

Influence factors on the purchase decision of electronic consumer durables

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Abstract

The present paper is an attempt to study the consumer online purchase pattern with reference to various macroeconomic factors. Need to purchase and Ease in purchase is not only guided by the individual aspects, but there are other external forces, acting indirectly but affects directly on “consumer purchase Decision”, called “Macroeconomic Factors”. In this generation of digital convenience which simplifies the process of delivering goods and services in one hand, strengthens the economy by making it more competitive, now the individual who is in search of their utility satisfaction restricted by other factors before deciding their purchase. Economic condition, interest rates, tax system, inflation plays a major role. The aim of this paper is to study the influence of these above stated factors on the purchase decision of electronic consumer durables.

Keywords: 1.Macroeconomic factor, 2.Consumer behaviour, 3.Purchase decision.

1. Introduction

Online shopping is a form of electronic commerce which allow consumer to directly purchase goods or services from seller over internet using a web browser. Michael Aldrich is a Man who invented online shopping in 1979. Online shopping creates an ease in the process of getting things, playing an increasing role in overall relationship between marketer and consumer. Electronics become one of the most preferred goods ordered online. In the era of wanting more, the process of getting ease in consumption complicated. Now, things are in a huge variety, quantity and are available in just one click, but there are various external factors which directly affects the purchase decision(which was earlier only about individual need is now become Economic topic), Purchase decision which was only about psychological needs is now becoming economic concern. The major force directing them to purchase are prevailing in large scale. Factors like demand and supply, Economic conditions like Inflation, Tax system, Political factors, legal factors are playing a dominating roleand affecting every consumer by complicating their decision to purchase.

1.1 Online consumer behaviour

Online consumer behaviour refers to the response behavioural pattern to the various online activities carried out of sales and purchase. It defines how consumer behave with reference to online promotion activities and act accordingly.

1.2 Macroeconomic factors and consumer

It refers to all the external forces working in an economic system which are not in control of individual customers but can control them by acting as a major source to decide their purchase.

1.3 Macroeconomic factors and online shopping

Macroeconomic factors like Inflation, govt. Policies, taxation system have direct impact on online shopping. The outcome of e-commerce activities is affected by economic forces, as they are directly or indirectly related to each other. These factors act as a primary criterion to decide the online purchasing.

2. Objective of the study

- 2.1 To study various macroeconomic factors and its impact on Indian e-commerce Business.
- 2.2 To analyse consumer buying behaviour of electronics with reference to Macroeconomic factors.

3. Literature review

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2. Syed Azher Ali, "Factors influencing consumer buying behaviour: A review", Today everything revolves around the consumer hence the study of buying behaviour becomes necessity. The consumer has great option to select in the modern marketing hence, persuasion of consumers by marketers has a great impact on their buying behaviour.
3. Pinki, Rani, "Factors influencing consumer behaviour", For a successful consumer-oriented market service provider should work as a psychologist to procure consumer by keeping in mind affecting factors things can be made favourable and goal of consumer satisfaction can be achieved. Study of consumer buying behaviour is a gate way to success in market
4. N Ramya and Dr. S. A. Mohamed Ali, "factors affecting consumer buying behaviour", for a successful consumer-oriented market. service provider should work as psychologist to procure consumer by keeping in mind affecting factors things can be made favourable and goals of consumer satisfaction can be achieved.

Macroeconomic factors

Inflation

Inflation is an economic condition of increase in general price level of goods and services which is caused due to excessive money supply in an economy over a period of time. Inflation affects the demand of goods and services because it reduces the no. of items consumer can afford. Which results in situation where consumer restrict their spending to essential items and thus directly affecting the demand of unnecessary products like electronics, luxury.

Rate of interest

Rate of interest is an amount charged by banks on borrowings. It is said that low rate encourages borrowings while high rate of interest leads to less money supply in the economy. Low rate of interest increases money supply in the economy, boost the e-commerce, and on the other hand consumer can spend more on their e-commerce product when they have more money at their disposable. So, interest rates are inversely proportional to purchase of electronic products.

Trends of employment

Employment trends can be categorised as high unemployment rates or low unemployment rates. It is one of the most prominent indicators of economic progress. It is the situation of employment conditions within a country over a period not time. Low unemployment rates translate to growing demand of e-commerce because more people earn income which is directly linked with purchase of

goods- electronics and other items. The more people there are receiving a steady income and expecting to continue to receive one, the more people are to make discretionary spending purchase.

Foreign direct investment (FDI)

FDI act as a boost to e-commerce companies. 100 % FDI in online retail that operate as marketplace and providing a tech platform that connects buyers and sellers. Most of the large e-commerce players in India operate as a marketplace, but these kinds of companies will not be permitted to have more than 25% of their sales come from one vendor. All these factors have a direct impact on online sales and purchase.

Goods and services tax (GST)

It is consumption based transparent tax system levied on production of goods and every rendering service. India has adopted a dual model of GST in which both central and state levies tax on goods and services known as CGST and SGST with different tax slabs. The similar above-mentioned case is applied while purchasing online. This tax system has simplified the method of tax calculation. Now more people are operating in e-commerce platform. The GST rates on article including consumer durables and electronics were brought down from 28 percent to 18 percent.

Consumer confidence

Consumer confidence is another important factor affecting the demand for consumer goods. Regardless of their current financial situation, consumers are more likely to purchase greater amount of consumer goods when they feel confident about both the overall condition of the economy and about their personal financial future. High level of confidence affects consumer inclination to make major purchase decision and to use credit purchase.

Pestel analysis and consumer behaviour

1. **Political factor**- It refers to the various roles of government with respect to sale and purchase in a country. Government policy, political stability, tax system, trade restrictions, foreign trade policy, trade restrictions etc has direct impact on e-commerce growth. Government provide various initiatives and funding to support the growing business and for the development of e-commerce. Special schemes and subsidies were laid down by government. All firms of e-commerce must follow the lawsince political decision affect the economic environment, influence the emergence of new technologies.
2. **Economic factor**- Economic factors are inflation, interest rates, labour and govt. Monetary policies that influence the level of production and demand for goods and services. The outcome of e-commerce activities are affected by economic forces. These factors affect the affordability and availability of production resources as well as abilities of consumer to afford the end product. Various economic policies laid down by the government in the favour of e-commerce development lead to increase in more demand of online products.
3. **Social factor**- culture, norms, lifestyle, population, convenience, trust, facts, experience, society, family, fashion, personality, attitude, lifestyle, environment, religion, language which influence the individual to think and act in a certain way are all the various social factors which plays a crucial role in deciding ones ability and choice of purchase. There is tremendous development in IT education and training which enable both buyer and workforce to understand the use of technology. Rise in standard of living and higher disposable income leads to increase demand of online products.

4. **Technological factors-** It refers to the various technological advancements and developmental within the country. There is huge advancement of technology seen in last decade, It has made communication more effective, faster, easier and more economical. It has increased at a very high speed not only in terms of developing business but helping customers keep track on their purchase, changing the ways in which customers interact with online retailers. Customers now have access to new range of tools that help them gauge price, find alternative, locate store and receive coupons. Technology helps in making stronger connection with customer and build their brand faster.
5. **Legal factors-** It refers to various laws, rules, regulations, Act laid down by the government. These laws and regulations has either positive or negative impact on the business. Foreg- law laid down in favour online business development helps in increasing sales and generating revenue. There are various consumer laws available which guide and protect the interest of consumers in case of fraudulent activity, payment default, etc.
6. **Environmental factors-** These are the various variables regarding the physical environment. Environmental factors in business is either internal environment like- employees relation, management development or external environment- customer health, climate change, availability of resources. These factors affect the business, customer willingness to buy a product, employee efficiency, and resources availability.

Findings

Macroeconomic factors and consumer behaviour are inseparable in terms of dependency. Where consumer variable is dependent factor and macroeconomic factor is independent variable. It can directly influence the needs and wants of consumer to a very larger extent. Macroeconomic factor is a sum total of various activities carried out in an economy in terms of production and distribution of goods and services and in large it can affect the demand. Since prices and policies laid down has direct impact on purchase. In this era of online marketing and purchase macroeconomic factors are playing in background to strengthen the economy and boost the online marketing.

Conclusion

Consumer is a part of economy which is run by consumer itself. Various circumstances prevailing in an economy are the guiding factor to decide consumer's growth. Economy act as a fluctuating phenomenon to decide and govern the business prospect within and outside the country. Macroeconomic factors are the summation of various activities carried out within the country and thus in a long run act as a deciding factor for business and e-commerce development. Various economic forces like Inflation, interest rate, tax system etc plays a crucial role in e-business development with various economic policies laid down time to time in favour of business development help in encouraging and boosting e-commerce although various other factors like high taxation policy, restricted export policy discourage the business but seen in the long run there is a tremendous increase in e-commerce activities with more consumer exposure, brand loyalty and fair dealing. The shift in overall macroeconomic environment big India will result in higher affordability of consumer durables ordered online.

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