

Consumers Online: The Internet Audience and Consumer Behavior

- Around 84% of U.S. adults use the Internet in 2015
- Intensity and scope of use both increasing
- Some demographic groups have much higher percentages of online usage than others
- Media choices
 - Traditional media competes with Internet for attention
 - Television viewing has increased with Internet usage

The Online Purchasing Decision

- **Stages in consumer decision process**
 - Awareness of need
 - Search for more information
 - Evaluation of alternatives
 - Actual purchase decision
 - Post-purchase contact with firm
- **Factors that most influence purchasing decision**
 - Price, free shipping, trusted seller status
- **Decision process similar for online and offline behavior**
- **General online behavior model**
 - Consumer skills
 - Product characteristics
 - Attitudes toward online purchasing
 - Perceptions about control over Web environment
 - Web site features: latency, navigability, security
- **Clickstream behavior**

Shoppers: Browsers and Buyers

- **Shoppers: 88% of Internet users**
 - 72% buyers; 16% browsers (purchase offline)
- One-third of offline retail purchases influenced by online activities
- Online traffic also influenced by offline brands and shopping
- E-commerce and traditional commerce are coupled: Part of a continuum of consuming behavior

What Consumers Shop for and Buy Online

- **Big ticket items**
 - Travel, computer hardware, electronics
 - Consumers now more confident in purchasing costlier items
- **Small ticket items (\$100 or less)**
 - Apparel, books, office supplies, software, etc.

How Shoppers Find Vendors Online

- **How shoppers find online vendors**
 - Search engines—59%
 - Marketplaces (Amazon, eBay)—28%
 - Direct to retail sites—10%
 - Other methods—3%
- **Online shoppers are highly intentional**

Why More People Don't Shop Online

- **Largest factor: trust**
 - Want to see and touch before buying
 - Concerns about financial information
 - Delivery costs too high
 - Concerns about returning items

Digital Commerce Marketing and Advertising Strategies and Tools

- **Internet marketing (vs. traditional)**
 - More personalized, participatory, peer-to-peer, communal
- **The most effective Internet marketing has all four features**

Establishing the Customer Relationship

- **Web site functions to:**
 - Establish brand identity and customer expectations
 - Differentiating product
 - Inform and educate customer
 - Shape customer experience
 - Anchor the brand online
 - Central point for all marketing messages

Online Marketing and Advertising Tools

- **Basic marketing and advertising tools:**
 - Search engine marketing
 - Display ad marketing
 - E-mail and permission marketing
 - Affiliate marketing
 - Lead generation marketing
 - Sponsorship marketing

Search Engine Marketing and Advertising

- **\$17.6 billion spent in 2012**
- **Types:**
 - Keyword paid inclusion
 - Advertising keywords
 - Network keyword advertising or context advertising
- **Nearly ideal targeted marketing**
- **Social search**

- Reviews friends recommendations, searches, Likes, and Web site visits
- **Search engine issues**
 - Paid inclusion and placement practices
 - Link farms/Content farms
 - Click fraud

Display Ad Marketing

- **Banner ads**
 - May include animation
 - Link to advertiser's Web site
 - Can track user
- **Rich media ads**
 - More effective than banner ads
 - Use animation, sound, and interactivity
- **Video ads**
 - In-page commercials before or after content
- **Advertising networks**
 - Sell marketing and advertising opportunities
- **Ad exchanges**
 - Establish a real-time bidding process where marketers can bid on ad slots

E-mail Marketing

- **Direct e-mail marketing**
 - Primary cost is purchasing addresses
- **Spam: Unsolicited commercial e-mail**
 - Approximately 72% of all e-mail
 - Efforts to control spam:
 - Technology (filtering software)
 - Government regulation (CAN-SPAM and state laws)

Affiliate Marketing

- **Firms pay commissions to other Web sites for sending customers to theirs**
 - Visitors to affiliate site click on ads
 - Advertisers pay fee to site

Lead Generation Marketing

- **Uses multiple e-commerce presences to generate leads**
 - Help firms build Web sites, launch e-mail campaigns
 - \$1.7 billion spent in 2012

Sponsorship Marketing

- **Sponsorships**
 - Paid effort to tie advertiser's name to particular information, event, and venue in a way that reinforces brand in positive yet not overtly commercial manner

Social Marketing and Advertising

- **Fastest growing type of online marketing and advertising**
- **Long-term prospects unknown**
- **Four features driving growth**
 - Social sign-on
 - Collaborative shopping
 - Network notification
 - Social search (recommendation)
- **Facebook marketing products**
 - Facebook pages
 - Like button
 - Display ads
- **Twitter marketing products**
 - Promoted Tweets
 - Promoted Trends
 - Promoted Accounts
- **Blog advertising**
 - 332 million blogs in 2017 (Statista)
 - Blog readers are ideal demographic
- **Game advertising**
 - Both branding and driving customers to purchases in retail stores and restaurants, etc.
- **Viral marketing**
 - Customers pass along marketing message via e-mail, social networks, blogs, video and game sites

Mobile Marketing

- **2016 – 50 billion in online ad spending, growing rapidly, 60% of all digital ad spending (eMarketer)**
- **Formats include:**
 - Search
 - Display ads
 - Video
 - E-mail
 - Text messaging
 - QR codes, couponing
 - Games

App Marketing

- **Revenue sources**
 - Pay-per-app
 - In-app purchase
 - Subscriptions
 - Advertising
- **Most popular types of apps**
 - Social network, banking, search, news
- **Retailer's apps**

- Browsing and purchasing

Local Marketing

- **Marketing geared to user's geographic location**
- **Local searches**
 - 20% of all searches
 - 40% of mobile searches
- **Most common local marketing tools**
 - Geotargeting with Google Maps
 - Display ads in hyperlocal publications

Multi-Channel Marketing

- **Average American spends 30% of media time on Internet, rest on other channels (2017)**
 - Television, radio, newspapers, and magazines
- **Consumers also multitask, using several media**
- **Internet campaigns strengthened by using other channels**
- **One-to-one marketing (personalization)**
 - Specific marketing messages to individuals
- **Interest-based advertising**
 - Uses online and offline behavior of users to adjust messages
- **Retargeting ads**
 - Shows same/similar ads to individuals across multiple sites
- **Customization and customer co-production**
 - Changing products according to user preferences
 - Co-production—users help create product
- **Dynamic pricing and flash marketing**
 - Merchants can change prices on the fly depending on demand

Long-Tail Marketing

- **Internet allows for sales of obscure products with little demand**
- **Substantial revenue because**
 - Near zero inventory costs
 - Little marketing costs
 - Search and recommendation engines

Online Marketing Metrics: Lexicon

- **Audience size or market share**
 - Impressions
 - Click-through rate (CTR)
 - View-through rate (VTR)
 - Hits
 - Page views
 - Stickiness (duration)
 - Unique visitors
 - Loyalty
 - Reach

- Recency
- **Conversion to customer**
 - Acquisition rate
 - Conversion rate
 - Browse-to-buy-ratio
 - View-to-cart ratio
 - Cart conversion rate
 - Checkout conversion rate
 - Abandonment rate
 - Retention rate
 - Attrition rate
- **Social marketing**
 - Gross rating points
 - Applause ratio
 - Conversation ratio
 - Amplification
 - Sentiment ratio
 - Duration of engagement
- **E-mail metrics**
 - Open rate
 - Delivery rate
 - Click-through rate (e-mail)
 - Bounce-back rate
 - Unsubscribe rate
 - Conversion rate (e-mail)

How Well Does Online Advertising Work?

- Use ROI to measure ad campaign
- Highest click-through rates: Search engine ads, permission e-mail campaigns
- Rich media, video interaction rates high
- Online channels compare favorably with traditional
- Most powerful marketing campaigns use multiple channels, including online, catalog, TV, radio, newspapers, stores

The Costs of Online Advertising

- **Pricing models**
 - Cost per thousand (CPM)
 - Cost per click (CPC)
 - Cost per action (CPA)
- **Online revenues only**
 - Sales can be directly correlated
- **Both online/offline revenues**
 - Offline purchases cannot always be directly related to online campaign
- **In general, online marketing more expensive on CPM basis, but more effective**