CHAPTER TWO
REVIEW OF LITERATURE

This chapter reviews the literature in four main areas: (1) Buying Process of Individual Customers, (2) The 7Ps Of Marketing Mix and the Internet, (3) The Concept of E-Factors, and (4) Previous similar study

2.1   BUYING PROCESSES OF INDIVIDAUL CUSTOMERS

It is necessary that the marketer identify and be aware of existing and potential customers and understand the way they buy and be aware of factors influencing them to buy which play an important role in their decision making. **.** Understanding the process is most important to marketers, since the effectiveness of different types of advertisements and promotions varies with the **buying process** stage. Alastair M. Morrison identified buying process of individual customers in Hospitality and Travel Marketing, 2002 as follows;

1.   Need awareness

2.   Information search

3.   Evaluation of alternatives

4.   Purchase

5.   Post purchase evaluation

Customers do not always follow each of the five stages however. Sometimes one or more are skipped.

2.1.1   Need Awareness

For the process to get going there must be a stimulus that lead customers to action. A need deficiency must be recognized. Under the topic of motivation, it was shown that organizations (information from commercial sources) to make potential customers aware of need deficiencies. On the other hand, the stimulus might come from an interpersonal (social) source, such as an opinion, leader, friend, relatives, or business associate. A third source of the stimulus is an internal drive, such as hunger or thirst. Most people do not need to be told when they are hungry or thirsty

2.1.2 Information Search

When a customer is made aware of a need, that need becomes a want. If a want exists, the customer normally begins an information search. Once the choice has been made to fill a need or want, the customer begins to search for information in order to make a quality decision that is in his/her best interest. Web sites may be visited (in which case you should offer some way for the customer to remember you, such as printable versions of information, downloadable brochures and catalogs (Thackston, 2003). Customers become aware of alternative services that might satisfy their needs during their information searches. These alternatives might be vacation destinations, hotel, resort, airlines, attraction, restaurants, rental car, firms, or packaged tours. Not all the alternatives available are always considered. Lack of awareness, perception of prohibitive costs, previous bad experiences and negative word- of-mouth information are the reasons that some alternatives do not make the customer's final short list. This final list is often called the customer's **evoked set**, the alternatives that are chosen for further consideration.

2.1.3 Evaluation of Alternatives

The next stage involves evaluating the short-listed alternatives using the customer's own criteria. Some people write these factors down on paper; others just consider them in their heads. Criteria can be objective or subjective. **Objective criteria** include prices, locations, physical characteristics of facilities (e.g. number of rooms, diversity of restaurants, availability of swimming pool), and services offered (e.g. free continental breakfast, complimentary limousine service from the airport). **Subjective criteria** are intangible factors, such as the image of the service organization.

Customers make judgments using their evaluation criteria. They develop attitudes and preferences for each alternative service. Customers now know which hospitality and travel services best meet their criteria. They may rank the services from their first to their last choice. At the end of this process, one service is favored over the others.

2.1.4 Purchase

Customers make a purchase. At this stage, anyhow, the reference group as family members, social group and customers' personal, employment or financial circumstances may delay the purchase decision.

Another factor that often holds up purchases is the concept of perceived risk. All purchase involves risk. The risk can be financial (will my money be well spent?), Psychological (will it improve my self-image?), or social (will my friend think more of me?) If the risk is considered too high, they may postpone their purchases, keep searching for more information or choose a service organization with a national image and reputation. Risk can also be reduced by continually using the same service organizations or destinations. Marketers have to do everything they can promotionally to reduce perceived risk. Various sub decisions have to be made before a customer makes a purchase. For a family vacation, these subdivisions might include when to travel, how to pay, how and where to make reservations, how long to stay, how much to spend, how to get there, what route to take, and what to do at the destination. These decisions are not simple, and several different people may be involved in making them (e.g., mother, father, and children).

2.1.5 Post Purchase Evaluation

Cognitive dissonance is a state of mind that many customers experience after making a purchase. Customers are unsure whether they have made a good or bad decision. The level of dissonance increases with the importance and dollar value of purchase. A customer is likely to experience less dissonance having chosen Burger King over McDonald's than when selecting an expensive restaurant for a Graduation Ceremony. Dissonance is also greater when the purchased service lacks some of the appealing features of the rejected alternatives. For example, they tend to buy the package which includes airport transfer, spa treatment, and welcome benefits with fresh drinks on arrival, flower decorations in the room than a room with breakfast. The customers would purchase things with value for their money and seem the most reasonable price. It is the marketer's job to reduce dissonance by providing information that confirms the wisdom of the customer's purchase.

When customers have used services, they evaluate them against their expectations. Expectations are based on the information they received from

commercial (advertising and promotions) and social sources (family, friend, associates). If expectations are met, customers are satisfied. If not, customers are usually dissatisfied. So the hints are not to promise more than can be delivered. It is a much better policy to promise less, knowing that you can probably exceed customer expectations. When customers are satisfied with services, the payoffs are great. Satisfied customers are much more likely to be repeat buyers. They have learned that the service they purchased. Meet their needs and expectations. By telling friends, and acquaintances about their positive experiences, satisfied customers influence others to buy because of word–of-mouth recommendations. The reverse is also true. Dissatisfied customers are less likely to be repeat customers.

They will tell others of their experiences, discouraging them from buying. Information from social sources often carries more weight than that from commercial sources. Because we provide intangibles in this industry, marketers have to be especially concerned about unsatisfied customers.

2.2 THE 7Ps OF MARKETING MIX AND THE INTERNET

The owners of hospitality businesses and the marketers have various elements of concern in order to make an effective marketing plan. Not only the awareness of the purchasing process of an individual is the basis, but the marketing mix which is the common framework for all marketers; however, the service industry has unique characteristics as mentioned previously, 7P originated to manage more different characteristics. In the book, Mastering e-business by Groucutt&Griseri (2004), they illustrated the relationship between 7Ps of the marketing mix and the internet as below;

Table 2. 7Ps of Marketing Mix and in Internet

Marketing mix function	Relationship to internet
Product	- Online product information - Value added information about products - Customers participation in product design

(Table continues)

Table 2. (continued)

Price	- Online, real-time price information - Metered pricing - May be cheaper to buy online rather than from the company's retail outlet.
Placement (Place)	- Online ordering of products - Online distribution of products-for example, airline tickets (vouchers)
Promotion	- Online only ,promotions - Link to order partner companies (opportunity for joint promotions)
People (participants)	- e –mail contact to answer queries and provide general assistance. This, at times, may be labor intensive; however, it can help build strong relationships between the customer and the company - Feedback from customers - Development of customer communities - Customer identification- can be used to track valuable customers and build customer relationships over a long period
Process	- Secure online ordering and payment systems - Rapid confirmation of order / payment - Online Tracking of delivery
Physical evidence	In an e-environment, the physical evidence could be (1) the website itself - its look and layout; (2) the confirmation email that the transaction (for example, the reservation for flight ticket)has been successful.

2.3 THE CONCEPT OF E-FACTORS

Among many in the hospitality and travel service such as travel agents, hotel reservation department, travel packages advertised in credit card, the online booking websites have changed the traditional purchasing method and increased their popularity among travelers; so it is interesting to explore the benefits that travelers obtain when they choose this method to make their travel plans. According to the

study of "Attitudes towards On-Line Purchase Behavior: Comparing Academics, Students and others", conducted by Dr. Panicos Georgiades, Dr Johann duPreez, Dr Bill Dowsland and Dr Antonis Simintiras who gave a brief review of both positive and negative factors effecting purchase behavior and intention to buy over the Internet as follows;

2.3.1 The Internet is convenient; simple to use; hassle free.

The customer can access the internet via PC or laptop from home or work. So it's convenient to still relax at home while making purchasing for specific products. As life gets ever more complex in so many dimensions, consumers are looking for simplicity and most companies nowadays, provide simplicity of navigation when consumers are doing their shopping from their desk or lap-top. In addition, consumers can subscribe to software from a company and receive regular upgrades to their hard drives rather than having to go buy a box in a store which makes the entire shopping experience over the Internet as hassle-free as it could be.

2.3.2 The Internet offers competitive prices.

One of the great advantages of the web is that products can be sold more cheaply because the infrastructure of a physical shop front is not necessary. They pointed out that consumers have been attracted to cyber sites in the USA that sell CDs and books for far less than the retail price in their country even after paying postage and shipping costs.

2.3.3 The technology that the Internet is based on is not reliable; users are not confident of the security of their financial and personal details.

The technology supporting the Internet will collapse or fail due to switching and transmission capabilities becoming congested and overwhelmed because of an unmanageable number of users. Even though internet user can buy things online, but they are not confident enough to its security and privacy. Sending credit card details is risky as the transaction might be intercepted and hacked by someone else. Therefore, issues such as using reliable technology and securing financial and personal details must be addressed in order to minimize the fear of privacy invasion and abuse of customer information.

2.3.4 Lack of personal contact and face anonymity.

Someone might feel uncomfortable to contact a person individually and there are many barriers arising from customer services such as emotions, behavior, tone of voice of service staff, the quality of communication equipment. The internet eliminates these weak points, it allows the user to surf for more and more information timelessly at a low cost. Also some websites provides FAQs or the Frequently Asked Questions - basic information which are frequently asked.

2.3.5 It is easy to place an order over the Internet; it offers 24 hour access.

Not only customers can check the availability of the rooms online and can come to check the booking status, they also can make any amendment to their booking at anytime and any place by accessing the website and getting the confirmation online.

2.4 PREVIOUS SIMILAR STUDY

From 'Factors affecting consumer behavior toward online shopping (A case study of office workers who work around the Silom Area) conducted by Themjai Srithep found that trusted companies, trusted brands, and recommendations are important factors influencing consumer buying behavior towards products and services on the internet. Furthermore, the company's reputation, and the risk of the payment via internet also influences customer buying behavior towards products and services online. If they know the company well and receive enough product information, they are likely to make a purchase. Moreover, product assurance was the most important factor affecting the purchasing process of individual customers through online shopping especially when making payment through credit cards. The findings revealed that Thai people did not like to buy products and services online because they were not sure about the security and privacy of payment procedures online. Nevertheless, the researcher found that consumers who are experienced with shopping online tend to repeatedly buy products and services online.

Besides, the study explicated that the benefits such as convenience, timeliness, and useful processes encourage customers to revisit and buy the products and services. On the other hand, some customers use the internet as a medium of

information and entertainment rather than to make an actual purchase because they are concerned about the risk of poor product quality and making payments through credit card online.

In addition, in *Attitudes toward On-line Purchase Behavior: Comparing Academics, Students and Others* (Georgiades, duPreez, Dowsland, & Simintiras, 2000) revealed that the respondents liked the convenience of the internet; but they did not feel confident with the technology backing the internet; so they feel reluctant to give personal and financial information via the internet.