Understanding customer decision making

How will customer decide what to purchase and who to buy from?

What factors will they consider?
What is relative importance of various factors?
Above 2 elements change for each product category and often from customer to customer.

We can know general customer characteristics, but must supplement that with knowledge of our actual and prospective customers.
Generic Purchasing-Decision Model

Five phases:

Need identification
Information search
What specific product will I buy?
product brokering
Who will I buy it from?
merchant brokering
Alternative evaluation
Purchase and delivery
Post-purchase behavior and evaluation
If product we offer is unique, merchant brokering is minimized for our product.
If product is not unique, how will I get customers to buy from me?
Selection factors for consumers—product issues

How expensive is the product?

Price not the only factor, but generally significant.
Lowest price doesn’t always win. But if not lowest, must establish value.
Better pre-sales support
Quicker shipping
Cheaper shipping
Better return policy
Better reputation (product or vendor)
Many other possibilities

Selection factors for consumers—product issues

How easily can customers find what they are looking for? (navigation)

Does site design support shopping in a manner consistent with mental process?
Searching vs. Browsing

How well does customer know/understand product?

What information is needed to make purchase decision?
Are key details presented in a way to facilitate customer’s finding what they want?
Selection factors for consumers—product issues

How confident are they in the product?

Familiar brand names lend confidence.

Customer cannot physically touch product, so must convince them of quality at a distance.

Can they assess alternatives and make a decision, or does site hamper them?

Poor site design leads to customer frustration, and ultimately to lost sales.
Selection factors for consumers—merchant issues

Do they trust the retailer?
- Do site design, information currency, and other factors lend credibility?

How comfortable is customer with shipping and total cost?
- Can customer easily see total and shipping alternatives?

How can customer get help?
- Can customer contact us and get a reply? Timely? Immediately?

Is store focused on customer and relevant for his needs?
- Is there any type of personalization used?

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Information Quality
- Accuracy of Content
- Up-to-date Content
- Information Presentation
  (Visual representation of products)
- Completeness of Content
  (Detailed description of products)

System Quality
- Privacy and Security
- Simple Design
- Ease of Navigation
- Ease of Use
- Consistency of Web Site

Service Quality
- Personalization
- Flexibility (Billing and Delivery Option)
- Timeliness of Order Delivery
- Accuracy of Order Delivery
- Condition of Products Received
- Responsiveness
- Fairness of Policies and Procedures
- Empathy (Compensation and Apologies)

Electronic Commerce 2008 by Turban, Lee, King, McKay, and Marshall
Getting to know an invisible customer

What are we looking for?
- build a personal profile to explain and predict online buying behavior

Learn about an individual customer
- What products does he like?
- What styles/sizes/color/etc. does he purchase?
- What questions does he have?
- What else would be helpful for him to know?

Look for trends on the whole
- Are particular product sales spiking?
- Which site pages are most typically visited? Not visited? Why?

Getting to know customers

Solicit information directly from the user. Ask them questions!

Build from previous purchase patterns

Perform marketing research

“Observe” what people are doing online

Personalization
- The matching of services, products, and advertising content to individual consumers

One-to-one marketing
- Marketing that treats each customer in a unique way

Behavioral targeting
- Using information collected about individual’s browsing behavior (pages visited or searches made) to select ad to display
**Tracking methods**

Log-file Analysis—clickstream behavior
- How many visitors?
- What products looked out?
- What ‘path’ did they take through store?
- How long did they linger over items?

Data mining—in-depth examination using algorithms and tools looking for “hidden” information.
- Too much data may be available—need business intelligence to organize, edit, condense, and summarize.

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**Customer volunteered tracking methods**

Customer registration allows us to identify their activities.

Cookies—typically used for customer identification and tracking.
- Can be used to track known or anonymous user.
- Considered voluntary. Is it really?
Tracking vs. Privacy

Is my tracking of customer activity invading their privacy?
Do I have a right to...
  make a record of all customer activity on my site?
  use that information to build an individualized customer profile?
  give that information to other companies I partner with?
  sell that information to others?
  publish it?

Using the information—personalization

Collaborative filtering—compare user with others similar and make recommendations accordingly
  Competitive advantage from experience

Rule-based personalization—pre-determined hypotheses about interests
Consumer Behavior to Advertising

What we know about our customer influences
What we communicate to our customer
Frequently through online advertising
Advertising: promotional communication using mass media.

Why advertise online?

Participation in other media in decline. Internet participation growing.
Easier to engage in statistical monitoring and evaluation.
Cost is favorable.
Format allows us to do things not possible in other media:
  Extensive personalization
  Interactivity
Communication can be timely. (No lag in publication.)
Types of online ads

Banner ads—online equivalent of a billboard

- **Random banner**—ad has no direct relationship to other page content.
- **Keyword banner**—ad is tied to content, perhaps with search engine response.

Pros:
- If interested, visitor can click ad for more information.
- Potential for customization (to user, for content, etc.)
- May include multimedia or other attention devices.

Cons:
- May be expensive on popular sites.
- Small space to work with.

Banner placement

- May pay based on time (rare), number of views (CPM), number of clicks (click-thru), or variations (pay per lead, pay per sale, etc.).
- Banner swapping—two companies agree to display each other’s banners.
- Banner exchanges—multi-company system of bartering banner ad displays and placement.

Measuring effectiveness:
- **Click ratio**—ratio of number of times an ad is clicked vs. number of times it is displayed.
Other Ad and promotion types

Interstitial—ad interrupts navigation and requires user to dismiss ad to continue.

“Forced” ad
Often used when user is downloading content

Advergaming—advertising based in games the user plays.

Email advertising--solicited (“Opt in” lists)

Viral marketing--word-of-mouth marketing by customers, often in social networking sites.

Important issues

Novelty of web is wearing off. Businesses looking hard at data.

Have to draw people to our site for it to be effective. (Use traditional advertising)

Quality of presentation hard to control—medium not “fixed” in presentation like most (vs. TV, magazines, etc.) (Flash, Javascript, etc.)

Virtual community nature of web may allow us to invent new types of “advertising”

Customer contributed product reviews

Customer oriented suggestions, groupings, etc.

Feedback can be much more distributed