Consumer Behaviour in Online Shopping

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ABSTRACT

The Internet has developed into a new distribution channel and online transactions are rapidly increasing. This has created a need to understand how the consumer perceives online purchases. The purpose of this dissertation was to examine if there are any particular factors that influence the online consumer. Primary data was collected through a survey that was conducted on students and Employees from different part of India. Price, Trust and Convenience were identified as important factors. Price was considered to be the most important factor for a majority of the Customers. Furthermore, three segments were identified, High Spenders, Price Easers and Bargain Seekers. Through these segments found a variation of the different factors importance and established implications for online stores.

KEYWORDS: *Internet, consumer perceives, high Spenders, price easers and bargain seekers*

INTRODUCTION

Market area in India has been witnessing several changes in character and complexity since the last few years which has a higher level of consumer spending on items on their necessities a clear indication of consumer preference for better value products and services. This is one case of gradual development of the economy has indeed influenced these charges.

The hype and fanfare associated with the launches in this country have not been resounding successes in Indian market. But at the same time several other lesser-known brands, have small firms have succeeded well in their chosen riches. "What distinguishes the successful ones from the not-so successful brands?" The answer is the companies who have developed a deep understanding of their consumers and have fine-tuned their needs. The key to success of any organisation is therefore and excellent knowledge of consumer behaviour the firm should first understand the key elements that customer value and then entire design the entire marketing program to deliver the value that the customer wants. Today an understanding of consumer behaviour will help the marketing manager to shape marketing strategies suitable to consumer needs. For a layman to study gives a new idea for the innovation of goods & designs required. As students they group a gainful insight into the internal external factors of the consumption and related behaviour of individuals.

Background

The invention of the Internet has created paradigm shift of the traditional way people shop. A consumer is no longer bound to opening times or specific locations; he can become active at virtually any time and place and purchase products or services. The Internet is a relatively new medium for communication and information exchange that has become present in our everyday life. The number of Internet users is constantly increasing which also signifies that online purchasing is increasing. The rapid increase is explained by the growth in the use of broadband technology combined with a change in consumer behaviour. The Internet is considered a mass medium that provides the consumer with purchase characteristics as no other medium. Certain characteristics are making it more convenient for the consumer, compared to the traditional way of shopping, such as the ability to at anytime view and purchase products, visualise their needs with products, and discuss products with other consumers. They also recognize that the previous primary reason for shopping online was price, which has now changed to convenience.

Problem

At any given time there are millions of people online and each of them is a potential customer for a company providing online sales. Due to the rapid development of the technologies surrounding the Internet, accompany that is interested in selling products from its website will constantly have to search for an edge in the fierce competition. Since there are so many potential consumers, it is of the out most importance to be able to understand what the consumer wants and needs. The importance of analysing and identifying factors that influence the consumer when he or she decides to purchase on the Internet is vital. Since the Internet is a new medium for there have been new demands set by the consumer. That is why it is crucial for the online retailers to know what influences the online consumer. Analysing consumer behaviour is not a new phenomenon. The renowned marketing expert Philip Kotler has published several works on the topic of consumer behaviour theories. These theories have been used for many years not only to understand the consumer, but also create a marketing strategy that will attract the consumer efficiently. Hence, understanding and identifying the consumer is closely

related to the directions a company will take with their marketing strategy. These theories can also be applied to identify the online consumer and to create certain consumer segments. However, some distinctions must still be made when considering traditional consumer behaviour and online consumer behaviour.

Research Purpose

The purpose of this research article is primarily to identify and get insight in to what main factors the online consumer takes into consideration when purchasing online. Further, I will investigate if any segments can be established by identifying the consumers and how these segments relate to the identified factors. The findings of this research will be outlined a simplications for online retailers in order to enhance their consumer knowledge and increase their online marketing strategy effectiveness.

Research Questions

➢ What main factors affect the online consumer when considering and making a purchase over the Internet?
➢ How do these factors influence the consumer when purchasing online?
➢ What kind of segments can be found within the identified consumers when purchasing online?
➢ What is the connection with the identified factors and consumer segment groups?

Limitations

There are a number of factors influencing the online consumer. However, this research will try to identify the main factors influencing the online consumer and will, therefore, try to limit these to a few in order to be able to investigate the effect on the online consumer. Within the field of consumer behaviour there are many theories and models that identify the consumer. This research will limit itself to identifying the consumer through his/her consumer characteristics and the consumer buying process. Consumer behaviour differs depending on what product or service is bought. Hence, different factors are of different importance to consumers depending on the product or service.

Therefore this research will limit itself to since this is the product that is most widely bought on the Internet. This seemed to be the most appropriate choice considering the limitations in both time and resources.

Research Approach

There are two most commonly used research approaches, the inductive and the deductive method. The inductive research method attempts to setup a theory by using collected data, while the deductive research approach attempts to find the theory first and then test it to the observed data. In this research, the researcher chose a deductive research approach for the study as it would move from the more general to the specific.

Research Strategy

When collecting data to approach the purpose of a research there are two ways in which the data can be collected. In order to acquire a general knowledge about the topic, secondary data is primarily used and is one of the ways by which data can be collected. These Conway to collect data is the primary data collection. Usually when a study is conducted, secondary data is not sufficient enough and needs to be completed with primary data which is collected by the researcher

Sample

The factors that intended to examine can be applied to and investigate data population that uses the Internet and buys online. Since there are time and resource restraints, a specific population had to be identified in order to generalise and create relevant segments. In this research the sample size should contain over 100 respondents and collected answers from 103 respondents.

Non Probability, Convenience Sampling

The population for this research are Students and employees in India. The Sample was chosen on a convenience basis. Convenience sampling involves using samples that are the easiest to obtain and is continued until the sampling size that need is reached. The bias with the convenience sampling is that it is hard to generalize to the wanted population.

Online Consumer Traits – Demographics

Gender	Frequency	Percent	Cumulative Percent
Male	58	56.31%	56.31%
Female	44	42.72%	99.03%
Others	1	0.97%	100.00%
Total	103	100.00%	
Age	**Frequency**	**Percent**	**Cumulative Percent**
<=20	17	16.50%	16.50%
21–25	77	74.76%	91.26%
25-33	5	4.85%	96.12%
34-41	1	0.97%	97.09%
42>=	3	2.91%	100.00%
Total	103	100.00%	
Area	**Frequency**	**Percent**	**Cumulative Percent**
Rural	25	24.27%	24.27%
Urban	78	75.73%	100.00%
Total	103	100.00%	
Occupation	**Frequency**	**Percent**	**Cumulative Percent**
Student	70	67.96%	67.96%
Professional	24	23.30%	91.26%
Govt.Employee	5	4.85%	96.12%
Self Employed	3	2.91%	99.03%
Other	1	0.97%	100.00%
Total	103	100.00%	

Internet Connection	Frequency	Percent	Cumulative Percent
Yes	88	85.44%	85.44%
No	15	14.56%	100.00%
Total	103	100.00%	
Online Shopping	**Frequency**	**Percent**	**Cumulative Percent**
Yes	71	68.93%	68.93%
No	32	31.07%	100.00%
Total	103	100.00%	
Motivation	**Frequency**	**Percent**	**Cumulative Percent**
Easy Payment	21	29.58%	29.58%
No Hidden cost	6	8.45%	38.03%
Wide range of products	22	30.99%	69.01%
No travel to shop	22	30.99%	100.00%
Total	71	100.00%	
Competitive Prices	**Frequency**	**Percent**	**Cumulative Percent**
Yes	53	74.65%	74.65%
No	10	14.08%	88.73%
Can't say	8	11.27%	100.00%
Total	71	100.00%	
Online Consumer Behaviour – Webographics			
Time spent online	**Frequency**	**Percent**	**Cumulative Percent**
<30	8	11.27%	11.27%
1-2	20	28.17%	39.44%
2-5	19	26.76%	66.20%
>5	24	33.80%	100.00%
Total	71	100.00%	
Percentage of time spent on shopping	**Frequency**	**Percent**	**Cumulative Percent**
<20%	40	56.34%	56.34%
20–40%	23	32.39%	88.73%
40–60%	2	2.82%	91.55%
>60%	6	8.45%	100.00%
Total	71	100.00%	
Internet Usage	**Primary Usage**	**Secondary Usage**	**Tertiary Usage**
Fun	11(15.49%)	9(12.67%)	14(19.71%)
Work	21(29.58%)	16(22.54%)	9(12.67%)
Information	21(29.58%)	13(18.30%)	16(22.54%)
E-Mail	16(22.54%)	29(40.84%)	12(16.90%)
Shopping	2(2.82%)	4(5.63%)	20(28.17%)
Total	71	71	71
Primary Factor	**Frequency**	**Percent**	**Cumulative Percent**
Price	53	75.71%	75.71%
Trust	10	14.29%	90.00%
Convenience	7	10.00%	100.00%
Total	70	100.00%	
Source: Primary Data			

Analysis of the factors

In order to gain an initial understanding of how the respondent feels towards Price, Trust and Convenience, they were asked to rank the questionnaire accordingly. Researcher have then investigated the different attributes of the factors. When the respondent was asked to just rank the different factors, the results showed that 73.9% considered price as the primary concern when purchasing online. When the respondent was put in front of the three factors, It could see that most of them chose price. However, if compared to the Primary Factor, where the different attributes to the factors were used to find the overall attitude and importance; the results did not match. The distributions for the Primary Factor were Price: 41.6% Trust: 30.1% and Convenience: 28.3%. This showed that the respondent generally thought that Price was the most important to him or her, but at the same time one of the other factors could actually be the most important to a respondent, since the

distribution shifted between the two ways of evaluating, with the Primary Factor being the most accurate since it offers an overall attitude measurement. This answers the questions one and two in our research.

Two Step Cluster

The two step cluster analysis was used to segment the respondents. This type of analysis grouped data so that records within a group were similar. It could be applied to data that described customer buying habits, gender, age, income etc. It created segments containing groups that had the most in common and this method was selected due to the amount of variables that needed to be taken into consideration when creating the segments.

By analysing the collected data, for the various variables that the researcher intended to segment and decided to exclude

some variables. There as on was that some of the variables did not show a significant variation which would have enhanced the homogeneity of the segments. Segments need to be homogenous and diverse from the whole population in order for them to be targeted. The variables that I did not use would instead be applied to give an additional explanation to the formed segments. With the two step cluster analysis I found three segments in our sample, based on the variables that I chose to segment by, which were: Expenditure on an average each month, Previous experience with purchasing online, Future expectations with purchasing online, The impact of the reference group: family, The impact of the reference group: friends, and The impact of the reference group: online forums. In this research the variables are categorized into the following variables.

Consumer Traits: Impact of Reference Groups (Family, Friends, and, Online forums), and Attitude and Beliefs (Previous experience and Future expectations).

Significance of the factors within the segments

In order to show that the results and conclusions which are to be presented below are significant. I conducted a Kruskal Wallis test. This test also presented that the number of collected respondents was sufficient for the analysis that I had conducted. The Kruskal Wallis test is the same test as the prior One Way ANOVA expect from the fact that Kruskal Wallis test variables at the same time for significance.

	Two Step Cluster Number	N	Mean Rank
Price Fishbein	1	15	127,61
	2	22	118,29
	3	34	100,61
	Total	71	
Trust Fishbein	1	13	151,37
	2	27	112,26
	3	31	94,15
	Total	71	
Convenience Fishbein	1	21	121,40
	2	12	124,27
	3	38	97,53
	Total	71	

When I conducted the test I found that the factors Price, Trust, and Convenience showed a significan tvariance with in the segments and that the results presented below concur with the conclusions that I had drawn. Table showed that all three factors were highly significant, especially the factor Trust to which the respondents had answered with high variances.

Segments

The two step cluster created three segments out of the selected variables. According to the Table the distribution of the respondents to the three segments is: Segment One with 47 respondents, Segment Two with 93respondents and Segment Three with 86 respondents.

Segments	Frequency	Percent	Cumulative Percent
Segment1	15	21.13%	21.13%
Segment2	22	30.99%	52.11%
Segment3	34	47.89%	100.00%
Total	71	100.00%	

Summary

The three segments that were found show a significant difference in the primary factor of concern. The general distribution showed that the factor Price was the primary factor for the entire population sample, and that this cond factor was Trust which was closely followed by Convenience. When segmenting the respondents through the different variables I found that Segment One was mainly trust oriented and the respondents had a high positive attitude towards purchasing online. As they-did spend the most money, in comparison to the other segments I chose to label them High Spenders.

Segment Two were mainly Price and Convenience oriented and therefore took the most consideration to the opinions and experiences of the Reference Groups. As they low disposable incomes and were somewhat convenience orientated when acquiring information about low prices, I chose to label them Price Easers.

Segment Three were highly Price oriented and therefore actively involved in searches for the lowest prices online. They considered the experiences and opinions of their friends to some extent before purchasing online while, and were actively searching for the lowest prices. Hence, I chose to label them Bargain Seekers.

Conclusion

When a consumer purchases an online, he or she is affected by various factors. The main influencing factors have been identified as Price, Trust, and Convenience. The Price factor exists because prices are often lower on Internet stores compared to physical stores due to lower costs. Purchasing an online can greatly benefit the consumer in terms of convenience and saving money. It is also convenient to shop on various sites with different assortments, from the home. Trust is evidently needed since the consumer must share detailed personal and financial information when purchasing an online. These types of data include the full name, delivery address and credit card number for example, which makes Trust an important factor.

Future research

After having conducted our research and considering the limitations in time and resources that we had been facing, it would be of interest to examine our research topic further as well as more profoundly. Below, we have listed a few deductions for possible future research: It would be interesting to conduct a survey at another university. If this would be done and similar results were discovered, one could apply Generalizability to the results. Conduct a survey on a larger sample, also including people that are not students and segmenting according to that. This could find new segments, with new analytical possibilities. This research was conducted from the consumers point of view, and if could also be conducted with greater focus towards the online retailer. We found that Price, Trust and Convenience were factors that are important when a consumer decides to purchase online, but it would be interesting to see whether the concepts of these factors are perceived equally between all consumers or if there were any discrepancies. Furthermore, it would be of interesting to see if the factors were the same for other good that are traded online. In general, this research could be conducted with a greater range of goods and with greater detail towards the specific factors.

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