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1. INTRODUCTION

This case study has to deal with a problem that has shown up recently for the managers of a new business. It concerns a recently set up company whose activity is e-commerce. The company has developed an inclusive and dynamic web site and even though is a newly born business; it appears to makes great strides.

The company’s web site is a very well designed e-shopping place, very easy to go about as well as functional; in other words an ideal web site, even for an Internet amateur. It comprises of all kind of supplies -books, software, hardware, consumables, gifts, clothing, footwear, groceries etc- and it provides much information about the main attributes of each product together with illustrations so as to best supply for the customers’ needs.

From the very begining the main intention of managers were to best serve the customer. For this reason, the web site provides information for customer services. It also ensures the customer for the product quality as well as convenient delivery service. However, the best provision for the customer is the warranty and returns and rebate capability in case a product does not satisfy the customer.

Nevertheless, managers know that the company’s performance is measured in terms of consumer satisfaction and to be able to reach this satisfaction, knowledge of consumer behaviour is needed. For this reason, we intent to study our customers’ behaviour when they are browsing in the company’s web page as concerns to:

- Demographic data and their intercourse on consumer’s behaviour definition.
- Statistics in point of the way visitors browse the web page.
- What are the main interests of the customers when they visit the company’s web page and what attracts more their attention.
• What are the most famous products viewed by the visitors.
• If customers’ behaviour is induced by offers or gifts.

Last but not least, we are interested in ascertaining how consumer’s behaviour is perceived and measured.

**1.1 Consumer Orientation**

Consumer behaviour is an issue that has evolved very rapidly; Solomon *et al.* Define it as “the study of the processes involved when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires”( Solomon M. *et al.*, 1999).\(^1\)

Therefore, the main purpose for marketers is, the extend of understanding consumer behaviour. In a way, as a basic marketing concept states, firm's purpose is to satisfy consumers' needs. Hence, for these needs being satisfied, marketers should understand the people or organizations that will use the products and services they offer better than their competitors.

Existing in a highly competitive marketing environment, make it compulsory for firms to fully understand consumers and, especially consumer's decision-making, in order to gain competitive advantage over the rest firms. In such a competitive economic system, accurate knowledge about consumers is required so that a firm would be able to survive and grow (Foxal G., Goldsmith R., 1994).\(^2\) This means that managers have to observe everything from the customer’s point of view, understand how consumers look at the firm and its products, and design their strategic plan having the consumer’s needs and desires on mind (Blythe J., 1997).\(^3\)

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\(^3\) Blythe J., (1997), The essence of consumer behaviour, Prentice Hall.
The Marketing Concept has defined the consumer orientation issue by describing four major areas to be implemented by firms:

- The first area clears that to be a firm successful has to take into account its consumers, as well as what they are willing to accept and pay for.
- Before production is planned and start, the firms must have exact knowledge of what are the consumer’s wants.
- Marketers have to be alert so as to detect all newer consumer needs or wants and be able to develop in time their products in order to keep competitive advantage.
- Managers must build a strategic plan that would be based upon the four components of marketing strategy and on the existing knowledge of consumer behaviour (Foxal G., Goldsmith R., 1994).  

1.2 What is consumer behaviour?

A complete definition of Consumer Behaviour describes it as “the dynamic interaction of affect and cognition, behaviour, and environmental events by which human beings conduct the exchange aspects of their lives” (American Marketing Association, used by Blythe J., 1997).  

Wilkie and Dickson (1991) proposed an empirically based framework for understanding consumers’ information search for major domestic appliance purchases. This framework recognises that:

- Situational factors shape wants and needs: a specific heavy circumstance, such as the breaking down of a refrigerator, or a house move, motivates most sales of these products and the resulting physical, social, economic and psychological situation severely constrains the choice.

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5 Blythe J., (1997),” The essence of consumer behaviour”, Prentice Hall.
• Store and brand choice is a reflection of experience, prior knowledge and previous dispositions. This results to a limited information search because consumers have personal knowledge of stores, faith in manufacturers and retailers, high levels of satisfaction with previously purchased appliances, and trust in the competitive economy.

• In-store information sources are often very important: consumers rely heavily on sales persons for information and influence, for validating the purchase, making it socially acceptable and respectable and additional services such as arranging credit, delivery and so on.

• The consumer decides, in-store, whether to pursue further information: if the in-store and other pre-purchase sources of information are adequate, no further seeking of information is likely. However, if the consumer is not satisfied with the amount of information or the trustworthiness of its source, he or she may decide to postpone a purchase and continue the search (Foxal G., Goldsmith R., 1994).  

1.3 The perceptual process

People process different kind of information when they take in and store some stimuli. Though, this does not mean that every person can process all information available. It has been noticed that a person notices only a small number of stimuli coming from the environment and an even less amount of them enter in the person’s consciousness. Furthermore, information to be noticed and enter in one’s consciousness has to be related to the person’s unique characteristics, experiences and needs (Solomon M. et al., 1999).  

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Marketers use much kind of stimuli so as to attract consumers’ attention and preference, such as colour, smell, sound, taste and touch.

**Colour in the marketplace**

Colours are a useful tool to attract someone’s attention since they have symbolic values or other meanings and marketers use them extensively when designing their strategies. Colours are used in packaging, advertising and in shop branding. Indeed, some marketers and advertisers believe that some colours have specific meanings when it comes to consumer perception and that colours are capable to define consumer feelings.

**Smell**

Odours can arouse emotions, calm down people from stress effects or even evoke memories. However, a person to respond to specific odours needs to have similar references from previous experiences.

**Sound**

The third way of transmitting stimuli that marketers use extensively is sound. Sound usually affects consumer behaviour since it appeals to people’s mood, feelings and can make a product or advertisement famous.

**Taste**

A nice taste can heavily impact a firm’s growth and wealth. For this reason, many food companies have to be meticulous in order to ensure that their products taste as they should.

**Touch**

Touch is a very important factor for marketers but can only help when a customer associates with the product. Touch can tell a lot for a product’s quality, but also can stimulate moods through skin sensation effects.
1.4 LEARNING AND MEMORY

Marketers take a lot into account consumer’s learning and memory since this is the major factor for the success of any advertisement stimuli they send. In other words, the more the information that consumers store in their memory regarding goods, services and brands, the best the behaviour they will develop towards these specific products or brands. For the above reasons, a lot of research is conducted towards consumer perceptions, feelings and attitudes over different products and consequently over their oncoming purchase and consumption patterns (Foxal G., Goldsmith R., 1994). 8

1.5 MOTIVATION

Motivation is the process that causes people to behave in a specific way. Psychologists determine that it occurs when a need, that the consumer wishes to satisfy, is aroused. When such a need arouses, a state of tension exists which motivates the consumer to try to supply for this need and eliminate it (Solomon M. et al., 1999). 9 Needs are classified in: “predominantly utilitarian” ones, such as those that want to achieve some functional or practical benefit; and in the “predominantly hedonic” ones such as a material need that includes sentimental responses and imagination (Blythe J., 1997). 10

1.6 Classifying consumer needs

Much research has been done in order to classify human needs. On one hand, some psychologists tried to define a universal inventory of needs that could be detected systematically to explain every kind of behaviour. Others have focused on certain needs and their offshoots for explaining


behaviour. For example, one study on women showed that career women who had high accomplishment goals were more likely to choose businesslike clothes, and less interested in emphasizing in their femininity.

1.7 Maslow’s hierarchy of needs

Abraham Maslow tried to understand personal growth and achievement of experiences by explicating a theory for motivation. Maslow wanted to explain how some needs guide people’s behaviour. Maslow’s found that human needs are classified in a hierarchy, from the urgent ones to the least pressing. The most important needs, the physiological needs are put in the first scale; the second scale consists of safety needs; the third in importance include social needs; then we find esteem needs, and at last self-actualisation needs. Maslow’s theory is very useful for marketers since it helps them understand how various products fit into the plans, goals, and lives of potential consumers. It also shows them that some needs are often affiliated to specific products (Baker M., 1995).11

In other words, Maslow’s hierarchy revealed that a person must first satisfy the physiological needs before progressing up to safety needs, and similarly must satisfy safety needs in order to move to social needs, etc. This means that when a person is starving will not be very interested in self-fulfilment. However, when a person succeeds in satisfying a need, then will try to satisfy the next-most-important need (Kotler P., 1997).12


After safety needs, belonging and love needs follow where someone needs love, acceptance and belonging. Similarly, a person should need to consume of different material possessions so as to feel materially safe.

The fourth step in the Maslow’s pyramid of needs includes esteem needs, such as the need for achievement, education, competence, respect and recognition from others. To fulfill this need, some want to consume the products that could identify him or her to others as having gained a high status in a community, such as a specific designer’s clothes etc.

Finally, on the pitch of the hierarchy, Maslow placed the need for self actualisation which involves one’s need to realise his/her fullest potential. This means that, after having accomplished all below needs, someone seeks personal growth through the consumption of unique products that would form his own unique self - self-improvement classes. Also, this point consists the need to feel one’s impact on others decisions.
1.8 ATTITUDES

Attitudes are defined as constant analyses of people, of matters and things. Attitude object is called any object towards which someone has any attitude. Marketers try to form consumers' attitudes regarding almost all matters of life. They even promote causes and ideas forming social ideas about a lot of issues.

Therefore, marketers’ main purpose is to form consumers’ attitudes towards products. Some tools they use in order to accomplish this are persuasive advertisements, successful throwaways, famous persons advertising ideas and brands, etc (Solomon M. et al., 1999). Some social marketers are interested to find out how possible it is to change more effectively attitudes by influencing the consumption activities represented in popular media.

Attitudes are very important for marketers since it seems they affiliate consumers’ perceptions about products and consumers’ consumption. In other words, consumers’ attitudes include what consumers think about products and brands and affect their consumption patterns. Hence, monitoring and understanding consumer attitudes enables marketers to develop the products consumers need and promote these products effectively.

Self-concept

Self-concept describes what a person think and feel about himself, and it is very important so as to understand consumer behaviour, since people buy those products that contribute to their self-concept.

However, the self-concept is a very complex idea. It is constituted of many features. Attributes of self-concept have a lot of dimensions and are in

general a lot of subjective rather than objectives, since someone's self-concept may not correspond to reality (Solomon M. *et al.*, 1999).\(^{14}\)

**Self-image**

Self-image is the way to describe how positive is a person’s self-concept. For this reason, marketers try to influence through specific products a person’s self-concept in a way that the person would feel very nice for him or herself when using one of these specific products. A method to achieve this outcome is by challenging a person’s self-esteem and clearly connecting it to the product, so that the consumer will compare his actual standing to some ideal one (Solomon M. *et al.*, 1999).\(^{15}\)

The ideal self is partly affected by culture elements represented in advertisements and motivates consumers achieve their ideal standing goals through specific product consumption, even if in reality such think does not exist. Some products are chosen because they are perceived to be consistent with the consumer’s actual self, while others are used to help in reaching the standard set by the ideal self (Solomon M. *et al.*, 1999).\(^{16}\)

**The looking-glass self**

The looking glass self is the process of imagining the reactions of others towards us. The looking-glass image we receive will differ depending upon whose views we are considering.

Consequently, the self-concept is important to marketing because makes people to purchase goods that they perceive they are compatible to their

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view of themselves, or even makes them buy goods and services in order to achieve their ideal self goals (Baker M., 1995).  

1.9 Consumers as problem-solvers

A product may be the solution to a consumer’s problem. However, to detect this solution, there are some steps to be through: problem recognition, information search, evaluation of alternatives, and product choice. When a consumer purchases a product, a learning process starts towards the quality of this decision that affects a lot an oncoming prospect of repurchasing the same product.

1.10 Problem recognition

Problem recognition is the beginning of a consumer’s problem solving. It means that the consumer notices a need and becomes motivated fullfil this need following a specific procedure.

1.11 Information search

In the problem recognition a need motivates the consumer to act. In information search the consumer moves toward to fullfil this need. Though, to reach the fullfilment of this need, consumers have to find out which are their options, find information about them and make a decision towards which of the products to choose (Wilkie W., 1994).

Types of information search

As mentioned above, a consumer will make a search in the marketplace for specific information after a need has been arised (Solomon M. et al., 1999). This is one type of information search. Another type is when consumers are fond of browsing just for fun, or because they want to

know everything related to new trends and products in the marketplace. Consequently, information search is all knowledge gained about the marketplace.

**Internal versus external search**

Information sources can be broken down into two types: internal and external. As a result of anterior experience and simply consumer culture, each of consumers has some knowledge already in memory about many products. When a consumer has to deal with a purchase decision, he or she may start an internal search in his/her memory in order to find information about different product alternatives. However, most times internal search is not enough by itself and a consumer has to complete it with some external search through advertisements or people of the environment around him/her (Solomon M., 2007).

**Deliberate versus “accidental” search**

Existing knowledge of a product may be a result of directed learning. A customer, for example, may had already searched for relevant information or experienced some of the alternatives on a previous occasion. A parent who bought present for one child last month, for example, probably knows the best present to buy for another child this month.

Alternatively, information may be acquired in a more passive manner. Even though a consumer is not interested right now in a product, when he/she is exposed to advertising and similar activities (packaging and sales promotion) he will probably acquire such knowledge. For marketers, this result is beneficial because through advertising, they settle product associations until the time they are needed.

In some cases, a customer may be so expert about a product category (or at least believe so) that he/she doesn’t look for any additional search.

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Frequently, however, the existing state of knowledge may not be sufficient to make a decision, and one must look for more information. The sources to look for such information they may be retailers and catalogs, friends and family members, or Consumer Reports (Solomon M., 2007).

**The economic information**

Information search consists an economical way of approaching this search process. Thereafter, the economic information refers to the extend that the advantages a consumer have searching for information do not exceed the cost of doing so. This means that a consumer will collect first the most valueable information and then will go forth to other information that will add to what is already known, as long as this additional information search is not too time consuming (Wilkie W., 1994).

**Do consumers always search rationally?**

It has been observed that consumers don’t necessarily engage in a rational search process where they carefully identify every alternative before choosing one they prefer. In fact, many times the amount of external search is very small, even when additional information would benefit the consumer. For example, lower-income shoppers, even though they have more to lose by making a bad purchase, may actually search less before purchasing the product than do more wealthy ones.

One study of Australian car buyers found that more than a third had made only two or fewer trips to inspect cars prior to buying one (Solomon M., 2007). This shows that some consumers rarely seek out unbiased information sources prior to making a purchase decision and they are

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22 Wilkie W., (1994), Consumer behaviour, John Wiley & Sons Inc

content with merely visiting one or two stores, especially when they have little time available. This happens even when a purchase is so significant, such as when it concerns durable goods consisting large investments.

However, this tendency to avoid external search is less possible when the purchase goods have a symbolic meaning or are seen important in order to improve consumer’s self esteem and social standing. In such occasions, information gathering provides and inherent satisfaction for the consumer (Block P. et al., 1986).²⁴

1.12 STRATEGIC IMPLICATIONS OF PRODUCT CATEGORISATION

Categorising the product has a lot of strategical meanings. A product’s classification method with others, can define either the adoption of it from competition or the specific criteria to be used in order to accomplish it. Furthermore, product categorisation is very usefull in the accomplishment of different information search behaviour studies, since products and their impact to consumer’s perception are studied in groups rather than single.

Product positioning

The success of a positioning strategy often hinges on the marketer’s ability to convince the consumer that his or her product should be considered within a given category (Solomon M. et al., 1999).²⁵

Consumers often are faced with choices between non-comparable categories, where a number of attributes exist that cannot be directly related to one another. The comparison process is easier when consumers derive an overlapping category that contains both items (e.g. entertainment, value, usefulness) and then rates each alternative in terms of that superordinate category.


**Locating products**

Product categorisation may affect consumers' expectations regarding the places they can locate a desired product. If products do not clearly fit into categories, consumers' ability to find them or make sense of them may be diminished.

**PRODUCT CHOICE**

**Price – Quality relationship**

Consumers often form assumptions about companies, products and shops. These market beliefs then become the shortcuts that guide their decisions - whether or not they are accurate.

The assumption of a price-quality relationship is one of the most pervasive market beliefs. Novice consumers may in fact consider price as the only relevant product attribute. In fact, when the level of quality is standard or strictly regulated, then the price indicates the quality. However, the price-quality relationship is not always justified. When it concerns to products that are known to have wide quality variations in the marketplace, then price does not necessarily imply its quality.

**Brand loyalty**

Brand loyalty is a form of repeat purchasing behaviour reflecting a conscious decision to continue buying the same brand. For brand loyalty to exist, a pattern of repeat purchase must be accompanied by an underlying positive attitude towards the brand. A brand-loyal consumer is actively (sometimes passionately) involved with his or her' favourite. Because of the emotional bonds that can be created between brand-loyal consumers and products, 'true-blue' users react more vehemently when these products are altered, redesigned or withdrawn.

**Perceptions of product quality**

A very important question is what consumers look for in products. The answer's easy: they want quality and value. Especially because of foreign
competition, claims of product quality have become strategically crucial to maintaining a competitive advantage. Consumers use a number of cues to infer quality, including brand name, price and even their own estimates of how much money has been put into a new product's advertising campaign. These cues, as well as others such as product warranties and follow-up letters from the company, are often used by consumers to relieve perceived risk and assure themselves that they have made smart purchase decisions.
2. INTERNET GROWTH

In the past years, Internet market has grown very quickly and also matured in significant extend. The Internet became the primary on-line marketing channel and therefore has overtaken the commercial on-line services. Indeed, all of the firms dealing with on-line services, they now offer, as a primary service, Internet access. Furthermore, a high amount of people nowadays, use the Internet daily for work or private purposes. It is also popular searching for product information or buying goods online (TNS Interactive, 2002).26 Other activities available through Internet that most people use are to send e-mails, exchange views, shop for products, and access news, food recipes, art and business information etc. (Armstrong G., Kotler P., 2000).27

Shim et al. deduced that “purchasing over the Internet is one of the most rapidly expanding channels of shopping, and online shopping is the fastest growing application of the Internet” (Shim et al. 2001).28 This rapid Internet adoption has changed extraordinarily the marketing landscape and has given a variety of new opportunites to marketers (Barry Pollack, 1999).29

The Internet provides quick and easy comparison of many different types of products. For this reason, online shoppers are attracted to the ease with which they and find products on the Internet, the availability of

28 Shim et al., “Internet usage, commerce statistics and demographics”, 2001
detailed product information and the variety of choices offered (Ward M., Lee M., 2000).\textsuperscript{30}

However, an important factor that defines the Internet marketing success is consumer involvement. The level a consumer is involved to a product, a product class or even a service, has a major role to online purchase behavior. Wu (2002) appoints that “different involvement clusters produce different responses”. Hence, the level a consumer will be involved in an Internet marketing performance; will define his/her behaviour over the specific product (Shwu-Ing Wu, 2002).\textsuperscript{31}

Rothschild’s (1984) involvement definition says that involvement is “an unobservable state of motivation, arousal or interest” (Rothschild M., 1984).\textsuperscript{32} Particular stimulus or situation creates involvement and drives a person to an action. Consequently, the person starts searching in order to process information and eventually makes his decision (Kapferef J. and Laurent G., 1986).\textsuperscript{33}

2.1 \textsc{Internet and E-Commerce}

\textbf{Persuasive Capabilities and Limitations of Internet Advertising}

E-commerce and internet advertising have advantages as well as drawbacks. A persuasive capability of Internet advertising is the targeting precision. Advertising through internet has the potential for great audience selectivity. Also, audience may be demographically skewed. It enables

\begin{enumerate}
\item \textsuperscript{31} Shwu-Ing Wu, "Internet marketing involvement and consumer behaviour", 2002, Asia Pasific Journal of Marketing and Logistics, Vol.14, No 4.
\item \textsuperscript{32} Rothschild M., “Perspectives on Involvement: Current Problems and Future Directions”, 1984, Advances in Consumer Research, Vol.11.
\end{enumerate}
tracking customers and building databases. Nevertheless, a drawback is that privacy issues make targeting more difficult.

On other persuasive capability is the development of messages and its execution. Through internet more advanced messages can be increasingly designed and shown relatively quickly. Furthermore, marketers recognize that their home pages are advertisements and must be designed as persuasive tools.

As concerns to the ability of obtaining feedback, internet is an interactive medium with potential for gathering immediate feedback. However, click rates on ads do not measure their impact accurately, since exposure to the brands featured occurs even without a click.

What is more, in internet advertising and commerce, the degree of psychological noise has been noted to be very high. Visitors can easily escape promotional messages while Banner advertisements and home pages can reinforce and expand promotional messages featured in other media.

Lastly, in relation to the relative cost there is a great variation in establishing advertising rates since there is no standard measure of the impact of online advertising (Schiffman L. and Kanuk L., 2007).34

Further down, there is a table briefly depicting the most important benefits and limitations of e-commercises for both the consumer and marketer.

### Pros and Cons of E-Commerce

#### Benefits

For the Consumer:

- Shop 24 hours a day

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- Less traveling
- Can receive relevant information in seconds from any location
- More choices of products
- More products available to less-developed countries
- Greater price information
- Lower prices so that less affluent can purchase
- Participate in virtual auctions
- Fast delivery
- Electronic communities

For the Marketer:

- The world is the marketplace
- Decreases costs of doing business
- Very specialized business can be successful
- Real-time pricing

**Limitations**

For the Consumer:

- Lack of security
- Fraud


**2.2 CONSUMER BEHAVIOR’S IMPACT ON E-BUSINESS**

It may seem strange to relate a web site user’s behaviour to the managing efforts and advertising methods in order to learn about it. However, the reason of doing so is very simple: understanding behaviour of our e-
consumers is profitable for a business. The basic marketing concept says that firms exist so as to satisfy their consumers’ needs. However, these needs can be satisfied only if marketers understand the people or organisations that will use the products and services they are trying to sell, and that they do so better than their competitors.

Whether a marketing plan is going to succeed or not is based on the consumer’s response towards it. Hence, knowledge about consumers is so important that it should be included in every marketing plan, since data about consumers help the businesses to define the market and also identify threats and opportunities for them. Furthermore, this type of knowledge helps managers to identify if their product keeps appealing to their consumers or if there is a need for replenishing their product classes (Solomon M., 2007).

How is consumer behaviour through Internet defined?

In other words, consumer behaviour through Internet comprises the study of all “processes involved when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires” (Solomon M. et al., 1999). Also, consumer behaviour has been described as “the dynamic interaction of affect and cognition, behaviour, and environmental events by which human beings conduct the exchange aspects of their lives” (Blythe J., 1997).

A research on “Internet marketing involvement and consumer behaviour” (Wu, 2002) found that the degree of Internet marketing involvement was significantly related with three items of consumer personal characteristics:


Moreover, the marketing involvement is significantly related to three different lifestyle factors – fashion and ego factor, independent and freedom factor, and family life factor.

The same study also found that the degree of Internet marketing involvement differed according to three perception-need factors: safe and trust factor, knowledge and understanding factor, and effective factor while it was significantly related with the situation.

According to the research findings, the study identified what exactly influences the Internet marketing involvement. The factors involved that influence the consumer’s degree of Internet marketing involvement include: three items of personal characteristics, three lifestyle factors, three perception-need factors, and three situation items.

Consequently, Internet marketing involvement is related to significant extend with the consumer’s behaviour (Shwu-Ing Wu, 2002).  

**Demographics data on consumer’s behaviour definition.**

Demographics are statistics that count considerable aspects of a population, such as birth rate, age distribution or income. These statistics seem to be of great importance to marketers, since changes on them also reveal changes in the size of markets for the products. Furthermore, using demographic data, marketers are able to locate or predict the creation of specific markets. (Solomon M. *et al.*, 1999).

Demographics include the above characteristics:

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• Age
• Gender
• Family structure
• Social class and income
• Race and ethnicity
• Geography

As different researches show, in both conventional or e-shopping, there are differences between the sexes concerning consumer behaviour. For example, a research has shown that men are more determined and important shoppers than women are since 77 percent of US women browse online but buy instore, while only 54 percent of men do the same (Lindquist J. and Kaufman-Scarborough C., 2000).41

Another research showed that men spend less time searching online and they tend to give up searching more quickly than women do. On the other hand, women have the tendency to search more time and proved to be more meek when results do not come out as quickly as they have been expected to (Ward M. and Lee M., 2000).42 Also, in another research we can see that female students tended to search for information more frequently than male students.

Therefore, Jarboe and McDaniel showed that it is more possible for a woman to be an actual purchaser rather than a man will, since frequent information search leads to a purchase (Jarboe G. and McDaniel C., 1987).43 Hence, another empirical study has indicated that men, the

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more highly educated, and people in the higher-income groups are more likely to buy online than are women, the less-well-educated, and lower-income groups (Swinyard W. and Smith S., 2003).44

Furthermore, race seems to have no effect on shopping behaviour. Education though appears to make people less successful at search.

Income is a demographic variable that finds a great significance towards online behaviour. For example, a research found that people with higher incomes may be more successful searchers, even though they spend less time searching and give up their searches sooner (Ward M. and Lee M., 2000).45

Other research found evidence and confirmed that higher incomes depend more on brand names to browse online and search for product information (Png I. and Reitman D., 1995).46

The importance of cultural influences on decision-making has been discussed extensively in the literature. As an outcome, culture plays a significant role in individual decision-making since culture affects attitudes, norms and other cognitive processes, intention, and behavior. Segall, Lonner, and Berry noted that culture is an antecedent to psychological processes and human behavior (Segall M., et al., 1998).47

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Radford et al. suggested that culture, in addition to personality and situational influences, has an impact on individual responses in the decision-making process (Radford M. et al., 1993). The effect of culture on behavioral intention is not obviously reflected. However, there is evidence from the literature that culture affects consumers’ behaviors. Several cross-cultural studies found a relationship between the cultural value of uncertainty avoidance and risk perception toward a product purchase (Javenpaa S. and Tractinsky N., 1999). Mitchell and Vassos reported that Greek consumers have greater concern for security than British consumers because Greeks have a higher level of uncertainty avoidance than the British (Mitchell and Vassos, 1991). Javenpaa and Tractinsky pointed out that uncertainty avoidance may increase perceived risk toward online shopping (Javenpaa S. and Tractinsky N., 1999).

Also, a research suggested that while the overall behavioral mechanism underlying choice is similar across countries, there are differences in the relative importance of factors determining consumers’ intention to adopt online purchasing and in the effects of the antecedents to perceived risk and perceived self-efficacy (Choi J. And Geistfeld L., 2002).

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To sum up, demographic data is an important factor to understand and reasonate a customer’s behaviour and can help managers to be able to predict possible types of behaviour or even reactions to every sequential change.

**Statistics in point of the way visitors browse the web page.**

Even though there exist a lot of knowledge related to the procedures followed in order to find information through internet, there are few searches that focus on consumer internet information searching which are not even alike. However, such researches suggest that the way to search the web effectively depends on the type of problem the customer deals with, the way web information is classified, and whether the user is an experienced or an amateur one (Holscher C. and Strube G., 2000).

In order to understand consumers’ information search, Wilkie and Dickson’s study (1991) on major domestic appliance purchases proposed an empirically based framework. This framework recognised that:

- Situational factors shape wants and needs.
- Store and brand choice reflect experience, prior knowledge and predispositions.
- In-store information sources are often paramount.
- The consumer decides, in-store, whether to pursue further information. However, if the consumer is not satisfied with the amount of information of the trustworthiness of its source, he or she may decide to postpone a purchase and continue the search (Wilkie, W.L. and Dickson, P.R., 1991).

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Customers’ main interests vs attention attraction

In order to form a decision, a customer recognises the arousement of a problem, which activates a goal to solve the problem and consequently motivates the consumer to act. To achieve this goal, the consumer starts an information search. Thereby, the consumer needs to discover what his/her options are, find information about them, and decide which alternative to choose (Wilkie W., 1994).  

Pre-purchase search is the term describing the procedure when a need is being recognised and a consumer starts a specific information search in the marketplace. Therby, as the consumer gain information, he/she learns more about a particular issue. However, there is a category of consumers, especially experienced ones, who enjoy browsing just for the fun of it, or because they like to know what is happening in the marketplace. Therefore, “consumer information search, refers to a deliberate attempt to gain knowledge about a product, store or purchase” (Solomon M., et al., 1999).

The traditional decision-making perspective embodies the economics-of-information approach to the search process; it makes an assumption that consumers will gather as much data as is needed to make an information and continue to search to the extend that the rewards of doing so exceed the costs. This implies that the most valuable units of information will be collected first. Additional pieces will be absorbed only if they are adding to what is already known. In other words, people will collect as much information as possible, as long as the process of gathering it is not too onerous or time consuming (Wilkie W., 1994).


Product placement as attention attraction factor

Product placement is becoming so commonplace and profitable that it's evolving into a new form of promotion called branded entertainment. Branded entertainment indicates that advertisers exhibit their products in films rather than commercials.

Product placement defines the entry of products or brand names in movie and TV scripts. Today most releases are full of real products, even though for some people such methods of programming and advertising seem to be too fuzzy and distracting. However, for directors these methods contribute to the film's realism.

Some researchers found that product placement methods help consumers in the decision making procedures because it gives information, makes products familiar and thereby, creates a sense of cultural belonging or generates feelings of emotional security. Another study found that the placement of products that are not consistent with the plot can affect brand attitudes negatively since consumers are not persuaded.

What are the most famous products viewed by the visitors.

Consumers’ preferences can not be fixed, because they are contingent on the type of the problem and are built during the search process (Bettman J., et al., 1998). Searching the Internet, a consumer may find a lot available information sources that make it possible for him/her to obtain information that allow control over their presentation. This kind of flexible information provides solutions to the consumer’s different problems and is in a format that corresponds to the consumer’s needs. In practice, these

information sources may be third-party reviews and buyer’s guides (Teemu Ylikoski, 2005).  

**Gifts and offers induce consumers’ behaviour**

One of the most corruptive market beliefs seems to be the assumption of a price-quality relationship. Price is considered to be the only relevant product attribute by novice consumers. However, for expert consumers price is used for its informational value, especially when it concerns products with wide quality variations in the marketplace. Hence, when quality level is more standard, expert consumers do not consider price to make a decision. However, we can say that is not always easy to rationalise the price-quality relationship (Blythe J., 1997).  

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3. PROBLEMS CAME ALONG WITH E-COMMERCE

As stated above, e-shopping could substitute, generate or transform traditional shopping attitudes. However, a review of relevant literature shows the existence of various constraints towards the wide adoption of e-shopping. It seems that neither the information provided nor the easiness of the transaction is enough for a consumer to actually realise a purchase through internet. Many times consumers think suspiciously of e-shopping, when it should eventually proceed to purchase.

3.1 INFORMATION SEARCH PROBLEM

An empirical search showed that many consumers tend to search on the Internet for information before they go to the store to realize the purchase (Ward M. and Morganosky M., 2002). Another pattern is, first, to search for a product online, check it out in store and finally buy it through internet. Therefore, e-shopping can be very useful lifting the time and space constraints of the shopping process and give much flexibility, which ultimately leads to fragmenting the shopping activity in time and space (Couclelis H., 2004).

Once a consumer recognises a problem, he or she needs adequate information to resolve it. Information search is the process by which the consumer surveys the environment for appropriate data to make a reasonable decision.

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A consumer may recognise a need and then search the marketplace for specific information. Nevertheless, as stated before, many consumers enjoy browsing just for the fun of it, or because they want to know what is happening in the marketplace. They are engaged in ongoing search.

Consumers tend to place importance on their level of comfort with transactions over the Internet when deciding whether to use e-commerce. The frustration or annoyance of using e-commerce could be an important barrier to consumer’s use of e-commerce. This suggests a need for e-business technicians to provide “easy-to-use” web sites that minimize confusion associated with the online shopping process for global consumers.

**A framework for consumer information search**

Ongoing search: Pre-purchase search:

Determinants:

involvement in the purchase
market environment
situational factors

involvement with the product
market environment
situational factors

Motives:

making better purchase decisions

building a bank of information for future use
experiencing fun and pleasure

Outcomes:

Increased product and market knowledge
Better purchase decisions
Increased impulse buying
Increased satisfaction with the

Increased product and market knowledge leading to
future buying efficiencies
personal influence
Increased satisfaction from search and purchase outcome
other outcomes


3.2 PRICE PROBLEM

Despite the abundance of information provided through Internet, consumer’s problems do not always lessen. A reason for this phenomenon may be that, despite the increased availability of product information, the product offered is not for free to obtain (Brynjolfsson E. and Smith M., 1999). Buyers are only willing to pay the expected value of the products, however, may withhold their product if their costs exceed this price. Since this biases their expectations upward, buyers revise their expected value of products offered for sale downward. This, in turn, could deter sellers from offering relatively the part of sellers can ultimately lead to a market failure, one in which only the lowest quality products are offered for sale.

3.3 QUALITY MISTRUST PROBLEM

Furthermore, even with the information available in Internet, there is always some uncertainty about the product’s quality because even if some characteristics of the product can be easily illustrated, there are other that require consumption in order to ascertain their quality. Consumers may also perceive that shopping through the Internet has a high level of risk, particularly due to the lack of opportunity to physically examine their purchases. Since consumers do not receive and use the product immediately upon completing the transaction, they may be concerned

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about whether the product will look, perform, or fit as expected (Peet J., 2000).\textsuperscript{64}

In GVU’s Eighth Survey, 38 percent of all respondents answered that, the reason for not purchasing more products and services on the Internet is because they find it difficult to judge the product’s quality (Ward M. and Lee M., 2000).\textsuperscript{65} In other words, the cost of search and the unverifiable nature of some characteristics bring a feeling of suspiciousness towards product’s quality.

Adding to the above consequents, deception is another reason making a consumer hesitate to accomplish a purchase through internet. Because of the low cost of setting up a web site, and an e-shop area respectively, an unreputable firm could easily offer low quality products claiming that its products are of high quality and earn profit, before this deception is uncovered and suddenly disappear.

More specifically, with the extended appearance of new online retailers, sellers are having difficulty in differentiating their products or services from their competitors’, especially of those fake short-life ones.

\textbf{Brands}

Brands often have clearly defined images, or personalities, created by product advertising, packaging, branding and other marketing strategies. The choice of a favorite Web site is very much a lifestyle statement. It says a lot about what a person is interested in, as well as something about the type of person someone would like to be. People often choose a product because they like its image, or because they feel its personality somehow corresponds to their own. Moreover, a consumer may believe


that by buying and using the product or service, its desirable qualities will magically rub off onto him/her (Solomon M., 2007).66

**Brands as assurance for quality**

Economic models based on a research showed that an established brand name often mean high product quality (Milgrom P. and Roberts J., 1986).67 Substantively, high quality producers advertise their brand heavily, but only expect to recompense the advertising cost from purchases. However, low quality producers cannot imitate this behaviour as the true product quality would be revealed before this cost’s amortisation. Consequently, high quality producers create brand-name equity in order to differentiate themselves from the low quality producers and by advertising more assure consumers of their high quality products.

Likewise, consumers cannot be always confident for the information provided. Besides, if one is not that familiar with the internet use, then it would be much easier to rely on brand name and well known companies rather than trust on information found accidentally browsing the internet. However, a research has shown that there is a rather steady decline in brand reliance with internet experience (Ward M. and Lee M., 2000).68 This means that when someone becomes more and more experienced on searching the internet then spontaneously acquires the knowledge needed to perceive information and reach the correct outcome. In other words, consumers tend to be more likely to search for alternative sources for information indicating products quality and rely less on brands.

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Brand loyalty

When a product, idea or Web site succeeds in satisfying a consumer’s specific needs or desires, it may be rewarded with many years of brand loyalty, a bond between product and consumer that is very difficult for competition to break. Often a change in one’s life situation or self-concept is required to weaken this bond (Solomon M., 2007).69

3.4 TIME AND PROFICIENCY PROBLEM

Internet proficiency and time

Another constraint could be time and lack of skills. When consumers search for product information, time constraint together with lack of skills in the use of web could simply make the search impractical. Looking for information from search engines and portals is a skill developed with practice and use. Moreover, it has been noted that, to be able to flow in internet, experience is valuable (Hoffman D. and Novak T., 1996).70

Though, a consumer that is not proficient at searching for information on the internet will be discouraged to continue following the procedure in order to make a purchase. In GVU’s Ninth Survey in 1998, 46 percent of those surveyed answered that it was difficult for them to find new information. Hence, consumers may not practically be able to obtain all available information, even though they may often like to do so (Ward M. and Lee M., 2000).71

On the other hand, in Ward. M. and Lee M. research on consumer’s ability to online search we can see that there is an inclination towards success


and quicker searches for consumers that are more experienced of using the Internet. For example, the research showed that, 61 percent from the people who are able to search online successfully and quickly, have more than six months of Internet experience while 72 percent of them have over seven years experience (Ward M. and Lee M., 2000). Still, time is a very important factor so as to accomplish either an on-line search or even a purchase. Consumer’s involvement in the purchase is not sufficiently high to assure that the effort needed for this activity is worthy. Moreover, results of a study indicated that people who feel time-pressured frequently chain their shopping trips and have considerable home shopping experience (shopping via catalogue or telephone, for example). Home shopping experience positively affects online buying, so we can observe an indirect effect on it from time-pressure (Farag S. et al., 2005).

3.5 LACK OF APPROPRIATE SERVICE

Consumer behaviour towards e-shopping is significantly related to lack of confidence for service. Consumers avoid committing themselves with e-shopping due to the fear of being dissatisfied of the product and having to deal with a complicated system for returning the merchandise. Furthermore, the fear of high freight charges followed by unsafe delivery methods and long delivery periods is of high importance for a consumer. Meuter’s et al. research has shown that there is a high percentage of dissatisfied internet customers that have experienced service breakdowns, 

lost orders or inadequate complaint handling (Meuter M. et al, 2000). Due to the above drawbacks, according to Rust and Lemmon (2001), appear several billion dollars per year in web sales losses annually (Rust R. and Lemon K., 2001).

Furthermore, Beck’s research revealed that even if consumers are likely to adopt the Internet for information search, the financial and product risk of purchasing online is so great that even the determined consumers at the end cancel the purchase (Beck B., 2001). Online shopping statistics showing that more than half of all information searches are dropped before purchases are made (Shim S. et al., 2001).

An important behavioral attitude related to technology adoption is perceived risk. Javenpaa and Tractinsky reported that risk perception toward an Internet store was negatively associated with consumers’ willingness to buy over the Internet (Javenpaa S. and Tractinsky N., 1999). Van den Poel and Leunis reported that perceived risk associated with online retail stores was negatively associated with willingness to adopt online purchasing (Van den Poel D. and Leunis J., 1999).

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Parasuraman noted that insecurity negatively affects technology adoption (Parasuraman A., 2000). Literature related to online shopping also showed that risk components such as privacy concerns, security uncertainty, ordering or delivery concerns, and distrust of e-tailers were associated with unwillingness to adopt online purchasing.

The findings of Choi J. and Geistfeld L. study suggest that perceived risk has a direct and negative effect on consumer’s intention to adopt online purchasing (Choi J. and Geistfeld L., 2002). This finding is consistent with prior research of Javenpaa & Tractinsky (Javenpaa S. and Tractinsky N., 1999). Consequently, as perceived risk increases, the likelihood of making online purchases decreases.

### 3.6 Privacy

As already mentioned, a reason for the slower adoption of online purchasing by consumers is the matter of protection of personal information (privacy).

Protection of personal information has been as a significant concern in online shopping surveys. Privacy concerns have caused the development of laws and voluntary codes to address issues relating to the protection of personally identifiable information in the private sector. Under existing laws, new legislation, and industry voluntary compliance codes or just to attract customers, most if not all businesses around the world are required to develop and implement a personal information protection program and

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have a stated privacy policy for consumer sales on the Internet (Beckow D. And S.L. Huff May 2000). 83

**Privacy principles**

A number of privacy principles have been developed for the private sector into the laws of numerous countries. These privacy principles apply to personal information no matter what technology is used to collect and store the information, and are intended to protect an individual's privacy, giving the individual the right to control the collection, use, and distribution of the information (Beckow D. And S.L. Huff, May 2000). 84

The individual must be informed what information is being collected, how it is being collected, and the purpose for which it will be used. Once informed, the individual then approves the procedure. The approval obtained is for the uses of the information identified at the time of the approval. If the business wishes to use the information for a different purpose, a new approval is required.

Accuracy and access are further principles of privacy regimes. The company collecting or using the information has an obligation to ensure that the information remains accurate. This requires the company to take steps to correct information that it becomes aware is incorrect, such as when mail or e-mail is retumed undelivered and when the individual advises the business of errors.

Also, company must provide individuals with access to their personal information. This means that on request, persons must be informed of the existence, use, and disclosure of the information about them and be given access to the information.


Disclosure of personal information is a very sensitive area and sometimes may cause problems. When the company have to share information with third parties, has to inform its customer for doing so. In addition, the business must ensure, by the contract it has with the third party, i.e. a service supplier, that the supplier will not use or disclose the information except to fulfill its obligations under the contract.

Another privacy principle is limited maintenance of personal information. Once the purpose for which the information was collected comes to an end, and except as may be required by law or consented to by the individual, the company must destroy the information (Beckow D. And S.L. Huff, May 2000).  

Security of information is another important privacy principle since computer hacking and theft are becoming popular nowadays. For this reason, the company must place security safeguards appropriate to the sensitivity of the information.

Furthermore, as new technologies or applications come to market, security standards probably will have to be adjusted. Thereby, the business must ensure that it monitors developments as concerns to security standards and maintain an acceptable standard in securing the information.

Another issue under consideration is “openess”. Individuals must be able to access information about a company's management policies for personal information. When publishing its privacy policies, the company should remember to advise consumers that the policy may change and indicate the terms under which the company will make such changes.

As Homegrocer.com case study mentioned, “providing access to personal information and monitoring compliance with what may be multiple privacy regimes is best handled by the establishment of a position within the

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company, responsible for privacy, often known as a chief privacy officer. This position is required in some jurisdictions” (Beckow D. And S.L. Huff, May 2000).  

**Privacy Program**

An important requirement for internet business to consumer commerce for companies is privacy protection. Companies should implement privacy programs and be willing to adopt privacy policies that comply with international regimes by themselves, since such way they have practical benefits.

**Privacy Policy**

Privacy policies must be developed to comply to the needs and circumstances of the business in which the company engages rather than simply lift a privacy policy from another company's website.

Privacy policies must also consider the realities of the business world. Privacy programs not only concern consumers but also the employees. Employees must be trained and educated in the company's privacy policies and privacy issues in general in order the privacy program to be effective and to comply with certain legislation (Beckow D. and S.L. Huff, May 2000). 

To develop an appropriate and effective set of privacy policies, careful thought and planning are required as concerns to the collection of personal information, storage, use, access, and dissemination throughout the company. Also, the company should consider the use of professional services to assist with this task.  


Legal Tips

- Businesses involved in B2C commerce, especially businesses that accept orders from customers in foreign jurisdictions must establish and operate a privacy program to protect personal information.

- Businesses establishing a privacy program need to develop and make available a privacy policy suitable to their particular collection, use, and disclosure of personal information.

- When acquiring software, the company must ensure that the rights acquired are consistent with the intended use of the software and that there are no warranties that will be voided or intellectual property rights that will be infringed by the way in which the business will utilize the software.

- The company must ensure that software actually performs as required by documenting project timing, specifications, and acceptance procedures.

- When a Private company seeks investment capital, it must comply with the securities laws of the jurisdiction in which it is based and the securities laws of the jurisdiction in which the potential investor is located (Beckow D. and S.L. Huff, May 2000).

3.7 FEEDBACK UTILISATION

Direct feedback gives the opportunity to the sender to reinforce, to change, or to modify the message so as to ensure that it is understood in the intended way. However, it is easier to obtain feedback from interpersonal communications rather than impersonal communications. Due to the fact that in impersonal media cost of space and time is very high, there appears the need to find effective methods in order to obtain feedback as promptly as possible, so that there will be the possibility to

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revise a message if its meaning is not being received as intended (Kanuk L. and Schiffman L., 2007).

Vast data vs Inaccuracy of data

It is becoming common the existence of huge databases full with data that allow the companies to discover new knowledge and come to better business decisions. Without the appropriate tools and systems accessing it, this data are valueless. On the other hand, if all these data were utilised properly could give advantage to businesses by discovering new market segments and trends (Abbott J., 2001).

Hence, a company’s initial goal should be to collect customers’ data and analyse them properly. Also critical is the cleanliness and timeliness of the data. Nowadays, it is not enough to just have buying patterns, but also to understand the more personal data from customers in order to create more targeted campaigns leading to increased loyalty (Abbott J., 2001).

Of course it is not just the data, but the whole infrastructure around it, including the behaviour and focus of the company employees. It is important to get closer to the customers and make marketing pervasive throughout the company as well as has top level commitment to ensure that the databases used contain clean, accurate information, make sure that the data remains that way and have their right tools and people to exploit this undervalued company asset.

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To accomplish all these needs Customer Relationship Management was originated. Customer relationship management is a concept which signifies the trend towards implementation of customer data in the business plan.

In Abbott’s research operated towards the implementation of CRM by a sample of companies we can see that despite efforts are being made to change market focus from product based to customer service, most of the companies had marketing groups focused on strategy, product and awareness. The customer based departments –customer service– were seen secondary, with less than 40 percent of the companies having only the prime stage of the CRM implementation procedure. This was surprising, as the initial expectation was that there had been a widespread shift to CRM and marketing groups created to take advantage of this.

Another surprising outcome of this research showed that many companies dedicated little time to their customers even though customer understanding requires real knowledge of them which then leads to customer segmentation and successful marketing campaigns.

Furthermore, as concerns to cleanliness and accuracy of data, respondents to Abbott’s survey had little confidence in the data they used for their campaigns. This implies a lot of wasted effort and money and, even worse, can cause customer dissatisfaction. Also, critics worry about information privacy, including issues related to the acquisition and dissemination of consumer data (Rohm, A. J. and G. R. Milne, 1998).\footnote{Rohm, Andrew J. and George R. Milne, “Emerging Marketing and Policy Issues in Electronic Commerce: Attitudes and Beliefs of Internet Users”, 1998, Marketing and Public Policy Proceedings, 8th edited by Alan Adreasen, Simonson A. and N. Graig Smith, Chicago: American Marketing Assosiation, pp. 73-79.}

The main message coming across from all of the sample was that clean accurate data was the key to much better targeting and segmentation, both of customers and prospects. This is regardless of the campaign tactics employed. Better data and, just as critically, how it is used in order

to understand the customer and prospect base, as well as competition and market force, underpin successful marketing today and going forward into the future. Major savings can be made by having tools that can turn data into knowledge and enable better decisions to be made, as well as just being able to run more successful campaigns in a timely manner using information that can be trusted.
4. CUSTOMER VALUE

In today's customer-driven market, most of the importance goes not to the product or service itself but to the customer and the perceived value of the entire relationship with the company. Nowadays, companies do not measure the quality of their product and services from internal quality assurance but to external customer satisfaction and from there to customer value. Current customers use of a company's product as well as their impression of the company’s service, form the external customer satisfaction. Information about current customers is valuable since it generates ideas for areas of improvement and ways to compensate for performance in the company. Hence, customer value goes a step further and tries to establish the reasons a customer chooses one company's product over another's, and looks at the entire range of product, services, and intangibles that constitute the company's product and image (Simchi-Levi D. et al., 2003).  

Thinking in terms of customer value requires learning why customers purchase a product, continue to prefer the same product, or stop purchasing from a company. Also, it requires learning what are their preferences and needs and how can the company satisfy them, which customers are more profitable and have potential for revenue growth, and which customers may incur losses. All this information promotes a broader look at a company's offerings and customers.

Because of this change in perspective, logistics have evolved into the highly visible discipline of supply chain management. Supply chain management is an important component in fulfilling customer needs and providing value. Supply chain management determines the availability of products, how fast they will arrive in the market, and at what cost. In fact

it is a set of approaches utilized to efficiently integrate suppliers, manufacturers, warehouses, and stores, so that merchandise is produced and distributed at the right quantities, to the right locations, and at the right time, in order to minimise systemwide costs while satisfying service level requirements.

Either motivated by customers and competitors, or by the company itself in order to achieve competitive advantage, changes and improvements in the supply chain appear as a consequence of customer value.

Finally, customer value is also essential for “determining the type of supply chain required to serve the customer and what services are required to retain customers” (Simchi-Levi D. et al., 2003). A company's supply chain strategy is determined by the type of products or services it offers and the value of various elements of this offering to the customer.  

Consequently, the highest potential of success for a company is described with three steps:

1. The ability to identify product opportunities.

2. A high understanding of customer needs translated into actionable insights that lead to product attributes of form and features.

3. A true integration of engineering, industrial design and marketing (Cagan J. and C. M. Vogel, 2001).

The dimensions of Customer Value

The customer perception can distribute in several dimensions:

- Conformance to requirements.
- Product selection.

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• Price and brand.
• Value-added services.
• Relationships and experiences (Simchi-Levi D. et al., 2003).

**Conformance to Requirements**

Supply chain management and its ability to offer what the customer wants and needs, also creates availability and selection. This ability is also called market mediation function of the supply chain (Fisher M.L., 1997). This function does not simply reflect the supply chain function of converting raw materials into goods and shipping them through the chain to the customer. In the market mediation function costs occur when there are differences between supply and demand. If the supply goes beyond demand, there are inventory costs throughout the supply chain; if demand exceeds supply, there are lost sales and possibly market share.

Similarly, if the demand of a product can easily be predicted, then it is not that difficult to create the market mediation. However, when a company has to deal with, for example, fashion items or other high-variability items, the nature of demand can create large costs due to lost sales or excess inventory. Clearly, efficient supply chains for functional items can reduce costs by focusing on reducing inventory, transportation, and other costs (Simchi-Levi D. et al., 2003).

**Product Selection**

Many products come in a large variety of options, styles, colours, and shapes, such as in the car industry. Then arrises the difficulty, that

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distributors and retailers need to stock most of the various configurations and combinations of products. This extension of options makes it difficult to predict the impending demand for a specific model, and so it forces retailers and distributors to build large and diverse inventories.

This inventory problem can be controled with some configurations of products.

1. The build-to-order model, where the configuration is determined only when the order comes in.

2. Another strategy is to keep larger inventories at major distribution centers, especially when it concerns to products with long manufacturing lead times, such as vehicles. Such way manufacturer become able to reduce inventory levels by taking advantage of risk pooling and delivering the vehicles quickly to customers. However, when considering this strategy two major issues need to be raised:
   a. *Inventory costs of products at the regional warehouse.*
   b. *Equalising small and large dealers.*

3. A third model is related to the ability to offer a fixed set of options that cover most customer requirements. Indeed, large product variety is not required in all cases.

However, we can categorise the successful business trends into:

- Specializing in offering one type of product.
- Megastores that allow one-stop shopping for a large variety of products.
- Megastores that specialize in one product area.

**Price and Brand**

Customer value is constituted by two essential parts, price of products and the level of service. Price is not the only factor a customer considers to make a purchase. However, there may be a narrow price range that is acceptable for certain products. Companies achieve cost advantages
through innovations in their supply chains, such as allowing clients to configure their own systems or building a supporting supply chain not only. In such ways, they improve customer value and reduce their costs.

Product price can be affected by an important factor, which is its brand. Considering the Internet, brand names have a high impact on consumer behaviour since a brand name is a guarantee of quality in consumer’s perception. Brand names can be promoted for high quality and prestige and command much higher prices than products that lack this identification. Furthermore, a high price in a brand product may be a large part of the prestige and perceived quality. However, because of the necessity for a high service level, the supply chain needs to be more responsive (Simchi-Levi D. et al., 2003).

**Value-Added Services**

In an economy that has an overabundance of supply; it is not very easy to compete on product price alone. This is an important reason for companies have to consider other sources of income, such as value-added services which can differentiate them from competitors and provide them with more profitable pricing structures.

In the purchase of some products, value-added services, such as support and maintenance, can be very important especially when it concerns technical products. Many companies pay a lot of attention to provide extra services around their products.

Service and support can generate additional revenue, and, more importantly, they can bring the company closer to the customer and provide it with insight on how to improve its products, supply support, and find ideas that will add value to its products and services.

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Another important value-added service is allowing customers to have information access to their own data—such as pending orders, payment history, and typical orders—and enhance their experience with the company (Simchi-Levi D. et al., 2003).

**Relationships and Experiences**

Development of a relationship is a final level of customer value and it represents the ability of the company to communicate with its customers. This consolidates the affiliation with the customer and makes it more difficult for the customer to change provider, since a relationship requires an investment of time from both the customer and the provider.

There exist many ways to develop this relationship between companies and consumers. Some companies choose to use the *one-to-one enterprise* concept, which means they learn about each customer through databases and interactive communications, and sell to one customer as many products and services as possible throughout the lifetime of the customer’s patronage. Another way is with the use of Internet, where companies apply new modes of learning, with suggestions for purchases according to customer’s profil based on previous purchases or same group characteristics.

The learning process, even though it takes time, it makes it difficult for competitors to emulate the company’s strategy and it ensures that a customer will not consider switching provider because of the investment in time and money it requires.

The need for new experiences, especially from the part of young people, is the new trend that some companies have started to take advantage of. Experience may not be equal to customer service but occurs when a

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company intentionally uses services as the stage, and goods as props, to engage its customers by creating memorable events.

Nevertheless, companies have not yet fully explored all the opportunities that are provided through Internet for creating new experiences. Such opportunity could be the internet communities of people with the same interests or desires.

So as to create experiences, companies invest a large amount of money with no intention of winning it back, just because they aim to create relationships and customer loyalty (Simchi-Levi D. *et al.*, 2003).101

According to Patricia Seybold (2001), there are eight steps to providing a great total customer experience:

1. Create a compelling brand personality - a distinct offering that customers can identify with.
2. Make sure that customers' experience and information are the same no matter what access method they choose to use at a certain point.
3. Care about customers and their outcomes.
4. Measure what matters to customers: the quality of the customer's experience as opposed to internal company measures.
5. Hone operational excellence.
6. Value customers' time.
7. Place customer's information requirements and needs at the core.
8. Ability to change practices based on customer requirements (Seybold P., 2001).102


4.1 STRATEGIC PRICING

According to Strategic Pricing, when it concerns to the same product and industry, price is not something fixed. A product’s price that is sold through the Internet should depend on the purchaser. The exact same product has to be sold at different prices depending on whether the purchase is a private consumer; a small, medium, or large business; the federal government; or an education or health care provider (Nagle T. and G. Cressman Jr., 2002).¹⁰³

Revenue Management

Revenue management techniques have been described as "selling the right inventory unit to the right type of customer, at the right time, and for the right price" (Kimes S., 1989).¹⁰⁴ Companies use revenue management techniques in order to improve profitability. These techniques integrate pricing and inventories, influence demand and provide controls to improve the bottom line. Some common characteristics of revenue management techniques include:

- The existence of perishable products, that is, products that expire or are irrelevant after a certain date
- Fixed capacity of the system; and
- Segmentation of the market based, for instance, on sensitivity to price or service time.

The successful revenue management helps the company to increase total revenue and make sure that, via fences; those consumers that afford to pay more do not pay a lower price.


Smart Pricing

Smart pricing is the way some companies influence customer demand and increase revenue. There are two methods of smart pricing:

1. Customized pricing: the purpose is to categorise customers according to their price sensitivity, i.e. private consumers, small or large businesses, government agencies, and health care providers. Some companies use mail-in rebates in order to detect the differences between customers based on their sensitivity to price. Thereby, they put a constraint in order to receive the rebate, such as to have to complete and mail the coupon to the manufacturer. The assumption is that those customers willing to pay the higher price will not necessarily send the coupon.

2. Dynamic pricing. It refers to changing prices over time without necessarily distinguishing between different types of customers but with the purpose to control and better match demand and supply. This method is usually used for sales or promotions. For example, fashion clothing retailers may offer discounts later in the season to reduce inventory, and this discount is the same for all customers at a given time.

All in all, Heching and Federgruen’s research (1999) indicated that, depending on the data and the model assumptions, dynamic pricing may increase profit by 2 to 6 percent.105 This increase in profit due to dynamic pricing is essential for industries with low profit margins, such as retail and computer industries.

The Internet has made these developments possible:

1. Menu cost, the cost that retailers incur when changing the posted price is much lower on the Internet than in the offline world. This allows online sellers such to update their prices on a daily basis.

2. Lower buyer search price, which is the cost that buyers incur when looking for a product, forces competition between sellers, and hence leads to a focus on smart pricing strategies.

3. Visibility to the back-end of the supply chain, makes it possible to coordinate pricing, inventory, and production decisions.

4. Customer segmentation using buyers' historical data is possible on the Internet and very difficult in conventional stores.

5. Testing capability—because of its low menu cost, the Internet can be used to test pricing strategies in real time.

Nevertheless, no company should appear unfair treatment of its customers by using smart pricing strategies improperly.

**4.2 CUSTOMER VALUE MEASURES**

Because customer value is based on customer perceptions, it requires measures that start with the customer. Typical measures include service level and customer satisfaction (Simchi-Levi D. *et al.*, 2003).106

**Service level**

Service level quantifies the market performance of a company. It is usually related to the ability to satisfy a customer’s delivery date, the percent of all orders sent on or before the promised delivery date.

There is a high relationship between the ability to achieve a certain level of service and supply chain cost and performance. Service level has a very important role in customer value, since customers may value low cost,

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information about the delivery date, and the ability to customise the product more than they value immediate delivery itself.

**Customer satisfaction**

Customer satisfaction measures are used as feedback for necessary improvements in products and services. One way for companies to receive valuable information and measure customer satisfaction is with customer surveys. Another way is customer loyalty, which can be accomplished by studying customer repurchase patterns analyses, based on internal databases. A third way to measure customer satisfaction is by learning from customer defections. Even though this way may provide the key to increasing customer value, it is quite difficult to be accomplished, since dissatisfied customers more often shift gradually their spending instead of completely cancel an account.

**Supply chain performance measures.**

Supply chain performance affects the ability to provide customer value. The Supply Chain Operations Reference Model (SCOR) uses a *process reference model* that includes analyzing the current state of a company's processes and its goals, and quantifying operational performance and comparing it to benchmark data. The SCOR model is a good example of supply chain metrics, and is a way to compare performance to other companies in the same industry or in others. Additionally, advantage of possibly becoming an industry standard (Simchi-Levi D. *et al.*, 2003).

### 4.3 INFORMATION TECHNOLOGY AND CUSTOMER VALUE

Information technology benefits both customers and businesses. It provides information to both parts and it helps companies to learn more

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about their customers so as to provide the best services and enhance business-to-business capabilities.

**Customer benefits**

Customer service innovations, such as mail and data access through internet, have led to the increase of customer value with reducing cost for the supplier of information. The Internet has also had some less obvious effects:

- Increased importance of intangibles.
- Increased ability to connect and disconnect.
- Increased customer expectations.
- Tailored experience.

**Business benefits**

Learning about customers takes time, requires some of the customers' time, and eventually makes switching vendors more difficult. However, when this information is used, customer value enhances since this information allows companies to "sense and respond" to customers' desires rather than simply make and sell products and services.

**Business-to-business benefits**

With information technology, such as private e-commerce, companies become able to improve performance of their suppliers and service providers. Furthermore they can improve supply chain collaboration by providing demand information and production data to its suppliers and still keep close control over what it produces or services (Simchi-Levi D. *et al.*, 2003).

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5. After Sale Service

As customers become more and more experienced and products more and more advantageous, then service becomes paramount. Customer retention is critical and this requires loyalty which is brought about by great service, trust and, to different degrees, personalisation.

As stated by Dr F. Bennekom and Ph.D. K. Goffin (2001), “long-term competitive advantage is achieved by clearly differentiating a company’s products from its true competitors. This differentiation should allow a higher price to be charged because of the greater value delivered. The differentiated product also may create a switching cost, which will help lock the customer in for repeat purchases. In the search of differentiation, marketers who think strategically recognise that customers do not just concentrate on the tangible product; they also take a critical look at the services that augment the product, such as financing and support services” (Bennekom F. Dr. and Ph. D. K. Goffin, 2001).

The intention of our company will be after sale service since “raising revenues form after-sale services is at the top of the management agenda for companies” (Bundschub R. and T. Dezvane, 2003). After sale service refers to the capability to care for the customers beyond the completed transaction and to build long-term relationships (Koskela H., 2002). It presupposes the existence of specialised service that could confirm the data of already customers or visitors. This can be achieved by data check,

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not only through the e-mail but also through telephone number or postal code compatibility check.

Identifying a customer when he/she is browsing into the company’s web page is an opportunity for the company to build a positive image. The outcome from a proper after sale service prediction will be customers’ satisfaction, which in the future will lead to customers’ loyalty.

Nevertheless, the way to achieve this high level goal includes a series of services in customers’ disposition.

Firstly, we have to ensure the ability and willingness to promptly respond to customer problems (inquires, complaints) occurring after the purchase because being able to contact the service provider in case of questions or requests is of vital importance for customers (Parasuraman A. et al, 2005). Moreover, informing customers about special offers and complementary services/products is another step to be made. Yet, by gathering and analyzing data on their customers needs, our company can improve its offerings and target marketing actions.

Another step that has to be made is to concentrate on issues such as accurate order delivery, providing timeliness information and broad service and product offerings. Nevertheless, from an economic point of view, enjoyment and responsiveness proved to be strong enablers for enhancing future customer cash flows.

Last but not least comes internet commerce security. Security of the system operating in our business is of paramount importance to our business. E-commerce and purchases rely on the integrity of the data being sent. However, if the confidentiality of the data transacted and the files stored cannot be assured, then this system is less value to our organisation.

Our company is determined to protect the goodwill and value of our business. We want to be assured that our data and files cannot be stolen or made accessible to those who have no right of access such as viruses and hackers. For this reason, we have to develop and implement a proper IT policy as well as establish of an IT audit for security so that we gain proper and thorough security in the operation of our networks.
6. E-CUSTOMER

6.1 INTRODUCTION

Up to now, the presentations for consumer behaviour are based on customer behaviours through standard procedures, department stores and no e-shop. In this chapter we will suggest and give some guidance on how to derive knowledge from the behaviour of the visitor in the e-shop web page.

We will split our customers into two big classes: the eponymic ones and the anonymous ones. The eponymic ones are the customers that log in to our e-shop, while the anonymous ones are those that simply visit our web pages and see all kinds of products. Besides personal data that we include in our database, we use the connection data so as to confirm authenticity of the user when he/she is an eponymic one (IP, Static Dynamic Connection, etc.). Likewise, we send quite often some offers in the user’s e-mail in order to ascertain if it really exists or continue to exist. Using such techniques, we try to find out if a customer tries to keep anonymity and whether the data that has entered are genuine.

As long as we detect a session opening either from an eponymic user or an anonymous one, a page record that the user visits begins. Taking into account that most pages are dynamic, the information that we take is very little. From these pages, the only information to take is very general and it concerns only very specific classes of products that our customer looks for.

Our point of consideration is to point out that those dynamic pages are a searching offspring with specific keys and specific product classes.

Therefore, what have to be stored in our database are the key-words used during this search process. Also, to accomplish what exactly our user-customer looks for, we also record his/her next move, which could be: 1. new search, 2. a specific product that consists in the list of the search results and, 3. end of the session.
This particular information has the biggest weightiness. Additionally, through this particular information it seems to be essential to store not only the sequential searches that the user commits, but also the ammount of commodities depicted in search results.

Up to this point, we have completed the second phase of recording all usefull data for consumer behaviour. To sum up, we could describe it as being:

1. all searches that the consumer commits
2. the ammount of commodites the searches return.

This phase also includes the storage of the information produced when a user finds a product and asks for more technical characteristics of the product.

Even though the third phase is basic, we are not going to characterise it essential, as we did with the second phase. The third phase includes the placement of different products in the shopping basket. In order to conceive the pattern of a customer’s behaviour, we store in our database not only the products placed in the shopping basket of every session, but also the all the route that the user followed untill he/she placed this product into the shopping basket.

Below, we describe some typical scenarios that a user-client is possible to follow.

**6.2 PHASES – ORDERS**

**Scenario 1**

The 1st scenario begins when, from the first offer that we have sent to the user-client with e-mail, the customer places the specific product of the offer into the shopping basket.

**Scenario 1.1**

In this scenario, the user searches for products or asks for product comparisons, before placing a specific product to the shopping basket. At
the end, the customer puts into the shopping basket a product from that he/she found through the search or even the specific product of the offer we have sent through e-mail.

**Scenario 2**

The customer starts a session from the home page of the e-shop and begins a search with the products of the first offer. Afterwards, the customer continues a rather quick search (one or two searches) and eventually places a specific product into the shopping basket.

**Scenario 3**

In the third scenario, the customer starts a session where, after lots of product searches and searches of technical characteristics, places a product into the shopping basket.

In the above scenarios, where every one concludes in the placement of a product into the shopping basket, we pay a lot of our attention to ascertain which of our products have the most demand. The information we want to pull out with the help of appropriate data mining tools, is the history the user have followed (searches – webpages visited by the customer), as well as the amount of time needed to complete the placement into the shopping basket procedure.

In order to proceed to the final phase, we designate our customers with respect to whether a customer will finish a transaction or not, or even when this transaction will be accomplished.

Consequently, we specify three basic cases – scenarios:

**1st Case:**

As long as a customer chooses those products he/she wants to buy, carries out the order. In other words, the customer buys the products; fact that instates this customer in the Group A – very good customer.

**2nd Case:**
The customer finishes the order another time, with or without changing preference, by placing the product into the shopping basket. We define that this kind of customers belongs in Group B – difficult customer, also searching in other e-shops.

3rd Case:

The customer does not finish the order, which means that never visits our shop, and if he/she returns after a long period of time, chooses to delete all previous products and places some other. In this case we see the occasional customers or visitors of our shop, which enter to check our product prices.

Having the above cases in mind, and in connection to the frequency that a customer visits our e-shop, to the searches conducted and the period of time mediating between those visits, we range our customer into three big categories:

1. **Our customers** - users that in order to buy a specific product, visit only our e-shop and which are quite familiar to the way the shop functions. For those customers, we try to create a special interface (my e-shop) and make special offers in order to feel pleased when buying from our shop and eventually keep them in this category.

2. **Difficult customers** - customers that buy our product either because it is in the best price, or for our credibility. Those customers are very careful and usually make a lot of searches in many e-shops. Our system has to put a lot of attention to after sales service. Our aim is to keep a very high service standard so as not to lose such customers (priority service)

3. **Occasional customers** - customers that usually have a complaint. For such customers, the system has to look for possible shops that can provide them the products seen as well as its prices. Our intention is to find out the cause, the reason for not finishing an order.
6.3. IMPLEMENTATION

1st STEP OF IMPLEMENTATION – CUSTOMER ENTERING TO E-SHOP DEFINITION

The system to be implemented must contain two basic portals for our e-shop. The first one should be directly by our URL and the second portal should be through other webpages that we classify them as webpages that use for advertisement (advertisement banner) and webpages providing product price comparison. It is essential for us to define which portal used our visitor – customer. After entering in our webpage, a customer has two options; the first option is the anonymous surfing in our e-shop and the second is to enter username and password and enter into his/her own space inside our e-shop (my e-shop).

CUSTOMER SURFING

As mentioned before, our customers have been classified into three groups. At this exact point, we start recording customer’s behaviour. These customer behaviour records are stored in a database. The system gives in the entrance a unique number to every customer (ID) and records the customer’s behaviour up to the point that the customer logs off from our e-shop. Therefore, we have to mention all the basic parameters recorded in our database.

First, however, we have to separate the webpages to dynamic and static ones. When concerns to static webpages, recording a visit is not a problem. We record the time of the entrance and the time of exit from a specific page, having in mind that the date has already been recorded at the entrance time. When a user visits a dynamic page, besides the time of entrance and exit from the page, we also record the variable sent to server. Over and above, to those pages with capability of entering data (input forms), we also record all data given by the customer, even if these data fail in the accuracy test.
Similarly, we come to the point to know exactly how much time spent a customer visiting a webpage. This information is very useful so as to infer how interesting a webpage as context is.

When a session is terminated, it is committed a search for designation the kind of surfing in the e-shop. If this surfing concerns an anonymous customer, then it is stored with a specific feature in order to extract further statistical data. However, if this surfing concerns an eponymous customer, then it is stored in the specific area of the customer for extracting its customer’s statistical data.

**WEBSITE CONSTRUCTION OR PORTAL FOR E-SHOP**

To support the customer’s surfing recording, our website should include extra features than a usual e-shop. These extra features involve best connecting our products and services with specific page groups. From this, we can conclude in understanding that the website construction should include not single pages but group of pages. We can split our website into different groups according to the products, for example, cameras and videos, laptops, etc.

This method makes visitors to have access in a section of our e-shop and helps us record this surfing much easier and consequently, it gives us more credible statistical data. This method, however, finds a handicap when the customer wants to look for different products because he/she has to pass (more mouse clicks) in another “session” of our e-shop.

Consequently, we can mention that we have a novice e-customer that can be characterized by an anonymous request entry of our e-shop – surfing into the home page group, the browse page and the basic products reporting group.

Another type of customer is the navigated e-customer that can be characterized by an eponymous request entry in our e-shop (login – registration group page) and further use of search page group.
Finally, we have the determined e-customer, who enters into our shop through the login page and finishes his search using the shopping card page group, and at the end closes the session using the payment page. The above classification could be possible to exist only if we have constructed our website at page groups. Certainly, the way web surfing is committed by every customer is also classified by grades (1-10), so that the characterization of our customers can be much trustworthily.

CUSTOMER – PRODUCT CLASSIFICATION

Finally, our aim is to suggest some products to our e-customer, as the sooner the customer finds the product interested in, the more the possibility to buy it. Hence, we could resemble our system in a very helpful seller in a department store, who understands customer’s needs and shows the ideal product for the customer without taking too much of his time. Likewise, the system proposes products capable to help him with the product already bought or even expand the product’s abilities. The ultimate aim is to make the customer feel he/she is fully attended (the system understands the customer).

In order to accomplish the web mining, we can use some tools:

1. decision tree,
2. neural networks,
3. genetic algorithms and,
4. case based reasoning.

Each of these techniques can be used during different phases so as to give the best outcomes.

Concluding with the guidance for constructing a system able to watch and record customer’s behaviour, we have to mention the high diversification of our existing customers. Contrary to the traditional customer we use large and exhaustive questionaires that most of times the customers do not answer “correctly”, when concerns to e-customers, data used to
explain their consumption behaviours are gathered automatically and become more objective.

As concerns to legal or ethical consequences of such consumer behaviour recording, this is an issue that can be treated by another extended study.
7. References


