

**ONLINE CONSUMER BEHAVIOR: AN EMPIRICAL  
STUDY BASED ON THEORY OF PLANNED BEHAVIOR**

by

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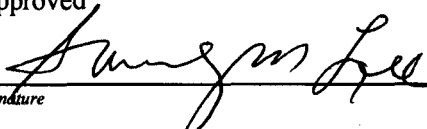
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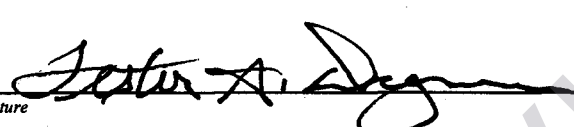
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# **ONLINE CONSUMER BEHAVIOR: AN EMPIRICAL STUDY BASED ON THEORY OF PLANNED BEHAVIOR**

Liqiang Chen, Ph.D.

University of Nebraska, 2009

Advisor: Sang M. Lee

The study of online consumer behavior is one of the most important research agendas in management information systems and marketing science. However, there is very limited knowledge about online consumer behavior because it is a complicated social-technical phenomenon and involves too many antecedent factors. Most prior studies in this area often offered inconsistent or even conflicted results due to using various simple research models in order to achieve parsimony. This study aims to overcome the drawback of previous studies and examines up to ten antecedent factors in one research model.

This study extends theory of planned behavior (TPB) by including ten important antecedents as external beliefs to online consumer behavior. The ten antecedents are identified by prior studies, mostly in the areas of management information systems and marketing science. This study is conducted with a survey of 288 college students who have online shopping experiences. The collected survey data is used to test each hypothesis developed in the research model. The results of data analysis confirm perceived ease of use (PEOU) and trust are essential antecedents in determining online consumer behavior through behavioral attitude and perceived behavioral control. The findings also indicate that cost reduction helps the consumer create positive attitude

toward purchase. Further, the findings show the effects of two constructs of flow – concentration and telepresence on consumer's attitude. Concentration is positively related to attitude toward purchase, but telepresence likely decreases attitude due to the consumer's possible nervousness or concern about uncertainty in the online environment.

One of the main contributions of this study is that it provides valuable empirical evidence to prove that the TPB-based research model can well handle up to ten external beliefs with combining the partial least squares (PLS) statistical analysis. According to the findings, it is reasonable to conclude the TPB-based model has high potential to manipulate more than ten external beliefs without compromising the model's goodness of fit.

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PREVIEW

# CHAPTER 1

## INTRODUCTION

### 1.1 Overview

E-commerce has become an irreplaceable marketing channel in business transactions. Online stores and services are important sales channels in business to customer (B2C) transactions. Studying online consumer behavior has been one of the most important research agendas in e-commerce during the past decade. The research of online consumer behavior has been conducted in multiple disciplines including information systems, marketing, management science, psychology and social psychology, etc. (Hoffman and Novak 1996; Koufaris 2002; Gefen *et al.* 2003; Pavlou 2003, 2006; Cheung *et al.* 2005; Zhou *et al.* 2007)

Compared to traditional brick-mortar (physical) stores, online stores have many advantages. They are convenient and time saving – neither traveling and waiting in lines is necessary. They are available anytime and anywhere. They provide consumers with free and rich information about products and services. They also provide sophisticated online tools to help consumers compare and make purchase decisions among various products and services. Hoffman and Novak (1996) indicated that interactivity is the key distinguishing feature between marketing communication on the Internet and traditional mass media. Today online consumers have more control and bargaining power than consumers of brick-mortar stores because the Internet offers more interactivities between consumers and product/service providers as well as greater transparency of information about products/services. Geissler and Zinkhan (1998) claimed that the Internet shifted the

balance of power in favor of consumers as it became very easy for them to make shopping comparisons and evaluate alternatives without being pressured by salespeople. Online stores reduce transaction costs and benefits both consumers and vendors. More importantly online stores create a brand new business model - consumer customization business, in which consumers “assemble” their products online according to their preferences and demands. Dell.com and landsend.com are good example of such new business model.

However, online stores also have disadvantages over brick-mortar stores. Online stores don't provide consumers with the five senses (seeing, touching, tasting, smelling, and hearing) as they browse for and purchase products. In online stores, consumers may develop low trust and high perceive elevated risk because of the lack of face-to-face communication although this problem can be reduced by using certain software tools such as the online recommendation agent (Häubl and Murray 2003; Xiao and Benbasat 2007) and the online negotiation agent (Huang and Sycara 2002; Huang and Lin 2007; Lau 2007).

Online consumer behavior and traditional offline consumer behavior are very different. Online consumer behavior develops during the process of purchasing products or services via the Internet (Li and Zhang 2002). A better understanding of online consumer behavior is important both theoretically and practically. Consumer behavior has been a major research area in marketing science and studies of consumer behavior draw upon multiple disciplines. With the rapid development of information technology, especially, the booming of e-business, more and more traditional offline consumers have become online consumers. Many of the young generation become online consumers

when they first start shopping. Therefore, the significance of theoretical research of online consumer behavior derives new findings from theoretical models enhancing an exploding marketing activity and it may also guide marketers in improving their online service.

In practice, the study of online consumer behavior is becoming increasingly important. Competition in B2C commerce has intensified because the low barrier to entry brought more players into the electronic retail business (Porter 2001). Today the consumer has more bargaining power, lower switching costs, and an increased number of choices available. For e-commerce managers, this means that better understanding online consumer behavior becomes critical to effectively attract and retain online consumers (Barsh *et al.* 2000). In the early stages of e-commerce (back to later 1990s), scholars already recognized the significance of online consumer behavior and called for research to enhance our understanding of it (Webster 1998; Korgaonkar and Wolin 1999). To achieve competitive advantage, business leaders must create customers value in market, which means they have to meet target customers' needs and increase customer satisfaction (Porter 1985). Without good understanding of consumer behavior, they cannot meet customers' needs and make them satisfied.

## **1.2 Purpose of Study**

Online stores have existed since the late 1990s, however, the study of online consumer behavior is still undeveloped compared to that of traditional offline consumer behavior. This may be due to the fact that online consumer behavior is still evolving with its heavy dependence of ever advancing IT and because of the many new features and

functions that are continually being added to e-commerce websites. New technology constantly changes human behavior and social structure so that online consumer behavior is still adapting on changing online environment. Secondly, much knowledge of online consumer behavior is acquired from different and sometimes disparate disciplines. Because different disciplines often use different assumptions in the research, researchers do not always provide answers, or, they may provide contradictory answers (Bellman *et al.* 2006; Zhou *et al.* 2007). The research methods used in online consumer behavior are primarily borrowed from various disciplines including cognitive psychology, social psychology, marketing science, management science, and information systems. Thirdly, online consumer behavior involves many antecedent factors and thus becomes a very complicated social-technical phenomenon. Therefore, fully understanding it becomes very difficult.

Although researchers from a variety of business disciplines have made significant progress in studying online consumer behavior during the past few years, the study appear relatively fragmented and no unifying theoretical framework is found in the area. This is because the scope of the study is too broad (Cheung *et al.* 2005). A coherent model for understanding mixed findings on consumer acceptance of e-commerce is lacking (Zhou *et al.* 2007). Numerous factors affect online consumer behavior and many of them are unknown and have yet to be adequately explored. Especially, in the online environment, customers' needs and goals are dynamic so that the understanding of traditional offline consumer behavior in brick-mortar stores may not work in the online environment (Koufaris 2002; Detlor *et al.* 2003). In addition, online consumers face

many new challenges such as information overload, unfriendly user interfaces, time pressure, risk of choice, lack of trust, risk of losing money, etc.

The purpose of this study is twofold. First, a more comprehensive conceptual model constructs a broader view of online consumer behavior. The research model is built upon a solid theoretical foundation and it focuses more on consumer behavioral perspectives. The research model is then used to examine the impact of several major antecedent factors on online consumer behavior. These major factors are identified, summarized and introduced in the research model after a substantial literature review. This research model is expected to systematically understand online consumer behavior. Second, empirical evidence is provided to test links between the major factors and online consumer behavior and establish the relative roles of important factors. The findings further verify effects of these major factors found in prior studies and they shed more light that explains the inconsistent and controversial findings from those studies.

The research model extends theory of planned behavior (TPB) (Ajzen 1991), integrated with flow theory (Csikszentmihalyi 1975), the technology acceptance model (TAM) (Davis 1989), the effects of trust and perceived risk from consumer research, and the economic value of e-commerce from the economic discipline. TPB provides a theoretical foundation for this model. The research model aims to help examine the behavioral impacts of the major factors affecting on online consumer behavior. These major factors include perceived usefulness (PU) and perceived ease of use (PEOU) when an individual adopts and uses a new information system, trust and perceived risk, flow - a cognitive status in the computer-mediated environment, economic value, and social influence during purchase decision making.



This study was completed by a survey of college students all of whom have online shopping experience. College students form a group that is homogenous in term of online shopping skills and computer skills. Many college students are active online shoppers because of the fair amount of time spent online and their preference to use online tools (Han and Ocker 2002). Data collected from the survey was used to test each hypothesis proposed in the research model.

### **1.3 Research Questions**

Given that attracting and retaining online consumers is the key to the success of e-commerce, many scholars have studied online consumer behavior from multiple points of view. These scholars can be categorized by two broad views, the consumer-oriented view and the technology-oriented view (Jarvenpaa and Todd 1997). The consumer-oriented view is focused on each consumer's salient beliefs about online shopping (Zhou *et al.* 2007). According to Zhou *et al.* (2007), this view examines online consumer behavior from the perspectives of consumer demographics (Li *et al.* 1999; Brown *et al.* 2003; Stafford *et al.* 2004), cognitive and psychological characteristics ( Hoffman and Novak 1996; Lynch and Beck 2001; Novak *et al.* 2000; Wolfinbarger and Gilly 2001; Xia 2002; Huang 2003), trust and perception of risks of online shopping (Jarvenpaa and Todd 1997; Liang and Jin-Shiang 1998; Jarvenpaa and Tractinsky 1999; Jarvenpaa *et al.* 2000; Bhatnagar *et al.* 2000; Liao and Cheung 2001; Pavlou 2003; Featherman and Pavlou 2003; Huang *et al.* 2004; Pires *et al.* 2004), shopping motivation (Novak *et al.* 2000; Wolfinbarger and Gilly 2001; Childers *et al.* 2001; Johnson *et al.* 2004), and shopping

orientation (Donthu and Garcia 1999; Korgaonkar and Wolin 1999; Li *et al.* 1999; Swaminathan *et al.* 1999).

A technology-oriented view studies online consumer behavior by examining the technical specifications of online stores (Zhou *et al.* 2007). These specifications include user interface features, web site content and design, and system usability (Zhou *et al.* 2007). The consumer-oriented view and the technology-oriented view complement each other.

Prior research has shown that there are many factors that affect online consumer behavior, but a complete coverage of all potential factors in one research model is almost impossible. Most studies focused on a few major factors. For example, Koufaris (2002) tested constructs which come from information systems (technology acceptance model), marketing (Consumer Behavior), and psychology (Flow and Environmental Psychology) in one model; Pavlou (2003) studied interrelationships between consumer acceptance of e-commerce and trust, risk, perceived usefulness, and perceived ease of use; Lee *et al.* (2003) examined the relationships between customers' satisfaction and their commitment value. In Lee's *et al.* (2003) research, the customer's commitment value is defined as total value perception from a buyer and is composed of three components: socio-psychological, economic, and product values. Recently, Pavlou and Fygenson (2006) examined consumer's adoption of e-commerce with the extended theory of planned behavior (TPB) (Ajzen 1991). In their research model, consumer behavior was separately examined in terms of getting information behavior and purchasing behavior, both of which were influenced by trust and perceived risk, consumer's attitude, social influence,

personal online skills, and technology-oriented factors including perceived usefulness, perceived ease of use and web site features.

Although many studies examined various antecedents to online consumer behavior independently, most of them isolated a few major factors, usually between three and six factors, from others in one research model in order to achieve parsimony of research model. The drawback of pursuing parsimony is that the compound effects resulted from the interactions among the factors included in the research model and those not included are often ignored and missing, which thus leads to the findings to be lack of generalizability. Seeking for parsimony is one of the several major reasons that cause inconsistent and/or even conflicting conclusions regarding antecedent's effects across studies. Therefore, there is a need to integrate as many key factors as possible in the unified research model. The benefits of so doing are obvious. A unified model will not only demonstrate each individual factor's effect but also illuminate how these factors interact together to impact online consumer behavior. This study attempts to develop such a unified research model to study the effects of several major antecedent factors which are identified by prior studies on online consumer behavior. The research questions are thus stated as followed.

1.) Combined with other factors, how do perceived usefulness and perceived ease of use impact online consumer behavior?

2.) Combined with other factors, how do trust and perceived risks impact online consumer behavior?

3.) Combined with other factors, how does flow in computer-mediated environment impact online consumer behavior?

4.) Combined with other factors, how does the perceived economic value of e-commerce impact online consumer behavior?

#### **1.4 Contributions of Study**

Many studies from various disciplines have contributed to the understanding of online consumer behavior. Many antecedents to online consumer behavior have been identified and examined. Although prior studies provide much valuable knowledge in the area, many questions remain unanswered. Various prior findings lead to inconsistent and even controversial results and many important antecedents are missing. Now scholars of online consumer behavior are attempting to pursue a more comprehensive view and build a more consolidated conceptual model to overcome the drawbacks from previous research. It is time for us to put pieces of the puzzle together and to create a clearer picture of online consumer behavior. While it is not feasible to include all important antecedent factors in one research model because of the multi-disciplinary nature of online consumer behavior, which means there are too many antecedents involved, working toward a holistic view should be the goal of future research. A more universal, flexible theoretical framework is required for this research goal. Such a framework should be capable of adopting new antecedent factors without compromise of validity and reliability. The conceptual model in this study is an example of effort toward this research goal.

This study provides three major contributions. First, it integrates perceived usefulness and perceived ease of use - two important factors in information systems adoption, trust and perceived risk, economic value of e-commerce, flow – a cognitive

state in the computer mediated environment, and individuals' social norms into one unified research model. These factors totally consist of up to ten antecedents to online consumer behavior, which are much greater than most previous research models handled. Such a unified research model is built on the well-established theory of planned behavior (TPB) which uses six constructs to describe the linkages among attitude, intention, social influence, perceived behavioral control and behavior. We believe this research model will provide a comprehensive description of online consumer behavior by considering the effects of major external behavioral beliefs (those ten antecedents in the model) on actual behavior through attitude in one unified framework. Compared to many prior research models in the area, this research model views the online consumer as both traditional offline consumer and online consumer by considering social norm in the online environment. The influence of social norm usually plays an important role in traditional consumer behavior. Today consumers tend to go both online and offline shopping and thus their online shopping behavior is considered to be influenced by the social norms of their social circles. Therefore, examining online consumer behavior in a social context can give a more accurate picture on how various antecedents together influence the final purchase behavior. It is expected that the TPB-based research model in this study can handle more antecedent factors and provide a more comprehensive view on online consumer behavior and pave a new avenue for future research.

Second, this study empirically tests the causal relationships proposed by the research model. The findings offer a more comprehensive understanding of online consumer behavior by identifying the compound effects of various external behavioral beliefs, attitude, intention, social influence, etc. Specifically, the findings provides in-

depth insight into what factors drive online consumers most, how they work and what are their implications for consumers and e-commerce vendors. The findings also further confirm some previous research results and help clarify and explain the inconsistent conclusions from prior studies in the area. In general, this study enriches our knowledge of online consumer behavior from the behavioral perspective.

Third, this study makes some contributions to practitioners. The study helps online consumers gain more knowledge of their online behavior regarding what they need to know during online purchasing and how they can secure their online transactions. For e-commerce managers, this study reveals what online consumers like and do not like during online process. The findings provide some clues for e-commerce vendors with the valuable knowledge about how to improve online services and thus increase consumer satisfactions and retentions. It is expected that this study will provide some valuable marketing knowledge for e-commerce businesses to achieve competitive advantage.

## **1.5 Organization of Dissertation**

This dissertation consists of six chapters: (1) introduction; (2) literature review; (3) theoretical foundation, research model and hypotheses development; (4) research methodology; (5) results and discussions; (6) summary and conclusion.

Chapter 2 reviews relevant literature on online consumer behavior. Theory of planned behavior (TPB), flow theory, economic value of e-commerce, online trust and perceived risk, and the technology acceptance model (TAM) are reviewed. Chapter 3 develops the research model and its related hypotheses. The research model draws upon TPB and is built during the literature review of Chapter 2. Chapter 4 discusses the

research methodology. The chapter provides the research instrument development and also discusses data collection procedure, data analysis preparation, and statistical techniques. Chapter 5 presents the results of the data analysis and discussions of the results. In this chapter, the hypotheses are tested using statistical methods including the partial least squares (PLS) and other techniques. Lastly, Chapter 6 provides a summary of the research, discusses implications for practitioners and researchers, contributions of the research and limitations, and concludes the study by recommending future research directions.

PREVIEW

## **CHAPTER 2**

### **LITERATURE REVIEW**

This study explores online consumer behavior from the major research disciplines of traditional consumer behavior and information systems. Several major antecedent factors are examined in terms of their impact on online consumer behavior. These factors will be introduced into the research model based on the relevant literature review conducted in this chapter.

This chapter consists of two main parts. The first part is the literature review of classical or traditional consumer behavior. The majority of research in online consumer behavior has applied theories from the studies of traditional consumer behavior. It is thus necessary to give a comprehensive review of the research in traditional consumer behavior. Pachauri's (2002) article of "Consumer Behaviors: A Literature Review" published in *The Marketing Review* effectively meets this purpose. In this part, Pachauri's (2002) review is summarized and some of the latest research findings are also reviewed in order to cover the updated achievements in the field.

The second part is the literature review of online consumer behavior. This part briefly reviews research findings since e-commerce emerged in the late 1990s. The studies of online consumer behavior have since been conducted from the perspectives of both traditional consumer behavior and information systems. The selected literature comes from marketing, psychology, management science, and information systems. This review will help build the conceptual model in Chapter 3.