

Lecture 3

Consumer Behavior,
Market Research, and
Advertisement



Learning Objectives (1/2)



1. Describe the factors that influence consumer behavior online.
2. Understand the decision-making process of consumer purchasing online.
3. Describe how companies are building one-to-one relationships with customers.
4. Explain how personalization is accomplished online.
5. Discuss the issues of e-loyalty and e-trust in EC.
6. Describe consumer market research in EC.

Learning Objectives (2/2)



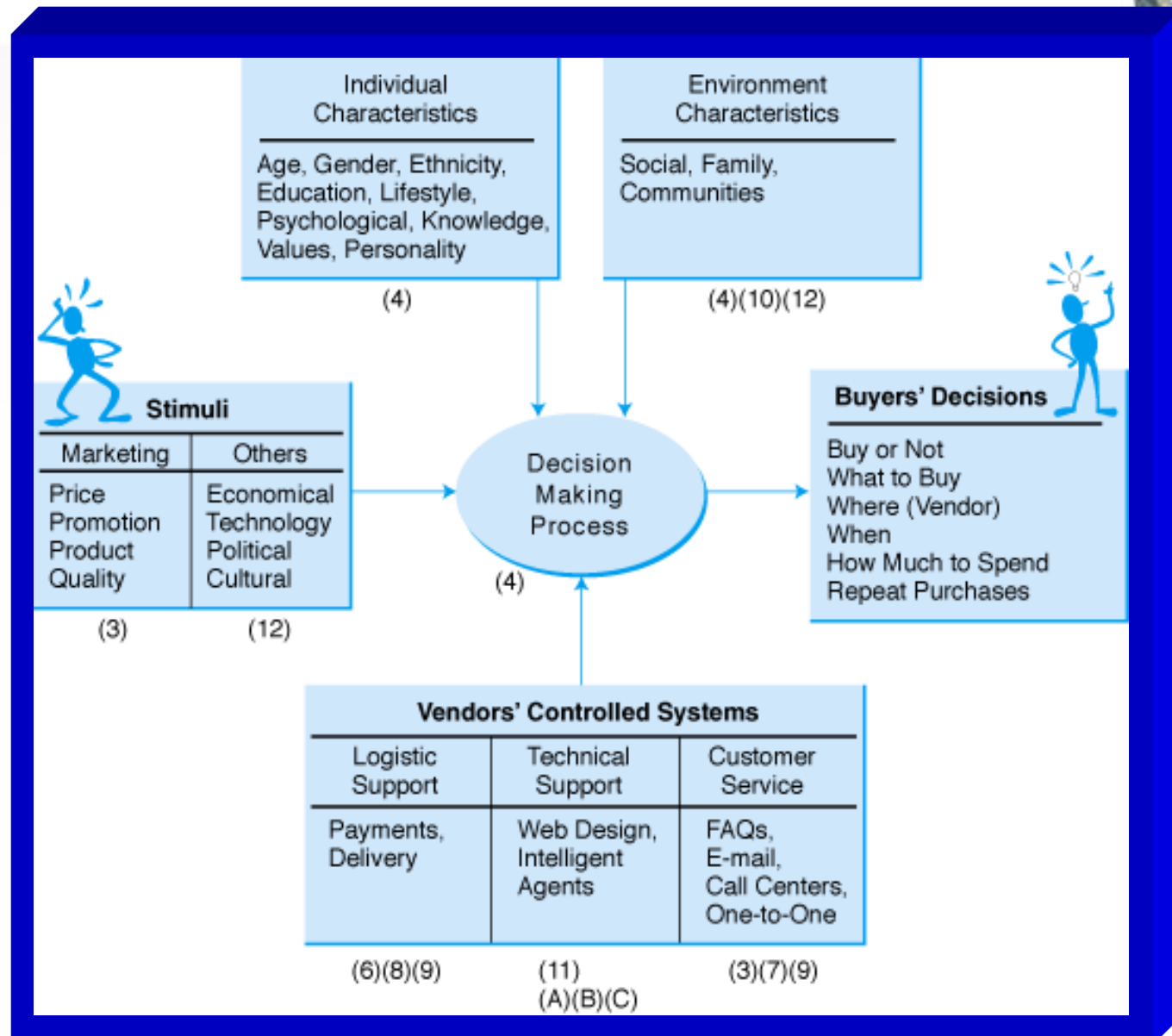
7. Describe Internet marketing in B2B, including organizational buyer behavior.
8. Describe the objectives of Web advertising and its characteristics.
9. Describe the major advertising methods used on the Web.
10. Describe various online advertising strategies and types of promotions.
11. Describe permission marketing, ad management, localization, and other advertising-related issues.
12. Understand the role of intelligent agents in consumer issues and advertising applications.

Learning about Consumer Behavior Online



- A Model of Consumer Behavior Online
 - The purpose of a consumer behavior model is to help vendors understand **how a consumer makes a purchasing decision**
 - ✓ *Independent (or uncontrollable) variables*
 - ✓ *Intervening or moderating variables*
 - ✓ *Dependent variables*
- Roles people play in the decision-making process:
 - ✓ Initiator
 - ✓ Influencer
 - ✓ Decider
 - ✓ Buyer
 - ✓ User

EC Consumer Behavior Model



The Consumer Decision-Making Process



A Generic Purchasing-Decision Model

- **Product brokering**

Deciding what product to buy

- **Merchant brokering**

Deciding from whom (from what merchant) to buy a product

Broker: One that acts as an agent for others, as in negotiating contracts, purchases, or sales in return for a fee or commission.

One-to-One Marketing, Loyalty, and Trust in EC



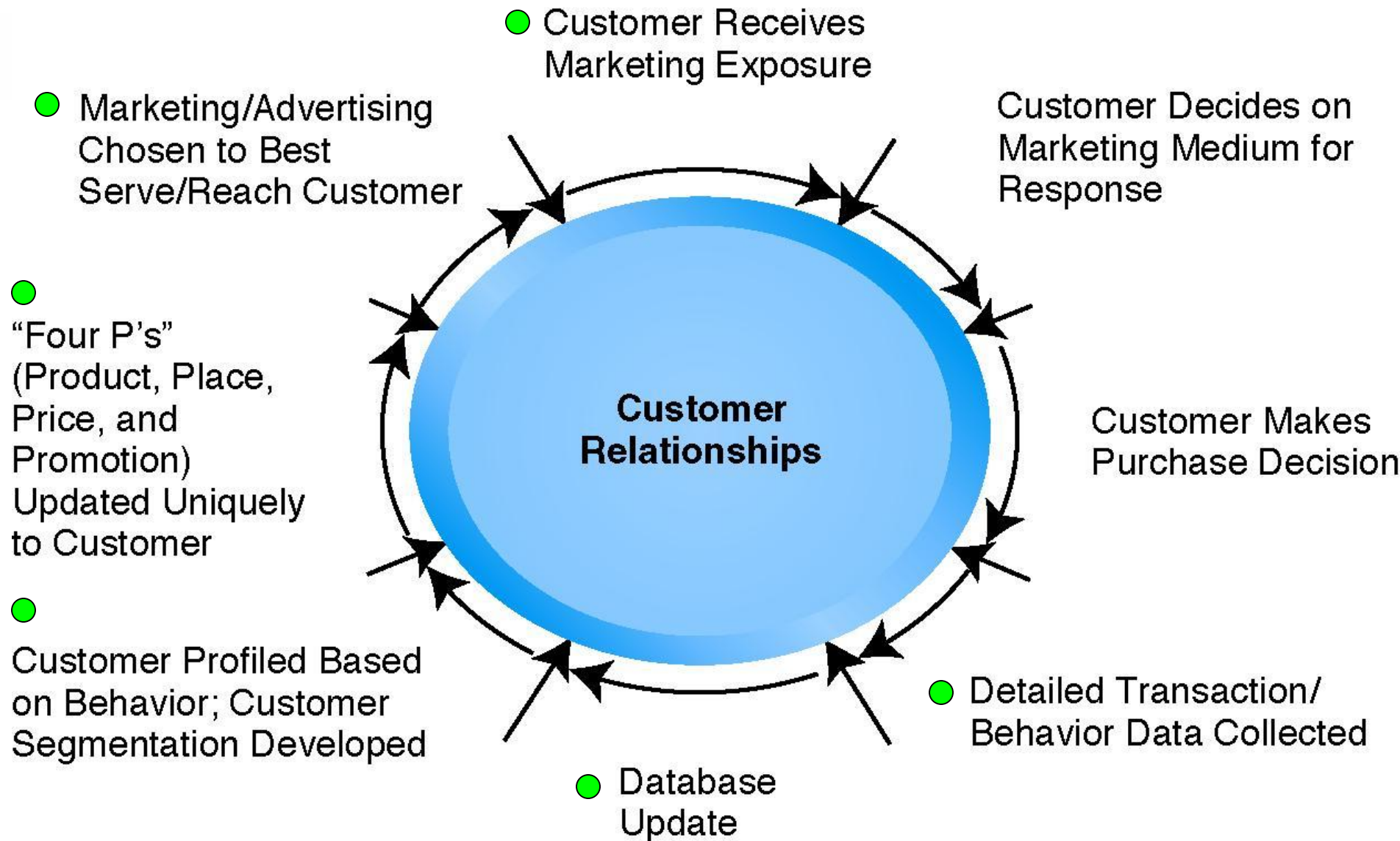
One-to-one marketing

Marketing that treats each customer in a unique way

- One of the **benefits** of doing business over the Internet is that it enables companies to better communicate with customers and better understand customers' needs and buying habits

But how true is it?

The New Marketing Model



Gartner's Research (1/7)



Key Findings

- Because many customers go through a similar buying process, marketers can use the four stages to plan and align marketing activities, thereby improving the customer experience
- Online channel usage, as part or all the buying process, continues to grow, making e-Marketing a strong influencer of purchasing decisions

Gartner's Research (2/7)



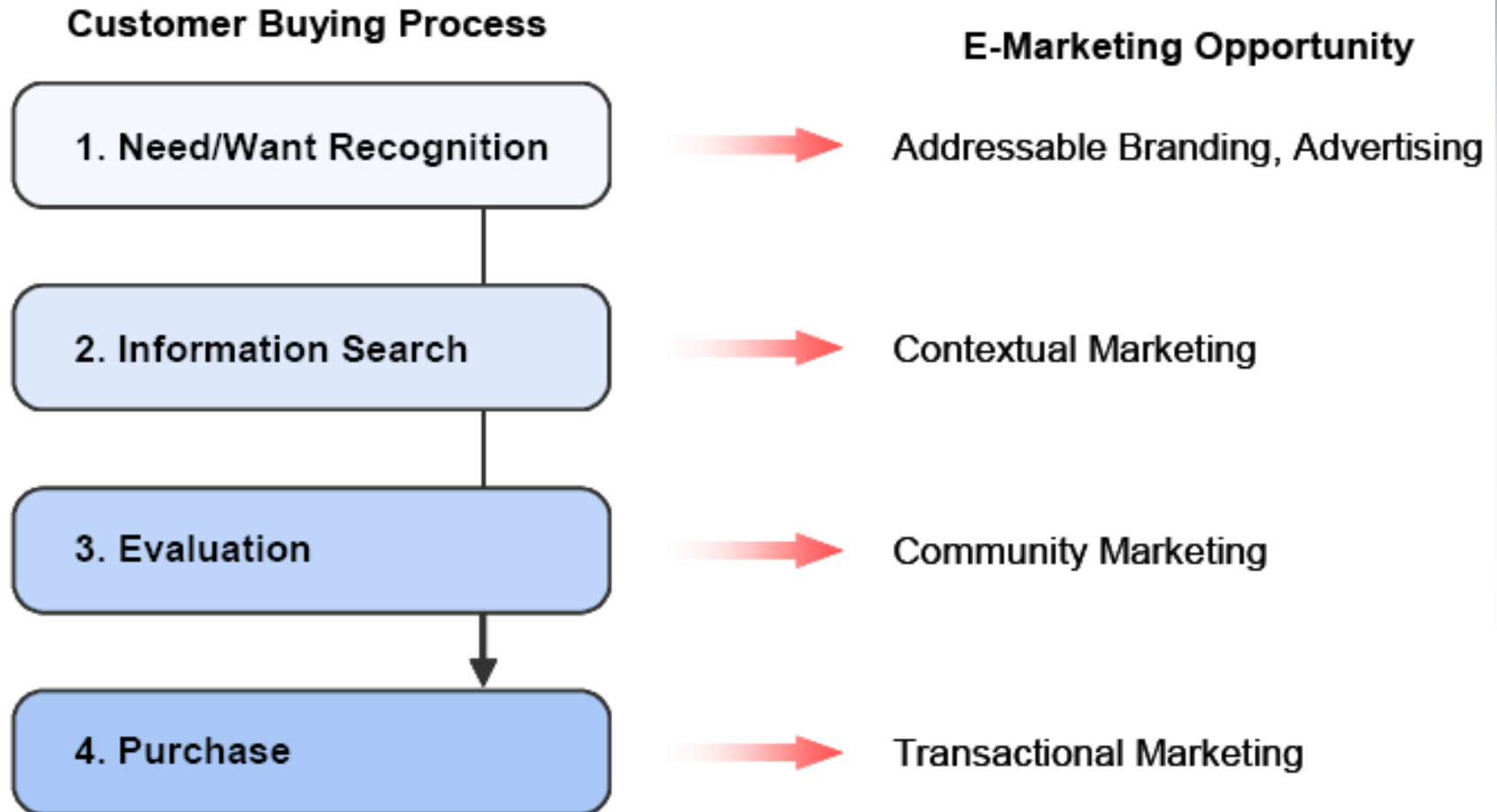
Recommendations

- When planning e-Marketing projects and activities, align specific e-Marketing technology with the stages of a customer buying process
- For improvements in customer experience, focus on community marketing technologies in the evaluation stage where it is currently lacking
 - Web 2.0 ideas centered around community applications for customer input are now top trends.
- Customers will hop from stage to stage, spending much time on one, while quickly passing through another. Because of this, design flexible e-Marketing processes to accommodate the customer process

Gartner's Research (3/7)



E-Marketing Relevant to Each Stage of the Customer's Buying Process



Gartner's Research (4/7)



E-Marketing Relevant to Each Stage of the Customer's Buying Process

Stage 1: Need and Want Recognition:

- This is the start of the customer buying process that deals with **awareness**. Here, e-marketing opportunities, such as addressable branding and advertising functionality, can **help establish awareness and need**
- Banner ads, sponsorships, interstitials and others are e-marketing activities that can **expose customers to products and services**
- Data gathering tools, such as Web analytics and online surveys, can start to **quantify different needs and wants**
 - Because these e-marketing activities are addressable, customers can respond to and interact with a brand (click on a banner ad, search for more information or request information) in real time

Gartner's Research (5/7)



E-Marketing Relevant to Each Stage of the Customer's Buying Process

Stage 2: Information Search:

- Once customers establish a need or want, they seek information about that product or service
- **Contextual e-marketing** techniques (providing information from explicit searches or questions) are becoming extremely useful as a mechanism to seek information and have become a routine step in the customer-buying process
 - The success of Google and its contextual search functionality shows the power of providing tools for the customer to seek
- Relevant information that helps them through their buying process. Contextual marketing, such as search marketing (organic or paid), location-based search (matching the user's location to proximity of product/service), customer-preference management tools and available Really Simple Syndication, RSS, feeds is a natural fit to **align explicit information gathering with relevant answers**

Gartner's Research (6/7)



E-Marketing Relevant to Each Stage of the Customer's Buying Process

Stage 3: Evaluation:

- This is the point in the buying process where **customers look at the choices available**, including the opportunity cost of not choosing the next-best alternative
- Considerations, such as service, price and convenience, are part of the evaluation process
- Reaching out to trusted friends, family or social networks to seek out these answers has a substantial impact on evaluation
- **Community e-marketing** functions, such as community marketing, customer feedback, message boards, customer reviews and blogs, will also provide the tools to help customers through the evaluation process toward their purchasing goal

Gartner's Research (7/7)



E-Marketing Relevant to Each Stage of the Customer's Buying Process

Stage 4: Purchase:

- The last step in the buying process also has e-marketing opportunity.
- **Transactional e-Marketing** activities, such as gift registries, e-mail marketing and online dialogue functionality, help customers to final purchase or even additional purchases
- For example, a customer has searched for a digital camera on the company's site, read reviews from others and is led through an online dialogue that displays options for final selection. Once the camera is selected, the customer is presented with a matching camera case before check-out
- This can result in a relevant **cross-sell**, providing a **positive** experience for the customer and an **incremental** sale for the company.

One-to-One Marketing, Loyalty, and Trust in EC



Personalization

The **matching** of services, products, and advertising content with individual consumers

User profile

The requirements, preferences, behaviors, and demographic traits of a **particular customer**

Cookie

A **data file** that is placed on a user's hard drive by a Web server, frequently without **disclosure or the user's consent**, that **collects information** about the user's activities at a site

One-to-One Marketing, Loyalty, and Trust in EC



collaborative filtering

A personalization method that uses customer data to **predict**, based on formulas derived from behavioral sciences, **what other products or services a customer may enjoy**; predictions can be extended to other customers with similar profiles

- Variations of collaborative filtering
 - Rule-based filtering (customer's profile)
 - Content-based filtering (product preference)
 - Activity-based filtering (watching over user's activities)

One-to-One Marketing, Loyalty, and Trust in EC



➤ Customer Loyalty

- Customer loyalty is the degree to which a customer will stay with a specific vendor or brand for **repeat purchasing**
- Customer loyalty is expected to produce more sales and increased profits over time

e-Loyalty

Customer loyalty to an e-Tailer

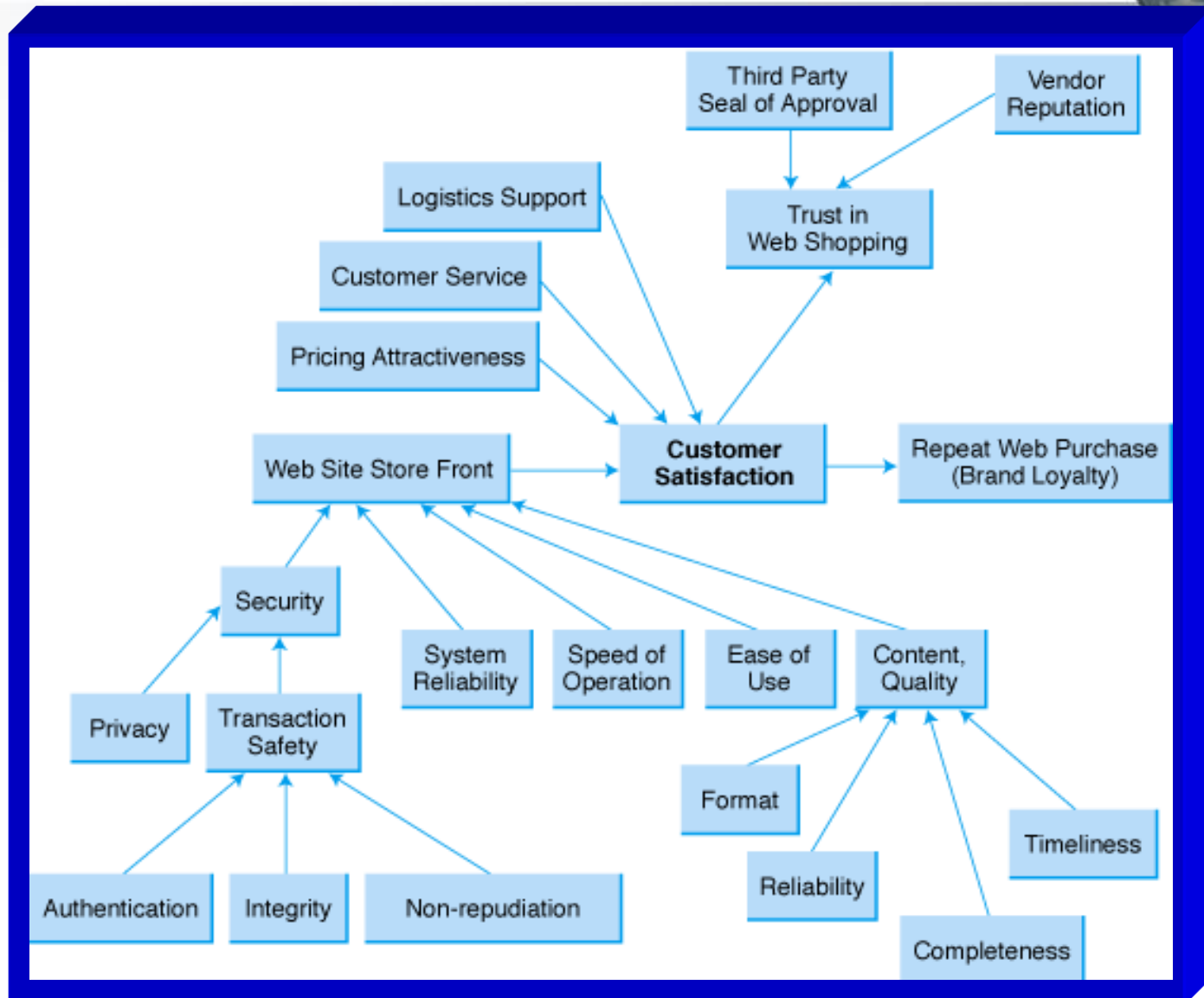
One-to-One Marketing, Loyalty, and Trust in EC



➤ Satisfaction in EC

- **EC Satisfaction** is one of the most important consumer reactions in the B2C online environment
- Recent statistics show:
 - 80% of **highly satisfied** online consumers would **shop again** within 2 months
 - 90% would recommend the Internet retailers to others
 - However, 87% of **dissatisfied** consumers would **permanently leave** their Internet retailers without any complaints

Model of Internet Consumer Satisfaction



One-to-One Marketing, Loyalty, and Trust in EC

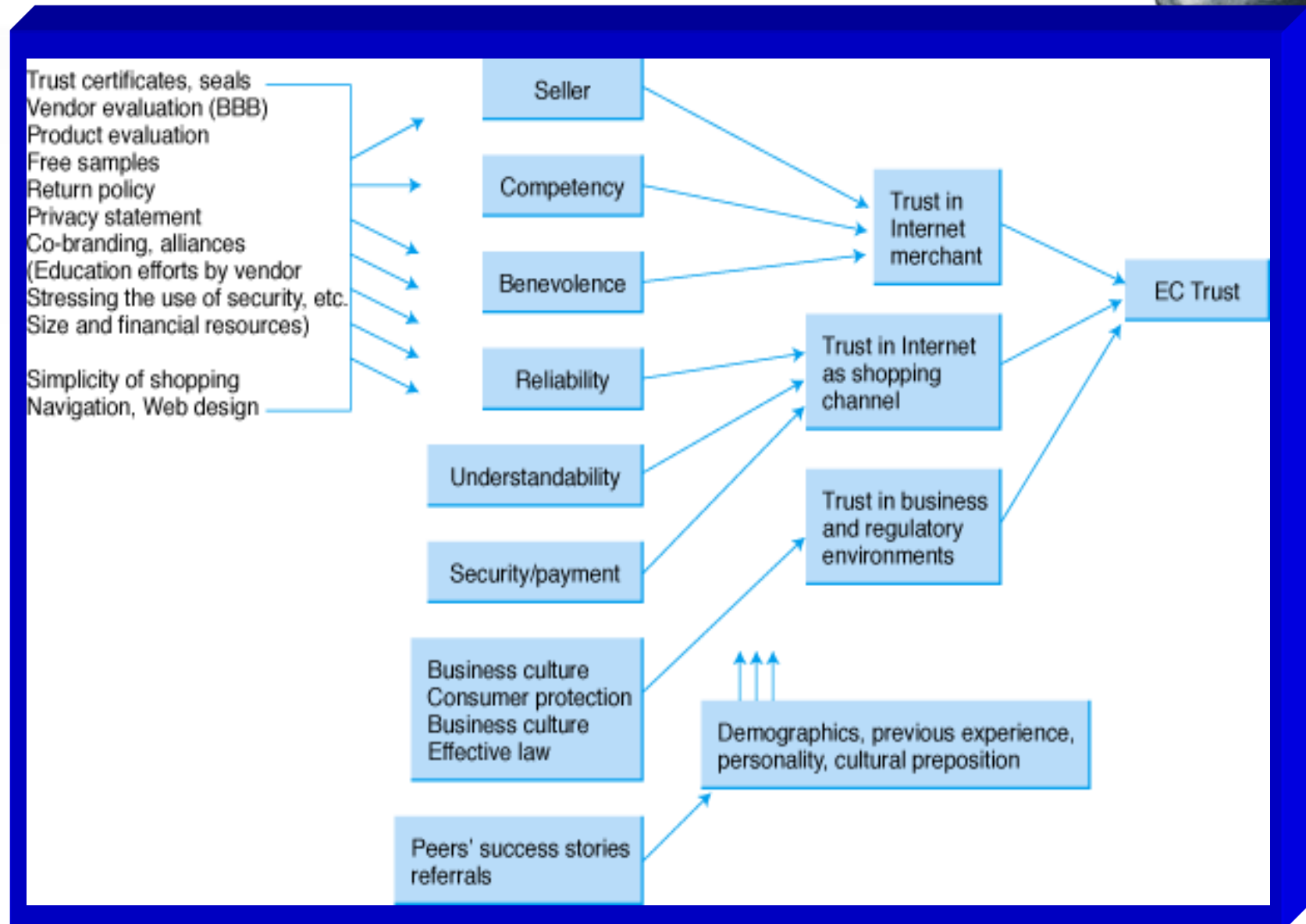


➤ **Trust**

The psychological status of involved parties who are willing to pursue further interaction to achieve a planned goal

- How to Increase Trust in EC
 - Trust between buyers and sellers
 - Brand recognition
 - EC security mechanisms can help solidify trust

The EC Trust Model



Market Research for EC (1/8)



➤ The Goals of Market Research

- To find information and knowledge that describes the **relationships** among consumers, products, marketing methods, and marketers
- To discover marketing opportunities and issues, to establish **marketing plans**, to **better understand** the purchasing process, and to **evaluate** marketing performance

Market Research for EC (2/8)



➤ Market segmentation

The process of **dividing** a consumer market into **logical groups** for conducting marketing research, advertising, and sales

- Segmentation is done with the aid of tools such as **data modeling** and **data warehousing**

Market Research for EC (3/8)



- **Online Market Research Methods**
 - Implementing Web-based surveys
 - Online focus groups
 - Hearing directly from customers
 - Customer scenarios

Market Research for EC (4/8)



➤ Tracking Customer Movements

Transaction log

A **record of user activities** at a company's Web site

Clickstream behavior

Customer movements on the Internet

Market Research for EC (5/8)



Web bugs

Tiny graphics files embedded on e-mail messages and in Web sites that **transmit information** about the users and their movements **to a Web server**

Spyware

Software that **gathers user information** over an Internet connection **without the user's knowledge**

Market Research for EC (6/8)



➤ Analysis of B2C Clickstream Data

Clickstream data

Data that occur inside the Web environment; they provide a trail of the user's activities (the user's clickstream behavior) in the Web site

Market Research for EC (7/8)



➤ Web Analytics

- Enable retailers to **make** site **adjustments** on the fly, **manage** online marketing campaigns and EC initiatives, and **track** customer satisfaction
- If a company redesigns its Web site, it can **gain almost-instant feedback** on how the new site is performing
- Web analytics help **marketers** decide which products to promote and **merchandisers** achieve a better understanding of the nature of demand

Market Research for EC (8/8)



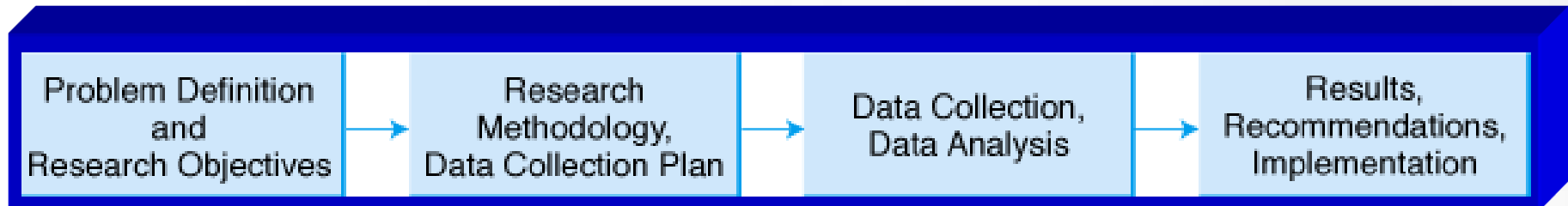
➤ **Limitations** of Online Market Research

- ✓ Too much data may be available
- ✓ To use data properly, it should be organized, edited, condensed, and summarized
- The **solution** to this problem is to automate the process by using data warehousing and data mining
- Some of the **limitations** of online research methods are:
 - Accuracy of responses
 - The ethics and legality of Web tracking

Market Research Process



- Market segmentation—divide consumer market into groups to conduct **marketing research, advertising, sales**



Web Advertising



➤ Overview of Web Advertising

Interactive marketing

Online marketing, enabled by the Internet, in which advertisers can **interact** directly with customers and consumers can interact with advertisers/vendors

- Two major business models for advertising online:
 - Using the **Web** as a channel to advertise a firm's own products and services
 - Making a firm's site **a public portal site** and using captive audiences to advertise products offered by other firms

Web Advertising : terms (1/4)



➤ Some **Internet Advertising Terminology**

- **Ad views**

The number of times users call up a page that has a banner on it during a specific time period; known as *impressions* or *page views*

- **Button**

- **Page**

- **Click (click-through or ad click)**

A count made each time a visitor clicks on an advertising banner to access the advertiser's Web site

Web Advertising : terms (2/4)



- **CPM (cost per thousand impressions)**

The **fee** an advertiser pays for each 1,000 times a page with a banner ad is shown

- **Conversion rate**

The percentage of visitors who actually make a purchase

Web Advertising : terms (3/4)



- **Click-through-ratio**

The ratio between **the number of clicks on a banner** ad and **the number of times it is seen** by viewers; measures the success of a banner in attracting visitors to click on the ad

- **Hit**

A request for data from a Web page or file

- **Visit**

A series of **requests** during one navigation of a Web site; a pause of a certain length of time ends a visit

Web Advertising : terms (4/4)



- **Unique visit**

A count of the number of visitors to a site, regardless of how many pages are viewed per visit

- **Stickiness**

Characteristic that influences the **average length of time** a visitor stays in a site

Web Advertising



➤ **Why** Internet Advertising?

- Television viewers are migrating to the Internet
- Advertisers are **limited in the amount of information** they can gather about the television and print ads

Other reasons why Web advertising is growing rapidly:

- Low cost
- Richness of format
- Personalization
- Timeliness
- Location-basis
- Digital branding

Advertising Methods (1/7)



- Banners

Banner

On a Web page, a **graphic advertising display** linked to the advertiser's Web page

Keyword banners

Banner ads that appear when a **predetermined word** is queried from a search engine

Random banners

Banner ads that **appear at random**, not as the result of the user's action

Advertising Methods (2/7)



➤ **Benefits of Banner Ads**

- By clicking on them users are transferred to an advertiser's site, and frequently directly to the shopping page of that site
- The ability to **customize** them for individual surfers or a market segment of surfers
- Viewing of banners is fairly high because “**forced advertising**” is used
- Banners may include **attention-grabbing multimedia**

Advertising Methods (3/7)



➤ **Limitations** of Banner Ads

- **High cost** on famous websites
- A **limited** amount of information can be placed on the banner
- Viewers have become somewhat **immune** to banners and simply do not notice them as they once did

Advertising Methods (4/7)



- **Banner swapping**

An **agreement** between two companies to each display the other's banner ad on its Web site

- **Banner exchanges**

Markets in which companies **can trade or exchange** placement of banner ads on each other's Web sites

Advertising Methods (5/7)



- **Pop-up ad**

An ad that appears in a separate window before, during, or after Internet surfing or when reading e-mail

- **Pop-under ad**

An ad that appears underneath the current browser window, so when the user closes the active window, he or she sees the ad

- **Interstitial**

An initial Web page or a portion of it that is used to capture the user's attention **for a short time** while other content is loading

Advertising Methods (6/7)



- **E-Mail Advertising**

E-Mail Advertising Management—**Four guidelines** that marketers should consider to leverage customer insights throughout the e-mail marketing campaign lifecycle:

1. Thinking about **customer experience**;
2. Making **privacy protection** a part of their brand promise;
3. **Ensuring** their recipients know about their privacy protection; and
4. Measuring **impact**.

Advertising Methods (7/7)



- **Search Engine Advertisement**—The major advantage of using URLs as an advertising tool is that it is *free*
 - Improving a company's search-engine ranking (optimization)
 - Paid search-engine inclusion
- **Advertising in chat rooms**
- **Advertising in newsletters**

Advertising Strategies and Promotions Online



Affiliate marketing

A marketing arrangement by which an organization refers consumers to the selling company's Web site

Viral marketing

Word-of-mouth marketing by which customers promote a product or service by telling others about it

Webcasting

A **free Internet news service** that broadcasts personalized news and information, including seminars, in categories selected by the user

Advertising Strategies and Promotions Online (Cont.)



Customizing Ads

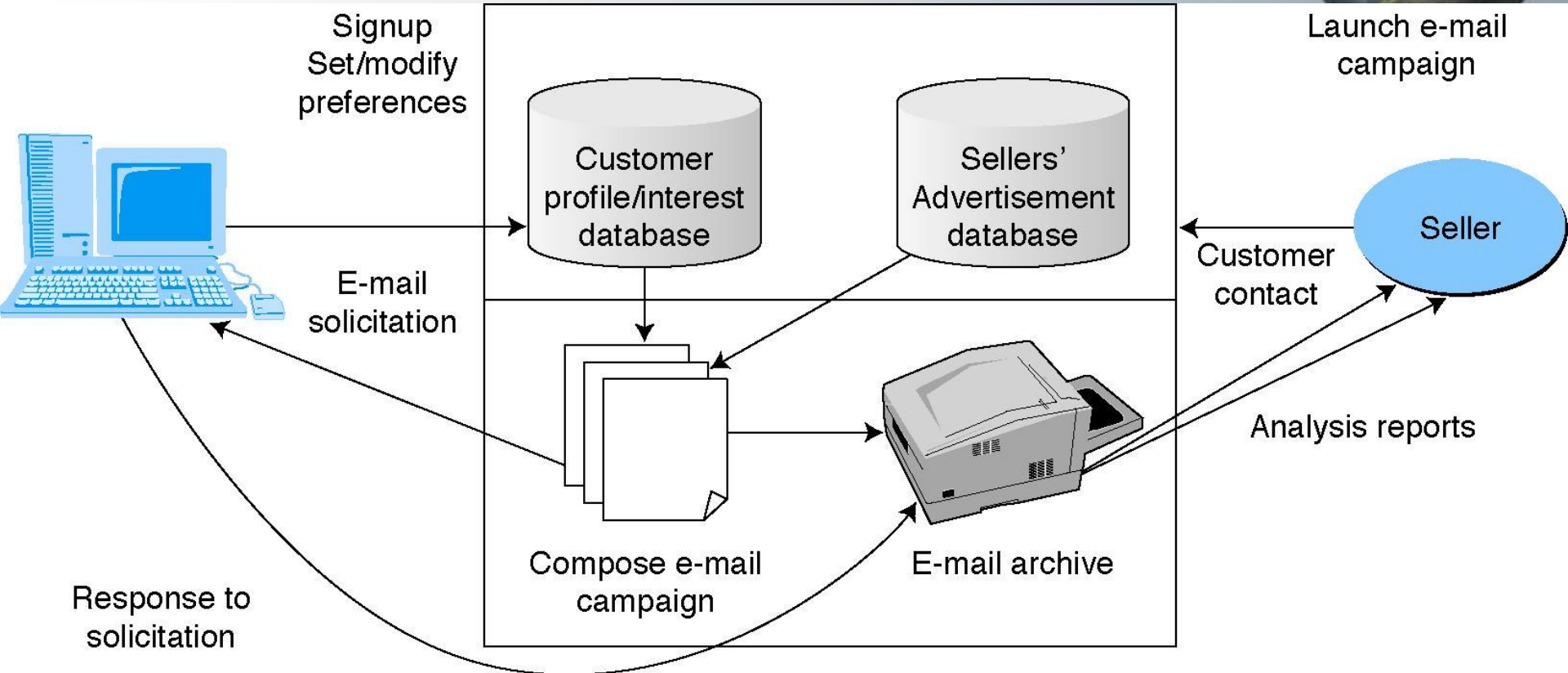
Online Events, Promotions, and Attractions

Admediation

Third-party vendors that conduct promotions,
especially large-scale ones

e.g. mypoints.com

Framework for Admediation



Special Advertising Topics (1/3)



- Permission Advertising

Spamming

Using **e-mail** to send unwanted ads (sometimes floods of ads)

Permission advertising (permission marketing)

Advertising (marketing) strategy in which customers **agree to accept** advertising and marketing materials

Special Advertising Topics (2/3)



- **Ad management**

Methodology and software that enable organizations to perform a variety of activities involved in Web advertising (e.g., tracking viewers, rotating ads)

- **Localization**

The process of **converting** media products developed in one environment (e.g., country) to a form culturally and linguistically acceptable in countries outside the original target market
e.g. freetranslation.com

- **Internet radio**

A Web site that provides music, talk, and other entertainment, both live and stored, from a variety of radio stations
e.g. kiisfm.com

Special Advertising Topics (3/3)



- **Ad Content**

- The content of ads is extremely important, and companies use **ad agencies** to help in **content creation** for the Web just as they do for other advertising media
e.g. akamai.com
- Content is especially important to increase ***stickiness***

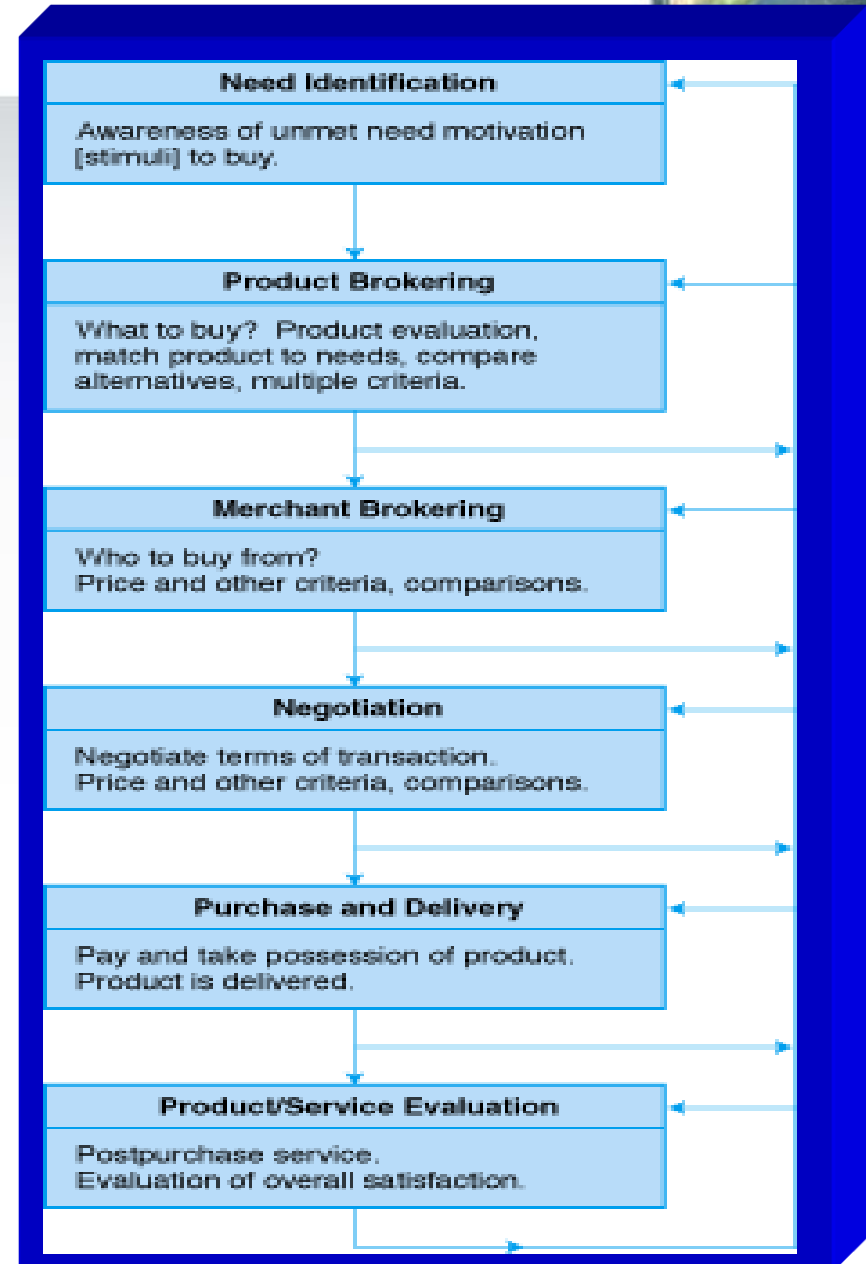
Software Agents in Marketing and Advertising Applications



- A Framework for Classifying EC Agents: which can Support:
 - Need identification (what to buy)
 - Product brokering (from whom to buy)
 - Merchant brokering and comparisons
 - Buyer-seller negotiation
 - Purchase and delivery
 - After-sales service and evaluation

A Framework for Classifying EC Agents

- The purchasing decision-making process:
agent classification



Managerial Issues



1. Do we understand our customers?
2. Should we use intelligent agents?
3. Who will conduct the market research?
4. Are customers satisfied with our Web site?
5. How do we decide where to advertise?

Assignment 02



- In a team of 3-5, design a survey (e.g. www.surveymonkey.com) to measure the EC Satisfaction based on the model in slide 20
 - Break down EC Satisfaction into questions in the questionnaire accordingly, and design your own ratings
- Conduct the survey online with 30+ people, on 3 local e-Business websites
 - You can choose AirMacau, CTM Mobile and one by your own choice
- Compile your statistics findings into a report, and discuss about them
 - How satisfied in each aspect, which aspects are the strongest and weakest, suggest what and how to improve pertaining to each aspect
- Submit a zipped file of your report, questionnaires, and results on or before October 12, 2017.