A Study of Factors Affecting Consumers’ Online Buying Behaviour

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Abstract:
According to a joint research conducted by Retail Association of India and Boston Consulting Group (from 2014 to 2016, 18000 sample size), E-commerce may touch $50-55 billion by 2021 from current $6-8 billion (in 2016). In 2016 Digital buying remained 23% from 3% in 2013. There is an increase of more than 7 folds within three years. In case of developing countries, where these models are in initial phases, huge discounts and rewards points have been mentioned by many experts. However, since a couple of years convenience has taken over discounts. In the present paper, the author has tried to study the factors related to consumer, product/service, medium of sale and environment behind these changes with the help of studying the existing literature on this published in different countries.

Keywords: Consumer Behaviour, Consumer Characteristics, E-commerce, Merchant Characteristics, Online Shopping

1. Introduction
Increasing internet penetration and low prices of smart phones has brought the many fold increase in the number of internet users and particularly online shoppers. According to a joint research conducted by Retail Association of India and Boston Consulting Group (from 2014 to 2016, 18000 sample size), E-commerce may touch $50-55 billion by 2021 from current $6-8 billion (in 2016). In 2016 Digital buying remained 23% from 3% in 2013. There is an increase of more than 7 folds within three years. Several studies in developed countries, where online shopping has reached at a remarkable size, have mentioned many factors behind this. In case of developing countries, where these models are in initial phases, huge discounts and rewards points have been mentioned by many experts. However, since a couple of years convenience has taken over discounts. So, all these changes lead to the study of crucial factors impacting online consumers’ behaviour. The present paper is an attempt to study the factors affecting online buying behaviour through the study of available literature. The whole paper is divided into different parts. The next section based on conceptual framework followed by the framework for studying online buying behaviour and review of studies. The paper ends with the conclusive remarks.
2. Conceptual Framework

**Online shopping**

When we buy a product or a service over the internet, instead of going to a traditional brick-and-mortar store, it is called online shopping. Online shopping is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the Internet using a web browser. Online shopping became popular during the Internet boom in 1999-2000. Amazon.com, the online bookstore founded by Jeff Bezos, created history by becoming the first bookstore with a presence only on the Internet. Following the success of Amazon, many bookstores with a physical presence also created an online presence on the Internet.

3. Online shopping Consumer Behaviour

Consumer behaviour is the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy their needs and wants (Kuester, Sabine, 2012). Thus online shopping behaviour (also called online buying behaviour and internet shopping behaviour) refers to study of consumer behaviour in online shopping context. The process consists of five steps similar to those associated with traditional shopping behaviour. In the typical online shopping process, when the potential consumer recognizes a need for some merchandise or services, they go to e-tailing website and search for related information. However, rather than searching actively, at times potential consumer are attracted by information about product or services associated with the felt need, they then evaluate alternatives and choose the one that best fits their criteria for meeting the felt need. Finally, a transaction is conducted and post-sale services provided.

4. A Framework for Studying Online Buying Behaviour
4.1 Individual/ Consumer Characteristics
Individual/consumer characteristics refers to the factors specific to the consumer such as demographics, personality, value, lifestyle, attitude, consumer resources, consumer psychological factors (flow, satisfaction, trust), behavioural characteristics (looking for product information, access location, duration, and frequency of usage), motivation, and experience. Demographics include such variables as age, gender, level of education, income, and time online. Demographics appear to play an important role in determining whether people use internet, however once people are online, demographic do not see to be key factors affecting purchase decisions or shopping behaviour.

4.2 Product/Service Characteristics
Jarvenpaa and Todd (1996) argue that price, quality, and product type are the three key elements in shaping consumers’ perception. In suggested fragmentation, product/service characteristics mainly refer to knowledge about the product, product type, frequency of purchase, tangibility, differentiation and price.

4.3 Medium Characteristics
Traditional Information Search attributes such as ease of use, quality, security and reliability are included in the study of electronic commerce systems. Additionally, web specific factors such as ease of navigation, interface and network speed can also be considered as medium characteristics.

4.4 Environmental Influences
External environment refers to those contextual factors that impact consumers’ online shopping attitudes and behaviour. Marketing scholars such as Engel et al (2001) contend that environmental factors like culture, social influence, peer influence, and mass media play an important role in affecting consumer purchasing decisions.

5. Study of Factors Affecting Online Consumers Behaviour
5.1 Individual Consumer Characteristics and Online Consumer Behaviour
Consumer’s demographics is among the most frequently studied factors. Demographics include such variables as age, gender, level of education, income, and time online. Traditionally, shopping is an activity more favoured by women. It is women who are usually in charge of household shopping and hold more positive attitudes towards the traditional store and catalogue shopping than their male counterparts (Alreck and Settle 2002). However, the new shopping channel provided by the Internet seems to result in a different, if not opposite, gender pattern. There was no significant difference between online shoppers and non-shoppers in terms of gender (Donthu and Garcia 1999), men were found to make more purchases (Li et al. 1999) and spend more money online than women.

Bellman et al (1999) report that internet surveys agree that the online population is relatively younger, more educated, wealthier, although the gaps are gradually closing. Bhatnagar et al (2000) provide evidence that demographics are not relevant factors in determining which store to patronize or how much to spend, though men and women do tend to buy different types of products or services via the Internet.
Most of the goods purchased online are normal goods, the demand of these goods said to a positive relationship with the income level of consumers. Therefore, income level can influence the consumer’s online behaviour too. Higher income causes internet users to perceive lower implicit risks in undertaking online purchases and thereby affects their demand for internet products and services. Low income discourages online transactions, and perceptions of self-efficacy ease of use and usefulness should improve with rising incomes, due to the ability to withstand possible financial losses. Usually, income is reflected in the professional status or social class of the individual – different professional categories are accompanied by different incomes and by different levels of IT knowledge and experience. Thus, such categories may produce different user attitudes and behaviour regarding information systems (Hubona and Kennick, 1996; Chau and Hu, 2002). On the other hand, online shoppers are not necessarily more educated. Some studies identified a positive relationship between education and the time and money consumers spent online (Li et al. 1999), while others did not (Bagchi and Mahmood 2004; Bellman et al. 1999; Donthu and Garcia 1999). This may be explained by the fact that online shopping is a relatively easy task, which does not require higher education.

Experience with online shopping is found to correlate positively with consumers’ likelihood to shop online. The more experienced consumers are with online shopping and the more satisfied they are with past online transaction experiences, the higher their purchases amounts and the more likely they are to be repeated purchasers (Brown et al. 2003; Devaraj et al. 2002; Foucault and Scheufele 2002) and the lower likelihood of them aborting an intended online transaction (Cho 2004). This is supported by the extended Technology Acceptance Model, which suggests that increased user experience has positive effect on users’ attitudes toward technology and the mastering of that technology.

6. Product/Service Characteristics and Online Consumer Behaviour

Product/service characteristics mainly refer to knowledge about the product, product type, frequency of purchase, tangibility, differentiation, availability of product, price, dependability of product, and brand etc. Service factors related to online shopping attitudes and behaviour include customer communication channels, response to customer needs, timeliness of order delivery, ease of return and refunds, transaction cost etc..

Several classifications of products have been proposed within the domain of online retailing. One common way to classify the products is search and experience goods. According to Nelson (1974), a good is defined as a "search good" when full information for dominant product attributes can be known prior to purchase. On the other hand, experience good is defined as when full information on dominant attribute can only be known with direct experience and information search for such attribute is more difficult than direct product experience. In short, a search good can be evaluated by external information obtained prior to purchases whereas experience goods need to be personally experienced (Chiang & Dholakia, 2003).

One of the major motives drawing consumers to shop online is the promise of greater savings. In fact, 85% of consumers look for price information when shopping online (Reed, 1999). Alba et al. (1997) pointed out that a key difference between online and offline shopping is the ability of online consumers to obtain more information about both price and non-price information as a result of reduced search cost. Because consumers are able to obtain more price information online and compare across online retailers with a few clicks, they are likely to shop online when the price of a product is high rather than low.

Consumers’ decisions whether or not to shop online are influenced by the type of product or service under consideration. Some product categories are more suitable for online shopping than other
categories. The lack of physical contact and assistance in shopping on the Internet is one factor that influences this suitability. Another factor is the need to feel, touch, smell, or try the product, which is not possible when shopping online (Monsuwe et al. 2004). Standardized and familiar products such as books, videotapes, CDs, groceries, and flowers, have a higher potential to be considered when shopping on the Internet, especially since quality uncertainty in such products is virtually absent, and no physical assistance or pre-trial is needed (Grewal et al., 2002; Reibstein, 1999). On the other hand, personal-care products like perfume and lotion, or products that require personal knowledge or experience like computers and cars, are less likely to be considered while shopping online (Elliot and Fowell, 2000). Thus, if personal interaction with a salesperson is required for the product under consideration, consumers’ intention to shop on the Internet is low. Furthermore, if consumers need to pre-trial the product under consideration, or have the necessity to feel, touch or smell the product, then their intention to shop online is low as well. However, in case of standardized and familiar goods, or certain sensitivity products that require a level of privacy and anonymity, consumers’ intention to shop on the Internet is high (Grewal et al., 2002).

Phau & Poon (2000) compared the internet buying behaviour of potential internet buyers and non internet buyers empirically and found that the classification of different types of products and services significantly influence the consumer choice between a retail store and Internet shopping mall. Generally, products and services that have a low outlay, are frequently purchased, have intangible value proposition, and relatively high on differentiation are more likely to be purchased via the Internet.

Vijyasarthy (2002), compare the volume of online sales by categories and reveal that certain types of products fare better than others. Intentions to shop using internet differ by tangibility of products. People are more likely to buy intangible products particularly software, anti-virus, games than tangible product online.

7. Medium Characteristics and Online Consumer Behaviour

The promise of electronic commerce and online shopping depends, to a great extent, on user interfaces and how people interact with computers. Moreover, the characteristics of information presentation, navigation, order fulfilment in an interactive shopping medium is considered a more important factor in building electronic commerce trust than in the traditional retailing (Alba et al., 1997). Information search (IS) attributes such as ease of use, quality, security and reliability can be termed as medium characteristics. Additionally, web specific factors such as ease of navigation, interface and network speed also influence the consumer buying behaviour.

Li and Zhang (2002), improving website quality can positively influence consumer attitudes and behaviour, potentially leading to increased frequency of initial purchase and repeat purchases on the part of consumers.

Ranganathan & Ganapathy (2001), conducted exploratory factor analysis of various characteristics of online shopping web sites revealed four underling dimensions; information content, design, security and privacy. Of these, security emerged as the best predictor of online purchase intention. The item under security that has the maximum factor loading was the provision of an alternate, non-online mode of transmitting financial information. Privacy had the second highest discriminate analysis coefficient and loading. Consumers are unwilling to reveal personal information over the web, despite assurance given by the online merchant.

Suntornpithug’s (2010), study states that there is a relative influence of machine interactivity and person interactivity on intention to purchase online. It also identifies two dimensions of interactivity (machine interactivity and person interactivity) as key underlying factors behind the potential success
of Web commerce design. The great challenge to the Web merchants, therefore, goes beyond attracting customers to their Web sites. Web stores need to create a compelling Web site that will entice potential customers to actually purchase products from them.

Monsuwe et al. (2004), while developing model “what derives consumers to shop online?” also consider “computer anxiety” and “site characteristics” an important factors. These factors consider as sub-factors or ignored at all by many researchers. “Computer anxiety” is defined as an individual’s apprehension or even fear when he/she is faced with the possibility of using computers. This influences consumers’ perceptions regarding the “ease of use” of the Internet as a shopping medium in a negative way.

Liang & Lai (2002), in their research used a consumer-oriented perspective to derive functional requirements for e-store design. These needs are grouped into three categories: motivation, hygiene, and media richness. An empirical study was conducted on three on-line bookstores to evaluate the relative importance of these factors. The results show that the quality of e-store design has an effect on the consumer purchase decision. Consumers are more likely to shop at well-designed websites. Among the on-line functions, support of transaction and post-sales services play key roles. Hygiene factors are critical when consumers decide whether to shop electronically, while motivational factors play a key role when consumers choose among different electronic stores. Media richness factors are, in general, least important.

8. Merchant and Intermediary Characteristics and Online consumer Behaviour

Service quality can be defined as global judgment about the superiority or excellence of the service provided (Parasuraman et al.,1985). A perception of service quality results from a comparison of expectations and performance. The widely known scale for measuring service quality is SERVQUAL, developed by Parasuraman et al. (Parasuraman et al., 1988). It identifies five dimensions of service quality: tangibility, reliability, empathy, responsiveness, and assurance. The findings on the impact of service quality are mixed. Three studies investigating general customer service found a significant positive relationship with the intention to shop online, while the other did not (Burroughs & Sabherwal, 2001; Jarvenpaa & Todd, 1997; Mathwick et al., 2001). Moreover, the impact of specific dimensions, such as reliability, tangibility, and empathy were not significant (Vijayasarathy & Jones, 2000). Customers want careful, continuous, useful communication, across geographic barriers (Lohse and Spiller, 1998). These attributes are frequently identified as a salient dimension to determine the store choice behaviour in both online and off-line stores (Jarvenpaa and Todd, 1997). Customer service includes sales clerk service for merchandise selection, answers to frequently asked questions, and credit, return, and payment policies. Customers want help with product selection, gift services, contact information for sales representatives, a FAQ section for speedy answers, and information about shipping and handling costs (Park & Kim, 2003).

Tsai et al. (2011), undertaken a research to determine whether a more prominent display of privacy information will cause consumers to incorporate privacy considerations into their online purchasing decisions. They designed an experiment in which a shopping search engine interface clearly and compactly displays privacy policy information. When such information is made available, consumers tend to purchase from online retailers who better protect their privacy. Their study indicates that when privacy information is made more salient and accessible, some consumers are willing to pay a premium to purchase from privacy protective websites.

Haung et al (2004) investigated the relationship between brand names and consumers’ perceived risk in online shopping context. They hypothesis that whether the presence of a product’s brand name affects consumers’ perceived risk towards shopping online; whether the familiarity with a brand name influences consumers’ perceived risk; and whether online shoppers and non shoppers perceive
risk towards shopping online differently. Results indicate that the presence or absence of a product’s brand name affects online shoppers’ perceived risk, but in the opposite direction to that expected. There was no significant difference between online shoppers’ perceived risk vis-a-vis brand familiarity; however, online shoppers possessed lower perceived risk than non-shoppers.

9. Environmental Influences and Online Shopping Behaviour

External environment refers to those contextual factors that impact consumers’ online shopping attitudes and behaviour. Marketing scholars such as Engel et al (2001) contend that environmental factors like culture, social influence, peer influence, and mass media play an important role in affecting consumer purchasing decisions.

Li and Zhang (2002), explains external environmental factors as those contextual factors that impact consumers’ online shopping attitudes and behaviour and these factors have three dimensions. The first is the existing legal framework that protects the consumers from any kind of loss in online transactions. The second is the system of third party recognition in which many third party certification bodies work to ensure the trustworthiness of online vendors. These two factors are positively associated with consumers’ trust and attitude to the online stores. The third factor is number of competitors in the market.

Culture represents a shared set of values that influence societal perceptions, attitudes, preferences, and responses. According to Hofstede’s culture model (Hofstede’s, 1984), cultural differences (normally typified by country) are categorized into five dimensions, including power distance, individualism-collectivism, masculinity-femininity, uncertainty avoidance, and long-term orientation. Among these five dimensions, individualism-collectivism and masculinity-femininity have been used to predict online consumer behaviour. Western and eastern cultures differ dramatically in this dimension, which leads to different online shopping behaviour (Chau et al. 2002; Huang 2003; Park and Jun 2003; Park et al. 2004). In an individualistic culture (e.g., U.S. and Australia), the ties between individuals are loose. People tend to use the Internet mainly for personal purposes such as e-commerce and information searching (Chau et al. 2002; Park and Jun 2003). In a collectivistic culture (e.g., China, Singapore, and Mexico), people are integrated into strong, cohesive groups. They use the Internet mainly for social communication and hobbies, such as sending/receiving e-mails, accessing/downloading software, and conducting work-related research (Wee and Ramachandra, 2000). Thus, the difference in the individualism-collectivism dimension can lead to different shopping orientations. The individualism-collectivism dimension also influences the perceived risk of online shopping. Collectivistic normally perceive higher risk associated with online shopping than individualists (Park and Jun 2003; Park et al. 2004), they do not consider risk as a significant decision factor.

According to Hofstede masculinity refers to the extent of the distinction of social gender roles in a society. In a masculine culture, social gender roles are clearly distinct. In contrast, social gender roles overlap in a feminine culture. Stafford et al. (Stafford et al. 2004) compared the online shopping behaviour of consumers in the U.S., Turkey, and Finland. The masculinity scores, according to Hofstede’s index, were high for the US, low for Turkey, and Finland had the lowest of the three countries. The results show that consumers from less masculine societies (e.g., Finland) are less involved in online shopping than those from more masculine societies (e.g., Turkey), which is consistent with the findings of gender pattern in online shopping.

10. Conclusion

The present study is an attempt to capture the impact of different factors on consumer behaviour. In order to study online consumer’s behaviour, research paper and articles are reviewed from information system literature and consumer behaviour literature. In most of the studies classical
consumers buying behaviour models are adopted to study the online shopping behaviour. However, the buying behaviour in shopping through physical store and through online store is different. Instead of borrowing theories and models from other disciplines, there is a need to develop behavioural models which are specific to the context of online shopping.

There is a great amount of studies focussing on the consumer characteristics and product/service characteristics to understand the consumer buying behaviour while the medium and merchant characteristics lacks the number of studies. In consumers characteristics demographics are studied extensively. Consumers’ demographic shows mixed results. Bellman et al (1999) report that internet surveys agree that the online population is relatively younger, more educated, wealthier, although the gaps are gradually closing. Bhatnagar et al (2000) provide evidence that demographics are not relevant factors in determining which store to patronize or how much to spend, though men and women do tend to buy different types of products or services via the Internet. Some product categories are more suitable for online shopping than other categories. The lack of physical contact and assistance in shopping on the Internet is one factor that influences this suitability. Moreover, factors related to online shopping environment also play important role in this business model but the number of studies in this area are not enough to give some robust results, particularly in case of developing nations.

If we see the case of Indian retail market, it is the largest market in the world after China. According to the ET India is adding three internet users every seconds and already the second –largest internet market globally in terms of users. The latest study by the Internet and Mobile Association of India (IAMAI) has found that 48 percent of shoppers have looked for information online in apparels, footwear and mobile categories; but 18 percent of them purchased online. Also, 76 percent shoppers still prefer to pay by cash on delivery (CoD) which the e-tailors have been fighting off with incentives like easy EMI in online payment mode and additional discounts for online payments, as the logistics costs are through the roof for CoD. So, all these facts need a considerable analysis and identifications of factors behind these facts. Whether it is small or large, national or international, every company wants to capitalise Indian market, but not all could do this. Some players are still running their business even in loss to capture a good market share. So, in such a scenario it is important to identify the effeteness of different factors on consumer behaviour.

References


