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Chapter 26

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ABSTRACT

The major objective of this chapter was to test the effect of online time and adoption time on the frequency of transactional use of the Internet. Transactional use of the Internet includes activities such as buying products, banking, and investing online. Findings support the hypothesis that online time and adoption time positively and significantly influence the frequency of transactional use of the Internet. Theoretical and strategic implications and recommendations for future research are presented.

INTRODUCTION

The transactional use of the Internet is not as widespread as some of the other uses, such as emailing, networking, and information gathering. As new businesses continue to come online and existing businesses reconfigure their business models to achieve a competitive advantage, knowledge about the profile of consumers who conduct online transactions versus those who do not would be helpful to managers in developing effective marketing strategies. Turban et al. (1999) emphasized the significance of this knowledge by noting that the identification of actual and potential consumers is

a key task for electronic commerce, and Citrin et al. (2000) noted that the future commercial success of the Internet depends, to some extent, on whether current users use it for product purchases. This paper focuses on this key task by addressing the question, what individual characteristics explain variations in the frequency of use of the Internet for transactional purposes. The main thesis of this paper is that time (online time and adoption time) significantly impacts the frequency of transactional use of the Internet. Online time refers to the average number of hours spent online per week, and adoption time refers to the number of years online. Transactional use of the Internet includes three activities: buying products, banking, and investing online.

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BACKGROUND

In the last two decades the Internet has had a significant impact on buying behaviors of consumers. Hailed as a path breaking discontinuous innovation, it was not surprising to see predictions of how this new medium would make traditional retail outlets irrelevant. Schneiderman (1980), for example, predicted that Americans would buy fully one-half of all general merchandise without setting foot in a retail store, and Rosenberg and Hirschman (1980) opined that electronic shopping would irreversibly transform conventional retailing. Somewhat later, Benjamin and Wigand (1995) went so far as to suggest that the Internet has the capacity to “eliminate retailers and wholesalers entirely” (p.62). These predictions, of course, have not materialized. The Internet has not made brick and mortar stores irrelevant, but it has established itself as an integral part of modern commerce and commercial discourse.

The commercial use of the Internet has transformed value creation and value delivery activities. Its unique configuration of capabilities has significantly influenced the practice of marketing (Hoffman & Novak, 1996; Quelch & Klein, 1996). Businesses have adopted the medium not only to communicate with customers but also to provide them with a platform for conducting transactions. Most businesses, large as well as small, now have an Internet presence where people can browse, chat, shop, buy, and sell. Online retail sales, as a result, increased from \$87 billion in 2005 to \$107 billion in 2006 (U.S. Department of Commerce, 2008).

While the growth of online retail sales appears encouraging, recent data on Internet usage continue to show that people are not fully utilizing the transactional capabilities of the Internet. In a Carnegie Mellon University study, for example, the most popular uses of the Internet were obtaining hobby-related information, communicating with family and friends, and enjoying oneself (Kraut et al., 2002). The Stanford University study found

that 90% of respondents reported using the Internet for emailing, whereas only 7% used it for trading stocks (www.stanford.edu). More recently, findings from the Pew Internet Project indicate that, on an average day, 77% of Internet users use the Internet for emailing, 46% for news gathering, and only 18% for online banking (Rainie, 2005). These and other studies show that compared to emailing, chatting, networking, or reading newspapers, other activities such as buying products, banking, and investing online are not as popular.

In this study, we focus on buying products, banking, and investing online, and combine these three activities under the construct, transactional use of the Internet. The study is conducted in the U.S., a leading country in Internet adoption and usage. The study of transactional use is important for three reasons. First, compared to emailing or reading newspapers, the transactional use of the Internet is more advanced. Second, given the assumption that there will eventually be near-universal access to the Internet, at least in the U.S. (Peterson et al., 1997), the study of how people use the Internet becomes a substantive question that needs to be answered. Third, the transactional use of the Internet will play a key role in the commercial success of the Internet and in generating revenues for firms (Citrin et al., 2000; Shi & Salesky, 1994).

The study achieves three goals. First, it fills a gap in the literature by adding banking and investing online to online product buying. Second, it proposes that time (online time and adoption time) has a significant effect on the frequency of transactional use of the Internet. Third, it extends the product diffusion model by focusing on the second half of the diffusion process, how consumers use a product (Internet) after adopting it.

CONCEPTUAL MODEL

In marketing and consumer behavior a significant amount of scholarly attention has been directed

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