



**Aalto University**  
School of Business

# **The Consumer Buying Process on Online Era**

Literature Review

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# 1. Introduction

## 1.1 Background of the study

Online era has changed consumers' buying behavior remarkably thanks to fast Internet connections, smartphones and other mobile devices (Darley, Blankson & Luethge 2010, 95). Now consumers can buy products whenever and wherever they want and marketers can reach them around the clock regardless of their whereabouts (Jih 2007, 33).

At the same time online consumer behavior theory has developed very little from marketing perspective (Darley et al. 2010,95) and most commonly used consumer buying process models are still based on the "grand models", which have been created in the 1960's (Glasscock & Fee 2015, 6). This kind of old linear models assume that consumers are rational during their buying process and the process is often described as a very straightforward chain of events (Solomon 2010, 334). It could be questioned if these models can still truly describe the modern consumer in complex, fast changing and information saturated environment.

These aforementioned grand models have been developed before the rise of the internet so they lack many aspects typical for online buying behavior. For example the meaning of website functionality and trust during the buying process are not taken into account. At the same time the number of digital buyers worldwide is already 1,66 billion and it is estimated to grow to 2 billion by 2020 (Statista 2017a). According to Eurostat (2016) from 2008 to 2015 the percentage of firms that offered e-sales in the EU-28 increased by 7 percentage points and in 2015 already one out of five firms made online sales, which amounted 16% of the total turnover. These numbers are significant and therefore e-commerce and online environment should no longer be ignored by consumer buying process models.

It's important to notice that some of our purchase decisions still follow the traditional buying process steps but many of our purchase decisions are no longer rational and some of our action are actually contrary to those predicted by rational models (Solomon 2010, 335). In other words, in some cases consumers tend to buy more than they should according to the current theory.

Old linear buying process models also exclude new ways of making business, like subscription services from which customers constantly pay monthly or yearly subscription fees. New online subscription services, like Netflix or Spotify, are getting more popular all the time and also more traditional products and services are nowadays sold with subscriptions (Statista 2017b; Statista 2017c). When using subscription services consumers don't go through series of stages before the purchase decision time after time like the old models assume but usually the purchase happens automatically and the money is taken straight from consumers' bank account. In other words they end up in loyalty loop, which is a term first introduced by McKinsey in 2009 (McKinsey & Company 2009). In old consumer buying process literature closest term for this kind of consumption would be "repeated purchases" (Blackwell, Miniard & Engel 2006, 91), but it fails to fully explain this new kind of behavior, because it assumes that consumers still have to make decisions and act every time they make a new purchase.

Old buying process models also fail to notice that nowadays companies actually shape the consumer journey rather than merely react to the journeys that consumers themselves devise (Edelman & Singer 2015, 11). Companies develop consumer buying processes in order to gain competitive advantage and if the buying process is carefully managed consumer don't necessarily even consider other options. In old consumer buying process models this kind of limited problem solving is used only when the purchase doesn't assume great importance for the consumer and it includes only little risk (Blackwell et al. 2006, 90).

New kind of thinking, streamlining the decision journey, on the other hand suggests that nowadays consumers skip major parts of the buying process also when they are buying products that are very important for them and contain risk. Instead of long consideration and evaluation stages consumers can jump straight into the loyalty loop only after short consideration step. (Edelman & Singer 2015, 11). In this loyalty loop model consumers keep on buying the same service or product from the same provider without considering or evaluating other options. This new model seems to indicate that consumer buying process has truly changed and it has become quicker and more irrational than the old models assume.

That is why this thesis concentrates on to study the change in consumer buying process on online era and what implications it has for company decision making.

The research question for this thesis is:

- *Do consumer buying process models represent today's consumer behavior?*

The supporting research questions are:

- *How has consumer buying process changed on online era?*
- *What implications do the results have for company decision making?*

The first section of this literature review discusses traditional consumer buying process models and how these different models explain consumer buying behavior. After this the thesis focuses on consumer buying process on online era and how it has changed due to technology. At the end of this thesis implications on company decision making are given based on the results and aforementioned research questions are answered. Also subjects for further research are represented.

## **1.2 Central terms**

Terms consumer buying process, consumer purchase process, consumer decision process and consumer decision making process mean basically the same thing. For clarity, the term consumer buying process is mainly used in this thesis.

Consumer buying process usually includes several stages before, during, and after the actual purchase event. In these stages consumers take different actions and marketers try to affect these actions along the way. Blackwell et al. (2006, 70) say that consumer buying process can be seen as a road map to consumers' minds that can help to guide product mix, communication and sales strategies.

## **1.3 Scope**

In this thesis consumer buying process will be observed only from marketing perspective.

## 2. Traditional consumer buying process models

In this thesis traditional consumer buying process models are presented through three different models: Nicosia model, Howard Sheth model and Engel-Kollat-Blackwell Model. Although also other models do exist and some of them would be worth of mentioning, most of the consumer buying process models are variations of these three “grand models” (Glassock & Fee 2015, 6) and therefore these grand models form a good base for understanding current consumer buying process theory.

### 2.1 Nicosia Model

The first comprehensive model of consumer buying behavior is Nicosia model (Figure 2.1) introduced in 1966 by Francesco Nicosia (Milner & Rosenstreich 2013, 108). Nicosia represented his model in a flow chart format, which consists of four “fields”. The model was developed to describe the relationship between the firm and its customers (Orji 2013, 167).

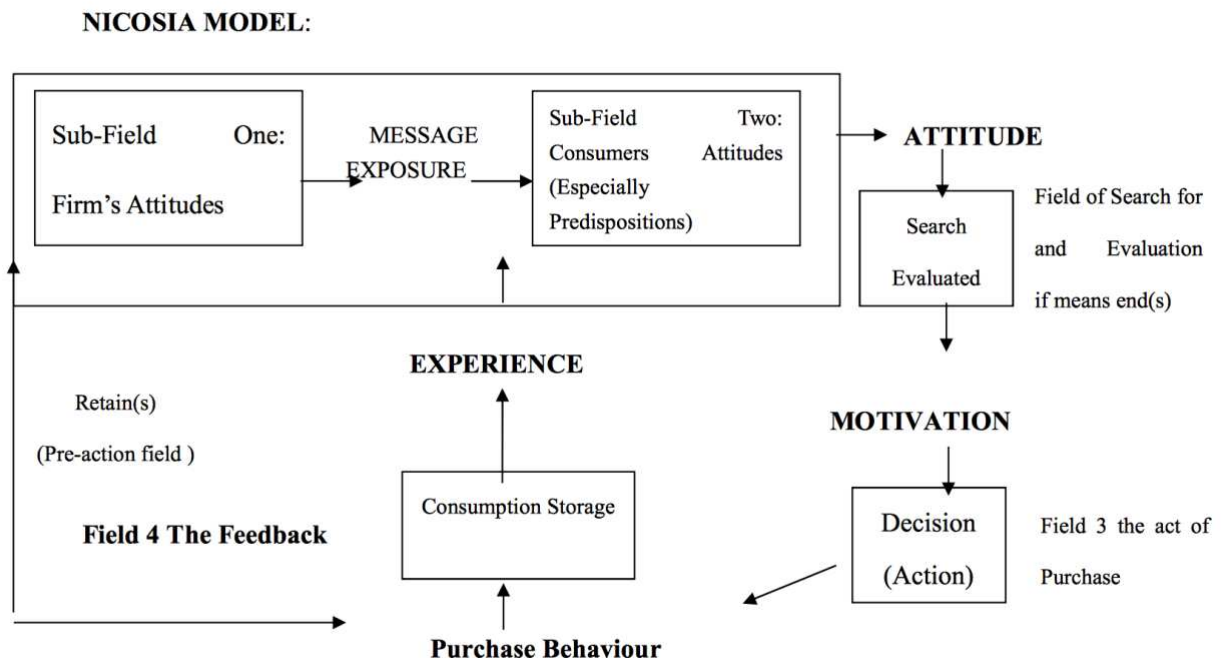


Figure 2.1 Nicosia model flow chart (Orji 2013, 166)

This relationship between the firm and its customers develops through communication flow, which starts when a firm attempts to influence a consumer. This influencing effort and consumer's attitudes towards this effort form the first field of the process, which then continues with search and evaluation phase if consumer is interested in company's offer.

If consumer is still motivated after the search and evaluation field then he or she will continue the process to third field, where the actual purchase decision happens. In the fourth and last field of the flow process, consumer gives feedback to the firm in form of his or her purchase decision. At the same time consumer gains experience, which again affects his or her future buying behavior.

According to Milner et al. (2013, 108) Nicosia's formulation of the process creates an iterative repurchase cycle, which is especially relevant to the service sector. As we can see later on, this kind of cycle form is also important for modern buying process models. However, Nicosia model has also been criticized because it describes the buying process mainly from marketer's perspective and consumer's actions are only very broadly defined (Milner et al. 2013, 108). It has also been questioned if there is any empirical data supporting the model and if the model could really be applied in the real world (Milner et al. 2013, 108; Bettman & Jones 1972, 549).

## **2.2 The Howard Sheth Model**

The second model, Howard Sheth model (Figure 2.2), is complicated comprehensive model introduced in 1969 (Milner et al. 2013, 110). This model consists of three elements, which are intervening variables (input- and output variables), hypothetical constructs and exogenous variables (Howard & Sheth 1969, 24). The hypothetical constructs are further divided into learning constructs and perceptual constructs (Howard & Sheth 1969, 48-49).

In Howard Sheth model the buying process starts with brand choice decision if the consumer is motivated to buy the product. This brand choice will be made by evaluating alternative brands in consumer's evoked set with the help of a consumer's personal choice criteria. (Howard & Sheth 1969, 25).

Consumer's choice criteria have to match consumer's motives and the criteria develops over time through learning (Howard & Sheth 1969, 24). In this model learning happens either through actual experience or information source. Information sources can either be commercial or social and in this model they are called input variables (Howard & Sheth 1969, 34). Information sources and the learning construct in this model are quite similar compared to the Engel-Kollat-Blackwell model (EKB), which is introduced later.

These information sources (input variables) are divided in three different categories, which are significant-, symbolic and social stimuli. Significant stimuli mean information that influences consumer directly through brand's attributes, like price and quality. Symbolic attributes mean linguistic or pictorial representation of the brand's attributes, for example advertisements. (Howard & Sheth 1969, 31). Social stimuli again mean information gained from consumer's social environment, like friends and family.

These different sources of information/stimuli affect the consumer but not all of the information is taken in. For example, consumer might not pay attention to the information or he or she doesn't consider the information to be important. Even though the information has entered consumer's system consumer can still alter the meaning of the information in his or her mind. Only after the information has passed this last perceptual bias phase, information affects consumer's brand choice through brand comprehension, motives and choice criteria. Also this phase is quite similar compared to the EKB model's stimuli processing.

Once consumer has enough information he or she can continue the buying process and form attitudes towards the brands inside his or her evoked set (Howard & Sheth 1969, 54). This evaluation of the brands also affects consumer's confidence whether he or she is making the right decision. If the attitude is lasting and consumer is confident, intention of a purchase can be made.

Intention to buy a product however doesn't mean that consumer will eventually buy the product. Inhibitory situations may prevent consumer from buying a certain product and consumer may even end up buying another product instead (Howard & Sheth 1969, 35).



According to Milner et al. (2013, 110) the Howard Sheth model illustrates well the complexity of consumer buying process and connects multiple abstract internal processes with external forces. Compared to the Nicosia model we can see that the Howard Sheth model gives much more detailed description of consumers' actions during the process. Also Hunt and Pappas (1972, 346) state that the way in which the Howard Sheth model combines different variables makes it unique.

At the same time the model has been criticized to be too complex. It also has the same fault than the EKB model since it assumes that consumers move linearly from one step to another throughout the buying process. (Milner et al. 2013, 110). It also lacks the circular shape typical for modern consumer buying process models, which was already introduced by the Nicosia model in 1966.

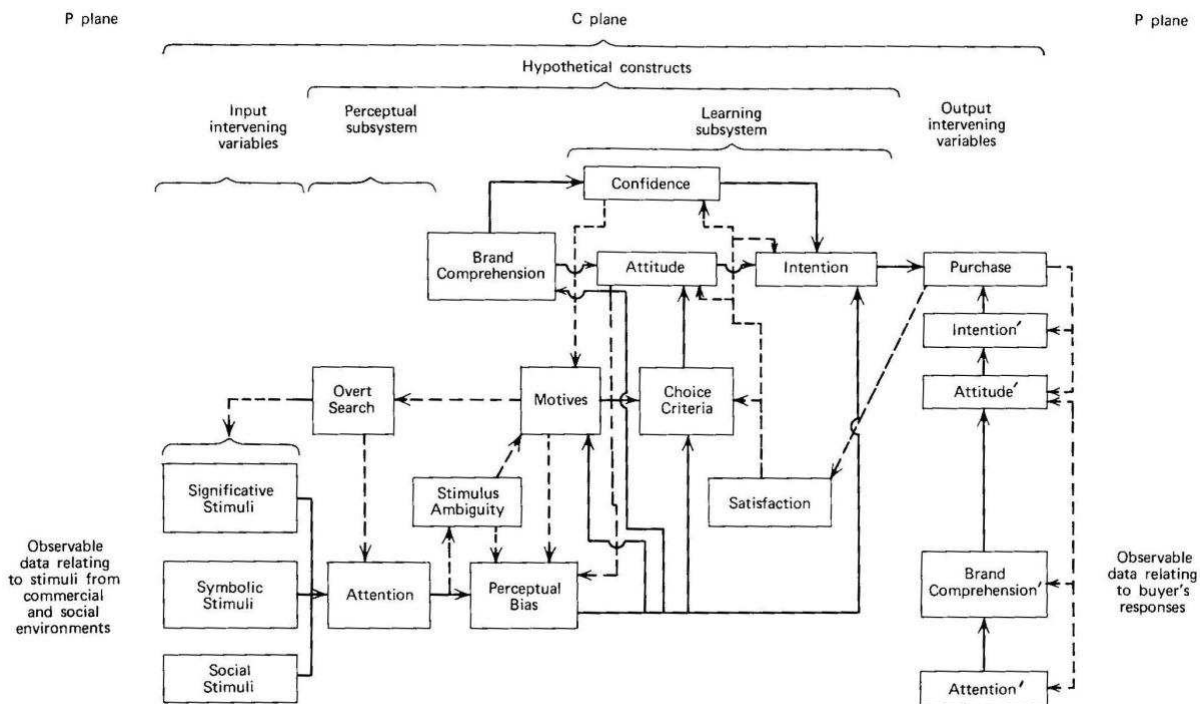


Figure 2.2 The Howard Sheth buying process model. (Howard & Sheth 1969, 54)

In Figure 2.2 C plane area in the middle illustrates theory. Input and output variables of this theory are anchored directly to reality and are more realistic than hypothetical constructs right in the middle, which are abstract and only indirectly related to reality (Howard & Sheth 1969, 24).

## 2.3 The Engel-Kollat-Blackwell Model

The third model, Engel-Kollat-Blackwell model (EKB) from 1968, is a comprehensive model, which describes consumer buying process as a phased rational process. Throughout this process different environmental factors and individual differences influence consumer and hence affect the outcome. According to Bray (2008, 15) many elements of the EKB model are similar to those presented in the Howard Sheth model, but the structure of presentation and relationship between different variables is different.

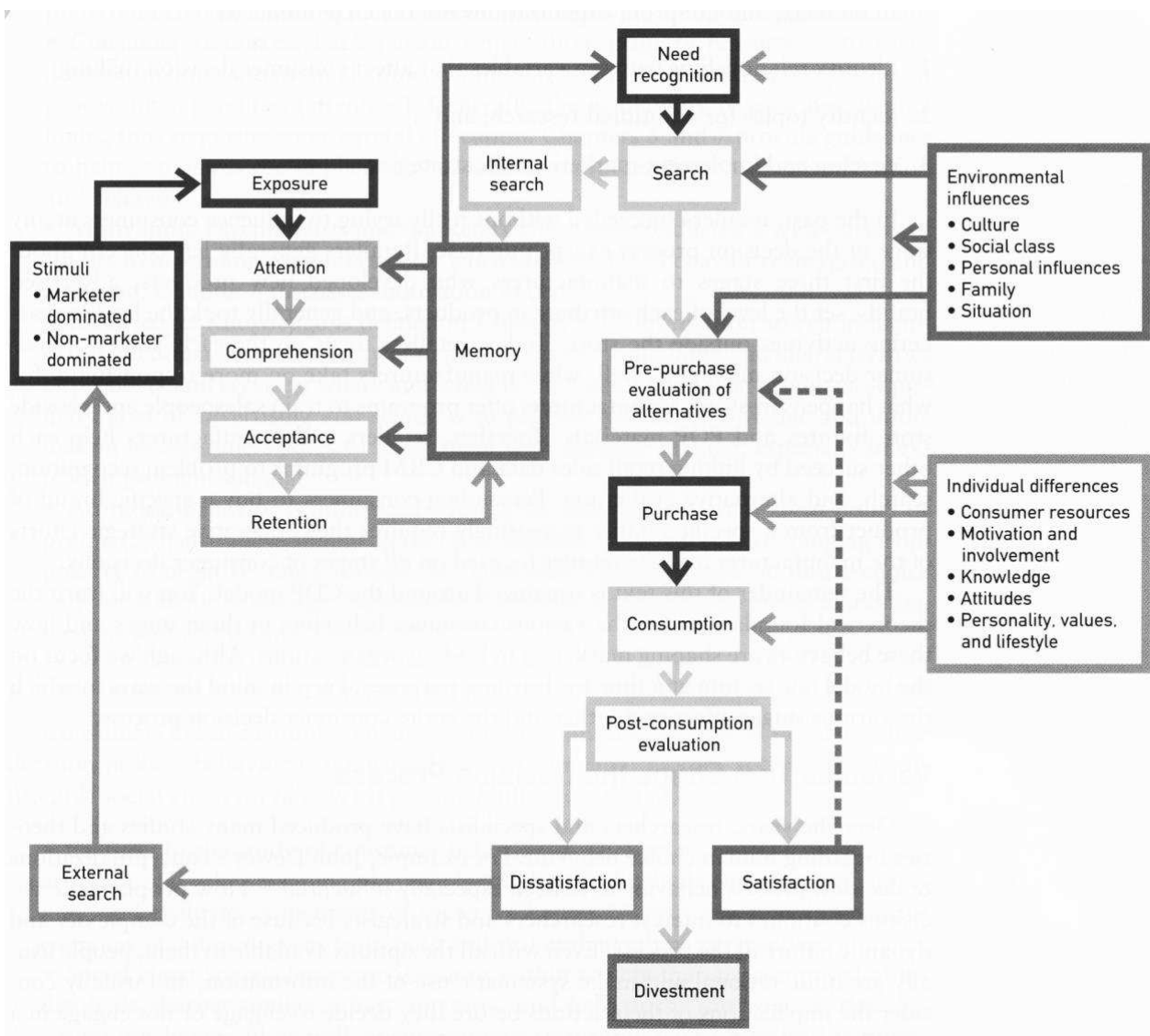


Figure 2.3 Latest version of The Engel-Kollat-Blackwell model (Blackwell et al. 2006, 85)

Originally EKB model consisted of five different phases, which were problem recognition, search, alternative evaluation, choice and outcomes (Orji 2013, 169). Outcome of this process was either satisfaction or dissonance, which again affected forthcoming buying processes. Since then the EKB model has been revised many times and nowadays (Figure 2.3) it consists of seven different stages, which are need recognition, search, pre-purchase evaluation of alternatives, purchase, consumption, post-consumption evaluation and divestment (Blackwell et al. 2006, 85). In this new updated version of EKB model the outcome of consumer buying process is dissatisfaction or satisfaction and it also takes the whole lifecycle of the product into account through the divestment phase.

In the first phase of the EKB model, need recognition, consumer senses a difference between ideal versus the actual state of affairs (Blackwell et al. 2006, 71). In this stage consumer is influenced by environmental influences like friends and family and also by individual differences like the amount of money they are able to spend. At the same time consumers are influenced by their memories, which have been shaped over the time by marketers and previous experiences.

When the need arises, in the next phase consumers begin to search information either actively or passively. Search can be conducted externally or internally, which mean that consumers can for example search information from Internet or they can as well try to recall information they have heard before. Also this phase is affected by environmental influences and individual differences.

In the third phase customers evaluate the alternatives, which they have identified during the search phase. This evaluation phase is again affected by environmental- and individual factors, which means that each consumer has their own evaluation criteria and attributes that they find determinant. In this phase consumers need to evaluate not only what to buy but also where to buy. Although the EKB model expects consumers to make logical and consistent decisions, in this stage the model recognizes the importance of emotions (Blackwell et al. 2006, 70 & 81). However, the way that these emotions affect the buying process is not discussed.

The actual purchase happens only in the fourth phase of the buying process. Even though consumer has already decided what and where to buy these decisions can still change during the purchase phase. For example, salesperson can provide a compelling reason to buy a different product or brand than the consumer has intended to buy or one retailer's store is crowded so the consumer decides to go to the competitor's store.

The fifth phase is called consumption and that is when consumer actually uses the product. Consumption can occur either immediately or it can be delayed depending on why consumer has bought the product in the first place. After consumption comes the sixth stage when consumer does post-consumption evaluation based on his or her experiences. This evaluation leads either to satisfaction or dissatisfaction. If the expectations match the actual performance of the product, consumers tend to feel satisfied and if not they are usually dissatisfied (Blackwell et al. 2006, 83). These post-consumption feelings again affect future decisions through consumers' memory. Satisfied consumers tend to keep on buying the same product from the same provider whereas dissatisfied consumers are more easily persuaded by competitors.

Divestment phase is the last phase of EKB model in which consumers have to decide how to get rid of the product after they have stopped using it. Consumers can for example recycle, resell or dispose of the product. Nowadays this phase is increasingly important because nowadays environmental values truly affect the purchase decision (Pickett-Baker & Ozaki 2008, 290), which is why manufacturers have to think about the product's whole life cycle.

The EKB model recognizes that sometimes these seven phases are not followed in the exact order, especially when consumers engage in extended problem solving, which is often used when consumers are buying expensive products or services that contain high risks (Blackwell et al. 2006, 89). On the other hand, when risks of the purchase are low consumers often use limited problem solving and avoid extensive search and evaluation before the purchase (Blackwell et al. 2006, 90). However, the EKB model doesn't clarify how the buying process can be customized if the phases are not followed in the exact order and it also doesn't clearly explain whether some of the buying process phases could be skipped completely.

In academic literature EKB model has been criticized because it assumes that consumers are rational and act rationally in every phase throughout the process (Solomon 2010, 335). According to the EKB model the buying process is also mainly the same for everybody, which is why the EKB model's mechanistic approach can't accommodate the variety of consumer buying situations (Bray 2008, 18). Especially services are nowadays often customized for individual consumers, which is why the EKB model can't fit to describe them.

It can also be questioned if this kind of long and phased process can describe consumers in today's highly commercialized world where impulsive buying behavior is rather rule than exception. According to Muruganatham (2013, 157) increases in personal income, life style and credit availability have made impulsive buying a widespread phenomenon across the different retail formats. In fact also Blackwell et al. (2006, 92) mention that impulse buying can short-circuit the reasoning process and motivate immediate action. This suggest that the EKB model can't fully describe modern consumer's buying behavior.

## **2.4 Summarizing traditional consumer buying process models**

As we can see, in fact all of the traditional buying process models assume that consumers are rational and act rationally in every phase throughout the buying process. In these models consumers are seen as an information processors who gather information, evaluate it and process it step by step until they reach a certain decision. According to Glasscock et al. (2015, 6) all of the grand models identify five chronological steps, which are need recognition, information search, evaluation of alternatives, choice and post-purchase evaluation.

However, in the course of time consumer behavior has been found out to be more irrational than these traditional models suggest and for example Muruganatham (2013, 157) says that impulsive buying has already become a widespread phenomenon. If impulse buying can truly short-circuit the reasoning process like Blackwell et al. (2006, 92) suggest, this would imply that the rationality assumption, which these grand models make, is actually incorrect and therefore these models can no longer describe the modern buying behavior.

### **3. Consumer buying process on online era**

In this chapter we proceed to examine the change of consumer buying process on online era through the Engel-Kollat-Blackwell model (EKB) since it clearly includes the five core stages, which are the most widely accepted elements of consumer buying process in academic literature (i.e. problem recognition, search, alternative evaluation, purchase, and outcomes) (Darley et al. 2010,95). In this examination we use the latest version of the EKB model from 2006 as a backcloth for highlighting new information concerning buying process on online era.

As mentioned earlier the newest version of the EKB model has seven stages, which are need recognition, search, pre-purchase evaluation of alternatives, purchase, consumption, post-consumption evaluation and divestment (Blackwell et al. 2006, 85). These stages include the widely accepted five core stages of consumer buying process which also combine all of the grand models of consumer buying process mentioned by Glassock et al. (2015, 6; Darley et al. 2010,95). Since these grand models work as a foundation for most of the buying process models and the EKB model has the latest version out of these grand models, the latest version of the EKB model gives a good platform to study whether existing consumer buying process models truly represent today's consumer behavior or not.

In the following sections we will examine how the modern academic literature has changed the consumer buying process knowledge during the last decade. It is important to notice that the EKB model of the consumer buying process was originally developed in time when Internet was not yet in commercial use and therefore consumer behavior was very different than it is nowadays. That is why the EKB model lacks certain factors typical only for online consumer behavior and e-commerce. The EKB model was also developed to represents the goods dominant logic of its time and therefore it has hard time representing modern consumer services, as we can see later on. This shift from goods dominant logic to service dominant logic started to emerge in academic literature only in 1990s (Vargo & Lusch 2004, 1-2).

### **3.1 Need recognition**

As mentioned earlier impulsive buying plays a significant role in modern retailing (Muruganatham 2013, 149). According to Beatty and Ferrell (1998, 170) impulsive buying refers to immediate purchases with no pre-shopping intentions and these purchases are preceded by sudden and strong urges, which are often even irresistible. This would imply that in modern retailing consumer buying process doesn't necessarily start from a need recognition but pure urge or desire can start the process and lead to an immediate purchase decision. This would dramatically change the current buying process models, which now start with a need recognition phase.

In online era credit cards and internet connections allow online shoppers to make frequent visits to online shops, which may increase impulsive buying (Muruganatham 2013, 153). According to Mattila and Wirtz (2008, 564) highly stimulating (and even over stimulating) store environments lead to enhanced impulsive buying and surprisingly also familiarity with the store seemed to increase impulsive buying. These finding concerned only traditional retailing and so more research is needed in order to clarify whether these finding apply also in online environment. For online retailing these findings would nevertheless be very interesting, because as said earlier internet allows consumers to visit online stores any time they want and so they also become very familiar to consumers. If familiarity would enhance impulsive buying also in online retailing this would make online environment especially favorable platform for impulsive buying. Also the nature of online environment is already highly stimulating (social media and rich media content), which could still further impulsive buying.

### **3.2 Search**

The EKB model acknowledges only two sources for information, which are marketer-dominated and non-marketer-dominated sources (Blackwell et al. 2006, 75). This kind of dichotomy doesn't work in today's complex environment anymore while marketer-dominated and non-marketer-dominant information increasingly blend into each other. For example different rating systems and recommender agents (RAs) provided by the online vendor affect consumers during the search phase (Huseynov, Huseynov & Oezkan 2016, 82). These systems

usually contain non-marketer-dominant information but on the other hand they are often provided by the online vendor, which makes them vulnerable for the online vendor's manipulation. The vendor can for example favor its own products from which it will get better profits.

Another example of marketer- and non-marketer-dominant information merging are viral videos and blogging. Viral videos are often spread through social media by individual consumers, which would indicate that the information comes from non-marketer-dominated sources, but on the other hand the information on these videos can be marketer-dominated. According to Broxton, Interian, Vaver and Wattenhofer (2013, 242) people are more likely to watch these videos only because they are distributed from one person to another through social media, which is exactly why companies try to make viral videos that would spread among the social media users. Just like people rely on their social networks to provide viewing choices (Broxton et al. 2013, 242) also blog readers tend to trust bloggers' recommendations even if at the same time these blogs can include marketer-dominated content and subliminal advertising (Hsu, Lin & Chiang 2013, 82).

As we can see it has become increasingly hard to separate different information sources from each other, which makes the search phase of the buying process on online era more complicated. Sometimes it is almost impossible for the consumer to evaluate the credibility of the information source.

### **3.3 Pre-purchase evaluation of alternatives**

Trust in online vendor is an important factor when consumer makes a decision whether to continue the buying process or not (Chau, Hu, Lee & Au 2007, 172; Shrivastava & Lanjewar 2011, 47). According to Chau et al. (2007, 179) trust is especially important in pre-purchase evaluation stage and the structural assurance is the key trust antecedent during this stage. This structural assurance includes for example secure transaction mechanisms, guarantees for refunds, third-party assurance and independent product evaluations or ratings. The EKB model doesn't recognize the importance of trust as a factor affecting the buying process in this stage or in other stages. Because the structural assurance is vital on this stage, the buying



process models should identify the online environment and its structural elements as a separate factor affecting pre-purchase evaluation.

It is also important to notice that e-shopping doesn't necessarily even end up as an option on consumer's alternative list. According to Raja, Arasu & Salahudeen (2012, 32) weekly internet use, e-shopping experience and willingness to shop online in future have significant relationship with consumers' attitudes towards online shopping whereas internet access and e-shopping awareness didn't affect consumers' attitudes. Because attitudes affect significantly consumers' buying decisions (Smith, Terry, Manstead, Louis, Kotterman & Wolfs 2008, 327), firms need to make sure that their e-shopping experience is top-notch if they want to succeed on online platform. If consumer have bad e-shopping experiences, that will affect their willingness to shop online in the future and eventually their attitudes towards e-shopping will turn negative. In that case e-shopping doesn't even end up as an alternative on consumer's alternative list. That is why according to Raja et al. (2012, 33) online buying process should be made as easy, simple and convenient as possible.

### **3.4 Purchase**

Trust in the online vendor affects also significantly consumer's decision to make the purchase on its website (Chau et al. 2007, 179). According to Chau et al. (2007, 179) especially consumer's calculative-based belief has a remarkable effect on consumer's trust in the online vendor during the purchase phase. In this phase consumer compares the benefits and the risks of making a purchase decision and forms a calculated belief, which will affect consumer's decision whether he or she continues the buying process. According to this theory consumers are likely to complete purchases on the website only if they form a sufficient calculative-based belief and encounter enough structural assurance during the purchase phase (Chau et al. 2007, 179). As we can see structural assurance continues to be an important trust antecedent also during the purchase phase.

Hashemi and Hajiheydari (2013, 286) suggest that if a website is provided by a well-known brand it will increase the trust towards the online vendor and eventually affect consumer's intention to purchase online from that website. That is why companies should understand the importance of brand awareness also from online retailing perspective.

### **3.5 Consumption**

Advances in Internet and digital technology have enabled new kind of customized services like Spotify or Netflix. In these subscription based services the consumption phase of the buying process differs significantly from traditional buying processes. When customers start using Spotify or Netflix they are faced with aggressive choice assistance and the content is customized to fit their individual needs. Because the transactions are completely automated, after the initial purchase customers actually just stay in the consumption phase if they are satisfied with the service. That is why these new services radically change the way we look at the consumer buying processes. The closest term for this kind of behavior in current academic literature is “repeated purchases” (Blackwell, Miniard & Engel 2006, 91), but this term can’t fully describe these modern services since it assumes that consumers still need to make decisions and go through series of stages if they want to purchase a certain product or - service again.

New technology has enabled this kind of mass customization and removed boundaries that industrial manufacturing used to cause (Thirumalai & Sinha 2011, 479). On online era, the customization of the buying process has been taken to the next level just like Spotify or Netflix have done. The content delivered to the customers is extremely customized and transactions can be completely automated. According to Thirumalai et al. (2011, 479) these are exactly the two ways in which consumer buying process can be customized in online environment: Decision customization and transaction customization.

### **3.6 Post-consumption evaluation**

Just like after the traditional purchase situations, consumers tend to feel satisfaction or dissatisfaction also after online purchases. According to (Iconaru 2012a, 67) strongest predictor of consumer’s intention to continue buying online is the post-purchase stage satisfaction, which is determined by confirmation of initial expectations regarding the quality of delivery, the returning policies and post-purchase customer relationship.

However the overall satisfaction of a consumer is especially important in online environment because fully satisfied consumer is not only likely to purchase again online but he or she is

also likely to favor online buying over traditional buying and recommend online buying to his or her friend (Iconaru 2012b, 88). Since word of mouth has larger and longer lasting effect on new member sign-ups than traditional marketing (Trusov, Bucklin, & Pauwels 2009, 99) overall satisfaction is also critical for customer acquisition.

In order to fully satisfy the client, the online buying experience has to be flawless on every stage of the buying process and succeeding only on one or two stages of the buying process is not enough (Iconaru 2012b, 88-89). For example, even if the information search on the website would be easy and the evaluation of the alternatives is convenient, if the purchasing phase is too difficult the customer won't be fully satisfied. As we can see the online environment and its functionality is critical also in the post-consumption phase since it affects consumers' overall satisfaction and consequently customer acquisition and -retention.

### **3.7 Divestment**

In online- and service dominated era divestment phase is only present in some of the buying processes, because the buying processes that contain the divestment phase have to include concrete products, which can either be disposed, recycled or sold further after the consumer has stopped using them. This phase clearly shows that EKB model represents the old goods dominant logic of the past and therefore it can't fully describe the modern consumer services.

Nowadays services form an increasing amount of the total consumption and they can't be disposed, recycled or sold further after the consumption. For example in 2015 services formed 69% of the worlds value added gross domestic product (The World Bank 2017), which means that nowadays many consumer buying processes clearly don't include the divestment phase.

### **3.8. Individual- and environmental factors affecting the buying process**

As mentioned earlier, consumer trust is a fundamental element of consumer buying process in online era because analyzing the trustworthiness in online setting is much harder than in the conventional business contexts (Chau, Hu, Lee & Au 2007, 172; Shrivastava & Lanjewar 2011,

47). Also Darley et al. (2010, 109) acknowledge the importance of trust as a pivotal element affecting Internet buying and behavioral intentions. If consumers don't have sufficient trust in the online vendor they will leave the website and this exit can happen any time during the buying process (Chau et al. 2007, 172).

Website's ease of use and the overall look of the websites affect consumers' trust in online vendor (Chau et al. 2007, 172) and for example Darley et al. have integrated an additional external factor "online environment" in their modified EKB model (Darley et al. 2010, 109). Also Zeithaml, Parasuraman and Malhotra (2002, 371) acknowledge the importance of website functionality by saying that it is the strongest predictor of intentions to purchase. Original EKB model doesn't recognize online environment as a separate factor affecting consumer buying process and it also doesn't acknowledge the meaning of trust during this process. These shortcomings are quite critical since e-commerce is becoming more popular all the time (Statista 2017a).

As mentioned earlier nowadays companies can also shape the consumer journey and not just react on consumers' actions (Edelman et al. 2015, 11; Thirumalai et al. 2011, 485). Especially advances in technology have enabled this customization of the buying process (Thirumalai et al. 2011, 479). Customized websites can for example offer products for a consumer based on his or her previous purchases or they can help consumers in the purchase phase by filling in automatically customers' payment- and delivery information. This kind of customization has been found out to have a significant positive effect on consumers' overall satisfaction with the online process, which is crucial for online retailer's success since on online era competitors are only a mouse click away (Thirumalai et al. 2011, 485).

On the other hand also consumers have been found out to customize their own buying processes by skipping steps or adding steps to the process and adapting it for different situations, which makes the online buying process dynamic and highly flexible (Karimi, Papamichail & Holland 2015, 138). This again makes predicting the consumer buying process increasingly hard, but then at the same time technological advancements help to track consumers' actions and predict their future behavior.

#### **4. Summarizing consumer buying process on online era**

Consumer buying process has become more complex phenomenon and it can't no longer be described with only one linear model, which is the same for every consumer. In certain circumstances consumers have been found out to customize their buying processes and therefore the consumer buying process have become more dynamic and flexible (Karimi et al. 2015, 138). At the same time technology and automation have gave the companies ability to not only better track consumer buying processes but also to customize them. These changes indicate that also the consumer buying process models should be more customizable and flexible.

One major change in consumer buying process on online era is also the meaning of trust during the process. Analyzing the trustworthiness in online setting is much harder than in the conventional business contexts (Chau, Hu, Lee & Au 2007, 172; Shrivastava & Lanjewar 2011, 47), which is why the trust in the online vendor is pivotal for the successful online buying process. If there is not enough trust during the process consumers will eventually leave the website and this exit can happen any time during the buying process (Chau et al. 2007, 172).

#### **5. Conclusion**

The purpose of this literature review was to examine whether existing buying process models represent today's consumer behavior or not. This thesis also reviewed how consumer buying process has changed on online era and what implications these changes have on company decision making. It became clear that according to current academic literature consumer buying behavior has changed remarkably due to advances in technology (Darley, Blankson & Luethge 2010, 95) but at the same time online consumer behavior theory has developed very little from marketing perspective (Darley et al. 2010,95).

In this thesis three models of the consumer buying process (i.e. Nicosia model, Howard Sheth model and Engel-Kollat-Blackwell Model) were presented since most of the consumer buying process models are variations of these three "grand models" (Glassock & Fee 2015, 6). All of these models seem to assume that consumers act rationally throughout the buying process

and go through series of stages every time they make a purchase decision. Behavior that these models illustrate is almost robotic. At the same time consumer buying process has become more dynamic and flexible (Karimi, Papamichail & Holland 2015, 138) and buying behavior has become more impulsive because of the increases in personal income, life style and credit availability (Muruganantham 2013, 157).

The grand models illustrate the goods dominant logic of their time and therefore they can't fully describe modern consumer services. This is a huge flaw since services already form a major part of the total consumption (The World Bank 2017). Thanks to fast internet connections and other technology advancements also completely new elements, like online environment, nowadays affect the buying process. Also the meaning of trust during the buying process has increased since analyzing the trustworthiness in online setting is much harder than in the conventional business contexts (Chau, Hu, Lee & Au 2007, 172; Shrivastava & Lanjewar 2011, 47).

As we can see many aspects indicate that the existing linear buying process models, which are based on consumer rationality, can no longer fully describe today's consumer behavior.

### **5.1. Implications for company decision making**

The results of this thesis have many practical applications for companies, which are operating in online environment. For example trust is found to be a fundamental element of the buying process because analyzing the trustworthiness in online setting is much harder than in the conventional business contexts (Chau et al. 2007, 172; Shrivastava & Lanjewar 2011, 47). That is why companies should try to strengthen this trust in every way possible. For example functional and pleasant online environment creates trust between a consumer and the online vendor, which is why the website's overall functionality is vital for company's e-commerce success. Companies that want to survive in today's competitive online environment should therefore make sure that they have all the right resources and skills needed for website or online store designing and development. The most important thing is that the online environment is seen as an individual factor affecting the consumer buying process.

Companies should also notice that consumers need structural assurance during the buying process or otherwise they can drop out of the process due to the lack of trust in the online vendor (Chau et al. 2007, 172). This structural assurance should include for example secure transaction mechanisms, guarantees for refunds, third-party assurance and independent product evaluations or ratings. The structural assurance is found out to be especially important when customers are evaluating different alternatives and making a purchase decision (Chau et al. 2007, 179). According to Thirumalai et al. (2011, 485) this necessary support should be provided in convenient, responsive and personal manner, which is possible through careful process design and automation.

Companies should also customize individual consumer buying processes with the help of automation. Customized websites can for example offer products for a consumer based on his or her previous purchases or they can help consumers in the purchase phase by filling in customers' payment- and delivery information automatically. This kind of customization has been found out to have a significant positive effect on consumers' overall satisfaction with the online process (Thirumalai et al. 2011, 485). The overall satisfied consumer is not only likely to purchase again online but he or she is also likely to favor online buying over traditional buying and recommend online buying to his or her friend (Iconaru 2012b, 88). Since word of mouth has larger and longer lasting effect on new member sign-ups than traditional marketing (Trusov, Bucklin, & Pauwels 2009, 99) overall satisfaction is critical for customer acquisition.

## **5.2 Implications for future research**

This thesis showed that further research is needed in order to create better understanding of consumer buying process in online environment and in online era. It is evident that new kind of services and the customization of the buying process have developed a demand for new kind of buying process models. These new models should be more flexible and able to describe also modern services. That is probably why in recent years more circular models of the consumer buying process have been presented (Karimi et al. 2015, 138) and for example McKinsey & Company's loyalty loop model has gathered lots of attention. However more

academic research is needed for confirming that these models truly illustrate today's consumer behavior.

All of the aspects presented in this thesis also suggest that more research should be made in order to examine the differences in consumer buying processes between traditional retailing and online retailing. For example, differences in impulsive buying behavior should be researched. Further research is also needed for clarifying whether consumers occasionally skip major parts of the buying process and in which situations this kind of behavior could occur.

### **5.3 Limitations of the study**

Although this thesis was able to answer the research questions, there are limitations to this study, which affect the conclusions drawn. The consumer buying process was examined only through three different buying process models and the articles analyzed in this thesis constitute only a small part of studies made about the consumer behavior in online environment. The sample of articles presented in this thesis is relatively small and many articles used university students as a focus group, which may alter the results. The studies were also conducted in different cultural settings, for example in Asian countries, which may affect the generalization of the result in western economies. All of these limitations restrict the generalization of the results presented in this thesis.

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