Factors affecting consumer’s purchase behavior on internet

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ABSTRACT

Internet has opened up tremendous opportunities for the e-marketers. New tools of marketing have emerged including advanced distribution channels and online payment systems. But the growing use of internet has also raised challenges for the marketers to frame policies to take competitive advantage over the others.

In this scenario it becomes important for the e-marketers to understand the factors that affect the customer’s online buying behaviour so that the diverse pattern of association among various variables can be found and strategies can be framed to fetch potential customers while retaining the old ones. This paper tends to explore the existing literature to understand various factors that affect the consumer’s online purchasing pattern.

Introduction

During the past few years the usage of internet has increased considerably. Now it has become a common mean for information, service and trade. Electronic commerce or e-commerce has become one of the most essential characteristics in the Internet era. It is rapidly changing the way people do business all over the world. All of the business today is done over the internet and anything which is not there is meant to be wiped off. E-Commerce is thus shifting business from real time market to digital market.

Online shopping has increased considerably with the advent of internet as it provides a convenient way of shopping. Online shopping is the process of buying goods and services through the sellers on the internet. Shim, Quereshi and Siegel (2000) also defined e-shopping as the process in which consumers go purchase products or services over the Internet.

As massive amount of funds are invested in online shoppers, the e-marketers have been forced to understand the behavior of the consumers in virtual world. Therefore as the number of Internet users has been growing steadily in India, a framework is needed to develop an in-depth understanding of consumers’ behavior toward Internet shopping and their intentions to shop online.

Besides being a developing country, there has been recorded an appreciable increase in the e-commerce sector in India during the last few years. This is mainly due to the decreasing data pack rates, and increased usage of mobile both in urban as well as rural part of India and the impactful campaign of Digital India by the Indian Government. More than 35 million big and small online shoppers in India were recorded by Google in 2014 which has been increasing since then. According to a study by Indian Institute of e-Commerce, Indian online shopping market is expected to fetch $100 billion of business by 2020 out of which $35 billion will be through fashion e-commerce.

Consumer Behaviour

Howard Sheth(1969) defined consumer behaviour as “not only a decision making behavior but also the whole process of purchasing behavior”. Consumer compares and analysis various aspects of product purchase in order to increase the utility. According to Engel (1969) Consumer buying behavior includes five major aspects including input factors, external variables, processing of information related with the product and the company and comparing and evaluating various information before deciding to buy.

Philip Kotler(2000) in Kotler’s behavior choice model elaborated the concept of Consumer behavior as a process of finding, selecting, purchasing, using, evaluating and disposing of the products and services in order to satisfy their needs.

Khan, S.A., Liang, Y. and Shahzad, S. (2015) in a study on re-purchase intentions of online purchasers emphasised that mainly seven constructs namely price, convenience, product information, return policy, financial risk, product risk and delivery risks are significant with regard to customer satisfaction while taking decision to repurchase in e-stores. The study emphasized that more satisfied is the customer will fetch more benefits to the company and would see less risks in re-purchasing online.

In the conventional purchase decision in brick and mortal system of shopping the buyer can physically verify the product features before the actual purchase takes place but in case of online buying consumer’s buying behaviour becomes more complex due to the interplay of internal and external factors that affect the consumer’s perceptions of the product and the company.

If E-marketers know the factors affecting consumers’ online purchase decisions, and how consumers make these decisions, they can develop their marketing strategies to convert potential customers to real ones, and also to retain existing customers. This study is expected to improve our understanding of various factors which influence online consumer behaviour. In addition, some valuable insights on how to develop effective strategies to obtain success in the intensive electronic marketplace will be presented to E-marketers.

Factors affecting Online buying behaviour

There has been a massive research on online shopping behaviour of e-shoppers. The researchers have identified a number of factors which have been found to be affecting the behaviour of consumers on virtual shopping.

Zeng’s (2006) in their study on internet shopping and its impact on shopping behaviour cited five main factors including external environment, demographics, personal traits, product characteristics, and website quality as the factors influencing
Individual's attitude towards online shopping which in turn determines his intention to shop online based on which an individual takes the decision of buying online.

Li et al: Research Model of Consumers' Online Shopping Attitudes and Behaviours

A number of studies have been conducted in India and worldwide to enlist the factors that affect the behavior of customers while shopping online. Some of these include convenience, trust, security, time, fun and privacy. People look for more convenience (time and money saving), cheaper prices, access to information about the product and wider selection when they shop online, making them as the dominant factors that motivate consumers to shop online. Živilė Baubonienė, Gintarė Gulevičiūtė (2015) indicated convenience, simplicity and better price as the main factors influencing consumers to shop online.

Representing an elaborative model of Buyer's decision process various external factors like demographic personal, cultural, sociological, economic and legal and environmental were enlisted as uncontrollable factors (beyond the control of an individual) along with web experiences representing controllable marketing factors influencing buyer's decision to buy online.

In order to respond to the customers’ desire for control and convenience, web stores have to design an efficient system to enable consumers to easily find what they need, learn more about it and quickly make a purchase decision. The following is discussed the most prominent factors which have been found to be affecting the online consumer behaviour.

Merchant’s Trustworthiness: Trust is the most essential element for the success of business-to-consumer electronic commerce. As a new form of commercial activity, Internet shopping involves more uncertainty and risk than traditional shopping. In the virtual environment, a consumer cannot physically check the quality of a product before making a purchase.

Lack of trust is frequently reported as the reason for consumers not purchasing from Internet shops. Almost half of the respondents from 56 countries have been found to be preferring brick and mortar shopping rather than online shopping due to the threats involved in it (IPSO Open Thinking Exchange (2012). Thus it becomes important for the E-Retailers to provide contact information such as location, contact number, address of the office and return policy etc. to increase their trustworthiness (Lohse and Spiller, 1998).

Jarvenpaa, Tractinsky, and Vitale (2000) also discover a direct and positive relationship between e-shopper’s trust in e-stores and the customer’s perceived reputation and size of the store. It is however concluded that high consumer trust can reduces the perceived risks associated in Internet shopping and helps in promoting more favorable attitudes towards shopping at a particular store, which in turn increases willingness to purchase from that store.

An Integrative Model of Consumer Trust in Internet Shopping

Cheung and Lee (2006) also emphasized in their study that trustworthiness of the e-retailer has the most prominent impact on the buying behavior of the consumers and that e-retailer should resort to such practices to enhance the web experience of the customer while shopping online.

Mohammed (2014) in a study on factors influencing online shopping intention of the consumers observed that perceived usefulness of the website, perceived risk involved in e-shopping and trust as the major factors influencing online shopping intention of the customers.

Security Concern: The next important factor affecting customers’ online shopping behavior is the concern for security. The customer while shopping online perceives the risk of safety and security of sending sensitive personal and financial information; e.g., credit card details etc. The bad web experience, the dissatisfaction due to products not matching up to the expectations and failure to complete the transaction were
quoted as important problems online shoppers encountered while shopping online (Rakuten 2010).

Most of the customers willing to buy online are concerned with security issues. The customers fear the loss of identity theft which reduces their web experience leading to adverse impact on the online shopping. Customers do not want to share their personal information on the shopping websites fearing that it may get misused. In American Express Digital Payment system security Survey (2016) almost 48% of the respondents reported to have had the experience of payment frauds.

According to Malhotra, Kim, and Agarwal, security is the major concerns for many web consumers due to the increased risks involved in internet purchasing.

**Website Reliability:** the perceived reliability of the online website also has a significant influence on the online shopping decision of the customer (Parasuraman et al., 1988). Wolfinbarger and Gilly (2003) also suggested that reliability of the website alongwith design, privacy and security are the key factors that affect the consumer's attitude towards online shopping. According to Vijayasarathy and Jones (2000) reliability of the website is an indicator of customers' perceptions regarding timely delivery of products purchased online as claimed by the e-retailers. Since the major concern of the customer is to receive the goods as displayed and as per the specifications mentioned on the website it becomes even more important for the e-marketer to deliver the goods as promised and on time. It is from the timely delivery and accuracy of the bills that the reliability of the website can be judged (Sayed, Zaharah, Hishamuddin and Nilufar, 2008).

Lee, T. S., Ariff, M. S. M., Zakuan, N., Sulaiman, Z., & Saman, M. Z. M. (2016) in their study investigated that the quality of online sellers' website can have a significant impact on the customers' intention to purchase online repeatedly.

According to Malhotra, Kim, and Agarwal, security is the major concerns for many web consumers due to the increased risks involved in internet purchasing. Therefore it is in reality the failure of e-marketers to infuse the reliability of information given on website by providing enough information to answer all consumer queries even before purchasing the product. This would help the e-shoppers in measuring the reliability of the online shop and reduce the perceived risk involved in purchasing online.

Nielsen et al., (2000) also stressed that providing descriptive information about the products online helps in increasing customer's trust. Though it has also been revealed in various studies that overloaded websites are perceived to be messy and customers find such website misleading (Sundar, Hasser, Kalyanaraman, and Brown, 2003).

Thus the kind of information given on the website has a significant impact on the e-shopper's perception about the reliability of the website (Shergil, and Chen, 2005) and the e-marketer should consider buyer's requirements while designing the website.

**Web Experience:** the ability of the online marketers to enhance web experience of the website visitor is yet another important factor influencing buyer's decision to buy online. Web experience can be defined as the consumer's total impression about the online company (Watchfire Whitepaper Series, 2000). It is basically the perception of the e-shopper regarding the company and this perception is based upon the e-shopper's experience on the website while searching for the information and while processing his transaction to buy.

Web experience is thus the interface between the e-shopper and the company (Constantinides, 2002) and is greatly influenced by the design of the website, type of information available, ease of use, and easy navigation on the website. It can also be regarded as a tool in the hand of the e-marketer to enhance the web experience of the visitor and to induce him to buy by creating goodwill of the company (Ajzen, 1991). Cockburn and McKenzie (2001) however observed that the bad web experience would lead to customer aborting his transaction early. Customers were found to be spending frequent average time of approximately one second on the website and staying on the website for more than ten seconds was a rare phenomenon.

L. Gao, X. Bai (2013) in their study examined the impact of consumer perceptions of website atmospheric cues on the development of flow and purchase intentions and observed that website atmosphere cues i.e informativeness, effectiveness and entertainment directly impacted the flow and thereby impacts the purchase intention and satisfaction of the online shoppers.

Information provided by the e-marketer on website also determines the shop's reliability. If the consumer believes that the information available on website is true he or she would decide to buy the product. But if the consumer is not able to determine the truthness of the information or he does not believes that he can rely upon the information he would withdraws his decision to purchase. Bacharach & Gambetta, (2003) named these properties as the “trust warranting properties,” which affect the behavior of the consumer.

![Diagram](https://example.com/diagram.png)

**Diagram:** Khan, S.A., Liang, Y. and Shahzad, S. (2015): Model for customers' satisfaction to re-purchase intention in online stores

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![Conceptual Model](https://example.com/model.png)

**Conceptual Model:** L. Gao, X. Bai (2013) Conceptual model of effects of website atmospherics
The Sites that are successful in delivering good Web experience are designed in a way which would not only cater to the needs of the customers but also assist the users while searching and browsing. In a research study conducted by Dieringer Research Group it was observed that nearly half of the Internet users abandoned online orders due to negative experience on the website. Thus web sites can be used as vital instruments of customer service by the e-marketer.

Special attention thus is required while designing the website by providing the information in creative way to make the information appearing more pleasing and effective (Vrechopoulos et al., 2000).

The e-marketer should regard the web experience as a dynamic and evolving subject rather than a static one. The developments in the virtual marketplace, changing customer technographics and technological innovation will present e-marketers with new tools and methods for enhancing their customers’ online experience (Constantinides 2004)

Perceived Risk: Before taking decision to buy online, a consumer takes into consideration various risks involved in shopping on internet. In most of the research studies the privacy of personal information shared by the customer on company’s website has been cited as the most important factor (Bellman et al., 1999).

There are a number of risks involved with shopping online like the financial risk, product risk and the risk of loss of information (Sinha and Kim 2012). Right from the advent of the internet shopping the financial risk has remained as a major concern stopping customers from shopping online (Bhatnagar, Misra & Rao, 2000). Financial risk is the risk of losing credit card information provided on the website while shopping online.

The e-shoppers also perceive the risk of receiving the product that is different from what’s perceived to be in the product description given on the website. The product risk is regarded as the inconvenience caused to the customer. Since in virtual shopping the customer cannot verify the product physically he has to rely on the information provided on the company website. But the risk of receiving a different product from what was expected actually affects the customer’s intention to shop online.

Return and Refund Policy: the return policy of the company in online shopping is also one of the major concern of the e-shoppers. As in online shopping customer cannot see the product physically before placing order, he is at risk of receiving a different product from the one he has ordered or the product may not be as per his expectations. Sometimes an altogether different product may get delivered to the consumer.

Pappas (2016) also emphasized that in online shopping environment the e-shopper is at risk from three perspectives including the risk of receiving the product not up to their expectations, risk of customer service by the e-marketer and the risk of personal safety in online shopping. Customer service is important component in online shopping and is related with handling customer complaints and feedback while seeking information from the website (Shergil, G.S., and Chen, Z., 2005).

According to one survey conducted Davis, Hagerty, and Gerstner (1998) in more than 100 stores observed that return policies of an e-store is subject to the factors like exchange or cash refund policy, and the time limit for returns.


Therefore to address the concern of customers’ risk the marketer should have a clear return and refund policy specifically given on the website. Poel and Leunis (1999), and Greatorex and Mitchell (1994) also emphasized that the return policy can reduce consumer perceived risk in the e-shopping. Usually the companies resort to return policies to increase sales but at the same time the increased after sale returns add to the cost of the company.

Petersen and Kumar (2009) observed that Return policies of the company operating on internet have an influence on the potential customer’s pre-purchase phase.

Conclusion

From the theoretical point of view, it can be concluded that consumers’ online purchase behaviour is a complex interplay of various factors. Customers buying decision online is greatly affected by various internal factors like attitudes, learning, perception, motivation, self image and some external factors i.e demographic, socio-economic, technology; culture; sub-culture; reference groups; and marketing etc.

Then the customer uses filtering factors to analyse the information before deciding to buy online and those filtering factors are security, privacy and trustworthiness. In addition to this the design of the website, the ease of navigation through the website, the type of information available to help customer analyse the information, the reliability of the website, the perceived risk involved in the buying process and the return and refund policy of the company.

Further, future research on factors affecting online shopping behavior of consumers may include the variables like the impact
of product reviews on return policy, and interaction among different factors.

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