

The Importance of Personal Interaction and Word of Mouth among Thai Online Shoppers

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Introduction

Internet retailing or e-retailing is a growing phenomenon around the world due to the ever increasing usage of the internet. According to the Nielson global online survey, about 875 million people (one-eighth of the world's population) have shopped online and these people accounted for 85% of the world's online population (Nielson, 2008). In a similar trend, internet users in Thailand had been growing dramatically to 16.1 million users (24.5% of Thai population) in 2008, with a 20% growth from 2007 (NECTEC, 2009). According to the Nielsen (Thailand) report in 2008, 61% of Thai internet users had used internet to make a purchase and increased by 27% in the past two years. Nearly 73% of e-commerce transactions in Thailand were targeted at final consumers and valued at 63.4 billion baht in 2008 (Pornwasin, 2008). Moreover, during the past four years, number of online shoppers in Thailand had increased 30-40% due to the growing number of online shoppers and relatively low investment required in starting online businesses (Chinmaneevong, 2009). For example, shopping.co.th has 27 categories and 186 sub-categories of products and services, with around 200,000 new items added per month. The most popular website in Thailand, sanook.com, draws 1 million visitors daily.

Despite the fast growing e-retailing market, marketers have a limited understanding of internet-related consumer behavior (Stewart, Wettstein and Bristow, 2003) especially in developing countries like Thailand. In Thailand, the main reasons against online purchase were risk-related factors such as lack of trust towards merchandiser, lack of physical touch regarding products, and unwillingness to reveal credit card numbers, and Thai consumers' perception towards online purchase as a high risk process (Laosethakul and Boulton, 2007). Due to high uncertainty avoidance and collectivistic nature (Pornpitakpon, 2000), Thai people tend to seek information and the opinions of others in an effort to save search time about the product and to lessen the risk in purchasing online. However, many studies have investigated the word of mouth communication as post purchase behavior of consumers (Brown, Barry, Dacin, and Gunst, 2005) and ignored the important role of both traditional and electronic word of mouth communication in risk reduction and consumer purchase intention. Moreover, the importance of personal interaction among shoppers and salespersons is largely ignored in online shopping literature.

Nevertheless, it is inevitable that the study of electronic retailing and online purchase behaviors is becoming an important concern for retailers to cope with the increased competition amid the current political and economic crisis in Thailand. The main purposes of this study are to understand the online shopping process of Thai

consumers and to develop a conceptual framework highlighting the importance of personal interaction and word of mouth (WOM) communication in risk reduction behavior of Thai shoppers which in turn influence their purchase behaviors. The next section discusses the conceptual development of the study based on the previous literature and findings from the focus group.

Literature Review and Conceptual Development

Many previous studies on online purchase behavior have focused on the Technology Acceptance Model (TAM) and the Motivational Model (MM) in explaining the internet adoption process and purchase behavior. However, due to the high uncertainty avoidance nature of most Thai people, it is worthwhile to investigate the factors reducing perceived risk in online purchase. Thus, this study applies the theory of risk taking (Sheth and Venkateson, 1968; Taylor 1974) in understanding Thai online shoppers' behaviors. In this study, an online shopper is defined as an internet user who bought or ordered goods/services on the internet by making payment in the form of bank transfer or credit card or any other online payments.

Three focus groups were employed to have better understanding of Thai online shoppers; one focus group for university students and two focus groups consisted of working people, age ranging from 18 – 35 years old. Each group consisted of 6 participants and the duration of each focus group was approximately one and a half hours. According to the focus group results, the prominent reason for buying online was product uniqueness followed by product quality and variety, and lower prices. In addition, 50 percent (9 persons) of the participants mainly used internet to search for the products of their interest and related information. The products that participants were mainly interested in and purchased were digital cameras and spare parts, PDAs and mobile phones, fashion clothes and shoes, and MP3 players. Moreover, they intended to purchase some old products which were difficult to find in the market, such as limited or special edition of product, and new fashionable products which were not available in Thailand yet.

When discussing online shopping process, the findings from all participants were consistent. As an initial step, they searched for necessary information about a particular product such as product information and price from the various sources of websites. Most of the participants read the comments and reviews from the web boards and chat rooms, and also checked the ratings or votes by other buyers to reduce the risks. After price comparisons were made, participants called the sellers to check the seller's credibility when browsing Thai websites, and to ensure the merchandise delivery, payment methods and security were acceptable.

Most participants searched for product information online but they avoided online payment regardless of online purchase made in Thailand or overseas. For example, to purchase from foreign websites, some participants placed orders through online and asked their friends overseas to carry the products for them instead of asking the sellers to ship directly to Thailand. Moreover, most of the participants bought from Thai websites rather than foreign websites. When buying in Thailand, most participants preferred to call sellers (website owners) in Thailand for additional information and to hear their tone of voice to ensure the trustworthiness of sellers. Hence, purchase behavior of most participants is different from conventional online shoppers. Once they decided to purchase the products, most participants used bank transfer or cash (in case of face to face transaction with sellers) and only a few participants used credit cards. Their buying process indicates that there is a high concern for risks associated with

buying online. Consequently, online shoppers tend to find alternative ways such as word of mouth communication to reduce their perceived risks.

Westbrook (1987) defined word of mouth communication as an informal communication between two or more customers about the products or the firms. There are two types of word of mouth communication (WOM): traditional and online. Sun, Youn, Wu and Kuntaraporn (2006) mentioned in their study that traditional WOM consisted of spoken words exchanged with a friend or relative in a face to face situation while online WOM usually involved personal experiences and opinions transmitted through the written word. The online WOM had widened the circle of sources and was found in the form of consumer chats, guest books, discussion forums and boycott sites. Moreover, with the growing popularity of social networks such as hi5 and Facebook, these networks could become an effective source to reach a larger number of consumers (Maneerunsee, 2009) and to conduct online WOM. The above literature findings were supported by the findings from three focus groups.

Consumers tend to have a low level of confidence while purchasing online due to lack of experience with products in terms of tastes, sounds, scents, tactile impressions, and visual images. To overcome this limitation, traditional as well as online WOM from other people provided indirect experience of products to the consumers (Park, Lee and Han, 2007) and allowed consumers to save search time about the product and tended to reduce the risk (Henning-Thurau and Walsh, 2003). Previous literature showed the effects of positive WOM for online retailers such as being the most effective forms to advertise (Enos, 2001). In addition, according to a study conducted by the Neilson in 2007, 81% of Thai respondents trusted what they hear from other consumers and 51% of them also considered web-based opinions as sources of trustworthy information (Neilson, 2007). The above behavior is consistent with the theory of risk taking (Taylor, 1974) which discussed that the consumers tended to reduce the uncertainty of outcome by seeking word of mouth information. Therefore, it is proposed that;

P1: Both traditional and online WOM have a direct impact on perceived risk of online consumers.

Previous studies also indicated that positive word of mouth had an impact on sales and repurchase intention of customers (Duan, Gu and Whinston, 2008). Park, Lee and Han (2007) also found that at Amazon.com, electronic word of mouth in terms of online consumer reviews had a positive effect on consumer purchase intention. Duan *et al.*, (2008) argued that WOM produced more sales of products which in turn created more WOM and more sales. The Nielson Global Survey also revealed that WOM information remained the most trusted source of information in Thailand when making purchase decision (Nielson, 2007). Thus, it is proposed that;

P2: Both traditional and online WOM have a direct impact on purchase intention of consumers.

Attitude towards online shopping

Ryan (1982) found a strong impact of consumers' attitude on consumers' purchase intention. For example, a positive attitude towards e-commerce (Helander and Khalid, 2000), and a positive attitude towards internet shopping (Shim *et al.*, 2001) had significant influence on online purchase intention. Moreover, Shim and Watchravesringkan (2003) also found a positive relationship between consumers'

attitude toward online shopping and online purchase intention for apparel. Kim, Kim, and Lennon (2009) found consistent results that there was a positive relationship between consumer's purchase intention and their attitude towards a web site. Bramall, Schoefer and McKechine (2004) argued that if consumers had a favorable attitude towards new technology, they would tend to have higher trust on the internet as a retail medium, thereby reducing their perceived risk. Hence, it is proposed that;

P3: Consumers' favorable attitude toward online shopping tends to reduce perceived risk of online shoppers.

Personal Interaction

The interaction between the store salesperson and consumers is one of the influencing factors on the consumer purchase behavior in retailing. According to Reynolds and Arnold (2000), there were some consumers seeking to get assistance from the salesperson for reasons of social interaction and personal enjoyment. Laosethakul and Boulton, (2007) reported that Thai people perceived that online shopping was impersonal and lacked the human-touch activities. Thus, it is not surprising that most participants from the focus group called the local online vendors before they purchased the products to ask about the product related information and to hear the tone of the voice of the sellers to judge their credibility. One of the participants working at a law office said:

“If I want to order the product, I always call the seller directly to ask for all information that I want. If the shop is not far from home, I am willing to buy from that seller and get the product by myself by paying cash. But if it is far, I will transfer the payment through bank and keep the receipt as evidence”.

Another participant agreed by saying:

“I love to call the seller to make sure that we can get the good merchandise and feel relax while waiting for the delivery”.

Sheth and Parvatiyar (1995) reported that seller's interactions with buyer such as providing information and service during the purchase process could create buyer's confidence in shopping. Moreover, it could lower the buyer's perceived risk (Conchar, Zinkhan, Peters & Olavarrieta, 2004). Hence, it is proposed that;

P4: Consumers' personal interaction with sellers tends to reduce the perceived risk of online shoppers.

Merchandise Related Factors

Consumers generally liked to feel and touch the products, tried them or tested them out and compared the prices before they purchased the item (Monsuwe' *et al.*, 2004). For example, consumers considered purchasing standardized, staple or familiar goods online more than personal-care products since those products did not require pre-trial or physical contact (Monsuwe' *et al.*, 2004). Similarly, Balabanis and Vassileiou (1999) reported that one of the reasons for consumers not to purchase online was inability to touch the product. A female office employee from the focus group gave the reasons for not purchasing fashion products online as follows:

“I will not buy fashion clothes from the website because I am afraid that the product is not suitable for me since I could not try it on. Moreover, I have to make the payment first”.

Thus, products such as DVDs/games were the most popular purchase items among Thai internet consumers followed by books, computer hardware and air tickets

(Nielson, 2008) because physical feel and touch were not that important for buying these products and they were less complicated in nature. Hence, Bramall *et al.*, (2004) argued that complexity of products such as products with high level of information needs tended to increase the perceived risk of online purchase. Bramall *et al.*, (2004) also mentioned that expensive products and unfamiliarity with brand name enhanced the perceived risk of consumers in making online purchase.

Another merchandise related factor considered in this research is price. According to Lim and Dubinsky (2004), prices and product comparisons could be done at the same time and reduced the search costs while purchasing online. Moreover, online retailers could offer promotional tools such as lotteries, online games, appetizers, special offers, and several links to other websites (Spiller and Lohse, 1998). These types of offers could enhance consumers' positive attitude towards online shopping and lower their perceived risk of shopping online. Thus, if the product's availability online had competitive price and promotion, it was likely to offset the risk of online transactions in consumer markets (Laosethakul and Boulton, 2007).

P5: Merchandise related factors such as complexity of a product, its price and promotion tend to reduce perceived risk of online consumers.

Perceived Risk

Mitchell (1999) argued that the perceived risk of using internet was paid attention by many marketing practitioners and researchers since it was powerful to explain consumer behavior. Sheth and Venkateson (1968), based on the risk-taking theory, reported that during the purchase process, most consumers had some levels of perceived risk. Perceived risk was defined as a perception of consumers on uncertainty and negative consequences in purchasing a good or service (Dowling and Staelin, 1994), including social, performance, financial, physical, psychological, and time/convenience risk (Jacoby and Kaplan, 1972). They defined these six risks dimensions as follows: Social risk was defined as "the disappointment in a person by his/her friends in case of a poor product/service choice", product performance risk as the loss resulting from a product or brand not meeting the expectations. Financial risk related to loss of money due to a poor product/service choice. Physical risk concerned a person's safety and health but psychological risk involved a person's disappointment in him/herself for making a poor product/service choice. Lastly, time/convenience risk was defined as the time spent on product purchase and the time wasted for choosing a poor product/service.

Chang and Chen's (2008) research on the impact of online store environment found that consumer's online purchase intention was influenced by consumer's perceived risk and trust. Moreover, several previous researches discussed how consumers' perceived risk can be reduced in different ways. Based on the findings of Dowling and Staelin (1994), consumers searched for information to avoid or reduce the perceived risk. Conchar, Zinkhan, Peters and Olavarrieta (2004) concluded that consumer's perceived risk was reduced by the assistance of the store salesperson and advices.

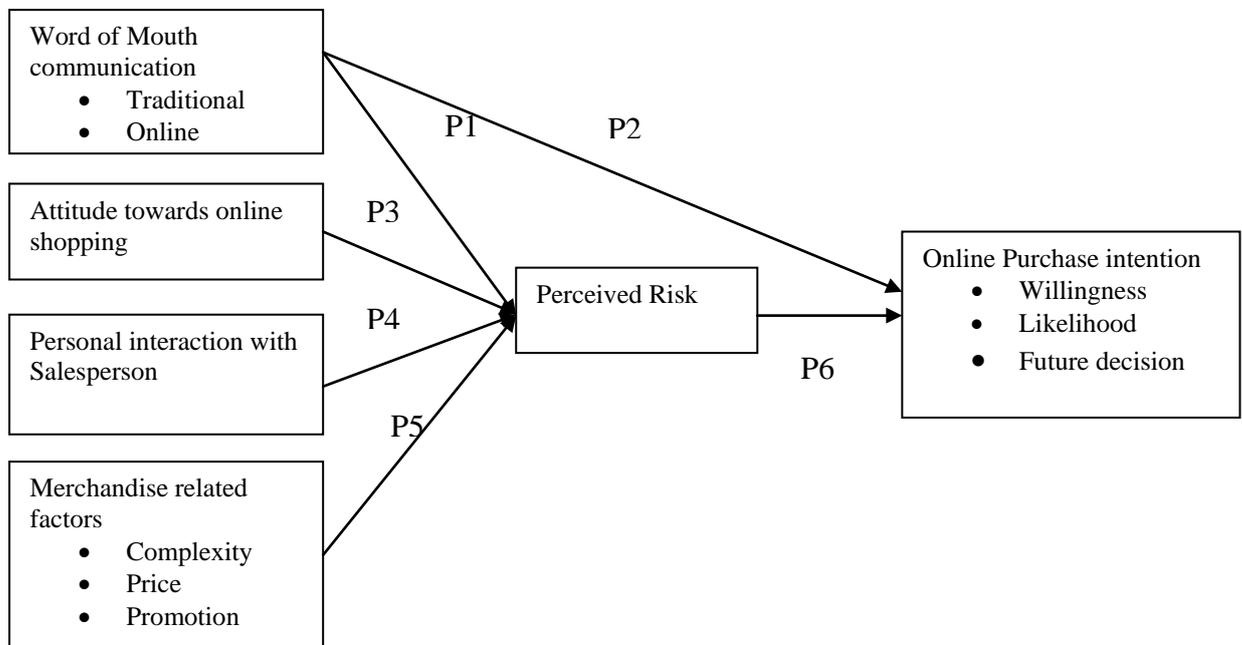
Lwin and Williams (2006) indicated that shopping online (non-store retailing) was riskier than shopping at traditional stores, due to the e-security concern (Helander & Khalid, 2000), and lack of experience of products through tastes, sounds, scents, tactile impressions, and visual images (Hirschman and Holbrook, 1982). Results from the focus groups also indicated the use of credit cards and security as the first and most important issue considered by the buyers, followed by the leakage of personal information, lack of trust on sellers, long waiting time for merchandise delivery, lack of merchandise trial, and cheating problems such as delivery of the merchandises which

were different from what the sellers claimed or showed on the web. Park and Jun (2003) also indicated that consumers had privacy concerns (e.g. unauthorized use of data, invasion of privacy, and errors) which had an impact on their intention of online purchase, and perceived risk tended to influence consumers' intention to purchase on the internet (Jones and Vijayasarathy, 2000)

Bramall *et al.*, (2004) also argued that reduced perceived risk associated with buying from a particular online retailer tended to increase consumer's willingness to purchase from that online retailer. Hence, it is imperative that reduction of perceived risk could lead to consumers' willingness to purchase online.

P6: The lower the perceived risk, the more likely consumers make online purchase.

The following tentative conceptual framework is developed based on the above literature and findings from the focus groups.



Conclusion and Implications

The findings will assist marketing managers in planning and implementing their marketing strategies by allocating appropriate resources to enhance Thai consumers' online purchase behaviors. For example, using word of mouth communication such as viral marketing rather than heavy advertising may lead to willingness to purchase online. Online sellers may need to be available for phone calls for more information and face to face meetings (both physical and virtual) since Thai online shoppers prefer personal interactions with sellers to reduce their perceived risks especially in buying unique and expensive products. Academically, this paper provides the buying decision process among online shoppers which is slightly different from traditional buying decision making process and extends deeper understanding of online purchase behavior

of consumers by highlighting the importance of personal interaction and word of mouth communications among consumers in a developing country.

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