

Preliminary communication
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ANALYZING CONSUMER BEHAVIOR IN ONLINE GROUP BUYING IN BOSNIA AND HERZEGOVINA

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Abstract:

Online buying is one of the most popular activities on the Internet, and within that group buying is one of the activities in the trend as a popular form of electronic commerce. Group buying is a worldwide phenomenon, and more recently very popular form of doing business on the local market. But the reasons why consumers are practicing such purchases, how they behave when buying, and what motivates them to buy are still not fully explored. The purpose of this paper is to get an insight into what the main factors are that the online consumers take into consideration when purchasing online. This paper will show how a new form of Internet commerce has found a way to turn the economic crisis to its benefit. Respectively, how consumers, encouraged by a limited purchasing power, unite and strengthen their position against the sellers to obtain a volume discount. The paper is based on an online questionnaire conducted by the authors on a sample of 562 respondents in BiH.

Keywords: online group buying, consumer behavior, Bosnia and Herzegovina.

Jel Classification: M31

INTRODUCTION

The number of Internet users is increasing, which means that online buying is growing as well. (Joines, Scherer, and Scheufele 2003). This rapid growth is explained by the increased use of broadband technology combined with a change in consumer behavior (Oppenheim and Ward 2006). Stimulated by the recession and reduced purchasing power, consumers use Internet to group on and strengthen their position against the sellers, and all that in order to achieve volume discount. Many of them gather to share information, forming small virtual communities. In the process of forming a group, mainly two factors affect consumer trust toward certain product or person, such as:

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professionalism of perception and strength of the relationship (Wang and Li 2007, 50–55). Group buying is the latest trend in online buying. This new form of commerce found a way to turn the economic crisis to its benefit and has great potential to impact the e-business. This form of trading removes geographical boundaries and increase possibility of negotiating a better price or better sale conditions. Kauffman and Wang (2001, 157–188) have pointed out that this is a new way of creating economies of scale. Mechanism of web-based group buying is present in the B2B (business-to-business) market and the B2C (business-to-customer) market, where buyers and sellers believe it can lead to higher profits. The concept itself is simple: group buying web sites come as an intermediary between sellers (producers, local retailers and service providers) on one side and buyers (customers) on the other (Stulec and Petljak 2010, 22–25).

Whether it is about traditional or online market, marketers have to understand consumers and the ways they make their purchasing decisions (Hollensen 2004). Therefore, the main objectives of this research are to determine social-demographic and psychographic characteristics of online group buying users, similarities and differences in their shopping habits, attitudes and motivations for this kind of purchase, factors for making decision, the type of products and services that are commonly bought and used. The focus of this research will be to determine whether the level of customer satisfaction of online group buying in BiH leads to a repeated usage of these services. If consumers have more Internet experience, is it more likely they will use these services? Does richer offer affect the preferences for these purchases, and does monthly income mean greater willingness for online group buying?

Reasons for conducting this research we have found in the fact that this phenomenon is not sufficiently explored and that there is a limited number of studies on this topic.

ONLINE GROUP BUYING IN BIH AND WORLDWIDE

Online group buying helps consumers search for information about products and services, makes it easier to compare prices and product characteristics, as well as provides a fast and easy exchange of positive and negative experiences. All this saves time and money, increases the level of satisfaction, and buying is often faster, easier and more convenient to do from home. A large number of studies have pointed out that price factor most affects the buying intention. Online group buying operators are trying to gather different customers via web by providing price incentives to purchase in large quantities. In addition, the volume discount is a simple but effective way of promotion, especially in the condition of today's highly competitive market.

The initiator of idea and the absolute leader in the market is Groupon.com. Until today, Groupon has saved over a billion dollars to its customers and made millions in revenues to sellers they present on their site (<http://www.groupon.com/pages/press-kit>, 2012.). Groupon.com can be considered as a market leader not only because of the number of coupons they sold, but also for the number of cities covered by their deals - 70 cities of North America and 140 worldwide (http://www.furnituretoday.com/article/529992-Group_buying_sites_latest_shopping_craze.php, 9. juli2010.) and has about 83,1 million customers (<http://www.groupon.com/>). Their philosophy is pretty simple: they treat their customers the way they would like to be treated themselves. Today in North America there are already dozens of web services for group buying.

However, a small number on Internet users in BiH practice this type of purchase, and most often they underline distrust and concern for money and product safety as one of the reasons for not buying online. If you take a look at the websites of the local companies you will see many of them are trying to promote this kind of buying concept which has already become a de facto standard worldwide, however, a response was relatively low so that many companies decided to abandon this form of doing business. The cause for low market demand for this type of service in BiH could be that only a small part of population uses Internet, but also the fact that not all credit/debit cards are authorized for Internet purchases, thus products offered on the websites can only be paid by wire transfer at the bank. According to the latest data, provided by the Communications Regulatory Agency BH (CRA), the rate of Internet usage in Bosnia and Herzegovina for 2012 is 57% (<http://www.rak.ba/bih/index.php?uid=1272548129>, 2012.). The data provided in the report clearly shows a growth of the number of Internet users.

In Bosnia and Herzegovina online services for group buying appeared in 2011. Ekupon.ba was the first on the market. Currently, there are 10 web sites: CityDeal.ba (Sarajevo), Ekupon.ba (Sarajevo), Jupi.ba (Sarajevo), KupiKupon.ba (Mostar), KupiGrupno.com (Banja Luka), Kupujmo.ba (Vitez), LudiPopust.com (Banja Luka), PolaCijene.ba (Sarajevo), MegaPopust.ba (Sarajevo), ZgrabiPopust.ba (Banja Luka). E-commerce in BiH began with the arrival of these websites, and their popularity is reflected in attractive deals they offer. The first thing that has affected more and more users to start using this method of buying products and services is attractive offers. Second, it is very significant that there is less aversion and fear of online payments among consumers.

METHODOLOGY

Presented data was collected from an online survey conducted in March 2013. The questionnaire was developed by the authors. The survey consisted of 30 questions - closed-ended, open-ended, and multiple choice rating scale questions about experience and attitudes towards online group buying, in order to gather necessary information. To determine the relationships between observed variables in order to respond on set goals, we used Chi-square test and method of bivariate correlation.

The total of 562 respondents participated in the survey. Demographic and online characteristics are presented in Table 1 (source: authors).

Respondents were mostly women (72,2%), while only 27% of them were men. These results show that women are more willing to respond to the questionnaire, but also those who have an important role in decision making process. However, when asked about whether they have already made purchase via services for online group buying, higher percentage of men provided a positive answer.

Table 1. Sample respondents characteristics

Sample respondents characteristics	Number	Percentage (%)
<i>Gender</i>		
male	152	27
female	406	72,2
n/a	4	0,7
<i>Age</i>		
less than 21	93	16,5
21-29	347	61,7
30-39	87	15,5
40-49	27	4,8
50+	5	0,9
n/a	3	0,5
<i>Level of education</i>		
Elementary school	1	0,2
High school	124	22,1
College/University	326	58,2
MA/PhD	109	19,4
n/a	1	0,2
<i>Employment status</i>		
Employed	238	42,3
Unemployed	94	16,7
Student	226	40,2
n/a	4	0,7
<i>Internet experience</i>		
less than one year	1	0,2
from 1 to 3 years	34	6
from 4 to 6 years	130	23,1
from 7 to 9 years	134	23,8
10 years and more	261	46,4
n/a	2	0,4
<i>Monthly income</i>		
less than 499 KM ²	38	6,8
from 500 to 999 KM	86	15,3
from 1000 to 1499 KM	82	14,6
from 1500 to 1999 KM	34	6
2000 KM and more	37	6,6
have no income/unemployed or studying)	279	49,6
n/a	6	1,1
<i>Frequency of Internet use</i>		
every day	547	97,3
several times a week	13	2,3
several times a month	0	0
weekends only	0	0
n/a	2	0,4
<i>Daily Internet use</i>		
less than 1 hour	27	4,8
from 1 to 3 hours	205	36,5
from 4 to 5 hours	160	28,5
from 6 to 7 hours	77	13,7
more than 7 hours	92	16,4
n/a	1	0,2
Total	562	100,0

² B&H currency, 1 EUR = 1,95583 KM

RESULTS AND DISCUSSION

To test the first set goal, whether the level of customer satisfaction of online group buying in BiH leads to a repeated use of these services, we used method of bivariate correlations. First of all, it is necessary to point out that of 472 respondents who were familiar with the concept of online group buying 46,2% of them have already made a purchase through these services. Out of that percentage 63,3% of them are satisfied with the products/services they buy via group buying web sites, and 60,3% would buy again via group buying web sites. Testing the mean values of satisfaction with the conducted group buying and willingness to repurchase via these services using method of bivariate correlations can be concluded that there is a significant relationship between these two variables (Table 2). Pearson's coefficient for this relationship is 0,717. This analysis proved to be statistically significant at the level of significance of 99%, which indicates data from the analysis where $p=0 < 0,05$.

Table 2. Testing the mean values using bivariate correlations method

		I would buy again via group buying web sites				
		1- Strongly disagree	2- Disagree	3- Neutral	4- Agree	5- Strongly agree
		Count	Count	Count	Count	Count
I am satisfied with the products/services I buy via group buying web sites	1-Strongly disagree	1	0	0	0	0
	2- Disagree	0	2	2	4	1
	3- Neutral	0	0	6	11	1
	4- Agree	0	0	1	113	23
	5-Strongly agree	0	0	0	1	48

Table 2 and the correlation analysis (Table 3) show that consumer satisfaction with products/services they buy via group buying web sites affects their willingness to buy again. It can be concluded that greater satisfaction with previously made purchases via these services positively affects willingness for online group buying.

Table 3. Pearson's coefficient results for the questions about their satisfaction with products bought via group buying web sites and willingness to buy again via these services

		I am satisfied with the products/services I buy via group buying web sites	I would buy again via group buying web sites
I am satisfied with the products/services I buy via group buying web sites	Pearson Correlation	1	.717**
	Sig. (2-tailed)		.000
	N	218	214
I would buy again via group buying web sites	Pearson Correlation	.717**	1
	Sig. (2-tailed)	.000	
	N	214	214

Note: **. Correlation is significant at the 0.01 level (2-tailed).

To determine whether higher Internet experience means greater usage of services for online group buying we used Chi- square test. Chi-square is a statistical test that

tests for the existence of a relationship between two variables. It is convention that if this value is less than 0,05, then the statistic is considered to be significant (meaning that the researcher can be 95% confident that the relationship between the two variables is not due to chance). In our example, since the Sig. value is p=0, we can say that relationship between tested variables is 100%. The results of Chi-square test we used to examine relationship between consumers Internet experience and making purchases via group buying web sites showed that there is a statistically significant correlation between these two variables, $X^2(5, N=472)=32,809$, $p=0$.

Table 4. Crossing questions about Internet experience and purchases via group buying web sites in order to prove set goal

		Have you already made purchases via group buying web sites?	
		Yes Column N %	No Column N %
How many years do you use Internet?	less than 1 year	0,0%	,4%
	from 1 to 3 years	1,8%	7,9%
	from 4 to 6 years	13,8%	28,0%
	from 7 to 9 years	23,4%	24,4%
	10 years and more	61,0%	39,0%
	n/a	0,0%	,4%

Table 4 shows that respondents who have greater Internet experience also have higher frequency of response YES to the question if they already made purchases via group buying web sites. Highest percentage of respondents who have already made purchase via these services are in the group of those who used Internet for 10 years and more, and least among those who used Internet for less than 1 year, which clearly shows the relationship between Internet experience and purchases via these services.

Table 5. Chi-square analysis results on the previous two questions where you can see the difference between the expected and actual response frequency

Cross tabulation

			Have you already made purchases via group buying web sites?		Total
			Yes	No	
How many years do you use Internet?	less than 1 year	Count	0	1	1
		Expected Count	,5	,5	1,0
	from 1 to 3 years	Count	4	20	24
		Expected Count	11,1	12,9	24,0
	from 4 to 6 years	Count	30	71	101
		Expected Count	46,6	54,4	101,0
	from 7 to 9 years	Count	51	62	113
		Expected Count	52,2	60,8	113,0
	10 years and more	Count	133	99	232
		Expected Count	107,2	124,8	232,0
	n/a	Count	0	1	1
		Expected Count	,5	,5	1,0
	Total	Count	218	254	472
		Expected Count	218,0	254,0	472,0

Table 6. Chi-square test results for the two previous questions

<i>Chi-Square Test</i>			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	32,809	5	,000
Likelihood Ration	34,875	5	,000
Linear-by-Linear Association	,086	1	,770
N of Valid Cases	472		

Chi-square test was used to determine if the offer diversity affects customer's tendency for this concept. When tested group buying websites' offer diversity impact on customers tendency for this concept, value of significance was zero ($p=0$), which tells us that there is a strong statistical correlation between the observed variables. Chi-square test results showed that there was statistically significant correlation between these two variables, $X^2(1, N=472)=342,062$, $p=0$ (table 7).

Table 7. Chi-square test results for questions about group buying web sites offer diversity and customer tendency for this concept

<i>Chi-Square Test</i>			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	342,062	1	,000
Likelihood Ration	429,882	1	,000
Linear-by-Linear Association	341,337	1	,000
N of Valid Cases	472		

Considering that the question about elements that impact customer decision about online group buying was answered by those respondents who have already participated in online group buying, any element of influence on the decision about online group buying would show a significant correlation with question about tendency for this concept. Because of that, for this issue it is much more appropriate to analyze frequency of individual elements for the question: „What affects your decision on which group buying websites to use?“ It is from this question we can see that offer diversity has the biggest influence on the purchasing decision, 83% respondents confirmed this statement (Figure 1 – source: authors).

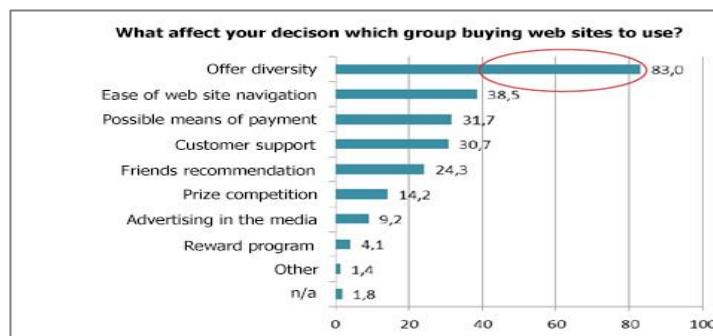


Figure 1. Factors that affect customers' decision on which group buying web site to use (N=218; Respondents who already participated in online group buying)

To prove the last goal, whether monthly income means greater willingness for online group buying, we also used Chi-square test. According to the data from Table 9, significance value is $p=0$, which tells us that in this case there is also statistical correlation between tested variables. Analysis result $X^2(6, N=472) = 44,851$, $p=0$ confirms that there is a relationship between respondents' monthly income and willingness for purchases via services for online group buying.

Table 8. Sample structure according to online group buying and monthly income

Distribution according to online group buying and income		Yes %	No %	Total
Have you already made purchases via group buying web sites?	less than 499 KM	6,4	7,1	6,8
	from 500 KM to 1499 KM	18,3	14,6	15,3
	from 1000 KM to 1499 KM	21,1	11,8	14,6
	from 1500 KM to 1999 KM	8,7	5,5	6,0
	2000 KM and more	12,4	2,8	6,6
	Have no income/unemployed or studying	31,2	57,9	49,6
	n/a	1,8	0,4	1,1
Total		100,0	100,0	100,0

Table 9. Chi-square test results for questions about online group buying and respondents monthly income

<i>Chi-Square Test</i>			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	44,851	6	,000
Likelihood Ratio	44,851	6	,000
Linear-by-Linear Association	,738	1	,390
N of Valid Cases	472		

The following table presents results on questions about online group behavior (Table 10). Some questions were given a choice of more than one answer, therefore the possible sum is greater than 100%.

Table 10. Results of online group behavior

Online group behavior	Percentage (%)
<i>Are you familiar with the concept of online group buying? (N=562)</i>	
Yes	84
No	16
<i>How have you heard of this concept? (N=472)</i>	
Through social networks/blogs	55,5
Through friends/family members	35,8
Through mass media	33,1
Accidentally	18,2
Other	3,0
<i>Have you already made purchase(s) via group buying web sites? (N=472)</i>	
Yes	46,2
No	53,8

Table 10. (continued)

Online group behavior	Percentage (%)
<i>How often do you purchase via group buying web services? (N=218)</i>	
Once a month	72,9
Several times a month	19,3
Once a week	3,7
Several times a week	1,8
Once a day	1,8
n/a	0,5
<i>Which payment methods you use mostly? (N=218)</i>	
Debit/credit card	52,8
Internet banking	7,3
Bank slip	22,0
PikPay	17,4
n/a	0,5
<i>What is the price range of the most frequently purchased products? (N=218)</i>	
less than 20 KM	27,5
from 20 to 50 KM	41,7
from 50 to 100 KM	20,6
100 KM and more	10,1
<i>Which products do you buy most frequently via group buying web sites? (N=218)</i>	
Beauty	49,1
Gastronomy	35,8
Travel arrangements	35,8
Culture and entertainment	30,3
Sport and recreation	25,2
Health	21,6
Education	11,5
Other	5,5
n/a	2,3
<i>Reasons for online group buying? (N=218)</i>	
Buying familiar products at lower prices	61,0
Practical purchases (from home)	48,2
Buying new products at lower prices	36,7
Possibility to purchase 24h	20,6
Less effort compared to traditional shopping	18,8
Comparing prices with other online sellers	17,4
Safe shopping at good prices	16,5
Offer diversity	15,1
Friend recommendations	12,8
Other	0,5
n/a	3,7
<i>What affects your decision which group buying web site to use? (N=218)</i>	
Offer diversity	83,0
Ease of web site navigation	38,5
Possible means of payment	31,7
Customer support	30,7
Friend recommendations	24,3
Prize competition	14,2
Advertising in the media	9,2
Reward program	4,1
Other	1,4
n/a	1,8

Table 10. (continued)

Online group behavior	Percentage (%)
<i>Why you still have not decided to participate in online group buying? (N=344)</i>	
Still have not found an interesting offer	20,3
Believe that online shopping is too risky	19,5
Inability to evaluate the quality of the products	19,2
Don't have debit or credit card	10,5
Don't use Internet banking	10,2
General aversion toward Internet shopping	7,0
Inability to get answers about products	3,2
Consider it as unnecessary way of spending money	3,2
Don't know how to make online shopping	2,6
Web page are not simple and clear enough	0,6
Other	1,5
n/a	2,3
<i>I intend to use these services more in the future? (N=562)</i>	
Strongly disagree	5,9
Disagree	12,6
Neutral	36,8
Agree	31,1
Strongly agree	6,2
n/a	7,3

CONCLUSION

The results presented in this paper show that online group buying in Bosnia and Herzegovina has not still reached its potential.

Research has shown that almost all respondents use Internet on a daily basis, mostly for the following purposes respectively: social networks, web search, e-mail, entertainment, work, learning via Internet, and then, for online shopping. Most of them are familiar with the concept of online group buying, and majority of them have heard of this concept via social networks/blogs etc., whereby aforementioned social networks on consumers purchasing decisions have above average impact. It can be concluded that social networks play an important role in informing about current offers for permanent customers, as well as good way to attract new ones. The largest number of respondents who use these services do that once a month, and it is offer diversity that mostly affects their decision what web service to use.

Men of age 30 to 39 are the group that most often does the online group buying. In terms of education, the most frequent users are highly educated, and most users are in the group of those who have completed Master/PhD. Generally, it can be concluded that people with higher level of education more commonly use services for online group buying. Employed persons most commonly purchase through these services comparing to those who are unemployed or still studying, as expected. Also, respondents with higher monthly income mostly use online group buying. So that 79,4% respondents who participated in this research, and have a monthly income of 2000 KM and more are those who made purchase through an online group buying service, but this percentage is only 43,8% for those with income less than 499 KM.

To purchase more frequently, customers need to be offered good deals that will attract them to do that more than once in a month. The same conclusion also goes for those who still have not decided to participate in online group buying, stating that they have not found an interesting offer. We could say that good offer is the key to success in this business concept.

As the technology continues to evolve and customers buy online more frequently, we believe it is necessary to research the impact of all these listed factors, but also the new ones, on customer decisions to buy products/services online. The knowledge of factors that affect online purchasing decisions can help in developing appropriate online marketing strategy to attract new customers and retain existing ones. Companies should consider the fact that they operate on a new market, where spatial and time barriers disappeared. Moreover, as the technology develops, the customers take over the control and are now in position to control receiving messages through filtering unwanted messages. Knowing that, the companies should adjust their strategies and respect their customers more, constantly balancing between their needs and expectations.

In the context of the new economy, companies are struggling on a highly competitive and dynamic market, constantly striving to meet the needs of very selective and well-informed consumers. They face a new type of online customer, who operates in the world of e-commerce, very open to the Internet use and new technologies, constantly looking for alternatives and innovations. Guided by a favorable price, or wider offer, conveniences, control or hedonistic purchasing experience, online consumer is a real challenge for marketers. However, facing numerous virtual threats on a daily basis, online consumer's need for privacy and safety at the global level is an issue with the increasing significance. This information has been confirmed by this research where a majority of respondents as a reason of not participating in online group behavior, besides not finding interesting offers, stated risky online purchases and inability to estimate quality of the products. Professional literature emphasizes the growing importance of online customer, as well as the need for the future researches who would predict and provide better understanding of their evolutions, preferences and habits. Based on the all mentioned above, it can be concluded that the online buying is a multidimensional and multidisciplinary phenomenon. Also, there is no consensus on the theoretical models that describe and predict online buying attitudes and behaviors. Lack of a common theoretical framework suggests the need for developing an integrative model of this phenomenon in order to promote systematic research of its components and online buying process. The results of this paper confirm that the online consumer behavior is still immature and has a significant research potential.

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