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YOUNG CONSUMERS AS GROUP BUYING SERVICES' CUSTOMERS

Currently, young consumers are becoming important participants in the market process. It is a consequence of the fact that they have an increasing impact on buying decisions undertaken by the family as well as they have an increasing individual purchasing power resulting from financial resources at their disposal. Economic and social changes have formed a different type of a young consumer, who, among other things, makes more reasonable choices and needs to establish social bonds what, in turn, makes him/her form groups of friends or integrate with others. These tendencies are the bases of new way of buying, the so-called group buying. Group buying can be defined as buying in group with the aim of receiving quantity discounts. The main objective of this paper is to present the research results conducted among university students aimed at identification of students' buying behaviours on group buying services.

Introduction

The study run by The Boston Consulting Group shows that Internet business has become the driving force of the Polish economy in recent years. If Internet was a separate sector of Polish economy it would generate 2.7% of national GDP. It is estimated that the value of Polish Internet economy will double in the next few years. While in 2009 it amounted to 35.7 billion PLN. in 2015 it will reach nearly 77 billion PLN. It is also foreseen that each year it will grow at a rate of 14%, which is twice as fast as GDP.

The appearance of Internet has provided many benefits for consumers, among which following should be highlighted: facilitated search of information about products and services as well as easy comparison of product features and prices. Aforementioned benefits result in great savings of time and money for consumers and increase their level of satisfaction. When making purchases online (approximately 3% of retail) Internet users save about 15% compared to spendings in traditional stores, even after taking into account the shipping costs. Provoked by recession and reduction in purchasing power, consumers have used the Internet to group on and strengthen their position against retailers in order to achieve quantity discounts. The trend is especially present among young consumers, aged between 18 and 24. It is estimated that 93% of them use Internet regularly. Currently, the segment of young consumers is an important participant in the market process. This is due to both the strong influence of this group of consumers on purchasing decisions made in the family and the increasing purchasing power of an individual associated with their financial resources.

The phenomenon of online group buying was launched by U.S. based Groupon.com in year 2008. Group buying web sites act as intermediaries between sellers (producers, local retailers and service providers) on one side and buyers (customers) on the other. Group buying can be defined as buying in group in the Internet with purpose of achieving quantity discount.

The purpose of this paper is to introduce a group buying development process in Poland in comparison to other European countries, and to present the findings of a research conducted among university students in Poland. The research was run among 319 students in the middle of 2012. The purpose of the research was to determine the level of students' familiarity with group buying concept and to provide the holistic view of Polish students as group buyers in terms of their buying behaviour.

The paper will be organised as follows. After the introduction, theoretical background of online group buying will be given and the phenomenon of its development in Europe will be described. Third part of the paper will give an overview of group buying market. Fourth part will outline the methodology used and will present research findings. In the final part, conclusion about most important theoretical and empirical findings will be given.

Key words: *Internet, group buying in Europe, social networks, students, Poland.*

Internet Activity of Polish people

According to a research report by The Boston Consulting Group, Internet business has recently become the driving force behind Poland's economy. The Internet would generate 2.7% of GDP if it were a separate sector (figure 1). Thus, it would surpass the share of mining industry as well as hotel and catering industries in GDP.

The value of Poland's Internet economy is expected to double within the next few years. While in 2009 it amounted to 35.7 billion zlotys, it will have come to nearly 77 billion zlotys in 2015. The value of Poland's Internet economy is expected to experience a 14% increase yearly, which is twice as fast as that of GDP. The Internet will contribute to an 8% increase in Poland's GDP in the years 2009-2015. In 2015 the participation of the Internet economy will be greater than the present participation of the financial, energy and health protection sectors. Consumer expenditures will constitute the most important factor contributing to Poland's Internet economy increase [Baranowska-Skimina 2011].

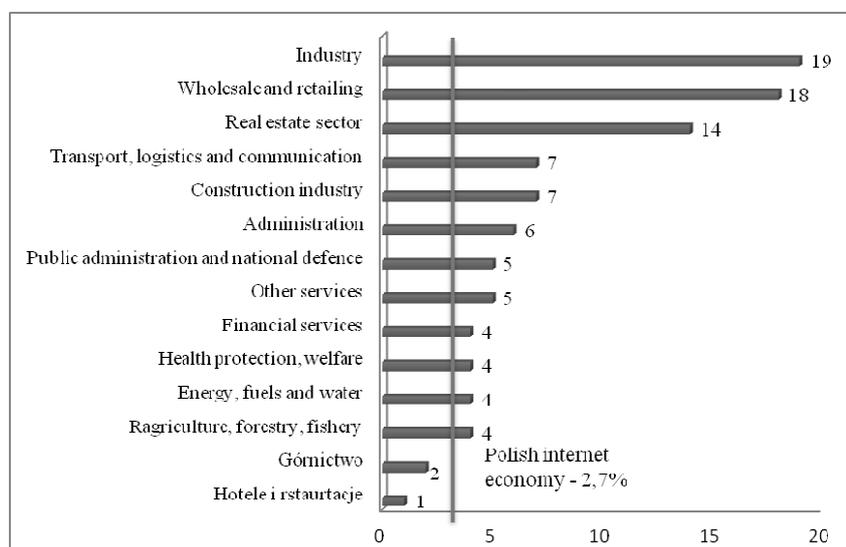


Figure 1 Share of sectors in GDP

Source: A. Baranowska – Skimina, Polska gospodarka internetowa 2011, www.e-gospodarka dated 12th May 2011.

Over 60% of households in Poland have access to the Internet. Polish Internet users seem to spend more time on the Internet than in front of a television, 14.5 and 14 hours respectively. They use the Internet to search for information (they are ranked highest in Europe with regard to enquiries through search engines per one Internet user) and actively cooperate and use the free content (ranked second in Wikipedia with regard to entries per resident). Online shopping (about 3% of retail trade) enables Internet users to save about 15% compared to conventional shopping, even allowing for delivery cost.

According to research conducted by CBOS – a big Polish research agency, 56% of adult Polish people use the Internet on a regular basis, i.e. at least once a week [Wirtualne Media 2012]. Internet usage is determined by age and education. While as many as 93% of the respondents in the 18-24 age group use the Internet, the number amounts to 73% in the 35-44 group, and further decreases to 11% among people over the age of 65. People with higher education are much more likely to be Internet users (94% are Internet users), than those with secondary (69%), or basic education (21%).

Consumption, with e-commerce at the top, has the biggest share in the Internet economy amounting to 22 billion zlotys, i.e. 62% of income. Polish people seem to have accepted online shopping, since they use the Internet not only for seeking information and comparing prices, but also for finalizing transactions. Most airline tickets are bought online; the Internet is also the basic source of information regarding travel offers and purchase decisions. The number of online transactions increases by 50% annually, and 38% of all transactions are effected online [Baranowska-Skimina 2011].

72% of Internet users shop online. In the month preceding the survey, 37% of Internet users bought something online [Wirtualne Media 2012]. Polish people tend to buy books, films and music online [Millward Brown SMG/KRC 2011]. More than a half of the respondents shopped in online bookshops, music and multimedia stores within the last year. However, an increasing number of Polish Internet users tend to shop for electronic equipment and clothes. Almost one third of Internet users buy cosmetics, holiday offers and automotive equipment.

A young consumer as a participant in market processes

The market of young consumers has been steadily developing in Poland since the 90s. ‘Young consumers – similarly to goods market intended for them – have received a lot of attention from market participants, producers, research institutes and agencies as well as advertising agencies’ [Olejniczuk-Merta 2001]. On the one hand, this results from strong influence of young people on purchase decisions taken in a family, on the other hand it is a consequence of growing purchasing power related to owned financial means. In the literature particular attention is paid to people born in the 80s and the 90s, who are referred to as ‘generation Y’, the Internet generation, the digital generation or the Millennium generation. This generation comprises professionally active and courageous young people who are familiar with modern technologies [Badzińska 2011]. They take a pragmatic approach to problem solving and make purchase decisions sensibly. Economic and social changes have created a different type of a consumer, who is more reasonable as far as market offers are

concerned, demonstrates the need for social bonds, and has esprit de corps which helps them find themselves in society, and integrates with others [Mazurek – Łopacińska 2003].

Consumer behaviour was greatly influenced by the emergence of new technologies, especially the Internet. A contemporary consumer, referred to as an e-consumer, uses the Internet to facilitate consumption, to identify needs, to search for information, to purchase products and services. An e-consumer searches for information actively and thoroughly in order to select the best alternative. E-consumers use new technologies to accomplish their objectives, and want to be treated individually. Changes that have taken place in their environment have influenced new trends in consumer behavior in market processes. One of them is the technicization of consumption, which is linked to the development of the Internet. E-commerce is an important factor determining the technicization of young consumers' consumption. Young consumers are increasingly buying online, and they use price comparison sites to make their choices. Online auctions and e-shops are increasingly popular. Group buying services are also gaining in popularity.

Group buying – a phenomenon in central and eastern Europe

Group buying can be defined as buying in group in order to achieve quantity discounts. High discounts and attractive bargains are the essence of group buying [Kauffman and Wang 2001]. Group buying websites cooperate with sellers in order to agree on the products and services that will be offered at discount and on the amount of discount granted, and on the minimum number of customers needed for an offer to become valid. Those being agreed upon, the group buying website publishes the offer on the Internet. If enough people sign up for buying a particular product or service, the offer becomes valid and people that signed up for buying receive a large discount [Rudawska *et.all.* 2012].

The high dynamics of Internet economy development and as a consequence e-commerce boom are strengthened by a quick development of group buying services. According to the research results of Gemius Company in three selected countries: Poland, Russia and Latvia, this way of purchasing has experienced a significant growth in the last few months and this trend is expected to continue [Klepka 2012]. According to Marta Krauze from Citeam, the region of CEE is very attractive to group buying services because of the high price-sensitiveness of the customers and because of the fact that CEE customers are getting used to online purchasing and e-payments.

As far as the three countries analysed are concerned one can say that the phenomenon of group buying development has different characteristics. Poland's group buying services market has been dynamically developing. Research conducted by Polskie Badania Internetu has indicated that both the number of visits to web sites which have existed for over two years, and the number of businesses providing group buying services have increased. The dynamic development of this form of buying is also reflected by an increasing number of offers provided by these web sites. First group buying services, such as Gruper.pl and CityDeal.pl (shortly after the company had started it was taken over by the American service Groupon) appeared in Poland in April 2010. Within less than two years they attracted over 6 million users, thus becoming one

of the most frequently visited e-commerce web sites in Poland [Sikorska 2012]. In November 2011, 32% of Internet users visited and shopped at group buying services. In Russia this e-commerce segment is dominated by the domestic service – Biglion, which leaves its second ranked international opponent far behind. While Biglion reach in August 2011 was almost 14%, it increased to 32% in December 2011. As Gemius indicates its popularity goes hand in hand with engagement of users – potential users tend to spend more time on this website than on other similar services available on the Russian market. In the same time the international group buying service – Groupon has increased its reach by 6% (from 10% in 08.2011 to 16% in 12.2012). The other analysed market – Latvia is a very competitive market as far as the number of group buying services is concerned. Currently, on the Latvian internet market operate about 40 buying websites, which is an impressive number considering the small size of this market. The main market players are: perkamkopa.lv (9,4% of reach), citylife.lv (8,9% of reach) and cherry.lv (7,8% of reach).

Buying behaviours of young customers in the Internet

The Internet is widely used by young people. According to the research conducted by M. Kowalska, 94% of the respondents declared that they used the Internet daily or almost daily. 1 Such high percentage proves that the Internet does not merely accompany young people, but it is deeply rooted in their lives. A few years ago online shopping seemed to be impossible or at least very risky, but nowadays it is gaining in popularity. As many as 84% of the respondents have made their purchase online. The majority of young people buy online several times a year (42% of the respondents). Low price is of key importance for young buyers. For almost one third of the respondents price determines their purchase decisions (figure 2).

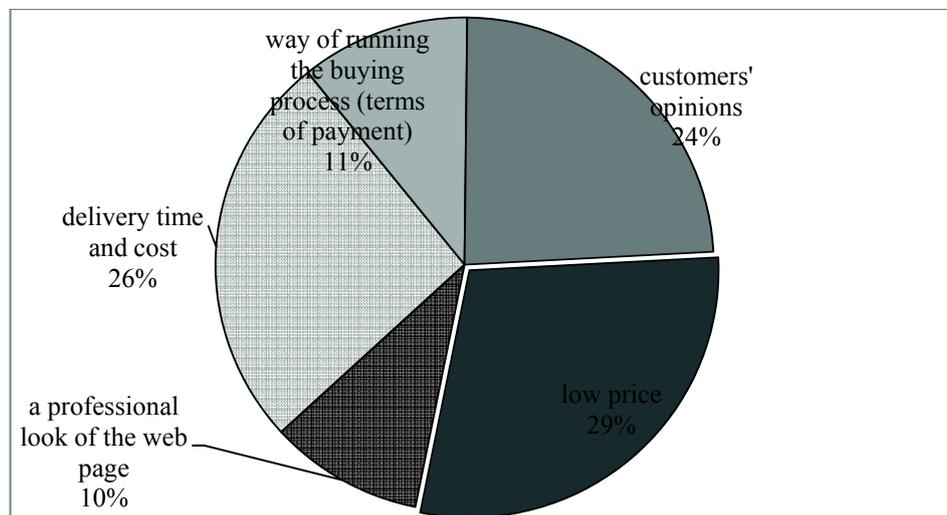


Figure 2 The importance of following factors in the process of online buying
Source: M. Kowalska, *Wykorzystanie, op. cit.*

Based on the research run by the author¹ it can be assumed that 272 students are familiar with the concept of online group buying (91%) while 27 students are not (9%). Students asked for their associations with group buying, mentioned sales, discounts and promotions on portals such as Groupon, Citeam and Grouper most often (79%). For only 7% of the respondents group buying meant buying in a bigger group, for 6% it meant buying together with friends, and 5% associated group buying with online shopping. It should be underlined that only 2% of the respondents were unable associate group buying. Group buying was very rarely associated with big Christmas shopping (0.6%), with shopping in crowded places (0,3%), or supermarket shopping (0,3%). It seems surprising that no respondents identified group buying with fun and entertainment.

The majority of students have heard of online group buying through social networks (34%) while inevitable word-of-mouth take close second place in information dissemination (24%). It comes as a surprise that traditional form of communication such as word-of-mouth is still so popular among students as representatives of Internet generation comparing it with fashionable social networks. Moreover, almost every fifth student had heard of online group buying through mass media and 14% of them came across group buying web sites by searching for information about products and services online.

Regarding the motivation, 70% of students state that their primary reason for group buying is purchase of familiar and well-known products and services at discount prices. This can be related to “efficiency” dimension of utilitarian motivation [Babin, Darden and Griffin 1994] and confirms the results presented in figure 2. On the other hand every third student declares purchase of new, never purchased products and services at discount prices, which can be related to the dimension of hedonic motivation [Arnold and Reynolds, 2003].

Categories of products and services purchased via online group buying were also analysed in the research. The respondents were given the possibility to choose multiple categories and to write down additional categories if the ones they buy were not already listed. Students, the most frequently, buy cosmetic products and services via group buying web sites – 49% (figure 3). Such result can be explained by the fact that 72,9% of sampled students are female.

Second most commonly purchased category is sport and recreation products and services. Every third respondent usually buys them. These are followed by catering services (28%), tickets for cultural and entertainment events (24%) as well as touristic and hotel services (18%). The least represented categories are medical products and services, photo and video products and services and clothes with 112%, 11% and 7% respectively.

¹ The data presented in this part of the paper were collected from an online survey conducted among students of Szczecin University and West Pomeranian University of Technology in Szczecin. The questionnaire was distributed among students of 18 to 24 years age range. Thanks to cooperation with students’ governments and universities’ deaneries the questionnaire was distributed to student’s e-mail addresses in June and July 2012. A total of 319 respondents participated in this survey (n=319). After the questionnaires’ verification the final sample was 299 students.

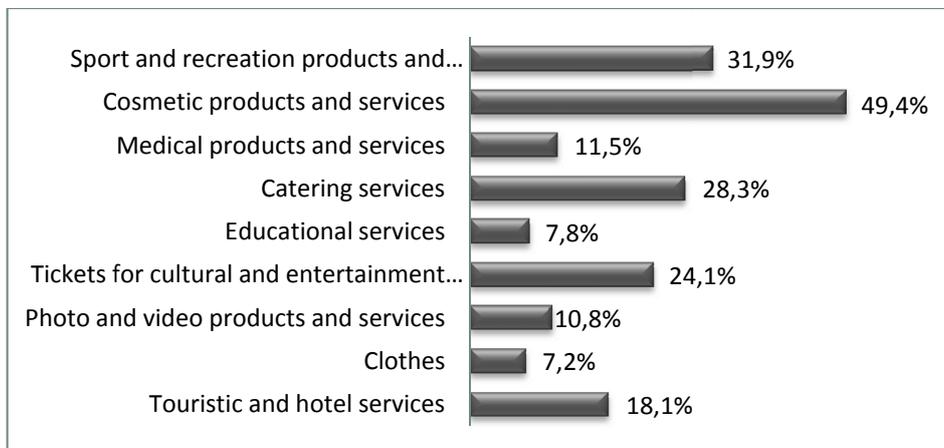


Figure 3. Product and service categories purchased via online group buying
Source: own research results

Discussion

Selected research findings presented here do not include all aspects related to young buyers and group buying portals. Assuming that young people constitute the majority of customers of group buying portals, and their buying preferences change, there is a need for systematic and in-depth research. Group buying portals are developing rapidly. In order to manage them effectively, managers must be provided with appropriate information about key customers. Therefore, the conducted research should supply detailed information on the young people purchase, decision making processes in the virtual world, the range of services, preferred types of products and brands. This information should be used to modify the website so that it is easily navigable and attractive for the target group, and to create young buyers-dedicated websites. The activities will allow making purchases in easy, quick and free of too many formalities way. The competitive advantage will be gained by those websites, which will exceed customers' expectations.

Conclusions

On the basis of conducted research the following conclusions can be drawn:

1. Young active Internet users are increasingly buying online, which in turn translates into growing interest in purchasing via groups buying services.
2. As many as 84% of the respondents have made a purchase online. The majority of the young respondents buy online several times a year (42% of the respondents). Low price is of key importance for young buyers.
3. Students are familiar with the concept of online group buying. In most cases it is associated with sales, discounts and promotions on Groupon, Citeam or Gruper.
4. They have learnt about them through social networks and word-of-mouth activity.
5. Their primary reason for group buying is purchase of familiar and well-known products and services at discount prices.

6. They most frequently, buy cosmetic products and services, sport and recreation products and catering products.

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Streszczenie

Obecnie, młodzi ludzie stają się coraz bardziej ważnymi uczestnikami procesów rynkowych. Jest to konsekwencją faktu, iż mają oni coraz większy wpływ na decyzje zakupowe podejmowane w rodzinie jak również dysponują coraz większą siłą nabywczą. Zachodzące zmiany gospodarcze i społeczne doprowadziły do ukształtowania się odmiennego typu młodego konsumenta, którego cechuje m.in. większa racjonalność w wyborach, potrzeba nawiązywania więzi społecznych, która zaspokajana jest przez tworzenie np. grup przyjaciół jak również uczestnictwo w różnorodnych formach integracji międzyludzkiej. Te tendencje stanowiły dobrą podstawę do rozwoju nowego sposobu dokonywania zakupów, tzw. serwisów zakupów grupowych. Zakupy grupowe można zdefiniować jako zakupy dokonywane w grupie celem uzyskania rabatów z tytułu ilości zakupionych ofert. Głównym celem artykułu jest prezentacja wyników badań prowadzonych wśród studentów, nakierowanych na identyfikację zachowań zakupowych studentów na serwisach zakupów grupowych.

Słowa kluczowe: *Internet, zakupy grupowe w Europie, powiązania społeczne, studenci, Polska*

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