

CASE REPORT 1

Changing Attitudes, Changing Behaviours: Evolving Market Opportunities

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1. **Discuss the principles of consumer buying behaviour and how they apply to the online shopper. Highlight similarities as well as differences between "click" shoppers and "brick" shoppers.**

Consumer behaviour is defined as the actions that a person takes in purchasing and using products and services, including the mental and social processes that precede and follow these actions. I will answer this question by discussing the consumer purchase decision process and the various influences that affect this process. I will compare the “click” and “brick” shoppers throughout.

Before I dive into the decision process steps, I would like to mention a couple of things applicable to online shopping that I feel are noteworthy:

- With online shopping, it is easier for the consumer to get highly involved – more than they would if they were shopping offline. This is because shopping online is very convenient. Consumers can browse through many different products, brands and information sources very quickly and effectively in the luxury of their home or office.
- Shopping online enables consumers to purchase goods that might not be available in their geographic area.

Consumer Purchase Decision Process

1. **Problem Recognition:** The first step is initiated when a person perceives a difference between their ideal and actual situations that is big enough to trigger a decision. This step is largely the same for click and brick shoppers. How and where this step is activated may differ. For example, online advertisements could trigger a click shopper's process, and a TV ad or a billboard may trigger a brick shopper's process.
2. **Information Search:** After recognizing the problem, consumers begin searching for information about products and brands. This search can be internal, where consumers scan their memory for previous experiences with products and brands. It can also be external, where consumers use personal, public, or marketer-dominated sources to gather information. This step is also very similar for click and brick shoppers. The only difference that may occur is the fact that click shoppers might depend more heavily on the internet as their information-gathering tool. However, in today's internet-dominated world, almost everybody uses the internet as their primary information search utility, irrespective of where the product/service is eventually purchased – online or offline.
The information search stage clarifies the problem for the consumer by (1) yielding brand names, (2) suggesting criteria to use to judge the brand names, and (3) developing consumer value perceptions
3. **Alternative Evaluation:** Consumers use a set of criteria to evaluate the objective and subjective attributes of a brand, in order to compare different products and brands. The brands that meet the criteria become part of their consideration set, i.e. brands that the consumer considers acceptable.

For any product or brand, there can be many criteria that consumers use for evaluation. For example, price, product features, ease of use, etc. This stage is also similar for click and brick shoppers. However, click shoppers will only be able to see pictures and videos of the product; which means that for some products, they will not be able to experience the use of the product, unlike brick shoppers. This might (maybe unconsciously) affect the online buyer's criteria because physically experiencing the product uses more senses and is a whole different feeling.

4. Purchase Decision: After examining the alternatives available, the consumers choose the brand that best satisfies their needs. Two choices remain: (1) from whom to buy, and (2) when to buy. The choice of which seller to buy from depends on such considerations as terms of sale, past experience buying from the seller, and the return policy. A lot of these factors are the same for click and brick shoppers, but there are some notable differences. Online shoppers have to consider additional factors such as shipping & handling costs, delivery time, and security of the website. Furthermore, online buyers have additional options of purchasing new or used products from consumer-to-consumer websites such as eBay, Craigslist, etc.

Deciding when to buy could depend on factors such as when the product is on sale, time pressure, or financial circumstances. Brick shoppers might be affected by store atmosphere, pleasantness of the shopping experience, salesperson persuasiveness, etc. For online shoppers, these factors are replaced by things such as attractiveness or user-friendly-ness of the website.

5. Post-purchase behaviour: After buying a product, the consumer compares it with his or her expectations and is either satisfied or dissatisfied. Dissatisfaction is either due to product deficiencies, or because the consumer expectations were too high.

The feeling of post-purchase psychological tension or anxiety is called cognitive dissonance. Consumers use rationalization to reduce cognitive dissonance. For instance, they look for negative features about the brands they did not buy, and seek positive information about their choice of brand, in an attempt to applaud their choice.

Satisfaction or dissatisfaction affects consumer communications and repeat-purchase behaviour. With the popularity of social networking sites, online communities, discussion forums, blogging, etc. it is very easy for consumers to share their experiences and opinions about products or services with others online. Click shoppers are perhaps more proactive in this regard. Hence, it is very important from a marketer's perspective to be a part of this online 'conversation' and be aware of what is being said about your brand. The positives should be encouraged and corrective actions should be taken against negative talk.

Situational Influences

Five situational influences can have an impact on a consumer's purchase decision process:

1. The purchase task – the reason for engaging in the decision in the first place. Information searching and evaluating alternatives may differ, depending on whether the purchase is a gift, or for the buyer's own use. This affects click and brick shoppers in the same way
2. Social surroundings – people present when a purchase decision is made. This could be an important subtle factor for brick shoppers, but it has little or no impact on click shoppers.
3. Physical surroundings – such as décor, music or crowd in retail stores. This factor is applicable in a different sense for click shoppers, who are impacted more by the attractiveness and ease-of-use of the website.
4. Temporal effects – such as time of day or amount of time available affect brick shoppers, but have little impact on click shoppers. Time of day is largely irrelevant to click shoppers because e-commerce is usually available 24/7.

5. Antecedent states – include the consumer's mood, or the amount of cash at hand. This is likely to affect click and brick shoppers equally. However, cash at hand might not be a factor for click shoppers since they use credit cards for shopping online.

Psychological Influences

Concepts such as motivation, personality, perception, values, beliefs, attitudes, and lifestyle are useful for interpreting buying processes and directing marketing efforts.

The notable differences between click and brick shoppers with regards to these influences are:

Personality – click shoppers are perhaps more tech-savvy than brick shoppers.

Perception – perceived risks for click shoppers include internet security, privacy, and trust issues

Sociocultural Influences

These influences evolve from a consumer's formal and informal relationships with other people. They could be personal influences, reference groups, family influences, social class, and cultural influences. Most of these apply similarly to both click and brick shoppers. However, the viral marketing aspect of personal influence is perhaps more relevant and has a greater impact on click shoppers.

2. **Based on what you know about consumers and what motivates them to make purchase choices, explain the high growth rates in online shopping and slower growth rates of other Internet applications such as online bill paying. Can you predict changes in attitudes and behaviours as more consumers experience online applications?**

Perceived risk is a very important factor when analyzing online consumer behaviour.

Online shopping is usually a one-off affair. Bill paying, on the other hand, is a regular occurrence.

Consumers use only their credit card information for online purchasing. And credit card companies usually offer security services that protect cardholders from theft and fraud.

Cardholders can simply call the company, report a fraudulent transaction and have it revoked.

For paying bills online, more information is used. Consumers have to submit their account numbers, date of birth and other personal information. This extra information increases the perceived risk in the consumers' minds. Furthermore, some companies offer automatic monthly bill paying systems. This possibly makes the consumers feel that they don't have control over their bill paying – the idea that every month a computer will automatically take money from them seems uncomfortable and disempowering to some.

Another reason could be that the people shopping online are not necessarily the people who are responsible for paying the bills. The article mentioned that the Generation Next uses new technologies more than their parents. This generation is probably spending more on shopping online, and their parents, who are responsible for paying the bills, are not comfortable with online banking.

Prediction of changes in attitudes and behaviours:

I think there will be greater online purchasing and bill paying activity in the future because of the following reasons:

– As internet systems become more powerful and secure, people will start trusting them and become more comfortable using them. In the spread of any idea, there are always a small set of

‘early adopters’ and a large number of ‘late adopters’. In the future, more of these ‘late adopters’ will catch on.

- With the advent of social media and social networks, consumers are becoming more empowered. They can share their opinions, give reviews, have discussions, and post comments on the internet. This means that consumers will be ‘conversing’ with each other over the internet and this will help people be more aware of secure, trustworthy sources on the internet. It will help reduce the perceived risks of online activity.

- New laws that protect consumer information collected through internet transactions will reduce the perceived risks and concerns consumers have.

- The percentage of Gen Next population will increase and it will be natural for them to use more and more of technology.

- Environmental factors will play a role as well. People will want to avoid using paper and instead perform their transactions digitally.

3. Why do you think business-to-business online transactions are predicted to generate considerably greater revenue opportunities than the consumer online shopping revenues? The case highlights some interesting applications for online business transactions. What additional opportunities do you believe exist for online business-to-business?

B2B online transactions can generate greater revenue because of the combination of the following reasons:

- The number of buyers and sellers in the B2B market are less than that in the B2C market.

Therefore, it is easier to get over the trust/security issues people might have. Companies can personally listen to and handle the concerns of other companies. They can afford to spend time and resources to ensure that they are satisfied with the security of online transactions.

- The size of the orders is large, much more than individual B2C orders. Therefore, a few B2B transactions can potentially generate greater revenue than many B2C transactions.

Furthermore, online transactions are perhaps more attractive to organizations than to individual consumers. Online transactions can provide greater cost-savings to organizations than individual consumers. This is precisely because the size of organizational orders is large, hence the proportion of costs saved adds up to large amounts. Online work can also help organizations become more organized and efficient.

Opportunities for online business-to-business:

- Cloud computing/Software as a Service (SaaS) – Buying IT capacity and applications as-needed from a utility service provider. So the companies don’t have to purchase the applications, but ‘rent’ them over the internet. This saves costs, is more flexible because these services have pay-per-use costs, and companies don’t have to worry about updates and maintenance of the software. For example: CRM systems.

Although there are issues regarding trust and confidentiality associated with storing a company’s information on a service provider’s systems, there are plenty of benefits that make this an attractive opportunity.

- Streamlining the payment system – companies could set up an online system in collaboration with their bank so that all payments they receive can be directly transferred to their bank accounts.

- Online communication through systems like Cisco Webex – enable people to communicate with each other regardless of where they are in the world. Adding real-time language translators (like the one that will be available with Google Wave) would reduce language barriers and make communication tremendously efficient and easy.

– The following is an example of an online service that increases productivity by global outsourcing and using the time difference between the location of the companies – in the medical world, there are people called “nighthawks”, situated in India and Australia, who analyze CAT scans and MRI data overnight, for radiologists in North America – this enables 24/7 diagnosis – this kind of outsourcing can be applied to other businesses, data can be sent over the internet and work can be done by people in a different time zone to increase productivity.

4. Do you believe that online shopping will replace traditional shopping? Why or why not? Support your answer with consumer behaviour theory.

I believe that online shopping will become much more popular and generate greater revenues in the future, but it will not completely replace traditional shopping.

Shopping online has its limits when we talk about consumer experience. In today’s highly competitive and commoditized world, both the rational and the emotional value of a product are important.

When purchasing products online, consumers can only look at pictures and videos of the product. Other senses like taste, touch, smell are not engaged. Consumers can’t get a ‘feel’ for the product over the internet. For some products this is okay. For example, these may be low-involvement decisions for convenience goods. However, for some products, emotional value is very important. Consumers have to engage other senses in the purchase decision, and perhaps even try/test the product. Some examples of such products include cosmetics, food items, electronics, cars, and clothing.

Moreover, the experience of going to a mall for shopping, eating, and maybe watching a movie is something that consumers can make a day out of. An outing of that form goes beyond mere shopping. It is the whole experience that the consumers enjoy. I don’t think that this traditional form of shopping will ever get replaced by online shopping.