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A Study on Digital Literacy and Consumer Preference Formation in The Digital Economy

Mrs.B. Nagarathinam, Assistant Professor in Department of B.Com (PA), Sri Vasavi College (Self Finance Wing), Erode - 638316.

Ms.A. Sindhu, Assistant Professor in Department of B.Com (PA), Sri Vasavi College (Self Finance Wing), Erode - 638316.

Abstract- In the current digital environment, Consumers are increasingly relying on digital technologies to inform their purchasing decisions. The capacity to successfully navigate and use digital tools, or digital literacy, has emerged as a critical component in determining consumer preferences. With a focus on the variations in decision-making styles among consumers with different levels of digital literacy, this study investigates the connection between consumer preference formation and digital literacy. According to this study's quantitative analysis of survey data, consumers who possess greater levels of digital literacy are better able to assess online information, make well-informed decisions about what to buy, and form stronger brand preferences. The results of this study have important ramifications for companies looking to interact with tech-savvy customers, marketers, and legislators. Organizations can create more successful customer acquisition and retention strategies in the digital age by comprehending how digital literacy affects consumer behavior.

Keywords: Digital Literacy, Consumer Preference, Decision-Making, Brand Trust, Online Consumer Behavior, Digital Inclusion, Information Evaluation, Purchase Decisions.

I. INTRODUCTION

Consumers' decision-making and preference-forming processes have changed dramatically in the digital age. Digitally mediated interactions are gradually replacing traditional decision-making models that prioritized physical product trials and word-of-mouth. Today's consumers get their information from social media, mobile apps, e-commerce sites, and search engines. A key factor in this change is digital literacy, which is the capacity to access, assess, and use digital tools efficiently. More digitally literate consumers are better able to distinguish reliable sources of information, weigh their options, and avoid deceptive advertising. On the other hand, consumers with low digital literacy are frequently restricted to making superficial decisions that are influenced by peer recommendations and advertisements. For companies looking to improve customer engagement and for policymakers hoping to lessen digital inequality, it is crucial to comprehend how digital literacy affects the formation of consumer preferences.

II. REVIEW OF LITERATURE

Prensky (2018) highlighted the growing disparity between digital natives and immigrants and the impact that digital literacy has on consumption patterns. Prensky's work also emphasizes how companies must modify their marketing plans to appeal to customers who are tech-savvy. Kumar & Sharma (2020) Digital literacy enhances consumers' capacity to evaluate product reviews and ads critically. This ability to critically evaluate helps customers make better decisions about what to buy, which in turn affects their preferences.

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Ali & Gupta (2021) found that consumers with higher levels of digital proficiency show higher levels of brand loyalty because they are able to make better decisions. Furthermore, the results of Ali & Gupta's study indicate that digital literacy can be a crucial differentiator for companies looking to establish enduring relationships with their clients.

Chen (2023) discovered that the degree of trust in online platforms is influenced by digital literacy levels, which in turn have a significant effect on consumer preferences. Chen's study also emphasizes how crucial security and openness are to fostering trust among tech-savvy customers.

Objectives of The Study

- To Investigate the connection between consumer preference formation and digital literacy.
- To Examine how different demographics' levels of digital literacy affect the decisions made by consumers.
- To Determine how digital literacy influences consumer choices and brand trust.

III. RESEARCH METHODOLOGY

Research Design: To record customer perceptions, a descriptive research design was employed. Sampling Method: The convenience sampling method was used.120 respondents from urban and semi-urban areas make up the sample size. Data collection methods include primary data obtained via a structured questionnaire and secondary data obtained from online publications, reports, and journals.
Framework Analysis Analysis tools include correlation analysis, chi-square testing, and percentage analysis.

Data Analysis and Interpretation

Table.1 Digital Literacy Levels of Respondents

Digital Literacy Level	No. of Respondents	Percentage
High	45	37.5%
Moderate	55	45.8%
Low	20	16.7%

Source: Primary Data

Interpretation: Majority of the respondents have moderate digital literacy, followed by high digital literacy, while a smaller proportion fall under the low literacy category.

Table.2 Influence of Digital Literacy on Preference Formation

Influence Factor	High Literacy	Moderate Literacy	Low Literacy
Product Comparison Ability	Strong	Moderate	Weak
Brand Trust	High	Medium	Low

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Decision Confidence	Strong	Moderate	Weak

Source: Primary Data
Interpretation: Consumers with higher digital literacy exhibit stronger product evaluation skills, greater brand trust, and more confident decision-making.

Table.3 Demographic Variations in Digital Literacy

Demographic Variable	High Literacy	Moderate Literacy	Low Literacy
Age (18–30)	60%	35%	5%
Age (31–50)	30%	50%	20%
Age (51 & above)	15%	40%	45%

Source: Primary Data
Interpretation: Younger consumers display higher digital literacy, while older age groups show relatively lower digital competencies, influencing their preference formation patterns.

Findings

- The formation of consumer preferences is greatly influenced by digital literacy, especially when it comes to decision-making, trust, and product comparison.
- Younger consumers have greater levels of digital literacy, which helps them form preferences and make purchases.
- Customers who lack digital literacy lack confidence in their decisions and are more vulnerable to persuasive marketing.
- Moderate proficiency in reading Consumers use both conventional strategies like word-of-mouth and digital inputs.

Suggestions

- Companies should plan consumer education initiatives to raise the level of digital literacy, especially in rural and semi-urban areas.
- To lessen the digital divide across age and income groups, policymakers ought to support initiatives aimed at digital inclusion
- To gain the trust of consumers with different levels of literacy, marketers should create trustworthy and transparent online content.
- Businesses can help customers with low digital skills make decisions easier by using AI-driven personalization.

IV. CONCLUSION

The study concludes that in the contemporary marketplace, consumer preference formation is significantly influenced by digital literacy. While lower digital literacy limits the ability to make informed decisions, higher digital literacy improves product evaluation, trust, and purchase confidence. Bridging

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digital skill gaps is crucial to ensuring inclusive consumer participation as the marketplace continues to digitize. Digital literacy must be given top priority by companies and legislators as a tactical instrument for promoting long-term customer engagement.

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