

A STUDY ON CONSUMER DECISION MAKING PROCESS FOR ONLINE SHOPPING.

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Abstract

It is always assumed that the most important stage in a sale is when a consumer hands over the money at the billing counter or payment gateway. But when we see the bigger picture, the real challenge is to how to influence consumer behaviour. Every single step in the consumer decision-making process plays an important role. For marketers, it is imperative that they focus their attention to every stage in the buying process in order to maximize their profit.

Most of the companies are now adopting to hybrid mode of business and making their presence in the web world as well through on-line portals and or through applications to sell their products/services on-line. Though online shopping is common outside India, its growth in Indian Market, which is a large and strategic consumer market, is still in line with the global market. The potential growth of on-line shopping and the dynamism of Indian Consumer buying decision process has triggered the idea of conducting a study on Consumer Decision Making Process for online shopping.

Significance & Objectives of the study

Consumer behaviour is complex, intricate, difficult to influence and a dynamic field. The variability, subtlety, unpredictability and prevalence of consumer behaviour make this research on consumer behaviour and the decision making process an exciting and a dynamic field of study.

A large number of variables or factors such social, cultural, demographic, psychographic (to name a few), act and interact to determine and influence the consumer decision making process and make it more complex. A large number of consumer decision making process models have already been propounded and researchers are putting forward new approaches to describe and explain consumer decision making process and its various influencers.

Consumer behaviour and consumer decision-making, one of the very important aspects of consumer behaviour, are prominent areas of research in the field of consumer science. Marketers and scholars have made various researches to understand consumer decision-making under varying market, social, cultural and other conditions.

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The emphasis in this research is to understand various cognitive and physical activities undertaken by consumer before, during and after the purchase. Impact of external influences within an internal frame of reference adds to the complexity in buying and consumer decision-making and makes it more intriguing for researchers.

Advancements and adoption of Information and communication technologies by people as well as businesses have led to the emergence of virtual world. Digital is no longer a question of to be or not to be but how to be and thus information and communication technologies have been inducted in the organizations which has given emergence to e-commerce.

Research Methodology

Research Methodology explains the theoretical framework and methodology adopted in the study. It outlines the various dimensions of the study and research objectives and the methodologies used to accomplish those objectives. It explains in detail the various research instruments used to undertake the research.

The research is primarily based on secondary data and literature reviews. Data was drawn from various in-house and proprietary sources available at their websites, along with various relevant books, research papers and articles published in journals and newspapers.

Literature Review

Literature review leads to development of theoretical framework, lends precision, clarity and relevance to research, mitigates the risk of reinventing the wheel and leads to identification of research gaps (Sekaran & Bougie, 2010).

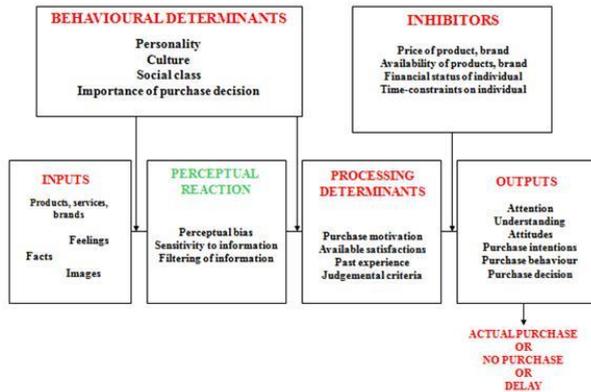
The literature review helped to understand various models of the Consumer Decision Making Process. It shows how consumers take decision to purchase products and highlights the activities that occur before, during, and after the purchase of the product.

Consumer Behaviour of purchasing and consumption of goods or services shows the process of Consumer Decision Making. Hence, researchers and marketers have to understand the systematic way of decision making. The Consumer Decision Process (CDP) Model is a roadmap to understand consumer's psychology that marketers and managers can use to take decision on product mix, communication, and sales decisions.

Howard & Sheth's Model (1969) John Howard and Jagdish Sheth presented their integrated model of buying behaviour in 1969. The model brings into focus the processors and facilitators that facilitate the process of decision making of the consumers. This is a learning model designed which explains the brand choice of an individual faced with several choice of alternatives. This model also illustrates a refined integration of different leading factors such as social, psychological and marketing on decision making of the consumer and the stages of information processing. In this model inputs are categorized into the various internal and external stimuli that consumers are exposed to and inputs not only cover the physical characteristics of products but also the symbolic image that products and brands have constructed from its advertising and the influence of consumers' reference groups. There are various interviewing variables

in this model that affect the decision making of the consumer and these are: perceptual and learning constructs. The five output variables show the stages of consumer decision making.

The Howard – Sheth Theory of Buyer Behavior



Source: <http://marketingtakesalifetimetomaster.blogspot.com/2010/11/howard-sheth-model.html>

Introduction

Consumers do not just buy but their buying behaviour is determined by various factors. Now a days, businesses focus on optimizing process like improving checkout, acquiring customers through SEO or PPC, etc. However, there is much to know about the decision making process.

Definition of Consumer Behaviour

Many definitions of Consumer behaviour have been given by various philosophers. Let us study some of them.

Loudon & Bitta (2002) define —Consumer behaviour as the decision processes and physical activities individuals engage in when evaluating, acquiring, using, or disposing of goods and services.

Solomon (2010) defines —Consumer behaviour as the study of processes involved when individual or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires.

What is Consumer Decision Making Process?

The consumer decision making process is the process in which consumers become aware of and identify their needs; collect information solve these needs in the best possible way; evaluate alternative available options; make a purchasing decision; and evaluate their post purchase.

Understanding the consumer decision making process is vital to all the market players. However eCommerce businesses have an advantage because online shoppers generate so much more data than offline stores, online retailers can use that data to implement conversion strategies for every stage of the process.

The 5 Stages of the Consumer Decision Making Process

The consumer decision making process has different names like buyer journey, buying cycle, buyer funnel, and consumer purchase decision process. However, the names may be different, but they all refer to the same the journey a customer goes through when making a purchase.

1. **Need recognition (awareness):**

The first and most vital stage of the buying process is need recognition. Every sale begins when a customer becomes aware that they have a need for a product or service.

2. **Search for information (research):**

During this stage, customers want to find out their options through various sources.

3. **Evaluation of alternatives (consideration):**

This is the stage when a customer is comparing various alternatives to make the best choice.

4. **Purchasing decision (conversion):**

During this stage, buying behaviour turns into action – it's time for the consumer to purchase the product or service.

5. **Post-purchase evaluation (re-purchase):**

After making a purchase, consumers will evaluate whether it was worth it. If the product experience is good, the consumers may recommend the product/service/brand to others, they may do repurchasing, and give feedback as per the experience.

Now let us see in detail how these stages of the buying decision process play out in real life. Here are consumer buying process steps with examples that helps eCommerce brand to maximize results during each stage.

1. **Need recognition (awareness)**

The need recognition stage of the consumer decision making process starts when a consumer realizes his need for that product.

It occurs when a person senses a difference between what he or she perceives to be ideal versus the actual state of affairs (Blackwell et al., 2006). Greater the perceived difference between the two, more clearly the consumer recognizes the potential need. Problem or need recognition can be influenced by various factors like situational, consumer, marketing.

Needs can arise because of two reasons:

1. **Internal stimuli** - a physiological or emotional needs, such as hunger, thirst, sickness, sleepiness, anger, sadness, jealousy, etc.
2. **External stimuli**, like an advertisement, peer pressure, status need, etc.

The causes for these stimuli can be social (need to look cool and well dressed) or functional (need a better computer to do work more effectively).

Example: Looking for a new phone

Think about it: Why does someone start looking for a new phone? Likely, their old phone isn't working well anymore, or they simply want a smarter phone. They may have a vacation coming up. Or maybe they want to give the phone as a present to someone.

After someone identifies a need, they begin to look for a solution.

2. Search for information (Research)

After the identification of need, consumer move to next stage, that is, information search in order to look for solutions to their unmet needs. Information can be searched internally i.e. information from memory or information may be collected from peers, family, and the market place. Such information is termed as external information. Information search can be internal or external depends on a variety of influences such as Situational influences (value of search, ease of information acquisition and use, types of costs, actual or perceived risks of search), Consumer influences like quality of information search, need to acquire information, confidence in decision-making, locus of control, product influences like the of product Social Media & Consumer Behaviour and purchase decision influences like limited solutions, need for a trial, difficulty of trial. Information is said to pass through five stages of processing before storage and use. Those are exposure, attention, comprehension, acceptance and retention.

Example: Researching phones

Now that the customer has realized a need to get a new phone, it's time to find solutions to his problem. In this stage, it's imperative that the seller is visible to the consumer who is searching for an answer.

Here are some things a consumer may be searching for:

- *Which are the Latest phones launched.*
- *What is the best affordable phones with latest features?*
- *Which phones are top-rated?*

The amount of information a customer needs to search for depends on how much he is aware about the solutions available, as well as the complexity of choices. For example, if there's someone looking for a phone as a gift, and he has no idea which type of phone he wants, or what features he needs than he will need more information than someone who already knows exactly the type of phone he wants to buy, but just needs to find the right product and the right way to purchase it.

The amount of searching necessary is entirely dependent on the situation, and it can vary widely.

So how do customers search for information? By using internal information (their previous knowledge of a product or brand) as well as external information (information about a product or brand from friends or family, reviews, endorsements, press reviews, etc.).

The best way a company can optimize its online business during the need recognition and awareness stage is by making sure that the company and its product is showed up in search results — and that what the consumer sees makes an impression.

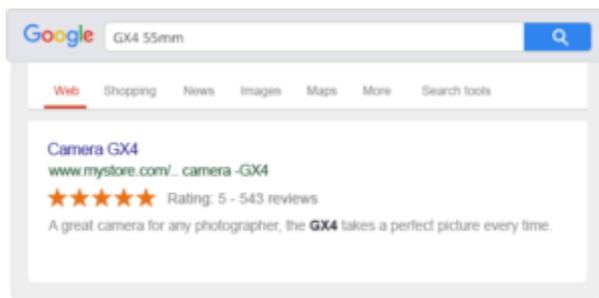
Strategies to optimize during the research stage

Firstly, make sure you're optimizing your eCommerce storefront by strategizing your SEO, you'll want to make sure your results are well optimized to convert. User-generated reviews can help you to build brand awareness during the research stage.

Reviews can help your store get seen in search results and improve SEO because they give your online business a steady source of keyword rich, relevant content.

So when someone starts searching for a new phone, reviews will help the customer to take decision.

Online businesses that use reviews can experience an increase in search traffic. You can leverage reviews in Google Rich Snippets and Product Listing Ads so that if a customer searches in Google, you've added credibility to your listing. Businesses that show reviews in their search results stand out from the competition!



3. Evaluation of alternatives (Consideration)

Now that the consumer has done his research, it's time to evaluate the choices and see if there are any promising alternatives. During this phase, consumers are aware of your brand and have been brought to your site to consider whether to purchase from you or a competitor.

Consumers make purchase decisions based on which available options best match their needs.

Their evaluation is influenced by two major characteristics:

1. **Objective:** Features, functionality, price, ease of use
2. **Subjective:** Feelings about a brand (based on previous experience or input from past customers)

Example: Comparison shopping for a phone

If you're a phone seller or brand, so the consideration stage, you must be able convince customers that your phone is the best choice. And the most effective way to do that is to keep them on your site for longer time and find ways to earn their trust.

Consumers will first weigh the objective characteristics of your phone. Does it have all the features I want? Is it easy to use? Is it in my budget? Then, the subjective consideration will kick in: Do *other*

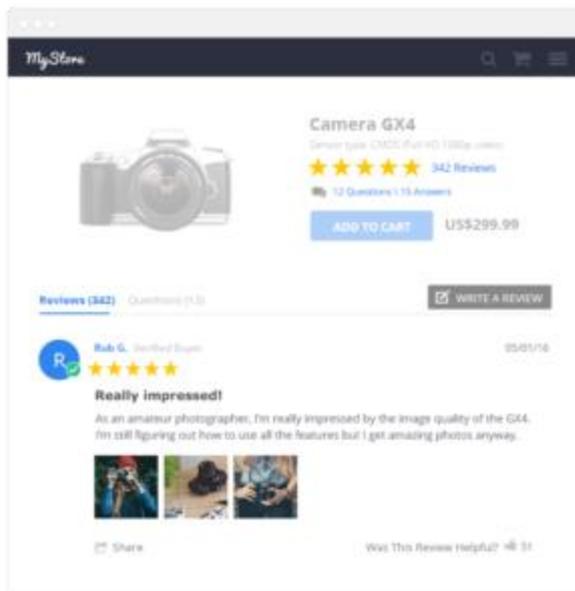
people think it has all the features it should? Has anyone else who bought it expressed any difficulty with learning how to use it? Is it generally considered a good value for the money?

You only have one shot – so you need to make the most of it. Of course, it's important that your site is informative, your prices are competitive, your value is clear, etc. But if you're identical to a competitor in every single way and not have a differentiating factor than the word of previous customers is what will set you apart.

Strategies for optimizing in the consideration stage.

In this stage, the company can use reviews and user-generated content examples on its site to increase engagement and boost customer trust.

It can have reviews is on its home page, so as soon as customers land on company web site, they see content or reviews from past buyers. You also need to display reviews on your product pages, so customers looking for information can see trustworthy input from past buyers.



Additionally, company can use reviews in a home page carousel to reduces bounce rate while increasing time spent on site and page views. That boost in engagement increases the likelihood that customers will learn more about your store and leave your site with a positive memory of your brand.

Reviews also help kick start the navigation to other product pages. Make sure to get reviews on a wide variety of products in order to increase click throughs from category pages into product pages.

Also, community questions and answers are another powerful type of user-generated content that can help answer shoppers' questions so that they have no reason not to buy from you.

4. Purchasing decision (Conversion)

At this stage when customers are ready to make purchase and have decided where and what they want to buy and from where.

However, you can still lose a customer at this stage if the payment experience is not good. This is the stage when the purchasing experience is key – it's imperative to make it as easy as possible.

Example:

If the potential customer is at the checkout stage of his purchase, and has second thoughts like what if this phone is missing a key feature that the recipient would want? How difficult will it be for the recipient to return the phone if it doesn't meet their needs?

Here the goal at this stage is to make him complete the purchase *now*, so you don't lose him.

Strategies for optimizing in the conversion stage

Many businesses display customer reviews on checkout pages or may be on the home page. This can be work wonders if done correctly. You need to focus on building trust, but don't distract the customer from completing the purchase.

Also you can use site reviews rather than customer photos or product reviews, also make sure they aren't clickable. You must to focus on building trust and not distracting.

5. Post-purchase evaluation (Re-purchase)

In this stage of the consumer purchase decision process, consumers rethink and reflect on their recent purchase. They think about how they feel about it, if it was a good decision, and most importantly, if they will return to the brand for future purchases and recommend the brand to friends and family.

At this stage, you must have a post-purchase strategy to increase the probability that customers will engage with your brand again in the future. Return customers account for 1/3 of a store's total income on an average, so it becomes important that you're not missing out the opportunity to increase your eCommerce conversion rate by converting shoppers into repeat buyers.

Example: Getting feedback and encouraging repeat purchases

In the phone example, the customer has already bought from your brand and they're evaluating their purchase. This is usually when they will leave a review about their experience. This is also when they are at their most engaged with your brand, and they can be susceptible to strategies that encourage long term engagement.

At this stage, you want to ensure that customers buy again, and you want to encourage them to leave UGC that helps other buyers in the future.

Strategies for optimizing in the conversion stage

Company can request customers to give reviews about their experience in a post-purchase email. It not only gives you an insight into your performance, but it also gives you valuable user-generated content to leverage to attract future customers.

It may happen that the customer may not show interest in giving feedback after they have completed their purchase and have made the payment. So you don't want to ask for too much when requesting feedback.

In order to encourage customers to write reviews, make it as easy as possible for customers to leave feedback:

At this stage, it is also a good opportunity to promote your loyalty program. Loyal customers provide a higher lifetime value as compare to other customers because the loyalty programs are designed to incentivize purchases like reward points, credits, vouchers, etc.

Findings

This study explains the concept of consumer behaviour, purchase decision making process and online shopping, their interrelationships and how various factors have an impact on these concepts. Consumer decision models along with five stages of consumer decision-making model is studied in detail. Relevant literature reviews were done pertaining to the research problem.

Some of the major findings from the study on Consumer Decision process for online shopping experience are elaborated below.

- As per the findings of the study, convenience, product variety and website functionality is the highly perceived benefit in online shopping. Also features such as delivery, security & privacy, reliability, personalization, financial advantage, and innovativeness also got significant ratings by the online shoppers. This makes online shopping a convenient option for the consumers.
- In the study of Purchase decision making process, five variables were studied in detail. This study helps E-vendors to take measures to minimize risk perceptions of the consumers so that the overall value perception of the consumers from the e-vendors can be optimized. Also, it helps in taking strategic decisions in the business.
- However, online shopping is also perceived as more or less one way communication by many consumers . Consumers who still prefer store shopping believe that the facility that they have in conventional shopping by way of direct interaction with salespersons to obtain specific inputs and clarifications related to the products is not available in e-shopping.

Conclusion

The online shoppers have limited view of product display on the website. A 360 degree view will be helpful to the consumers to have a better idea about the product. Such display will enhance the consumer's confidence on the product choice and reduces significantly cognitive dissonance. It is suggested therefore, that the e-vendors should provide a 360 degree view of the products. The constantly changing dynamics of the online retail industry has a constant pressure of upgrading their business models and make the shopping experience more convenient. Indian Market holds immense potential for E commerce. Some major players are Amazon, Flipkart, Snapdeal and so on.

The consumers' demographic profile reveals that most of the online shoppers belong to the age group of 18-35 years. The consumers also preferred cash on delivery (CoD) facility as the mode of payment as they have trust issues with online mode of payment. The study shows that all the variables of perceived benefits and risks are significant indicators of consumers' online shopping behaviour. The demographic factors such as gender, age, education and occupation show significant relation with the factors of perceived benefits such as website functionality, product variety, innovativeness, personalization, convenience, reliability, financial advantage and security & privacy, except the delivery factor. Also the demographic factors such as gender, age, education and occupation show significant relation with the factors of perceived risks like financial risk and security & privacy risk. Therefore, it could be concluded that the consumer decision making process for online shopping is perceived by the associated benefits and risks, depending upon various factors (demographic, psychographic, economical, etc) of the online consumers.

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