

Study of Consumer Behaviour Model and Goodness of Fit In Online Retail

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ABSTRACT

Consumer behavior is a complex and dynamic aspect which keeps on changing from person to person, place to place and even from time to time. The consumer behavior cannot be thought of as static and gets influenced with a lot of factors and attributes. Therefore, studying this complex behavior of consumer buying process has of prime importance. During the review of literature, it was found that different consumers of different region have shown different buying behavior. The study undertaken in different time period in the same region also suggested significant changes in the consumer buying behavior and purchase decision making. Therefore, an attempt has been made to study the consumer behavior pertaining to purchase decision making, factors of attraction towards making a purchase and their overall buying behavior, especially on online platforms and to find out deviations, if any between traditional and online shopping in the state of Goa.

KEY WORDS: *Consumer Psychology, Consumer Behaviour, Cognitive Buying Process, Purchase Decision, Buyer's Black Box*

INTRODUCTION:

Consumer behavior is the formal study of when, how, why and where people do or do not decide to buy a product. It has a sweet blend from social anthropology, psychology, sociology, and economics. It attempts to understand the pattern of buyer decision making process, both at individual and group level. It studies the dominant and influencing characteristics of consumer viz. demographics and behavioral variables in an attempt to understand their wants and desires.

It also makes an attempt to assess the influences on the consumer decision process from groups such as family, friends, reference groups, and society in general¹. The study of consumer behaviour

¹ As Defined by Investopedia.com (2013); Accessed in 2016

basically focuses on individual’s decision making in spending their available resources like time, money, energy/effort on consumption oriented items (Schiffman & Kaunk, 1997). According to (Solomon, 1996) consumer behaviour is a study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires. It is further defined as the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires (Belch, 1998). Behaviour is predominantly exhibited either by an individual, or in the context of a group, or an organization. As per (Perner, 2010), Consumer behavior involves the use and disposal of products and situations, such as the study of how they are aligned with the purchasing. Here, product usage is a matter of vital importance to the marketer, as it may influence how a product is best positioned or how we can encourage increased consumption. (Sandhusen, 2009) argues that consumer behavior can be divided into two major process, external (environmental factors) and internal (black box) factors. The black box consists of buyer’s characteristics and the decision process.

Table No: 1.2

The Black Box Model in Consumer Behaviour

ENVIRONMENTAL FACTORS		BUYER'S BLACK BOX		BUYER'S RESPONSE
Marketing Stimuli	Environmental Stimuli	Buyer Characteristics	Decision Process	
Product Price Place Promotion	Economic Technological Political Cultural Demographic Natural	Attitudes Motivation Perceptions Personality Lifestyle Knowledge	Problem Recognition Information Search Alternative Evaluation Purchase Decision Post- Purchase Behaviour	Product Choice Brand Choice Dealer Choice Purchase Timing Purchase Amount

Source: (Sandhusen, 2009) *Page:* 218

Customer behaviour study is based on consumer buying behaviour, with the customer playing the three distinct roles of user, payer and buyer. Relationship Marketing is an influential asset for customer behaviour analysis as it has a keen interest in the re- discovery of the true meaning of marketing through the re-affirmation of the importance of the customer or buyer. A greater importance is also placed on consumer retention, customer relationship management, personalization, customization and one- to-one marketing.

Buying Behaviour: Decision Process

There are several models of purchase decision process that have evolved over the years. The model developed in 1968, by researchers Engel, Blackwell, and Kollat developed a five-step model of the consumer buying decision process (known as the Engel-Blackwell-Kollat or EBK model), and that model is still useful for marketers today. Here are the five steps of the EBK model, which the researcher has used to develop the research questionnaire for examining the various stages and their interconnectedness with the various aspects of demographics, habits, perceptions and purchase behavior. The five stages are iterated and briefly described below:

Step 1: Problem Recognition

The first step of the buying cycle is that the consumer recognizes a problem which needs to be solved, or a need which needs to be satisfied. Basically, the consumer is looking for a solution to resolve a state of discomfort. The discomfort could arise from anything – an inability to get work done in time, frustrating technology or processes, or a competitor gaining an advantage. At this stage, having built brand awareness is extremely important. If one can be the first solution a buyer thinks of – before he’s even started to research – the company will have a huge leg-up.

Step 2: Information Search

The second step in the decision making process is to gather all information available about possible solutions. The larger the purchase decision, the longer this process will take. A consumer will want to be very thorough in their search and seek out info regarding features, pricing, ease of use, etc.

Step 3: Alternative Evaluation

The third step is the (often tedious) evaluation process. Most consumers have a list of criteria that the solution must meet, and as a marketer, as the buyer evaluates; marketing should speak to his needs and interests. There are many ways to make sure one’s marketing is relevant: eg. build buyer personas to understand common criteria, objections, and challenges; segment and target lists to send effective nurture emails; and you can personalize one’s website (and other content) in response to buyer attributes.

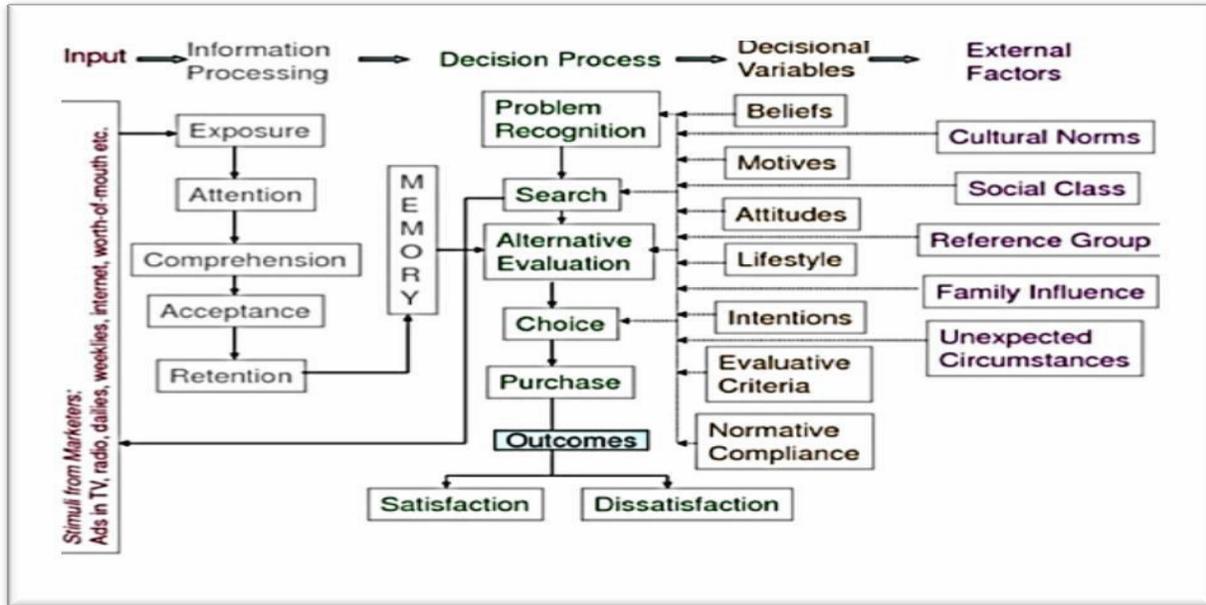
Step 4: Purchase

This is the step that is most awaited. Once the consumer has made up her mind, she no longer has a problem. Now that the consumer has been guided from problem to solution, the goal is to replicate that success with other buyers and also time to measure some metrics, so as to identify how marketing actually affected the sale.

Step 5: Post-Purchase

The best marketers know that the process doesn’t end at the purchase step – in fact, that’s only the beginning of a customer’s value for one’s company. Once acquisition is out of the way, one’s new goal is to create long-term relationships between consumer and company, ensuring that you get the most value out of one’s customers, and they get the most value out of one’s products.

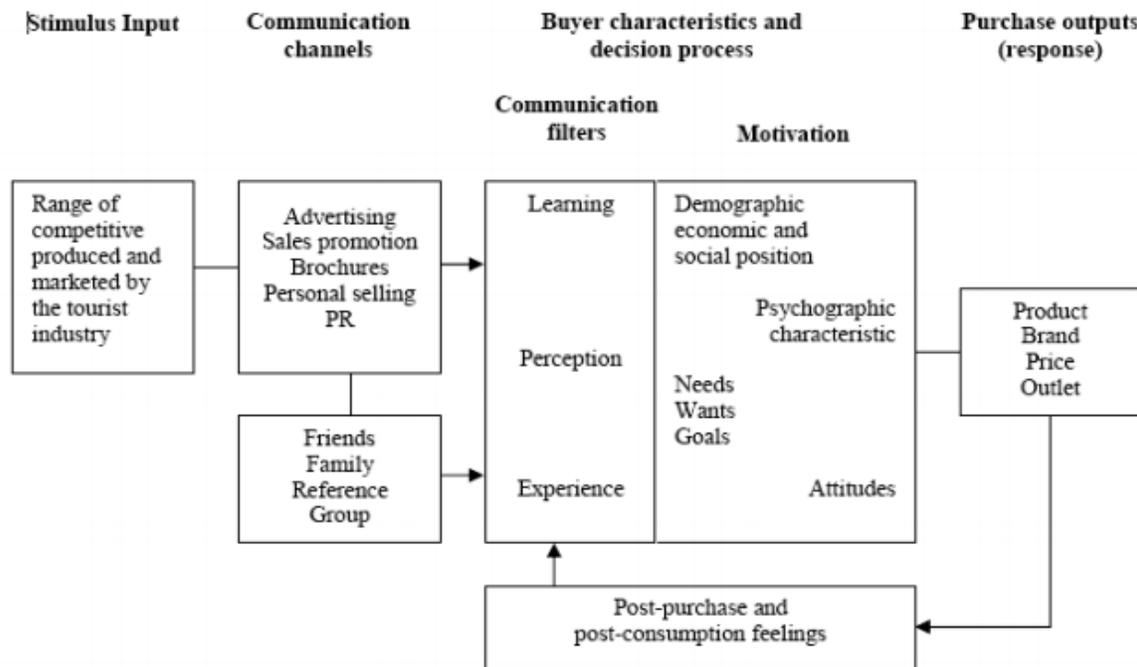
Figure No: 1
Engel-Blackwell-Kollat or EBK model of Consumer Behaviour



Source: Engel-Blackwell-Kollat or EBK model

For any buying activities, the stimulus- response mechanism predominantly plays an important role. As per (Middleton, 1994), there is a complex exchange mechanisms that undergoes inside a consumer’s mind where he receives stimuli from his sensory organs followed by processing the stimuli in terms of attractiveness of the offer, desire of buying and possible value addition in future results into a final buying decisions. Each of the factors are governed by the trade off between what is being paid and in return what value is being received and there, individual decisions in terms of personal utility comes into the real picture of finally deciding a purchase decision. Following is the model as suggested by Prof. Middleton.

Figure No: 2
Stimulus-Response Model in Consumer Buying Behaviour



Source: Middleton's Stimulus-Response Behaviour (1994) as referred by (Perner, 2010) et.all

Consumer Behaviour in Digital Era

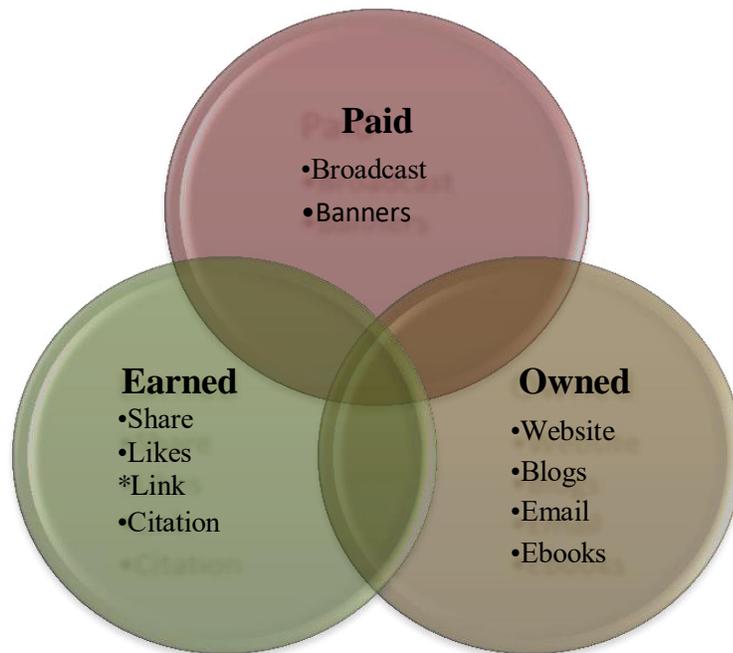
The digital advertising spends in the country is estimated to grow at a compounded annual growth rate of 30 per cent to reach Rs 12,046 crore by end of 2017, says an Internet and Mobile Association of India (IAMAI) and Kantar IMRB report. The digital advertising spend which was estimated to be around Rs 9,266 crore at the end of 2017, would be about 16 per cent of the total ad-spends in the country that is pegged at Rs. 59,000 crore.

In terms of total spend, banking, financial services and insurance (BFSI) led the digital ad-spend in 2017 at around Rs 2,022 crore, followed by e-commerce, according to the report Digital Advertising in India 2017. "BFSI brands incurred the highest share of advertising on digital media with 46 per cent of their overall advertising spends in digital, followed by e-commerce, telecom and travel," it said noting that 68 per cent of the overall digital ad spends comes from these four verticals. Ad spends on social media stood at 18 per cent at around Rs 1,668 crore, with the least being spent on display ads that has 16 per cent share with total ad spend being Rs 1,483 crore.

Paid, Owned and Earned Media (POEM)

One more classification is paid, owned and earned media. The whole gamut of social media available to a marketing decision maker is classified into these three categories.

Figure No: 3
Paid, Earned, Owned Media (POEM)



Source:<https://www.huffingtonpost.com/john-lusk/how-to-define-and-use-paid-media.html>
(Website link accessed in July, 2016)

Paid media is when a company pays to leverage a third-party channel, such as sponsorships and advertising on third-party sites. **Owned media** is when a company leverages a channel it creates and controls. This could be the company blog, YouTube channel, website, or even a Facebook page. Though the company doesn't strictly —own the YouTube channel or the Facebook page, it does control them and doesn't have to pay for basic usage.

Earned media is when customers, the press and the public share the company's content, speak about the brand via word of mouth, and otherwise discuss the brand. In other words, the mentions are —earned, meaning they are voluntarily given by others.

Paid, Owned and Earned Media (POEM) is a great way to dissect a brand and its marketing initiatives in the Planning process, though focusing only on digital is incomplete. POEM should be media agnostic. TV/Radio/Print is paid media. A bricks and mortar store is owned media. The employees' uniform is owned. The trucks used to distribute the goods are owned. We should not be limiting ourselves to only digital; it's an injustice to a brand. However, keeping the current study in mind the researcher's focus on social media can be justified.

CONSUMER BEHAVIOUR IN INTERNET ERA:

Today almost everybody knows what social media is. After all, if Facebook users constituted a country, it would be the world's third largest, behind China and India. Executives can even claim to know what makes social media so potent: its ability to amplify word-of-mouth effects. Yet a vast majority of executives have no idea how to harness social media's power. Companies diligently establish Twitter feeds and branded Facebook pages, but few have a deep understanding of exactly how social media interacts with consumers to expand product and brand recognition, drive sales and profitability, and engender loyalty (Roxane Divol, April 2012).

It is believed there are two interrelated reasons why social media remains an enigma wrapped in a riddle for many executives, particularly non marketers. The first is its seemingly nebulous nature. It's no secret that consumers increasingly go online to discuss products and brands, seek advice, and offer guidance. Yet it's often difficult to see where and how to influence these conversations, which take place across an ever-growing variety of platforms, among diverse and dispersed communities, and may occur either with lightning speed or over the course of months.

Second, there's no single measure of social media's financial impact, and many companies find that it's difficult to justify devoting significant resources - financial or human - to an activity whose precise effect remains unclear.

Generally there are four primary functions of social media - to monitor, respond, amplify, and lead consumer behaviour - and link them to the journey the consumers undertake when making purchasing decisions. Being able to identify exactly how, when, and where social media influences consumers, helps executives to craft marketing strategies that take advantage of social media's unique ability to engage with customers. It should also help leaders develop, launch, and demonstrate the financial impact of social-media campaigns.

In short, today's chief executive can no longer treat social media as a side activity run solely by managers in marketing or public relations. It's much more than simply another form of paid marketing, and it demands more too: a clear framework to help CEOs and other top executives

evaluate investments in it, a plan for building support infrastructure, and performance-management systems to help leaders smartly scale their social presence. Companies that have these three elements in place can create critical new brand assets (such as content from customers or insights from their feedback), open up new channels for interactions (Twitter-based customer service, Facebook news feeds), and completely reposition a brand through the way its employees interact with customers or other parties.

The social consumer decision journey

Companies have quickly learned that social media works. As per a survey in 2012 by Mckinsey 39 percent of companies in the US had already used social-media services as their primary digital tool to reach customers, and that percentage was expected to rise to 47 percent within the next four years. Mentioned below are some examples on how companies used this tool:

Creating buzz: Eighteen months before Ford reentered the US subcompact-car market with its Fiesta model, it began a broad marketing campaign called the Fiesta Movement. A major element involved giving 100 social-media influencers a European model of the car, having them complete —missions,^{ll} and asking them to document their experiences on various social channels. Videos related to the Fiesta campaign generated 6.5 million views on YouTube, and Ford received 50,000 requests for information about the vehicle, primarily from non-Ford drivers. When it finally became available to the public, in late 2010, some 10,000 cars sold in the first six days.

Learning from customers: PepsiCo has used social networks to gather customer insights via its DEW mocracy promotions, which led to the creation of new varieties of its Mountain Dew brand. Since 2008, the company has sold more than 36 million cases of them.

Targeting customers: Levi Strauss had used social media to offer location-specific deals. In one instance, direct interactions with just 400 consumers led 1,600 people to turn up at the company's stores— an example of social media's word-of-mouth effect. Yet countless others have failed to match these successes, knowing that something works and understanding how it works are very different things. As the number of companies with Facebook pages, Twitter feeds, or online communities continues to grow, it's time for leaders to remind themselves how social media connects with an organization's broader marketing mission.

Marketing's primary goal is to reach consumers at the moments, or touch points, that influence their purchasing behavior. Few years ago, Mckinsey proposed a framework—the consumer decision journey—for understanding how consumers interact with companies during purchase decisions. Expressing consumer behavior as a winding journey with multiple feedback loops, this new

framework was different from the traditional description of consumer purchasing behavior as a linear march through a funnel.

Social media is a unique component of the consumer decision journey: it's the only form of marketing that can touch consumers at each and every stage, from when they're pondering brands and products right through the period after a purchase, as their experience influences the brands they prefer and their potential advocacy influences others. The fact that social media can influence customers at every stage of the journey doesn't mean that it should. Depending on the company and industry, some touch points are more important to competitive advantage than others. Researchers in this area strongly suggest that the most powerful social-media strategies focus on a limited number of marketing responses closely related to individual touch points along the consumer decision journey. The ten most important responses, range from providing customer service to fostering online communities. Social media enables targeted marketing responses at individual touch points along the consumer decision journey.

RECOMMENDATIONS & SUGGESTIONS:

1. Marketing Research

It is not only important to select the proper market for the business, but also equally important to have a good marketing research done beforehand. A good marketing research will always prove handy in keeping the firm one step ahead than its rival. A clear picture will be presented regarding the estimated demand of the product and how to design a product or service as per the demand of the consumer. A good and scientific marketing research ensures that the designated product and service meets all the requirement of the targeted people, thus ends up getting a positive response from the market more often than not.

2. Selection of Market Segmentation

Market segmentation is important for various reasons. A proper segmentation not only increases the chances of sales, but also reduces advertising and promotional costs as well. While segmenting a market, one must understand the targeted customer base and their specific needs. Therefore, it leads the path to chose whom to target for an aggressive sale strategy, thus saving in the unnecessary costs of mass advertising.

3. Importance in Selecting Advertising Media

Advertising media has proven to a very vital part in the survival and sustainability of a particular brand or a product. Selection of a proper advertising media is very important as it involves huge financial decisions too. A generalized product like tooth brush or tooth paste maybe chosen to be advertised in the mass form, as the target base is huge irrespective of age, gender and geographical territory, while specialized products like sports bikes or Budget

smartphones are designed for college going students, thus the targeting approach must be different (Preferably social media advertising and live demo by arranging race shows, etc.).

4. Channels of Distribution

A channel of distribution has direct impact over the cost of a product or service. Involvement of more middle men increases the channel size, while directly affecting the price of the commodity. With the advent of internet, the situation has become more dynamic and volatile. Adequate channel has to be chosen considering the smooth flow of the product while ensuring the sustainability while negating the impact of unnecessary rise in price.

5. Keeping an Edge over Rivals

Strategy of the rivals plays an important role in the marketing environment. With the advent of online shopping, the situation has even worsen where every possible details are available in the internet domain and inter-firm comparisons can be made quite easily. In such a situation, the margin of error becomes minimum and a small silly move can cost a firm a lot. Therefore, it is advisable to have a team to keep an eye on the rival firms, so that they can stay one step ahead to generate more sales while sustaining in the market.

6. Going Online & Global

The world has changed in terms of how people see a thing and make their purchase decisions. Internet has contributed a lot in obtaining product knowledge and thus influencing in making buying decisions. Modern day consumers are well prepared about the product they are supposed to buy thus adding much pressure to the sales team to seal a deal. In this context, traditional retail may not generate that additional bit of sales which can very well be done by the online portals. Pure click companies like Flipkart, Amazon, etc. have already proven themselves in the market and have exemplified that even a virtual store has so much potential in the market. Now is the time when other firms need to convert themselves as Brick and Click company, so as to survive in this changing environment.

7. Adequate Help and Support Mechanism

In a study conducted by Bashir and etall (2005), it was revealed that the presence of a help button or having a support group contact details increases the confidence of the consumers many fold resulting into more sales. Having a help and support mechanism and making consumers available such contact details will not only increase the consumer confidence, but also will translate into greater sales and profits. Therefore it is highly advisable to have a dedicated and trained team of support staffs to facilitate consumer queries.

8. Ensuring Safety of Online Transaction

Most of the middle aged and above people have a rising concern of safety of online transaction. Due to such a mystery, they simply refrain from making online transactions. Therefore, it is strongly recommended to have consumer awareness programmes to educate them about the

safety and security of online transactions. It is also recommended for online portals to have a secured payment gateway which can restrict third party decryption for the additional safety of such online transactions.

CONCLUSION:

Whether it is a traditional mode of retailing or online mode, the economic principles are still the same and the market morphologies are still in-tact. In online mode, the buying behaviour is observed to have more influenced through the product reviews, Exchange and return policy, where in traditional retailing it is still dependent on the skills and art of persuasion of the retailer. With the change in the life style and the marketing environment, going online is the only possible solution, where firms are strongly recommended to convert themselves from Brick Company to Brick and Click Companies, so that they can gain the advantage of having business in an online market place. With the growing online market place, the market will only grow better where things can be well compared, consumers will be well informed, leading to a global marketing concept, while making it a perfect Market where the consumers are the Kings.

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