Online Consumer Behaviour and Opportunities–A Birds Eye View

M. Josephine Rebecca
Research Scholar, Department Of Commerce
V.O.Chidambaram College, Thoothukudi-8
Affiliated to Manonmaniam Sundaranar University-Trirunelveli, TAMIL NADU-INDIA

Abstract

The underlying concepts and the basis behaviour of consumers in the Internet market are discussed in this paper, showing that online behaviour does not always follow the traditional behaviour. The current knowledge of online consumers is limited and therefore this research is an attempt to explore this phenomenon. In addition to academia, understanding consumers and their decision-making journey is of importance to e-businesses in order to facilitate and influence consumers’ purchase processes. This knowledge can be used to reach consumers “in the right place at the right time with the right message”. In order to win customers in the online market place, where all the competitors and their products are readily accessible, companies require a comprehensive understanding of their customers. E-businesses have encountered challenges in addressing consumer needs and utilizing the capabilities of this environment to the maximum. Little is yet known about the way consumers make purchase decisions, search, and use information in this environment. Online consumers behave differently and also have more sophisticated needs. They are not only buyers but also Internet users. They perform the purchase-related tasks to fulfill a purchase as they would with a traditional retailer. In addition, they require interacting with the Internet while directing the process on their own. Their behaviour is affected by general purchase-related factors and also their interactions with the Internet environment. It is, therefore, crucial to understand their requirements and concerns due to the nature of the online environment. This knowledge can then be used to enhance the shopping experience and provide instant personalization based on the knowledge of consumer.

Internet characteristics

The way Internet shoppers behave has always been of great interest to academics and e-businesses. The Internet has become a powerful force that influences shopping behaviour, because of its characteristics such as the accessibility of large amounts of information, lower search costs, and intangibility of products. The Internet can improve the consumer experience by providing convenience, highly personalized services and in some cases better prices. In addition, Web 2.0 features have turned this platform into a highly dynamic place with interactive communications between business and user as well as between user and user. Interactivity is gained by sophisticated tools. These tools “assist shoppers in their purchase decisions by customizing the electronic shopping environment to their individual preferences”. They therefore improve the shopping experience and satisfaction through the quantity and quality of individually customized information, and enable wide participation of consumers in social activities and consumer-generated content. Interactive features of this environment alter the natural cognitive flow of consumers and affect their decision making process and satisfaction.

On the other hand, lack of face-to-face relations, the intangibility of shops and products, and security issues such as being a victim of credit card fraud or the possibility of receiving a different product, increase the risk in this environment. The higher level of perceived risk leads to consumer hesitation in a purchase decision. In addition, the low cost of visiting the e-shop contributes to the delay of the purchase as consumers can visit the online shop many times and postpone the purchase, which is not the case in traditional offline shops. Although intangibility of products on the Internet could be considered as one of its drawbacks, advances in technology such as the ability to provide a combination of images, texts, sounds and visual tools has reduced this downside.
Impact of the Internet on the purchase decision-making process

The nature of online purchase activities makes the online purchase process different from the traditional one. The Internet affects all stages of the purchase process followed by consumers. For instance, searching for alternatives, gathering required information, simultaneous evaluation of different retailers, providing personal information and the payment process are all different in the online environment. In other words, the Internet has changed consumer behaviour by offering consumers diverse types of convenience to search for information, evaluate different options, and make a purchase. “This environment could have a profound effect on how customers construct their decision-making processes to adjust appropriately to the new decision-making environment” The Internet also allows for cross-channel purchases. This means that different stages of the purchase process might take place via the Internet channel or physical shops.

One of the main underlying issues of online purchase decisions addressed in previous studies is information overload. The amount and type of information available online is different (Bakos, 1997). Information overload has been found to be the main reason for an alteration in behaviour. It is related to the bounded rationality theory. The fact that consumers get overloaded by large amounts of information on products has been proved previously (Jacoby, 1984; Malhotra, 1982; 1984). It has been verified that a limited number of alternatives and attributes can be processed by individuals before being affected by information overload. Information overload is a “multiplicative function of the amount of product attributes and alternative information available for a single product” (Mick, Broniarczyk and Haidt, 2004). It leads to simplification of choice processes which in return reduces the quality of the decision. It also increases confusion and lowers the decision satisfaction. As there is a huge amount of information available on the Internet, consumers are unable to evaluate all the alternatives in depth prior to making a choice. Therefore, Häubl and Trifts (2000) have suggested that consumers use a two-stage process. In the first stage they look at a large number of products but not in great depth, and select a set of alternatives which seems to be more promising. During the second stage, they evaluate this set in more depth and perform extensive comparisons based on their criteria to make the purchase decision. This two-staged strategy is the most typical approach (Payne, 1976; Bettman, Luce and Payne, 1998).

In addition to the Internet’s characteristics, the impact of new supporting features in the Internet environment, such as interactive decision aids (Wang and Benbasat, 2009), comparison engines and recommender systems on consumer behaviour, is obvious. According to Terpsidis et al. (1997), recommender systems help consumers in problem recognition and information search. They can suggest potentially useful products and reduce the external search by using feedback from other consumers with similar interests. They help consumers in the often overwhelming task of locating products as a response to the large number of choices and their frustration at the low level of professional support available (Schafer, Konstan and Riedl, 2001). Alongside recommender systems, comparison engines have a great impact on information search behaviour (Peterson and Merino, 2003) and have created a new trend in purchase behaviour. Comparison tools affect purchase decisions (Haubl and Trifts, 2000). Moreover, the impact of online consumer reviews on consumers’ purchase decisions has been supported by many researchers (Li and Hitt, 2010; Mudambi and Schuff, 2010).

It is clear that Internet purchase behaviour does not necessarily follow the traditional consumer purchase behaviour (Koufaris, 2003). The online consumers are also different. They are more “powerful, demanding and utilitarian in their shopping expeditions” (Koufaris, 2003), as they get the control of the situation and actively “pull” the information they need rather than waiting for marketers to “push” it (Court et al., 2009).

Internet support for purchase process

Zeng and Reinartz (2003) suggested that the impact of the Internet on stages of the consumer decision-making process varies. They found that the Internet supports mainly the search stage and almost neglects assisting consumers during evaluation. Kohli, Devaraj and Mahmood (2004) have similarly found evidence for partial support of the Internet during the purchase process. However, the Internet
has changed over the past decade and more and more decision aid tools and recommender systems have been put in place to support consumers. Understanding consumers’ decision-making stages is the first step in supporting them by providing necessary information and facilitating their choice. This support results in a reduction in tangible and cognitive costs (Kohli, Devaraj and Mahmood, 2004). On the other hand, failure to support some stages of the process might lead to change of channel choice.

Impact of the Internet on behaviour of consumer in a market

The influences of the Internet are not limited to consumer purchase decisions. The Internet also influences the way consumers behave in an online market in terms of interaction with different retailers. It is transforming the distribution of purchase over different products and retailers (Brynjolfsson, Dick and Smith, 2010). The online environment facilitates lower search costs, and offers the possibility of visiting different retailers at the same time, and comparing various alternatives simultaneously. It therefore makes all the information and market players easily accessible to consumers (Daniel and Klimis, 1999; McGaughey and Mason, 1998). Theoretically, buyers have access to all suppliers (Daniel and Klimis, 1999). The power of sellers is then reduced while the market competition is increased by making allocation of resources more optimal (Bakos, 1991; 1997; Hinz, Hann and Spann, 2011). This changes the market structure (Bakos, 1997; Koufaris, 2003).

Online retailers are competing to gain more consumers and increase their market share (Tih and Ennis, 2006). One of the first studies to investigate the nature of the electronic market is the work of Malone, Yates and Benjamin (1987), who stated that in an electronic market, consumers are capable of searching many retailers for a product or service. As the cost of search is lower, “proportionately more use of markets” will be noticed (Daniel and Klimis, 1999). Therefore, the Internet market is expected to create opportunities for small retailers and reduce concentration of the market by making it easier for consumers to visit all online retailers. In addition, a recent study by Oestreicher-Singer and Sundararajan (2012) has found the impact of the recommendation networks on a flatter distribution of both revenue and demand. However, certain categories of product are more influenced by recommendation networks. One of the markets which have been suggested as likely to encounter changes was the financial market, due to the increase in electronic distribution of services (Daniel and Klimis, 1999).

Internet, e-services and online consumers

Internet serves its users by various e-services. “E-service includes the service element of e-tailing, customer support and service, and service delivery” (Rowley, 2006). As the use of the Internet among retailers has increased, a growing body of literature has emerged exploring the use of e-services in e-commerce. These studies have mainly concentrated on the psychological processes underlying adoption. They have mainly attempted to establish the link between measures of services and behavioural intentions.

Online service marketing and Internet studies have focused on adapting measures of traditional services for e-services. For instance, the impact of service quality, service value, and trust and risk on the adoption of e-commerce has been examined. However, service quality in an online context is different from the traditional one (Janda, Trocchia and Gwinner, 2002). A number of studies have investigated service quality in the online retail service context. Janda, Trocchia and Gwinner (2002) explored consumers’ perceptions of Internet retail service quality. Zeithaml, Berry and Parasuraman (1996) found a strong relationship between service quality and consumers’ behavioural intentions. Therefore, for e-businesses to be successful, high quality e-services should be offered to their consumers. Cronin et al. (1997) have investigated the impact of service value on consumer decision processes. They show that inclusion of this construct in models of consumer decision making for services increases the ability of these models to explain the variations in purchase intentions beyond analysis of service quality. As mentioned by Gefen and Straub (2003), the majority of retailers on the Internet “have created websites where customers can order services online, but there is little or no provision for socially rich exchanges when the customer has questions or deeper issues”. Social presence is highly related to information richness.
Therefore, e-service is more than providing a list of products and fulfilling an online purchase. It is important to develop e-services based on the requirements of online consumers. This again emphasizes the understanding of consumer behaviour and development of those e-services with the quality, value, social presence and other characteristics that satisfy their needs, increase consumer adoption and enhance their experience.

**Characteristics of online purchase decision-making processes**

As mentioned above, online consumer behaviour is different from the well-studied traditional behaviour (Van den Poel and Buckinx, 2005; Bucklin et al., 2002). Online purchase decision making process can be characterized as being to some extent ad-hoc, including both formal and informal sub-processes, as well as being unstructured and highly dynamic.

Online purchase decision making is unstructured as consumers do not follow a predefined set procedure. “Internet choice behavior is dynamic and consists of an evolving series of interrelated choices, where both consumer and marketer can play a role in shaping the context of subsequent choice events depending upon the outcome of earlier encounters” (Bucklin et al., 2002). These characteristics all contribute to the complexity of this process.

**Modelling the consumer decision-making process**

It is now clear that online purchase behaviour is different from the traditional behaviour. “There are significant gaps in our understanding of e-consumer behaviour” (Dennis et al., 2009). “Building theoretical knowledge and models in order to better understand the consumer, segment the market, and ultimately increase profitability” is of great importance (Rickwood and White, 2009). Therefore, it is necessary to develop a new behavioural model that enhances our understanding of the online purchase decision-making process (Constantinides, 2004).

A number of studies propose models of online purchase behaviour. Some of the current models try to improve the existing models of traditional purchase by introducing factors that influence the online purchase. The purchase process stages, however, are merely based on the traditional problem-solving view, following the sequence of research, evaluation and purchase stages. Complexities of the online purchase decision have not been taken into account (Smith and Rupp, 2003; Louvieris, Driver and Powell-Perry, 2003).

**Empirical testing of online purchase models**

The majority of purchase decision-making models of online context are conceptual, and offer hypotheses (McGaughey and Mason, 1998; Moon, 2004). Others concentrate on factors that influence the purchase process rather than stages of the process (e.g. Lee, 2002; Smith and Rupp, 2003). Very few have attempted to model the behaviour. For example, Chen and Chang (2003) have modelled the behaviour of consumers, but their work is based on self-reported behaviour. Hölscher and Strube (2000) have used modelling techniques to illustrate the actual steps of search behaviour on the Internet. They have developed a model of information seeking based on interviewing experts and testing it with individuals with different levels of Web experience and domain-specific knowledge. Other interesting work by Hsia, Wu and Li (2008) studies the behaviour of Internet shoppers, considering the whole process rather than concentrating on the search behaviour. The purchase decision-making behaviour is combined with a value matrix to suggest the services needed at each stage of this process. Their model can be utilized to determine the core e-services required for an e-business in order to create value from e-commerce.

**Behavioural differences in online information search**

The majority of Internet studies have concentrated on the information search stage (e.g. Klein, 1998; Johnson et al., 2004). The information search intention is one the most important predictors of purchase intention in the online shopping context (Kim and Park, 2005; Shim et al., 2001; Watchravesringkan and Shim, 2003). There is evidence that a large number of consumers who search a retailer’s website for product information with the intention of purchasing abandon their online
purchase plans (Shim et al., 2001). Therefore, understanding the factors that affect search behaviour is crucial for e-retailers. Moe (2003) and Moe and Fader (2004) have categorized online consumer researchers into four different groups based on the aim of the search: 1: Directed buyers: want to buy a specific product when they visit a shop, therefore are unlikely to leave without purchase. 2: Search/deliberation visitors: want to buy a general product category; purchase might happen after a number of visits when more information has been gathered from visiting different stores. 3: Hedonic browsers: have no product or even product category in mind when they visit a website. The purchase may or may not happen, but if the consumer makes a purchase, it is due to in-store experience and the stimuli he/she has received. 4: Knowledge-building visitors: only research to gather information about the products available, without any intention to purchase. No matter how stimulating the website is, they will not make a purchase.

**Multi-channel behaviour of consumers**

Although the Internet has been treated as a replacement channel in many Internet studies, there has recently been a shift towards multi-channel behaviour of consumers. The Internet has in reality allowed for cross-channel purchases and post-purchase behaviour (Tih and Ennis, 2006; Wikstrom, 2005). Consumers might use e-services that support a particular stage of the purchase because of their value compared to the offline value. Different channels of communication convey different levels of information. Some channels are more suitable for certain tasks (Gefen and Straub, 2003). Therefore, it is important to understand the specific characteristics of different markets. The Internet can be used as a new channel that supports the entire purchase process in some sectors; while it can be used as a complementary channel by others. It is a new area of research that will be addressed in this study. As stated by Choudhury and Karahanna (2008), “The choice of channels is not a monolithic decision. Rather, the purchase process consists of several distinct stages and consumers can disaggregate their choice to move from one channel to another at different stages of a single transaction”.

**Factors influencing online consumer behaviour**

Understanding issues that trigger consumers to make a purchase, affect their decision-making processes, and lead to variations in choice and process in different contexts and for different individuals, are very important. As online purchase decision making is a complex phenomenon, a large number of factors have been found to be influential. Different factors have a different level of importance in different stages of decision making. Court et al. (2009), for example, believe that company-driven marketing is more important when the initial consideration set is developed, while the consumer’s information and knowledge is more important during the research and evaluation. At the purchase time, interactivity with the shop is the most determinant factor. Therefore, understanding the influences of various factors on different stages of the process is crucial.

The contextual model which was developed based on previous empirical studies shows the online consumer in its context. It illustrates all the elements that surround consumers and the factors that influence their behaviour. On one side, there is the consumer with his/her characteristics and the social and cultural context; on the other side, there is the market including market players, intermediaries, their websites, e-business strategies, marketing strategies, product range, advertising efforts and both Internet and offline channels. According to Constantinides (2004), in addition to consumer characteristics and environmental influences, characteristics of the product/service, medium and merchant/intermediary also define the context of the decision. The impact of the consumer’s community is also illustrated. The outcome, which is consumer purchase and post-purchase behaviour, is included. To summarize, in the online purchase context, consumer characteristics, market, merchant and medium characteristics, reference group as well as the cultural, social and economical factors all affect the purchase process.
Contextual model of online consumers

Impact of contextual factors on online purchase decisions

The literature describes a diverse range of contextual factors that influence online consumer behaviour. They include: social (opinion leaders, person’s family, reference groups, social class, and culture) (Doyle, 1994); environmental influences, product/service characteristics, characteristics of the medium, merchant/intermediary characteristics, exposure of customers to the company’s marketing, and the Web experience (Constantinides, 2004); marketing efforts, socio-cultural influences (Smith and Rupp, 2003); brand name, price, sensory and non-sensory attributes of products (Degeratu, Rangaswamy and Wu, 2000). It is the impact of all these factors that makes online purchase decisions so complex.

There is a relatively new area of literature that examines the sociability of online shopping as one of the influential factors. Shopping in general is motivated by various reasons, and is not only a matter of purchasing a product but is also related to the consumer experience. Socializing is one of the shopping motivators (Rohm and Swaminathan, 2004). The consumer-to-consumer relationship enhances the consumer experience: “Social shopping, leads to more customer satisfaction” (Leitner and Grechenig, 2008). The online environment, however, lacks the social interactions of shopping (Palmer and Koenig-Lewis, 2009; Dennis et al., 2010; Hassanein and Head, 2007), which is a hindrance to online purchase. The growth of social networking and availability of consumer forums is a step towards a more sociable experience. This area of study has great potential which is reliant on consumers.

FUTURE DIRECTIONS

In the current marketing literature, behavioural influence approach proposes that consumers, in most cases, act in response to environmental pressures. These perspectives are complementary, focusing on different aspects of buying and consumption process (Mowen 1988). Organizations will
benefit by developing suitable strategies and choosing the right model to ensure that consumers make the purchase. Additionally the following points can lead to further research.

1. The research aims to address noteworthy aspects with respect to the role of the Internet in decision making, effect of the Internet on Consumer Behavior, Post Purchase Behavior, the Consumer Decision Making Process and Websites contribution to the Brand, because if E-Marketers want to grow in the Online Domain, they should be concerned about the factors affecting the online buyer, their intent to venturing online, types of behavior when they venture online and the relationship between these buyers, then they further build up their E-Marketing strategies to convert prospective customers into active ones.

2. The E-learning industry is witnessing a strong demand in the academic sector with changing teaching methods and courseware likewise in schools and colleges. Technological advancements in teaching methods has made it feasible for students in the country to attend customized tutoring from teachers anywhere in the country or even in the world. Additionally virtual and blended-learning programs will facilitate mass customization in education. E-learning is a rapidly growing segment for the youngsters with anytime accessibility.

3. The Website Brand Contribution Model (WBCM) study can be expanded by including a large number of organizations across each vertical and can also be used to educate organizations with respect to the performance of their website vis-à-vis their competitors. A comparison of site performance across website dimensions in the context of competition will help companies improve website effectiveness and efficiency considerably.

4. In India, e-tailing has the potential to grow more than hundred-fold in the next eight years to reach a value of 76 billion dollars by 2021. This would be possible if more number of rural people brought under the fold of internet accessing and trained to use the sophisticated way of shopping and if the E-retailers change their business models and understand their consumers more because consumers are the real Kings.

References


