Chapter 4
Consumer Behavior, Online Market Research, and Customer Relationship Management

Learning Objectives

Upon completion of this chapter, you will be able to:
1. Describe the factors that influence consumer behavior online.
2. Understand the decision-making process of consumer purchasing online.
3. Describe how companies are building one-to-one relationships with customers.
4. Explain how personalization is accomplished online.
5. Discuss the issues of e-loyalty and e-trust in EC.
6. Describe consumer market research in EC.
7. Describe CRM, its methods, and its relationship with EC.
8. Explain the implementation of customer service online and describe its tools.
9. Describe Internet marketing in B2B, including organizational buyer behavior.

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Answers to Pause/Break Section Review Questions

4.1 Section Review Questions

1. Describe the major components of the consumer online purchasing behavior model.

The EC consumer behavior model is based in the following characteristics: personal characteristics, environmental characteristics, stimuli, the systems used by the vendor and the buyer's decisions.

2.   List some major personal characteristics that influence consumer behavior.

There are a number of personal characteristics that affect buying behavior. Some of these characteristics include age, gender, ethnicity, education, lifestyle, psychology, knowledge, values and personality.

3.   List the major environmental variables of the purchasing environment.

The variables of the purchasing environment include social variables, cultural/community variables and other variables.

4.   List and describe the major vendor-controlled variables.

Pricing – the price of a good or service
Advertising/promotions/branding - the marketing surrounding a good or service
Physical environment – the store or sales environment of a good or service
Logistics/technical support – support for a good or service
Customer service - support for the purchaser of a good or service

4.2 Section Review Question

1.   List the roles people play in purchasing.

Consumers can play one or several of the following roles in the consumer decision-making process: initiator, influencer, decider, buyer and user.

2.   List the five stages in the generic purchasing-decision model.

The five stages in the generic purchasing-decision model are: need identification, information search, evaluation of alternatives, purchase and delivery and after-purchase evaluation.

3.   Describe the Web-based purchasing-decision model.

This model is used to show that each of the five stages in the generic purchasing-decision model can be supported through the Internet. It is called the Consumer Decision Support System (CDSS).

4.   Describe the architecture of the online buyer decision support model.

This model is divided into three parts. The first part examines the three stages of buyer behavior: identify and mange buying criteria, search for products and merchants and compare alternatives. The second part examines price, shipping, and finance while the third part examines personalization, preferences and customer help.

4.3 Section Review Question

1.   Describe one-to-one marketing.

One-to-one marketing uses special marketing techniques that treat each customer in a unique way. Internet technologies greatly facilitate the ease of one-to-one marketing.

2.   Explain how personalization (matching people with goods/services) is done.

Personalization of goods and services for unique individuals requires information from the individual and the ability to match that information to appropriate products. There are several different ways to obtain information from individuals. These methods include soliciting the information from the individual directly, using cookies or other methods to observe online behavior, performing market research or extrapolating from previous purchasing patterns. Once a firm has information about an individual's preferences, they can then use a software system to match those preferences to available products and services.

3.   Define loyalty and describe e-loyalty.

Customer loyalty is the degree to which a consumer will stay with a specific vendor or brand. E-loyalty is a measure of a customer's commitment to an online retailer.

4.   Describe the issue of trust in EC and how to increase it.

Trust is very important in EC because of the lack of direct human interaction between the customer and the merchant. Merchants are able to increase the amount of trust their customers have through brand recognition, security mechanisms and business transparency.

4.4 Section Review Question

1.   Describe the objectives of market research.

The objective of market research is to find information that describes the relationships between customers, products, marketing methods and marketers. Market research assists a firm in both their marketing and product mix decisions.

2.   Define and describe segmentation.

Market segmentation is the process of dividing a customer market into logical groups for conducting market research, advertising, and sales. Markets are segmented so that they can be more easily managed and so marketing strategies can be applied to specific subsets of the population.

3.   Describe how market research is done online and the major market research methods.

Online market research is very similar to the research that would be done off-line. Online marketing research is conducted online, and the Internet can make the process quicker and easier. Researchers go through the same steps online in determining what needs to be researched and validating results. Researchers can gain access to a large variety of secondary research available online. The major methods include Web surveys, focus groups, direct feedback, customer scenarios, customer tracking, and analysis of clickstream data.

4.   Describe the role of Web logs and clickstream data.

These methods can be used to track a user's movements through the Web. This data can help marketers to understand usage patterns to improve Web sites or target advertising.

5.   Relate cookies, Web bugs, and spyware to market research.

These are all methods that can be used to track customer movements. This information can be helpful in several areas of marketing, but can have ethical considerations.

6.   Describe the limitations of online market research.

The major limitation of online market research is the sample and characteristics of Web users. These Web users may not typify the population at large, so marketers must ensure that they are aware of the demographics of those they are researching.

4.5 Section Review Question

1.   Define CRM. What is eCRM?

CRM is customer relationship management. This is a customer service approach that focuses on building long-term and sustainable customer relationships that add value both to the customer and for the company. CRM is practiced online through a variety of different methods that use the advantages of enabling Internet technology to provide the service. ECRM is CRM activities conducted electronically.

2.   Describe the benefits and limitations of CRM.

CRM helps a firm keep its customers happy by understanding their needs and quickly reacting to their problems. CRM is limited by its integration into other IT systems, which can be very difficult.

3.   Describe some implementation issues relating to CRM, including integration to the enterprise.

CRM can be difficult to implement because of the required customizations for a company. These specifications may vary depending on who is consulted and it is vital they be correct. The integration itself can be very difficult because of the age and diversity of a company's MIS.

4.   Discuss the issue of justifying CRM service.

CRM service does not generally create new revenue, but attempts to hold existing customers. This retention is difficult to quantify to justify the expense of a CRM system.

5.   Describe metrics related to CRM and customer service.

A customer service metric is a way for a firm to analyze their customer service. There are a variety of metrics that can be used including: response time, site availability, download time, timeliness, security/privacy, on-time order fulfillment, return policy and navigability.

4.6 Section Review Questions

1.   Discuss key customer-facing CRM applications.

These applications include call centers, help desks, sales force automation, and field service automation.

2.   Describe customer-touching CRM applications, including Web self service.

These applications allow the customer to directly interact with the CRM system and obtain information or services directly.

3.   Describe customer-centric CRM applications.

These applications attempt to take a variety of internal and external data to assist in improving systems and processes.

4.   List online networking CRM applications

These applications allow online networking to build relationships.

4.7 Section Review Questions

1.   Distinguish between organizational buyers and individual consumers.

Organizational buyers are puchasing for their organization while individual customers are purchasing for their own use.

2.   Describe B2B marketing and advertising methods.

B2B uses a variety of marketing methods online and off-line. Online they may use directory services or try to target specific customers. Off-line they may make sales calls or attend events.

3.   Explain how affiliate programs and data mining work in B2B.
Affiliate marketing uses another merchant to assist in promoting or selling goods for a commission. Data mining is the use of a variety of data sources to better understand customer behavior and preferences.

EC Application Cases

EC Application Case 4.2: Online Weekend in Florence: A Customer Service Success Story

1.   List the site's critical success factors.

The CSFs include: exceptional merchandise, supplier relationships, exclusive offers, small marketing budget, customer service, agility, service providers network and customer bonding.

2.   Relate the case to e-loyalty and trust.

The site provides personalized, high-touch service that creates trust and loyalty from customers.

3.   How can this business grow and contend with competitors without any advertising budget?

The business has a niche market with high customer loyalty and viral marketing.

*4.   Enter **waf.it** and identify additional customer service features.*

The site appears to have several other services including mailing lists.

EC Application Case 4.3: American Airlines Offers Personalized Web Sites

1.   What are the benefits of the personalized pages to American Airlines?

The personalized pages allow the firm to increase customer loyalty and create a community with their customers.

2.   What role do intelligent agents play in the personalization process?

The intelligent agents make personalization possible by dynamically matching customer profiles to a database of Web site contents.

Discussion Questions

1. *What would you tell an executive officer of the bank about the critical success factors for increasing loyalty of banking customers by using the Internet?*

Customer loyalty is going to be increased through positive customer service. A bank can provide positive customer service by providing additional services to the user through the use of the Internet. This can include such things as online banking and online bill paying.

2. *Why is data mining becoming an important element in EC? How is it used to learn about customer behavior? How can it be used to facilitate customer service?*

Data mining is becoming an important part of EC because it allows merchants and others to access information about individual users and then personalize advertising and marketing towards them. Data mining allows a firm to examine customer information and to aggregate that information into a profile of that consumer's behavior. Since data mining can be used to create personalization for users, it is often used in customer service to customize the user's experience.

3. *Discuss the contribution of a* CICs *to CRM.*

Customer-interaction centers are an important part of CRM because they provide a one-stop shop for customer service. Customer-interaction centers online can use enabling Internet technologies as well as traditional technologies in supporting customer needs. Supporting customer needs is an important part of CRM because it helps create the necessary long-term advantage for the customer.

4. *Explain why online trust is more difficult to achieve than off-line trust.*

Student answers will vary, but will be focused around the difficulty in creating a rapport with customers without being together in the same physical location.

5. *Discuss the similarities and differences between data mining and Web mining. (Hint: To answer this question, you'll need to read Appendix 4A.)*

The difference is centered around the location of the data and its application. Data mining uses a huge variety of datasets as the basis for analysis while Web mining concentrates on information obtained for Web sites and customers' interactions with them.

6. *Many question the short-term return on investment of CRM tools. Explain why.*

Because CRM tools attempt to retain customers and not create new sales, it is difficulty to quantify their benefits when compared to their large up-front cost.

7. How would you convince a CEO to invest in Web-self services? With what issues could the CEO counter your advice?

Student answers will vary. Benefits will be increased levels of service and decreased long-term costs. Disadvantages will include difficulty in implementation, cost and uncertainty about use.

8. Discuss the importance of trust in EC. How can market research contribute to improved trust?

Trust is vital and many customers cite it as a reason for avoiding or curtailing EC purchases. Trust must be developed in order for transactions to take place. Market research can help a firm identify their customers' preferences, and thus indicate methods to increase their trust in the firm.

9. Discuss why B2C marketing and advertising methods may not fit B2B.

Student answers will vary. B2C methods are meant to target a large market of individual consumers. B2B methods generally target a smaller group of customers purchasing a large amount for their firm.

Internet Exercises
(Note: URLs may change over time; please check the Internet Exercises on the Turban Web site for possible updates: www.prenhall.com/turban.)

1. *Survey two department store Web sites, such as JCPenney (**jcpenney.com**), Marks & Spencer (**marksandspencer.com**), or Sears (**sears.com**). Write a report that highlights the different ways they provide customer service online.*

Student responses will vary based on which department stores are used for comparison.

2. *Surf the Home Depot Web site (**homedepot.com**) and check whether (and how) the company provides service to customers with different skill levels. Particularly, check the "kitchen and bath design center" and other self-configuration assistance.*

Home Depot provides a variety of services for different types of customers. For home users, they provide an array of services including information on products and projects that a homeowner may want to complete. For contractors they provide a different set of services including commercial credit and links to contractor specific information.

3. *Examine a market research Web site (such as **acnielsen.com**). Discuss what might motivate a consumer to provide answers to market research questions.*

While there is no direct confirmation on the Nielsen Web site, for the vast majority of consumers the benefits to providing customer information to third-party marketing and advertising agencies is the promise of compensation. This compensation can take many forms, but is usually some sort of payment in goods or services.

4. *Enter **mysimon.com** and share your experiences about how the information you provide might be used by the company for marketing in a specific industry (e.g., the clothing market).*

The information provided on this site would help any particular industry because it provides specific information about a customer's likes and dislikes. In that way it would help a company with market research by indicating which items are sought out by customers. Additionally, the information could be used to help create a specific dossier on individual customers.

5. *Go to **reflect.com**. Examine how this company provides a personalized service. Examine **ecommerceandmarketing.com** and **personalization.com** and identify new developments in product and service personalization.*

Reflect.com allows customers to create custom beauty and health products based on their specifications. Users walk through a questionnaire form that records their individual preferences and is used as the basis of the customized order. Student reports on new developments in product and service personalization will vary.

6. *Enter **marketingterms.com** and conduct a search by key words as well as by category. Check the definitions of 10 key terms in this chapter.*

Student answers will vary.

7. *Enter **dell.com** and attempt to buy a PC online. Fill in the forms and examine all options available. What CRM is provided to you? (You do not have to buy the computer you configured).*

Student answers will vary. CRM may include pricing, customization, information and financing.

8. *Enter **dell.com/us/en/pub/misc/segments_ccare.htm** and examine all the services available. Examine the tracking services they provide to their customers. Finally, examine their association with **bizrate.com**. Write a report about customer service at Dell.*

Student answers will vary.

9. *Enter **intellifact.com** and identify areas for market research about consumers.*

This site is currently under development.

10. *Enter **ford.com**. Find out how Ford develops relationships with the actual drivers of cars (not dealers). Why do they do this?*

Student answers will vary. Ford provides a variety of programs for end users to gain their loyalty to the brand (Ford) and not just to the local dealer.

11. *Enter **nielsenmedia.com** and view the demos on e-market research. Then go to **clickz.com** and find their offerings. Summarize your findings.*

Student answers will vary.

Team Assignments and Role Playing

1. Each team should select an overnight delivery service company (FedEx, DHL, UPS, U.S. Postal Service, and so on). The team will then identify all of the online customer service features offered by their company. Each team then will try to convince the class that its company provides the best customer service.

Student reports will vary based on carrier.

*2. Go to **webmonkey.com** and find the market research tutorial. Then enter **surveymonkey.com** and, using the free version, design a survey instrument that will measure user satisfaction from customer service given at your local supermarket. Submit the survey instrument To the instructor.*

Student reports will vary based on the tools chosen.

*3. Enter **willmaster.com**. Each team member examines the free marketing tools and related tutorials and demos. Each team will try to find a similar site and compare the two. Write a report discussing the team's findings.*

Student reports will vary.

Answers to End-of-Chapter Real-World Case Questions: CRM Initiatives at New Piper Aircraft

1.   Describe the major features of the CRM program.

The new program automates all aspects of customer interaction with the company.

2.   Why does the company need such an elaborate CRM program? How would you justify it?

Student responses will vary. The company is doing well, and the system could be a large factor in this.

3.   How can one system serve both individual customers and business customers, including dealers?

The system is integrated into all of the company's systems, so it can retrieve and provide information for all stakeholders.