

BEHAVIORAL DIFFERENCES IN CONSUMER PURCHASING BEHAVIOR BETWEEN ONLINE AND TRADITIONAL SHOPPING: CASE OF LATVIA

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Abstract

The article is devoted to differences in behaviour between online and traditional shopping of Latvian consumers. Authors define differences between both shopping areas of Latvian consumer what is based on analysis of statistical data, as well as on survey done by Public Opinion Research Centre of Latvia and the study on the sample of 200 respondents. It gives an overview concerning the basis about purchasing behaviour and gives an insight into the variety of relevant characteristics of consumer behaviour. Authors clarify where consumers are looking for information about product, shopping frequency, about pricing, buying volume and time. Changes in consumer purchasing behaviour caused a lot of alterations. Most important benefits of the shopping process at traditional buying process are buying process, contact with equal and for e-shopping money saving, time saving, conveniences and all around a clock.

Keywords: consumer behaviour, traditional shopping, online shopping

Introduction

Informational Technologies have a serious effect on consumer behaviour tendencies. The established accessibility of Information Technologies, wide activities of national stimulation, for example introduction of e-signature, usage of e-environment at public sector – all these factors stimulate consumers and enterprises to use Informational Technologies, and as a result consuming manners are changing. These changes we have to identify and analyze.

By analyzing internet usage activity in Latvia, we can observe that from all population 96,1% are using the internet for information search and on-line services, 86,1% - communicate via the internet, 49,6% - uses the internet for collaboration with national or regional government institutions, 44,9% - for buying or selling goods and services or financial services, 25,2% - for education and study. Most popular mentioned goals for these activities are: visiting web, using e-mail, using search engine, looking for particular information in any data base or reading Latvian newspapers or magazines in web versions. According to mentioned goals we can presume, that websites and search engines should become very popular. Therefore, according to latest statistical data from all world-known search engines and information exchange portals the most popular in Latvia in 2007 were Google (international brand), then Inbox, Delfi (Latvian and Russian version), Draugiem (Latvian national brands).

The research problem is based on lack of information about changes in consumer behaviour, what can be used for marketing needs of the entrepreneurs in Latvian market.

The **main goal** of research is to analyze changes in purchasing behaviour between online and traditional retail stores of Latvian consumers. Very special role in presented research is devoted to analysis of results of survey done by the authors in 2008.

This goal was achieved through the solution of following tasks:

- Analysis of statistical data of IT area,
- Analysis the results of the survey;
- By comparing consumer behavior differences in traditional and electronic environment.

The author employs well-established quantitative and qualitative methods of research: grouping, questionnaire method, analysis, statistic method, etc.

We can expect relevant changes in model of consumer behaviour, because parallel the traditional market exist the electronic market. Enterprises and organizations have to restructure own activities and work in both markets. Changing market environment and results of analysis approve that we have to analyze possible future changes and identify changes in consumer behaviour.

The factors what characterize the consumer demographic profile are: age, sex, occupation, education, family status, income, living conditions and life expectancy. Changes in the consumer demographical profile caused a lot of alterations. Information about the demographical profile does not influence directly the consumer behaviour. At the same time demographical profile is one of the basic factors that we have to take into account for any activities in individual or national level.

Informational Technologies have a serious effect on consumer behaviour tendencies. The establish accessibility of Information Technologies, Nation stimulation of e-signature introduction, using e-environment at public sector – all these factors stimulate consumers and enterprises to use Informational Technologies and as a result consumers manner changes. These changes we must identify and analyzing.

In order to analyze decision making process more particularly at first it is necessary to find out why does the consumer make decisions and what does he/she want to obtain. Here we can name a list of various reasons, for instance, to acquire knowledge, information, for the product consumption, security for the future etc.

Authors divide all decision making situations into three groups:

1. Individual decision making – characteristic to the consumption market in which the consumer makes a decision about purchasing products and services in order to satisfy own individual wants and needs, for example, health care, education.
2. Household consumption (group influence and opinion leadership) – also characteristic to the consumption market but in this case the determinant role is played by various micro-environment factors, for instance, family, life conditions, relationships.
3. Corporative consumption (organizational) – characteristic to the business market in which the consumer possess individual wants and needs.

Purchase process performed by consumer consists of problem recognition, information search, and evaluation of alternatives, purchase decision and purchase behaviour (Foscht & Swoboda, 2007). Traditional decision making process consists of the same stages. Therefore authors would like to analyze the differences in the decision making process in electronic environment or how the information technologies have affected the decision making process.

In order to view the purchase decision making process more closely it is necessary to find out why are the decisions made and therefore regarding this research authors recommend to separate three different decision making situations:

1. Consumption (for covering the basic and social needs according to the Maslow's hierarchy of needs),
2. Self actualization (health-care and wellness, getting the information and knowledge, including the education), - need to express the inner potential, identity in each moment and deed of the reality,
3. Safety stocks (investments for the future well being).

In the example of decision making process for consumption authors analyze changes in consumer behavior and decision making process driven by IT. The results of this research could be applied to other decision making processes.

Basing on various researches, we can deduce that in all stages, starting from problem recognition, information search, evaluation of alternatives, purchase decision and ending with purchase behaviour, a great role is played exactly by IT development. It is IT which mainly serves as the information source that can help an individual to identify a problem, to offer the possible solutions and ease the alternative comparison process and after all to do the very process of a purchase.

Purchase decision making process with a low involvement level is usually defined as habitual purchases. A notion "habitual purchases" has several definitions. C.Neal thinks that Habitual decision making- a purchase decision effectively involving no decision as such; occurs when there is very low involvement with the purchase and results in repeat purchasing behaviour. Habitual decisions can be dividend into two distinct categories: *Brand loyal decisions* – decisions made by the consumer who displays a high degree of product involvement and emotional attachment to that brand. *Repeat purchase decision* a pattern of consumer behaviour that involves the purchase of the same product or service over time, with or without loyalty to that product or service. (Neal, 2006)

Authors agree with such definition but in separate literature sources the habitual purchases are divided into Impulses decision and Routine decision. J.Egan Routinized problem solving defines – Repeat behaviour with low involvement, usually low cost and often limited external knowledge (Egan, 2007). There are certain regularities between these terms. Impulse purchases can be paralleled with brand loyal decisions, because by making the unplanned purchases the consumer very often chooses the products with familiar brands.

We can speak in the same way about Routine decision, which can be defined also as repeated purchase decision.

Limited problem solving. The consumer has some experience with the product in question so that information search may be mainly internal through memory (Jobber, 1995). Buyers are not as motivated to

search for information or to evaluate each alternative rigorously. They instead use simple decision rules to choose among alternatives. These cognitive shortcuts enable them to fall back on general guidelines, instead of having to start from scratch every time a decision is to be made (Neal, 2006) Limited decision making are very similar to the habitual decision making, but in this case the greater role is played by information search.

Extended problem solving is a purchase decision making process which customers devote considerable time and effort to analyzing alternatives. Customers typically engage in extended problem solving when the purchase decision involves a lot of risk and uncertainty. Customers engage in extended problem solving when they are making a buying decision to satisfy an important need or when they have little knowledge about the product or service. Due to high risk and uncertainty in these situations, customers go beyond their personal knowledge to consult with friend, family, members or experts (Levy, 1998).

The authors recommend dividing decision making process in the subgroups according to the goods or services what the consumer is going to purchase in following groups:

1. Habitual decision making
 - Impulsive decision making,
 - Routine decision making,
2. Limited decision making,
3. Extended decision making.

Consumption belongs to two decisions making groups - Habitual (basic needs) and Limited (social needs). Similar consumption situations belong to Limited and extended decision making group, for instance, Household consumption and Self actualization, since we cannot unequivocally claim that these situations would apply only to one of the groups, because all is determined by the situation.

National media research of the Internet audience performed by company “TNS Latvia” in spring 2008 established that more than 1/3 of the Internet users have recently purchased, ordered goods or services via the Internet. According to the research results almost one half of all Internet users live in the capital of Latvia and 14 % of them admitted that during the last half year they have purchased the tickets in the Internet. Every tenth respondent had purchased telecommunication and Internet services in the Internet, but every ninth respondent had purchased office or computer devices. Every seventh had purchased a mobile phone or mobile telephone accessories, every third – had subscribed for the press, bought household equipment and/or electronics.

Table 1. Individuals: purposes for using the internet; 2004-2007
 (%, ratio of total number of individuals)

Internet activities	2004	2005	2006	2007
Sending or receiving e-mails	24.6	33.1	40.5	46.4
Telephoning over the Internet	2.9	8.3	14.0	18.1
Use of chat sites, messenger, etc.	13.4	20.2	22.4	28.2
Finding information about goods or services	18.8	27.2	36.2	39.4
Using services related to travel and accommodation	9.4	11.4	17.7	17.9
Listening to web radios or watching web television	9.5	11.5	17.0	20.1
Playing or downloading games, images, films or music	15.5	20.6	23.9	26.6
Downloading software	...	8.3	11.7	10.5
Reading or downloading on-line newspapers or news magazines	19.2	23.8	26.7	18.0
Looking for a job or sending a job application	8.8	9.7	11.3	9.5
Seeking health-related information	7.6	7.4	11.6	11.2
Internet Banking	11.7	15.6	22.1	27.8
Selling of goods or services	1.0	1.2	2.1	1.8
Obtaining information from public authorities web sites	12.1	12.2	22.6	17.0
Downloading official forms	4.2	4.9	7.7	7.0
Sending filled in forms	3.6	5.0	6.1	5.5
Looking for information about education	...	...	...	15.9
Doing an on-line course	...	...	...	5.5
Consulting the Internet with the purpose of learning	...	...	...	5.5

According to the statistical data of Latvia represented by National Statistical Bureau of Latvia one can conclude, that overall internet activities of individuals’ are growing. At the first place is sending or receiving e-mails – 46%, it means, that people have used the internet as important communication tool. In the second

place is searching for information about goods or services. In Table No 1 internet activities and changes are described for the period from 2004 to 2007.

According to statistical information the internet usage by individuals in 2007 at age groups: 16-24 were 91.5%, and 25-34 were 73.9%.

Fast adoption of information technologies and different consumer activities in the internet underline the necessity to organize deeper research on changes in consumer behaviour and in consumer buying behaviour. It is obvious that consumer and buying behaviour is changing.

There are a lot of different researches done by foreign researchers, especially in large markets of the EU. For example in 2005 the research on changes in consumer behaviour under the impact of information technologies were done in Germany and United Kingdom. By taking this research as a base the authors decided to organize their own research and compare the research results. Authors understand the time span (a gap in research time were 3 years), but at the same time there are a lot of arguments for similar research in 2008. For example, Latvia become independent country just in 1991 and first introduction of Latvians (inhabitants, companies, state organizations etc.) with the internet were just in 1996. At the same time the European Union were familiar with the internet for longer period. Also the authors would like to point out different economical circumstances: GDP per capita, bank rates etc. These indicators influenced the economical situation in the country, consumption level and other important indicators. According to statistical information in 1999 there were just 15 computers per capita and the internet access was just in 9% of households. Since 2002 the Internet usage have grew almost explosively. Currently from all population 96,1% are using the internet for individual needs. Accordingly the authors consider that this is the right time to do the survey on the changes in consumer behaviour and buying caused by the information technologies, and to compare these results with surveys done in other European countries.

The research period were September- December 2008, the respondents were economically active inhabitants of Latvia, in age between 16-55, both genders. The survey contained 15 questions about purchasing habits in traditional market and in the internet. The aim of the research was to find out differences in consumer purchasing behaviour. It gives an overview concerning the basis about purchasing behaviour and gives an insight into the variety of relevant characteristics of consumer behaviour. During the research authors clarified where consumers are looking for information about products, their shopping frequency, how they compare prices, their buying amount, and time etc.

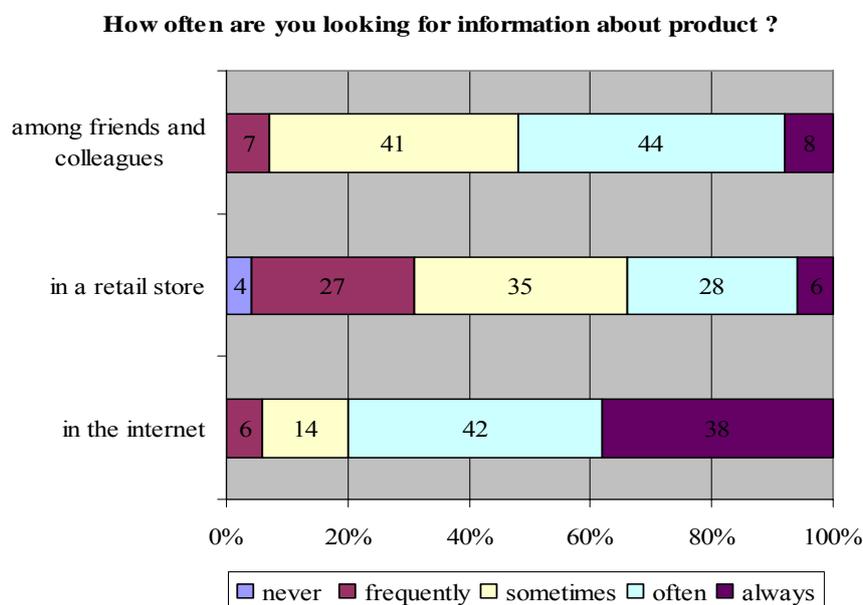


Figure 1. Frequency of information search about products in different information sources

The aim of the survey was to understand weather is there differences in information search about products and services (except food and fast moving consumer goods)? Also it was important to understand in which period of the day the consumer is more active and are there differences in purchase volume.

According to the research results (see figure No 1.) the internet is the main information source for 38% of respondents who are buying products. For 42% of respondents the internet is additional source of information and they are using it frequently. The level of evolvment in the internet shopping is higher what

can be verifying by rather large number of respondents. The searching for information in traditional market (retail stores) is rare – only 35% of all respondents answered positively. Large amount of respondents are using other sources of information, for example friends and colleagues – 44%, what confirms the theory about role of social environment in buying behavior.

By analyzing time period of more active shopping it is obvious that both – for traditional market and the internet shopping it is afternoon form 6.00 till 10.00 PM. It can be explain by busy hours during workday. At the same time there were differences between genders. Females are pointing out afternoon, but males stressed that there are no difference in time (see Figure No. 2), they can do it all around the clock if needed.

If you are buying or looking information about product in the internet you are doing it ?

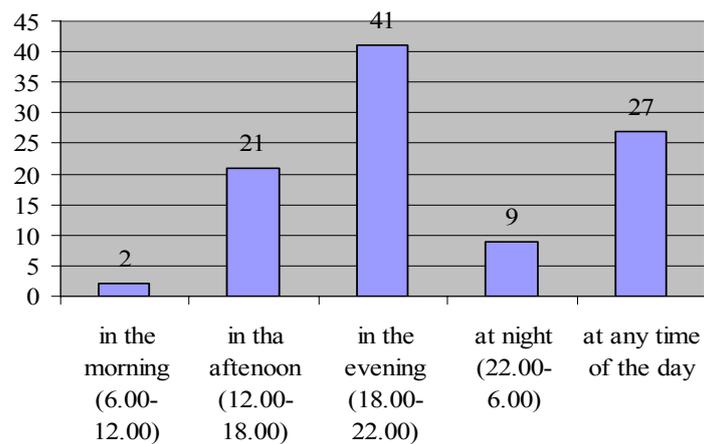


Figure 2. Time for information search about products in the internet (%)

For 57% of respondents there was no difference in which day of a week they are purchasing, they are doing it according to necessity (see Figure No.3).

On which days mostly are you purchasing in the internet or searching for information about products ?

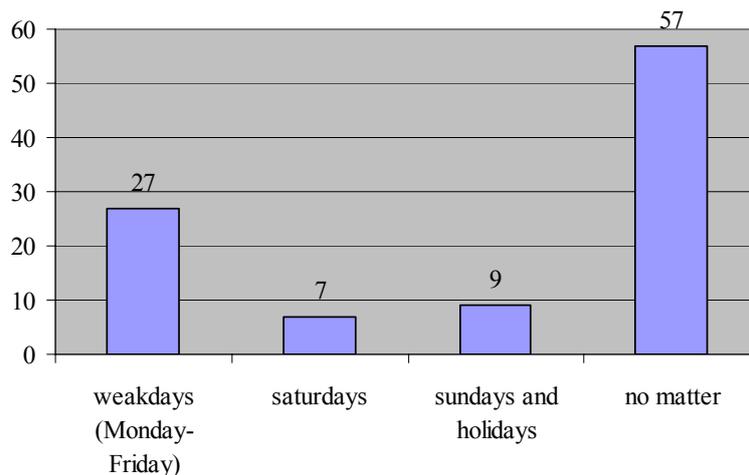


Figure 3. Shopping habits by daytime hours

By analyzing comparing prices in the internet it is obvious that 55% of respondents always compare prices in the internet, but in the retail stores just 45%. It can be explained by specific features of the internet and consuming behaviour (see Figure 4.).

How often are you comparing prices ?

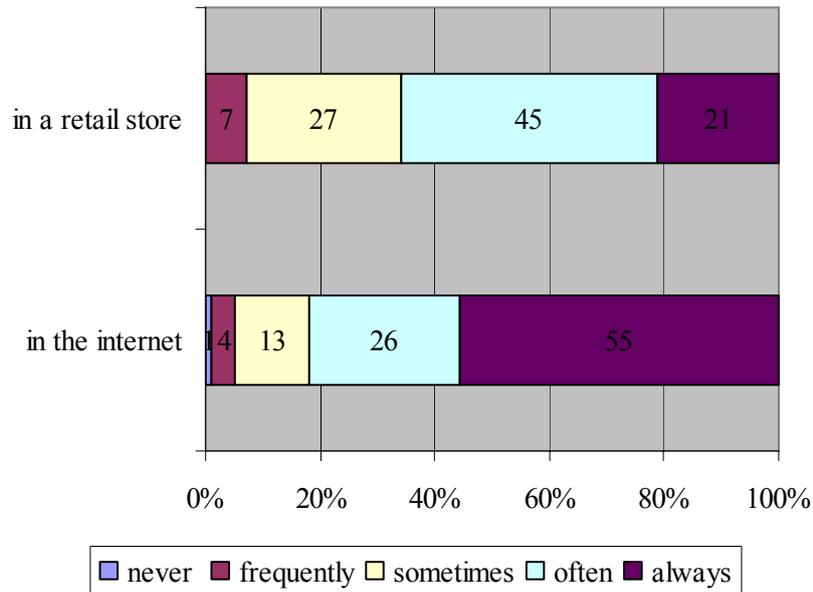


Figure 4. Regularity of price comparing

One of the most important questions was oriented on price comparing. It is well known that the internet allows comparing price (it is called price transparency) very quickly in the internet. It is also mentioned in many researches as a priority of the internet shopping. According to results of the research 25% of respondents compare prices always, 39% - often, 24% sometimes (see Figure No. 5). By more detailed analysis of this trend it is obvious that older respondents compare prices more seldom than younger respondents. There are two explanations – first of all level of incomes (for younger generation it could be lower) and secondly, older generation has more experience and they already know (or at least think that they know) price and quality relations, price level and meaning of brand value.

Are you comparing prices in the retail store and in the internet?

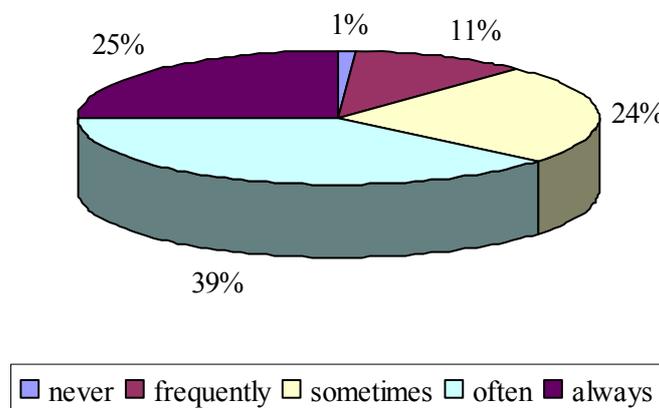


Figure 5. Comparing prices in the retail and internet shops

By analyzing the choice of customer to purchase goods in retail store or in the internet shop and their habits to do it repeatedly, we can observe that there are the same trends. Consumers are shopping in those shops what they used to do of like more that others (see Figure No.6. and No.7).

Are you purchasing at the same e-shop all the time ?

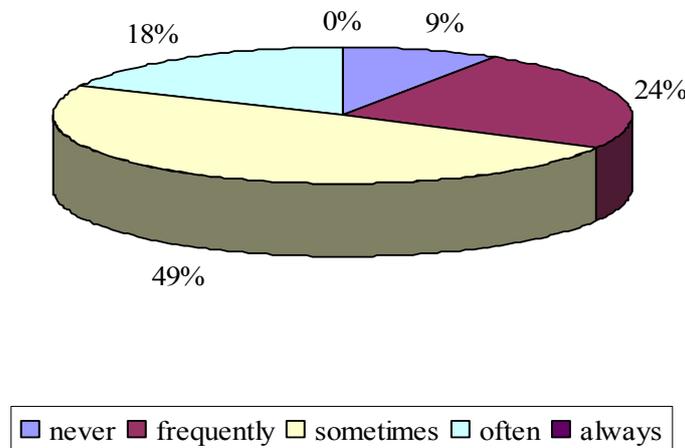


Figure 6. Repeated shopping in internet shops

By comparing the sales volume we can conclude that in the internet 73% of all respondents buying one item, but in the retail shop 63% usually purchase 2-3 items. It can be explained by particularities of the internet shopping, because in the internet consumers are purchasing movies, tickets, different services, or large and expensive items like furniture, electronic equipment etc. By comparing research results the authors concluded that the size of purchase correlate with age. Older respondents are doing larger purchases in the internet (by quantity and prices).

Are you purchasing products (except food) at the same retail shop all the time?

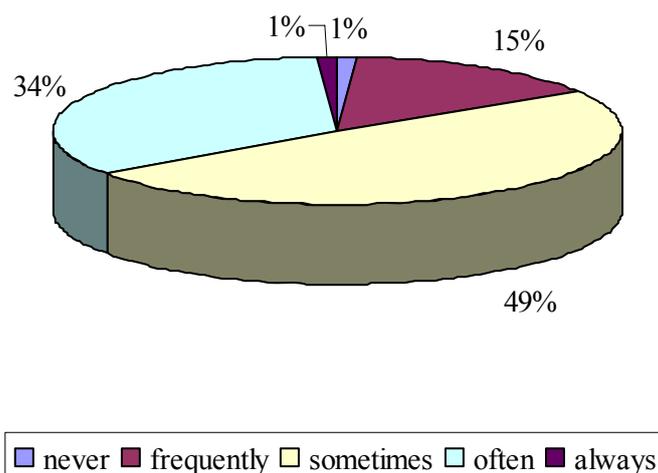


Figure 7. Repeated purchasing in retail shops

During the research the question about products purchased in last 12 months in the internet and retail store were asked. In the internet most often were bought movies, computer games, and tickets (airplanes,

cinema, theater, and concert) as well as electronic devices and equipment. From all respondents 65% were females, 35% were males; from all respondents 56% had higher education.

Research results were compared with researches done in Germany and United Kingdom. There were no large differences in results. Therefore the authors conclude that Latvian consumer are behaving as average European consumer but with displacement in time, what can be explained with development of national economy and historical particularities.

Changes in consumer purchasing behavior caused a lot of alterations. The path of decision making from the problem to results under the influence of IT has become shorter in terms of time, nevertheless some new problems have arisen – the lack of social contact, safety measures in e-commerce, logistics etc. Most important benefits of the shopping process at traditional buying process are buying process, contact with equal and for e-shopping money saving, time saving, conveniences and all around a clock.

According to the research results the authors conclude that:

- Average size of purchase in traditional shopping still is larger than in the internet shopping.
- For information search about products the main source is friends and the internet. But we can expect changes towards the internet as a main source in the nearest future.
- There is no special time or day for more active purchasing, but often it is done in afternoon;
- Shopping habits are changing but not very fast.

Conclusions

This research contributes to better understanding of the specifics of factors what influences consumer behaviour in electronic environment. There are a lot of potential for further analysis of consumer behaviour. Therefore it is important to develop new methods and techniques for evaluation of consumer behaviour in e-environment.

Social and personal motives of e-purchasing are different from traditional market. At the same time for the next generations e-environment could be alternative of real market and socialization will be provided mostly by the internet and electronic media.

Today e-purchasing is less social status but mostly driven by lack of time and additional conveniences, but we can expect explosive growth of e-shopping in the next 10 years.

However, the field of research is very wide and this study presents just an insight into the large scope of different questions, which have to be tackled in the e-consumer behaviour research.

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