

Consumers on the Internet – How Common is it to Shop online?

A study of who in a population, is shopping on the net?

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Agenda

- Why this study?
- Methodology - the use of CATI surveys
- Survey results
- A cluster analysis of the Norwegian Internet-population

Why this study?

- “Some product categories, such as software, financial services, or travel, are widely viewed as successful on the Internet today. To expand online sales, the Internet must attract a *critical mass of mainstream shoppers*, not just addicted specialists shopping for particular products.”

Spiller, Peter & Gerald L. Lohse (1997/98)

Classification of Internet Retail Stores,

International Journal of Electronic Commerce, Winter 1997/98

- E-commerce is discussed in businesses, governments (regulatory issues), and the media. We have had at least two stages;
the first with high expectations - the dot.com wave
the second with low expectations - the old economy strikes back
- How fare have we come?

The surveys

- The main survey is a national representative telephone survey (CATI) in the Norwegian population from November 2000.
- Number of respondents: 2007 - November 2000
2029 - September 1999
- Response rate: ? 30 - 40% ?
- What are the possible reasons for biases?
 - * the sampling frame is incomplete - some do not have a telephone (at home), 5 - 10% only have a mobile phone
 - * those that are not at home (busy people, some are working in evenings)
 - * wrong person in the household is interviewed
 - * denials - some do not want to participate
 - * incomplete answers
 - * weaknesses with the survey, the questionnaire (framing, questions that are difficult to understand, answering categories)

Do we get reliable and valid data by using this method?

- We do not get very good information, but fairly good information
- It is expensive and difficult to get sales figures etc. (behavioural data) from the industry. The figures are normally quite old.
- If the survey is repeated e. g., with the same questions, the same sample size, the same CATI method, it can be argued that the development can be measured quite accurately.

Some facts about Norway - the chosen country for this study

- Size of population: 4.5 million people of which 3.6 million are 15 years or older
- Internet-population: 2.2 million November 2000
2.4 million May 2001
- a large middle class
- a good electronic infrastructure

A comparison with Sweden

A comparison between the Swedish and the Norwegian populations

	Sweden September 2000 16 – 64 years old	Norway November 2000 15 – 64 years old
Has access to a PC	90%	82%
Has access to the Internet	80%	71%
Is using e-mail	60%	58%
Has used online bank-services	29%	33%
Has ordered goods or services online.	29%	35%
N=	9000	1685

The number that has ordered or bought something online

	1998	1999	2000
• In percent of the Norwegian population, 15 years +	10%	17%	30%
• In percent of the Norwegian Internet-population	24%	32%	48%
• In numbers	375.000	620.000	1.080.000

N=2004 N=2029 N=2007

Booking of travel services (holiday packages or air-tickets) - a comparison with the US

Norway

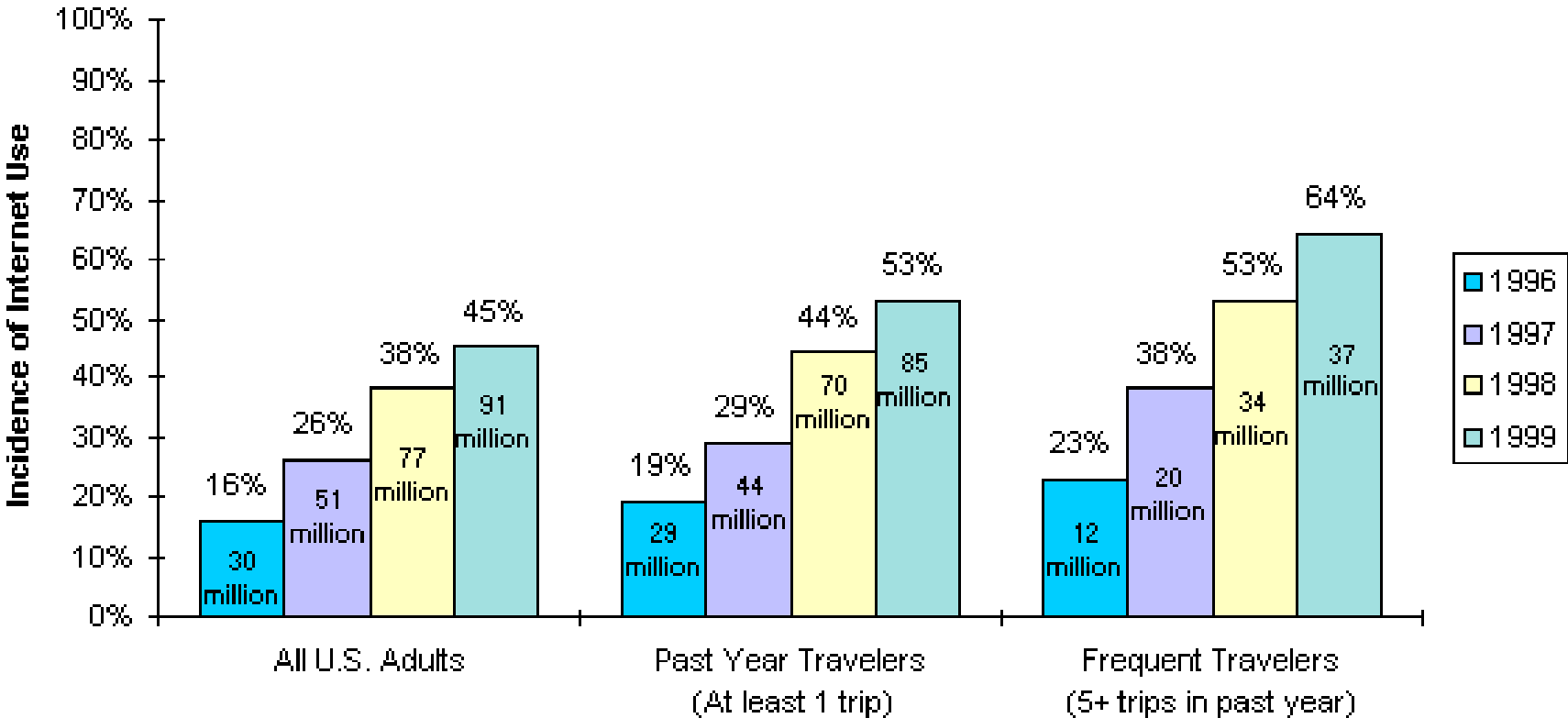
- In percent of the Norwegian population, 15 years + **16%**
- In percent of the Norwegian Internet-population **25%**
- In numbers **570.000**

The US

- In percent of the US population **12%**
- In numbers **25 million**

*Source: Travelers' Use of the Internet, 2000, www.tia.org,
"US Adults"*

Usage of Internet/Online Service



Source: Travel Industry Association of America

The difference between frequent and less-frequent online customers

2000	Is shopping online less frequently than monthly	Is shopping online monthly or more frequently.	The Norwegian online population “web-users”	The Norwegian population
Percentage men	70%	50%	60%	50%
Percentage with university or college degree (graduates)	55%	42%	46%	35%
Percentage that has used credit card online	39%	23%	29%	-
Percentage under 40 years old	68%	55%	57%	42%
Percentage with a net monthly income of at least 2.000 Euro	50%	33%	36%	27%
N =	297	305	1094	2007

Findings

- Surprisingly the frequent online shoppers are quite similar to the Internet-population in general
- The **less-frequent** online shoppers have the characteristics of “what we all know” - the online shoppers are young affluent and well-educated males!

Amounts spent online per person -
“How much have you purchased for the last 30 days?”

	1999	2000	Increase in percent
• Median amount (Euro)	69,-	125,-	81%
• Mean amount (Euro)	375,-	531,-	42%
N=	235	277	

Estimated monthly turnover

November (October) 2000

	Goods & services (ex. shares & bonds)	Shares & bonds
Estimate - in numbers (people)	450.000	70.000
Average amount per person	438,-	800,-
Estimated monthly in millions (Euro)	197	56
N =	275	275

Estimated private consume

November (October) 2000

Goods or services including tickets, holidays and air-travel	November 2000 Has booked from the home-computer
- estimated number of people - estimated monthly turnover in Euros (million)	350.000 137 mill
N=	239

Estimated monthly turnover in millions Euro from Norwegian and foreign web-sites?

	November 2000
From Norwegian companies (web-sites) – in Euro	200
From foreign companies (web-sites) – in Euro	55
N =	275

Private national online consume in Norway 2000

- According to Statistics Norway the private consume in 1999 was 69 billion Euros. The figures in the slide just shown represent the month (October) November 2000.
- If the typical month for 2000 is the average of November 2000 and October 1999, the yearly online private consume is estimated to 1.15 billion Euros or approximately **1.6% of the total.**

Gender and amounts spent online

	All	Men - women
1 – 62.4,-	23%	54% - 46%
62.5 – 125,-	22%	77% - 33%
126 – 250,-	21%	68% - 32%
251 – 625,-	16%	63% - 37%
626 – 12.500,-	18%	72% - 28%
All:		66% - 34%
N = (has purchased something online the last 30 days)	277	277

Age profile

2000	15 - 24 years old	25 - 39 years old	40 - 59 years old	60 years or older
1 – 125,-	54%	44%	41%	
126 – 375,-	36%	40%	25%	
376 – 12.500,-	10%	16%	33%	
N = 277	50	134	87	6

Income in the household

Income in the household - 2000	Under 37.500	37.500 – 62.500	Over 62.500
1 – 125,-	52%	48%	38%
126 – 375,-	45%	32%	35%
376 – 12.500,-	(3%)	20%	27%
N = 247	29	77	141

The result of the cluster analyses

- The following variables, the answers to the question; *„for what purpose do you use the Internet“* were used for the clustering;
 - use email,
 - read news,
 - use online bank-services,
 - use search services or databases,
 - games or entertainment,
 - education,
 - travel information, and
 - has purchased something online.

Overview of the segments

2000	Segment A	Segment B	Segment C	Segment D	The Norwegian Internet-population
E-mail	42%	99%	94%	98%	81%
Read news	22%	91%	83%	48%	66%
Use online bank-services	15%	76%	24%	90%	45%
Travel information	23%	90%	52%	88%	60%
Has purchased online	14%	85%	29%	86%	49%
	N = 367	N = 408	N = 356	N=112	N= 1253

The segments and how frequent the services are used

	Segment A F - S - N	Segment B F - S - N	Segment C F - S - N	Segment D F - S - N	The Norwegian Internet- population F - S - N
Frequent (F) Seldom (S) Never (N)					
E-mail	29 - 13 - 58	87 - 12 - 1	15 - 78 - 6	36 - 63 - 2	45 - 36 - 19
Read news	11 - 11 - 78	63 - 28 - 9	5 - 75 - 17	7 - 41 - 52	26 - 39 - 34
Use online bank-service	8 - 7 - 85	59 - 17 - 24	15 - 9 - 76	79 - 12 - 10	33 - 11 - 55
Travel information	11 - 13 - 77	40 - 50 - 10	24 - 28 - 48	81 - 7 - 12	30 - 29 - 40
Has purchased online	5 - 9 - 86	39 - 47 - 15	10 - 19 - 71	74 - 12 - 14	24 - 24 - 51
	N = 367	N = 408	N = 356	N=112	N= 1253

The clusters or segments can be characterised in the following way;

- * The members of the segment A are using the Internet seldom.
- * The members of the segment B are typical daily users of services like e-mail and/or online newspapers & news-services. Most of the members of this segment have ordered something online, but less frequently than the members of segment D.
- * The members of segment C are typically weekly users of e-mail and online news services.
- * The members of segment D are **the most frequent users of online bank-services and online purchasing**. A frequent online shopper (online purchase) is defined as shopping monthly on the Internet.

The segments and monthly spending online

2000	Segment A	Segment B	Segment C	Segment D	Internet-population
Percentage that has purchased online the last month	6%	41%	10%	44%	22%
Median amount (Euro)	75	125	125	88	125
Average amount (Euro)	184	711	347	145	520
	N = 367	N = 408	N = 356	N=112	N=1243

The segments - income and age profile

2000	Segment A	Segment B	Segment C	Segment D	Internet-population
Monthly net income					
< 1000 Euro	30%	15%	32%	14%	29%
1000 – 1999 Euro	48%	35%	45%	38%	34%
2000 – 2749 Euro	19%	28%	18%	27%	29%
2750 Euro +	3%	22%	5%	20%	9%
	N = 325	N = 380	N = 332	N=99	N=1136
Age- groups					
15 – 29	24%	28%	33%	27%	28%
30 – 39	22%	29%	26%	35%	26%
40 +	55%	43%	41%	38%	46%
	N = 367	N = 408	N = 356	N=112	N=1243

Concluding remarks

- The frequent online shoppers tend to be men with relatively high income, and they are typically between 25 and 39 years old. Even though it is common to shop online it does not mean that Internet-shopping represent a real threat to the traditional distribution channels;
- *“First, changing decades old physical shopping habits will take more than a couple of years. In fact, it may take 10 years before computer conditioned Generation Y is purchase-enabled. Second, only a minority percentage of the online population actually purchases a good or service and a significant number of Web shoppers have been frustrated by the experience.”*

Rosen & Howard (2000) E-retail: Gold Rush or Fool’s Gold?
California Management Review
- **E-commerce (B2C) still represents a few percent of the turnover, but it is growing. It is likely that the growth will continue, but it seems that some services or products are better suited for e-commerce than others.**