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RESEARCH ON CONSUMER ONLINE PURCHASING DECISION AND ITS INFLUENCING FACTORS IN CHINA

–Take Taobao as Example

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ABSTRACT

E-commerce market has great potential, especially the aspect of online shopping, but before every moves of development, we must understand the key factors that restrict the activity of consumers shopping online. Only understand these impediments enable the online shopping to develop.

The objective of thesis aims to investigate the decision-making process of online consumption and to evaluate how cultural, social, personal, and environmental factors could have impact on the customers' online shopping decision, specifically in China e-commerce market.

The research designed on the perspectives of online consumers' characteristics and environmental stimulations. The respondents who have online shopping experiences on Taobao e-commerce market for questionnaire were selected from China. A 152 sample frame was chosen for participation, but only 30 respondents obtained within 17 days of releasing. Research questions were devised on the fundamental of four factors while items for each question were designed in terms of sub-factors from main aspects.

Consequence verified the impact of factors on customer online shopping behavior and came up with two obstacles that negatively influence both customer online shopping desion and online retailers.

Suggestions for further study can be conducted with the expansion of samply demand the diversification of samlpe background.

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LIST OF ABBREVIATIONS

EC   Electronic Commerce

C2C   Customer to Customer

CNNIC   China Internet Network Information Center

CASS   Chinese Academy of Social Sciences

CBT   China Business Times

SPSS   Statistic Package for Social Science

1 INTRODUCTION

1.1 Research Background

With the rapid development of the Internet, Electronic Commerce (EC) as a new consumption mode arouses widely attention from every work of life in the society. The main force of e-commerce in the world is still the United States of America and other developed countries (Baidu, 2013). In the meantime, e-commerce of China is continually expanding and growing as the development of worldwide main force. According to China consumers online shopping survey in 2013 that was published by China Internet Network Information Center (CNNIC), we can realize that up to the December of 2013, the population of China's online shopping users reached 302 million, representing an growth of 59.87 million from last year, otherwise, the rate of internet utilization increased from 24.5% (2006) to 48.9% (2013), which indicates the Chinese e-commerce market still has room for growth.

As the expansion of population of online shopping users in China, e-commerce platform provides not only opportunities for merchants who would like to work on e-commerce but also challenges. Because the competition between traders will become increasingly fierce since increasingly enterprises and individuals has been participating this magnificent e-commerce market. Therefore, how to seize the opportunities and how to stand out from the long list of competitors are the questions which have to be considered by dealers.

From the developmental features of internet, there is a tremendous difference between online consumer environment and traditional purchasing circumstance as the result of intangibility and virtuality of online network (Li et al, 4, 2008). Thus, it is necessarily and significantly to research on the online

consumer buying behavior and influence factors on consumer online in the thesis. From the aspect of supplier, especially from the C2C e-commerce market, the entry barrier that e-commerce set for merchants to begin network sale is not very strict, and the cost of exit or entry from e-commerce platform is low, hence, C2C e-commerce market can be defined as free competition market and obviously the competition in it is intense (CBT, 2000) Therefore, how to attract customers to enter the shop and being stand out from this competitive market for online retailers have to be taken into consideration in the thesis.

1.2 Motivation

I become interested in this thesis topic since my personal avocation planning of registering an online store on Taobao e-commerce platform and become the agent of overseas purchasing. According to the experiences of my friends, I witnessed lots of successful cases of overseas purchasing from New Zealand, Australia, and America. As I know, the prerequisite of doing this business is the seller stay abroad under normal circumstances. Therefore, as the international student who studies in Finland, I met the premise condition. But all the things are difficult before they are easy. The problems of how to create a prosperous online shop, how to earn the reputation and how to satisfy customers' needs are associating with the marketing strategy of online store. Consequently, the suggestions for triumphant marketing strategy will be made by analysis of customer online shop decision-making and influencing factors for customer buying behavior.

As a business student who studies in the Programme of International Business, the experiences and knowledge that I've predominated from previous study encourage me to combine the theory of international business with the practice

of doing business globally.

1.3 Objective and research question

The objective of this thesis is to distinguish the appropriate factors that influence consumer purchasing decision on the internet in accordance with reviewing and comparing the findings, proposing positive proposals for advancement of online shop thereby.

The research of thesis is aiming to answer the questions below:
- What factors will affect consumer decision-making process?
- What suggestions will give to Taobao online store in terms of risk perception and privacy typology?

1.4 Thesis structure

The chapter of literature review goes through analyzing and generalizing the literatures and previous research achievements, at the same time combining with the features of online consumer environment and the characteristics of online customers, to find out relevant elements that probably affect client's online shopping behavior. For instance, by reviewing the literatures on the aspects of the cultural factors (subculture), social factors (recommendation, social media, risk perception), individual factors (age, online shopping experience, risk perception), and environment factors (price, web design et al), the research reflects their influence in order to conduct subsequent analysis.

The methodology chapter depicts the way of research implementation by using the theory of research method and the way of data collection that provided by

Saunders et al (2012), besides, elaborating the limitation of survey that created for research purposes in the thesis.

The chapter of research methodology describes the feedback of questionnaire by analyzing the figures step by step to obtain the direct options of effective factors from Taobao consumers, and then gives the suggestions for Taobao online shop in the operation process of marketing.

The final chapter does some conclusion of previous research and answers the research questions that listed in the beginning of thesis, in addition, predicting direction and possibility of further research.

2. LITERATURE REVIEW

2.1 Online consumer purchasing behavior

2.1.1   Online shopping behavior

Online shopping also known as online purchasing or online consume, refers to the consumption process by which customers satisfy shopping demand through internet (He, 2004). From the report of China online shopping industry development (2008-2009), online shopping can be defined as the process of sellers delivering products or service to clients, and the elements of information flow, capital flow, logistics that are relevant to this delivering process and every links of overall process are finished with the help of internet (iResearch, 2009). Online purchasing in this thesis is mainly determined as a real purchasing behavior that customers meet demand on the basis of internet technology implementation.

As the development of internet technology and the improvement of e-commerce market, online shopping becomes a brand-new individual consumption pattern for buyers and receives a growing number of attentions from public. In recent years, there is a great deal of scholars doing research on influencing factors for customer online purchasing behavior from different aspects. For example, in China, Wang (2001) executed a research from the sides of demographics, customer characteristics, transaction security, and online store owner to dissect the factors that affect clients' online shopping behavior and to build an influencing factor mode. While some others did the similar research from the aspects of online shopping risks, merchandises'

features and types, websites' maneuverability and convenience, and major advantages of online retailors (Zhang and Zhao, 2004).

2.1.2 Constitution and characteristic of Chinese online shopping population

China online shopping market research report (2013) displays that online shopping customers population penetrates from younger users to senile online citizens, the online user population between the ages of 20 to 29 occupies 56.4% on a national scale, while the ratio of online user population on the age between 31 to 39 is relatively less, which is 22.5% only (CNNIC, 2014). In particular, those online users who owned undergraduate degree or above from universities reflects a higher proportion (35.9%) while the online citizens who only accepted secondary education or graduated from technical school possesses approximately 23.7% to 25.7% rate (CNNIC, 2014). 34.5% of online clients' monthly income level is in the interval of 1001 Yuan to 3000 Yuan, by contrast, there are 27.7% of online customers earned much more money (3001-5000) per month (CNNIC, 2014). These data indicates the constitution of Chinese online shopping population is that the majority of online consumers are the striplings and most of them are being highly educated and their incomes are mostly in the middle level probably as a result of lacking work experiences in their age (Amanda, 2013).

The features such as virtuality and timeliness of online market necessarily cause novel consumption characteristics in the Network Economy Times (Lieber and Syverson, 2011). Tian, Feng and Qi (2001) believe that the distinguishing features of online consumption primarily manifest on the regression of individual consuming, the enhancement of consumer initiative, the intensification of demand for convenient consuming and the reduction of products' price, which are the significant factors that affect consumer

psychology in the purchasing process.

After several years of advancement, e-commerce market provides multifarious and numerous goods for clienteles to select, purchasing well-content products or services so far (Sina, 2012). With the variation of product category and the development of information technology, customers are being more cautious to obtain the information of goods from websites, receiving the recommendations from friends in order to make a comparison was becoming a favorable approach for customers to make shopping decision (Broad Vision, 2008).

Along with the accelerated life rhythm, customers not only pursue the high quality and impartial price of daily supplies, but also pay close attention to the quickness and convenience of online shopping for the purpose of time saving (Seock and Bailey, 2008). An increasing number of purchasers treat convenience as the primary objective aim to buy time for entertainment and relaxation, and buyers turn into prudent for the price because of the virtuality attribute of internet (Zhang et al, 2, 2011). Lin and Ding (2010) even consider the delight of seeking procedure of shopping as one of characters of online consuming, which indicates that consume online appeases the real demand of shopper and offers a hyperbolic pleasure to them in the shopping process meanwhile.

2.1.3   Online shopping process

According to the theory of consumer behavior, traditional buying process is divided into five stages, which are Need Recognition, Information Search, Evaluation of Alternatives, Purchase, and Post-Purchase Behavior (Kotler and Armstrong, 2011). In the accustomed model, myriad information of product or promotion that customers required mostly come from multimedia advertising or

convey from relatives and friends by mouth, therefore, the a plenty of time and money were wasted on information research, moreover, only customers themselves are able to understand the buying experience and have less impact on others (Kotler et al, 2011). For instance, the after-purchase evaluation from other clients will be rarely known by other customers due to the purpose of these information is to boost the quality of service of shop rather than sharing to public. Compared with traditional consumer decision-making process, online shopping procedure is the delivering process of products and services that depends on internet medium (Liu, 2008). Except the discrepancy in intermediary, there is no apparent divergence between the habitual buying process and online shopping process.

Online shopping process begins with purchasing motivation, which formed by the effects from both internal and external stimulations (Fagerstrøm et al, 2011). On one hand, customers' demand for a sort of commodity or service is the prerequisite of consume confirmation; on the other hand, such as web design and friends' recommendation are the external poignant factors (Rohm et al, 2004). After the composition of buying motivation, rational clients will filter the effective information from messages of sufficient product lists to achieve transaction. In this procedure, customers are considered more proactive when they are shopping online than have consumption by traditional method due to unconstrained time and place (Gilly, 2001).

On the stage of comparison and selection, customer turns into more cautious for the credit of online stores, the price of goods, and the post-purchase comments from others because of they are not liable to have a direct contact with the real products (Teo, 2002). During this process, e-commerce platform such as Taobao based on the credit certification and post-purchase evaluation from third-party information source to weaken the information asymmetry

matters between both parties of business deal, providing the reference for analogy (Zhang, 2013). Afterwards, the purchasing decision can be made through comparing and analyzing products, seriously deliberating the sense of trust for virtual store owners and the sense of security for payment then.

During the phase of after-sale assessment, as the name implies, it is the process of online shoppers comparing the received product with the description of goods that store provided and giving the evaluation such as "Good, Medium, Bad" to the store after testing the merchandise in order to influence the reputation of online shop and provide the reference to other potential clients. (Van et al, 3, 2003).

2.2 Impact factors

Kotler (2011) propose that factors that could profoundly influence consumer shopping process can be summarized to four aspects, which are cultural, social, individual and psychological. In the cultural aspect, the research conducts from the difference between Individualism in European and American culture and Collectivism in China culture to represent the culture influence on online consumer behavior in China (2011). Besides, the study illustrates the example of impact from friends and family and risk perception to incarnate the effectiveness of social factors on online shopping decision (2011). In addition, the analysis of personal factors starts on age, online shopping experience, privacy typology and risk perception to reflect significance of individual factors for online shopping (2011).

Furthermore, according to the discrepancies between online shopping and traditional shopping, the mental state and behavior of customers to purchase through internet is different from the psychological state and behavior of clients

to have traditional shopping (Cao et al, 2, 2007). For example, it is difficult for us to distinguish the intention of consumers from the network behavior such as you don't know the ultimate goal of their browsing action on the internet; additionally, customer online shopping decision in traditional model more likely to be affected by marketers and shop environment, while clients are more proactive and personality when they are shopping online; moreover, the price of online consuming includes price of products and the price of logistic, therefore, the price perception of buyer for online goods is vary from price perception for offline merchandise (Cao et al, 2, 2007).

Thus, the traditional psychology theory cannot be directly used to analyze the online consumer process. But the influence of mentality reflected more or less in every stages of online shopping so that there is no need to evaluate psychology independently (Perea et al, 3, 2004).Ultimately, using environment factor subchapter to replace the psychological subchapter to analyze the impact elements from the aspect of virtual community in the thesis is more appropriate for the following study (Park et al, 2, 2003). Because the online stores is untouchable so that some elements such as background, the design of website, the prices, and the post-sale evaluation from the perspective of environmental stimuli are the direct factors to affect customer online shopping decision (Park and Kim, 2003).

2.2.1   Culture factors

Triandis (1995) bring forward that Individualism refers to an inattentive social structure while collectivism represents a tight social structure. There is spectacular distance between the individualism that advocated by European and American culture and the collectivism that advocated by Chinese culture, and this difference will affect online shopping aspiration and behavior (Kotler et

al, 2011).

An cross-cultural investigation suggested that the impact of social factors on Chinese online shopping process is more obvious than it on the Americans', and the reason for the existence of this phenomenon more likely to be Chinese is collectivist cultural orientated for whom prefer to pay more attention to the social regulations, in contrast, the Americans are the Individualistic cultural orientated, which means that consumers are more inclined to shopping online according to their own preferences when buying decision-making (Pavlou et al, 2002)

The influence of online store reputation profoundly impacts Chinese online shoppers, and the number of people that communicate information of products with others in the online shopping social forum is more than the Americans' (Fong et al, 2006). There is an interesting situation occurred in Chinese e-commerce market that the rate of frequency of brand mentioned by online shoppers in online shopping forum is equal to the rate of brand market share, and the United States does not have this situation also (Fong et al, 2006).

Moreover, Chinese online purchasers would like to discuss and share the information of producers of merchandise with others in the virtual social community, and part of them devote themselves to encourage online customers to resist foreign products or especially the goods from Japan (Fong et al, 2006). Chinese online purchasers' consumption intention will be significantly affected by this kind of encouragement; however, this circumstance does not exist in the online user forums of United States (Fong et al, 2006).

The purpose of using internet for Chinese online users primarily is to achieve

the communication with other people when they are living in the culture of collectivism, while the objective of Americans is searching information (Chau, 2002). Therefore, in order to attract more attention from Chinese online customers, the design of websites should construct an atmosphere that similar to the virtual social communities (Chau, 2002).

The level of long-term oriented for Chinese is greatly higher than it for western consumers, so that Chinese online shoppers pay careful attention to the future and emphasize a stable and a long term relationship with online shops (Yong et al, 2009). Under the culture environment of highly long-term oriented, the conjunction between the attitude of customers for website and the attitude for merchandise service is getting closer, and there is no doubt that trust is the most crucial influencing factors for the attitude of clients (Yong et al, 2009).

Compared with western online buyers, the sense of control during the process of shopping is being more concerned by Chinese online customers, while the concentration level of pleasure is being less concerned at the same time (Mazaheri et al, 2011). When browsing the internet pages, the trailers such as design of website have a spectacular effect on Chinese shoppers' attitude of online shopping and the their purchasing intention, however, the impact of trailers such as product information navigation are more effective for the western online buyers (Mazaheri et al, 2011).

2.2.2   Social factors

Social impact theory believes that social groups are bound by social regulations (Aronson et al, 3, 1997). When individuals in the group with some certain pressures will resign themselves to those norms and would like to have some appropriate actions that can be recognized by other group members

(Aronson et al, 1997). The rational action theory suggests that the subjective rules is one of crucial factor to decide person behavior, and the existence of subjective norms is formed by individual normative beliefs that obtained from society and motivation of obeying these specification (Ajzen et al, 1980). The theory of social study consists that individual is able to form their behavior that cater to the expectation of society by learning and observing from the world (Baran et al, 1995).

Park and Kim (2003) believed that social factors such as families, friends, school, and mass media have grandiose influence on traditional consumer behavior. In comparison with traditional consumption, there is a question coming out on how can factors that come from real society to affect customer online shopping behavior according to the truth of online shop is virtual subject and online shoppers are living in a real world? Some scholars think social factors rarely affect the purchasing intension and behavior of online clients, and others believe the level of that impact is extremely limited (Jones et al, 1998). In the accustomed consume, the perception from the important people that relevant to the clients will affect their attitude from every aspects of consumption, however, those people will only impact online customers perception on the aspect of economy and security (Jones et al, 1998).

More researches figured out the personal perceived social factors have a relationship with the aspiration of consume online (Njite et al, 2005). Individuals' online purchasing intention will be significantly strengthened when they are staying in a society with the attitude of online shopping encouragement (Njite et al, 2005). Taking an example into consideration, clients' purchasing behavior will be impacted when their friends or families are shopping aside or they have the attitude of embraving online shopping (Njite et al, 2005). Because recommendation from families or friends decreases clients'

level of risk perception for shopping online, in the meantime, the aspiration of purchasing will be upgraded thereby (Garbarino et al, 2004). An inquiry finds out university students with the support of teachers and friends prefer to purchase paper note book through the internet instead of buying it in a real store even if the price of note book from the websites is not cheap than the price in real shop and the time that cost for browsing is similar to the time of reaching the stationer (Foucault et al, 2002)

The reason of social factors such as the suggestions from families and friends impact the process of customer online shopping is that clients become more cautious when they are facing a new consumption channel, and the experiences from families and friends have a reference value for their purchasing decision (Hansen et al, 2004).

2.2.3   Personal factors

1) Age

According to an investigation that was published by China authority, the report shows that stripling group (between 20 to 29 ages) is the major group of online shoppers in China (CNNIC, 2004), which indicates a negative correlation between the age and the possibility of online shopping. Although some researchers believe that the relationship between these two elements should be positive correlation (Cao et al, 2007) or even irrelevant (Rohm et al, 2004) probably due to the difference of age interval that use for survey, but the principle for the research in this thesis will insist on negative correlation.

The online purchasing behavior of junior citizens varies from the behavior of senior citizens (Brown et al, 3, 2003). Young people are more adept at gathering messages from everywhere and more likely to use time for the

purpose of searching merchandise, however, the probability of buying a product of elder people is spectacular than the possibility of youths after finishing the browsing step (Sorce et al, 2005). Different people in different ages usually have different purchasing preferences, for instance, the senior citizens prefer to buy gardening-related products while younger generation prefers purchasing some popular or particular goods (Sorce et al, 2005).

2) Online shopping experiences

Online shopping experience mainly includes the great effort of customer shopping on a website, the interactivity during the procedure of online shopping and the pleasure of consume online (Chang, 2005).

The clients' ability of collecting information can be improved by online shopping experiences (Johnson et al, 2004). According to the time that customer used for merchandise browsing and the quantity of stores have browsed, lavish online shopping experience could slightly reduce the quantity of shop that clients have to browse (Garbarino et al, 2007). Because online shopping experience is able to strengthen the skill of data collection of customer to obtain the information they needed through relatively fewer search (Johnson et al, 2004).

Online shopping experiences could affect the attitude of online shopper to purchase through the internet (Khalifa et al, 2007). The first attitude is Acceptance (Khalifa et al, 2007). The customers are more inclined to shopping online as the growth of online purchasing experience (Khalifa et al, 2007).

The second attitude is Trust (Cao, 2007). The satisfaction of online shopping experiences contributes to the formation of online shopping efficacy (Cao, 2007). It is actually the speculation of customer to the online shopping

environment to figure out if it could satisfy his or her buying purpose, and the customer who has highly efficacy will trust the online shopping much more (Cao, 2007).

The last one is Loyalty (Rao et al, 2011).The previous online shopping experience will impact the following consumer behavior of clients, and the level of contentment for previous online shopping experience could decides whether shoppers to purchase the products in a specific shop again (Rao et al, 2011). For example, when an online shop owner does not deliver the product to the customer on time, the amount of and the value of orders will be reduced in a time period (Rao et al, 2011). Moreover, the emotions of depression and anxiety that buyers acquire from this experience could affect their shopping decision in the future (Rao et al, 2011).

3) Privacy typology

The development of computer and information technology not only promotes the advancement of internet, but also brings security and privacy problem to it (Miyazaki et al, 2000). Numerous customers could stop the action of browsing the internet as the results of some websites have the requirement of providing personal data. Rohm and Milne (Miyazaki et al, 2000) propose that the majority of customers pay more attention to the privacy, and this situation will increase difficulty of making decision during the online shopping. The survey of IBM had proved that the most people are afraid of information stolen online (.Bellman et al, 2004)

In accordance with the level of concern for privacy, Sheehan (2002) divide the customers into four types, which are Indifference, Careful consideration, Alert and Alertness. Highly alter customers extremely worried about the possibility of losing personal information, which performance in the give-up decision when

the website needs customer to provide privacy information such credit card number (2002). This kind of customer is very hard to finish the process of online transaction. On the contrary, the clients that never concerned about the privacy could easily accomplish the procedure of shopping online (2002).

4) Risk perception

Since internet has the features of virtuality, digitization, and openness, compared with traditional online shopping model, the risks that customer could perceived from online purchasing is more imposing (Miyazaki et al, 2001). For example, clients are impossible to experience the real attributes of products without touching and examining so that the risks that customer could obtain are spectacular indeed. Therefore, risk perception is the primary factor to impede customer to make online shopping decision (Miyazaki et al, 2001).

The size of online customer to perceive the risk is inversely proportional to the intention of shopping (Shim et al, 2001). Customers are becoming very anxious and trying to find out the methods of reducing the level of risk when they are perceiving any hazard (Shim et al, 2001). The higher of risk that customer perceived, the more cautious that customer will have to make online shopping decision (Shim et al, 2001).

2.2.4   Environment factors

1) Price

Price is the crucial element that impacts online customers' purchasing decision (Reibstein et al, 2, 2002). In comparison with products' situation in the real store, the variety of merchandises and the prices of goods that online shopping provided are more attractive for the consumers generally. Besides, the purposes of comparing the prices with other sellers, time-saving, convenient

can be totally achieved without going outside. An empirical research proves that the majority of clients will pay attention to the price when they are shopping online, and the competitive price is the critical component to stimulate customers to purchase on the internet (Reibstein et al, 2002).

2) Web design

As the transaction platform, commercial website plays a particularly important role in the e-commerce market (Liu, 2000). A high quality website not only has a formidable function of product search, but also to reduce the time for network shopping. While the comprehensive information, the decoration, and the overall functionality of the site could profoundly affect customer online shopping decision, at the same time enhancing the sales of online shop (Douban, 2014).

Customers like to browse the website with useful information and personalized contents, otherwise, the definition of background, the convenience and the effectiveness of browsing impact customer online shopping behavior (Spiller et al, 1997). After Spiller and Lohse (1997) investigated 37 features from 137 online retailers, conducting a research on these 37 kinds of interface from 28 network shops, they have drawn a conclusion that merchandise, service, promotion, convenience, payment, and search will affect total sales of online store, in other words, customers prefer to buy products from the stores with six elements.

3) Product features

The type of products that online store listed for the selection to clients could affect the online customers buying decision. Nelson (1974) divided merchandises into two types which are experiencing type and searching type. The features of searching type products such as book and computer software

can easily be evaluated by customer, and the risks of buying this kind of goods is relatively small so that the shopping decision can readily be made by the online shoppers, besides, the characteristics of experiencing type of merchandise such as clothes, cosmetic, and jewelry can hardly be defined before receiving and testing by online shoppers, thence, the shopping decision for such kind of products is hard to be made (Nelson, 1974).

4) Post-purchase service

Due to the characteristics of online shopping, post-purchase services such as logistic, after-sale evaluation and alteration for accidental damage have an impact on a customer buying decision as well (Kuo et al, 3, 2009). For example, customer's satisfaction for online shop could be improved by the speed of receiving the products, and this satisfaction will decide if customer will achieve a returned purchase. (Rao et al, 2011)

Lots of consumers will refuse to shop online due to impossibly for them to well-enjoyed the after-sale service (Chen et al, 2003). Here the service includes timeliness of commercial post service and a series of post-purchase service after receiving the goods. Since the parties of transaction cannot meet with each other and with the problem of distance on terrain and difference on sellers' personality, therefore, post-sale service is a very difficult restriction for online shopping (Chen et al, 2003).

3 RESEARCH METHODOLOGY

3.1 Research approach

The mission of this inquiry in the thesis is to certificate the correctness of factors that I presented in previous chapter will impact customer online shopping behavior by analysis of reply and reasonable application of literatures. Consequently, before formulating the questionnaire, it is better to inspect the research questions to ensure the right direction for design.

The research of thesis is aiming to answer the questions below:

What factors will affect consumer online shopping decision?

What suggestions will give to Taobao online store in terms of risk perception and privacy typology?

Research can be defined as a positive and systematic procedure with the object of discovering, explaining or correcting the facts, events, actions, theories or data to draw a conclusion on the foundation of analysis (Saunders et al. 2012). It is a process by implementation of scientific method such as planned and systematic data collection, analysis and interpretation to pursue the answer of research questions (Saunders et al. 2012)

The first step of primary methodology for research analysis concentrates on the selection of research methods. There are two types of research approach for choosing, which are quantitative research method and qualitative research method.

Quantitative research is generally given to the study of the overall statistical results obtained and carried out, which has characteristics of exploratory, diagnostic and predictive. The purpose of using this method is not the pursuit of accurate conclusions, but simply to understand where the problem located and to find out the situation, drawing the perceptions finally, and importantly the information in this research method are shown in some kind figures (Saunders et al. 2012)

Qualitative research is a method or an angle based on the social phenomenon or something that has the properties and contradictory changes in the movement to study things from the internal regulations, besides, the major approaches in this research to collect data by depth interview, questionnaire, or inquire (Saunders et al. 2012).

Additionally, there are three ways for methods conducting, which are use of quantitative method only or use of qualitative method only or use of both of them (Saunders et al. 2012) In this thesis, the study conducts only by taking advantage of qualitative method to create some open-ended questions for the purpose of getting some detailed information and opinions from respondents directly in the questionnaire. Because quantitative research is a deductive way to text theories by collecting numerical data from extremely simple questions, while qualitative research is an inductive method to improve theories by gathering non-numerical statistics from multiple choice questions (Saunders et al, 2012). Although the use of both research methods is able to avoid information omission and guarantee the accuracy of statistics and completion, as the result of limitations such as in time and in number of participants decide qualitative method should be more effective for this study.

3.2 Questionnaire design

The objective of this research is to certificate the validity of influencing factors for online shopping behavior, therefore, the main four factors have been chosen to design the questions and the sub-factors have been selected to create the options for each question. There was only one section being designed for the research.

The questionnaire usually consists of four aspects, which are the beginning section, the background section, screening section and the main body (Baike, 2013).

In the beginning section, the questionnaire presented the greeting language and explanatory notes to achieve the purpose of letting respondents to seriously realize the objective of this survey and obtaining their interests to participate this investigation as well (Appendix 1).

Background section generally lists the questions to gather background information of participants (Baike, 2013). This questionnaire observes the age element from respondents to make sure the major groups of online shopping customers in China market.

The screening section is aiming to filter the non-target subjects from the respondents, executing the investigation from targeted specific respondents (Baike, 2013). But there is no need to implement this action in this questionnaire because the respondents are already targeted before collection. The target groups that I chose are coming from China and having the online shopping experiences on Taobao platform in order to indicate the regional of influencing factors

The main body is the core part of questionnaire. It includes all the issues that to be investigated, mainly composed by questions and answers (Baike, 2013). The questions are created on the foundation of four factors that proposed by Kotler et al (2011), which are the cultural factor, social factor, personal factor and environment factor. The answers items are listed by the assumption of situation that Taobao online shoppers could face during their purchasing process but also in accordance with the specific factors from four aspects.

3.3 Sampling and data collection

The sampling approach that questionnaire used is mainly focusing on convenience sampling but slightly related to homogeneous sampling as well (Saunders et al. 2012). Because the research of this thesis is conducted in China market so that the respondents that I chose for my investigation should be Chinese. According to the matter that it is impossible to get enough email addresses of Chinese who have the experience of online shopping on Taobao in Finland, so that I contacted with my friends and previous schoolmates in china to be the respondents for my survey. The situation is that the majority of participants are staying in the similar age group and the positions for most of them are still the students as I know, definitely, some of respondents are in the different age groups and. have different job positons.

The link of questionnaire was shared on Chinese social community software on telephone called WeChat rather than send them by emails. The number of members in communication group is 152 so that the research sample frame for inquire is this number.

The time period for data collection was 17 days started from 4th of May to 20th

in the same month. The respondent that received from this period is 30 finally. Therefore, the response rate will be 19.7% which is not in the response rate interval 20-25% that provides by Saunders et al. (2012), result of the utility of this investigation is not enough of further study.

3.4 Limitation

As the result of limitation on the time, region, sources, and personal theoretical knowledge and ability, there are some of deficiency and wallflower existing on the research and analysis.

First is sample limitation. Special feature of research object that I need for the investigation are coming from a appointed country, and the insufficiency of samples and respondents as well as the similarity of background from major samples are existing at the same time, resulting in the problem of effectiveness of conclusion is not significant, and the sense of completion is not splendid for further research.

The next is research limitation. On one hand, the factors are abstracted from the reviewing of different literatures so that the influencing factors for online shopping decision are not comprehensive at all. On the other hand, only Taobao users being selected as target research group, and the those clients who don't have any online shopping experience have been excluded automatically from the group, the comprehensiveness and accurateness of overall investigation cannot be accomplished this time. Moreover, the responses rate of 19.7 % is close to 20%-25% interval but still unreached ultimately, so that questionnaire is valid for the evaluation in this thesis but not possibly to be generalized for further research.

4 DATA ANALYSIS AND SUGGESTION

Following subchapters will certificate the correctness of influencing factors for online shopping decision through analyzing the answers that respondents reacted in different online shopping scenes; besides, to come up with obstacle that obstruct customers' online shopping decision in order to provide some useful suggestions for online shoppers on Taobao platform in China. Besides, as the result of cross repeatable elements that in each question, probably resulting in the analysis duplication, so that the figures of feedback from questionnaire showing in the following subchapter will be filtered, but the whole feedback will be presented in Appendix 2.

4.1 Description of sample and analysis of feedback

4.1.1 Description of sample

There are 152 samples received the questionnaire on the social community of WeChat. The limited time for answer collection have passed, the questionnaire received 30 responses that shows a response rate of 19.7%. Coincidentally, the rate of respondents from female is 50% while the ratio of respondents from male is the same. Therefore, the investigation will be conducted without regard to the element of gender. Fortunately, there are no disqualified responses or unfinished responses being received during the process of gathering information probably due to the simply design of questionnaire. Only 11 questions have been set and the first question is aiming to distinguish the background of respondents in order to set up a comprehensive fundamental for the analysis of influencing factors.

According to figure 1, through analyzing the pie chart which is the result of the first question with the purpose of collecting samples' backdrop, we can draw a conclusion that there are 46.7% of participants at the ages of between 20 to 29 and 30% of people in the age between 30 to 39., which is consistent with the statement of the constitution of Chinese online shopping population is occupies with the majority of striplings that published by CNNIC (2014) (see chapter 2.1.2). Therefore, the samples to be evaluated are generally younger in age.
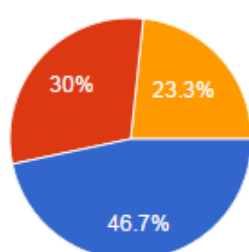

Figure 1 the ratio of online shopper's population in different age group

4.1.2 Correctness of impact factors

From the result of evaluation on time that respondents use for online purchasing in figure 2, unsurprisingly say that every one of them has the experience of online shopping and even most of them (56.7%) have abundant of shopping experiences Firstly, the basis the assessment for this consequence is that the majority of respondents are no more than 30 years old, which shows a negative correlation between the age and the rate of online shopping by means of in comparison with senior citizens young people are more likely to purchase online(Cao, 2007). As this prerequisite make clear, we are able to realize young people are more adept at gathering messages from

everywhere and prefer to use time for the purpose of searching merchandise (Sorce et al, 2005), therefore, the rate of online shopping experience for youth is more spectacular. Thus, **age factor** will affect customer online shopping behavior   indeed.
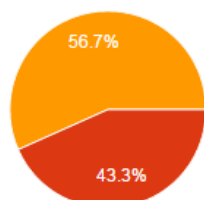
Do you have online shopping experience?

No	0	0%
Yes, but no more than 5 years	13	43.3%
Yes, and I have over 5 years experience	17	56.7%

Figure 2 situation of online shopping experience

We can recognize that clothes (60%) and books (63.3%) are the most popular products on the Internet from the evaluation of figure 3. Shoes, cosmetics and other things such as snacks are also welcomed (30% for all). Even though the ratio of Digital products is the minimal but data of 23.3% is not bad on the national scale. The analysis can be conducted from the factors of product features. The book belongs to merchandises' types of searching, while others belong to the good's type of experiencing (Nelson, 1974). The features of searching kind products can easily be assessed by shoppers, and the risks of buying this kind of goods is relatively small so that the shopping decision can readily be made by the online shoppers, while the characteristics of experiencing type of merchandise such as clothes, cosmetic, and jewelry can hardly be defined before receiving and testing by online shoppers, thence, the shopping decision for such kind of products is hard to be made (Nelson, 1974). Hence, the most respondents will purchasing book affectively certificate the purchasing behavior is affected by **characteristic of products**.

what products you usually purchase online?

Clothes	18	60%
shose	9	30%
digital products	7	23.3%
books	19	63.3%
cosmetics	9	30%
others	9	30%

Figure 3 the list of frequently purchased products online

On the other hand, the statistics can be evaluated from the aspect of risk perception as well. The virtuality of internet make customer unable to touch and exam the product (Miyazaki et al, 2001).The risk, for instance, customer unsatisfied the real product like jewelry with highly price after receiving, will be aroused by this situation in the meantime. Instantly, the customers 'perception for risk will block them to make online shopping decision (Miyazaki et al, 2001). They would like to purchase the product with slight risk such as book after perception, which display risk perception is the **one of primary obstacle** to impede customer to make online shopping decision (Miyazaki et al, 2001).

On the other hand, figure 4 directly represents the response when online buyer perceive the risk when they feel damage if the attitude of online shop owner is bad, 100% of respondents believe that they will give up this transaction even if they are extremely like that product. Hence, the factor of risk perception is effective for influencing customer buying decision. Consequently, the factor of **risk perception** is effective for influencing customer buying decision.
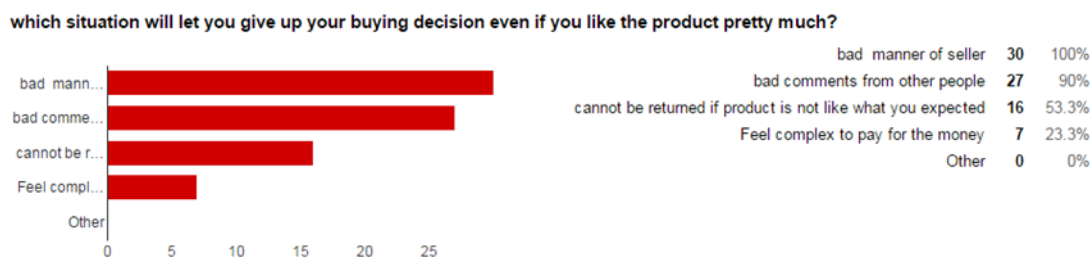
which situation will let you give up your buying decision even if you like the product pretty much?

bad manner of seller	30	100%
bad comments from other people	27	90%
cannot be returned if product is not like what you expected	16	53.3%
Feel complex to pay for the money	7	23.3%
Other	0	0%

Figure 4 the list of frequently purchased products online

Draw a conclusion for figure 5, the good quality (90%), low price (80%) and good comments（83.3%）are the most effective elements to affect their shopping decision. And the fitment of websites still has the impact on the decision-making process. These specific reactions from respondents significantly represent the impact of environment factors on their online buying decision. For instance, one of motivation that drives customers to purchase online is price because of customer is able to achieve products comparison, time-saving and convenient in one time (Reibstein et al, 2002) There is no doubt that **price** is a crucial element that impacts online customers' purchasing decision (Reibstein et al, 2, 2002)

which kind of shop you prefer to go?

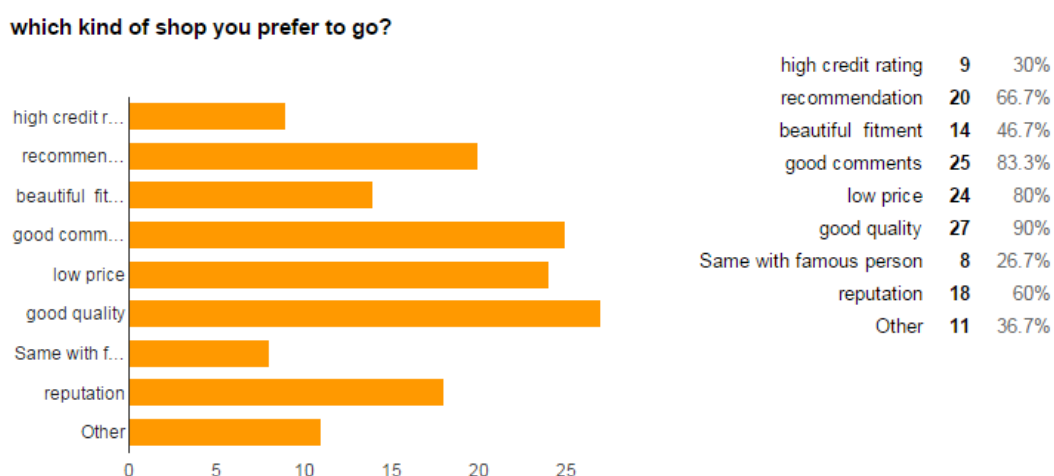|		
high credit rating	9	30%
recommendation	20	66.7%
beautiful fitment	14	46.7%
good comments	25	83.3%
low price	24	80%
good quality	27	90%
Same with famous person	8	26.7%
reputation	18	60%
Other	11	36.7%

Figure 5 environment factors for online shopping

Due to the parties of transaction cannot meet with each other, viewing the

comments from other shoppers will affect customers' intention of online shopping (Chen et al, 2003) Moreover, figure 6 shows more specifically on the attitudes of respondents for **after-sale** comments that the power of effect of other people's comments is conspicuous on customers' buying decision.

The beautiful fitment (46.7%) has a great influence on customers' intention of online shopping. A high quality website not only has a formidable function of product search, but also to reduce the time for consuming online. While the comprehensive contends, the decoration, and the overall functionality of the site could profoundly affect customer online shopping decision, at the same time enhancing the sales of online shop (Douban, 2014). The respondents' attitude of shopping in the specific store for this element shows customers like to browse the website with multipurpose message and personalized contents, otherwise, the definition of background, the convenience and the effectiveness of browsing impact customer online shopping behavior (Spiller et al, 1997). Ultimately, the intention of customer purchasing online is bound up with the quality of **web design**.
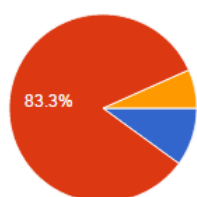

Figure 6 the sense of after –sale comments

Approximately 63% of the respondents consider that recommendations affect them a lot (figure 5.). This result is relevant to the influence of social factors on the online buying decisions. Park and Kim (2003) claimed that social factors such as families, friends, school, and mass media have magnificent influence on traditional consumer behavior. Because recommendation from families or

friends decreases clients' level of risk perception for shopping online, in the meantime, the aspiration of purchasing will be upgraded thereby (Garbarino, 2004). Especially when they are facing a new shopping channel, the experiences from families and friends have a reference value for their purchasing decision (Hansen, 2004). While the data exactly express the **social factors** has a great effect on online consumer behavior.

Additionally, the collectivism culture factors create the client online shopping behavior. Collectivism represents a tight social structure (Triandis, 1995) so that Chinese as a collectivist cultural orientated subject that prefers to pay more attention to the social norms of building the long term relationship with others such as online retailer, which will build trust in between (See chapter 2.2.1) And an example proves customer would like to share and discuss information on the forum and easily being affected by the recommendation (66.7%) by those people, therefore, culture **factors affect** customer quite a lot.

which elements will block you to purchase online?
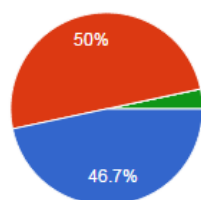
personal information easily to be disclosed	14	46.7%
afraid of buying the fake product	15	50%
I don't know how to use computer	0	0%
logistic is too slow	1	3.3%
poor after-sale service	0	0%

Figure 7 obstacles for buying decision

The primary obstacle for respondents to shopping online are mainly on the situation of information disclosed (46.7%), which show the privacy problem on the internet as the result of internet is using the computer and information and communication technology to achieve the communicate activities from different countries and regions, and this characteristic is the one of primary origin for the problem of network security and privacy (Miyazaki et al, 2, 2000).

And the majority of customers pay more attention to the privacy, and this situation will increase difficulty of making decision during the online shopping (Rohm and Milne, 2000). So that from the response that we get from respondents, most of them will considered seriously or even stop the buying action to make sure their personal information safety. Thus, the **privacy typology** is the main obstacle for customer online shopping, in other words, this factor is effective to influence customer online shopping and its correctness has been approved.

4.2 Suggestions for Taobao online store in terms of obstacles

Taobao is the largest network retailer and business distributor in Asia, which was built and invested by Alibaba on the 10th of May, 2003. It aims to build the leading network retailer and business distributor on the international scale (Alibaba, 2003). Taobao's business currently spans C2C and B2C these two parts. Until the end of 2008, the numbers of Taobao registered members was more than 98 million people, covering the most of China's online shopping population; the transaction of the year 2008 amounted to 99.96 billion yuan, accounting for 80 percent of China's online shopping market share (CNNIC, 2008).

This situation shows that the competition between traders will become increasingly fierce since a great number of enterprises and individuals has been participating this spectacular e-commerce market. How to stand out from this competitive e-commerce market for online retailers should consider the obstacles that bring the negative effect to customers' online shopping behavior.

From previous analysis, the risk perception and privacy typology are the major

obstacles that have a great negative impact on customer buying decision, and they are the elements have a negative correlation with customer online shopping behavior when compare with the elements such as web design (Xing, 2012). Therefore, how to decrease the risk that client will precise from the process of online shopping and how to persuade customers to believe the safety of online shopping process should be taking into consideration.

On the aspect of risk perception, firstly, online retailers have to increase the customer's perception for the usage of online shopping (Xing, 2012). Increasing the advertising power of positive aspects such as convenience, the advantage of price, the diversification of products or time-saving of online shopping to the customers will encourage them have the intention of online shopping by the stimulation of external factors (Xing, 2012). While concentrating on the technology side, it is better to enhance ability of online searching function of website and simplify the process of online shopping (Douban, 2014)

Besides, the online consumption risks have to be decreased (Xing, 2012). Taobao platform should not only provide the recognition level and post-purchase evaluation from other clients, but also to build a feedback system on the community (Xing 2012). Through this response system online store owners should strengthen the communication and negotiation with customers for the purpose of dealing with the objection and reducing the hesitation from the attitude of customer (Xing 2012)

Additionally, improve the quality of online service (Xing, 2012). On the basis of customer first attitude, it is necessary for online retailer providing the real and effective information of website, actively communicating with customers and timely processing the problem that customer came out, even better negotiating

with the third party such as logistic company to finish the transaction with satisfaction for both parties (Xing, 2012).

One the aspect of privacy typology, since Taobao e-commerce market already provided the efficacious third party payment system called Alipay for customer (Amanda, 2013), the countermeasure for online retailer provide to the customer who obtained attitude of privacy could be automatically providing the comprehensive information of appeal to the customer during the process of payment, because the most of clients have less knowledge of processing Information Disclosure (Yishun, 2014). The implementation of this suggestion could magnificently decrease the possibility of stopping the transaction by shopper and increase the satisfaction of customer, providing the opportunity of online retailer to attract the customer to come again (Rao, 2011).

5 CONCLUSION

E-commerce market has great potential, especially the aspect of online shopping, but before every moves of development, we must understand the key factors that restrict the activity of consumers shopping online. Only understand these impediments enable the online shopping to develop.

5.1 Finding

The research of thesis is aiming to answer the questions below:
- · What factors will affect consumer decision-making process?
- · What suggestions will give to Taobao online store in terms of risk perception and privacy typology?

When all the above-mentioned factors were taken into consideration, a conclusion could be drawn for the first question that the characteristics of intangibility and virtuality of internet decided the factors that will affect customer shopping decision. There are four primary factors will affect customer's online shopping decisions, which are culture factor, social factor, individual factor and environment factor.

On the aspect of culture, the research conducted from the difference between Individualism in European and American culture and Collectivism in China culture to represent the culture-oriented influence on online consumer behavior in China such as Chinese people prefer to build long-term relationship with retailer and frequently communicate with others in forum.

Besides, the study illustrated the example of impact from friends and families to reflect the utility of social factors on online shopping decision, for instance, specifically displayed in the recommendation from germane people has a reference value for online clients to make shopping decision.

In addition, age, online shopping experience, privacy typology and risk perception were the factors included within the aspect of individual. Firstly, the advantage of young age will drive clients pay more attention to merchandise's information research and to the population of products; Secondly, previous online shopping experience could boost the online shopper's level of acceptance, loyalty, trust, purchase intention for the virtual shop and products; besides, the attitude of customer for privacy could lead them to stop online transaction, and Sheehan divided customers into four types (indifference, careful consideration, alert, and alertness) in accordance with the degree of privacy; additionally, anxious and cautious that brought from risk perception by online customers could cause them pay careful attention to the decision-making process.

Ultimately, the environmental stimulation major focused on the price, web design, product features and post purchase evaluation. In specific, cheap price is the primary reason for clients to go shopping on the internet, and a comprehensive and high- speed website could decrease online shopper's time consuming. Moreover, in comparison with experiencing products such as cloth, searching-type products such as book are more acceptable for client to choose due to a relatively low risk. Furthermore, a well post-purchase service enhances the satisfaction degree of clients, which will form client's intention of shopping online.

In terms of risk perception and privacy typology, the suggestions drawn for

Taobao shop on the aspect of risk perception are online retailers have to increase the customer's perception for the usage of online shopping by reinforcing the advertising power on the advantages of convenience, time-saving et al, stimulating customer to purchase online, at the same time, decreasing the consumption risk for clients by dealing with the objection immediately and well-communicating with shoppers to reduce their hesitation. Besides, online shop has to provide the real and effective information of website to customers to achieve the objective of providing high-qualified service. On the perspective of privacy and security, it is better to provide comprehensive information of appeal to both kinds of customers who had security matter or never had during the process of payment, increasing their believable and satisfaction degree.

5.2 Suggestion for further research

As the result of deficiency in personal theoretical knowledge and ability, and also the limitations on time, samples, and territory, there is a plenty of space for researcher to explore more profoundly on the subject of thesis. The research assumptions for further study are listed below:

The further research can be implemented from several aspects. Firstly, it is better to execute a profound research on every aspects of influencing factors for customer online purchasing behavior. For example, the impact factors for senior citizens to learn the technology of online shopping and how can their consumer behavior be affected by young persons during the process of online shopping are worth to be considered; analyze the effectiveness of gender for customer online shopping behavior is important to come up with different marketing strategies for virtual shops; moreover, there is a need of studying on the influence of education and income for the online consumer behavior as the

transformation of rate of online shopping penetration in China market; furthermore, the relationship between the online shopping experience and risk perception when shopping online could be listed on the research as well.

Secondly, on the part of empirical research, we can use statistical analysis software such as SPSS to investigate the Reliability and Validity of survey to make sure the correctness of inquiry. And then to conduct an analysis for descriptive statistics, through factorial analysis to abstract the key impact elements for customer online shopping behavior and using variance analysis to evaluate the influence from demographic variable to other variables. Ultimately, it is able to establish a model of influencing factors for consumer online shopping behavior on the bases of relevant analysis and regression analysis on the research questions.

The last not least, since the theory of e-commerce needs to be further developed and the commercial mechanism of online shopping stays in the stage of improvement, therefore, the influencing factors for customer online shopping behavior will be altered as time goes by. In connection with this phenomenon, researchers have the necessary to keep track of relevant factors in accordance with the changes of network consumption environment.

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APPENDICES

Appendix 1: Questionnaire

Influencing factors for online shopping decision-making process

Hello! My name is Zhao Ke. I'm the IB student of Turku University of Applies Sciences. The purpose of this survey is aiming to find factors that influence customer online shopping decision-making process in different ages. This survey will take maximum 3 minutes to answer. Thank you for your help!

* Required

The age group that you belongs to *

◯ 20 to 29

◯ 30 to 39

◯ 40 to 49

Do you have online shopping experience? *

◯ No

◯ Yes, but no more than 5 years

◯ Yes, and I have over 5 years' experience

How many time will you use to search the internet per day (except work and study our)? *

◯ <1

◯ 1-3

◯ 3-5

○ >5

What products you usually purchase online? *

□ Clothes

□ shoes

□ digital products

□ books

□ cosmetics

□ others

Which kind of shop you prefer to go? *

□ high credit rating

□ recommendation

□ beautiful fitment

□ good comments

□ low price

□ good quality

□ Same with famous person

□ reputation

□ Other: _____

Which situation will let you give up your buying decision even if you like the product pretty much? *

□ bad manner of seller

□ bad comments from other people

□ cannot be returned if product is not like what you expected

☐ Feel complex to pay for the money

☐ Other: [＿＿＿＿＿]

What factors will stimulate you to buy some products that you don't need? *

☐ sales promotion

☐ biding

☐ holiday discount in limited time

☐ cheap price

☐ Other: [＿＿＿＿＿]

I love to buy the product from unique shop rather than famous shop *

	1	2	3	4	5	
Strongly Agree	○	○	○	○	○	Strongly Disagree

Which elements will block you to purchase online? *

○ personal information easily to be disclosed

○ afraid of buying the fake product

○ I don't know how to use computer

○ logistic is too slow

○ poor after-sale service

Which elements will promote you to purchase online? *

☐ cheap

☐ convenient

☐ save time, and   wide varieties of product

☐ specific product information

☐ appearance of website

☐ fast mail service

How do you think about the other people's comments?*
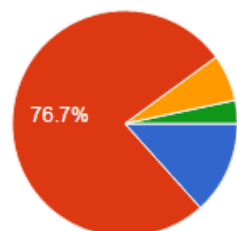
○ very care about other people's comments

○ comments will affect your buying decision

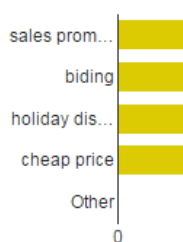○ you prefer to buy the products in superior shop

☐

Appendix 2: Unpresented pie chart of questionnaire feedback

How many time will you use to search the internet per day (except work and study our)?
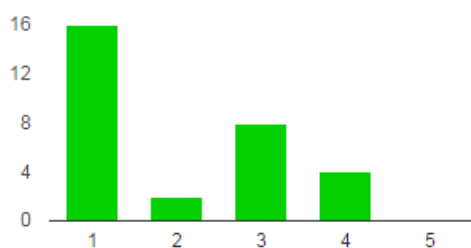

| <1	4	13.3%
1-3	23	76.7%
3-5	2	6.7%
>5	1	3.3%

what factors will stimulate you to buy some products that you don't need?

sales promotion	30	100%
biding	6	20%
holiday discount in limited time	28	93.3%
cheap price	18	60%
Other	0	0%

I love to buy the product from unique shop rather than famous shop

Strongly Agree: 1	16	53.3%
2	2	6.7%
3	8	26.7%
4	4	13.3%
Strongly Disagree: 5	0	0%

which elements will promote you to purchase online?
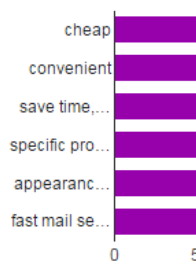
cheap	24	80%
convenient	22	73.3%
save time, and wide varieties of product	27	90%
specific product information	13	43.3%
appearance of website	14	46.7%
fast mail service	9	30%