

Chapter 4

Consumer Behavior, Market Research, and Advertisement

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Learning Objectives

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

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.

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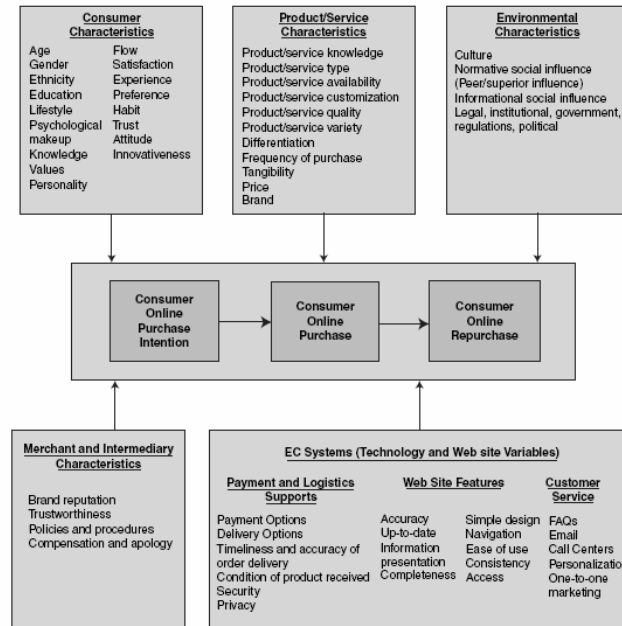
Learning about Consumer Behavior Online

- **A Model of Consumer Behavior Online**
 - *Independent* (or uncontrollable) *variables* can be categorized as *personal characteristics* and *environmental characteristics*
 - *Intervening* (or moderating) *variables* are variables within the vendors' control. They are divided into *market stimuli* and *EC systems*
 - The *decision-making process* is influenced by the independent and intervening variables. This process ends with the buyers' decisions resulting from the decision-making process
 - The *dependent variables* describe types of decisions made by buyers

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Learning about Consumer Behavior Online

EXHIBIT 4.1 EC Consumer Behavior Model



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Learning about Consumer Behavior Online

- The independent variables
 - Personal characteristics
 - Environmental variables
 - Social variables
 - Cultural/community variables
 - Other environmental variables
- The intervening (moderating) variables
- The dependent variables: the buying decisions

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The Consumer Decision-Making Process

- Roles people play in the decision-making process
 - Initiator
 - Influencer
 - Decider
 - Buyer
 - User
- **A Generic Purchasing-Decision Model**
 1. Need identification
 2. Information search
 3. Evaluation of alternatives,
 4. Purchase and delivery
 5. Post-purchase behavior

4-7

The Consumer Decision-Making Process

- **A Customer Decision Model in Web Purchasing**
 - Can be supported by both Consumer Decision Support System (CDSS) facilities and Internet and Web facilities

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Mass Marketing, Market Segmentation, and One-to-One Marketing

- **one-to-one marketing**

Marketing that treats each customer in a unique way

- **Mass Marketing**

- Marketing efforts traditionally were targeted to everyone
- *Targeted marketing*—marketing and advertising efforts targeted to groups (market segmentation) or to individuals (one-to-one)—is a better approach

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Mass Marketing, Market Segmentation, and One-to-One Marketing




- **market segmentation**

The process of dividing a consumer market into logical groups for conducting marketing research and analyzing personal information

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Mass Marketing, Market Segmentation, and One-to-One Marketing

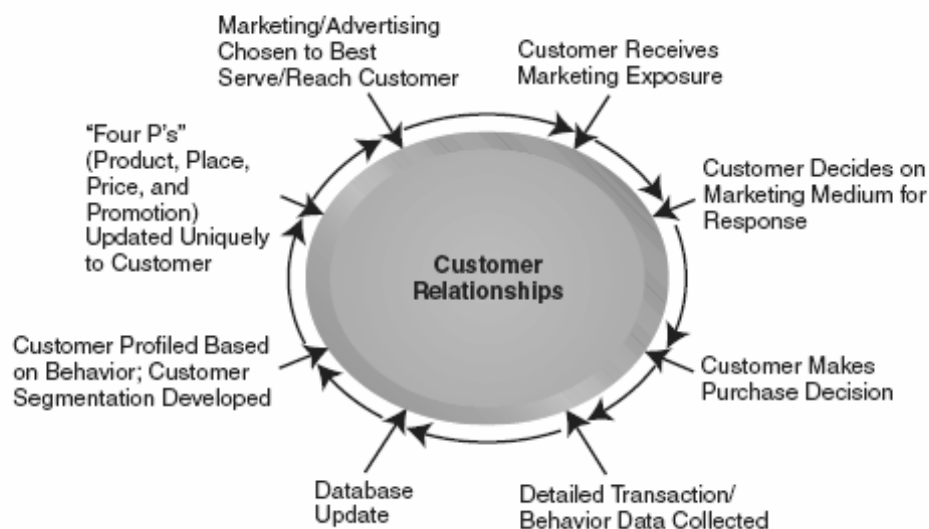
EXHIBIT 4.3 From Mass Marketing to Segmentation, to One-to-One

Factor	 Mass Marketing	 Market Segmentation	 Relationship Marketing (One-to-One)
Interactions	Usually none, or one-way	Usually none, or with a sample	Active, two-way
Focus	Product	Group (segment)	Customer-focused (one)
Recipient	Anonymous	Segment profiles	Individuals
Campaigns	Few	More	Many
Reach	Wide	Smaller	One at a time
Market Research	Macro in nature	Based on segment analysis or demographics	Based on detailed customer behaviors and profiles

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Mass Marketing, Market Segmentation, and One-to-One Marketing

EXHIBIT 4.4 The New Marketing Model



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Personalization, Loyalty, Trust, and Satisfaction in EC

- **personalization**

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

- The major strategies used to compile user profiles include the following:

- Solicit information directly from the user
- Observe what people are doing online
- Build from previous purchase patterns
- Make inferences

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Personalization, Loyalty, Trust, and Satisfaction in EC

- **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 remote Web server, frequently without disclosure or the user's consent, that collects information about the user's activities at a site

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Personalization, Loyalty, Trust, and Satisfaction in EC

● Customer Loyalty

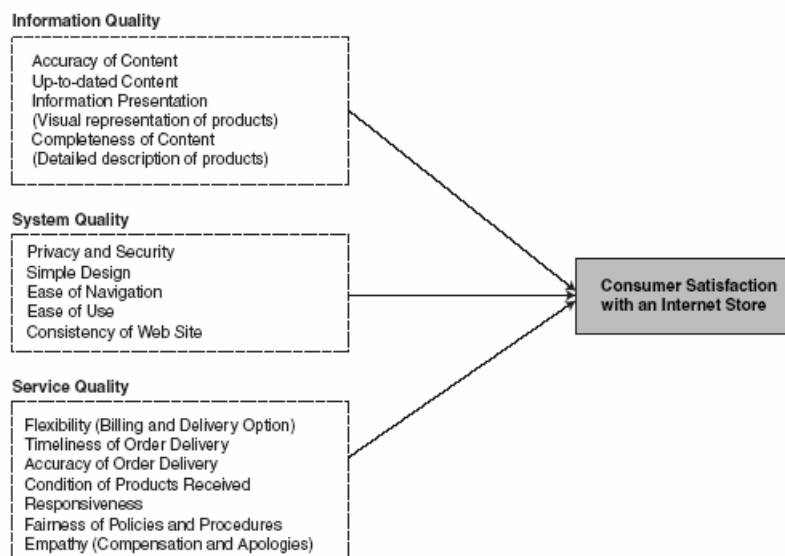
● e-loyalty

Customer loyalty to an e-tailer or loyalty programs delivered online or supported electronically

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Personalization, Loyalty, Trust, and Satisfaction in EC

EXHIBIT 4.5 Research Framework for Consumer Satisfaction with Internal Shopping



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Personalization, Loyalty, Trust, and Satisfaction in EC

● trust

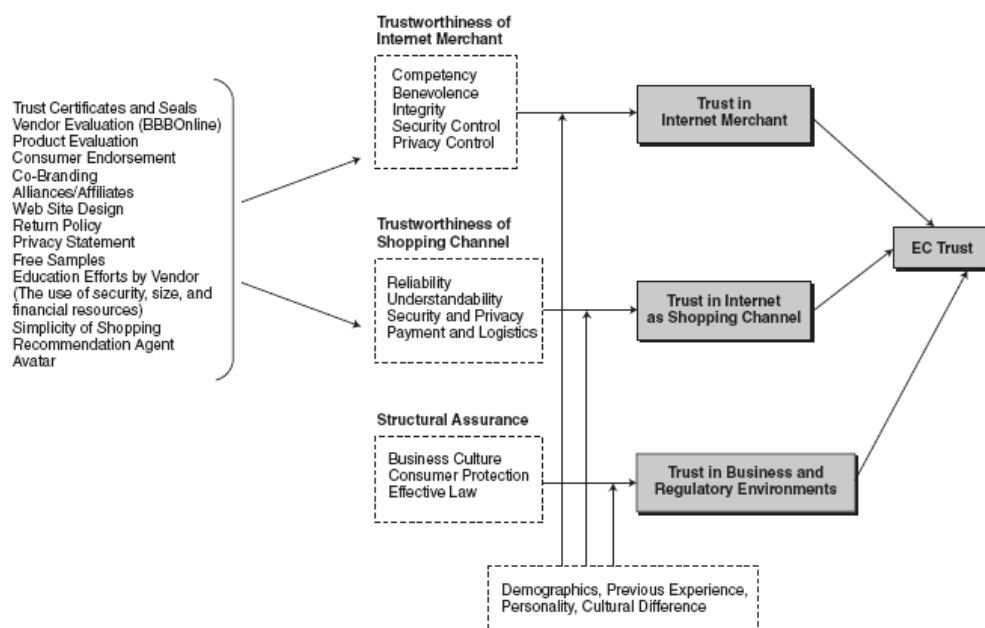
The psychological status of willingness to depend on another person or organization

- How to increase trust in EC
 - Affiliate with an objective third party
 - Establish trustworthiness

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Personalization, Loyalty, Trust, and Satisfaction in EC

EXHIBIT 4.6 EC Trust Model



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Market Research for EC

● **Methods for Conducting Market Research Online**

- Market research that uses the Internet frequently is faster and more efficient and allows the researcher to access a more geographically diverse audience
- Web market researchers can conduct a very large study much more cheaply than with other methods

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Market Research for EC

- What are marketers looking for in EC market research?
 - What are the purchase patterns for individuals and groups (market segmentation)?
 - What factors encourage online purchasing?
 - How can we identify those who are real buyers from those who are just browsing?
 - How does an individual navigate—does the consumer check information first or do they go directly to ordering?
 - What is the optimal Web page design?

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Market Research for EC

EXHIBIT 4.7 Consumer Market Segmentation in the United States (A Partial List)

Market Segmentation	Bases/Descriptors
Geographic	Region; size of city, county, or Standard Metropolitan Statistical Area (SMSA); population density; climate; language
Demographic	Age, occupation, gender, education, family size, religion, race, income, nationality, urban (or suburban or rural)
Psychographic (lifestyle)	Social class, lifestyle, personality, activities, VALS typology (see sric-bi.com/VALS/presurvey.shtml)
Cognitive, affective, behavioral	Attitudes, benefits sought, loyalty status, readiness stage, usage rate, perceived risk, user status, innovativeness, usage situation, involvement, Internet shopping experience
Profitability	Valued customers are placed in a special category
Risk score	Low risk customers are in a special category

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Market Research for EC

- **Market research for one-to-one approaches**
 - Direct solicitation of information (surveys, focus groups)
 - Observing what customers are doing on the Web
 - Collaborative filtering

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Market Research for EC

EXHIBIT 4.8 Online Market Research Process

Steps in Collecting Market Research Data

1. Define the research issue and the target market.
2. Identify newsgroups and Internet communities to study.
3. Identify specific topics for discussion.
4. Subscribe to the pertinent groups; register in communities.
5. Search discussion group topic and content lists to find the target market.
6. Search e-mail discussion group lists.
7. Subscribe to filtering services that monitor groups.
8. Read FAQs and other instructions.
9. Visit chat rooms.

Content of the Research Instrument

1. Post strategic queries to groups.
2. Post surveys on a Web site.
3. Offer rewards for participation.
4. Post strategic queries on a Web site.
5. Post relevant content to groups, with a pointer to a Web site survey.
6. Post a detailed survey in special e-mail questionnaires.
7. Create a chat room and try to build a community of consumers.

Target Audience of the Study

1. Compare audience with the target population.
2. Determine editorial focus.
3. Determine content.
4. Determine what Web services to create for each type of audience.

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Market Research for EC

● Observing Customers

● transaction log

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

● clickstream behavior

Customer movements on the Internet

● Web bugs

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

● spyware

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

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Market Research for EC

- **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

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Market Research for EC

- **collaborative filtering**

A market research and 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

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Market Research for EC

- Variations of collaborative filtering include:
 - Rule-based filtering
 - Content-based filter
 - Content-based filter
- Legal and ethical issues in collaborative filtering

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Market Research for EC

- **Limitations of Online Market Research and How to Overcome Them**
 - To use data properly, one needs to organize, edit, condense, and summarize it, which is expensive and time consuming
 - The solution to this problem is to automate the process by using data warehousing and data mining known as *business intelligence*

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Market Research for EC

- **Biometric Marketing**

- **biometrics**

- An individual's unique physical or behavioral characteristics that can be used to identify an individual precisely (e.g., fingerprints)

- **Organizational Buyer Behavior**

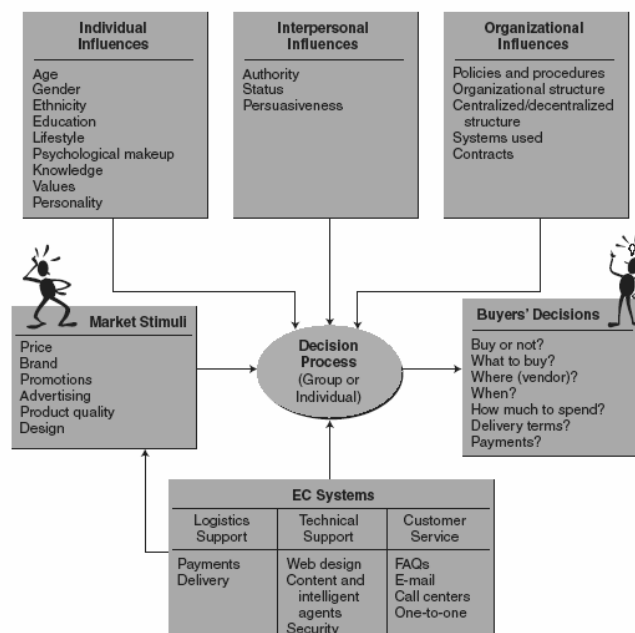
- **A Behavioral Model of Organizational Buyers**

- An *organizational influences module* is added to the B2B model

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Internet Marketing in B2B

EXHIBIT 4.9 A Model of Organizational Buyer Behavior



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Internet Marketing in B2B

- **Methods for B2B Online Marketing**

- Targeting customers
- Electronic wholesalers
- Other B2B marketing services
 - Digital cement
 - National systems
 - Businesstown
- Affiliate Programs
- Infomediaries
- Online Data Mining Services

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Web Advertising

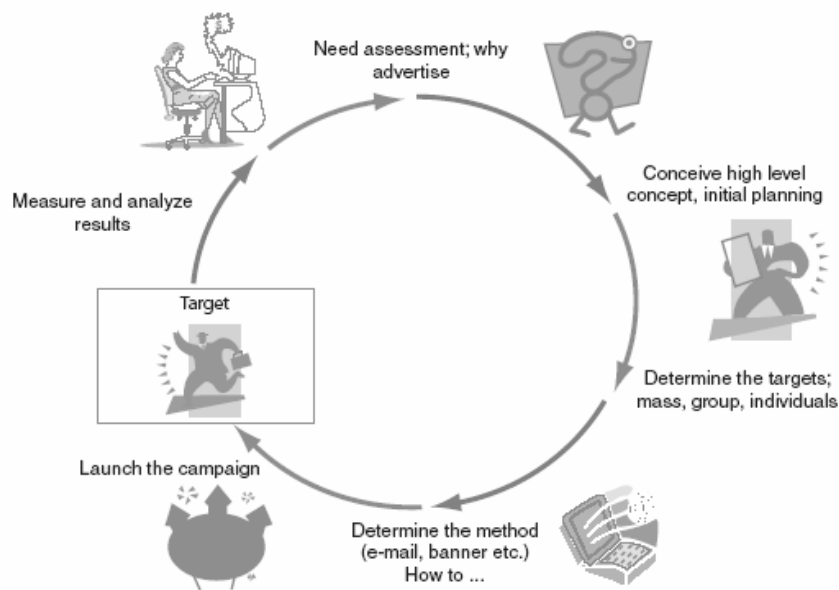
- **interactive marketing**

Online marketing, facilitated by the Internet, by which marketers and advertisers can interact directly with customers and consumers can interact with advertisers/vendors

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Web Advertising

EXHIBIT 4.10 The Advertising Cycle



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Web Advertising

● Some Internet Advertising Terminology

● ad views

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

● 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

● CPM (cost per thousand impressions)

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

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Web Advertising

- **conversion rate**

The percentage of clickers who actually make a purchase

- **click-through rate (or ratio)**

The percentage of visitors who are exposed to a banner ad and click on it

- **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

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Web Advertising

- **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

- **unique visits**

A count of the number of visitors entering 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

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Web Advertising

Why Internet Advertising?

- Precise targeting
- Interactivity
- Rich media (grabs attention)
- Cost reduction
- Customer acquisition
- Personalization
- Timeliness
- Location-basis
- Linking
- Digital branding

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Web Advertising

● advertising networks

Specialized firms that offer customized Web advertising, such as brokering ads and targeting ads to select groups of consumers

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Online Advertising Methods

- **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

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Online Advertising Methods

- **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

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Online Advertising Methods

- **pop-up ad**

An ad that appears in a separate window before, after, or during 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 the ad is still on the screen

- **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

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Online Advertising Methods

- **E-Mail Advertising**

- E-mail advertising management

- E-mail advertising methods and successes

- **Newspaper-Like and Classified Ads**

- **Search Engine Advertisement**

- Improving a company's search-engine ranking (optimization)

- Paid search-engine inclusion

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Online Advertising Methods

- **associated ad display (text links)**

An advertising strategy that displays a banner ad related to a key term entered in a search engine

- **Google—The online advertising king**

- **Advertising in Chat Rooms, Blogs, and Social Networks**

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Online Advertising Methods

- **Other Forms of Advertising**

- **advertorial**

An advertisement “disguised” to look like editorial content or general information

- Advertising in newsletters

- Posting press releases online

- **advergaming**

The practice of using computer games to advertise a product, an organization, or a viewpoint

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Advertising Strategies and Promotions Online

- **affiliate marketing**

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

- With the *ads-as-a-commodity* approach, people are paid for time spent viewing an ad

- **viral marketing**

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

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Advertising Strategies and Promotions Online

- **Webcasting**

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

- **Online Events, Promotions, and Attractions**

- Live Web Events

- Admediation

- **admediaries**

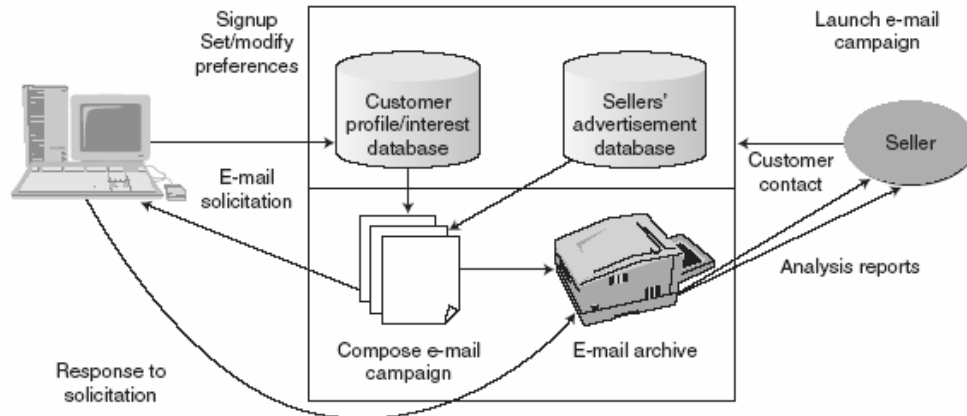
Third-party vendors that conduct promotions, especially large-scale ones

- Selling space by pixels

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Advertising Strategies and Promotions Online

EXHIBIT 4.11 Framework for Admediation



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Special Advertising Topics

● 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 (known as “opt-in”)

4-48

Special Advertising Topics

- **Advertisement as a Revenue Model**
- **Measuring Online Advertising's Effectiveness**
- **ad management**

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

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Special Advertising Topics

- **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

- **Internet radio**

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

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Special Advertising Topics

● Wireless Advertising

**VERT Intelligent Displays:
Advertising Used Atop Taxi Cabs**



● Ad Content

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Software Agents in Marketing and Advertising Applications

● A Framework for Classifying EC Agents

- Agents that support need identification (what to buy)
- Agents that support product brokering (from whom to buy)
- Agents that support merchant brokering and comparisons
- Agents that support buyer–seller negotiation
- Agents that support purchase and delivery
- Agents that support after-sale service and evaluation

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Software Agents in Marketing and Advertising Applications

- **Character-Based Animated Interactive Agents**

- **avatars**

Animated computer characters that exhibit humanlike movements and behaviors

- **social computing**

An approach aimed at making the human–computer interface more natural

- **chatbots**

Animation characters that can talk (chat)

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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. Can we use B2C marketing methods and research in B2B?
6. How do we decide where to advertise?

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Managerial Issues

7. What is our commitment to Web advertising, and how will we coordinate Web and traditional advertising?
8. Should we integrate our Internet and non-Internet marketing campaigns?
9. What ethical issues should we consider?
10. Are any metrics available to guide advertisers?
11. Which Internet marketing/advertising channel to use?