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Factors Influencing Consumer Purchasing Behavior in Electronic Commerce

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Abstract

This paper provides a framework for exploring factors influencing consumer purchasing behavior in electronic commerce. The approach adopted in this paper borrows directly from at least two converging sources: the research in international consumer behavior, and the research in marketing issues in electronic commerce. By recognizing the cultural differences in global markets, the firm will be better positioned to satisfy the unique needs of international consumers. The globalization of the international marketplace, which will be facilitated by the emergence of electronic commerce as a new channel of transacting business will result in a move in the firm's strategy away from niche marketing and towards more head to head competition. In order to survive in this competitive environment it will be essential for firms to have an in-depth understanding of international consumer behavior so that they can effectively cater to the unique tastes of the consumers of each individual culture and thereby gain a competitive advantage in the international marketplace. The managerial implications of this research are answers to questions such as how best can the firm exploit this new form of transacting business to maximize its leverage in the global marketplace and increase its market share? How should the firm position its products in the global electronic marketplace?

Introduction

How do consumers browsing the electronic shopping malls on the Internet make their purchasing decisions? This question is of crucial interest to advertisers and marketing people given that the volume of business transactions on the Internet is projected to grow to a value of \$ 100 billion by the year 2000 [Report of International Data Corp. 1997]. Electronic communities will become vast, new global marketplaces in which billions of dollars in products and services will be sold [Campy, Buday, and Nohria, 1996]. The Internet has the potential to revolutionize global marketing [Quelch and Klein 1996]. Small firms could set up an Internet web site at a relatively low cost and leverage this Internet presence to reach potentially millions of customers worldwide and compete with large multinational firms globally. Borderless companies are spawning a borderless economy. In the process the global cybermarket is becoming a reality. The Internet offers significant advantages over traditional marketing channels such as retail malls, home shopping networks and direct mail by providing marketers the ability to transact business with their customers effortlessly, regardless of the fact that they may be in different locations and in different time zones. For products such as software and information-based products, the Internet could serve not only as the medium of communication and transaction of business, but also as the medium of delivery of the product to the user. Given the global potential for marketing products and services via the Internet, it is critical that we gain a thorough understanding of the cultural factors which could influence the consumer's purchasing behavior. A person's culture will influence his personality and will thus influence his purchasing behavior.

This paper provides a framework for exploring cultural effects on consumer judgment and choice processes in the special case of electronic commerce. The literature in experimental and social psychology, behavioral decision theory and consumer research are selectively reviewed for evidence regarding cultural effects on consumer judgment and decision making. The approach adopted in this paper borrows directly from at least two converging sources: the research in international consumer behavior [Samli 1995], and the research in marketing issues in Electronic Commerce [Jarvenpaa and Todd 1997; Kalakota and Whinston 1996; Hoffman and Novak 1996a 1996b 1996c; Hoffman, Novak and Chatterjee 1996; Gupta 1995; Quelch and Klein 1996; Armstrong and Hagel 1996].

Model of Cultural Factors Influencing Consumer Behavior in the Context of Electronic Commerce

Figure 1 illustrates the model of cultural factors influencing consumer behavior in global electronic commerce.

The commonly accepted notion of culture is a "set of values, ideas, artifacts, and other meaningful symbols that help individuals to communicate, interpret, and evaluate as members of society" [Engel, Blackwell, and Miniard 1990]. The categories of cultural variables which would influence consumer behavior as illustrated in the model are elaborated upon below.

Cultural Factors Affecting the Consumers' Buying Intentions in Global Electronic Commerce

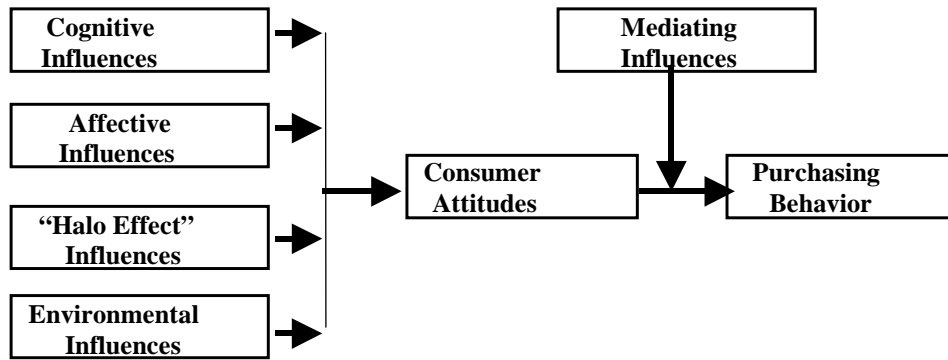


Figure 1. Model of Cultural Factors Influencing Consumer Behavior in Global Electronic Commerce

I. Halo Effect Influences

- A. Source Credibility:** The consumer will have greater propensity to purchase items from electronic shopping malls which are extensions of well known retail outlets like Walmart and J.C. Penney.
- B. Product Source:** Products which are manufactured in industrialized countries like Japan, USA, and the Western European nations which have established a reputation for high quality products will be more readily accepted by consumers making their purchases at the electronic shopping malls as compared to products manufactured in less developed countries.
- C. Communication Channels:** Language affects the communication channels. The more open the communication channels within a particular culture, the greater will be the acceptance of the electronic shopping malls. The larger the diversity of languages in a given country, the more restricted will be the communication channels and the greater will be the resistance to electronic commerce.
- D. Lifestyles:** The stage of society on the needs hierarchy largely determines the types of products demanded in that society (Maslow 1987). The consumer will be more favorably disposed toward electronic shopping if he feels that he will obtain tangible benefits from shopping at the electronic malls. This could result from factors such as the convenience and the savings in time and effort.

II. Affective Influences

- A. Prestige:** This refers to the peer pressure which the consumer experiences by virtue of the circles which he moves in. If the social circles in which the consumer moves views electronic shopping as fashionable and status enhancing, this will increase the likelihood that the consumer will make his purchases at the electronic malls.
- B. Ability of Society to Grasp New Technologies:** This refers to the country's ability to absorb or generate new technologies. In societies where there is a high level of technological grasp, the societies will be more inclined to try out new products and new channels such as electronic commerce.

III. Environmental Influences

Materialism, or consumption-based orientation to happiness-seeking, is the importance a consumer attaches to worldly possessions. The greater the degree of materialism exhibited in a particular culture, the greater will be the propensity of the people in that culture to shop at the electronic shopping malls.

IV. Cognitive (Dispositional) Influences

Moderate education (upto high school) will serve to reinforce status quo and increase resistance to change. Advanced education will cause individuals to challenge existing norms and will decrease resistance to change. Thus the more education a person has, the greater will be the acceptance by that person of shopping at the electronic malls. The more open-minded, venturesome, cosmopolitan in outlook, socially mobile, self confident, mature the consumer, the greater will be the tendency of the consumer to shop at electronic malls because he will be better able to appreciate the benefits of shopping at electronic malls.

V. Mediating Influences

- I. Involvement:** The greater the involvement of the consumer with the purchase decision , the greater will be the propensity of the consumer to make his purchases from an unfamiliar environment such as the electronic shopping

malls. Celsi and Olson (1988) found that felt involvement plays a motivational role in consumer's attention and comprehension processes.

- II. Perceived Risk:** The higher the perceived risk of the purchase transaction the less will be the propensity of the consumer to make his purchases from the electronic shopping malls.

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