

Online Consumer Behaviors: Impulse purchase and e-commerce

by

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Abstract

Impulse purchase has been an important topic of consumer behaviors, and it happens in the cyberspace as well. Recent research indicates 40% of online purchases are unplanned. Through literature review, this report first defines the term "impulse purchase", and then tries to find out the positive and negative factors which influence the decision-making process of consumers. This paper also refers to latest surveys of Internet consumer behaviors regarding impulse purchase. Combining analysis of consumer online shopping behaviors and mental process of making impulse purchase, we are able to find out certain strategies to improve online retail business. There are also two cases cited to demonstrate the achievement by using "impulse purchase" as a competitive strategy. Hopefully, this paper will bring some new idea to the practice of e-commerce, and also be helpful for consumers to understand some tricky tactics of e-tailers.

Consumer behaviors: Impulse purchase and e-commerce

Introduction

According to a recent report, 48.9% of U.S. Internet users made at least one online purchase in 2001, and more than three-quarters say they made 1-10 purchase per year (UCLA internet report 2001). Moreover, consumers respond that 43% of their purchases are impulsive or incremental (Ernst & Young, 2000). Since Internet gives consumers complete access to virtually any product, it's always considered a tailor-made tool to trigger impulse purchase.

How does impulse purchase happen online? Both The Yankee Group and Ernst & Young conducted surveys where they asked people why they would make impulse purchase on the Web. According to The Yankee Group (Nov. 2000), 75% of survey respondents indicated that a "special sale price" would motivate them to make a spontaneous purchase. The second most influential factor was free shipping (49% of respondents). Ernst & Young (Jan. 2000) reported 88% of impulse purchases were because shoppers found products that were offered at good price or on sale. According to these surveys the common wisdom is clear: impulse buys are price-driven and not because of any specific design or architecture of the web site.

However, is price the only thing that matters? Are people really aware of why they buy on impulse? Most of time consumers just don't admit that they made some unnecessary purchases. In this situation, we need to refer to some consumer behavior studies to find out underlying factors that cause impulse purchases. We need to define impulse purchase and find out related consumer decision-making process. In this paper, I will use two leading literatures, which focus on consumer impulse purchase behaviors, as a framework to probe into customers' mindset.

Narrowing down to the topic, impulse purchase and e-commerce, we will need to discuss the factors that influence online consumer to buy on impulse. From the results of online behavior research and shopping survey, we can discover important stimuli triggering impulse purchases. Moreover, we can employ these stimuli to improve our e-commerce. I will also cite some websites which successfully use "impulse purchase" as a strategy to boost their revenue. Hopefully, this paper will provide a new direction of e-commerce designing and new business opportunities.

Research Questions

- * **What does impulse purchase mean?**
- * **What makes impulse purchase happen?**
- * **How to improve e-commerce by triggering impulse purchase online?**

Definition of Impulse purchase

Impulse purchase has been one of the important topics of consumer behaviors. Engel and Blackwell (1982) defined an impulse purchase as “a buying action undertaken without a problem previously having been consciously recognized or a buying intention prior to entering the store.” Phillips and Bradshaw focused on point-of-sale interaction: “Intent to purchase is far from fixed and can continue to be modified right up to the point of purchase.”¹

There are some characteristics of an impulse purchase

Rook (1987) describes impulse buying as exhibiting a number of characters:²

- The feeling of an overwhelming force from the product
- An intense feeling of having to buy the product immediately
- Ignoring of any negative consequences from the purchase
- Feelings of excitement
- The conflict between control and indulgence

Generally speaking, there are pure impulse purchase and cognitive impulse purchase. The former is more related to personal mood and sensation, and the latter is more often triggered by point-of-sale experience. I will focus on the cognitive impulse purchase since it is more likely to be manipulated by merchants.

There are some other expressions describing impulse purchase such as incremental purchase, unplanned purchase, simultaneous purchase, etc. They are not necessarily impulsive, however, they are still unexpected purchases before consumer entering the store. In this circumstance, they still fit into the category of cognitive impulse purchase.

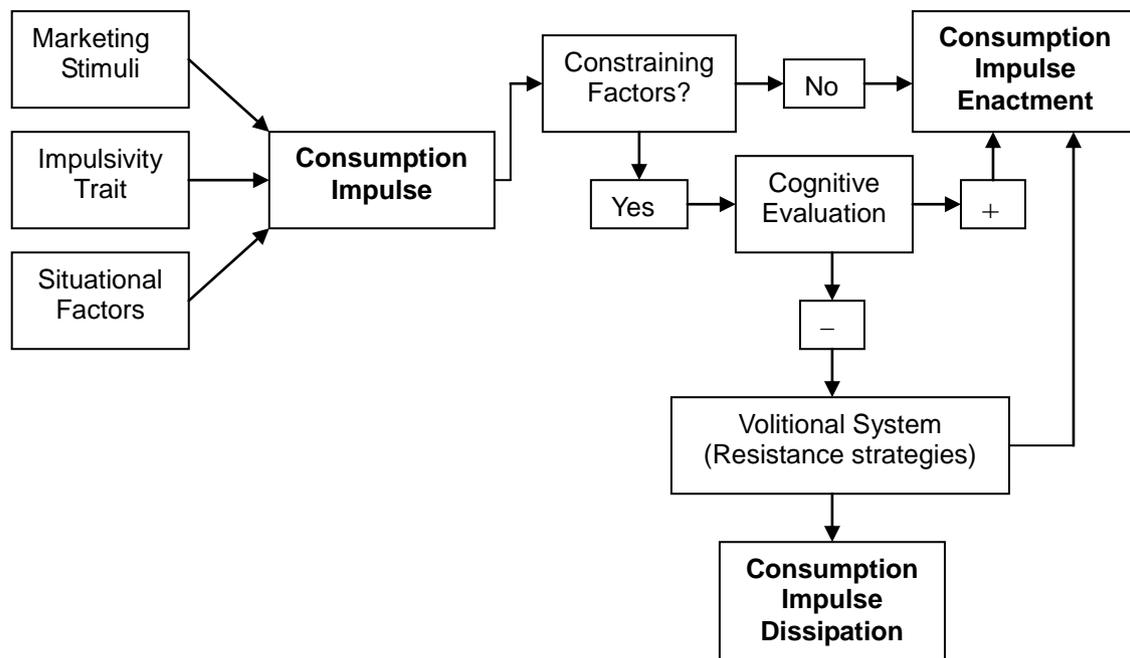
¹ Bayley, G. & Nancarrow, C. (1998) Impulse purchasing: a qualitative exploration of the phenomenon. *Qualitative Market Research*, Vol. 1, No. 2, P. 99-114

² Same with footnote 1

Consumption Impulse Formation and Enactment (CIFE model)

To understand consumption impulse formation and enactment, Dholakia (2000) use CIFE model as a framework to deconstruct customers' mental process of making impulse purchase.

Figure 1. CIFE Framework³



Marketing Stimuli

It's the most common tactic to stimulate impulse purchase. Marketers can control the presentation of such stimuli to the consumer, such as discount, sale at limited quantity.

Impulsive Trait

The impulsive trait of the consumer has been defined as the tendency to respond quickly and without reflection, and characterized by rapid reaction time, absence of foresight, and a tendency to act without a careful plan (Doob, 1990). This trait is highly associated with individual personality.

³ Dholakia, Utpal M., (2000) Temptation and Resistance: An Integrated Model of Consumption Impulse Formation and Enactment. *Psychology & Marketing* Vol. 17, P. 955-982

Situational Factors

Consumption impulse is also affected by surrounding environment. For instance, those chewing gums around the checkout stand always catch your attentions. Situational factor may increase or decrease the propensity of the consumer to experience the Consumption impulse. A store that refuses accepting checks and credit cards will curb its consumers' impulse of shopping.

Consumption Impulse

According to these three antecedents to a sufficient degree culminates in formation of the consumption impulse, an irresistible urge to consume. It is useful to think of consumption impulse as having an intensity dimension, rather than as occurring or not occurring.

Constraining Factors

When the consumer experiences the consumption impulse, mental responses are automatically triggered to evaluate the presence of possible constraints to enactment. There can be current impediments that they have no adequate money, or consideration of long-term deleterious consequences such as feeling uncomfortable to give out credit card numbers online.

If no constraining factors are identified, the impulse may be viewed as harmonious with the consumer's goal and triggers purchase. On the other hand, if constraining factors are identified, the consumer experiences conflict between the desire and the self-control. It will take the customer into his own cognitive evaluation system.

Cognitive Evaluation

In this mind stage, the customer will need to re-evaluate all the constraining and luring factors toward consumption impulse. If the evaluation is positive, the consumer may view the constraining factors as not significant enough, and may enact the consumption anyway. If it turns out to be negative, the volitional system of the consumer comes into play.

Volitional System

This is a mechanism used by the consumer to fight back the consumption impulse after it is evaluated negative. Strategies of resistance often involve self-regulation of mental states and processes by individual through different mechanisms. There are many usual strategies against consumption. For instance, the consumer can use exposure control, where the consumer actively manipulates his environment to reduce effect of the consumption impulse stimuli.

From the framework of CIFE model, we can observe the formation of impulse purchase closely and clearly. Once we figure out those stimuli and constraints of consumption impulse, we have greater potential to manipulate the factors influencing consumers' decision-making process.

How to trigger impulse purchase online?

Since around 40% of Internet purchases are unplanned or incremental, how to trigger impulse purchase online becomes a crucial issue. From CIFE model, we can certainly find some positive and negative factors that affect impulse purchase. Accordingly, we can improve our business by maximizing the positive factors and minimizing the negative factors. Applying this to Internet environment, we can boost our sales as those traditional retailers always did.

Enhance marketing stimuli

Just like their counterpart did in the physical store, online retailers can use **discounts**, **bundled product with lower price**, **limited merchandise**, or other **special promotion** to stimulate their customers making impulse purchase. In fact, 94% of impulse buyers cited "price" as the most important reason of their unplanned Internet purchase and more than half said they will be enticed by **free shipping**⁴. However, all these promotions diminish the rate of return, plus, price competition is not always the best strategy for retailers.

Utilize impulsivity trait

As discussed, impulsivity trait involves individual mood and personality. It's comparatively hard to be controlled or manipulated. To utilize impulsive trait of the consumer, we can use

⁴ Source: Ernst & Young, Global Internet retail Report 2000

the concept of market segmentation to find out those customers who have tendency to buy on impulse.

Ernst & Young Global Internet retail Report 2000 found out that 88% of people under the age of 25 have made at least one unplanned purchase online, but only 60% of people who are over 60 years-old have made it. This implies younger people have greater potential to make impulse purchase.

Other than impulsivity trait of the consumer, different products may have different potential to be bought impulsively. Stern (1962) identified nine influential product-related factors of impulse purchase: **low price, marginal need for the product/brand, mass distribution, self-service, mass advertising, prominent store display, short product life, small sizes, ease of storage.**⁵ In general, expensive and high involvement products are less likely to be bought on impulse. Besides, some products highly associated with immediate experience and fulfillment such as clothes, shoes are unlikely to trigger impulsive purchase.

Create ideal environment

How to build an ideal environment to trigger impulse purchase online? This is the most important part that we can certainly control without sacrificing our revenue margin (compared to sales promotion). There are several strategies that can stimulate unplanned online consumption.

1. Category links: Using category links makes the customer have better chance to browse most products provided in this website than using search engine. Basically, online shoppers tend to use category links prior to search engine. A recent study observed that, when using category links, shoppers are 3 times more likely to continue browsing for more items after they found the item they originally were looking for. It also reveals 87% of the dollars spent on impulse purchases resulted from users navigating the site by category links, meanwhile, only 13% by using search engine.⁶

2. Simple checkout: According a poll by FreeRide Media, experts say the ease of one-click purchase can indeed foster impulse buying.⁷ Since impulse purchase has great potential to be abandoned once the consumer consider seriously, the simple checkout of products may

⁵ Bayley, G. & Nancarrow, C. (1998) Impulse purchasing: a qualitative exploration of the phenomenon. *Qualitative Market Research*, Vol. 1, No. 2, P. 99-114

⁶ Source: E-commerce White paper, User Interface Engineering

⁷ Source: MarketingProfs.com www.MarketingProfs.com

diminish the hesitation of the consumer.

3. Recommendation system: Owing to the intelligent agent technology, e-tailers are now able to track shoppers' activities on their website. By this they can advise shoppers of other products based on what they intend to buy. This is an efficient way to stimulate impulsive purchase because this kind of products is very likely to interest the customer. Furthermore, the e-tailers can also suggest some add-ons of the original product the customer intend to buy. For example, if the customer wants to buy a printer, he might also need some supplies such as papers, inks, or cables. If there is a bundle package for sale, the customer will definitely consider doing some incremental shopping.

4. Virtual checkout stand: When people buy something in physical store, those products stocked in front of the checkout stand always get the attention from the customer. This is a prime spot for impulse purchasing. However, few customers would make their major purchase during this period of time. The better strategy is to put those least expensive but higher profitable items and feature them prominently.

5. Product exposure and highlights: The more product information the consumer receives, the higher possibility that they will make impulsive purchase. A survey indicates three times of traffic if a single product is highlighted.⁸ E-tailers should study the traffic on their web site and find the perfect spot for their promotion products. Moreover, develop a catchy topic for your featured products such as "Bestsellers" or "Special of the week".

6. Personalized and Customized: Provide an exclusive and convenient environment for those repeated customers. By providing this kind of membership, the e-tailers can get the customer's information and preference. It won't be difficult to trigger impulse purchase if the e-tailer can deliver right product information to the right person.

Minimize constraining factors

There are some crucial constraining factors of impulse purchase on Internet business. First of all, the lack of physical sensation and fulfillment curbs the impulse to buy. To overcome this constraint, e-tailers need to find the best way to demonstrate their products. Along with the technology improvement, some advanced product demonstration has been put into practice. 3D demonstration and animation can certainly help on this issue, expensive though. The second is the security issue. Giving out credit card number always makes consumer

⁸ Source: Internet Business Center www.ibizcenter.com

hesitate. Hesitation is the nature enemy of impulse purchase. In this situation, some legal contract or statement to assure the customer of a security transaction will be necessary. The third is the difficulty to return unsatisfied product. This makes consumer less willing to make impulse purchases. If the e-tailer can guarantee success of returning unsatisfied products, or offer better return policy, the customer will be braver to buy on impulse.

Case Study

Amazon.com

The most famous online bookseller notices the value of impulse purchase and maximizes this profitable behavior with innovative software. They use **recommendation system** to find those products you might also be interested in and put them at their **virtual checkout stand**. In addition, this doesn't make checkout process complicated. Almost every product demonstrated on their website comes with an icon "add it to your shopping cart". Basically, it only takes **two or three clicks** to complete the transaction.

Bestbuy.com

Bestbuy.com is one of the biggest retailers selling computer and related electronic devices online. They offer an easy way for buyers to buy necessary **add-ons**. On the shopping cart page, they provide almost every accessory you can use with the one you originally intend to buy. Moreover, they provide the information of **bundle bargain** and **special rebate** from the manufacturer while you browse the item. They also **highlight** their feature products and hot sale items when you go through their website by **category links**. Generally, they will give you any information that might spur you to make unplanned purchases.

Discussion/ Conclusions

Many online shopping surveys indicate the same result: over 40% of Internet purchases are unplanned before shoppers go online. This illuminates an essential point that e-tailer have to maximize its profit by taking advantage of this phenomenon. Constrained by the nature of e-commerce, lacking of physical feeling and stimulation, e-tailers need to make more efforts to encourage impulsive consumption on their website. This report indicates that "special sale price" is not the only way to trigger impulse purchase. Along with the innovation of virtual agent technology, e-tailers have greater opportunities to provide tempting product information to every specific consumer. Since 70% of purchasing decisions are actually made in the

store, it is crucial to build an alluring shopping environment on the cyberspace.

Impulse purchase is also related to individual mental states. Previous research indicates this consumer behavior sometimes occurs owing to personal fulfillment or compensation. In this case, it has little to do with shopping environment because the consumer simply wants to buy something. I didn't cover this psycho logic topic in this report since we can really do little with it.

There is another story of impulse purchase, m-commerce. The development of personal mobile devices is ready for the millennium. More and more new ideas emerge to stimulate consumption wherever the consumer is. I didn't cover this new trend in this paper because it is still on its early age and few of the pioneers have been successful in this field. We can expect that many creative ideas appear to drain out every penny in the consumer's pocket. It'll need further observation to figure out what works or not.

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