Determinants of Purchase Behaviour of Online Consumer

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ABSTRACT

Online consumer behaviour is a broad and interesting area of study that can benefit organizations in their efforts to market and sell products online. As consumers’ attitude towards online shopping is a prominent factor affecting actual buying behaviour, this research attempts to investigate a modest part of that area. The results of study of perceptions of 200 online purchasers in Hyderabad reveal trust, security, Internet speed, and responsiveness significantly affect online purchasers’ behaviour. In addition, on examination of demographic variables like gender, age and education using regression, the study presented some valuable insights that might help organizations develop effective strategies eventually leading to customer satisfaction.

INTRODUCTION

Internet is a new information technology device that has dramatically changed the way we live. It has become an integral part of modern life across the world and India is not an exception. With abundance and diversity of information, easily found and conveniently shared facilities, Internet use has grown exponentially reshaping peoples’ informational and social needs. There are around 28 million Internet users in India and is expected to reach 100 million by 2007 (IAMAI, 2005). As Internet usage rapidly grew and spread across the country, it fuelled the growth of Internet commerce. The term “Internet Commerce” refers to online transactions where an organization sells its products or services to consumers over the Internet. Internet commerce exploded and became a normal part of everyday life of consumers. It provided both organizations and consumers, with endless options to choose from for various transactions. Consumers on one hand have the ease of choice, the comfort of shopping from home and an endless variety of products, while saving time and money. Organizations, on the other hand, are exploiting the unlimited shelf space the internet offers, operational.
timings and geographical boundaries it unconfined and the opportunity it creates to cater to wide markets at a comparative miniscule cost. As a result customers and organizations are having a much fuller relationship than ever before.

As Indian consumers turned to the Internet to tap into this explosion, Internet commerce has become an important business initiative. Organizations have become more serious about their Internet operations witnessing a sharp rise in online retailing activity. In spite of Internet being a relatively new service channel, Internet Commerce transactions is expected to cross the Rs 2000 crore mark in 2006-2007 up by over 300% from 2004-05 (IAMAI, 2005). The primary reason that can be attributed is the rise in Internet penetration and the constant reshaping of Internet by people. Although the emergence of Internet and its relationship with people is brief, Internet users have developed high expectations and these expectations will only increase with time. The longer the Internet is around, the more people will expect from it. Thus the online environment has become more complicated than the traditional market environment. As the online population saw a vertical rise, its composition has changed rapidly. With the number of choices increasing at a staggering pace and the amount of information available about these choices amplified, the online customers have become more knowledgeable and hence more demanding and complex to handle. To succeed in interaction and in creation of a long-term relationship with such customer, Organizations need to contemplate strategies from an overall perspective with an increased focus on customer satisfaction. Thus there is a need to focus on examining the factors that predict and explain the satisfaction of the online customer. It becomes imperative to understand the attitudes and experiences of consumers to succeed. This study aims at improving the understanding of online consumer behaviour by investigating attributes and preferences as they form a prominent factor affecting actual buying behaviour. The purpose is to explore the attributes that assist organization gain significantly in impacting satisfaction and engagement.

**OBJECTIVE OF THE STUDY**

The main objective of the study is to identify the key factors that influence online purchasing behaviour of consumers in India and more specifically in Hyderabad region.
LITERATURE REVIEW ON ATTRIBUTES INFLUENCING ONLINE CONSUMER BEHAVIOUR

Review of existing empirical studies has revealed that consumers have multiple concerns that influence their behavior. Fears and concerns, real or perceived, inhibit online consumers’ purchasing decisions and are relevant in their decision process (Kovar et al. 2000 & Cranor et al. 1999). Moreover, a survey by Donthu & Garcia, 1999 indicated that online shoppers are more impulsive than others. In these circumstances, as these factors have the ability to explain and predict consumers’ online purchase behaviour, an effort has been made to identify and understand them that will provide insights into consumers’ online purchase behaviour.

Price, quality of service and information, speed and reliability of delivery, ease of on-line ordering, and trust towards vendors are important factors for consumers considering online purchases that will increasingly determine their propensity to engage in e-commerce (Goldman Sachs, 2001). The seven identified consumer concerns about making online purchases are security of transactions, customer support, quality of products/services, legitimacy of firm selling product/service, price, privacy, and documentation (Odom, Marcus D.; Kumar, Anand; Saunders, Laura, 2002 ). Yang, Zhilin & Jun, Minjoon, (2002) identified six primary dimensions perceived by Internet purchasers and they are reliability, access, ease of use, personalization, security, responsiveness, availability, personalization, and access. Sohn (2000) found that trust, interactivity, ease of use, content/functionality of Web sites, reliability, and speed of delivery were the six significantly important dimensions perceived by customers in an online environment. Liu and Arnett (2000) identified information quality, system use, system design quality, and playfulness as four major determinants for the success of Web sites in the context of Internet commerce.

Jarvenpaa and Todd (1997) uncovered that product availability is the main factor and limited selection of products and services or outdated information is most likely to keep Internet non-purchasers from purchasing online. Balfour, Farquhar, and Langmann (1998) emphasized on transaction security and personal information privacy. The perception of trust is found to influence transactions in an online environment and has been discussed widely (e.g. Tan & Thoen 2000–2001; Lee & Turban 2001; McKnight,

Corbitt, Thanasankit, and Yi (2003), Trochhia and Janda (2003), and Font (2000) argue that information to make the purchase and to be able to make comparisons with alternative offers plays an important role in the absence of sales staff and the inability to see and try the product. The cost of accessing the Internet is also a decisive factor for engaging in Internet activities. While low prices do not guarantee high penetration, they are an important factor for more widespread development of the Internet and consequently, of electronic commerce. Another factor that influences the success of e-commerce is the outstanding customer service. For firms engaged in e-commerce customer service is the key to successful online selling (Jedd 2000).

Rice (1997) shows that web site and its design features, such as content, layout, ease of finding information, navigability, and emotional experience, such as enjoyable visits are important variables which influence online consumers in their purchases. Ease of use is a prominent factor in determining customers’ decision to adopt a new information technology (Davis 1989). Reliability - In the field of electronic transactions, reliability also holds an important position, with some empirical studies considering it the most important dimension (Yang et al. 2003). Personalization - Hoffman and Novak (1997) pointed out that personalization is the essence by which Internet firms valorize the Internet as a unique consumer market. Apart from the above, there are several studies that reveal people’s behavior online is influenced by high-speed connections. Customers with broadband log on more often and spend more time online and do more Internet activities. A significant positive correlation between information download speed and Web user satisfaction is evidenced (Hoffman & Novak 1996).

Thus it is understood that many factors have been consistently cited as being influential on the behavior of on-line customer

RESEARCH METHODOLOGY

Sample Design

The sampling frame consists of 200 consumers from the city of Hyderabad, the capital of Andhra Pradesh, India. The city is one of the largest and most developed cities in
the country and is fast emerging as the IT hub of India.

Since the focus of this study is on different attitudes and perceptions about online purchasing, only Internet purchasers are considered. For this study, Internet purchasers are defined as those who purchased at least one product or service through the Internet during the last 12 months.

There has been strong evidence that gender and age will have an affect on consumer’s perception (Mitchell 1998; Liebermann & Stashevsky 2002). Previous studies by Kovar et al. 2000; Kotkin 1998 have also indicated that younger consumers are more likely to purchase online and online purchasers tend to be more educated. As noted in IAMAI report, Internet use in India varies significantly across age groups. While 25% of 18-25 year-olds go online, 46% of 26-35 year-olds, 18% of 36-45 year-olds, and 9% of 46-60 and 1% of age 65 and older say they use the Internet. While 37% of adults who have graduate education use the Internet, 46% of adults with a post graduation degree go online. Only 2% use the Internet with less than SSC. Eighty Five percent (85%) of Internet users are male and 15% are female. Since Gender, Age and Education strongly influence Internet use, sample in terms of these demographical variables were considered. The study was conducted between June 2006 and August 2006.

**Data Collection Methods**

Both the primary and secondary data collection methods were considered. The primary data was collected through a questionnaire designed exclusively for the study. Secondary data was taken from Research papers, Journals, Magazines and Websites.

**Questionnaire Development**

A well-structured questionnaire was developed after an extensive review of Internet commerce literatures. The questionnaire has two parts. Part I consists of general information about respondents’ backgrounds. Part II consists of questions relating to attitudes and perceptions. The respondents were requested to assess each of the scale items on a Likert point scale used for each statement where 1 = strongly disagree and 10 = strongly agree. Questionnaires were administered in English to customers near office premises, shopping malls, colleges and Internet centers.

A pilot survey was conducted with a small number of 25 respondents to arrive at the twelve factors that the customer feels are significant and also to understand the
degree to which respondents understand the questions.

DATA ANALYSIS & RESULTS

The Statistical Package for the Social Sciences (SPSS) version 14.0 was used to analyze the data. The Gender, Age and Education wise classification, giving an overview of the research sample, is presented in Table I. Out of 200 respondents, One hundred and fifty eight are male respondents (79%) and forty-two (21%) are female. One hundred respondents (50%) belong to the middle age group (between 31 years and 40 years), fifty one respondents (25.5%) belong to the young age group (between 20 years to 30 years), and the remaining forty nine respondents (24.5%) belong to the old age group (above 45 years). The Literacy wise distribution reveals that forty-two respondents (22.5%) have been educated up to under graduate level, sixty-four respondents (32%) are graduates and a majority of ninety-one respondents (45.5%) fall under post graduate category. The numbers were found to be consistent with the data available on Internet users in India as per IAMAI.

Table I: Characteristics of the Sample