



## THE ROLE OF E-COMMERCE ON CONSUMER BEHAVIOUR

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### Abstract

Electronic commerce refers to the 'buying and selling of information, products and services via computer networks' (Kalakota & Whinston, 1996). Bloch, Pigneur and Segev (1996) extend this to include 'support for any kind of business transactions over a digital infrastructure.' Thus, broadening the definition to absorb activities such as the provision of information to consumers, marketing and support activities. In effect, all the activities, which are common to the combined efforts of each of the three channels conventionally used in the buying and selling process, these being, communications, transaction and distribution channels. Consequently, in an online environment a web site is able to advertise products, allow consumers to pay for them, and in the case of digital software, distribute the product via a download (Li, Kuo & Russel, 1990). Concerning non-digital products, communications and transaction functions can be achieved on a web site but not distribution. Therefore, depending upon the product, from a business to consumer (B2C) perspective, electronic commerce has the potential to be used in all phases of a commercial transaction, and in turn, will have significant implications for the retailer. The aim of this paper however, is to set out to bring together aspects of consumer behaviour that the researcher considers are pertinent to a retailer striving to meet consumer needs in an online environment. In doing so, this paper will be focusing upon the consumer information search

process and consumer value. However, with both attempting to determine how online retailers are firstly facilitating the search process and secondly, offer consumer value via their web site. Finally, the ultimately aim of this paper will be to establish how retailers are striving to motivate consumers to buy online.

## **The Role of E-Commerce on Consumer Behaviour**

### **Introduction**

In view of increasing levels of e-commerce activity by retailers, it still remains uncertain how they are going to use this technology to gain competitive advantage or market advantages (Hart et al, 2000, Dawson 2000). The on-line environment to be a truly successful medium for consumer spending, the technologies will need to match the utility provided by the traditional high street retail formats. Such utilities include immediate delivery; credit facilities and choice of method of payment; display; personal assistance in selecting goods; return services and warranties. In terms of online retailers delivering such utilities, much debate has taken place with regards its potential success. The value created by retailers on the Internet is currently low. However, a good number of retailers are not deterred, and see their presence on the web as an opportunity to further meet the needs of consumers. If meeting the needs of consumers, retailers will need to sufficiently motivate consumers in order for them to make purchases in online environments. Consecutively to achieve this, an understanding of consumer behaviour is required specific to shopping behaviour. This includes such things as, firstly, understanding how consumers search for information in online environments prior to purchasing products and services. Such insights will increase the likelihood of their web site being the end point of the consumer's search. Further to this, once the web site has been reached, it will assist retailers in terms of the design and structure of the site in order to facilitate consumers finding products and services they desire. Secondly, an understanding of what consumers value in terms of their shopping experience, may help to secure a competitive advantage for the retailer. Therefore, this paper endeavours to bring together aspects of consumer behaviour that the researcher considers are pertinent to a retailer striving to meet consumer needs in an online environment. Whilst there exists many aspects of consumer behaviour that are relevant to the study of online retailing, such as psychological, personal or lifestyle characteristics, trying, to embrace all of these is beyond the scope of this paper. Thus, the paper's objectives are limited to firstly, examining how retailers are facilitating consumer information searches for products and services. Secondly, examining how online retailers offer consumer value.

### **Consumers as Information Processors**

Typically consumers visit retail stores either to make purchase for a specific item and, or enjoy the shopping experience with the possibility perhaps of an impulse purchase. In doing so, they will either engage in directed or purposeful searches for goods or alternatively involve themselves in general browsing. Consumers still need to process the whole array of information that is available to them in order that they become aware of and make a final purchase decision. The consumer is viewed as the problem solver engaged in goal directed activities of searching for information and finally arriving at carefully considered judgmental evaluations. The prime

motive for undertaking information searches prior to purchase is to make better consumer choices, for example cost savings.

Further to this, consumer behaviour literature suggests that information search methods may be classified in terms of spatial, temporal and operational dimensions. Each of these dimensions is examined in turn.

### **Operational Dimension**

The operational dimension of the consumer search strategy refers to the variety of product information sources the consumer chooses to use as part of their investigation for goods and services. With regard to information searching and online shopping behaviours, the significance of brands is part of the information search. Consumers using the Internet focus on the use of brands for sources of information. Although it is the more recent adopters of the Internet who will typically rely on brand names as they search for products and services. The Internet can further be used to support the operational dimension of the information search, as in order to search for a brand name, typically an individual will use any number of search tools.

### **The Spatial Dimension**

With regards to the second dimension of the information search, spatial, the nucleus of the search may either be internal i.e. the individual examines memories of past consumption, or external, where the individual searches for information outside their personal experience as they would, for example, if using the Internet and other public sources of information. Typically, individuals will use a mixture of internal and external information sources and these will vary depending upon different consumers. Indeed, the Internet can facilitate both, that is using the search tools, support external searches, whilst the use of bookmarks facilitates experiential searches for information.

### **The Temporal Dimension**

The final dimension, temporal, refers to the time between a consumer's first thinking about buying the product and the actual purchase itself. With regards to the Internet, it may be considered that Internet shoppers are convenience seekers looking to use the Internet as both a search tool and transactional medium in order to save time visiting high street stores. Alternatively, they may be recreational shoppers using the Internet to fully involve themselves in timely information seeking behavior such as that is what technology can offer. It is believed; consumer's prior knowledge, complexity or difficulty of the search process, level of interest in the product category and the nature of the information obtained affect this duration. It is difficult to establish how much search an individual actually undertakes, as they may have been involved in an ongoing hunt for some time. Impulse buying or unplanned purchases could well be culmination of a longer purchase decision process. Thus, the information search behaviour is more complicated and multi-faceted.

## **The Potential for Impulse Purchase Behaviour Using the Internet**

Consumers can shop on line 24 hours per day, 365 days per year. Thus, the time-consuming parts of shopping at physical stores, driving, parking and coping with traffic are all eliminated. Such a factor is driving optimism in e-commerce, which rests on the hope that people will spend more online than they would in shops. The act of shopping, it is anticipated, will be made so easy that the barrier to purchasing and, in particular, to impulse buying will be lowered (Computer weekly 1999). People who want particular information are used to filling out card, posing them and then waiting for the information to be returned to them via the mail. Such time delays kills impulse buying and cripples thoughtful information seeking. Technologies such as the Internet and the fax on demand services can get the right information into the hands of users while they are still interested and can use it to do business.

Whilst the above indicators are positive, there are those who doubt the effectiveness of the Internet to stimulate impulse purchases. Certainly, a criticism of online shopping is complexity of some web sites. Hunt (2000) suggests that 'too many shoppers leave sites because they can not find the product they want and can not navigate the complex buying procedure' therefore indicating that impulse purchasing online would be unlikely.

To conclude this section of the paper, the Internet has the capabilities to support all of the dimensions of the information search process i.e. operational, spatial and temporal. The convenience of someone shopping from their home via the Internet may save them time, but also in some cases can create unplanned purchases.

### **Consumer Value**

One way of achieving customer satisfaction is through understanding consumer value as it is, considered that perceived value is an important contributor to customer satisfaction. Perceived value may be defined as benefits customers received in relation to total costs, or as the overall assessment of what is received relative to what is given. However, Bowman and Ambrosini (2000) propose that 'customer perceptions of a value of a good are based on their beliefs about the good, their needs, unique experiences, wants, wishes and expectations.' Further to this, in line with the classical economists, they defined two types of value, use value and exchange value. Each are defined below:

**Use value:** Specific qualities of the product perceived by customers in relation to their needs. Here subjective judgments are made pertaining to the individual that, in turn, translates into what the customer is prepared to buy.

**Exchange value:** refers specifically to price. 'The monetary amount realized at a single point in time when the exchange of the good takes place' (Bowman and Ambrosini 2000). Holbrook (1999) offers a model that considers that various concepts surrounding the term of use value, what he refers to as consumer value. His model offers a typology that identifies the key dimensions of this. Using these dimensions, he developed a matrix where each cell of the typology presented represents a distinct type of consumer value. He proposes that the model is flexible enough to be able to apply it to a variety of consumer experiences. To test this, the

researcher has applied the model to online retail sites' offerings. The prime purpose being to assess how online retailers are currently creating value for consumers via their web sites. Each of the above types of consumer value is now considered:

### **Excellence**

Excellence may be acquired through the quality of products and services received, which functions to bring excellence for the consumer's benefit. Desirability referring to the consumer's need for attachment to the offering and usefulness, referring to the traditional utility based definition of quality such as fit for purpose. With regard to the value derived in the form of excellence pertaining to online retail offering, examples include, the standard of service offered via home deliveries. Another example is the excellence of information regarding product attributes e.g. product information. Further to this, ease of accessing information or ease of making transactions, payment security and returns policies plus visual representations offering clarity of detail of products would also be termed as excellence in the context of Holbrook's typology. Efficiency as a value may be acquired through convenience, which involves the consumer actively doing something for their own sake which functions to bring efficiencies, for example, using time saving products or services. Cost efficiencies accrued through products and services are also seen as efficient. Web sites also offer a personal model whereby the user may build and select their clothes based on their own shape and lifestyle.

### **Status**

It is suggested that status is derived from an individual actively manipulating their behaviour as an end in itself to achieve a favourable response from others. In terms of using a web site to engage in status seeking behaviour, chat room facilities can function to provide this.

### **Esteem**

Esteem is defined as an outcome as a result of an individual reacting to a response to others appreciation of that individual. Sportswear retailers provide an account of athletes who performed in the Athens 2004 Olympics as the Nike Web site ([www.Nike.com](http://www.Nike.com)) has done.

### **Ethics**

Holbrook argues that purchasing products or services which are environmentally friendly or for ethical reasons is a form of intrinsic value and therefore such behaviour is valued for its own sake, what is referred to colloquially as 'virtue is its own regard'. Here value is accrued via the virtue one communicates to others by making such a purchase.

### **Spirituality**

Holbrook defines spirituality as being a sense of communion one may feel within himself or herself and with humanity. In Brown's (1999) view purchasing activities are not typically determined by such convictions and therefore this dimension of consumer value is not considered here.

### **Play**

Enjoyment may be derived from individuals accessing web sites who offer puzzles, games and so forth. Pleasure for its own sake can also be derived from undertaking information searches. A number of web sites provide value to various enthusiasts in this way. An example is the UK fashion retailer; Top shop ([www.topshop.co.uk](http://www.topshop.co.uk)) that sells personalized CDs from its web site whereby a visitor is able to select a 10 track CD from a choice of 80 music tracks after listening to 30-second samples.

### **Aesthetics**

Aesthetics is defined as something in which consumers react positively to and value for its own sake a product or service offering for their own pleasure. With regards to the Internet, individuals may react positively and value the look and feel of the web site in terms of its attractiveness. The visual representation of products may also be valued by way of attractiveness of the nature of the offering. In all we can see that Holbrook's offerings are defined in the broadest sense from which an individual can derive value. Therefore, the model is flexible enough to be able to apply to a variety of consumption experiences. In all, Holbrook's theory offers an axiology. His work adds to the depth of our understanding of the basic nature of value offering an efficient model for researchers to work with. One that is both systematic and easily comprehensible.

One may argue that the same product or service can affect different types of value to different perceivers, and it is therefore, from the perspective of the perceiver that one can truly understand the value that has been created for their benefit. Therefore, what a consumer perceives as valuable could comfortably fit into more than one box of the matrix, an example of this being information i.e. the value of information may be aesthetic, playful, convenient or excellent. It may even be a combination of all four. Consequently identification of consumer value for specific lifestyle segments would be helpful to online retailers in determining what value would be most appropriate for their target market and in turn help them to develop their positioning strategy.

Holbrook (1999) concludes by suggesting that 'any given consumption experience can and generally does entail many or even all of the different types of consumer value identified by our typology'. Just as each individual may evaluate a painting from different perspectives, each taking some value from the work of art e.g. beauty, quality, fun or spiritual value, like wise this can be applied to the shopping experience. This is evidenced by the fact that some individuals enjoy the shopping experience, whilst others, simply do not like it. This in turn, is depending upon the individual's personal makeup. Therefore, it is important for researchers to not only understand the nature of value, but also consumer characteristics.

### **Conclusion**

This paper sought out to bring together aspects of consumer behaviour that the researcher considers is pertinent to a retailer striving to meet consumer needs in an online environment. In doing so, the paper focused upon the consumer information search process and consumer value. Both with a view to determining how online retailers firstly are facilitating the search process and secondly, offer consumer value via their web site. From this study, it is clear that the Internet offers utilities in the form of search tools such as search engines, browsers and intelligent agents,

plus the use of bookmarks and good web site design to speed up the process of purchase decisions, all of which go to support the operational, spatial and temporal dimension of a consumer's information search.

The paper also established through examples, which online retailers are endeavouring to offer value to consumers. Using Holbrook's typology, evidence was provided that value is delivered in the form of excellence, efficiency, play, aesthetics, esteem, status, and ethics.

Whilst this paper has provided some insights into retailers motivating consumers to buy online, through an examination of consumer behaviour, it is by no means complete. More in-depth research is called for. Although there is a long tradition of empirical research in consumer information search behaviour, very little exists in relation to online behaviour. Understanding consumer search behaviour and what they value in an online environment, is crucial to retailer's meeting consumers needs. As Barron (2000) points out, the ultimate challenge is how to marry the online shopping experience with the offline reality of shoppers purchasing goods in high stores.

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