Explaining Young Consumers’ Online Purchase Behavior under Risky Conditions: Perspectives from Mental Accounting

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ABSTRACT

As the internet becomes a new shopping channel, which threatens traditional shopping, it also causes dramatic changes in consumer market. In the light of theories claiming that consumers act with limited rationality and make their preferences with the motive of avoiding loss, the main aim of this study is to measure the impact of loss variables on the consumers’ decisions about online shopping in Turkey. The originality of this study is to categorise and analyse loss variables as ‘the ones that happen in the process of shopping’ and ‘the ones that happen out of the process of shopping’. Following the literature stating that consumers tend to act irrationally, the study also concludes that consumers tend to be away from the economical rationality at a great extent under the loss conditions. The findings show that any type of loss either physically or mentally related to consumers’ shopping has an effect on consumers’ irrational behaviors. This study indicates that this effect is higher in the conditions of loss in the process of shopping than out of the process of shopping.

Keywords: Consumer Behavior, Loss Aversion, Mental Accounting, Online Purchase, Prospect Theory, Risky Conditions, Turkey

INTRODUCTION

In today’s world, consumption has gone far beyond being just an activity due to the ongoing needs or necessities. Elliott (1999) even defines ‘consumption’ as “the way to join social life and to develop social relations as a cultural application”. However, ‘consumption system’ is seen as an unconscious expression of the social structure that forces the urge to purchase in a seductive
process until it reaches the borders of the economic potential. Particularly when the effects of developments in information and communication technologies are observed, it is possible to say that the consumption of the system has developed in two dimensions. The first of these dimensions is the effects created by the shopping behavior of consumers over the internet.

Hartman et al. (2006) state that these effects actualize in two ways: cognitive/pragmatic and hedonistic. The main reason for this is the pleasure of online shopping and the benefit from the change that consumers get are mostly non-monetary. As Douglas & Isherwood (1980) show in their study, consumers often use the products as an indicator and only a part of the pleasure they get from the products can be explained with the physical consumption. As a natural consequence of this case and the budget differences between consumers, there are consumer classes and product sequences (basic products series, technology series and information series). Thus, the lower-income consumers remain limited with only basic products, whereas; the upper class consumers purchase the information products as a result of having more income, time and urge to buy. Therefore, the consumption practices are associated with class properties, and the consumption requires a detailed time-budget research (Featherstone, 1998).

It is obvious that consumers benefit greatly from the internet as a consumption habit. The best benefit is to be able to do shopping from any business all over the world at any time of the day and compare products and their prices easily. The variables consumers use and their behaviors in the process of decision making are the main subject of many research in the field. However, risk and uncertainty have been considered rarely (Gupta & Kim, 2010).

Although it is well-known that consumption is too complex to be explained by rationality conditions, the main purpose of this study is to investigate what kind of mental effects that consumers are exposed to related to budget deviations in the process of buying products that fit their taste and budget, rather than in what ways budget-price variables affect consumers’ product preferences. In the literature, the beliefs “the consumers perceive that the internet shopping is more risky” (Tan, 1999, p. 174), “they give more value to the benefits, whose result is certain” (Kahneman & Tversky, 1979, p. 268) and “the differences in intercultural risk perception gain importance” (Finucane & Holup, 2005, p. 1603) reveal the importance of the subject.

Following this train of thought, the main objective of the study is to measure the impact of the loss variable in purchasing decisions in online shopping of consumers in Turkey. This study fits in the mental accounting paradigm in particular due to the reason behind the development of this theory. Thaler & Shefrin (1981) clarify that individuals, just like organizations, while arranging and managing their financial decisions, they create their own mental accounting system. According to this theory, consumers are collecting all the decisions and optimize their consumption preferences, so they take their spending decisions by gathering activities in mental account in this context (Milkman & Beshears, 2009). This explains well that the main objective of mental accounting research is the understanding of choice/preference psychology (Thaler 1999). Therefore, it is important to understand the functions of mental accounting system in order to understand how and to what extent consumer preferences are affected by psychological factors. Generally, due to the psychological effects, the rules of mental accounting change according to conditions. The questions of ‘in which category a purchase operation is included’, ‘whether the result of this process is combined with or separated from the results of other categories’, and ‘how often the accounts will be rated’ can affect the perceived attractiveness of the options (Thaler, 1999). When risk and loss variables, which underlie the mental accounting theory, are evaluated in terms of the internet market, findings such as “consumers perceive online shopping as more risky than the store shopping” (Tan, 1999) and “consumers do not do internet shopping mostly due to the risk problems” (Hong & Yi, 2012) are reached. Kenrick et al. (2009) also assert that consumers are generally risk-averse and the risk-aversion is consistent with loss-aversion.
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