



ANTECEDENTS OF CONSUMER ONLINE BUYING DECISION: A STUDY OF PRICE RELATED FACTORS

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Abstract

Now a day's online retail business is improving and reaching new heights in India. Good numbers of new companies have started offering services through this channel of business. Consumers are also purchasing from online stores from every part of country. Such purchases might have variety of causes. Through this paper researcher has tried to study the causes which stimulate the person to purchase goods or services through online stores. Prices of products available on online stores have also been a matter of debate among the online users. Therefore this paper majorly focuses the price related factors as antecedents of consumer online buying decision. Among price related factors four parameters have been chosen by the researcher i.e. attractive price, cash on delivery option, payment through instalment and comparative price related information. Consumer's online buying decision may vary for different product types. Therefore this research work has been restricted to the purchase decisions of electronic goods.

Keyword: Online buying, Consumer buying decision, Pricing, Marketing Mix.

Introduction

Generally prices of the products offered from online stores have been very competitive in comparison to traditional stores. In recent past it was the accusation by traditional retail stores that prices of products offered through online stores are significantly less than offline stores which spoiled traditional businesses to a great extent. Even in most of the Indian as well as global studies attractive prices offered by online sellers, has been a major cause to attract customers to the online world. Besides low prices of various product categories it can also be witnessed that online stores offer facility to compare the prices among different product variants offered by range of vendors. In this way online stores offer useful facility to easily compare the product prices and their characteristics. Such online stores are also offering convenience regarding payment to be made at the time delivery of product. This payment facility is popularly known as Cash on Delivery method of payment. Online sellers have also entered into tie-ups with many financial institutions and they are also offering facilities of payment through instalments. This type of facility is not usually available in case of traditional market purchases. Therefore above mentioned four pricing related parameters i.e. attractive price, cash on delivery option, comparative price information and instalment payment system have been found suitable for the purpose of study.

Present study focuses on consumer's opinion towards importance of above four pricing related parameters. Further relationship between consumer's actual online buying decision and their responses on above parameters were analysed.

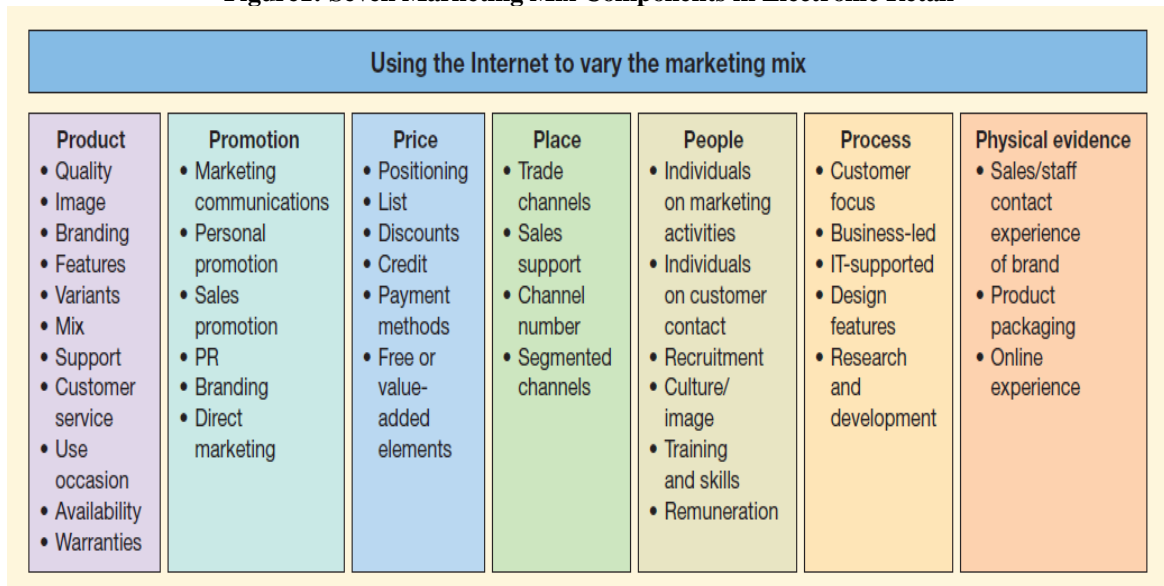
Through this research work researcher tried to observe that the persons who are purchasing goods (electronic good) from online stores with comparative higher amount, what is their preference, out of four pricing related factors. In other words it can be said that the consumers who are purchasing by spending higher amount, what are the main causes of their purchases, out of pricing related parameters.

Review of Literature

McCarthy (1964) defined the term marketing mix as a combination of all of the factors at a marketing manager's command to satisfy the target market. It carries decision about product, price, place and promotion. Ster van der (1993) said that The Marketing Mix for retailers is divided into two groups of factors the logistical factors and the commercial factors. According to him logistical factors includes Place Mix, Physical Distribution Mix and Personnel Mix whereas Commercial factors includes Product Mix, Presentation Mix, Price Mix and Promotion Mix. Dave Chaffey (2006) in his book namely 'Internet Marketing' suitably explained service marketing mix components in relation to Electronic Retail business environment. Traditional four P's are predictable and explained

by Chaffey almost in the same manner (given in below mentioned figure 1) as discussed by other authors in the above given literature. Regarding additional three P's of Service Marketing, People/ participants deal with all those individuals who are related to e-retail in any capacity. Therefore it includes not only employees of the company but also customers, intermediaries' employees, suppliers/ vendors, competitors' personnel or any other party or individual involved in e-retail process.

Figure1: Seven Marketing Mix Components in Electronic Retail



[Source: Internet Marketing, Third edition (2006) by Dave Chaffey; Explained, 2006]

Regarding Process Chaffey identified that it should be customer centric which means online buying process has to be very smooth. It should facilitate that customer should be heard and helped in case of any problem. Buying process should be like that customer can conveniently exchange the product or return the product without any hassle. Process should also take care of customer related personal and financial information. Lastly about Physical evidence Chaffey has kept two main components in e-retail business environment. Firstly at the time actual receipt of product packaging should be sufficient to safeguard the product and impress the customer also. Secondly in lack of physical touch and feel of product, prior to buying, customers do experience the product through online mode through

Ha and Stoel (2009) state that customers give importance to trust, safety, service, and experiential aspects of online shopping. Online Shopping is convenient and easy to use, takes about a few minutes to order things, cost the similar prices except delivery charges. Prior research on non-store shopping has suggested that functional motives including convenience (Bhatnagar & Ghose, 2004a, 2004b), greater merchandise selection (Rowley, 2000); unique merchandise offerings (Januz, 1983), and lower prices (Korgaonkar, 1984; Reynolds 1974) are the primary reasons for shopping non-store formats.

Objectives

Research work has following two objectives of the research work:

1. To identify important pricing related factors out of four factors
2. To assess importance of pricing related factors in consumer online buying decision

Hypothesis

Research work has following hypotheses of the research work:

1. There is no relationship between attractive price and consumer online buying decision
2. There is no relationship between cash on delivery option and consumer online buying decision
3. There is no relationship between instalment payment option and consumer online buying decision
4. There is no relationship between comparative price information and consumer online buying decision

Research Design

In this study Judgmental sampling technique has been used for selection of respondents. In the present study researcher primarily created a database of various email id, mobile numbers of the Tier-II cities of MP from where suitable responses can be generated. This database was generated by researcher from variety of sources in a long time period. Researcher has approached (approximately 12000) and contact numbers (approximately 3000) out of available database of above mentioned geographical areas. Primary data collection has been done through online survey of 500 respondents. Those individuals were sample of study that had purchased any electronic article preferably for household purposes using internet and residing in one of the selected Tier-II city of Madhya Pradesh.

Selected Tier-II cities are Jabalpur, Indore, Gwalior and Bhopal (as per report by Ministry of Science & Technology, Government of Madhya Pradesh, 2015, page 8).

Structured questionnaire was used for primary data collection purposes. Questionnaire is framed using five point scale for pricing related statements ranging from Not at all important (score 1) to Extremely important (score 5).

Reliability statistics (table no. 1) of four statements related to pricing is 0.662 (Cronbach's Alpha). Such level of reliability statistics is acceptable as Calculated value of Coefficient of Cronbach's Alpha is more than acceptable range of 0.6 (Loewenthal 2004).

Table1. Reliability Statistics of Parameters related to Pricing

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.650	.662	4

Analysis & Findings

Below mentioned table no. 2 is showing the mean values and standard deviation for four factors related to pricing. Among four factors 'attractive price' is showing highest level of importance (mean value 4.01) for the customers whereas 'payment through instalments' (mean value 3.04) is showing the lowest level of importance. 'Cash on delivery' (mean value 3.71) and 'comparative price information' (mean value 3.85) are showing comparatively moderate level of importance.

Table 2. Mean Values and Standard deviation of Parameters related to Pricing

	Attractive Price	Cash on Delivery	Payment through Instalment	Comparative Price Information
N Valid	500	500	500	500
Missing	0	0	0	0
Mean	4.01	3.71	3.04	3.85
Std. Deviation	1.095	1.298	1.406	1.053

After analyzing individual mean values of pricing related parameters its overall mean value has also been analysed as given in table no. 3. Overall mean value of all four parameters is 3.6540 (on five point scale), which shows that price related factors in totality are presumed as important by the respondents as calculated value is more than mid value of the scale.

Table 3. Overall mean Values of Four Parameters

	Mean	Std. Deviation	N
AVG_PRICE	3.6540	.85293	500

This calculated overall mean value was compared with the individual parameters using one sample t-test. In this test overall mean value (3.654) is taken as test value and compared with individual values of four parameters. This comparison is given in table no. 4.

Table 4. One-Sample Test of Four Parameters with Overall Pricing Value

	Test Value = 3.654					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Attractive_Price	7.231	499	.000	.354	.26	.45
Cash_on_Delivery	1.034	499	.302	.060	-.05	.17
Payment_through_Instalment	-9.735	499	.000	-.612	-.74	-.49
Comparative_Price_Information	4.206	499	.000	.198	.11	.29

It can be seen that first parameter 'attractive price' is showing mean value (4.01) higher than overall mean value (3.654). Calculated t-test value shows significance level less than 0.05 (p value = 0.000) therefore it can be said that in totality, 'attractive price' parameter is found more than several other parameters. Similarly 'comparative price related information' is having mean value (3.85) higher than overall mean value (3.654). Calculated t-test shows again significance level less than 0.05 (p value = 0.000) therefore it can be said that in totality, 'comparative

price related information' parameter is also found more than several other parameters. Another parameter 'payment through instalment' is showing mean value (3.04) lower than overall mean value (3.654). Calculated t-test value shows significance level less than 0.05 (p value = 0.000) therefore it can be said that in totality, 'payment through instalment' parameter is not found very important comparatively. Whereas when 'cash on delivery' option's mean value (3.71) is compared with overall mean value (3.654), it was found that value is slightly higher than overall value. Calculated t-test shows significance level higher than 0.05 (p value = 0.302) therefore it can be said that in totality, 'cash on delivery option' is not as demanded by the respondents as other parameters.

It was analysed in above mentioned text that which are the pricing related important factors and which are comparatively less important factors. Now from table no. 5, relationship between consumer actual online buying decisions and overall price related value has been shown. As per Karl Pearson's Coefficient of correlation value (0.629) and significance value (p value = 0.000) it can be said that there is a strong relationship between consumer online buying decisions and their preferences towards pricing related factors. It can also be said that the persons who are purchasing by spending comparatively heavier amount they are also showing higher inclination towards pricing related issues.

Table 5. Correlations between Consumer Online Buying Decision and Overall Value Pricing Parameters

		COBD	AVG_PRICE
COBD	Pearson Correlation	1	.629**
	Sig. (2-tailed)		.000
	N	500	500
AVG_PRICE	Pearson Correlation	.629**	1
	Sig. (2-tailed)	.000	
	N	500	500

** . Correlation is significant at the 0.01 level (2-tailed).

Thereafter this relationship of consumer online buying decision is studied with individual pricing related parameter (table no. 6). It is found that 'attractive price' and consumer online buying decision are having strong relationship (as Karl Pearson's coefficient of correlation is 0.703). Similarly 'comparative price related information' is also showing comparatively strong relationship (as Karl Pearson's coefficient of correlation is 0.558). For above two parameters it can be said that the consumers who are spending more amount while placing online orders they are more concerned that price should be attractive and comparative price should be available. On the other side 'cash on delivery option' and 'payment through instalment' are showing comparatively weaker relationship (as Karl Pearson's coefficient of correlation is 0.358, 0.231, subsequently). Therefore it can be said that the persons who are making purchases with higher amount are not highly concerned about 'cash on delivery option' and 'payment through instalment option'.

Table 6. Correlations between Consumer Online Buying Decision and Individual Pricing Parameters

		Attractive Price	Cash on Delivery	Payment through Instalment	Comparative Price Information
COBD	Pearson Correlation	.703**	.358**	.231**	.558**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	500	500	500	500

** . Correlation is significant at the 0.01 level (2-tailed).

For better understanding of this relationship, it becomes inevitable to use regression analysis. Regression Analysis related table no. 7 shows that there is a significant possibility of model generation. Adjusted R-Square value is 56.7% model prediction power. Further by analyzing the ANOVA table no. 8, it can be confirmed that relationship is significant as significance value is less than 0.05 (p value = 0.000).

Table 7. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.703 ^a	.494	.493	.734
2	.754 ^b	.569	.567	.679

a. Predictors: (Constant), Attractive Price

b. Predictors: (Constant), Attractive Price, Comparative Price Information

Table 8. ANOVA^c

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	262.577	1	262.577	487.011	.000 ^a
	Residual	268.501	498	.539		
	Total	531.078	499			
2	Regression	302.140	2	151.070	327.957	.000 ^b
	Residual	228.938	497	.461		
	Total	531.078	499			

a. Predictors: (Constant), Attractive Price

b. Predictors: (Constant), Attractive Price, Comparative Price Information

c. Dependent Variable: COBD

To understand the detailed description of this relation Coefficients table no. 9 needs to be discussed. This table shows that to predict consumer online buying decision attractive price has coefficient value of 0.534 and comparative price related information has coefficient value of 0.299.

Table 9. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.282	.125		10.277	.000
	Attractive Price	.663	.030	.703	22.068	.000
2	(Constant)	.645	.134		4.803	.000
	Attractive Price	.534	.031	.567	17.232	.000
	Comparative Price Information	.299	.032	.305	9.268	.000

a. Dependent Variable: COBD

This relationship can also be expressed in form of Regression Equation mentioned ahead.

$$Y (\text{COBD}) = 0.645 + 0.534 \text{ Attractive Price} + 0.299 \text{ Comparative Price Information}$$

Therefore as per regression equation it can be understood that attractive price has highest level of importance and comparative price related information has also significant importance in predicting consumer online buying decision.

Regarding hypothesis test, analyzing the above mentioned correlation and regression coefficients it can be said that consumer online buying decision is related to all four pricing related parameters. Some parameters are showing strong relationship whereas some other parameters are showing weak relation. Therefore all four null hypotheses should be rejected and it can be said that there is some relation between pricing related parameters and consumer online buying decision.

Conclusion

There is no doubt that consumer online buying decision gets affected from variety of factors. Pricing related factors also significantly affect the consumer online buying decision. Among various pricing related factors consumer are affected from attractive price of the offering. Moreover consumers are also showing interest in comparative price based information on the websites of e-tail stores. Companies involved in e-tail businesses should mark these points especially offering electronic goods through their website as this survey has been done on customers of customers who had purchased electronic goods from online stores.

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