BUYING BEHAVIOUR PATTERN ON ONLINE CONSUMER
(A Comparison between urban and rural buyer)

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ABSTRACT

Since the beginning of the Internet, individuals have shown interest to the Internet. According to Internet World Stats' statistics (2012) today more than two billion people linked to the Internet. This number shows that 30 percent of the world population use the Internet. Consequently, the Internet can be used for the competitive advantage by organisations and actually it is a powerful source to use (Hamill, 1997; 300). Customer behaviours are influenced by different factors such as culture, social class, references group relation, family, salary level and salary independency, age, gender etc. and so they show different customer behaviours. These differences are seen more specific when it is considered between two different consumer groups from different countries.

This paper using online questioner, since the research was an online consumer behaviour study, online data collection methods were preferred. The link of the questionnaire has been sent online. 184 were responded and within the responded questionnaires 169 were usable for analysis (six incomplete responses have been eliminated). The sample consisted of individuals that live urban area which is Jakarta and Surabaya and rural cities which is Klaten and Madiun.

The result of this study would contribute marketers who want to penetrate the market in 4 cities who is already present in the market and wants to maintain the loyalty of their customers. It can also be a part of the study on international consumer behaviour toward online shopping.

I. INTRODUCTION

Nowadays, the Internet is being widely used in daily life. The existence of the Internet brought many advantages to individuals’ daily lives. With the help of the medium, people can communicate, learn, entertain, buy products and get services. Of course the disadvantages of it have long been discussed; as the virus threat, the risk of personal information theft, spamming etc. However since the advantages outweigh the drawbacks, most of the people cannot resist bringing it to the centre of their lives.

The Internet have been using for several different purposes. Besides that, it has also brought a different dimension to commercial activities. The Internet has created a new market for both customers and organisations, and has been an alternative market to the traditional market. Web sites provide a chance to search information about products/services, place a comment or give orders (Hoffman and Novak, 1996; 51). Therefore, the previous experiences of marketing has turned into a different segment. Now organisations are taking consider to provide different payment methods, different shipping alternatives and even different web interfaces for different geographics.

Today, with the rise of the technology, significant portion of commercial activities take place over the Internet. Since commercial activities’ main goal is to sale, sale can be realised by the purchase of a different party, as we know customers. Therefore, for electronic commercial activities, it is important
to analyse online customers’ behaviour. Furthermore, in order to develop and apply effective marketing strategies the factors that affect consumer behaviours should be investigated. Online retailers can better understand customer needs and wants by directly analysing the interaction between a customer and the online shop.

Analysing consumer behaviour is not a new phenomenon for scholars. Philip Kotler, marketing expert, have studied on this topic. Theories about consumer behaviour have been used to develop an effective marketing strategy. Moreover, it is impossible to think marketing without the Internet in today’s world. Online marketing is the topic that have been researched and made applications many times by researcher from past to nowadays. Studies on online shopping investigated the factors that influence online shopping as well as motives for, value of and antecedents of online buying behaviour. As a result, the academic researchers and the business world started to focus on the consumer side of the online purchasing behaviour and a lot of researches and articles were prepared to make guidance for the development of online shopping.

Being aware that customers are performing a major role in marketing, finding out how the factors that are essentially affecting the purchasing intentions are important. Analysing the process of shopping activities, how consumer decide and make purchasing over the Internet and what they buy need to be identified by online providers in order to satisfy and succeed in the competitive business environment. Customer behaviours are influenced by different factors such as culture, social class, references group relation, family, salary level and salary independency, age, gender etc. and so they show different customer behaviours. These differences are seen more specific when it is considered between two different consumer groups from different countries.

Previous research streams on online shopping behaviour, investigated main factors influencing online shopping adoption. However there has been limited number of studies on comparison two different countries. In this study, research has been made comparative online buying behaviours of consumers that are located four different areas which are Surabaya, Jakarta representing urban areas, Madiun and Klaten representing rural areas studied on the findings of the research.

II. LITERATURE REVIEW

A. The Concept of e-commerce

The internet technology, appearing during the last quarter of the 20th century and having been used frequently for few years in daily lives, has influenced all parts of our lives in a short time. The changings in technological area all over the world have changed the concept of information and communication. The use of internet for commercial purposes gave rise to the existence of the electronic commerce (e-commerce) phenomenon. With the implementation of these information and communication technologies by commercial institutions in order to support business activities, electronic business concept was developed.

The rise of these new information and communication technologies and of Internet users, has introduced a new marketing reality’(Xavier and Pereira, 2006). This new presence change the relations between the players. Furthermore businesses have realised and seen the importance of the Internet and it has become that e-commerce in the business context, for most companies, can be seen as a complement (Shaw, 2006; XV).The importance of the competitive power and superiority has come to foreground and organisations’ understanding of competition has changed dramatically. In today’s world businesses use electronic commerce channels to communicate with customers and to increase competitive advantage (Lee and Lin, 2005; 161).

B. e-Commerce

Another type of transaction, business to consumer e-commerce activities also known as e-retailing, take place between between organisations and the customers. E-commerce is just another tool for retail companies selling products by using web-based technologies. www.gap.com is an example for this kind of companies which use a web site to reach their customers and also providing shipping services. The success of this area mainly based on trust issue (Lee and Turban, 2001 ; 75). Situations such as; products can not be seen or touched by consumers or if customers do not have a previous experience, to reassure customers for companies have carried a critical importance. Yet, trust is an important element for commercial activities (Gefen...
and Straub, 2004; 407) it becomes more crucial for e-businesses. Moreover, organisations should be customer-centric (Gummesson, 2008c; cited in Gummesson and Polese, 2009; 342). It is because the success of e-business mostly depend on loyal customers (Smith and Merchant, 2001; cited in Cao, et al., 2005; 645). Individuals could find another provider anytime, anywhere on the Internet (Kotler and Armstrong, 2012; 532). Therefore, managing customer relations are important and especially in the e-business there is no face-to-face contact, e-services are important to satisfy customers.

The third type is consumer to consumer e-commerce action which provides to consumers to put their goods on the market for other consumers ‘in auction format’ (Korper and Ellis, 2001; 11). eBay is the first and most popular consumer to consumer type of e-commerce company. If an individual wishes to sell its product, can simply register to a web-site and put the product on the market. After that a buyer can browse and search the product they interested in. Later, if the buyer is willing to buy the product they can buy it directly from the seller. In this way, the organisation (eBay) acts as an interface between two players and generate revenue from this action. Organisations usually charge fees from seller side, not from the buyer part in these kind of activities because of fees could discourage buyers from the purchasing activity (Makelainen, 2006; 4).

The final online marketing domain is consumer to business online marketing. With today’s Internet environment consumers can reach companies easily. Using the web, consumers can drive transactions with businesses, rather than the other way around. In this transaction, dominating factor is seen as price (Muzumdar, 2011; 9). For instance, Priceline.com provides to companies to buy airline tickets, hotel rooms etc which are put by consumers on the web site. Consumers can also send requests and complaints via complaint web sites (Kotler and Armstrong, 2012; 536).

People have started to generate content as a publisher on the internet and they have the opportunity to share them through the social networks. A new media has been emerged as a result of these developments and it is called as ‘social media’ through which consumers now are spending their time, and taking into consideration of this channel when making purchasing decisions. This evolution have deep effects on the marketing world. Today, with the main concept of marketing, consumer is the king and marketers should have to get involved within the online world in order to be successful reaching and listening to the consumer. That is why, today’s businesses have also been forced to move their advertisement activities to this new media.

There are many social media platforms those have different functions and features. One of the most popular social media platforms are the social networking sites such as Facebook and Twitter. ‘Social commerce is an emerging and fast-growing trend in which online shops are able to connect with other shops in the same online marketplace’ (Stephen and Toubia, 2009; 262). Companies also use Facebook or Twitter to reach more customers and inform them in that presence as well.

C. e-Buying Behaviour

In recent years, with the development of the Internet, many entrepreneurs have tried to create and provide new online businesses to benefit the advantages of the Internet. Furthermore, the internet environment affected the businesses and have forced them to include themselves in this environment. One way of this happened with the emergence of group buying system and provide advantages both businesses and consumers. Group buying web sites first appeared in 1998 (Hackl, 2004; 2) and developed rapidly. The main idea is that, consumers can use their bargaining power to decrease the prices and on the other hand suppliers can ‘diminish their cost of recruiting customers’ (Kauffman, et al., 2010; 250). With online group buying system individuals enable to purchase products or services with a daily deal and for many different types (Erdogmus and Cicek, 2011; 308). In here, price is the mainly element that affects and maybe changes a consumers’ decision.

Due to technological innovations, the traditional way of shopping has become insufficient for individuals. Individuals now prefer easy ways to reach brands and stores and it can be said that that ‘The Internet has fundamentally changed customer’s notions of convenience, speed, price, product information and service. As a result, it has given marketers a whole new way to create value for customers and build relationships with them’ (Kotler and Armstrong, 2012; 532).

The e-commerce sector has continued its growth
in recent years. The numbers demonstrates that ‘e-commerce is taking a bigger slice of the overall retail sales pie and is growing far faster than retail sales’ (Internet Retailer, 2011). Moreover, in urban areas e-commerce take 10% of total sales and globally electronic retailing reaches 15% to 20% of total sales (Rigby, 2011; 2). Therefore companies are taking internet based e-commerce seriously which gives rise to sales.

D. Online Shopping and Consumer Behaviour

With the emergence of the Internet, Internet-based electronic commerce developed and this environment provide individuals to reach information about products and services easily. Moreover, commercial organisations have moved to incorporate the World Wide Web into their promotional campaigns, and by offering the facility of online purchasing and like many other innovations ‘online shopping’ has become a part of our live.

It is no secret that businesses’ main goal is to sale and sale is provided for other party, consumers. Therefore, for commercial activities, analysing consumers’ behaviours is crucial (Deaton and Muellbauer, 1980, Solomon, 2006, Wright and et al., 2008) and since there is no face to face interaction in online businesses, it becomes more important to understand key features of consumer behaviours. Rogan (2007, cited in Nazir, et al., 2012) indicates the importance of the relationship between the marketing strategy and the behaviour of consumer. He illustrates that ‘the strategy is about increasing the probability and frequency of buyer behaviour and requirements for succeeding in doing this are to know the customer and understand the consumer’s needs and wants’.

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Furthermore, the Internet business have created more competitive environment, understanding features of online shoppers’ behaviours have been more important. Moreover, it should be analysed by online sellers that ‘why some still prefer not to buy online’ (Turan, 2011; 78).

Consequently analysing behaviours of online consumers have carried a crucial part for marketing science (Uygun, et al., 2011; 373). Furthermore, businesses and academics are aware of this issues critically therefore over years, increasingly many studies are represented.

Chang, et al. (2004) studied on categorisation of variables which drive online shopping activity. According to their study, features are divided into three main categories. First one is perceived characteristics of the web sale channel which include risk, advantage, online shopping experience, service quality, trust; second category is web site and product characteristics which are risk reduction measures, web site features and product characteristics; and the last category clarified by authors is consumer characteristics. Consumer characteristics are driven by various types of features, computer, internet knowledge and usage, consumer innovativeness and psychological variables.

Consumer’s characteristics are also studied by Kotler and Armstrong (2010) and they explains the way of the perception of the buyers, how they interpret and receive the stimuli from advertisements. According to Kotler and Armstrong (2010; 161) the decisions of consumers are influenced by several characteristics and these characteristics are linked with the needs of the consumers.

E. Behavioral Factors that affecting in the Online Medium

Consumer behaviours can be explained in four dimensions which are personal characteristics, psychological characteristics, social characteristics and cultural characteristics (Wu, 2003; 38, Kotler and Armstrong, 2010; 161). Identifying these characteristics are crucial to decide marketing strategies and to target correct consumer groups.

1. Personal Characteristics

Characteristics of a person, is an important factor affecting the purchase decision process. Personal factors include age, gender, occupation, income status, education, life style. In online shopping researchers, most of the studies are conducted on young adults.
because of their familiarity with ICT (Lester et al., 2005). Kau et al. stated that (2003; 150) traditional shopping mostly have been chosen by older individuals (40 years old and above). Researches about young adults are also helpful to predict future consumer behaviour easier. Young adult generation have more options with respect to other generations and they are more conscious, give their decision by themselves, they choose what they prefer easily. In addition, cross-shopping is more intense in this consumer group (Vasquez and Xu, 2009). Younger individuals usually have interest in using new technologies to search for information and evaluate alternatives (Monsuwe, et al., 2004). Internet is perceived as a risky environment by older individuals since older people have less knowledge about the Internet and new technology and they also insist to try products before purchasing.

Furthermore, individuals with lower income tend to approach online shopping activity more cautiously and find this medium as a riskier place since their tolerance for financial losses are lower with respect to consumers with higher income. However, once users have an experience their attitude is not affected by their income (Hernandez, et al, 2011; 117). Part of the income are spent mandatory requirements of life and the remaining can be spent freely. Individuals can only use this remaining part how they want to. Moreover, it is also concluded by Lohse et al. (2000) that households with higher income would have positive approach with the possession of the Internet access.

On the other hand it has found that ‘online shoppers are not necessarily more educated’ (Zhou, et al., 2007; 46). Online shopping has been considered as a easy activity, therefore education level has not a big effect on it. However educated people are more likely to accept innovations easily educated level may have an effect on decision process.

Demographic factors become important when individuals face with new things. Hernandez et al. (2011)’s comprehensive study regarding socio-economic characteristics of consumers (age, gender and income) moderating effects on online shopping behavior reveals that these characteristics do no moderate experienced online shoppers’ behavior. When consumers become experienced in online shopping their behavior become more similar and socio-economic characteristics do not differ, their behavior differ significantly in initial purchases since it has been found that demographic factors such as gender and age are significant factors when people face new things. For example in some studies men are claimed to be more pragmatic whereas women are more anxious by the time they face with new things and affected more by their social environment, people with lower income regard online shopping as riskier since their tolerance for financial losses are lower with respect to consumers with higher income.

Therefore, since there is significant numbers of experienced online shoppers, it is claimed that instead of focusing on consumers’ demographic and socio-economic characteristics, researchers need to emphasize on behavioral dimensions in order to produce results that are more effective.

2. Psychological Characteristics

Smith and Rupp (2003) argue psychological factors of consumer behaviours in the online shopping context. Online consumers psychologically deal with themselves and they frequently questioning themselves. Motivation make consumers to ask themselves, should they look a better price or should they shop online more often and these kind of questions. Perception is one of the important factor and make consumers examine the security of the web site or the quality of the product. In this case the seller organisations have to be successful in terms of providing customers a confidence. Another psychological aspect is personality. The personality factor may drive consumers to ask themselves what kind of web sites are best suited for their personal preferences. Personal preferences manage consumers to decide. The fourth one is attitude and attitudes can change easily, therefore marketers are many interested in these features (Wu, 2003; 38). Consumers try
to find out what they like or not in respect to a particular situation.

3. Social Characteristics

The social influence comes from the reference groups. For the online consumers reference groups are identified as virtual communities, consisting of discussion groups on a website. Other people’s experiences, opinions have shown in this medium and affect consumers (Christopher and Huarng, 2003). Another one are contact links, web site links related to the product or the service, which make individuals ensure about the decision. According to Kotler and Armstrong (2007) the effects of the Reference Groups are mainly based on the belief that a person’s behaviour is influenced by many small groups. Family is one of this reference group. There are different ways that reference groups influence an individual’s attitude, they may expose a new behaviour or life style or may create a pressure to accept the attitude.

Van Raaij, (1997). By definition, culture is ‘a shared set of values that influence societal perceptions, attitudes, preferences and responses’ (Zhou, Dai and Zhang, 2007: 46). In terms of the culture, there are basically five types of cultural differences in literature: power distance, individualism-collectivism, masculinity-femininity, uncertainty avoidance long-term orientation (Hofstede, 2001).

However, Zhou, Dai and Zhang (2007) assert that only two of these factors, individualism-collectivism and masculinity-femininity, are used for explaining online behavior of the consumer. Collectivism-individualism is the member of a culture’s interpretation of the self in terms of dependency to the culture (Zhou, Dai and Zhang, 2007). Hence, it is demonstrated in many studies that western and eastern cultures are different from each other in terms of dependence and this leads to different consumer online shopping behaviour in western and eastern societies (Chau et al. 2002; Huang 2003; Park and Jun 2003; Park, Lee and Ahn, 2004). In other words, in the individualistic societies, people are more likely to use the internet for personal use such as shopping and information seeking (Chau et al. 2002; Park and Jun 2003), while in collectivist societies, people are more likely to use the Internet for social communication purposes (Wee and Ramachandra, 2000). Moreover, it is shown that in the collectivistic cultures, entertainment is important, while in the individualistic cultures convenience and variety seeking is the main aim (Zhou, Dai and Zhang, 2007).

4. Customer Loyalty

In the last century, technological advances leading to very large changes on marketing. Consequently it offered new opportunities and also led to even greater competition they are facing. This make businesses to leave classical management mentality and to adopt new business and market strategies. The internet, which becomes a part of daily lives, also become a part of everyday shopping. To retain customers, who are just a few keystrokes away from any web sites without any constraint, has become very difficult. In case of any dissatisfaction, these customers would prefer a high number of competitors and the switching cost is almost absence, thus in online environment, e-stores is to make it even more important to ensure customer loyalty.

Products of technology and informatics start to change the customers’ shopping behaviour, as it changes many habits of them. In online shopping, customers have some expectations from companies before shopping, as in traditional shopping. To satisfy or dissatisfy this expectations or how extent of satisfaction is achieved create the perceived value of customers. Satisfaction or dissatisfaction occur as depends on experiences which exist after online shopping. This situation affects the trust to company. Customers’ loyalty or disloyalty depends on how much these factors are achieved.

5. Trust

Park and Kim (2003; 17) stated that consumers’ trust to a provider or supplier results with becoming committed to the company. Trust issue is exceed with a few successful
transactions, after individuals start feel safe and believe that this supplier answer their needs and wants. On the other hand provided information is another issue in terms of online shopping for Park and Kim (2003; 17). Since online shopping is an activity which related to a computer-system, individuals cannot touch or feel products. Therefore their decisions based on the information that provided by online retailer. Information issue not only important in terms of availability situation, it is also important in convenience and personalisation concept. Web site design, access to information, access time to information also influence on behaviours of consumers.

6. Cross-border online shopping

With the entrance of internet to people’s daily lives, individuals began to carry on their commercial activities like searching information about products/services, placing consumer comments, or giving orders with the help of the medium. From this aspect, it brought a new dimension to consumers’ way of shopping. Besides affecting the consumers’ shopping routine, businesses’ marketing practices, understanding they have no chance to ignore the medium, are also affected. As an outcome of the usage of internet in shopping activities of consumers, the issue of using internet in cross-border commercial activities came to stage. Although individuals adopt purchasing goods and services from internet as the time passes, cross-border online shopping is still a concept that most of the consumers hesitate to engage. Thus, this research aims to find out about the factors that prevent the consumers to engage in cross-border online shopping.

III. RESEARCH METHODOLOGY

This chapter illustrates the way of the research has been conducted by presenting the methodologies and theories used. The technical details of the research are described and detailed. Important issues such as, philosophy of the research, preparation of the research, the method and procedure of data collection, components of questionnaire, sampling decision are covered.

The first process is topic selection. The knowledge, observations and interest on a topic help to finalise the topic. After that, theories and literatures have been searched to support the research. Next, the problem and the research question has been developed and research method has been selected. The next step is to collect data with using the methods planned. After the data is collected, I analyse the data with selected theories. At last, the conclusion is drawed.

This research started with exploratory study however developed into an explanatory study since the first aim was gaining knowledge about consumer behaviour and following with being able to gain information toward online consumer behaviour. After that specific factors have been identified which are the important during the online purchase. This knowledge is then used to find relationship between these factors.

There are two main research approaches have been using. A deductive approach have been chosen for this study. The deductive approach attempts to figure the theory first and then moving from the theory, the collected data is tested. Moreover, the deductive approach is valid for quantitative data and since this study consists quantitative data, it is appropriate for this study.

To investigate consumer behaviours and purchasing decisions, a quantitative approach is used to analyse the results from the survey. After the online questionnaire have been created, the questionnaire link was emailed to participants. At the same time, it is also asked them to forward the questionnaire to their cases. Secondly, the questionnaire distributed through Facebook. The respondents could easily click on the link which directly lead them to the questionnaire. To be a participant of this survey, respondents were expected to have minimum one online shopping experience. This limited participation and lowered response rates; however, this condition was necessary because of the topic of the study.

Quantitative research measures the data using descriptive statistics. The coding process is to transform the raw data from the results of questionnaires into numerical data. It is then followed by a calculation for each question by using an SPSS program.
IV. RESULT

According to the data analysis, cross-border online shopping is still a shopping type that individuals hesitate to engage. Moreover, respondents from rural areas indicated that they had never made any purchases from foreign countries although their socio economic status and language level is convenient. Respondents from urban areas demonstrated higher purchases than rural consumers. However, they also illustrated that they made more purchases in the US and European countries than the countries besides those two.

There is a significant and positive relationship between safety of online shopping, price of products and services, more information, comparison of different choices and accessible of more products with attitudes of consumers toward online shopping in both urban and rural. There is also a significant and positive relationship is found among safety of online shopping and time saving in both Madiun dan Klaten. Moreover, there is a significant and negative relationship between safety of online shopping and risk of giving information is related significantly negative. Rural areas are specified with high uncertainty avoidance by Hofstede’s cultural dimensions (geert-hofstede.com), therefore, it is possible to see the trust relating with every dimension.

V. CONCLUSION

One of the key and significant factors in online shopping is consumer satisfaction. Online shopping frequencies of the two samples are different; and Urban consumers shop online more frequently relative to rural consumers. The reason for this result could be the security perceptions in the sample as expressed by the disadvantages of online shopping mentioned. For both Urban and Rural consumers, a concern for security is one of the important disadvantages of online shopping. For Rural customers, online shopping has disadvantages such as security concerns, not having sufficient information about products, and not having the chance of physically trying the goods which are all related to trust. Trust in online shopping is an important concern for Rural consumers as people of a culture with high uncertainty avoidance index. Usage levels of payment methods also differ between Rural and Urban online shoppers. Rural consumers prefer cash on delivery and direct money transfer online more, relative to Urban consumers for their online purchases.

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