

Gen Z Consumers' Willingness to Pay Delivery Fee: An Indian Perspective

Ishtehar Sharif Swazan, West Virginia University, USA

Suhasish Basak, University of Southampton, UK

Debanjan Das Ph.D, West Virginia University, USA

Keywords: Gen Z, Consumer Behavior, Delivery Fee, India, Fashion

The Internet has become a global marketplace over the past few decades for buying or selling goods and services. E-commerce is an irreplaceable business channel for retail. With the rapid growth of internet users and organized online infrastructures in India, it was obvious that the online marketplace will get a boost. The digital population (the number of people who have internet access) in India is 687.6 million with an estimated market size of 60 billion USD in 2020 (Statista, 2021). The number of online shoppers was estimated to go up from 75 million in 2017 to over 220 million in 2025. As of January 2021, 76.7% of active internet users in India shop online (Statista, 2021). Among the internet users in India, 57 percent of Gen Z people spent four or more hours a week on the internet which is higher than any other generation.

Gen Z has seen the greatest changes of the century and exists in a world with the web, internet, smartphones, laptops, freely available networks, and digital media (Tulgan, 2013). Gen Z consumers have experienced many political, social, technological, and economic changes in society, country, and the world in their short lifetimes which makes them the most diverse and technologically dependent. Additionally, social networking and web browsing are an important part of their lives, and they consider themselves as a Do-It-Yourself generation (Singh & Dangmei, 2016). Economic-quality seekers, convenience shoppers, deal hunting-convenience seekers, brand and quality conscious shoppers are some of the characteristics of this generation found from studies (Thangavel, Pathak, & Chandra, 2019). Consumers from this generation are found to be less loyal to retailers or brands.

In the present study, the theory of planned behavior (TPB) (Ajzen, 1985, 1991) was used as a framework to determine how Indian Gen Z perceive online delivery fees when shopping online. TPB includes attitudes toward behavior, subjective norms, and perceived behavioral control. The TPB model has been utilized in various areas of research to predict online consumers' purchase intention and behavior (George, 2004; Ketabi, Ranjbarian & Ansari, 2014).

Delivery fees play a big role for online sellers to gain a competitive advantage and to create a loyal customer base. Additionally, delivering at a low cost or free can be seen as a marketing strategy to impact the purchase decision of consumer and this policy increase the number of online orders (Nguyen, Leeuw, Dullaert & Foubert, 2019). As Gen Z consumers expect retailers or brands to get the product to them, the delivery fee is an issue for them. The delivery fee has an impact on the purchase behavior (order size and quantity) of Gen Z consumers when they shop online.

Considering the delivery fee issue of the Gen Z consumers, it is proposed that online delivery satisfaction (*H1*), perceived trust in online delivery (*H2*), and perceived product price (*H3*) will positively affect consumer willingness to pay a delivery fee.

Meanwhile, delivery delays, limited options of delivery, and inability to deliver quickly decrease consumer loyalty levels. Delivery options help to build trust towards online retailers and reduce the risk factors associated with online delivery. These factors have a strong impact on consumer satisfaction and repurchase intention (Collier & Bienstock, 2006). Therefore, it is hypothesized that online delivery options (*H4*), perceived distrust in online shopping websites (*H5*), and perceived risk of online delivery (*H6*) will negatively affect the willingness to pay a delivery fee of Gen Z consumers.

An online survey targeting young Indian consumers (under 25) was used to collect data. The survey consisted of standard scales related to attitude, subjective norm, perceived behavioral control, behavioral intention, which were adapted for the online delivery context. A total of 776 responses were recorded. Among them, 72 responses were eliminated due to incomplete surveys and missing values, and 704 usable responses were obtained. The resulting sample was predominantly female (83%), with an average age of 23 years. The sample was educated with 78% having graduated college with a bachelor's degree and just over 60% having a job.

Cronbach's alpha coefficients ranged from .66 to .87, supporting factor reliability. Furthermore, the average variance extracted for the factors ranged from 63% to 84%. For testing the proposed hypotheses, linear regression analysis was employed. The results supported the hypotheses suggesting that consumer willingness to pay delivery fee is positively, significantly influenced by perceived trust in online delivery ($\beta=.22$, $t=1.46$, $p<.05$), and perceived product price ($\beta=.12$, $t=2.11$, $p<.01$). Consumer's willingness to pay a delivery fee was also significantly, negatively influenced by online delivery options ($\beta=.18$, $t=3.21$, $p<.05$), and perceived risk of online delivery ($\beta=.11$, $t=3.74$, $p<.01$). The results did not support hypotheses H1 and H5, suggesting online delivery satisfaction and perceived distrust in online shopping websites had no effect on consumers' willingness to pay a delivery fee.

The results indicate that trust in online delivery, delivery options, and perceived risk in online delivery are factors that influence consumers' willingness to pay delivery fees. Consumers are willing to pay delivery fees as long as there are affordable delivery options, and the risk associated with the delivery was low. It can be inferred that Gen Z consumers are concerned about the delivery fees when shopping online. The price of the product also plays an important role in consumers' willingness to pay a delivery fee. It can be deduced that Gen Z consumers are willing to pay delivery fees as long as the perceived product price is justified. Additionally, the hypothesized delivery satisfaction and perceived distrust in online websites turned out to be insignificant. This study provides several implications for online retailers as online delivery is an important part of online shopping. This study also contributes to the consumer behavior literature regarding Gen Z

perceived intentions towards delivery fees. There are also several limitations to this study. The study sample was also predominantly female. The study is also based on a limited sample, and therefore generalizations to other audiences may not be valid. However, the results did provide insights into the shopping behavior of a population of relatively high education and employment.

References

- Ajzen, I. (1985). From intentions to actions: A theory of planned behavior. In Action control (pp. 11-39). Springer, Berlin, Heidelberg.
- Ajzen, I. (1991). The theory of planned behavior. *Organizational behavior and human decision processes*, 50(2), 179-211.
- Collier, J. E., & Bienstock, C. C. (2006). Measuring service quality in e-retailing. *Journal of service research*, 8(3), 260-275.
- George, J. F. (2004). The theory of planned behavior and Internet purchasing. *Internet research*, 4(3), 198-212.
- Ketabi, S. N., Ranjbarian, B., & Ansari, A. (2014). Analysis of the effective factors on online purchase intention through theory of planned behavior. *International Journal of Academic Research in Business and Social Sciences*, 4(4), 374-382.
- Nguyen, D. H., de Leeuw, S., Dullaert, W., & Foubert, B. P. (2019). What is the right delivery option for you? Consumer preferences for delivery attributes in online retailing. *Journal of Business Logistics*, 40(4), 299-321.
- Singh, A. P., & Dangmei, J. (2016). Understanding the generation Z: the future workforce. *South-Asian Journal of Multidisciplinary Studies*, 3(3), 1-5.
- Statista. (2021). Number of online shoppers across India in 2017 and 2025. Retrieved March 23, 2021, from Statista: <https://www.statista.com/statistics/759376/india-number-of-online-consumers/#statisticContainer>
- Thangavel, P., Pathak, P., & Chandra, B. (2019). Consumer decision-making style of gen Z: A generational cohort analysis. *Global Business Review*, 0972150919880128.
- Tulgan, B. (2013). Meet Generation Z: The second generation within the giant "Millennial" cohort. *Rainmaker Thinking*, 125.