%
1997	350 000	133%
1998	700 000	100%
1999	980 000	40%
2000	1 274 000	33%
2001	1 555 000	21%
2002	1 788 000	15%
2003	2 056 000	15%
2004	2 467 000	25%

Source: Adapted from Media Africa.com (2000: 40)

The growth spike during 1995, where growth took place at 160%, can be attributed to 12 new Internet Service Providers entering the market with aggressive efforts to promote access. The corporate access market experienced the second growth spike during 1997, growing at 133%, when e-commerce arrived in South Africa, compelling hundreds of companies to address the Internet challenge.

Table 1.1 clearly indicates the declining growth rate of corporate Internet users from 1998 and the expected declining rate up to 2003. It is expected that 2004 will show a greater growth rate than the preceding three years, growing by 25% to a total of 2 467 000 corporate Internet users.

The higher expected growth rate for 2004 can be attributed to expectations of a second fixed line telecommunications Network Provider, in competition to the current Telkom monopoly, which will stimulate growth.

1.2.2.2 Academic users

The largest portion of academic Internet users comprises of individuals accessing the Internet at universities, technikons and research institutes through Uninet. Uninet, to be replaced by TENET (Tertiary Educational Network of South Africa), offer Internet access to all 21 universities plus one satellite campus, 14 of the 15 technikons and 13 research institutes in South Africa.

Schools accessing the Internet boosted the academic Internet access market more strongly during 1999 than in any of the previous years. A total of 500 schools are connected to the Internet of which 285 obtained access via Uninet.

The number of Internet users accessing the Internet from Uninet-linked institutions was estimated at 250 000 for 1999. This figure is considered reliable since Uninet serves a total of 600 000 users with between 30% and 40% students and 85% of all personnel using their access. Privately funded schools account for approximately 30 000 more users, bringing the total academic user base to 280 000.

Table 1.2 indicates the year-end totals (and projected totals) for academic users as well as the percentage growth and potential growth for the period between 1994 and 2004.

TABLE 1.2: ACADEMIC INTERNET USERS

Year	Academic users	Percentage growth
1994	60 000	
1995	100 000	66%
1996	125 000	25%
1997	150 000	20%
1998	200 000	33%
1999	280 000	40%
2000	360 000	28%
2001	425 000	18%
2002	470 000	11%
2003	510 000	9%
2004	540 000	6%

Source: Adapted from Media Africa.com (2000: 36)

From Table 1.2 it is clear that the projected growth for academic Internet users will decline in future and that the number of users will grow from 470 000 at the end of 2002 to 510 000 at the end of 2003.

1.2.2.3 Dial-up users

Dial-up users can be defined as users connecting to the Internet by means of a modem on the basis of subscription or pre-paid contract with an Internet Service Provider.

Table 1.3 provides year-end totals (and projected figures) for dial-up subscribers for the period 1994 to 2004.

TABLE 1.3: DIAL-UP INTERNET USERS

Year	Dial-up subscribers	Percentage growth
1994	15000	
1995	33 600	155%
1996	79 700	137%
1997	196 620	146%
1998	366 235	86%
1999	560 000	53%
2000	782 000	40%
2001	1 040 000	33%
2002	1 300 000	25%
2003	1 560 000	20%
2004	2 028 000	30%

Source: Adapted from Media Africa.com (2000: 28)

The number of users accessing the Internet by means of dial-up modems grew from 360 000 at the end of 1998 to 560 000 at the end of 1999. This represented growth of 53% and is significantly lower than the growth in 1998 of 86%. This declining growth rate is expected to continue during 2002 where it is predicted that the base will grow to 1 300 000, representing 25% growth. The slow-down rate of dial-up users is expected to continue at least until a second fixed line Network Operator is established in competition to Telkom.

It should be noted that the figure of 15 000 Internet users at the end of 1994 includes 10 000 users with e-mail access by means of electronic Bulletin Board Systems.

The figures included in Table 1.3 only indicate the number of actual subscriptions in the dial-up market and do not take into account that there may be multiple users of the Internet. These additional users may include multiple family members utilising the same account with a number of mailboxes. In addition to family members, small businesses may also have multiple users where one central account is held with multiple mailboxes for key employees.



The figures provided for dial-up users can be considered a true reflection of the dial-up market since a significant portion of dial-up users at home also have corporate or academic access. It is therefore assumed that the “double counting” of corporate and home users is evened out by multiple usage of home accounts.

1.2.2.4 Total South African Internet market by access method

In summary of the South African Internet user base by access method, Table 1.4 provides details of historic access information together with predictions up to 2004 for corporate, academic and dial-up users. The total number of Internet users is also indicated together with historic and projected growth trends.

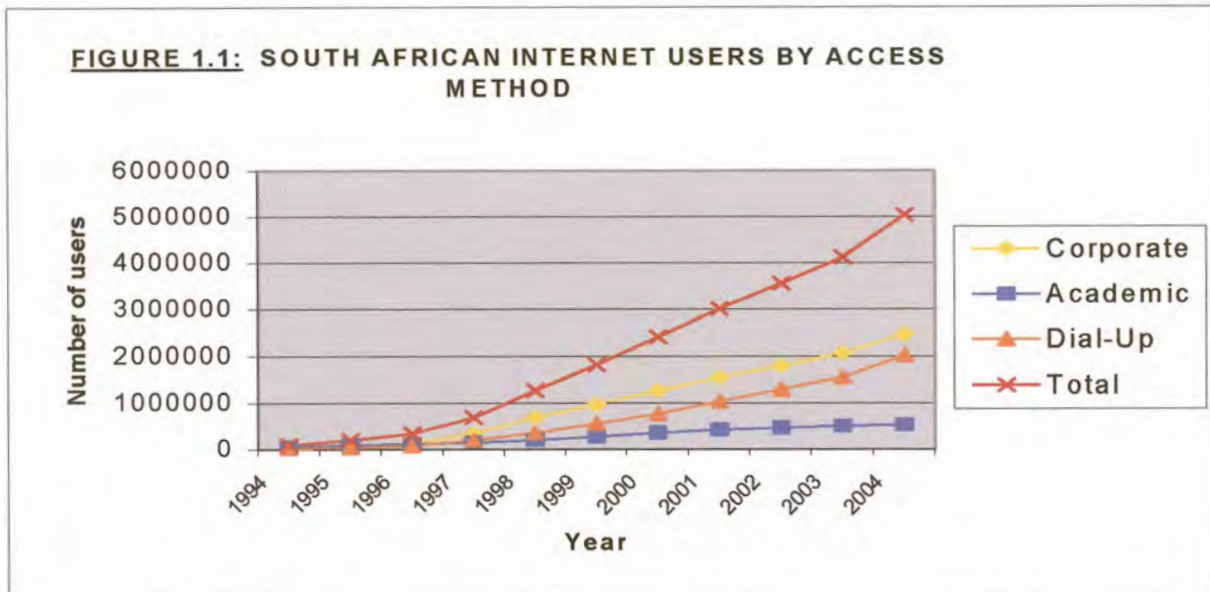
TABLE 1.4: SOUTH AFRICAN INTERNET USERS BY ACCESS METHOD

Year	Corporate users	Academic users	Dial-up subscribers	Total	Percentage growth
1994	25 000	60 000	15 000	100 000	
1995	65 000	100 000	33 600	198 600	98%
1996	150 000	125 000	79 700	354 700	78%
1997	350 000	150 000	196 620	696 620	96%
1998	700 000	200 000	366 235	1 266 235	81%
1999	980 000	280 000	560 000	1 820 000	44%
2000	1 274 000	360 000	782 000	2 416 000	33%
2001	1 555 000	425 000	1 040 000	3 020 000	25%
2002	1 788 000	470 000	1 300 000	3 558 000	18%
2003	2 056 000	510 000	1 560 000	4 126 000	16%
2004	2 467 000	540 000	2 028 000	5 035 000	22%

Source: Adapted from Media Africa.com (2000: 42)

Table 1.4 clearly shows the declining growth rate of Internet users in South Africa from 1998 and projected up to 2003. As discussed earlier, the introduction of a second Fixed Line Telecommunications Network Operator in competition to the monopoly of Telkom will be responsible for the expected increased growth during 2004, as indicated above.

Figure 1.1 depicts a graphical presentation of the growth of South African Internet users for corporate, academic and dial-up users as well as the total Internet user base. Interesting to note is that although the growth rate of Internet users is declining, overall growth is still positive and show a significant increase in the number of Internet users.



It should also be mentioned that satellites possess another method of Internet access to South Africa. Subscriber figures are however still very low and satellite providers need to achieve a critical mass within a short period of time before posing a challenge to other access methods. Media Africa.com (2000: 43) expects that satellite would not, at least for the foreseeable future, overtake traditional access methods.

1.2.3 Definitions of terminology

For the purpose of this study, a number of terms need to be clarified by means of definitions and a short explanation. In addition to terms used throughout this study, a number of concepts are defined and explained to clarify the fit of the

Internet and World Wide Web within the broader literature of electronic commerce and electronic business (or simply e-commerce and e-business).

E-commerce and e-business are two concepts that are often used interchangeably in literature. According to Greenstein & Feinman (2000: 2) and Bothma (2000: 39) there is however a difference between the two terms, where e-commerce is generally considered to have a narrower focus than e-business. The term e-commerce is restricting as it does not fully encompass the true nature of many types of information exchanges, whereas e-business implies the integration of all activities Online and thereby automating all functions of the organisation as a whole.

Watson, Berthon, Pitt & Zinkhan (2000: 1) refer to electronic commerce in the broad sense as the use of computer networks to improve organisational performance.

A formal definition by Watson et al. (2000: 1) suggests that **e-commerce** involves the use of information technology to enhance communications and transactions with all of an organisation's stakeholders (including customers, suppliers, government regulators, financial institutions, managers, employees, and the public at large). Greenstein & Feinman (2000: 2) add to the above definition by including the selling and buying of products and services that require transport, either physically or digitally, from location to location.

According to Bothma (2000: 38-39) e-commerce comprises of three broad categories or different types of business groupings on the Internet, namely Business-to-Consumer (B2C) e-commerce, Business-to-Business (B2B) e-commerce and Consumer-to-Consumer (C2C) e-commerce.

The first category according to Bothma (2000: 131), **business-to-consumer** e-commerce (and the focus area of this study), often referred to as e-tailing, refers to marketing and selling to individual consumers Online.

The second category, **business-to-business** e-commerce refers to businesses conducting business transactions with other businesses Online. Included in B2B e-commerce are Online procurement, supply chain management, customer relationship management and fully integrated inter-company e-business systems.

The last category, **consumer-to-consumer** e-commerce, refers to consumers conducting business or interacting with other consumers Online, usually facilitated by an independent third party.

Two other classifications of e-commerce that should be mentioned, although not of the same magnitude as the preceding three categories, are government-to-business or administration-to-business, and government-to-consumer or administration-to-consumer e-commerce.

The **Internet** (or simply the **Net**) is defined by Bothma (2000: 3) as a world-wide interconnected network of computer networks. Clark (in Richardson; 2001: 67) elaborates on the definition of the Internet by viewing the Net as a decentralised network of computers that communicate over a variety of phone and data lines provided by the government, phone companies and private organisations.

Bothma (2000: 3-4) provides greater detail of the concept of the Internet by stating that the Net comprises of six components. These components, namely e-mail, Newsgroups, Telnet, File Transfer Protocol, Internet Relay Chat, and the World Wide Web are briefly described below.

The first component, **e-mail**, which is what the Internet is most commonly used for, is a form of digital message that can be sent between two or more computers via the Net.

Newsgroups represent a collection of more than 30 000 discussion groups that function on an e-mail type bulletin board basis and cover a wide range of different topics.

The third component, **Telnet**, refers to a way of connecting a computer through the Internet to a remote computer located elsewhere in the world in order to enable the connected computer to become a terminal of the remote computer.

File Transfer Protocol (FTP) is a set of protocols determining how files are uploaded and downloaded between two computers connected across the Internet.

The **Internet Relay Chat (IRC)** refers to an interactive, real-time, chat service where two or more individuals can communicate with each other using a text-based messaging service.

The last component of the Net, and the focus area of this study, namely the **World Wide Web** (or simply the **Web** or the **WWW**) implies the way of organising and viewing the information on the Internet and it provides a user-friendly graphical environment to work in. More simplistically, Bothma (2000: 11) refers to the Web as a way of looking at and organising the information on the Internet.

Clark (in Richardson; 2001: 67), supports the view expressed above by defining the Web as a multimedia (text, sound, and graphics) subset of the Internet as a whole.

For the purpose of this study, the term World Wide Web will imply the specific subset of the Internet accessed by Internet users for browsing purposes. **Browsing**, often referred to as “**surfing**”, the World Wide Web occurs when Internet users search for information on virtually any topic imaginable by means of search engines (e.g. Yahoo or Excite) or following links from one site to another. Browsing also includes specific searches for sites known to users through advertising or word-of-mouth, e.g. ABSA.co.za, Inthebag.co.za and Amazon.com.

The term **Online** will imply all actions executed on the Internet and include e-mail and browsing as well as electronic transactions such as placing of orders, paying for products and services purchased and corresponding with vendors electronically.

1.3 OBJECTIVES OF THE STUDY

The primary objective of this study is to determine the buying behaviour of South African Internet users by using the Internet as an information source and buying channel.

The following are secondary objectives that will contribute towards achieving the primary objective:

- i) determine the factors Internet shoppers and non-shoppers take into account when considering whether or not to purchase via the Internet;
- ii) for non-Internet shoppers, determine whether or not they will purchase via the Internet in the future and which product and service categories they consider purchasing from;

- iii) for non-Internet shoppers not considering to purchase via the Internet in the future, determine whether or not they would consider purchasing via the Internet if more, well-known South African businesses offer products and services via the Internet;
- iv) for current Internet shoppers, future Internet shoppers and non-Internet shoppers who do not consider to purchase via the Internet in the future, determine whether or not they use the Internet as information source to search for product and service information prior to purchase from non-Internet based sellers;
- v) for current Internet shoppers, determine the relationship between the length of time being an Internet user and factors considered before purchasing Online;
- vi) for current Internet shoppers, determine the product and service categories they currently purchase from and the product and service categories they consider to purchase from in the future via the Internet;
- vii) determine the relationship between the demographic variables of Internet users and the decision whether or not to purchase via the Internet, as well as the product and service categories they currently purchase from and consider purchasing from in the future.

1.4 CONTEXT OF THE STUDY

As defined in the objectives set in Section 1.3, this study will focus on factors influencing the consumer decision-making process that leads to buying behaviour for household Internet users in South Africa. Due to the focus of the study, only the decision-making process and buying behaviour of South African Internet users will be researched to derive a better understanding of consumer

behaviour as well as the decision-making process of the South African Internet user.

The decision was made to focus on household Internet users and to exclude corporate as well as business users and factors influencing their decision-making processes. The reasoning behind excluding these users is based on the fact that this study will attempt to provide insight into the buying behaviour of the consumer and to focus on the business to consumer and not the business to business Internet offerings.

Important to note is that although the study focuses on the consumer, and by implication household Internet access, many academic and corporate users may access the Internet from these networks and purchase products and services in their capacity as an individual consumer. It is important to note, for the purpose of this study, that these users will be excluded from the study and that only Internet users who access the Internet from home will be considered. Respondents limiting their Internet usage to e-mail only will also be excluded from the study.

This study places no limit on age, gender, income, language, education level, race or ethnic group. The only limit enforced by the study is that respondents participating in the study have to have Internet access, regardless of the length of time, and that users should engage in browsing activities.

1.5 IMPORTANCE OF THE STUDY

The study will examine existing theory on consumer decision-making and buying behaviour via another, non-traditional, medium (i.e. the Internet) and the importance thereof can be highlighted by the views expressed by three leading research companies in South Africa.

BMI (1999: 3) states that the Internet has become one of the key measurements of a country's progress towards "superhighway status" in the information age. This statement is supported by Media Africa.com (2000: 55) that expresses the opinion that in reality the Internet has become a crucial tool for remaining competitive in a global market.

BMI (2000a: 7) points out that although the South African Internet market is relatively small, the business to consumer market is a viable and profitable segment. However, key to Online success is an understanding of consumers' Online behaviour, preferences and concerns. The proper profiling and monitoring of consumers is of critical importance to enable the marketer to convert "browsers" into "shoppers", and more importantly into regular shoppers.

Webchek (1999:21) supports this view by stating that understanding customer needs and wants significantly enhances the chance for success in the Internet environment. If companies don't understand their customer needs and wants, it will be more difficult to know where to focus their energy, effort and capital. It is also likely that companies will have to make significant, often expensive, changes to Websites after launch, and that they will not be able to obtain the returns they expected.

From the opinions expressed above, it is clear that understanding the South African Internet user decision-making process and buying behaviour is a critical factor for success in this market.

The study will provide a theoretical basis for the consumer decision-making and buying processes together with the application of existing theory on the Internet user. Once the theoretical basis has been established, the study will aim to provide insight into the buying behaviour of South African Internet users through empirical research. The results from the study will contribute to the field of knowledge in a number of ways.

Firstly, the results will provide a better understanding of the application of traditional theory on consumer decision-making and buying behaviour with regards to Internet users. The differences and application of existing theory will be highlighted and conclusions will be made to the relevance of existing theory and models when applied to the Internet.

Secondly, the findings of the study will provide insight into the decision-making and buying behaviour of the Internet user. The findings will offer perspectives of both Internet shoppers and non-shoppers and will offer an analysis of reasons why some Internet users shop Online while others don't engage in shopping activities.

From the analysis, the study will offer the marketer with insights on how to approach the Internet user to prompt purchase behaviour. Deductions from the study will also empower marketers to understand why some Internet users do not engage in Online shopping activities and will assist them to draft Internet strategies that will convert surfers to shoppers.

Finally, the study will also assist the traditional channel manager to gain insight into the decision-making and buying behaviour of Internet users and may assist with strategies to address current shortfalls of the Internet, that will result in Internet shoppers returning to traditional means of shopping.

1.6 DEMARCATION OF THE STUDY

By focusing on the usage and buying patterns of South African Internet and Web users, meaningful insights can be obtained that will assist with the execution of the empirical aspect of this study. This section will provide valuable input to this study by providing information on the South African Internet and Web user.

1.6.1 South African household Internet and World Wide Web users

In order to derive at the number of South African Internet and World Wide Web users, it is important to first understand the methodology that was used in order to determine an accurate number of users, which will be used as the basis for this research study. In order to determine the number of Internet and World Wide Web users that access the Net from home, it is important to first determine how these users can be broadly identified, what devices they use to access the Internet and what percentage of Internet users access the Web.

1.6.1.1 Living standard measurement

The Living Standard Measurement (LSM), of which one measurement is income per household, divides the population of South Africa into 10 categories. Table 1.5 indicates the average monthly income per household for each of the 10 LSM groups, total income for each LSM group and the size of each LSM group as a percentage of total income for all LSM groups.

TABLE 1.5: LSM CATEGORIES AND HOUSEHOLD INCOME (2001)

LSM	Average monthly household income	Total income per LSM group	As a percentage of total income
LSM 1	R 748	R 150 348 000	0.4%
LSM 2	R 895	R 873 520 000	2.3%
LSM 3	R 1 113	R 1 531 488 000	4%
LSM 4	R 1 595	R 2 261 710 000	5.9%
LSM 5	R 2 289	R 3 110 751 000	8.1%
LSM 6	R 3 731	R 5 227 131 000	13.6%
LSM 7	R 5 495	R 4 412 485 000	11.5%
LSM 8	R 7 407	R 4 362 723 000	11.4%
LSM 9	R 9 743	R 6 849 329 000	17.8%
LSM 10	R 13 406	R 9 598 696 000	25%
Total		R 38 378 181 000	100%

Source: SAARF Workshop (January 2002)

Tables 1.5 above and 1.6 below provide details of the South African population by means of LSM groupings according to income and quantify the number of

households per LSM category. As will be discussed later in this section, there is a noticeable correlation between the LSM group, income and Internet usage.

For the purpose of this study, the findings in Tables 1.5 and 1.6 will be considered when identifying the LSM groups from which respondents will be selected to participate in the empirical research study.

Table 1.6 indicates the number of households for each of the 10 LSM categories together with the percentage of each LSM group as a percentage of the total number of households.

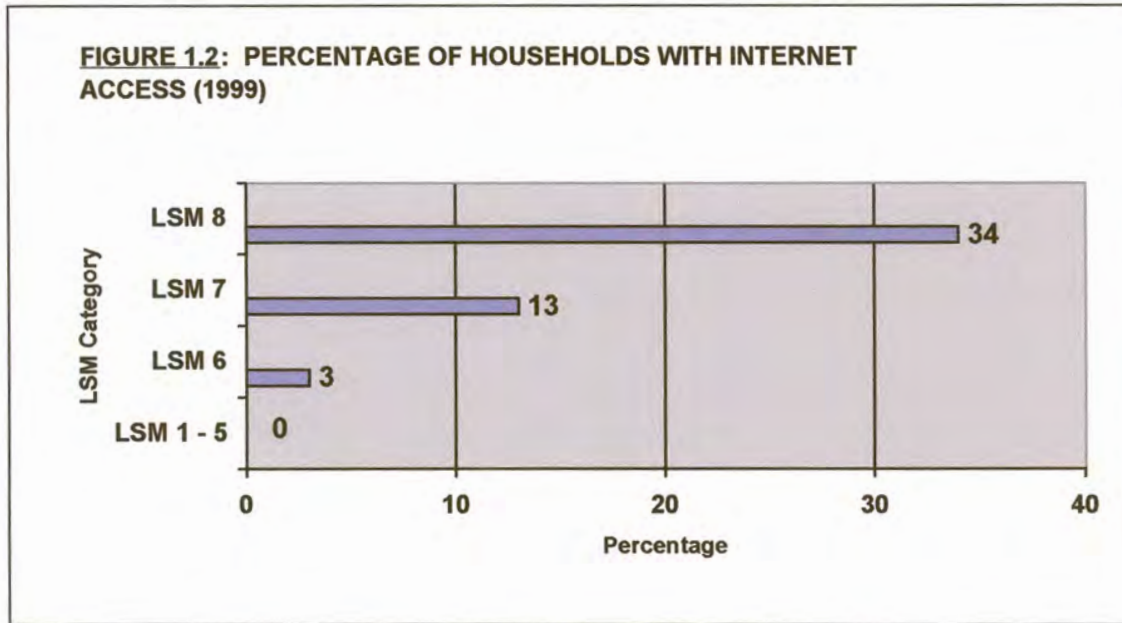
TABLE 1.6: NUMBER OF HOUSEHOLDS BY LSM CATEGORY

LSM	Number of households	Percentage of total number of households
LSM 1	201 000	2.1%
LSM 2	976 000	10.2%
LSM 3	1 376 000	14.4%
LSM 4	1 418 000	14.9%
LSM 5	1 359 000	14.2%
LSM 6	1 401 000	14.7%
LSM 7	803 000	8.4%
LSM 8	589 000	6.2%
LSM 9	703 000	7.4%
LSM 10	716 000	7.5%
Total	9 542 000	

Source: Adapted from SAARF Workshop (January 2002)

Figure 1.2 provides details of Internet access per LSM group. It is important to note that information could only be obtained for 1999, where eight LSM groups as opposed to the current 10 groups were identified.

It is clear from Figure 1.2 that 34% of the LSM 8 group has Internet access. The Internet access penetration drops significantly to 13% for LSM 7 and even further to 3% for the LSM 6 group.



Source: BMI (2000b: 98)

The graphical presentation of Internet access per LSM group portrayed in Figure 1.2 also supports the influence of the economic dichotomy of South Africa (discussed under Section 1.2.1 in Chapter 1), where there is no Internet penetration in households for LSM groups 1 to 5.

The information in Table 1.7, South African household Internet and World Wide Web users and devices (1998 – 2003), is of particular interest for this research study since it indicates in detail how the Internet and World Wide Web users for South African households are determined. Details are provided of the Personal Computers installed base in South African households, the percentage of the installed base that access the Internet, alternative access devices, active Internet users per household, as well as the total for both Internet and total World Wide Web users.

It should be noted that Table 1.7 represents data from BMI (1999: 32) and is somewhat different from Media Africa.com (2000: 15-30), used as projections in Section 1.2.2. A possible reason for the difference in Internet user numbers may

be because the report from BMI (1999: 32-41) includes alternative access devices, not considered in the Media Africa report. A second factor, which would most probably attribute greater user numbers, is that the BMI (1999: 32-41) report based Internet figures on actual number of users per household, whereas Media Africa.com (2000: 15-30) only considered subscriptions per household to compensate and lessen the effect of double counting of corporate and academic users from home.

For the purpose of this study, the user numbers from BMI (1999: 32-41) will be used as focus is placed on actual user numbers of the Internet and World Wide Web at home and will include multiple users, thereby including users with alternative access methods. Table 1.7 indicates totals (and projected totals) at the end of December for each specified year.

TABLE 1.7: SOUTH AFRICAN HOUSEHOLD INTERNET AND WORLD WIDE WEB USERS AND DEVICES

	1998	1999	2000	2001	2002	2003
Access devices						
Personal computer installed base	731,650	902,104	1,015,939	1,091,982	1,178,976	1,247,495
Percentage personal computer use Internet	49%	62%	73%	76%	79%	85%
Number of personal computers use Internet	358,593	558,583	736,730	828,290	935,409	1,056,891
Alternative access device installed base	977	9,946	34,320	110,107	277,882	514,978
Total access devices	359,570	568,528	771,050	938,397	1,213,290	1,571,869
Percentage growth		58%	36%	22%	29%	30%
Internet/World Wide Web users						
Average number of active Internet users per household	1.5	1.7	1.9	2.0	2.0	2.0
Average number of access devices per household	1.1	1.2	1.2	1.3	1.5	1.7
Ratio of users/devices	1.4	1.5	1.5	1.5	1.3	1.2
Total Internet users	501,541	840,124	1,182,833	1,391,991	1,588,922	1,839,653
Percentage Internet users use World Wide Web	99%	99%	99%	99%	100%	100%
Total World Wide Web users	496,526	831,723	1,171,005	1,378,071	1,588,922	1,839,653
Percentage growth		68%	41%	18%	15%	16%

Source: BMI (1999: 32)

Following from the number of Internet and World Wide Web users, attention should be moved to knowledge on the buying patterns of these users. By gaining insight into buying patterns, also considering what they are least likely to buy, will prove valuable input to defining the area of research for this study.

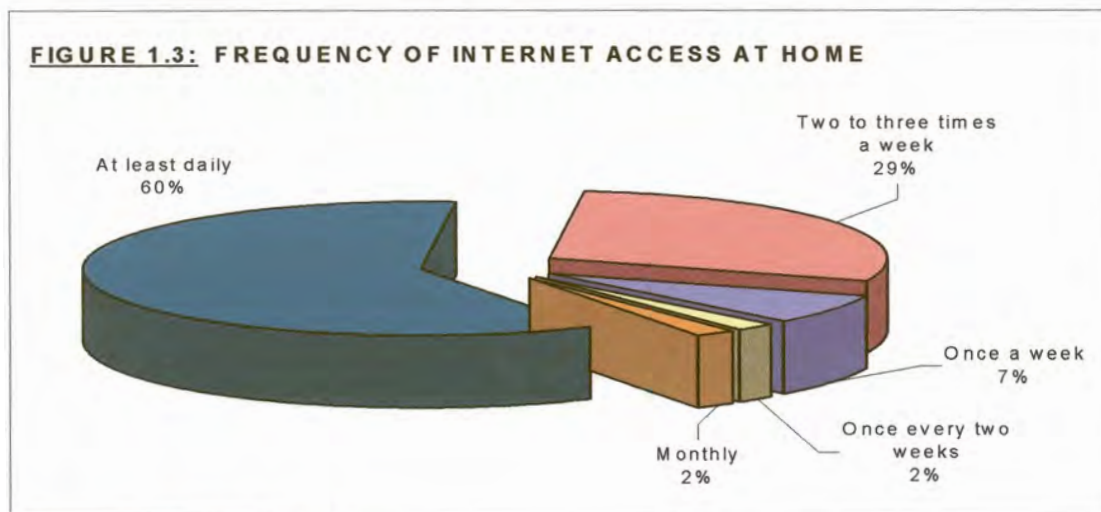
1.6.2 South African Internet user buying patterns

In order to research and define South African Internet users, it is important to understand how often the Internet is accessed and how much time is spent on the Net.

1.6.2.1 Internet usage patterns

An analysis of the frequency of Internet access from home shows that more than 60% of users access the Net at least daily. A further 29% make use of the Internet two to three times a week and 2% access the Net monthly.

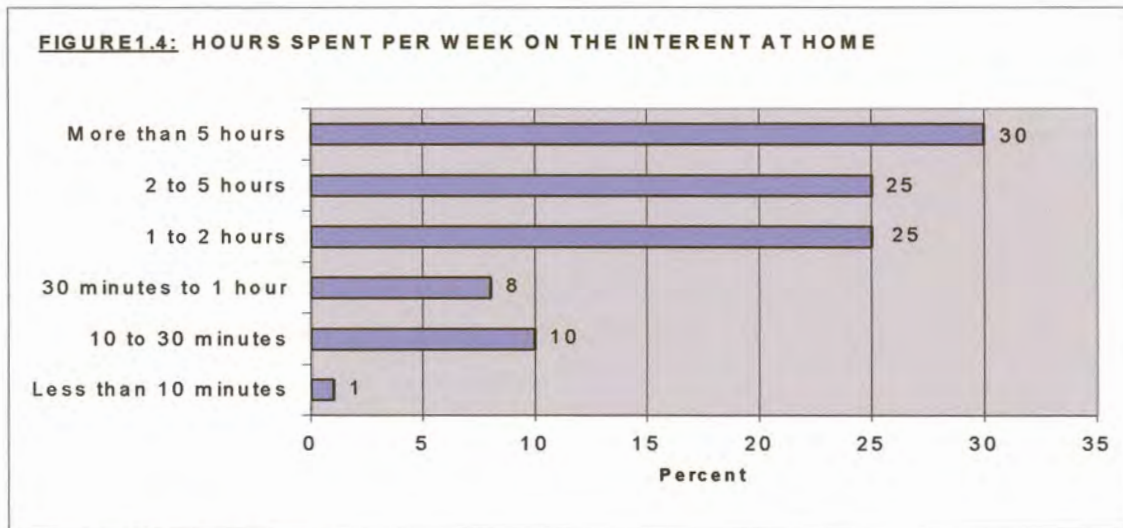
Figure 1.3 indicates the frequency of Internet access at home.



Source: BMI (2000a: 38)

By only focusing on how often the Net is accessed may provide misleading information about South African Internet users. In order to determine buying

patterns, it is important to also consider time spent Online by users at home. Figure 1.4 below indicates the amount of time spent Online by South African Internet users.



Source: BMI (2000a: 40)

From the information provided in Figure 1.4 it can be concluded that the Internet is becoming an integral part of home routines in homes accessing the Net. This conclusion is supported by the fact that, for homes with Internet access, Net users spend almost as much time surfing the Web as they do listening to the radio. Table 1.8 indicates the time spent per week by South African Internet users on different media.

TABLE 1.8: WEB USER TIME SPENT ON DIFFERENT MEDIA

Media medium	Hours spent per week
Watching Television	13.6 hours
Listening to the radio	9.3 hours
Surfing the Web	9.2 hours
Reading books	6.7 hours
Reading newspapers	4.1 hours
Watching videos	3.3 hours
Reading magazines	3.2 hours
Going to the cinema	2.5 hours

Source: Webchek (1999: 34)

1.6.2.2 Online shopping

According to Webchek (1999: 53), South African Internet users have identified a number of aspects regarding Online shopping that they consider important with regards to Internet shopping. In order of importance, the eight most important aspects of Online shopping considered are:

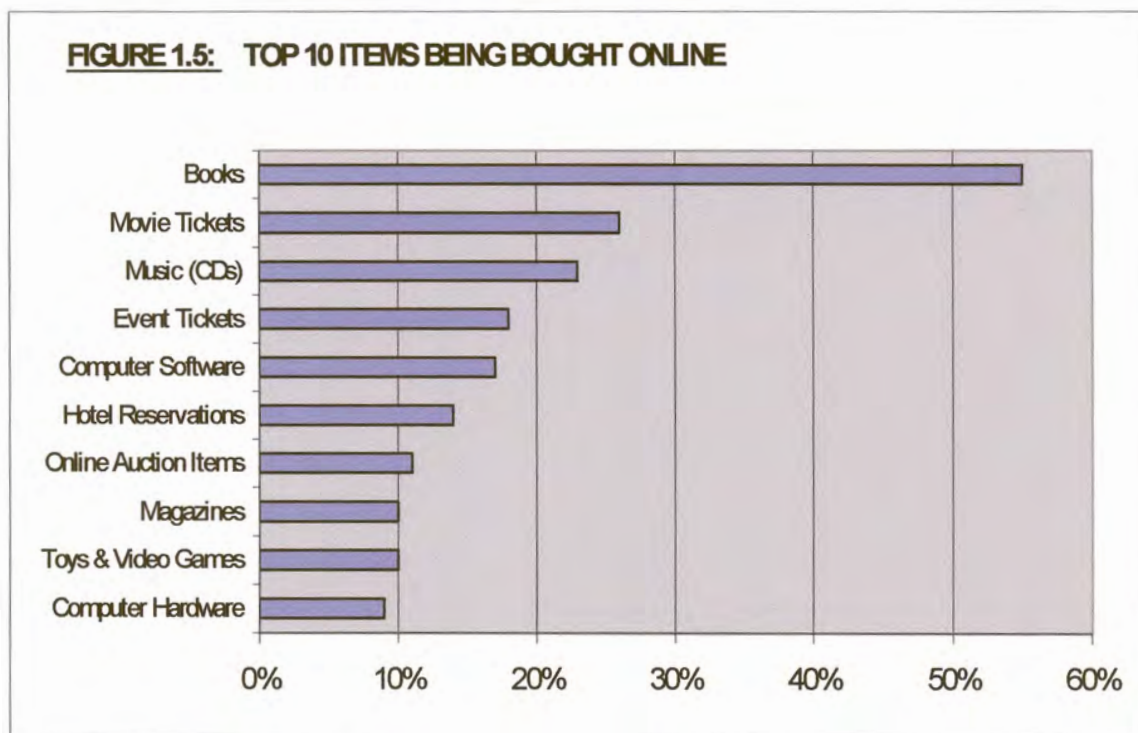
- Security
- Reliability
- Convenience
- The ease of finding the product Online
- Speed of Internet access
- Price of the item
- Ability to make more informed purchase
- No pressure from a sales person

The reason for listing the factors considered to be important, is that users may be discouraged to purchase via the Internet if the seller does not consider these factors.

BMI (2000a: 60-61) estimates that 33% of South African Internet users purchase products and services Online. This represents a growth of 120%, up from 15% in 1999. The majority of Internet shoppers tend to purchase annually (37%) or at least monthly (47%). These shoppers are most probably new Internet users or first time buyers. Eleven percent can be regarded as weekly shoppers and five percent shop at least daily.

According to BMI (2000a: 68-69), Online shoppers purchase almost equally from both local (48%) and international (52%) shopping sites. The most important reasons for purchasing from International shopping sites are due to specialist goods not being available in South Africa (65%), greater choice and selection (45%), products are cheaper (32%) and better service (22%).

Figure 1.5 provides details of the ten most frequent purchases made by South African Internet users.



Source: BMI (2000a: 62)

Other products and services of significance bought Online, with more than four percent of shoppers buying these items, are:

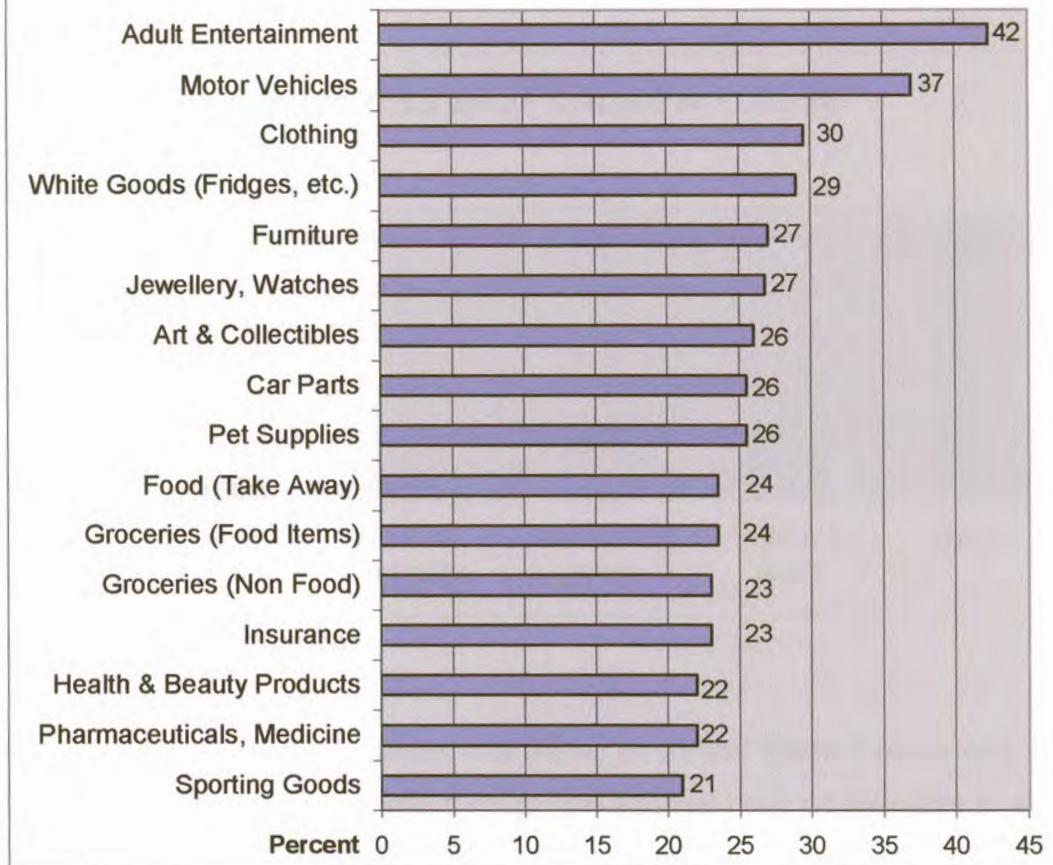
- Online Education and Courses (8%)
- Shares (7%)
- Unit Trusts (6%)
- Videos and DVDs (6%)
- Airline Tickets (4%)
- Car Hire (4%)
- Art and Collectibles (4%)

Products and services purchased by less than four percent of Internet users include electronic goods, news and publications, Online classified items, sporting goods, insurance, Internet access and smart handheld devices and motor vehicles to name but a few.

From a marketing point of view, and especially for the purpose of this study, it is important to consider products that the South African Internet users would never buy Online. If users are not inclined to buy a specific category of products, valuable marketing spend may be wasted in pursuing the Internet as primary sales channel or even alternative sales channel. By noting Internet consumer intentions not to purchase, the seller may adapt marketing as well as advertising and promotions strategies to better reach their target market.

The BMI (2000a: 65-66) findings on what products South African Internet users will never buy is shown in Figure 1.6.

FIGURE 1.6: RANKING OF ITEMS THAT ONLINE SHOPPERS WOULD NEVER BUY ONLINE



Source: BMI (2000a: 65)

Important to note is that the results portrayed in Figure 1.6 do not imply that no Internet users will ever buy the listed items. It should be understood that to sell these items through the Internet will require more effort and possibly more marketing spend to persuade customers to purchase these items. These findings can also inspire marketers to sell their products and services to an identified niche market through clever marketing campaigns.

More importantly than the items Internet consumers will not buy, and information about the South African Internet user applicable to all marketers who are considering selling their products and services through the Internet, is taking into

account future spending trends. Figure 1.7 shows the shopping intentions of Internet users who currently don't purchase through the Internet.



Source: BMI (2000a: 74)

As indicated in Figure 1.7, almost half (46%) of current Internet users who do not purchase products and services through the Internet have no intention to ever do so. A further 22% will only purchase within two years.

These findings are significant for marketers intending to sell their products through the Internet to South African Internet users. Marketers therefore need to understand the concerns and reasons for not shopping and need to address these concerns if they intend to be successful with Internet offerings.

According to BMI (2000a: 75) the primary reasons why South African Internet users do not shop, or intend to shop Online, are security concerns, (51%), users being comfortable with current shopping and banking methods (36%) and privacy concerns (32%). Other noteworthy reasons are that they will not get enough use to justify it, reliability of Internet service, expensive Internet subscriptions and

telephone costs, speed of Internet services and not enough knowledge to make use of it.

From the above discussions, it is clear that in order to be a successful seller of products and services on the Internet, marketers will have to understand consumer decision-making and buying behaviour. It is not only important to understand what factors influence consumers to buy, but also to understand what products they will not consider buying and the reasons why. With greater knowledge about consumers, sellers to South African Internet users will be able to draft more effective and profitable strategies to meet needs expressed by these users.

1.7 OUTLINE OF THE STUDY

This research study is divided into eight chapters. **Chapter one** provided an introduction to the study. The area of research has been defined as well as the necessity to execute the study flowing from identified problems, which act as motivation to execute the study. The objectives for the study were set and the demarcation of the study was presented.

Chapters two, three and four present the theoretical base of the study. **Chapter two** focuses on the comprehensiveness of consumer behaviour by examining a number of consumer behaviour models.

Chapter three provides a detailed discussion on the consumer decision-making process documented in marketing literature by focusing on the various stages of the process together with the influences that affect the different stages.

The influence of the Internet on the consumer decision-making process is considered in **Chapter four** and a consumer decision-making model applied to the Internet is discussed.

The problem statement for the study is highlighted in **Chapter five** and the hypotheses for the study are formulated.

The research methodology that will be used in the study is outlined in **Chapter six**. The first part of this chapter provides a theoretical overview of the research methodology applied in the study. The second part provides insight into the sample selection and statistical techniques to be used.

Chapter seven is dedicated to analysing the results obtained from the empirical phase of the study. The statistical results are provided, interpreted and discussed and the main findings from the research-phase of the study are highlighted. The hypotheses formulated for the study (Chapter 5) will also be accepted or rejected in Chapter seven.

The final chapter, **Chapter eight**, summarises the major findings from the study and draws a number of conclusions. The chapter ends by highlighting the limitations of the study and provides recommendations for future research.