



A STUDY OF E-COMMERCE AND IT'S INFLUENCE ON CONSUMER BEHAVIOR

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ABSTRACT

The main goal of the paper is to obtain quantitative describing the actuality of internet shopping in the case of the India in order to explain the development of internet shopping and its impact on consumer behavior. The paper build on the relevant literature and at the same time examines consumer behavior by questionnaires. Furthermore, the future development of internet shopping will be measured and deep comparison of consumer behavior between different countries. This paper support the research questions that including recent trends and various issues in internet shopping, and principle factors for consumer behavior.

Also, the result of the study shows that internet consumer trust and perceived risk have strong impacts on their purchasing decisions. Consumer`s trust, privacy concerns, security concerns are the major factors for using internet for shopping, the trust on websites influence to the purchasing decision of any consumer. More specifically, the empirical result suggests how the E-commerce companies make marketing strategies according the research data and analyzing result.

Keywords: E-commerce, internet shopping, World Wide Web, consumer behavior, privacy and security, consumer trust.

1. Introduction

The internet is being developed rapidly since last two decades, and with relevant digital economy that is driven by information technology also being developed worldwide. After a long term development of internet, which rapidly increased web users and highly speed internet connection, and some new technology also have been developed and used for web developing, those lead to firms can promote and enhance images of product and services through web site. Therefore, detailed product information and improved service attracts more and more people changed their consumer behavior from the traditional mode to more rely on the internet shopping. On the other hand, more companies have realized that the consumer behavior transformation is unavoidable trend, and thus change their marketing strategy. As the recent researches have indicated that, the internet shopping particularly in

business to consumer (B2C) has risen and online shopping become more popular too many people. There are many reasons for such a rapid developing of internet shopping, which mainly due to the benefits that internet provides. First of all, the internet offers different kind of convenience to consumers. Obviously, consumers do not need go out looking for product information as the internet can help them to search from online sites, and it also helps evaluate between each sites to get the cheapest price for purchase. Furthermore, the internet can enhance consumer use product more efficiently and effectively than other channels to satisfy their needs. Through the different search engines, consumers save time to access to the consumption related information, and which information with mixture of images, sound, and very detailed text description to help consumer learning and choosing the most suitable product (Moon, 2004).

However, internet shopping has potential risks for the customers, such as payment safety, and after service. Due to the internet technology developed, internet payment recently becomes prevalent way for purchasing goods from the internet. Internet payment increase consumptive efficiency, at the same time, as its virtual property reduced internet security.

2. Difference between online/offline Stores

Even the internet shopping has been rapidly developed, especially in consumer goods industry, but there still have a big difference between traditional and online consumer shopping. Referred to sales in the Indian consumer goods industry, the online sales occupied at a very low percentage rate. That could be caused by many reasons, but the most importance is the advantages exist in both traditional shops and online market; both of them have specific characteristics. For example, the traditional seller can provide convenience in parking and shopping, it allows customers come to read and check the quality of goods before they purchase, and the after service is more directly to customers. However, the traditional store has limited number of goods, and the selling cost is higher than online store. By comparison, we can find out the limitations of traditional store are more likely as the advantages of online store, in contrast, the weakness of online store is also seems as the advantages of traditional store. It is clear from the overview of internet and internet shopping development that ecommerce is being used in many corporations due to the dramatic development of technology and competitive advantages of web selling. Moreover, the expansions of the usage by individuals also become main contributors to the development of internet shopping. Relatively few studies have investigated in the internet shopping and impact on consumer behavior. The previous studies are more focus on the marker's point of view, such as how to establish a more efficient marketing channel online rather than the traditional offline channel. Therefore, this research will combine with previous studies from literature reviews, and focus on the impact of the internet shopping on consumer behaviors to find out a comprehensive analytical framework which showing the essential ingredient of marketing and business to satisfying the consumer's needs, and a deeply understanding of online consumer behavior as a reference for any e-commerce company to make marketing strategies.

3. Impact of Internet on Consumer Behavior

The influences on consumer behavior are often made between external and internal factors. External factors are come from the environmental conditions, and internal factors are usually from the consumer's mind. There are many factors could influence consumer's behaviors. According to Warner, the external influences could divide into five sectors: Demographics, socio-economics, technology and public policy; culture; sub-culture; reference groups; and marketing. The internal influences are variety of psychological processes, which include attitudes, learning, perception, motivation, self image, and semiotics (Malcolm). In addition to these, Sheth (1983) also suggested that the consumers have two types of motives while shopping, which are functional and non-functional. The functional motives are mostly about the time, shopping place and consumer's needs, which could be like one-stop shopping to save time, the environmental of shopping place such as free parking place, lower cost of products and available to choose from widely range of products. The non-functional motives are more related with culture or social values, such as the brand name of the store.

The traditional shopping is simply about the customer to purchase their needs. This behavior will be influenced by the seller's advertising and promotion which attracts customers goes there and purchase goods, afterwards a part of new products will be taken home and be used.

3.1. Internet Shopping

Internet shopping and traditional shopping are sharing many similarities, at the same time, it still exists some differences between them, such as the Internet shopping could provide convenience and interactive services (Jarvanpaa and Todd, 1997), and the traditional shopping could gives customers more comfortable shopping environment and good quality of products (Lee and Chung, 2000). Both aspect of shopping malls are trying to improving their services by learn commutatively from each other, such as traditional shopping malls provide more parking spaces, more counters, and closer to residential area in order to improve services in convenience; Internet shopping malls adopt virtual reality (Lee, 2001) and 3D techniques (Miller, 2000) to improve the presentation of products.

In the following sections, the study would provide the nature of internet shopping at first, then the E-commerce web site will be indicated to comprehend the essence of internet shopping, after that, online security, privacy and trust will be discussed. All of these general overviews and discussions about the internet shopping will provide a background to the study and help to building the foundation of academic researches.

3.2. Convenience

Internet provides a big convenience for shopper as the main reason for the shopping online has been agreed by most of researcher and customers (Wolhandler, 1999). Due to the feature of Internet, it allows customer to shopping online anytime and anywhere, which means customer can browse and shopping online 24-hours a day, 7 days a week from home or office, which attracts some time-starved shoppers come to Internet for save time to searching products in physical store. Additionally, Internet

offers some good ways to save money and time. For example, shoppers do not need go out to the physical store and thus there is no transportation cost. Compare with the traditional shopping, there is no waiting line for shoppers on the Internet, and some shoppers reported that they feel pressure from the sales people sometimes, but Internet offers them more enjoyable while shopping online (Wolhandler, 1999; GVU's WWW 9th User Surveys, 1998).

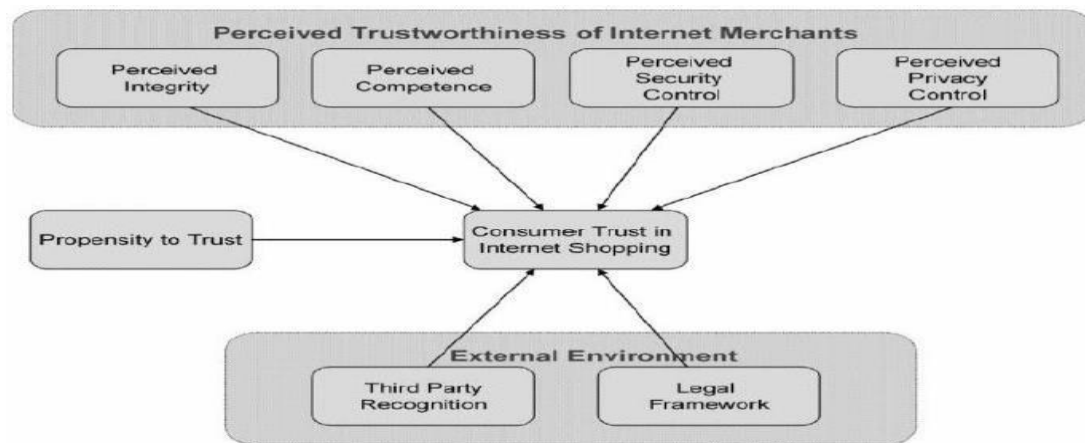
3.3. Technology

The convenience based on Internet is mainly according to the technology development, and which plays a key role during the development of Internet shopping. In the last decade, organizations have realized that the new technology could impact on Internet shopping deeply, and thus there are many important technologies like virtual reality and 3D techniques have adopted to gain big competitive advantages (Clark, 1989). Information technology has used in the form of the Internet improved better quality of product information, which help shopper's decision making (White, 1997). Through the wide range of surveys about the Internet use, the growth of Internet and the rate of growth of Internet usage have been rapid increased in the last decade. According to the BMRB International (2004) and GVU's WWW 9th User Surveys (1998), the number of Internet users in Great Britain has increased to 22.7 million among 48.4% of the adult population, and about 53% of Internet users have reported that shopping is a primary use of the Web. Moreover, a statistical report on the Internet Development in China from CNNIC (China Internet Network Information Centre) have released in July 2006. From this report, in the aspect of Internet shopping, there are 30 million users often shopping online, and near 1/4 Internet users have online shopping experience. Both surveys shows that more and more Internet users prefer online payment while they shopping, thus the security of online payment certainly will become a significant factor to influence the Internet shopping.

4. Consumer Trust in Internet Shopping

People purchase products and services are the most based on their level of trust in this product or services, and sellers either in the physical store or online shops. Online trust is the basic and essential element for building a relationship with customers. A present research shows that online trust is lower level than the face-to-face interactions in the physical store (Cassell and Bickmore, 2000), and the result from Cheung and Lee (2006) shows that trustworthiness of Internet merchant (perceived integrity, perceived competence, and perceived security control) and external environment (third-party recognition and legal framework) have considerable impact on consumer trust in Internet shopping (see figure 1). The trustworthiness of E-commerce web site is very relying on the how much privacy security can be provided. For example, a highly technical competence can be a factor to influence the trustworthiness (Singh and Sirdeshmukh, 2000). As mentioned above that the web merchant can provide third-party verification to E-commerce web site, and while this privacy and security strategies are used, customers will think their E-commerce transactions through Internet are secure and thus the site is more reliable to them. Beside this point, if the E-commerce web site can provide the information

about their customer services, location of the office, contact telephone number, and a help button on the web site, customers could also increase their trustiness as they can feel that the online retailers is truly exist (Lohse and Spiller, 1998).



An Integrative Model of Consumer Trust in Internet Shopping.

5. Conclusion

This study is mainly focus on the factors from the Internet and examines those factors that affect the consumer's online shopping behaviors. It starts with the current status of the Internet development, and mentioned the background of marketing as representation and its difference with physical stores which in order to show the developing history of Internet shopping since the E-commerce become popular. In the chapter of literature review, there are three main sections have been discussed: traditional shopping behavior, Internet shopping and online consumer behaviors. Each section starts with the concept, and followed by other perspectives. The research focus on the Internet shopping (include the nature of Internet shopping, E-commerce website, and online security, privacy, trust and trustworthiness) and online consumer behaviors (include background, shopping motivation and decision-making process). Those factors were looked at, and examined to reveal the influence at online consumer behaviors. In addition, the previous researches were used to help researchers understanding more comprehensively. Moreover, the customer's purchase decision making process was also examined to identify the potential factors. The information search is the most important factor that helps the customers find the suitable products or services for their needs. Therefore, the online retailers have to enhance and improve the information supporting such as provide much detailed product information and use internal search engine in order to increase the efficient of information search. For the evaluation stage, customers more think a lot of the reputation from the E-commerce website, and the payment security for the purchase stage. At the post-purchase stage, the factor of after services which is the most concerned about. Overall, the factors from the Internet that influenced or prevented online consumer behaviors need to be carefully concerned by the online retailers, who can utilize the

appropriate marketing communications to support the customer's purchase decision making process and improve their performance.

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