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Psychology of Online Customer Behavior

The online environment has been dramatically affected by customer behavior over the past years. The challenge of a sophisticated marketer became to outline the factors, which influence customer behavior in order to better plan future marketing objectives. Various dependent and independent factors exist, which are mainly grouped into social and psychological variables. Customers are constantly changing their preferences and behavior through the internet along with technological advancements. It became inevitable for a company to outline what the online user experience generates in the minds potential buyers. How the customer goes through the sales tunnel and what leads toward the decision to buy a certain product/service? The aim of this article is to outline the peculiarities of social and psychological factors over the web, which play a key role in internet customer behavior.

Keywords: Customer behavior; online customer; psychology of customers; behavior in online

Introduction

Worldwide there are 3.2 billion internet users (Ictfacts & Figures, 2015). Additionally, 25% of search results for world's top 10 brand points to user-generated content (Tuten & Solomon, 2014, p.3). Furthermore, every day, online influence is increasing as the number of users is increasing (Tuten and Solomon, 2014). The fact is that more and more people are becoming internet users on a daily basis and the digital era is influencing on their actions and preferences. Consumers are starting to pamper themselves by ordering a food from an online grocery store or booking a vacation online. This has made people change their behavior and demands. Digital marketers started gathering a huge amount of data from internet users in order to offer individual and tailored offers. Traditional channels of marketing through which marketers satisfy customers' need to fundamentally be rethought and redeveloped. As per a guru of marketing management outlined, marketers should always involve their customers in the creation process for their products/services (Kotler, 2009).

The extension of the capabilities that the internet brought to marketers gave them more flexibility to diversify promotional channels, but on the other hand, increased the demand and specific requirements from customers. Information is open and accessible for everybody and the traditional ways of offering a product with the description of the features are no longer working. It is more relevant to outline the significance of the value brought in the end by the products, than to claim their efficiency.

The psychology of internet customers is focused on tailor-made offers, they like to share the excitement brought from product to others. People start socializing and getting feedback on certain products or services. The referencing chain is raising dramatically and marketers should take into consideration the power of digital tools. Therefore, to fulfill the needs of customers, a company has to aim for establishing long-term relations. This

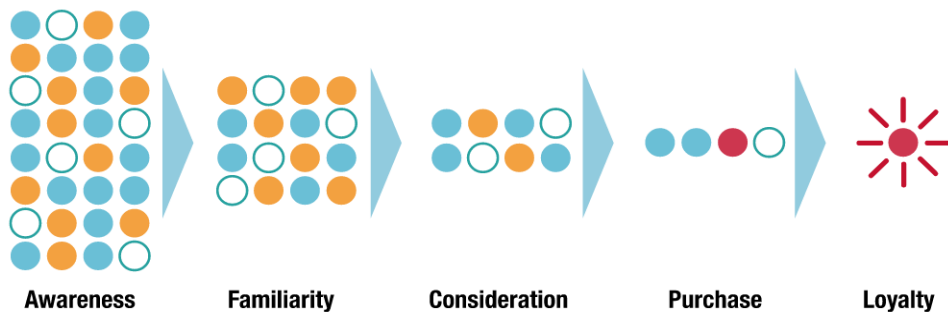
objective can be achieved through implementing interactive marketing campaigns and electronic CRM (customer relationship management) systems.

The emergence of the current version of the Internet - web 2.0 with supporting software and services, along with devices, triggered a culture of participation from people, which led to a horizontal revolution, implying that information flows not only from corporations and governments but also across people (Tuten & Solomon, 2014,p.3).

Marketers need to know everything about what kind of exogenous or endogenous factors are affecting their customers. What is their behavior when a single variable is changed? How do they react? What is their lifestyle? How they are spending their free time? What are their preferences in terms of making final decisions? When those questions are asked through the information received from the internet, customers can be grouped into niches and, therefore, marketers are able to reach target message through channels which specific customers are frequently using (Shiffman & Kanuk, 2008). It should be noted, that in cyberspace people trust to their social groups, rather companies, hence identifying the psychology of their behavior makes the task easier for marketers to fulfill their financial goals or to build strong brand equity.

The traditional customer funnel was linear and moved from awareness to brand loyalty, through familiarization, consideration and then purchase (Mangolda & Faulds, 2009).

Figure 1: Traditional Funnel



Source: (Elzinga, Mulder, & Vetvik, 2009)

Furthermore, as Elzinga, Mulder, & Vetvik, (2009) further identified, purchase decision-making is not linear with 4 distinct phases (figure 1), nowadays, the funnel looks circular, where in order to turn customers into loyal customers, it has the additional step of post purchase, where a person experiences the product.

Figure 2: Loyalty Ladder of Customer



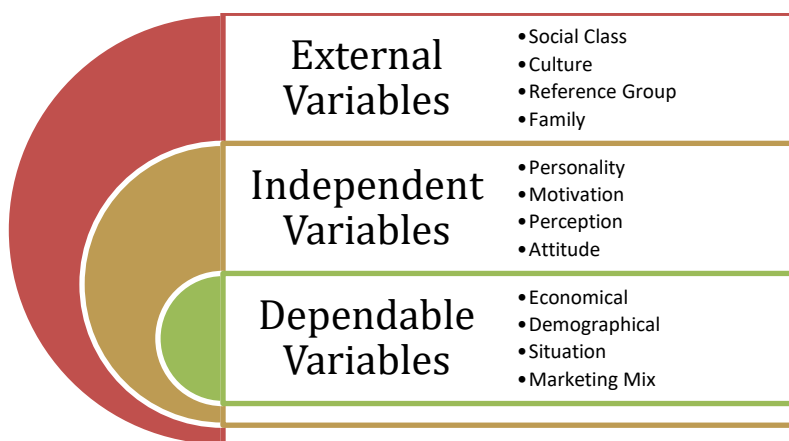
Source: (Elzinga, Mulder, & Vetvik, 2009)

According to Keeler (2003) a brand exists in consumers' minds, which reflects their knowledge about the brand, associations, and experiences. As a brand, acting from the mindset of the customer allows them to shape brand's values, characteristics, and attributes and personally-referenced opinions and feelings about the brand's positioning. (Dimofte, Haugtvedt, & Yalch, 2015). Hence, through analysis of a consumer's mindset, marketers have the possibility to improve the consumer experience.

Method

Alongside with rapid growth of internet use, several methods have been implemented to ascertain factors influencing on customer behavior. Those factors are divided into two groups. The first group encompasses dependable variables, such as economical, demographical, situation and marketing mix (product, price, place, promotion) factors. In the second group there are independent variables, which are constantly deviating based on other exogenous factors. Internal factors are: personality, motivation, perception, attitude and external factors are: social class, culture, reference group and family. (as shown on figure 3)

Figure 3: Factors Influencing Customer Behavior



Source: Teodorescu "Customer Behavior", 2008, p. 47

Most factors are outside of the control of marketers, however, and this should be considered while planning a marketing campaign. Marketing effort towards an individual customer requires in-depth knowledge of both the psychological and social basis that drives customer behavior. In addition to understanding the psychological and social factors which have an influence on customer behavior, appropriate marketing auditing tools are important and necessary. A marketer might identify the characteristics of a target niche and plan marketing campaign accordingly, but without setting performance measurements, all marketing efforts will be unfulfilled. A marketing audit is an instrument through which a business assesses its vital units, targets, procedures, and solid activities, to decide opportunities and threats and prescribe an activity plan to enhance the organization's performance (Kotler, 2010) It evaluates the quality, threats, and adequacy of marketing efforts. It acquires information on company activities to forecast the future business needs.

A marketing audit is viewed by marketers as a system for evaluation the promotional activities and how it is delivered to the customers (Balan, 2011) The fundamental reason for using a marketing audit within a company is that it considers the advertising effect of organization and forecasts possible risks that the company might face in terms of customer loyalty and possible threats. A successful marketing audit starts with a consumer analysis and what asset does it bring to the organization. The evaluator has to focus on the following areas while making a customer analysis: consumer profile, consumer loyalty and what assets it brings to the company. The marketing audit can be executed only if the company has information and data about the customer's behavior.

In this regard, the evaluation should utilize endogenous and exogenous factors that relate to the company to successfully determine who are the buyers of their products, what features affect the consumer's purchasing power and what are the consumer's preferences regarding the point of sales. A customer profile encompasses the following characteristics such as

demographic and geographical data of customers, the type of product purchases, frequency and quantity of orders, payment preferences, and interests. After identification of profiles similarly characterized customers are grouped creating niches. The company has to assess what kind of benefit that niche bring to its business. Accordingly, the analysis should be performed on the customer's value to the company, the total value a customer brings to the company, Net Present Value (NPV) of the customer relationship and the percentage of customer share (Baker, 2008).

How can the company's customer value be described? In the majority of literature, customer value is defined as the difference between total costs of the customer versus total value offered to the customer (Balan, 2008). The value itself is comprised of image, staff and service elements. It has to be pointed out that the value perceived by a customer is dissimilar to the company's customer value. It is the difference between what the company offers in terms of satisfaction of the customer's needs and what the customer actually obtains, notwithstanding the fact that the customer's purchase behavior is affected by the value of the product. Based on customer value analysis, a company can reveal its bargaining power against competitors and outline its strengths in their sphere. There are five basic steps according to which the customer value analysis is carried out (Kotler & Keller, 2009, 162). The first step encompasses recognition of the main benefits that customers bring to the company. It is important to know why the customer is choosing a specific product or service. The second step correlates to the benefits that customers receive and investigates the advantages of the product. The third step is dedicated to the evaluation of business performance and outlines pros and cons against competitors. After analyzing the market, emphasis is put on the product itself. The fourth step is dealing with how consumers perceive the "4p's" (product, price, place and promotion) the marketing mix of the company. The last step, as in general, is related towards continuous monitoring of the customer preferences and identification of perceived value (Brown, 2012).

The identification of customer satisfaction is the starting point for the evaluation of company performance. Every business has to start assessing their performance according to its customer satisfaction on products, services and staff. There are several methods to periodically assess the performance of the business:

Periodic surveys for determination of customers buying behavior; or

The ratio of acquired customers and retained customers as well as lost customers (and reasons for this); or

Analysis of the suppliers that impact cost effectiveness and the final price of the product.

A widely spread technique for analyzing the front office of an organization is mystery shopping, which enables the company to identify the effectiveness of sales personnel and overall customer satisfaction with its products/services. (Hair, Bush, & Ortinau, 2010)

Beside performing marketing audits, in general it is important to understand the factors that influence customer behavior: perception, website features and characteristics, psychological and demographical factors and social framework. (Agarwal & Karahanna, 2000; Moon & Kim 2001; Torkzadeh & Dhillon, 2002). There are many products on the internet that customers can not personally access, for example: electronic books, music, electronic equipment or software. Mainly these products are bought by product descriptions and illustrations (Shun & Yunjie, 2006)

According to Cotte et al. (2006), there are four groups of online customers, which are divided by their motivations. Those are entertainment while surfing on the internet, discovering new information, shopping and receiving information. On the other hand Cheung M.K. et al. (2005) argue that online customer behavior is affected only by the individualities (internal factors), which are influenced by external circumstances and product features. Cheung

classifies individual characteristics with all behavioral factors. External variables are described as competition on the market, international rules and restrictions. Products are described with the shape, type, and quality. Concerning the online environment, it is described with ease of use, web page representability, ease of surfing, online shipping quality, security of transactions and speed of the internet. Those forces influence customer behavior which should be deeply analyzed by marketers to penetrate purchase intentions. Through the analysis of external and internal factors which are forming customers, they have been divided into four groups: comfort seekers, brand lovers, rationales and price sensitives.

It should be noted that Larry Weber (2009) underlined the importance of enabling customers to participate in social networks for engagement and sharing their feedback on certain products/services. Social networks such as: Facebook, Twitter, Flickr, Pinterest are ideal environments to access a customer's point of view. Through allowing customers to share their innovative ideas, consumers have the ability to show ways to improve the consumer experience.

Furthermore, by commenting on each other's comments, they resonate with each other's feelings, while expressing their own stories about brand values (ibid). Thus, the brand has the potential to evolve with different activities within one platform, which allows brand co-creation.

On the other side, according to Hossain and Islam, (2015) some critics argue that the idea selection process is costly, as it takes a large team to analyze available data as well as choosing the implementable idea, therefore it is not worth it. However, this critique can be addressed by showing the benefits that the process brings, not only in terms of created product based on the idea, but in terms of the relationship that is built, a brand that's value is enhanced, and position of a company on customers' minds when they feel they are listened and valued. Being present on different platforms, and having owned crowdsourcing platform that targets different types of customers, not only

enables the business to track and facilitate communication to the business, it further brings benefits to the business.

According to (Hossain and Islam, 2015) a small number of a crowd provide valuable ideas and the majority of a crowd is involved with more consumption of information through consuming available content, as well as casting votes and giving suggestions to the existing ideas.

Arguably, passive users are equally important, as they provide low-cost (cost of employees analyzing ideas) market research, where the market is already evaluated for the ideas, which will be implemented in the future based on the customers' suggestions.

On the other hand, some critics argue that social's media main benefit can turn to be its main disadvantage. Even though publicity is good, negative electronic word of mouth has potential to disseminate with larger base in less time and last longer (Weber, L, 2015). The argument can be undermined, because social media exists by itself, accordingly, and there is a threat of negative publicity. However, by being present on different social media platforms, provides a better chance to be aware of negative publicity beforehand, or in a short-period of time and to be better able to protect a company's image.

Result

Online marketers have the ability to alter an online buyer's decision process by delivering relevant web experience, which is a synchronization of stimuli, quality of internet, emotions and product/service itself. Web experience starts with the search process, where customers are searching and finding appropriate products. It is common that they surf randomly through the internet and a proper marketing promotion may push them towards an impulse purchases. Due to the reason that internet enables the customer to compare another offer, in a selection process, they are frequently making comparisons with similar products. After a decision is made, the matter of a

secure transaction arises. Here the task of marketers is to create a “trusted” web-site, where customers will be able to securely pay and accomplish their commercial deal. The status of “trusted” web-site can be achieved by an appropriate design, which should be kept simple to be understandable, layout, sounds, atmosphere, and colors. Those are main factors, which are creating an effective web-site outlook. If those elements are tailored to meet personal needs, the company can create a good online customer relationship.

The effective web experience starts with customer perception. This is the starting point where customers make a sound judgement of their own environment. Generally, what is visible to one, might raise different emotions, unlike others, but marketers must create a virtual atmosphere where people share common senses, emotions and perceive objects as they are. From a scientist’s point of view, perception is a result of a deep process in our minds, where a future picture is creating and the sense of expectation creates. Marketers should know and take into account with caution the perceptions of their customers. If the product does not match their overall picture then this will create disappointment. Hence, creating approximate reality requires from online marketers a deep understanding of the psychology of customers.

Trusov, M., Bucklin, R.E. & Pauwels, K. (2009) contend that online advertisers ought to know about the components that undermine the trust of customers and see how trust impacts the customer’s online impression of a specific website. Sites must convey honesty and validity keeping in mind the end goal to induce customers to stop, investigate them and communicate over the web. Psychological elements play a critical role in helping online clients new to the merchant or new to the online exchanges overcome misrepresentation and questions of the site and seller. The significance of social communities in terms of creating online trust is obvious and persistently expanding for clients and companies. Lorenzo et al. (2009) consider that building trust is refined by utilizing vulnerability-decreasing components "guaranteeing the wellbeing of clients" individual data and exchange information, wiping out misrepresentation and building trust between online clients and sellers.

Identity additionally impacts online shopper behavior to a great extent. In cyberspace, shoppers might have distinctive identities when contrasted with their everyday lives; they might utilize different personalities in the virtual world. Cybernetic gives a person with various identities or diverse personalities, much like heading trying on various outfits from the retail shop (Schiffman & Kanuk, 2009). Social communities are full of individuals building their odds of associating with others. The idea of embellishing positive qualities over the internet and getting excited by their peers is the main attraction for social media. The goal of marketers is to implement their strategy through social media, highlighting the consumer's virtual identity, rather product itself.

Kotler (2009) stated that one of the main factors which is influencing customer psychology online is the website atmosphere. It comprises of different elements. (design, layout, presentation, colors, and content). The atmosphere is a vital tool for marketers to attract customers, create a positive environment to stop visitors and interact with the site.

Family, friends, colleagues and reference groups are important social factors, which influence customer behavior. The power of virtual groups such as work, friends, shopping, religious, books and etc. has brought forth virtual WOM (word of mouth) referencing techniques.

Finally, digital space gave the customers ways to generate new behavioral extents. Comparing products online and receiving feedback from peers.

It is essential for organizations to constantly advance their internet advertising which allows two-way communication with customers and which is fundamental to business improvement. Any company ought to build its online networking segment (social media groups) as buyers are a piece of interpersonal organizations that impact their online recognition and trust in a specific site through WOM.

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