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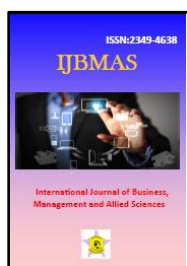
ONLINE CUSTOMER BEHAVIOR - AN IMPACT ON ONLINE SHOPPING

Dr.Thota Nagaraju¹, Dr.Talluri Sreekrishna²

¹Associate Professor, PG. Dept of Commerce, SSMRV College, Jaya Nagar, Bangalore

²Associate Professor, Department of Management Sciences, R.V.R & J.C. College of Engineering, Chowdavaram, Guntur, Andhra Pradesh, India

Email: tningaraju57@gmail.com¹; tsreekrishna@gmail.com²



ABSTRACT

Recent research has shown an interest in investigating consumer motivations that affect the online shopping behavior. It is yet to understand what factors influence online shopping decision process. The objective of this study is to provide an overview of online shopping decision process by comparing the offline and online decision making and identifying the factors that motivate online customers to decide or not to decide to buy online. It is found that marketing communication process differs between offline and online consumer decision. Managerial implications are developed for online stores to improve their website.

Keywords: Online shopping, online shopper behavior, online shopping decision

Introduction

The internet has played a significant role in our daily life in that people can talk through the internet to one who is actually on the other side of the Earth, can send email around the clock, can search information, can play game with others, and even can buy things online. Meanwhile, Internet shopping has been widely accepted as a way of purchasing products and services. It has become a more popular means in the Internet world (Bourlakis et al., 2008). It also provides consumer more information and choices to compare product and price, more choice, convenience, easier to find anything online (Butler and Peppard, 1998). Online shopping has been shown to provide more satisfaction to modern consumers seeking convenience and speed (Yu and Wu, 2007). On the other hand, some consumers still feel uncomfortable to buy online. Lack of trust, for instance, seems to be the major reason that impedes consumers to buy online. Also, consumers may have a need to examine and feel the products and to meet friends and get some more comments about the products before purchasing. Such factors may have negative influence on consumer decision to shop online.

This study first provides a theoretical and conceptual background that illustrates the differences between offline and online consumer behavior process. Then we identify some basic factors that drive consumers to decide to buy or not to buy through online channel. Finally, we draw managerial implications of how online sellers can use this knowledge to improve their online stores to be more attractive and get more online shoppers.

Theoretical Background

Offline and Online Consumer Decision-making Process

The process of making decision are very similar whether the consumer is offline or online. But one some major differences are shopping environment and marketing communication. According to traditional consumer decision model, Consumer purchase decision typically starts with need awareness, then information search, alternative evaluations, deciding to purchase and finally, post-purchasing behavior.

In terms of online communication, when customers see banner ads or online promotion, these advertisements may attract customers' attention and stimulate their interesting particular products. Before they decide to purchase, they will need additional information to help them out. If they do not have enough information, they will search through online channels, e.g., online catalogs, websites, or search engines ((Laudon and Traver, 2009)). When customers have enough information, they will need to compare those choices of products or services. In the search stage, they might look for the product reviews or customer comments. They will find out which brand or company offers them the best fit to their expectation. During this stage, well-organized web site structure and the attractive design are important things to persuade consumers to be interested in buying product and service ((Koo et al., 2008)). Moreover, the information sources' nature may influence buyer behavior ((Bigné-Alcañiz et al., 2008)). The most useful characteristic of internet is that it supports the pre-purchase stage ((Maignan and Lukas, 1997)) as it helps customers compare different options ((Dickson, 2000)). During the purchasing stage, product assortment, sale services and information quality seem to be the most important point to help consumers decide what product they should select, or what seller they should buy from ((Koo et al., 2008)). Post-purchase behavior will become more important after their online purchase. Consumers sometimes have a problem or concern about the product, or they might want to change or return the product that they have bought. Thus, return and exchange services become more important at this stage (Liang and Lai, 2002).

All five stages described above are affected by external factors of risks and trusts (Comegys et al., 2009). The search process is a significant component of customer's online shopping behavior (Seock and Norton, 2007). The source risk comes in the stage of information search and evaluation because the information in the web sites might contain some mistakes. Some websites require customers to register before searching their website. As such, in addition to product risk, consumers also face the risk of information security (Comegys et al., 2009; Wang et al., 2005). Because of the nature of online purchasing, customers take the risk as they are not able to examine the product before purchasing. They also take the risk in the payment process because they may need to provide personal information including their credit card number. Security problem does not stop at the purchase stage but continues to the post-purchase stage because their personal information might be misused.

A Framework of Online Consumer Decision

A framework that compares online consumer decision with offline decision making was developed by Laudon and Traver (2009), who suggest that a general consumer behavior framework requires some modification to take into account new factors.

When consumers want to buy product, they will look at the brand and the characteristics of product or service. Some products can be purchased and shipped easily online such as, software, books. On the other hand, some products are hard to decide through online channel. Web site features, firm capabilities, marketing communication stimuli, and consumer skills are also important, in terms of the proposed framework (Laudon and Traver, 2009). When consumers want to buy product, they will look at the brand and the characteristics of product or service. Some products can be purchased and shipped easily online such as, software, books. On the other hand, some products are hard to decide through online channel. Web Site feature is one of the important things that can influence consumers to buy product online. For example, online retailers can use high technology to

improve their websites in order to influence consumer perceptions of the web environment (Prasad and Aryasri, 2009). If the web site is too slow, not navigability, or not safe enough, will have negatively impact consumer willingness to try or buy products from the website. Consumer experience with online shopping (Broekhuizen and Huizingh, 2009) or consumer skills, which refer to the knowledge that consumers have about product, and how online shopping works (Laudon and Traver, 2009) also influences online shopping behaviors. Clickstream behavior is another aspect that becomes more important in the online world. It refers to the behavior that consumers search for information through web sites many sites in the same time, then to a single site, then to a single page, and finally to a decision to purchase (Laudon and Traver, 2009). All these factors lead to specific attitudes and behaviors about online purchasing and a sense that they can control their purchasing environment thru the online world.

Influences of Online Shopping Decision

Motivations that lead consumer to buy online

There are many reasons why people shop online. For examples, consumers can buy anything at anytime without going to the store; they can find the same product at a lower price by comparing different websites at the same time; they sometime want to avoid pressure when having a face-to-face interaction with salespeople; they can avoid in store traffic jam, etc. These factors can be summarized into four categories –convenience, information, available products and services, and cost and time efficiency.

Convenience: Empirical research shows that convenient of the internet is one of the impacts on consumers' willingness to buy online (Wang et al., 2005). Online shopping is available for customers around the clock comparing to traditional store as it is open 24 hours a day, 7 days a week (Hofacker, 2001; Wang et al., 2005). Research shows that 58 percent chose to shop online because they could shop after-hours, when the traditional stores are closed and 61 percent of the respondents selected to shop online because they want to avoid crowds and wailing lines, especially in holiday shopping (The Tech Faq, 2008). . Consumers not only look for products, but also for online services. Some companies have online customer services available 24 hours. Therefore, even after business hours, customers can ask questions, get necessary support or assistance, which has provided convenience to consumers (Hermes, 2000).

Some customers use online channels just to escape from face-to-face interaction with salesperson because they pressure or uncomfortable when dealing with salespeople and do not want to be manipulated and controlled in the marketplace (Goldsmith and Flynn, 2005; Parks, 2008). This is especially true for those customers who may have had negative experience with the salesperson, or they just want to be free and make decision by themselves without salespersons' presence.

Information: The internet has made the data accessing easier (Wang et al., 2005). Given customers rarely have a chance to touch and feel product and service online before they make decision, online sellers normally provide more product information that customers can use when making a purchase (Lim and Dubinsky, 2004). Customers put the weight on the information that meets their information needs (Keency's, 1999). In addition to get information from its website, consumers can also benefit from products' reviews by other customers. They can read those reviews before they make a decision.

Available products and services: E-commerce has made a transaction easier than it was and online stores offer consumers benefits by providing more variety of products and services that they can choose from (Lim and Dubinsky, 2004; Prasad and Aryasri, 2009). Consumers can find all kinds of products which might be available only online from all over the world. Most companies have their own websites to offer products or services online, no matter whether they already have their front store or not. . Many traditional retailers sells certain products only available online to reduce their retailing costs or to offer customers with more choices of sizes, colors, or features. Boccia Titanium, for instance, has stores in many states but not in Connecticut. The company offers website to reach and to fulfill the need of Connecticut customers to order online. . Similarly, Yves Rocher, a French

company, does not have the front store in the U.S. It offers the website so that U.S. customers can just add products they want into the online shopping cart and the product will be shipped to their house. Moreover, online shopping sometimes offer good payment plans (Amin, 2009) and options for customers. Customers can decide their payment date and amount (Anonymous, 2009) in their own preference and convenience.

Cost and time efficiency: Because online shopping customers are often offered a better deal, they can get the same product as they buy at store at a lower price (Rox, 2007). Since online stores offer customers with variety of products and services. it gives customers more chances to compare price from different websites and find the products with lower prices than buying from local retailing stores (Lim and Dubinsky, 2004). Some websites, Ebay for example, offer customers auction or best offer option, so they can make a good deal for their product. It also makes shopping a real game of chance and treasure hunt and makes shopping a fun and entertainment (Prasad and Aryasri, 2009). Again, since online shopping can be anywhere and anytime, it make consumers' life easier because they do not have to stuck in the traffic, look for parking spot, wait in checkout lines or be in crowd in store (Childers et al., 2001). As such, customers often find shop from the website that is offering convenience can reduce their psychological costs (Prasad and Aryasri, 2009).

Factors that Impede Consumers from online Shopping

Major reason that impede consumers from online shopping include unsecured payment, slow shipping, unwanted product, spam or virus, bothersome emails and technology problem. Business should be aware of such major problems which lead to dissatisfaction in online shopping.

Security: Since the payment modes in online shopping are most likely made with credit card, so customers sometime pay attention to seller's information in order to protect themselves (Lim and Dubinsky, 2004). Customers tend to buy product and service from the seller who they trust, or brand that they are familiar with (Chen and He, 2003). Online trust is one of the most critical issues that affect the success or failure of online retailers (Prasad and Aryasri, 2009). Security seems to be a big concern that prevent customers from shopping online (Laudon and Traver, 2009). because they worried that the online store will cheat them or misuse their personal information, especially their credit card (Comegys et al., 2009). For instance, report indicated that 70 percent of US web users are seriously worried about their personal information, transaction security, and misuse of private consumer data (Federal Trade Commission, 2001).

Intangibility of online product: Some products are less likely to be purchased online because of the intangible nature of the online products. . For example, customers are less likely to buy clothes through online channel (Goldsmith and Flynn, 2005) because they have no chance to try or examine actual product (Comegys et al., 2009). Customers viewing a product on computer screen can show a different effect than actually seeing it in the store (Federal Trade Commission, 2003). In sum, customers cannot see, hear, feel, touch, smell, or try the product that they want when using online channel. In many cases, customers prefer to examine the product first and then decide whether or not they want to buy (Junhong, 2009). Some people think the product information provided in website is not enough to make a decision. Online shoppers will be disappointed if the product information does not meet their expectation (Liu and Guo, 2008).

Social contact: While some customers likely to be free from salesperson pressure, many online shopping would feel difficult to make a choice and thus get frustrated if there is no experienced salesperson's professional assistance (Prasad and Aryasri, 2009). Moreover, some customers are highly socially connected and rely on other peoples' opinions when making purchase decision tend. There are also consumers who sometimes shop at traditional store because they want to fulfill their entertainment and social needs which are limited by online stores (Prasad and Aryasri, 2009).

Dissatisfaction with online shopping: customers' past online shopping experience often affect their future purchase decision. In online shopping, for example, they may get unwanted product or low quality products, product does match what is described or expected (Comegys et al., 2009). The

product may be fragile, wrong, or not working. Some online sellers may not agree to refund those products even though it is not what the customer wanted. Delivery is another thing that affects online purchasing decision. Slow or late shipping, for instance, makes customer walk away from online shopping (Comegys et al., 2009).

Implications

Managerial Implications

Online shopping is an important business model in e-commerce (Liu and Guo, 2008). If the online sellers want to persuade and retain online buyer, they need to know what the issues online buyers use to decide their online purchase (Lim and Dubinsky, 2004). To better understand online customer shopping behavior, seller can improve or create the effective marketing program for their customer (Lim and Dubinsky, 2004). There are couple ways that company or seller can do or should do to persuade those who do not shop online to become more interested, and, finally, to be a potential customer.

After looking at major motivations that lead customers to shop online, online sellers should keep those issues in mind and try to satisfy customer whenever possible. Also, understanding what make some customers hesitate to shop online, sellers should find ways to reduce those negative aspects in order to gain more customers by building trustable and securer website, attractive and useful website, offering online service, and offering additional option. Trustable and Securer website: Consumer willingness to buy and patronize online store are affected by consumer's trust in giving personal information and security for payment through credit card transactions (Whysall, 2000). They also concern about transaction security and data safety when purchase online (Constantinides, 2004). Getting approved certificate from an organization such as eTrust is one of the ways to make a website more trustable (Korgaonkar and Karson, 2007). By doing so, a website will be more secure and it will increase customer confidence and lead to sale increase. For example, Scribendi, English language editing and proofreading services, bought SSL Certificate from VeriSign – the most trusted mark on the internet; by then site visitors who saw the green address bar made the sale leapt by 27% (Verisign, 2009). When the companies have this certificate, the address bar of their website will change to green color and the Web address will begin with https://; so customers know that the website is secure and trustable (Verisign, 2009).

Another way seller can do to reduce customers' risk concern when purchasing online is to carry brand name product in the website or even have its own brand name such as Amazon (Korgaonkar and Karson, 2007). Holding and selling brand name product can improve the trust of the website. Brand name is one of the most important issues which affect customer's buying decision (Lim and Dubinsky, 2004).

It is imperative for online companies to ensure customer that they will never use customers' information to other purposes by clarifying customer privacy policy. This will at least ease consumer concern about their identify security. Online stores may use integrated mechanism in order to build the trust in safeguarding consumer's personal information and avoidance of misuse of credit card mode of payments (Prasad and Aryasri, 2009).

User Friendly Website: Customers can be influenced by the image of the web site when they decide what website or buyer they should buy from (Lim and Dubinsky, 2004). Not only should companies create their secured website, but also should create it to be more attractive and more useful. Online stores can change a shopper into a buyer if the stores provide variety and useful information of product, good customer service, and easy-to-access website (Laudon and Traver, 2009). Their websites should have enough information but should not be too overwhelming. Putting unstructured or useless information in the website can reduce internet usefulness and ease of use (Bigné-Alcañiz et al., 2008). Also, companies and sellers should double-check any single words in their website to reduce mistakes and customers' misunderstanding. Information quality and visual design is important effect on repurchasing (Koo et al., 2008). The willingness to purchase online will

be low if the online store lacks of ease in searching and comparing shopping, and product updates. Online store should make their website to be easy for consumers to search product and service. Making web designs and portals novel and sophisticated and web atmospherics friendly is a key to attract visitors. Moreover, if online stores want to convert visitor into buyer, they should improve their website by offering customer a comfortable, logical, interesting and hassle-free process and easy language by creating fast website with functional design as smooth as possible (Broekhuizen and Huizingh, 2009). Online payment process is another issue that should be taken care of because it affects the willingness to pay (Wang et al., 2005). Online stores should make their payment process to be as easy and secure as possible. To sum, if online stores want to increase the customer, they should take care of their website design to be more user-friendly (Bigné-Alcañiz et al., 2008).

Online Service: Customer service is as important as quality of website (Liu and Guo, 2008). According to Hermes (2000), 72 percent of online consumers revealed that customer service is a major factor in online shopping satisfaction. If the customer service is not available or reachable, customers will perceive that companies are trying to hide something or not intending to solve their problems. Online stores should provide the added-value of service to customers (Wang et al., 2005) and have customer feedback channel in their website (Yu and Wu, 2007).

There should be interactivity customer service in the website, so that customers can contact with the seller anywhere and anytime (Lim and Dubinsky, 2004). Software downloading, e-form inquiry, order status tracking, customer comment, and feedback are some of example that online sellers can use to fulfill their online service (Lim and Dubinsky, 2004).

Additional option: Because customers are not able to touch or try products before they buy, online store should offer them some additional options.. For instance, a money-back guarantee is one of the means to reduce customers' concern (Comegys., 2009). Sellers might consider to offer money-back guarantee policy including shipping expenses refund to reduce purchasing risk In addition, to avoid shipping delay and product lost, , online store may cooperate with other companies with expertise in logistic to improve their distribution channels (Yu and Wu, 2007).

Offering customers more flexible prices and promotions or offering a one-stop shopping service are some more examples that online stores can use to make their business succeed (Yu and Wu, 2007). Online sellers may offer customers to use their bank account number, or stored-value card to complete their purchase. It is also suggested that online stores may offer customer an e-wallet which transfers balance from customer's online bank account to the store payment system (Federal Trade Commission, 2003). This may help sellers to gain more sales from those who want to buy online products or services but do not have credit card or do not want to use their credit card online.

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