The Impact of Internet Marketing on the Consumers Buying Decisions

Research Paper I Sample

MyEliteGuide.com Team

ABSTRACT

The research is about the impact that Internet makes on purchase cycle. This includes creating awareness, making the purchase decisions as well as purchasing activities. Thus the companies will be able to use this information for the purpose of planning out e-marketing campaigns in the said country.

Table of Contents

Chapter I – Introduction

1.1 Introduction

Internet usage levels in the country are growing rapidly. The country is seeing a number of new schemes that the telecommunications service providers are bringing in and this ensures that usage of internet and data services increases. The following chart shows how data usage has been growing over time in Country S. Thus the country is seeing an increased level of growth of data related services due to competition amongst the services providers as well as the changing requirements of the markets.
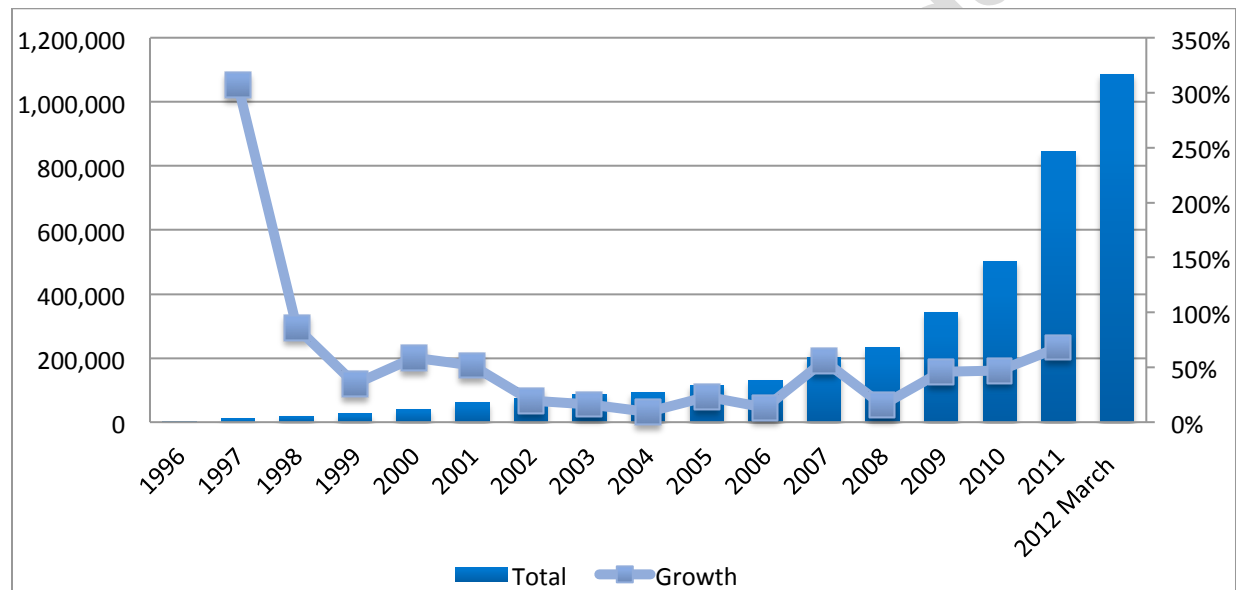

Diagram 1.1 Usage of telecommunications services in the country (Country S Telecommunications Regulatory Authority, 2012)

It is evident that the country is seeing approximately 15% internet penetration levels due to the increasing need for people to have information at their disposal. It is additionally clear that the growth rate is accelerating after the recession in the 2008-09 periods. On the other hand, broadband, ADSL and 3G technologies are widely available, indicating that the market is growing fast. While there is another 85% penetration level to be achieved over the long run, it is clear that the companies will be placed to benefit from providing services to those who have internet as they represent the highest income earning group of the country.

Consumers shop online due to the convenience that it provides them. Online shopping offers the consumer a number of benefits. It removes the need of physically visiting the store or the time spent looking for the desired item. The customers can search for the products online by using the provided search facilities (McNurlin, Sprague, & Bui 2009). Internet enables the customers to conduct a price comparison; the customer can compare the prices from various retailers before planning to purchase the item. Furthermore, the internet enables the user to gather information regarding a specific product and also read the reviews of other users about a specific product (McNurlin, Sprague, & Bui, 2009; Kotler & Keller, 2009).

The retailer benefits from having the present online marketing as it helps to reach customers in a wider geographic location. The internet has become a new cost and time effective medium for the marketers to market their products and services. It has also become a cost effective medium to advertise and promote the product and the service (McNurlin, Sprague, & Bui, 2009). Furthermore, the internet has become an important medium through which the retailer can interact with the customer by understanding the requirements of the customer and serving those exact needs. The internet enables organizations to maintain a good relationship with the customer (Laudon, 2009).

1.2 Problem Identification

Although the number of people who purchase online is gradually increasing, it accounts for only a minority segment of the population. There is no uniform method of establishing the development of e-commerce activities. However, one study carried out by Rathnaweera (2011) indicates that people have used e-commerce for 8%-10% of the transactions. The study is carried out amongst those who have internet at home and those who are well accustomed to using the internet. This indicates that people are not very enthusiastic about using e-commerce facilities and that the financial institutions and others who are involved in these transactions have already invested in creating the required infrastructure, yet the users are reluctant to use these facilities and gain benefits due to various issues.

Thus, the electronic mode of transaction is not something which is common in the country even though many of the companies that sell various products have suitable electronic trading portals

in place. This may therefore indicate that the investments all these parties have made on this infrastructure etc. would not derive positive results and that the transactions are still taking place in the traditional mode.

If potential customers fail to use this mode of transaction, they would lose a number of benefits. Furthermore, the efficiency associated with the transactions will not improve due to the traditional mode of transacting. In addition, with the increased globalized environment, people will not be able to get items of their choice and interest due to the reluctance they have for e-commerce based transactions. However, lack of interest in e-commerce does not mean that the internet is not helpful for people to purchase goods or services. Furthermore, the internet would still be a major influential factor for the parties who purchase items even though the transaction does not take place electronically. It is likely that people may research the products over the internet and make the purchasing decision.

Thus the impact that the internet may create on people's purchasing decisions is complex and the study would indicate how the internet is impacting purchasing decisions.

1.3 Purpose and Contribution of the Study

The study attempts to understand the impact that the internet creates on the purchasing behavior of potential customers. The low level of e-commerce usage in the country indicates that there is an issue and the parties will have to work to solve these issues fast. The study provides insights to understand what these reasons are and how the companies can maximize the usage of the e-commerce platforms for their advantage. The online retailers will be able to adjust the services that they provide in line with the needs of the customers and the customers will eventually benefit from increased availability of on-line services.

Chapter II – Orientation

2.1 Orientation and Focus

The study will seek to understand the main factors which will influence customers to use the internet when they make purchasing decisions. Thus the influence of the internet has to be understood as it is clear that the number of people using internet is increasing and there are many companies coming into the field of internet based advertising. The internet on the other hand provides a much less costly and more impactful mode of advertising if people indicate an interest in internet advertising and reading product promotion related emails.

Thus it is important to understand if users of the internet would use it for purposes of making purchase related decisions. It is further clear that users may need to research the products and services and the internet may provide the required information. They on the other hand will use the internet as a platform for exploring the new products and services which they did not know of. Thus companies have to ensure that they identify how best the internet can be used for their benefit.

2.2 Objectives

The following are the main objectives of the study.

- To identify the factors affecting the internet shopping behavior of consumers in Country S.
- To establish the nature of relationships between these factors and the extent of the impact that they create on the shopping related behavior of the customers.
- To provide appropriate recommendations to online retailers in Country S for improving consumers' shopping behavior over the internet.

Chapter III - Data Collection and Analysis

This chapter establishes the method used in the collection and analysis of data. The method involves setting up the conceptual model, discussing the operationalization of the concepts and formulating the field material based on the conceptual model. The method of sampling will also be decided at this stage (Zikmund, 2003). The collected data needs to be analyzed to suit the needs of the study and the outcome will have to indicate the nature of the relationships between the variables. The recommendations can be formulated based on these relationships discussed in the study.

3.1 Conceptual Model

The conceptual model is at the heart of the study as the main framework of the study is decided based on this model. The conceptual model also indicates the main information areas which need to be covered under the study. The following diagram indicates the conceptual model of the study.
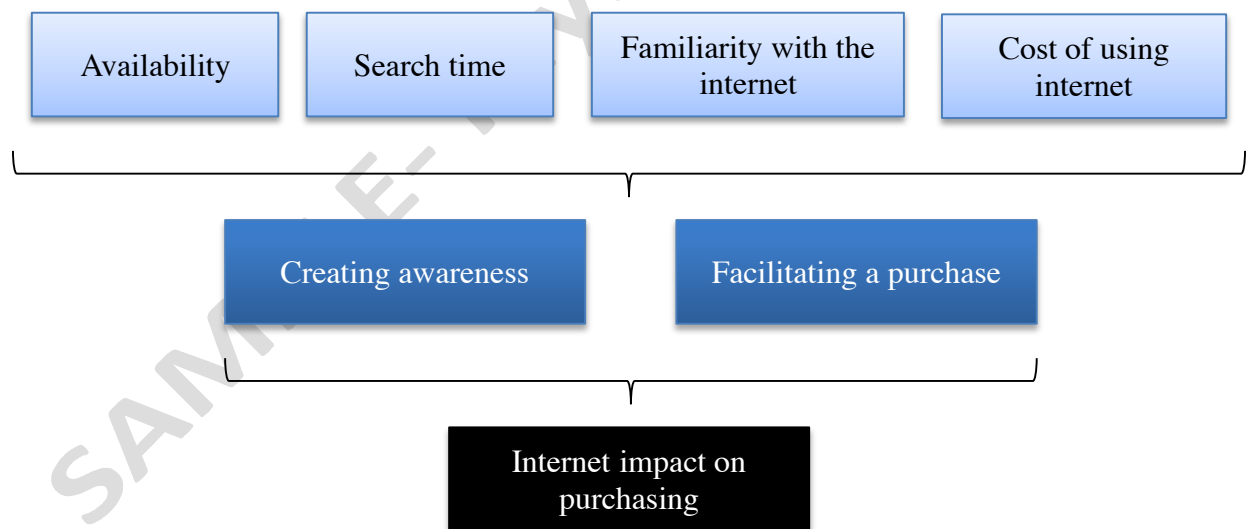

Diagram 3.1 Conceptual model of the study

Availability: - Independent variable - Availability of the internet is one key factor. If the penetration levels of the internet remain low, the accessibility may be low and the result would

be that the impact it creates on purchasing of goods and services is low (Chaffey, 2011; Laudon, 2009).

Search time: - Independent variable - Even if internet is available, if the search time available is low, it is likely that people would not use the internet for the purpose of shopping. This shows that there could be a relationship between the search time and the internet shopping impact (Laudon, 2009).

Familiarity: - independent variable – If the users of the facilities are familiar with internet use, the results that they will gain are likely to be positive over the long run. Thus familiarity may also have an impact on purchasing over the internet (Chaffey, 2011).

Cost of using internet: - Independent variable - If the cost is high, it is likely that people will not use the internet much and the result would be a reduction of the impact that it creates on shopping.

Creating awareness: - Moderate variable – The above mentioned four independent variables have a clear impact on creating awareness about a product or service. This could lead to an impact on purchasing (Kotler & Keller, 2009; Laudon, 2009; Haque, Khatibi & Mahmud, 2009).

Facilitating a purchase: - Moderate variable – When the internet provides the platform which facilitates making a purchase, it indicates that the parties can make a purchase through the internet. This ensures that the possibility of making a purchase would enhance the impact on purchasing goods through the internet (McNurlin, Sprague & Bui, 2009; Chaffey, 2011; Laudon, 2009).

Impact on internet based purchasing: - Dependent variable – This will be impacted by the above mentioned variables and will eventually be the result of the different behaviors of the above discussed variables (Kotler & Keller, 2009; Laudon, 2009).

3.2 Research Design

The design of the research is primarily based on the quantitative aspects. This is because the study attempts to evaluate the nature of the relationships between variables and these have to be

proven with statistical models. Due to the need for using statics based analysis, the study has to be quantitative in nature.

This research is both a descriptive and explanatory research since, as per the objectives, it involves identifying the factors that affect the online shopping behavior of consumers in Country S.

The extent to which these factors affect the consumers in the Country S's market will be explored by this research. This is carried out by testing the developed hypotheses through collection of primary data. The data collected will be analyzed to measure the relationship between the factors identified (independent variable) and the online shopping behavior of the consumers (dependent variable).

3.3 Research Technique

The primary data needed to test the hypotheses is collected using the survey method. A structured questionnaire will be used to collect the data from the internet users in Country S. The time horizon on this research is cross sectional, since the data is collected in a single point of time (Saunders, Lewis, & Thornhill, 2009; Zikmund, 2003). A convenient sample of 40 current internet users in Capital City, Country S, will be used for this study. These users will be handed a self-administered questionnaire to be returned to the author on completion. The data collected using the structured questionnaire will be analyzed using the SPSS software.

The data will be collected based on a questionnaire. The questionnaire would be simple to use and possible to self-administrate. This will ensure that less time is taken and the required level of focus is retained on the questionnaire by the respondent. The questionnaire will only collect information required and useful for the study.

The key limitations are that the information provided by the respondents would be final and it is not possible to probe further to unearth the truth and the justifications. However, the topic is not very sensitive and it is likely that people will discuss it openly and provide information without reservations. The study design and the data analysis have to ensure that the accuracy required is secured while providing insights into the discussion area.

3.4 Sample

The sampling technique is convenient sampling. The reason for using this technique is that it will allow selecting suitable personnel for the study with less effort. Furthermore, the sample is from the Capital City city area. It is evident that availability of internet facilities in the Capital City area would be higher compared with the rest of the country. However, internet penetration levels are growing rapidly and it is very likely that in the future, the entire country will be able to access internet in their regions. Thus, understanding the current scenario in Capital City is justified as this is likely to expand throughout the country in the near future. Limiting the study to the Capital City district alone is not a key limitation for the purpose of generalizing the findings of the study.

3.5 Analytical Tools

The main analytical tools in this case are the statistical tools used. The analytical tools are used based on the needs of the study. In this instance, the main need is to analyze the scores of the Lickert scales. This could be achieved by using simple averages of the scores that the respondents have given to each of the attributes. For instance if attribute A has received high scores, this indicates that the level of agreement that the respondents have indicated with the statement remains high. Thus, the scores that the statement has received remain high.

When the relationships between the variables are established, the analysis could be based on the correlation analysis. Correlation analysis indicates the nature of the relationship between two variables. For instance, if the score is +1, this indicates that with the increasing of the independent variable, the dependent variable will also increase further, while -1 indicates that with the increasing of the independent variable, the developed variable will decrease. When there is no relationship between these variables, the score would be around zero. These aspects indicate that the nature of the relationship between the variables can be understood based on correlation analysis.

Chapter IV – Key Findings

This section indicates the main findings of the research. The data collected through the field material is presented based on various analysis techniques to understand the relationships between the variables. When the nature of the relationships is being established, they can be used to develop methods of improving the performance levels of the organizations. Thus the key findings are of high importance in the context of the study.

4.1 Core Findings

When the respondents were asked about the independent variables, availability, search time, familiarity and the cost levels, the following graph indicates the responses received. The overall score of the independent variables is 3.29 and this indicates a score modestly higher than the midpoint on these facilities. These facilities may have a bearing on the impact of the purchasing habits of customers.

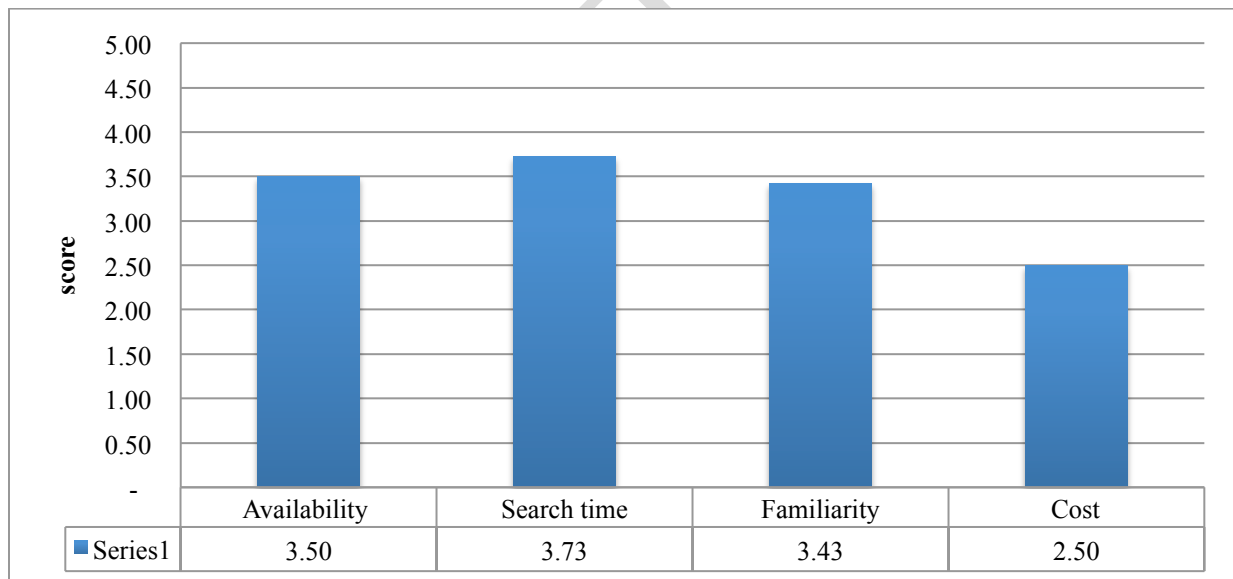|	Availability	Search time	Familiarity	Cost
Series1	3.50	3.73	3.43	2.50

Diagram 4.1 Scores received by the independent variables

It is clear that people have more time to spend on the internet and this is due to the wide availability of connections. Thus people have prominent exposure to the internet. Due to these

aspects, availability and search time have received higher scores. Thus people have access to internet and are in a position to spend more time on the internet as well. Familiarity, on the other hand, also received a moderately high score. This indicates that many people are highly familiar with internet usage, generally have access to the internet in a comfortable manner and have the facility to use the platform as a basis for doing their shopping. However, it is evident that cost could be a prohibiting factor. It is clear that cost has received a lower score indicating that it is not a factor which is taken highly into consideration and this would most likely be due to the lower cost of internet to the user due to its wide availability.

When it comes to creating awareness of products and services, internet can play a leading role. Generally, it is likely that the internet will allow users to be able to read about the products and services and have increased levels of awareness. The internet provides a new platform for the companies to advertise and reach the customers. Thus it is important that these companies use this facility effectively and ensure that the products and services they provide are identified by the potential customers at large. The following table indicates the increasing product awareness habits of users and the scores that each of these attributes have received.

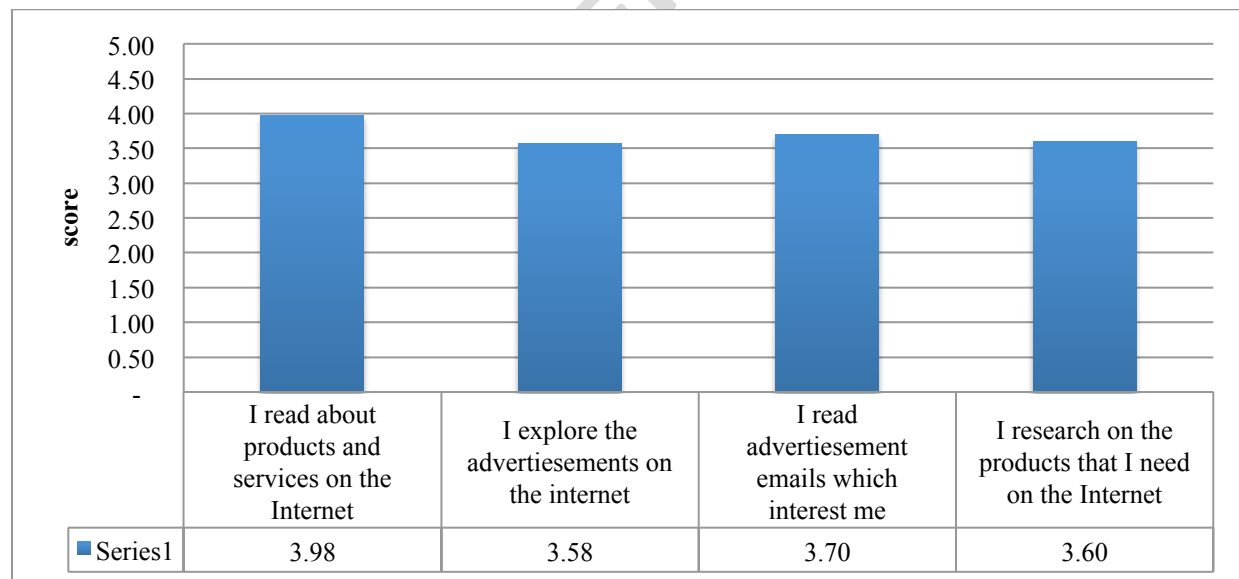|	I read about products and services on the Internet	I explore the advertiesements on the internet	I read advertiesement emails which interest me	I research on the products that I need on the Internet
Series1	3.98	3.58	3.70	3.60

Diagram 4.2 Scores received on the awareness aspect

The average score was 3.71 and this indicates that people use the internet platform to have increased levels of awareness when they are making purchasing decisions. Thus, the internet has

become an important part in creating awareness of the products and services that people would be likely to purchase. While it is clear that people read about the products that they are interested in purchasing, it is also clear that the advertisements might have a comparatively lower level of reception by internet users. However, even that has received more than the mid-point score, indicating that many would still explore the advertisements as well. Thus it is clear that people use the internet as a suitable platform to enhance awareness of the products and services that they would enjoy.

However, on the payment facilitation front, the average score received was 2.54 and this is below the mid-point score. Thus it is very clear that payment facilitation is not an area in which people have a positive belief. The following chart indicates the scores each of the attributes have received under the discussion.

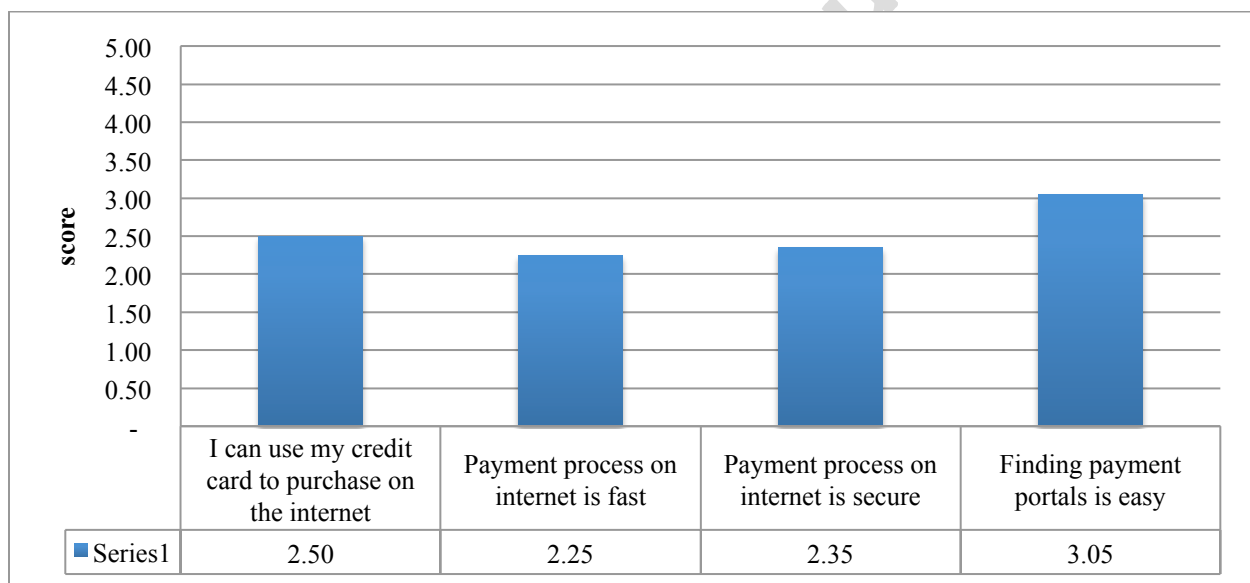|	I can use my credit card to purchase on the internet	Payment process on internet is fast	Payment process on internet is secure	Finding payment portals is easy
■ Series1	2.50	2.25	2.35	3.05

Diagram 4.3 Scores received on the purchase facilitation aspect

The respondents have provided lower scores to the payment process speed as well as security. Based on these two aspects, it is clear that people might not want to initiate transactions for payment of purchases through the internet. Thus it is clear that people may use the internet for purchasing goods and services, yet they will not use the internet as a mode of paying for the goods and services that they would purchase.

The scores below indicate the preference people have indicated towards using the internet. The average score was 3.76. Thus, many people believe that using the internet for understanding and purchasing products would be a positive aspect. The following chart indicates the details.

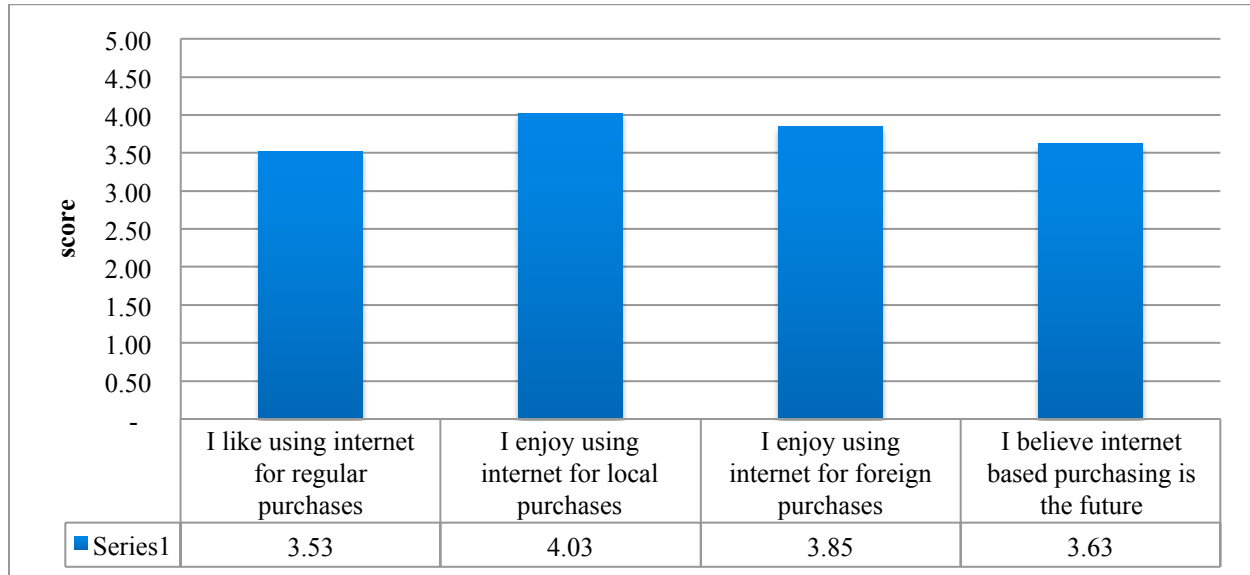|	I like using internet for regular purchases	I enjoy using internet for local purchases	I enjoy using internet for foreign purchases	I believe internet based purchasing is the future
■ Series1	3.53	4.03	3.85	3.63

Diagram 4.4 Scores received on internet usage preferences aspects

Many of the respondents stated they enjoy purchasing through the internet. However, it is interesting to note that only an average of 15% has been paid by them for purchases over the past year. Thus, while people like purchasing through the internet and they believe it would be the future of the purchasing system, they do not use this method extensively. The main considerations could be security and the length of the process involved.

4.2 Establishing the Relationships

The nature of the relationships can be established based on the above understanding. The following table indicates the correlation scores received by each of the variables in place.

Variables	Score
Availability and awareness	0.930654
Search time and awareness	0.955821
Familiarity and awareness	0.962591
Cost and awareness	-0.92532
Availability and facilitation	0.077538
Search time and facilitation	0.084792
Familiarity and facilitation	0.116452
Cost and facilitation	-0.06887
Awareness and purchase impact	0.865989
Facilitation and purchase impact	0.036784

Table 4.1 Correlation scores between the variables

It is clear that there is a very strong relationship between awareness and the independent variables. Thus with increased availability of the facility to use the internet, search time and familiarity, people will use the internet to get to know about the products and services in which they are interested. However, there are no strong relationships visible between purchase facilitation and the independent variables. This indicates that while the internet may be available and there is time and the facilities to purchase the product, people will not purchase products through the internet. With increased awareness of the product, people would like to purchase the products using the internet. The strong relationship between awareness and the purchase impact is evidence of this. However, it is clear that facilitation and the purchase impact have no relationships between the variables. Thus it is clear that people are interested in knowing about the products and services on the internet, and this will create an interest in them to purchase as well. However, they are not likely to pay for these products and services over the internet. These relationships will be the basis on which the discussion would be formulated with regard to the learning.

Chapter V – Key Implications

It is clear that e-marketing initiatives have not been very effective due to a certain perception among customers that the internet is not secure to make their purchases and pay for such. This is the main issue which has driven customers to not use the internet platform. Thus it is clear that if the parties involved with e-commerce concepts ensure that this fear is removed from the psyche of the customers, the initiatives are likely to be successful in the future.

Currently, the internet plays a very important role in the purchase decision making process. It is clear that people will search for information on the products and services that they need to purchase on the internet before making the purchase. This indicates that people will use the internet positively for the purpose of increasing the knowledge that they have on the product. This is very important for many of the parties who seek to promote their products over the internet. The effectiveness of promoting the products over the internet is high.

It is also clear that with increased availability of the internet, the role that it plays as a mode of providing knowledge about goods and services would be of primary importance. Thus the companies need to change their methods of marketing to provide a higher level of emphasis to this internet based approach which will create interest on the customer front.

However, it is important to note that people are not interested in purchasing products and services over the internet due to negative perceptions that they may have on payment of cash over the internet. This is one of the key challenges the e-commerce promoters will have to overcome. If an institution seeks to indicate that it is safe to deal with the company, they have to indicate to the customers that they have created a safer and more exclusive platform for people to make their payments. This will ensure that trust is created on the payment system and people are likely to pay using such a system.

It is evident that Country S is a country with a high level of IT literacy. Thus internet use is not an issue for many parties. It is also important to understand that with the availability of broadband connections, people find the experience of using the internet better and more stable. Many households receive internet as a part of communication packages through fixed as well as mobile broadband facilities in many parts of the country. Therefore it is very clear that the

obstacles found can be removed to ensure that e-commerce platforms are used by the people of the country more frequently to benefit from the time and effort saving associated with shopping activities.

Chapter VI – Conclusion

The study is for the purpose of identifying how consumers would use the internet for the purchases that they are making. It is clear through the study that consumers are using the internet to gain knowledge and research about the products and services that they are purchasing. This is the main method of usage and the result is that people would make the purchase through the physical process while ensuring that the background research is carried out through the internet. Thus internet is used as a crucial support medium to make the purchasing decision.

This shows that using the internet for increasing awareness of the products and the concepts behind the products would be effective. The respondents indicate that they are highly receptive to new ideas and products and would read through them provided they are interested in the products and services introduced. Thus the role that the internet plays is important and it can be said that the level of importance will grow in the future. This indicates that the companies that seek to sell their products using the internet should ensure that they create the required awareness of the product through the internet rather than expecting the customers to pay and finalize the purchase process.

Finalization of the purchasing process will take place once the payment is done and this is likely to take place outside the internet as many do not believe that there is an adequate level of security available for them to make their payments online. Understanding these key behavioral patterns of customers will allow companies to be able to use the internet as a suitable platform to promote their products and services. It is also important that security related issues are addressed and perceptions changed so that the total purchasing process could take place over the internet.

References

Chaffey, D., (2011,). E-Business and E-Commerce Management: Strategy, Implementation and Practice. Prentice Hall, New Delhi.

Haque, A., Khatibi, A., & Mahmud, S. A., 2009. Factors Determinate Customer Shopping Behaviour Through Internet. Australian Journal of Basic and Applied Sciences, 3452-3463.

Kotler, P., & Keller, K. L., (2009). Marketing Management (13th Edition). Nodia, India: Dorling Kindersley.

Laudon, K. C., (2009). E-Commerce 2010. Pearson Education.

McNurlin, B., Sprague, R., & Bui, T., (2009). Information Systems Management in Practice. Pearson education.

Rathnaweera, D.S., (2011). E-Commerce; a new avenue yet to be developed. Postgraduate Institute of Management, Capital City.

Saunders, M., Lewis, P., & Thornhill, A., (2009). Research Methods for Business Students (5th Edition). Pearson Education Limited, London.

Telecommunication Regulatory Authority, (2012). Statistics, [Accessed June, 2012].

Zikmund, W. G., (2003). Business Research Methods (7th Edition). India: Cengage Learning.

Please look at the following table. It indicates five levels with which you could agree or disagree.

I disagree with the statement completely	I disagree with the statement mildly	I do not agree nor disagree	I agree with the statement mildly	I agree with the statement strongly
1	2	3	4	5

Now read the sentences given and indicate the level of agreement with each by ticking the right box in front of the statement.

	Attribute	1	2	3	4	5
1	I have freely available internet.					
2	I have a fast internet connection.					
3	I have time to spend searching the internet					
4	When I need a break from work, I regularly search the internet.					
5	I am familiar with the internet.					
6	It is my hobby to search on the internet.					
7	The cost of accessing the internet is lower.					
8	I read about products and services on the Internet.					
9	I explore the advertisements on the internet.					
10	I read advertisement emails which interest me.					
11	I research the products that I need on the Internet.					
12	I can use my credit card to purchase on the internet.					
13	The payment process on the internet is fast.					
14	The payment process on the internet is secure.					
15	Finding payment portals is easy.					
16	I use the internet for regular purchases.					
17	I enjoy using the internet for local purchases.					
18	I enjoy using the internet for foreign purchases.					
19	I believe internet based purchasing is the future.					

20. At what percentage have you used e-commerce based payments within the last year?

21. Please let me know your name:

22. Please let me know for how long you have used internet: