Online Consumer Behaviour, Product, Price & Place

Unit 3

New Customer Path : 5A

- Customers are continuously exposed : Online & offline – features , promise, sales talk
- Ignore & turn to trustworthy sources: social circle
- Effective media in connected world : Peer to peer conversation
- Best source of influence: customers turned advocates
- Ultimate Goal : Delight customers & convert into loyal advocates
- 5A: rewritten customer path
- **Aware ⟶ Appeal ⟶ Ask ⟶ Act ⟶ Advocate**

Customer path changes from individual to social

Not only purchase, Brands to ensure memorable post purchase experience

Ref. Marketing 4.0 by Philip Kotler

Online Consumer Behaviour

Digital technology has reshaped customer search, purchase, and engagement. Digital marketers must understand –

- ✓ Online behaviour of their specific target audiences
- ✓ How customers' Demographic & Psychographic characteristics affect interaction with digital marketing channels.

Two perspectives of Visitor behaviors analysis-

1. Digital consumer behaviour: Examines target audiences' needs, traits, and online habits—together known as customer insight—to build segments that guide targeting strategy.
2. Demand analysis: Measures –
   a) Visitor traffic to a site
   b) How prospects convert into outcomes such as leads and sales. Demand analysis examines how target customers use digital services, revealing the impact of digital marketing campaigns.

Conversion

Conversion in digital marketing is the successful completion of a desired action by a user, such as a purchase, registration, download, or inquiry, that contributes to an organization's marketing and business objectives.

Conversion rate

The effectiveness of a digital marketing campaign is often measured through the conversion rate, which is calculated as:

$$\text{Conversion Rate} = \left(\frac{\text{Number of Conversions}}{\text{Total Number of Visitors}}\right) \times 100$$

For example, if 50 people make a purchase out of 1,000 website visitors:

$$\text{Conversion Rate} = \left(\frac{50}{1000}\right) \times 100 = 5\%$$

Four P's to Four C's

- Marketing mix is a classic tool to help plan what to & how to offer to the customers. Four P's: product, price, place & promotion.
- In the digital economy, customers are socially connected with one another in horizontal webs of communities. Today, communities are the new segments. Unlike segments, communities are naturally formed.
- In connected world, the concept of marketing mix has evolved to accommodate more customer participation. Marketing mix (the four P's) should be redefined as the four C's - Co-creation, Currency, Communal activation, & Conversation.
- In connected world customers demand access to products & services almost instantly.
- Proliferation of social media enables customers to respond to promotional messages & converse with other customers about the messages.
- Collaboration is the key to customer care success

Ref. Marketing 4.0 by Philip Kotler. P50

Co-creation

Co-creation in digital marketing is a collaborative process in which organizations and customers jointly create value through digital interactions, contributing ideas, content, feedback, and experiences that influence products, services, and brand communications. Customers are allowed to contribute ideas in new product development or update details in published content , e.g., Map editing by Google local guides.

Co-creation approach enhances customers' engagement level through involvement in product creation process & motivates them to become advocates of the brand.

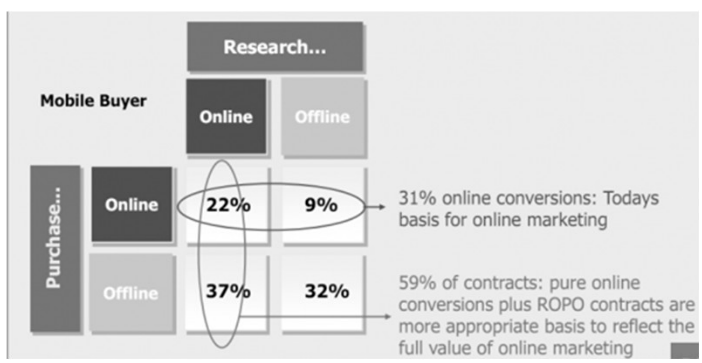
- Customize / personalise / value add for products / services : e.g., Motorcycle Configurator of Royal Enfield https://www.royalenfield.com/in/en/motorcycles/motorcycle_configurator/
- Create superior value proposition as per choice.

Loyalty Loop

Distance between marketing stimulus & customer experience has collapsed to a **click**

ROPO

ROPO is a buying behaviour where customers research relevant product information online to qualify their buying decision before they buy their favourite product in the local store or vice versa. The term was coined to describe a research published in coordination with Google in 2010 with the meaning "Research Online Purchase Offline". Research Offline-Purchase Online is another similar behaviour which needs attention.



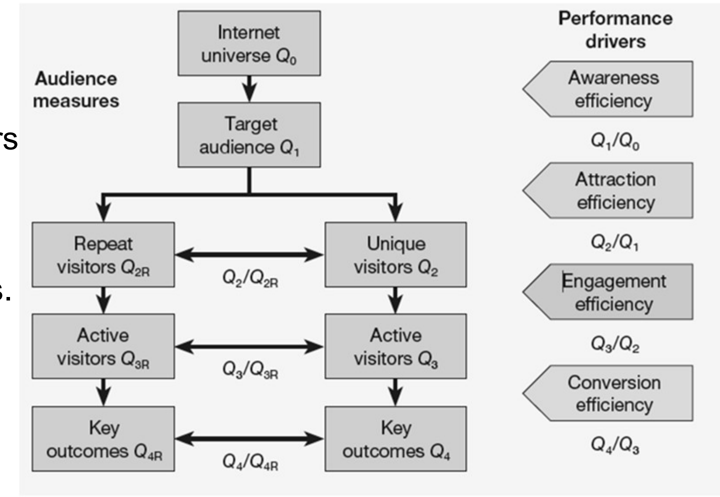
This behaviour is common for products like handsets for which consumers want to evaluate their chosen product through touch and feel.

Both online and offline marketers think of driving customers to conversion in each channel. The reality is that at least a third of customers switch channels before final purchase.

Conversion: Key Ratios

- Awareness efficiency: Target web users /All web users
- Attraction efficiency: No. of individual visits / No. of seekers
- Engagement efficiency: No. of active visitors / No. of visits
- Conversion efficiency: No. of purchases / No. of active visits.

Conversion marketing tactics can be used to convert as many potential site visitors as possible into actual visitors and then into leads, customers and repeat customers.



Ref. Digital Marketing by Dave Chaffey & Fiona Ellis-Chadwick : P70

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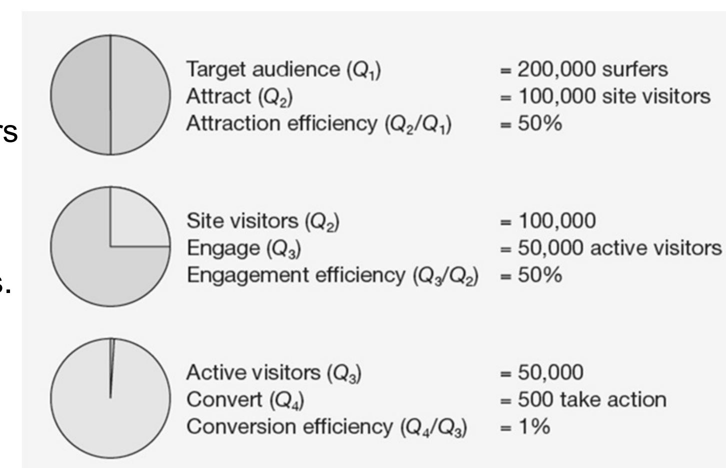

Ref. Digital Marketing by Dave Chaffey & Fiona Ellis-Chadwick : P71

Online Store

Sephora India has launched their official online store “My Beauty Power” with a wide range of products. Online sales have started happening with an average invoice value of Rs.2500 with approximately 300 invoices per month.

If you are hired to drive the project that is expected to achieve four times monthly revenue through e-commerce in next quarter with an enhanced conversion rate, can you place your plan mentioning the strategy tools and techniques.

Role	Role details	Measure	Current Status	Average Current Invoice Value	Current Monthly Revenue	Expected Status	Targeted Monthly Revenue
Surfers	Target Audience	Q1	200000			200000	
Attract	Site visitor	Q2	100000				
	Attraction Efficiency	Q2/Q1	50.0%				
Engage	Active visitors	Q3	50000				
	Engagement Efficiency	Q3/Q2	50.0%				
Convert	Take action	Q4	300	2500	750000		3000000
	Conversion Efficiency	Q4/Q3	0.6%				

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Attract	Site visitor	Q2	100000			130000	
	Attraction Efficiency	Q1/Q2	50.0%			65.0%	
Engage	Active visitors	Q3	50000			100000	
	Engagement Efficiency	Q3/Q2	50.0%			76.9%	
Convert	Take action	Q4	300	2500	750000	1200	3000000
	Conversion Efficiency	Q4/Q3	0.6%			1.2%	

Pricing : Traditional Options

a) Cost plus pricing — Price determined by target mark up on sales

b) Target-return pricing — Price that would yield target ROI

c) Competition-based pricing — Common online. Same / More / less compared to major competitor

d) Promotional pricing
- Special Event Pricing
- Psychological Discounting
- Low-interest Financing

Online Pricing

Online pricing (also referred to as e-commerce pricing), is the strategic process of establishing and adjusting the monetary value of products or services sold over the internet.

Drivers of Online pricing–
1. Price transparency: Customer knowledge about pricing increased due to increased availability of pricing information.
2. Downward pressure on price due to increased price competition.
3. New pricing approaches: Dynamic pricing

Marketers need to develop online pricing strategies to offer the price which is –
a) Flexible enough to compete in the marketplace and
b) Still sufficient to achieve profitability in the channel.

Adaptability: Respond faster to the market demands with online pricing.

Dynamic Pricing

Dynamic Pricing is a pricing strategy in which the price of product / service can be updated in real time according to type of customer or current market conditions. Example-

- Discount for new customers Special offer exclusively on m-commerce.
- Payment per use: software, bandwidth, data.
- In-app purchase : Similar to “Offset Pricing” in service marketing
- Change price for n^{th} visitor / purchase – monitor- continue / rollback.
- New products made available online with lower price.
- Loyalty programme : Free delivery ,early access to deals, e.g., Amazon prime
- Online realisation of Freebies / Discount / Cashback .
- Extended warranty for a period of purchase.

Place

Influencing factors-

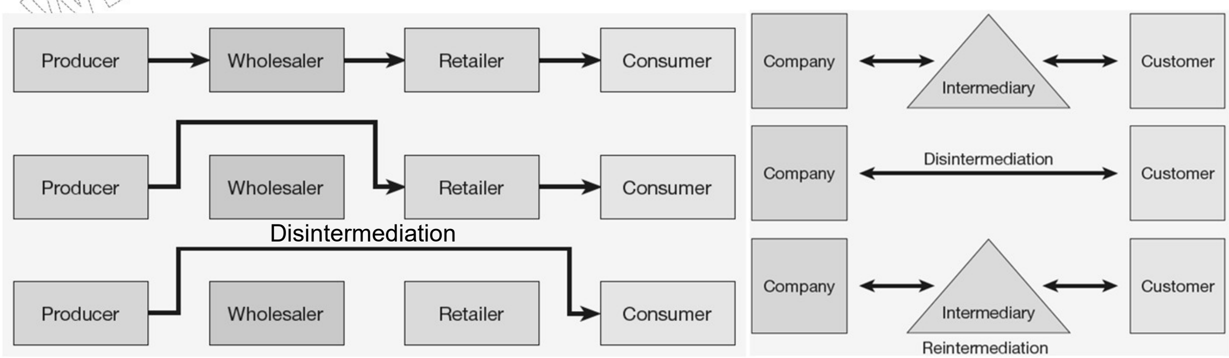
- Technology : Information and ordering through App / website, e-payment, tracking, speed with capacity, reviews, CRM / Chatbot support.
- Change in consumer behaviour due to convenience offered online.
- Digitizable products: D-Commerce: Software, online music streaming, OTT.

Online: New approaches -

- Disintermediation: Supply directly to customers- www.lenovo.com – D2C
- Reintermediation: Emergence of new types- bookmyshow, trivago, amazon.in
- Infomediation: Communication only- timesofindia.indiatimes.com/ moneycontrol.com
- Differentiation : Prompt & free delivery for special (e.g., “Prime”) customers.
- User friendly forward & reverse logistics
- Channel Confluence: Online along with brick & mortar

Disintermediation & Reintermediation

Relationship between a company & its channel partners was altered by the opportunities afforded by Internet bypassing channel partners. This process is known as disintermediation.
Since purchasers of products still require assistance in the selection of products, this led to the creation of new intermediaries, a process referred to as reintermediation.



Ref. Digital Marketing by Dave Chaffey & Fiona Ellis-Chadwick : P97

Multi-Channel

Multichannel: The practice of using multiple channels to interact with customers and sell products, where each channel may function independently.

Example : Khoshla Electronics is selling from stores and through their website.

- Multichannel retailing is a retail strategy in which a business sells its products or services through two or more independent sales channels e.g., physical stores, websites, mobile apps, social media etc.
- Customers can choose their preferred channel .
- Primary objective: To increase market reach by providing customers with multiple ways to purchase products.

Brick & Click: "Brick and click" (also known as click-and-mortar) is a business model where a company operates a physical brick-and-mortar store along with an online e-commerce channel. As a multichannel setup, the physical store and the website operate independently with separate inventory, and separate customer data.

Omni-Channel

Omnichannel : Omnichannel retailing is the integration of offline and online i.e., physical and digital shopping channels to provide customers with a unified, seamless, and personalized shopping experience that increase customer satisfaction, loyalty, and long-term profitability.

Omnichannel retailing has become a strategic necessity in modern retail.

Traditional brick-and-mortar stores and online-only stores (e-commerce) were earlier viewed as competitors. Today, the successful brands recognize that these two channels cover each other's weaknesses.

In case of multichannel retailing, channels often operate independently, where as, in case of Omnichannel, both offline & online channels are connected so that users can move between them easily.

Major difference between Multichannel &, Omnichannel-

- Level of integration.
- All Omni-Channel systems use multiple channels, but all multi-channel sellers are NOT omni-channel.

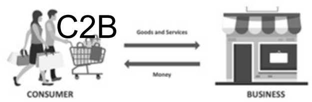
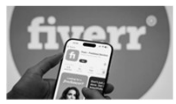
BOPIS (Buy Online, Pick Up In-Store): It saves shipping costs and gets the customer into the physical store, where they are likely to make an impulse purchase while picking up their order.

E-Commerce

Electronic commerce traditionally refers to electronically mediated buying and selling. It involves both informational and financial transactions through digital media. Similarly mobile commerce (m-commerce) refers to the use of wireless devices such as mobile phones for both informational and monetary transactions and typically with a wireless connection.

Process of buying, selling, transferring or exchange of products, services and information via electronic networks (*internet*) and computers.

E-Commerce Types

	Business	Consumer
Business	B2B Alibaba.com Global trade starts here.® PERFECT COMMERCE	B2C amazon.com
Consumer	C2B  	C2C OLX.in

- ➢ B2B: Companies doing business with each other :-
  Manufacturers → Distributor → Wholesaler → Retailers.
- ➢ B2C: Businesses selling to the general public
- ➢ C2B: Consumers sell pre-owned goods directly to companies, such as trading in used smartphones or laptops to manufacturers like Apple or Amazon
- ➢ C2C: Individuals can buy and sell thru online payment.
- ➢ D2C: Brands sell directly to consumers without intermediaries.

D2C

- Direct-to-Consumer : D2C brands manufacture, market, and distribute their own products without middlemen, which enables them to reduce costs, interact directly with consumers, and provide a seamless start-to-finish buyer's experience.
- Benefits :-
  - ✓ Strong relationships with the consumers, understanding them better, and reaching a more specific, appropriate audience.
  - ✓ Reduction of cost controlling the start-to-finish buyer's process focusing solely on customers and shipping directly to them.

https://blog.hubspot.com/service/omni-channel-experience

D2C vs B2C

Sl.	Differentiating Criteria	D2C	B2C
1.	Business model	**Direct to Consumer**	**Business to Consumer**
2.	Involvement of middlemen	No	Yes
3.	Stages	Manufacturing Branding Marketing Websites Sales channels Consumer	Production Advertising Distributor Wholesaler Retailer Consumer
4.	**Prime Objective**	**Building brand value** **Lower pricing**	**Low operational cost** **Retailer relationship** **Competitive edge**
5.	Customer Data	– Valuable customer insights – Buying habits of customers – Spending patterns Seasonal purchases	– No access to customer data – No information about the buyer's journey
6.	Duration of Sales Cycle	Shorter	Longer
7.	Suitable for	– Personalized items – High-value goods – Electronics	– Consumables – Non-personalized items

E-Commerce : Advantages for Consumers

- Price : Competitive & Comparative real time best price
- Speed
- 24x7
- No geographical limitation
- Reviews
- Cash on delivery (in India)
- Delivery with prior intimation

E-Commerce : Limitations for Consumers

- Unable to examine products physically
- Apprehension about exposure of personal / financial info to cyber-criminals
- Not sure of what is on the way
- Shipping delay for non metro
- Doubt about problem resolution
- Loss of personal touch
- Addiction followed by impulsive purchase

E-Commerce : Operational Challenges

- Digital literacy
- Apprehension
  - Online payment
  - Genuineness
  - Aftersales service
  - Fraudulent transactions
- Conflict with brick n mortar
- Delivery in remote locations
- Government Policy : FDI
- Dependence on vendors
- Operating at Low Profit Margins
- Cyber Law
- Privacy & Security Concern
- Software Threats
- Language Barrier
- Infrastructural Problems