

CONSUMER BEHAVIOR IN THE DIGITAL ERA

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Abstract

This article explores the evolving consumer behavior in the rapidly changing digital landscape. As technology advances and internet accessibility grows, consumers experience a significant transformation in how they engage with products and services. Elements such as information accessibility, the impact of social media, and the ease of online shopping have given rise to new consumer behavior patterns. The research seeks to analyze how this transition impacts consumer purchasing decisions and preferences. Employing both qualitative and quantitative research methods, we gathered data from respondents representing diverse consumer segments. The research findings reveal that consumers in the digital age tend to be more focused on obtaining information, socially interconnected, and inclined to make decisions based on online reviews and recommendations from friends. Additionally, the article delves into the influence of emerging technologies like artificial intelligence and big data analysis in comprehending consumer behavior. Practical implications of these findings are elucidated to aid businesses and marketers in gaining a deeper insight into consumer behavior, devising effective marketing strategies, and enhancing consumer experiences in the digital realm. The research findings delineate a paradigm shift in consumer behavior during the digital era, outlining the challenges and opportunities confronting businesses and offering insights into strategies that can be embraced to remain relevant and successful in this dynamically changing market.

Keywords : Consumer behavior, consumer behavior model, marketing communication concept, consumer culture, E-commerce.

INTRODUCTION

Over the past decade, information technology has experienced rapid growth, especially with the surge in internet usage and the widespread adoption of the World Wide Web. This transformation has not only reshaped how people live, work, communicate, transact, and learn but has also had a profound impact on marketing perspectives. The digital revolution, in particular, has ushered in a new era, fundamentally reshaping the marketing landscape. Various applications of the internet in business through digital platforms have introduced innovative methods for marketing activities, including visual advertising, email marketing, and social media marketing.

The influence of the digital revolution is evident in its impact on consumer behavior, affecting not just their actions but also their attitudes and ethical considerations. This paper

aims to explore crucial aspects of consumer behavior in the context of marketing to consumers through the internet, providing numerous advantages to marketers, including the ability to offer products and services around the clock throughout the year.

According to AC Nielsen research, it was revealed that more than 143 million households in America are active internet users. Globally, users from 11 countries, as studied by Nielsen, collectively surpass 135 million households, with over 40 million households in Japan and 32 households in Germany being active internet users.

The American Marketing Association defines Consumer Behavior as the "dynamics of interactions between influences and awareness, behavior, and the environment in which humans conduct the exchange aspects of life." Simply put, consumer behavior involves the thoughts, feelings, and actions that individuals experience in the consumption process. This dynamic nature of consumer behavior emphasizes the importance of continuous consumer analysis by marketers to stay attuned to evolving trends, such as the transformative impact of the internet on how people seek information about products and services.

The e-commerce business ecosystem in Indonesia has undergone significant development. In 2021, NielsenIQ reported that the number of Indonesian e-commerce users reached 32 million, marking an 88% increase from the 17 million users in 2020. This growth is attributed, in part, to shifts in societal habits regarding payment methods.

Regarding preferred payment methods, the Ministry of Finance highlighted that Indonesia led Southeast Asia with e-commerce transactions reaching a value of USD 70 billion in 2021. This corresponds to the increasing preference of digital consumers for online payment methods.

Online payment refers to a digital payment system conducted through the internet, typically utilizing facilities provided by financial institutions (banks) and payment recipients (e-commerce, among others).

Several commonly used online payment methods prevail in Indonesia. Sensus's survey ranks the top 3 popular payment methods in Indonesia as follows: digital wallets (e-wallets), interbank transfers (including virtual accounts), and cash on delivery (COD). Payments through retail outlets (minimarkets), direct debit, and credit cards follow as the most favored online payment methods among the Indonesian populace.

Meanwhile, our internal data highlights 7 main payment methods frequently used by Indonesians in the past year, including Virtual Account, payments through retail outlets, QR codes, e-wallets, credit cards, pay later, and Direct Debit.



Image 1 : Most Preferred Online Payment Methods in Indonesia (Xendit, 2022)

Examining the data, Virtual Account stands out as one of the most preferred online payment methods, boasting a user base exceeding 80%. Following closely are other popular online payment methods such as payments through retail outlets, QR codes, and more. What prompts the public's preference for these payment methods? What advantages and benefits come with using these online payment options? Let's delve into a comprehensive explanation.

In the midst of the current era's technological advancements, particularly with the accelerated growth of e-commerce, a notable impact on the lifestyle of contemporary society is evident. While conventional shopping was the norm, today's populace is increasingly transitioning to the convenience of online shopping.

Online shopping, defined as the process of buying goods or services over the internet, facilitates transactions without the need for face-to-face interactions between buyers and sellers (Sari, 2015).

Marketplaces serve as comprehensive online platforms for buying and selling, offering secure and tested systems that handle everything from promotional activities to transactions. This reassures individuals, eliminating any hesitations they may have about engaging in online shopping transactions.

In the present age, almost everyone has experienced the convenience of online shopping. The prevalence of internet networks, marketplaces, and social media platforms providing online buying and selling services has become a defining aspect of modern life. However, before exploring the intricacies of online shopping, it is imperative to first

understand the means of accessing it—namely, having an internet connection to facilitate online transactions.

Within online shopping sites, an abundance of enticing product offers, coupled with reasonable prices and plentiful discounts, serves as a magnet for individuals to partake in online shopping transactions. The multifaceted advantages of online shopping contribute to its widespread preference in today's era. Here are some key advantages of online shopping:

1. Not bound by place and time, especially for busy individuals who may not have the time to shop by physically going to a store.
2. The abundance of online stores that offer a variety of products.
3. Time and energy-saving as there's no need to navigate malls or physical stores; just a short moment to open the internet is sufficient.
4. We can compare products and prices with other online stores, allowing us to choose products that meet our needs.
5. An easy shopping process; simply order the item, and payments can usually be made through internet/mobile banking, ATM, or COD (Cash on Delivery). Then, all that's left is to wait for the item to be delivered.

Within the realm of e-commerce, two primary entities come into play: consumers and producers. Consumers are individuals who utilize online shopping applications or websites, while producers are commonly referred to as online shops. In this context, online shops take on the role of producers, offering goods to consumers.

Presently, a multitude of online shopping platforms and applications exists, including well-known names like Shopee, Tokopedia, Lazada, Zalora, and renowned brands such as Gucci, Chanel, Nike, Adidas, among others, accessible through internet connectivity.

While internet transactions provide the advantage of enabling consumers to conduct transactions at their convenience, from anywhere, it comes with a drawback - the absence of face-to-face interaction between buyers and sellers. This limitation tends to reduce the trust level among buyers when engaging in online transactions. Nevertheless, the presence of reputable brands and a strong customer trust factor motivates consumers to be willing to pay a premium for identical goods or products.

THEORETICAL STUDY

Definition of Consumer Behavior

Consumer behavior is intricately connected to the eventual purchase process, involving activities such as searching, researching, and evaluating products and services before making a decision to buy. This behavior is fundamentally tied to the factors

influencing a consumer's purchasing choices and reflects the various considerations in the buying process (Firmansyah et al., 2018).

At its core, consumer behavior delves into the foundational elements guiding individuals to make informed decisions when purchasing. When consumers decide to acquire a product or service, they carefully weigh factors such as price, model, form, packaging, quality, and the overall utility of the chosen item (Mukrimaa et al., 2016).

Consumer behavior is also closely associated with dynamic shifts in shopping patterns, moving from traditional to modern markets and from conventional to digital systems. Over time, this behavior continues to evolve, shaped by both internal and external factors like cultural influences, personal aspects, goods and services, social dynamics, perception, motivation, attitude, and learning processes (Pramiarsih, 2012).

Numerous theories on consumer behavior highlight the multifaceted factors that impact decision-making in the purchasing process. This complexity underscores that the learning process for consumers extends to every aspect, including where they choose to shop. Ultimately, this leads to the development of rational consumers. It emphasizes that studying consumer behavior will expand in tandem with changing times, as shifts in consumer behavior are inevitable. The question of whether consumers remain loyal to a particular product or service is a testament to the service provider's credibility.

Models of Consumer Behavior

1) Engel, Kollat, dan Blackwell Model

This model clearly illustrates how consumers go through the process of making a purchase, starting from the emergence of needs to the final stage of evaluation after the purchase. The model is based on the consumer decision-making process, which consists of five stages as follows.

- a) Problem recognition arises when consumers perceive a disparity between their current situation and the desired one.
- b) The information search stage encompasses the speed and breadth of retrieving information stored in memory and experiences related to the identified problem.
- c) The evaluation of alternatives involves comparing information about brands through the examination of criteria.
- d) The diagram also illustrates the tendency to choose based on the strength of the intention to purchase. Consumer choices play a pivotal role in determining satisfaction or dissatisfaction, serving as a direct experience with a particular brand. The outcome may also lead to dissonance if the brand does not align with their preferences.
- e) Additional external influences include prevailing norms and cultural values.

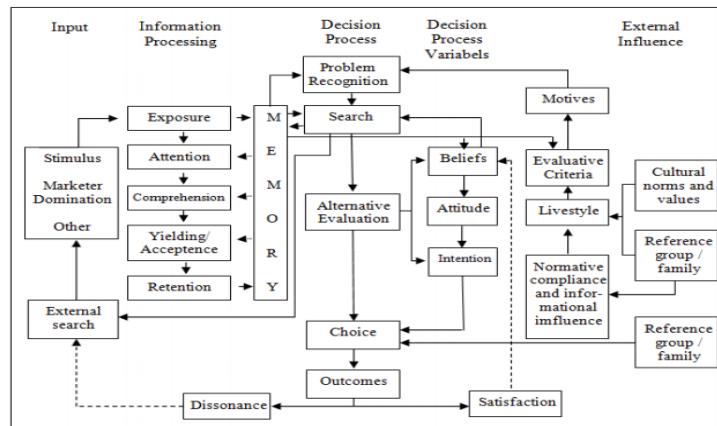


Image 2. Consumer Behavior Model of Engel, Koliat dan Blackwell

Marketing Communication Concept

The concept of marketing communication arises as a nuanced and distinct form of communication. Ultimately, numerous scholars and professionals define marketing communication as encompassing all promotion elements and the marketing mix involving communication between organizations and target audiences in various forms, all aimed at enhancing marketing performance (Pris Gunanto, 2006). Likewise, communication is a process facilitating the conveyance of thoughts and understanding between individuals or organizations and individuals. Marketing, on the other hand, constitutes a set of organizational activities aimed at transferring values (exchange) among themselves and their customers. In this context, Terence A. Shimp (2010) amalgamates marketing communication as the representation of a combination of all elements in the marketing mix that facilitates exchange by creating disseminated meaning to customers or clients.

Definitions of Consumer Culture

a. John C. Mowen and Michael Minor:

"Consumer culture is a system of values, beliefs, and norms that underlie consumer behavior in choosing, purchasing, using, and evaluating products or services."

b. Wallendorf & Reilly:

"Consumer culture is a set of behavior patterns that are socially transmitted symbolically through language and other means to members of a particular society."

From these varied definitions, it can be inferred that consumer culture is a set of values, beliefs, and norms that form the foundation of consumer behavior in decisions related to choosing, purchasing, using, and evaluating products or services. Consumer

culture is influenced by a multitude of factors, including cultural, social, personal, and psychological elements.

Definition of E-commerce

E-commerce, or electronic commerce, refers to the process of electronically or digitally buying and selling goods or services over the internet. E-commerce involves various participants, ranging from consumers and sellers to third parties like shipping companies. Various experts provide definitions of e-commerce:

- Laudon and Laudon define e-commerce as business-to-business transactions occurring through the internet.
- Kotler and Armstrong describe e-commerce as the electronic business transaction process encompassing all facets of transactions related to consumers, suppliers, business partners, and employees.
- Turban, McLean, and Wetherbe characterize e-commerce as an information system supporting electronic business transactions, including ordering, payment, and delivery of goods.

Since the emergence of the internet in the 1960s, e-commerce has undergone rapid evolution. Initially confined to business-to-business transactions (B2B), such as electronic data interchange (EDI), e-commerce has expanded over time to include consumer-to-consumer transactions (C2C), exemplified by online auctions.

Research Methodology

This study adopts a qualitative research approach. The chosen methodological approach is the survey approach, a qualitative research method applied to unveil shared meanings that constitute the essence of a concept or phenomenon consciously and individually experienced by a group of individuals in their lives.

Results and Discussion

As per The American Marketing Association, consumer behavior is a dynamic interaction process involving influence and awareness, behavior, and the environment, where individuals engage in the exchange of aspects of their lives. Broadly, consumer behavior is categorized into two types: rational and irrational consumer behavior. Rational consumer behavior pertains to a consumer's action in purchasing a product or service prioritizing their needs.

According to Nugroho (2019:2), consumer behavior encompasses actions directly related to obtaining, consuming, and spending on products or services, including the decision-making process preceding and following these actions.

Kotler and Armstrong (2018:158) define consumer behavior as "consumer buyer behavior refers to the buying behavior of final consumers—individuals and households that buy goods and services for personal consumption." This implies that consumer behavior is demonstrated through the purchasing behavior of each consumer for personal consumption.

Kotler and Keller assert that consumer behavior is influenced by marketing stimuli (product, service, price, distribution, communication) and other stimuli (economic, technological, political, cultural). These stimuli, in turn, impact consumer psychology (motivation, perception, learning, memory) and consumer characteristics (culture, social, personal). Consequently, consumers go through stages of the buying decision process, involving problem recognition, information search, alternative evaluation, purchase decision, and post-purchase behavior. Ultimately, consumers make the purchasing decision (Purboyo, 2021). Hence, Consumer Behavior involves direct actions by consumers to acquire, consume, and spend on products and services, encompassing the decision-making process preceding and following these actions.

The onset of the digital era can be traced back to the 1980s, marking a shift from mechanical and analog electronic technologies to their digital counterparts. Fundamentally, the digital era signifies a period wherein nearly every facet of life is facilitated by digital technology. A tangible proof of this digital shift is the ubiquitous presence of the internet, which has evolved into an indispensable daily requirement for almost everyone. Many individuals appear to be inseparable from the internet, and the digital era, particularly through online platforms, has profoundly altered numerous aspects of our lives. This transformation is glaring, especially among the millennial generation, which is intricately connected with digital technology. In contemporary times, digital technology isn't merely a tool for communication and interaction; it significantly influences global business sectors. The rapid evolution of digital technology seems to eliminate all boundaries, allowing for effortless global communication, interaction, shopping, and business operations, spanning not only within cities but also across countries and continents.

Consumer behavior in the digital era has undergone substantial transformations compared to earlier periods. The advancements in technology and the widespread availability of the internet have shaped how people shop, seek product information, and engage with brands. Here are some key attributes of consumer behavior in the digital era:

1. Online Information Retrieval: Before making a purchase, consumers tend to scour online sources for information. They delve into product reviews, compare prices,

and seek recommendations on various platforms such as e-commerce websites, social media, and online forums.

2. **Impact of Social Media:** Social media exerts a considerable influence on consumer decision-making. Consumers can be swayed by advertisements, reviews, and recommendations from friends or influencers on platforms like Facebook, Instagram, and Twitter.
3. **Online Purchasing Trends:** Online shopping has become increasingly prevalent. Consumers can swiftly and easily acquire products and services without the need to visit physical stores, particularly for items like clothing, electronics, and food.
4. **Personalization Expectations:** Consumers now anticipate more personalized experiences. They are more inclined to engage with brands that offer tailored recommendations based on their preferences, accomplished through recommendation algorithms and data analysis.
5. **Mobile Commerce:** The utilization of mobile devices such as smartphones and tablets has experienced a significant uptick. Consumers frequently engage in mobile shopping, necessitating websites and applications that are responsive and user-friendly on these devices.
6. **Expedited Delivery Anticipation:** Consumers desire prompt product deliveries. The trend of fast delivery services, such as one- or two-day shipping, is on the rise.
7. **Data Security Concerns:** There is a growing apprehension among consumers regarding the privacy and security of their personal data. Ensuring the safeguarding of personal information is a priority for consumers when engaging in online shopping.
8. **Streamlined Return Policies:** Consumers expect streamlined and uncomplicated return processes. Many online retailers have adopted consumer-friendly return policies to foster trust.
9. **Brand Engagement Aspirations:** Some consumers seek deeper involvement with their preferred brands. This could involve participation in loyalty programs, providing feedback, or even collaborating with the brand.
10. **Price Comparison Practices:** Despite the ease of online price comparison, consumers often conduct thorough searches for the best deals before finalizing a purchase.
11. **Sustainability Considerations:** Consumers are increasingly mindful of the sustainability and environmental impact of their purchases. Brands committed to sustainable practices attract attention from environmentally conscious consumers.

A comprehensive comprehension of consumer behavior in the digital era is imperative for businesses aiming to formulate effective marketing strategies and align customer experiences with evolving trends and preferences.

Conclusion

Comprehending consumer behavior in the digital era holds significant importance and can be encapsulated through the following points:

1. **Strategic Decision-Making:** A grasp of consumer behavior empowers companies to make more informed strategic decisions, encompassing the design of products and services aligned with market needs, identification of new business opportunities, and formulation of effective marketing strategies.
2. **Enhanced Customer Experience:** A profound understanding of consumer behavior allows companies to deliver an enriched customer experience. This involves tailoring products, providing responsive customer service, and fostering positive interactions with the brand.
3. **Marketing Efficiency:** Insight into consumer behavior enables companies to optimize their marketing resources by identifying high-potential market segments, selecting appropriate marketing channels, and judiciously allocating marketing budgets.
4. **Product and Service Innovation:** Consumer desires and needs, when understood, become catalysts for product and service innovations. Companies can better respond to market trends, create more relevant offerings, and sustain competitiveness.
5. **Customer Satisfaction and Retention:** A nuanced understanding of consumer behavior facilitates improvements in customer satisfaction and bolsters retention rates, fostering stronger customer relationships and ensuring more stable long-term revenue.
6. **Responsive Marketing:** In the swiftly evolving digital landscape, quick shifts in consumer trends necessitate agile responses. Understanding consumer behavior equips companies to adapt more swiftly and effectively to these changes.
7. **Better Competition:** Companies well-versed in consumer behavior gain a competitive edge by identifying competitors' weaknesses and strategically positioning themselves for advantage in the market.
8. **Strong Brand Development:** Consumer behavior comprehension contributes to the creation of a robust brand. Crafting more pertinent brand messages and forging emotional connections with customers becomes possible.
9. **Business Sustainability:** In a dynamic business environment, understanding consumer behavior aids companies in maintaining relevance and sustainability. The

ability to foresee market changes and take proactive measures becomes a key advantage.

10. Privacy and Ethics: Understanding consumer behavior involves a commitment to respecting privacy and adhering to ethical standards in the collection and utilization of consumer data. Compliance with regulations and the preservation of consumer trust are paramount.

In summary, understanding consumer behavior in the digital era is not merely a requirement but a pivotal factor for achieving success in a constantly evolving and digitally interconnected landscape.

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