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The Properties of Internet-based Markets and Customers’ Behavior

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Abstract

The purpose of this study is to show the general framework for customers’ purchase intention over the Internet. Customers’ intention to purchase products from the Internet-based market is influenced by characteristics of customers, web pages, and products. Characteristics of customers are classified into demographic characteristics and personal characteristics. The characteristics of web pages include interface, function, and accessibility. The characteristics of products refer to merchandise, price, and promotion. These constructs are moderated by tendency toward the use of new technology and perceived service quality. This study may give some implication to managers who plan to set up marketing strategies for the Internet-based market.

Introduction

According to Wilder (1997) and Clark (1997), most businesses plan to enter Internet-based markets and 39 percent of all US retailers plan to sell their products over the Internet by 1999. Every year, Internet-based markets expand their volumes and grow dramatically. Some companies such as Amazon.com show great success in the Internet-based market, while others do not. A few studies deal with success or failure stories in terms of adoption of the Internet-based market or performance of electronic commerce. However, their standpoints are the suppliers’ side. They deal with internal factors such as top management support or the level of information technology in the companies. They ignore the customers’ side. They do not explain why customers prefer to use the Internet-based market. This study will explain why customers intend to use the Internet-based market or why they do not. Thus, the research question is “what properties of Internet-based markets influence customers’ intention to purchase products over the Internet.” Practically, the result may be useful to establish the customer-oriented strategies for Internet commerce. The next section explains framework of the study and propositions. This study concludes with a few remarks and some limitation.

Framework and Propositions

Fram and Grady (1995) revealed that the current dominated users of the Internet were young and well-educated males. This was anticipated by the past studies. While younger generation is easy to accept to new technology, the old generation rejects technology such as ATM (Zeithmal and Gilly, 1987). The other studies propose that education and income be positively related with new technology (Kerschner and Chelsvig, 1981). From the literature, demographic characteristics of customers such as age, education, income, and gender may be a factor to make customers to get access to the Internet-based market because the Internet can be considered as a kind of new technology. Thus, the first proposition is the relationship between demographic characteristics of customers and tendency toward the use of the Internet.

Proposition 1: Demographic characteristics of customers such as age, education, income, and gender are closely related with tendency toward the use of new technology such as the Internet.

When a person who is familiar with information technology faces the Internet-based services used new information technology, he tends to perceive the services as high quality service (Dabholka, 1996; Fiske, 1982; Dickerson and Gentry, 1983; Lendingham, 1984). Dabholka (1996) showed the positive relationship between perceived service quality and tendency toward the use of new technology. Thus, the second proposition is the relationship between perceived service quality and tendency toward the use of the Internet.

Proposition 2: Tendency toward the use of the Internet is positively related with perceived service quality.

Customers’ personal characteristics refer to psychological and emotional factors such as needs for interaction with service employee (Solomon et al., 1985; Bitner et al., 1990), perceived risk (Simpson and Lakner, 1993; Jarvenpaa and Todd, 1997), shopping experience (Jarvenpaa and Todd, 1997), and situational factor such as mood or expectation of what to buy (Bitner, 1992). Along with these characteristics, cultural difference also influences purchase intention. People from different
culture respond differently for the same situation. In other words, cultural differences influence on customer satisfaction differently (Winsted, 1997). Thus, people who have different culture behave differently for purchase intention. These personal characteristics are significantly related with customers' purchase intention over the Internet. Unlike traditional markets, Internet-based markets cannot provide personal interaction with each customer. Although web page offers some entertainment, it is different from entertainment provided by traditional markets. In addition, some customers are concerned the risk such as privacy or security. Thus, these personal characteristics suppress the use of the Internet. The third proposition is the negative relationship between customers' personal characteristics and purchase intention. On the other hand, customers' need for interaction with service employees is a factor to influence perceived service quality (Dabholka, 1996). Since customers cannot have human interaction at the Internet-based market, they may perceive Internet-based service as low quality. This is the fourth proposition.

Proposition 3: Customers’ personal characteristics are negatively related with customers’ intention to purchase products over the Internet.

Proposition 4: Customers’ personal characteristics negatively influence perceived service quality.

The service with which web pages provide is explained by three categories: function, accessibility, and interface. Function and interface are related with the web page itself, while accessibility is related with the web site. In detail, function includes speed of delivery (Dabholkar, 1996; Maister, 1985), ease of use (Dabholkar, 1996), reliability (Dabholkar, 1996), enjoyment (Dabholkar, 1996; Longeard, 1981), and control (Dabholkar, 1996). The concepts of accessibility are compared to crowding or waiting time of traditional markets (Silpakit and Fisk, 1985; Czeipel, 1980; Clemmer and Schneider, 1989; Dabholska, 1990; Langeard et al., 1981; Maister, 1985). Crowding or long waiting time adversely affect service quality (Dube-Rioux et al., 1989; Tayler, 1994). As the store name is positively related with purchase intention (Grewal et al., 1998), complex domain name makes customers difficult to visit frequently (Lohse and Spiller, 1998). Thus, the many functions of web pages and easy access to web site make customers stay longer at the web pages and them visit frequently. This will increase customers' perceived quality and customers' purchase intention simultaneously. On the other hand, interfaces of web page are also important component to influence perceived service quality and purchase intention (Baty and Lee, 1995; Spiller and Lohse, 1998; Lohse and Spiller, 1998). Above all, the interfaces of web pages should provide useful information such as product information (Grewal et al., 1998; Lohse and Spiller, 1998; Jarvenpaa and Todd, 1997; Spiller and Lohse, 1998) or value-added service offering (Jarvenpaa and Todd, 1997). Thus, the fifth and sixth hypothesis are regarding the characteristics of web pages.
Proposition 5: Web page characteristics such as interfaces, functions, and accessibility are positively related with perceived service quality.

Proposition 6: Web page characteristics positively influence customers' purchase intention.

If a store offers customers high quality services, the customers cannot but visit the store more frequently and purchase more products. In other words, perceived service quality influences intention to purchase products (Dabholka, 1996; Fiske, 1982; Dickerson and Gentry, 1983; Lendingham, 1984; Jacoby and Olson, 1985; Buzzell and Gale, 1987; Zeithaml, 1988; Berry et al., 1989). Thus, high quality of customer service gives customers intention toward shopping (Jarvenpaa and Todd, 1997).

Proposition 7: Perceived service quality brings about the significant effect to intention to buy products over the Internet.

Broadly, the meaning of product includes merchandise and marketing strategy such as price and promotion. In order to attract customers, the cyber store should carry products with familiar brand names (Grewal et al., 1998; Laroche et al., 1996) and high quality products (Jarvenpaa and Todd, 1997; Spiller and Lohse, 1998). Also, the product type is important. According to Landry (1998), the products that consumers do not need to see in person before purchasing like CD, PC, canned food are easy to sell over the Internet. On the other hand, most literature indicates that price discount by cost reduction is a benefit of the Internet-based transaction. Low price attracts customers and makes them purchase products (Grewal et al., 1998; Jarvenpaa and Todd, 1997; Spiller and Lohse, 1998). In addition to low price, promotion such as guarantee influences intention toward shopping (Spiller and Lohse, 1998).

Proposition 8: Characteristics of products influence customers' purchase intention.

Conclusion and Future Research

The purpose of this study is to show a big picture to explain why customers intend to use Internet-based markets to purchase products and what are the important factors that customers purchase products over the Internet. Theoretically this study expands and applies the existing theories of traditional markets to Internet-based markets. Practically, this study implies success factors for Internet-based markets to the companies who operate the Internet-based business or participate in the Internet-based markets.

References

“References available upon request from Changsoo Sohn”