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Winter 12-19-2001

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Rajendar K. Garg

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NEW DIMENSIONS OF INTERNET BUYER BEHAVIOR: STRATEGIC MARKETING IMPLICATIONS

Rajendar K. Garg
Professor of Marketing
Indiana University of Pennsylvania, Indiana, PA 15705,USA
Phone: (724) 357-4547; Fax: (724) 357-6232
Email:Garg@Grove.Iup.Edu

ABSTRACT

The E-Business era is bringing about tremendous change in ways consumers buy common everyday products. New dimensions in the E-market dynamics have necessitated a fundamental shift in the decision making process of buyers. The objective of this paper is to explore the new dimensions or patterns of Internet buyer behavior, compare it to the traditional buyer behavior and discuss strategic, managerial and research implications.

Buyer behavior and decision-making processes are going through a fundamental shift with the onset of online marketing. Internet shopping environment is enabling manufacturers and retailers to learn more about consumers' individual tastes and preferences and how to satisfy them more effectively and efficiently. On the other hand, consumers are learning that they can obtain not only regular but also custom-made products and services at reasonable prices. In addition, the number of choices and the amount of information available about these choices are increasing at a staggering pace. This information explosion is both a boon and a curse for consumers. The boon stems from the consumers' ability and potential to make better decisions and have several alternative choices. The curse, however, stems from the fact that too much information can be overwhelming and confusing. However, Interactive decision aids, or "smart agents" or "shopping agents" can help consumers use the vast amount of information more intelligently and effectively [5].

Buyers typically go through the following steps to decision making: problem recognition, information search, evaluation of alternatives, product choice and post purchase evaluation. The purpose of this paper is to explore the changes and/or differences in this decision making processes and buyer behavior that have

resulted from the explosion of E-Business and Online marketing.

The Internet buyer behavior signifies today with the following new dimensions of the Internet buyer behavior. To begin with, a much more focused need/want development and recognition is needed to motivate the consumer and to indulge into a pull strategic framework. The need development phases in the E-business environment utilizes a very high degree of interactivity between buyer and the seller. This type of interactivity can be easily compared to a personal two-way communication between buyer and seller where detailed information is exchanged between the parties [1] [4]. Two-way communication on the Internet that are high quality and effective, involve fast response times and high response contingency [5]. High response contingency means that the response of one party is highly dependent on the response of the other party. Therefore, the need development and recognition involves this two-way communication where consumer is constantly exposed to new information.

The consumers then are faced with a information search for products and services that may potentially satisfy them and comparing those alternatives in order to select the best alternative. This expanded information search on the Internet allows for wide market sourcing and efficiency. Comparing products and services across bricks-and-mortar stores requires considerable time and effort on the part of the consumers. Today, consumers are not always willing or able to visit many stores and consider many different brands on many different attributes. These constraints in the traditional brick-and-mortar environment encourage consumers to consider a very limited number of stores, brands and attributes. Therefore, their decisions are mostly less than the most effective ones causing cognitive dissatisfaction and dissonance. Thus, consumers experience a very

high degree of uncertainty in purchase decisions [9]. Search costs are high in brick-and-mortar retail environment since it takes considerable time, energy to visit many stores. Therefore the search patterns used in traditional versus the Internet environment are fundamentally different. The web allows consumers to gather information about attributes, their functions and products feature much more efficiently. Consumer can easily access product comparison charts and find out more about vendors and their prices.

The Internet search pattern allows for the use of search agents as well as shopping agents. The branding decisions (store vs. Internet vendor) take on additional dimensions of continuity, trust, and variety. The issues of vendor reliability and quality assurance are sorted out by external bodies that judge and rate the Internet website. These external bodies also sort out the channel power and conflict issues. The actual decision is communicated and executed in an environment where the trust, Internet security, payments structure and methods, financing options are challenging factors forcing consumer to engage in a more cautious transaction mode. In addition, consumers are increasingly engaging in new patterns of bargaining behavior. Internet auctions and bidding is attracting even the most traditional consumers into their fold since it is viewed as less stressful in a no pressure environment. However, there are some potential problems in the online area.

In comparison to traditional brick-and-mortar retailers, search costs on the web are much lower. With the click of a few buttons, consumers can scan prices, features and benefits of hundreds of products easily. The search agents such as www.yahoo.com or www.excite.com provide not only information about the products but also about the vendors and the reliability of these vendors. Some other shopping agents such as, www.bizrate.com, www.botspot.com, www.bottomdollar.com, www.pricescan.co, list prices with the least expensive brand first. Even though manufacturers and retailers like the benefits of the Internet, they fear the problem of “cost transparency” [8]. The web makes it easy for consumers to compare prices and determine if a given price is fair or unfair. Retailers and manufacturers fear that comparing prices on the web makes consumers price sensitive and this may ultimately erode their profits. However, consumers increasingly favor the web because it

offers a more open and transparent system where they may be able to determine market based price structure. Cost transparency has the potential of turning brands into commodities and this reduces brand loyalty. For example, Ameritrade, E-Trade or Datek offer the same products as traditional brokers for much less fees. Consumer are beginning to perceive these services as very similar and are not swayed by brand loyalty claims. Research on traditional non-Internet advertising effects has shown that advertising that compares prices increases price sensitivity [7]. On the other hand, the advertising that focuses on the superiority of features decreases price sensitivity [6].

Consumer product/service choice is typically based on the number of alternatives and the attributes considered. In a traditional setting, consumers are limited information processors and are able to consider a limited set of brands and a small set of attributes at any given time. Consumers deal with this cognitive limitation by simplifying their decision making in a phased manner. The available brands are screen quickly and unsatisfactory brands are eliminated in the first phase, and remaining brands in the consideration set are then compared and evaluated more carefully in the second phase. Therefore, elimination by attributes model is used in the initial phase following by a more deliberate and careful use of lexicographic choice model. The method of decision-making shift from an elimination by attribute model to a lexicographic choice model occurs with the help of recommendation agents with the web marketing. A recommendation agent is an interactive decision aid that helps consumers screen alternatives using personal preference related information provided by consumers. For example, Amazon.com provides recommendations based on consumer prior purchase history and www.consumerreports.org uses a brand by attribute matrix similar to www.compare.net, another recommendation agent. The consumer thus finds evaluation of brands less time consuming and more thorough. Haubl and Trifts [3] found that interactive aids available on the web significantly reduce search costs and helped consumers make better and more satisfying decisions.

The post-purchase evaluation process by the Internet buyer is becoming more complex. Internet buyer behavior is also transforming the concept of brand loyalty of Website loyalty or E-

vendor loyalty. Several companies are constantly trying to evaluate feedback provided by consumers. Consumers are able to see the feedback provided by other consumers before dealing with a vendor. Similarly, vendors can make decisions about incentives for the consumers based on feedback provided by other web retailers. The process of post-purchase evaluation and customer service issues are still vexing. Some web retailers seem to excel in customer service such as Dell systems while others are finding every increasing challenge in trying to deal with the consumer need for customer service.

Internet marketing is raising consumer expectations constantly. Due to the speed, efficiency of information search, decision-making and the ease of doing an electronic transaction, consumer expectation rises. However, consumer is not interested in the complexity of the transaction, only in the delivery of the product or service. The Internet has trained consumers to expect instant satisfaction. Consumers expect confirmation of the order within 24-48 hours, and expect the products to be delivered within a week [2]. These expectations have created tremendous challenges for online marketers. The answer to this challenge does not lie in rebuffing the customers with bureaucracy but being more transparent about shipping and handling time involved. Customer satisfaction can be achieved with more information delivery as well. Both interactivity with the consumer and sharing of information has been found to help increase customer satisfaction [3].

The marketers are faced with a unique strategic dilemma. As the E-business buyer behavior continues to grow, some marketers are considering abandoning the traditional retail business formats to a new "bricks to clicks" format. On the other hand, some direct marketers such as Avon are considering "clicks to bricks" format. The strategic alternatives guarantee little except continuing transitions to new market realities. These strategic alternatives have their own strategic alternatives and risks. The paper discusses their strategic alternatives and risks and looks at additional implications for image differentiation and strategic fit. Researchers, equally perplexed with these new dimensions, are facing increasing challenges for accurate data collection and target market specification.

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