

# CONSUMER PREFERENCE FOR OLX: THE DRIVERS AND DAMPENERS

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**Abstract:** Indian homes are stocking huge pile of second hand goods thereby creating an untapped market for e-commerce players. The economic, social and environmental benefits along with the growing aspirations of middle class have spurred the growth of online used goods market. Various C2C platforms like OLX offer high degree of convenience and increased product exposure to both buyers as well as sellers. An understanding on consumer preference for OLX with a thrust on the major drivers and dampening elements is desirable. Utilitarian factor is found to be the major factor influencing user behaviour and lack of trust is the major challenge faced by OLX users.

**Keywords:** OLX, C2C, Drivers and Dampeners.

## INTRODUCTION

India is at the cusp of a digital revolution with the rapidly increasing 'netizens' and substantially high investments in the e-commerce sector. The buying and selling of goods and services, or the transmitting of funds or data, over an electronic network is referred to as E-commerce. Among the various types of e-commerce business models, consumer to consumer (C2C) is spreading rapidly and getting familiar among the consumers with a rise in the online sale and purchase of second hand products.

India's traditional culture of "*paisa vasool*" is one of the most prominent drivers behind the use and reuse of various durable items. Even though the use and throw attitude has bitten many in the growing middle class, the very increase in consumerism of middle class is catapulting the growth of second hand products market. The rise in income is not commensurate with the rise in their aspirations which therefore leads them to the second hand market to fill the gap.

The traditional, offline classifieds are a sizeable source of revenue for print media; therefore it makes sense to extend the concept to the online platform. To make use of this opportunity, various online classifieds like OLX, Quikr, ClickIndia and Sulekha have come on a front footing. With growing internet penetration in India, people are increasingly relying on online classifieds. OLX (On Line eXchange) is an online classifieds platform which serves as a virtual market for second hand goods by facilitating the interaction of potential buyers and sellers.

## STATEMENT OF THE PROBLEM

OLX has shown tremendous growth and increased customer loyalty within a short span of time. It helps improve people's lives by bringing them together for win-win exchanges. Sellers can easily earn some extra cash by simply posting items that are no longer of use to them - thus, giving buyers the opportunity to find great value items at affordable price deals. There are a number of factors that attract one towards OLX. Similarly, they face many challenges and constraints that restrain them from its use. Despite being the most popular online classifieds platform, empirical studies on the driving forces and dampening elements of OLX are limited. This has necessitated a study to understand the consumer preference for OLX with an emphasis on the major drivers and dampeners. The study is intended to focus on both buyers and sellers who make use of OLX. It also facilitates a comparison on the online and offline second hand purchase and sale drivers.

## OBJECTIVES OF THE STUDY

The study is carried out with the following objectives:

- ❖ To identify the major factors influencing user behaviour with regard to OLX.
- ❖ To understand the reasons for preference of OLX and to make a comparison on the drivers of online and offline second hand purchases and sales.
- ❖ To identify the major challenges faced by OLX users.

## HYPOTHESES OF THE STUDY

Based on the objectives, the following hypotheses have been proposed:

1. There is no significant difference in the preference for factors that buyers associate with OLX.
2. There is no gender wise difference in the preference for ease of use of OLX website.
3. There is no significant difference in the preference for factors that sellers associate with OLX.
4. There is no age wise difference in the preference for access to large number of buyers in OLX.
5. There is no significant difference in the factors influencing user behaviour among different income groups.

## RESEARCH METHODOLOGY

The study has adopted a descriptive, exploratory and analytical research design incorporating the collection of both primary and secondary data.

The primary data is collected from samples using self constructed questionnaire. A sample of 100 OLX users covering both buyers as well as sellers in Kottayam town is drawn using convenience sampling. The secondary data used for the study include data drawn from professional journals and magazines, reports of projects and studies conducted by experts and online sources.

Various statistical tools like Percentage Analysis, Mean and Standard deviation as well as non parametric tests like Friedman Test, Mann Whitney U Test, Kruskal Wallis H Test has been used for analysis using SPSS package.

## REVIEW OF LITERATURE

**IMRB (2017)** conducted a Consumer Research on Used Goods and Selling Trends (CRUST Survey) and concluded that nearly 4 million pre-owned mobile phones are sold in India generating a GMV of \$270 million. 75% of the buyers and 55% of sellers were young millennials in the age group of 19-22 years with an ardent desire to upgrade. OLX had coined the term “Brown money” to represent the value locked in unused goods gathering dust in homes.

**Rashmi and Nijhawan(2016)** has conducted an exploratory study aimed at identifying the strategy to be adopted to increase traffic on OLX by gauging the needs of potential and actual customers. Convenience and better prices were identified as the major purchase drivers. Speed and interface of website as well as the standard templates for advertisements adds to their satisfaction.

**Centre for Environment Education (2015)** reported that every time one uses OLX, the environment benefits. OLX has directly curbed 204 million tons of CO2 emissions. Every time one sells on OLX, the life of the product gets extended ensuring more judicious use. Every time one buys on OLX, one less item gets produced lowering CO2 emissions. This in turn will add to sustainability.

**Abreu (2014)** conducted a study on the new shopping trends and found that there are things that we keep at home which are potentially valuable. The study aimed at identifying the reasons that lie behind a new way of buying and selling, and also the way OLX was able to differentiate itself on the market. The findings revealed that OLX was chosen as the number one website for seeking products due to the availability of products, ease of use of website and low price.

**Ghani and et.al (2011)** focused on the basis of consumer engagement with the auction site in their research. They have identified and classified the basis into utilitarian, hedonic and social benefits. The major utilitarian benefits include utility of the marketplace such as convenience, ease of use, wide selection of goods, access to rare items, low prices etc as well as utility of goods. Pleasure in the marketplace like bidding, browsing and hunting along with pleasure in goods constituted the hedonic benefits. Moreover, the social benefits like business relationships, trust, social approval, peer group membership, self image etc. played a crucial role.

## ANALYSIS OF PRIMARY DATA

**Table 1- Frequency of use of OLX**

Frequency of use	Frequency
Only once	39
2-5 times	53
6-10 times	5
More than 10 times	3
<b>Total</b>	<b>100</b>

Source: Primary data

53 percent of the respondents use OLX on a moderate basis with the frequency of use ranging from 2-5 times. 39 percent use it only once, 5 percent use it for 6-10 times and only a negligible 3 percent use it more than 10 times.

**Table 2 - User behaviour in OLX**

Buyer behaviour	Mean	Rank	Seller behaviour	Mean	Rank
Ease of use of website	2.58	1	Access to large number of buyers	2.58	1
Cheap price	2.93	2	Better prices	2.71	2
Wide variety	3.03	3	Ease of use of website	2.87	3
Easy access to sellers	3.91	4	Fast Process	3.89	4
Fast process	4.28	5	Ease of posting advertisements	4.15	5
Quality products	5.32	6	Security	5.80	6
Security	5.95	7	Environmental factors	6.00	7

Source: Primary data

It is clear that the buyer behaviour in OLX is greatly influenced by the convenience offered through ease of use of website and the increased affordability. However, easy access to large number of buyers followed by better prices and ease of use of website highly influences seller behaviour.

It is hypothesised as follows:

1. **H<sub>0</sub>: There is no significant difference in the preference for factors that buyers associate with OLX.**

H<sub>1</sub>: There is significant difference in the preference for factors that buyers associate with OLX.

**Table 2a**  
**Friedman test-Preference for factors influencing buyer behaviour**

Particulars	Buyer*
N	100
Chi square	208.577
Df	6
Asy. Sig	.000

\*Computed figures

As the significance value at 5% level of significance and degree of freedom 6 is less than 0.05, the null hypothesis is rejected ( $.000 < .05$ ). Therefore, there is significant difference in the preference for factors that buyers associate with OLX with ease of use of website being the dominant factor.

Further, Mann Whitney U Test is used to test whether the mean ranks of the dominant factor 'ease of use of website' differs among male and female.

2. **H<sub>0</sub>: There is no gender wise difference in the preference for ease of use of OLX website.**

H<sub>1</sub>: There is gender wise difference in the preference for ease of use of OLX website.

**Table 2b**

**Mann Whitney U test- Gender wise preference for ease of use of website**

Particulars	Ease of use of website*
Mann-Whitney U	1196.000
Asymp. Sig. (2-tailed)	.742

\*Computed figures

As the significance value at 5% level of significance is greater than 0.05, the null hypothesis is accepted. Thus, there is no gender wise difference in the preference for ease of use of website. The difference in the preferences given by male and female is not statistically significant.

3. **H<sub>0</sub>: There is no significant difference in the preference for factors that sellers associate with OLX.**

H<sub>1</sub>: There is significant difference in the preference for factors that sellers associate with OLX.

**Table 2c**

**Friedman test – Preference for factors influencing seller behaviour**

Particulars	Seller*
N	100
Chi square	262.114
Df	6
Asy. Sig	.000

\*Computed figures

As the significance value at 5% level of significance and degree of freedom 6 is less than 0.05, the null hypothesis is rejected ( $.000 < .05$ ). Therefore, there is significant difference in the preference for factors that sellers associate with OLX with access to large number of buyers being the dominant factor.

In addition, Kruskal Wallis H Test is used to test whether the mean ranks of the dominant factor differs among different age groups.

4. **H<sub>0</sub>: There is no age wise difference in the preference for access to large number of buyers in OLX.**

H<sub>1</sub>: There is age wise difference in the preference for access to large number of buyers in OLX.

Table 2d

**Kruskal Wallis H test-Age wise preference for access to large number of buyers**

Particulars	Access to large number of buyers*
Chi-square	1.095
Df	3
Asymp. Sig	.778

\*Computed figures

As the significance value at 5% level of significance is greater than 0.05, the null hypothesis is accepted. Thus, there is no age wise difference in the preference for access to large number of buyers in OLX. The difference in the preference given to access to large number of buyers in OLX is not statistically significant.

**Factors influencing user behaviour****Table 3a- Utilitarian factors**

Statement	Mean	SD
Easy to find buyers	4.15	.77035
Wide range of product categories	4.14	.72502
Take a snap & post	4.06	.85067
Quick transactions	3.75	.98857
<b>UTILITARIAN FACTORS</b>	<b>4.025</b>	<b>.56687</b>

Source: Primary data

Majority of the respondents agree that OLX helps to find buyers easily and to have access to a wide range of product categories. They also respond positively towards the convenience in advertising product details by taking a snap. However, the level of agreement towards the quickness of transactions is comparatively low.

**Table 3b-Economic factors**

Statement	Mean	SD
Additional income	4.07	.81965
Buy products which are otherwise not affordable	3.83	.82945
Advertisements free of cost	4.08	.82487
No intermediary charges	3.99	.98980
<b>ECONOMIC FACTORS</b>	<b>3.9925</b>	<b>.55329</b>

Source: Primary data

The mean scores indicate that majority of the respondents agree with the cost effectiveness of posting advertisements on OLX (4.08) as well as on its impact in generating an additional income through sale of used goods. They also agree that it eliminates the intermediary charges and helps them in buying products which are otherwise not affordable.

**Table 3c-Social factors**

Statement	Mean	SD
Social approval	3.83	1.00559
Long lasting relationships	3.35	.96792

Improves buying/selling skills	3.72	.91099
Trustworthy information	3.58	.86667
<b>SOCIAL FACTORS</b>	<b>3.62</b>	<b>.67652</b>

Source: Primary data

It is evident that OLX creates a social approval and improves buying or selling skills. But, the higher standard deviation shows that there is extreme opinion among users regarding the social approval created by OLX. The trustworthiness of information on OLX and its impact in building long lasting relationship is low.

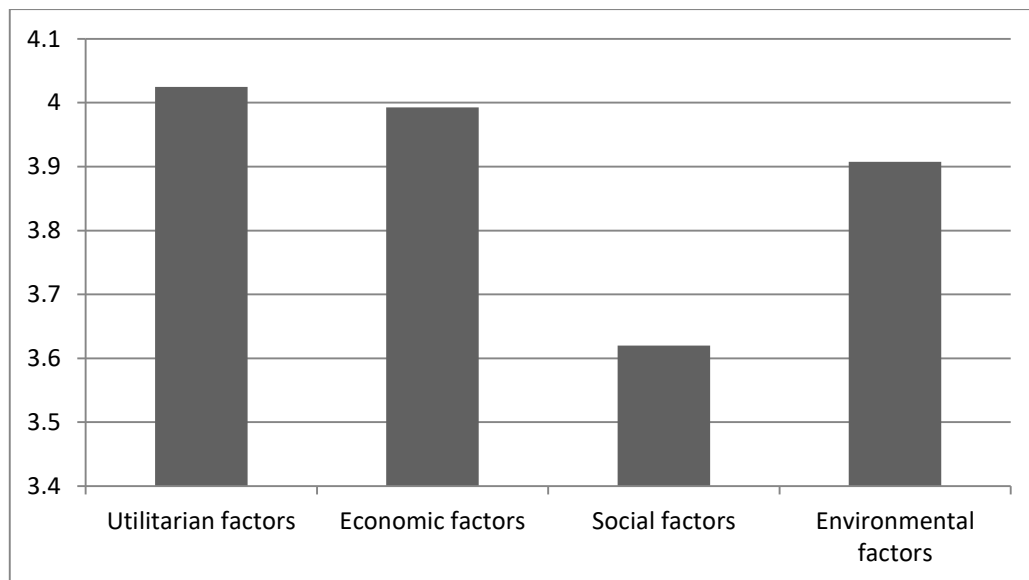
**Table 3d-Environmental factors**

Statement	Mean	SD
Eco-friendly transactions	4.06	.67898
Saves scarce resources	4.00	.69631
Reduces waste disposal problem	3.85	.88048
Reduces long & polluting transportation	3.72	.95431
<b>ENVIRONMENTAL FACTORS</b>	<b>3.9075</b>	<b>.54779</b>

Source: Primary data

OLX facilitates eco-friendly transactions, reduces the use of scarce resources and thereby creates a positive impact on environment. The reduced waste disposal problem along with the reduction in the long and polluting transportation influences their behaviour. This clearly indicates the green concern of the OLX users.

**Figure 1 - Factors influencing user behaviour**



Source: Table 3a, 3b, 3c & 3d

To test whether there is significant difference in the factors influencing user behaviour among different income groups, the following hypothesis is proposed:

5. **H<sub>0</sub>: There is no significant difference in the factors influencing user behaviour among different income groups.**

H<sub>1</sub>: There is significant difference in the factors influencing user behaviour among different income groups

**Table 4****Kruskal Wallis H Test- Income level and user behaviour**

	Utilitarian factors	Economic factors	Social factors	Environmental factors
Chi Square	1.581	.217	3.100	2.857
Df	4	4	4	4
Asymp. Sig.*	.812	.995	.541	.582

\*Computed figures

Since the significance value at 5% level of significance is greater than 0.05 with respect to utilitarian, economic, social and environmental factors, the null hypothesis is accepted. Thus, there is no statistically significant difference in the factors influencing user behaviour among different income groups.

The results of data collection revealed that 82% of the respondents preferred online over offline used goods market. A comparison on various factors influencing online as well as offline second hand transactions is shown below:

**Table 5- Comparison between online and offline second hand transactions**

Online over offline	Mean	Rank	Offline over online	Mean	Rank
Convenience	1.8659	1	Trust	1.7222	1
Price	2.5488	2	Convenience	2.2778	2
No commission	4.1341	5	Better prices	3.0000	3
Fast process	3.3659	4	Fast process	3.4444	4
Variety	3.0854	3	No access to internet	4.5556	5

Source: Primary data

The comparison reveals convenience (as to time, place etc.) as the most important driver in online used goods market; whereas trust is reported as the key determinant in offline used goods market.

**Table 6- Challenges faced by OLX users**

Feature	Mean	Rank
Lack of trust	2.6800	1
Unfair price	3.6300	3
No rating	3.4000	2
Distance	4.9800	6
Incorrect information	3.7800	5
Unfamiliar buyer/seller	3.9600	4
Sentimental attachment	5.5700	7

Source: Primary data

Lack of trust is the major challenge faced by OLX users followed by absence of rating mechanism and chances of unfair price. Lack of familiarity with the buyer/seller and incorrect information also create challenges but to a smaller extent.

Suggestions from respondents indicate quality certification and certified users opinion as a better solution to overcome the challenges and will position OLX as a trustworthy platform.

## SUMMARY OF FINDINGS

- The buyer behaviour in OLX is greatly influenced by the convenience offered through ease of use of website and the increased affordability whereas easy access to large number of buyers followed by better prices and ease of use of website influence the seller behaviour.
- The utilitarian factors like easiness in finding buyers and access to wide range of product categories influences user behaviour.
- The cost effectiveness of posting advertisements and generation of additional income through resale are the major economic factors influencing user behaviour.
- The social approval on OLX influences them, but the trustworthiness of information and the impact in building long lasting relationship is low.
- Environmental factors like eco-friendly transactions and saving of scarce resources through OLX also influences their behaviour.
- Majority of the respondents prefer online over offline used goods market. Convenience (as to time, place etc.) is the most important driver in online platforms; while trust is reported as the key determinant in offline used goods market.
- Among the challenges faced by OLX users, lack of trust is the key issue followed by absence of rating mechanism and chances of unfair price.

## CONCLUSION

OLX is one of the country's largest online marketplaces for pre-owned goods. The present study was aimed at understanding and analysing the perception of market participants on OLX and the reasons behind consumer preference for this online exchange platform. Based on the results of data analysis, the major factors influencing user behaviour on OLX were identified. The utilitarian, economic, social and environmental factors motivate and influence them to transact on OLX, utilitarian factors having the most prominent category. The buyer behaviour is greatly influenced by the convenience offered through ease of use of website and so also the increased affordability; whereas easy access to large number of buyers coupled with better prices influence the seller behaviour. A comparison on the drivers of online and offline second hand transactions revealed that convenience is the most important driver in online platforms whereas trust is the key determinant in offline used goods market. This most popular virtual platform for used goods is, however, not challenge free. By incorporating added features and by overcoming its challenges, OLX could position itself as an undisputed market leader in the years to come.

## SUGGESTIONS

- OLX may position itself as a trustworthy platform by ensuring the quality of products transacted online and security of transactions. A platform for knowing about the counterparties may be created so as to increase the trustworthiness of the dealings.
- Facility to create creative and customised advertisements may be introduced to improve the selling experience and to attract more dealers.
- A mechanism for rating the market participants like certified users opinion may be instituted to avoid fake buyers and sellers.
- Regulatory agencies and grievance cell can be used in case of frauds.

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