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Online consumer decision-making styles for enhanced understanding of Macau online consumer behavior

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ABSTRACT

The purpose of this paper is to understand online consumer behavior better by analyzing online consumers' decision-making styles. In this research, an online consumer style inventory, which is suitable for online businesses to measure online consumers' decision-making styles, has been developed in Macau. The current studies of online consumer behavior have not considered the weights of the variables that can affect online consumer behavior. This paper measures online consumers' decision-making styles in Macau based on the weights of the corresponding inventory items.

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1. Introduction

Decision making is more complex and important for consumers than in the past (Hafstrom, Chae, & Chung, 1992; Lysonski, Durvasula, & Zotos, 1996). The increased varieties of products and the abundance of information through company advertisements have broadened the choices for consumers. A consumer decision-making style refers to a mental orientation describing how a consumer makes choices (Durvasula, Lysonski, & Andrews, 1993). Profiling consumer decision-making styles is very important to marketers and advertisers (Lysonski et al., 1996). In order to deal with the emergence of e-commerce activities, it is necessary to consider online consumers' decision-making styles that influence the willingness of online consumers to purchase products.

China's Internet penetration rate reached 40.1% during June 2012, exceeding the world's average of 34.3% at the same point (Internet World Stats, 2012). Academic researchers suggested that China's cultural history of preferring face-to-face business interactions, coupled with its restrictive regulatory environment, may hinder the development of online shopping in China (Raven, Huang, & Kim, 2007). Nevertheless, China's online retail market has been growing steadily with an increase of 45.9% in the number of online shopping users in 2009, leading to a total of 156 million users (AbouTourism,

2010), compared to 154 million users in the USA who shopped online in 2009 (Forrester Forecast, 2010); online shopping penetration in China still appears to hold considerable growth potential.

Macau has been a prosperous Chinese city since 2004, after the gambling industry was opened up to external investors; this caused the gross domestic product for the first quarter of 2011 to expand by 21.5% (New Zealand Consulate-General Hong Kong, 2011). Macau's living standards have risen by over 300% in just one decade—it is now destined to become the richest territory in Asia (excluding the Middle East) by gross domestic product per capita (Zimbabwemetro, 2011). According to Taobao (2010), Macau is the city with the fastest increase in online shopping of all the cities in China. For this reason it is valuable to focus on the analysis of online consumers in Macau.

1.1. Consumer style inventory

One of the ways to characterize consumer styles is consumer characterization, focusing on cognitive and affective orientations related to consumer decision-making (Sproles, 1985). Consumer characterization is very promising as it deals with the cognitive orientation of consumers in making decisions (Sproles & Kendall, 1986). Sproles and Kendall (1986) designed a 40-item Consumer Style Inventory (CSI) model to measure decision-making styles of consumers based on a sample of US youth. The applicability of the CSI model has been investigated across several cultures such as Korea (Hafstrom et al., 1992), New Zealand (Durvasula et al., 1993; Lysonski et al., 1996), India (Lysonski et al., 1996), Greece (Lysonski

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et al., 1996), southwestern United States (Shim, 1996) and China (Fan & Xiao, 1998). The 40 items used in the CSI model are grouped into eight cognitive characteristics of consumer decision-making style as follows:

- Perfectionistic and high-quality conscious consumer (searches for the best quality in products).
- Brand conscious and price equals quality consumer (buys the more expensive, well-known national brands).
- Novelty and fashion-conscious consumer (attracted to innovative products)
- Recreational consumer (goes to shop just for the fun of it)
- Price conscious consumer (has high consciousness for sales prices and lower prices in general)
- Impulsive and careless consumer (tends to appear unconcerned about how much he or she spends)
- Confused by over-choice consumer (tends to be easily confused by too many brands and stores from which to choose)
- Habitual and brand-loyal consumer (repetitively chooses the same favorite brands and stores)

Due to the emergence of e-commerce activities, the CSI model (Sproles & Kendall, 1986) should be modified in order to fit the E-commerce environment. In this research, the new Online Consumer Style Inventory (O-CSI) model in the E-commerce environment is developed and the factor scores of online consumers' decision-making styles can be computed and analyzed in order for managers to estimate online consumer behavior accurately. This research aims to facilitate the understanding of online consumer behavior.

The remainder of this paper is structured as follows. Section 2 describes the development of the O-CSI model, which addresses online consumers' decision-making styles in the business-to-consumer environment. Section 3 discusses the computation of factor scores for the online consumers' O-CSI model. Finally, conclusions are presented in Section 4.

2. O-CSI model

Based on the inventory items of the CSI model (Sproles & Kendall, 1986), the inventory items of the O-CSI model should satisfy one of the following criteria: (1) include only those items that can affect the decision of selecting the suitable products or services directly; and (2) include items that are directly related to an online shopping environment.

For (1), some inventory items of CSI are directly related to the decision of selecting suitable products for consumers, e.g., "getting very good quality is very important to me." On the other hand, there are some inventory items that are not directly related to the decision of selecting suitable products for consumers, e.g., enjoy shopping for fun. In order to allow online businesses to analyze consumer behavior in their buying decisions, only those inventory items related to the following five noetic characteristics, which are directly related to the decision of selecting suitable products or services, will be included in the O-CSI model: (a) perfectionistic and high-quality conscious consumer; (b) brand conscious and price equals quality consumer; (c) novelty and fashion-conscious consumer; (d) price conscious and value for money consumer; and (e) habitual and brand-loyal consumer.

For (2), the emergence of e-commerce activities has caused e-retailers and online consumers to pay more attention to the following facilities in business websites:

2.1. Privacy and security

Consumers are willing to pay a little more to make transactions with online retailers that are more likely to protect their private

information (Teresa, 2012). The vast majority of US consumers have concerns about their online privacy and security and are wary of doing business with businesses they believe don't have adequate protection in place (Leggatt, 2012). Businesses, government agencies and consumer groups agree that privacy protection needs to be drastically improved (Higgins, 2011). The reluctance to reveal personal information is still prevalent among Chinese online shoppers (Gong, Maddox, & Stump, 2012).

2.2. Self-service technologies and well-organized pages

Self-service technologies, offered by e-businesses to address customer needs, can lead to factors that can cause positive reactions to the online shopping service. Companies that adopt self-service capabilities—such as product search engine and communication channels for product enquiry or order tracking—increased customer satisfaction (65%) and customer retention (39%), which are significantly higher rates than companies focused on cost reduction only (Boyd, 2007). An Internet Retailer Survey in February 2010 showed that the No. 1 and No. 2 website design priorities across all US Online Retailers are:

- Well organized and updated home, category, and product pages and
- Excellent search engine optimization.

2.3. Social networking sites

The world's Internet users spend over 110 billion minutes on social networking and blogging sites. These numbers translate into 22% of all of the time spent on the Internet (Nielsen, 2010a). The average social networking visitor was spending almost 6 hours in April 2010, versus 3 hours and 31 minutes in April 2009, an increase of almost 70% in 1 year (Nielsen, 2010a). According to a survey (Ramsey, 2010) in 2010, more than half of all marketers engaged in some form of social media activity and about 60% of them planned to increase their spending in 2011. After friends and family, the number one driver for brand trust was online reviews and feedback from the social networking (Nielsen, 2010b). As a direct result, advertisers are moving from a more traditional broadcasting based marketing relationship with online consumers to a more interactive based marketing relationship, where consumers directly engage with marketing messages and pass them along to their friends via social networking sites (Gibs & Bruich, 2010). As a result, the social networking sites can greatly affect online consumers' buying decisions.

2.4. Customer reviews

According to Siwicki (2009), products with reviews have a 20.4% lower return rate than products without reviews and the return rate continues to decline as products get more reviews. Products with more than 50 reviews have a 65% lower return rate than products with no reviews. The situation resulted in substantial annual savings. In addition, the sales are increased substantially on items with positive reviews.

Based on the facilities of business websites mentioned above, several inventory items are included in the O-CSI model. As a result, a list of 20 inventory items of online consumers' decision-making styles is identified in Table 1. The inventory items 1–12 can affect online consumers' decisions in selecting suitable products or services. The inventory items 13–20 are directly related to the online shopping environment. These are the basis for the O-CSI model.

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