# THE PROSUMER – PROACTIVE CONSUMER

Chapter 7: Consumer Behavior Online
Chapter 8: Segmentation and Targeting Strategies

**PART 1**

Strauss, J. and Frost, R. (2009) E-Marketing 5/E, Pearson Education, Inc.

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# Learning Objectives

□ The session seeks to explain consumer behaviour in the new information age and provide guidelines on how to segment and target such consumer markets.

□ At the end of the session, students will understand the concept of the prosumer – proactive or productive consumer and explore marketing strategies to target such consumers.

# The Proactive Consumer - Prosumer

- A typical one-hour adventure in the life of a 25-year-old professional male, Yaw Barima:

  - Tunes his iPod to the latest BBC podcast while his TV is tuned to a soccer game and his cell phone and PC are within reach.

  - Picks up his computer to find a blog mentioned during the podcast, sees a video on the blog, and texts a friend about the video.

# The Proactive Consumer - Prosumer

- Yaw Barima searches for the video title on Google and finds a job posting on Vimeo, an online video-posting site.

- Yaw Barima posts a link to the video and Vimeo site on his Twitter stream.

- Yaw Barima is the new consumer: a multitasker interested in the social media.

- **How can a marketer capture dollars from these behaviors?**

why

5

Increasing sophistication of the consumer

why

Increasing
need
to be connected
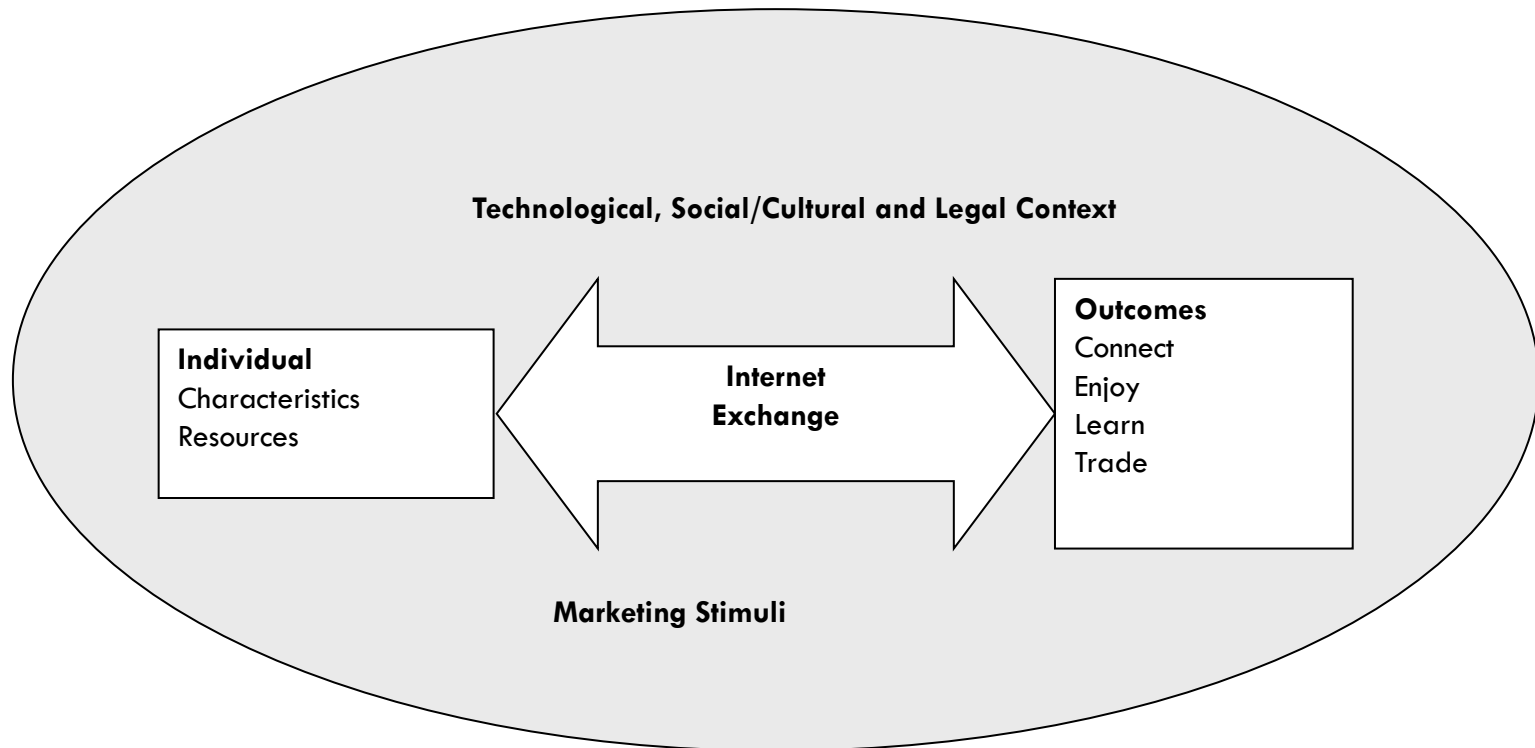
"insatiable"

why

everywhere
and anywhere

"ubiquity"

# The Internet Exchange Process

□ Exchange is a basic marketing concept.

  ◻ It refers to the act of obtaining a desired object by offering something in return.

□ Exchange occurs within the following contexts:

  ◻ Technological

  ◻ Social/cultural

  ◻ Legal

# The Online Exchange Process

**Technological, Social/Cultural and Legal Context**

**Individual**
Characteristics
Resources

**Internet
Exchange**

**Outcomes**
Connect
Enjoy
Learn
Trade

**Marketing Stimuli**

# Technological Context

1. **14.11** per cent of the population -  Dec.31, 2011, per ITU (2011a).

2. **84.6** per a 100 inhabitants – Dec. 31, 2011 per ITU (2011b)

## MARKET SHARE STATISTICS FOR 2012

| MOBILE OPERATORS | January | February | March | April | May | June | July |
|---|---|---|---|---|---|---|---|
| EXPRESSO | 183,607 | 183,670 | 202,314 | 204,423 | 195,670 | 227,396 | 182,845 |
| TIGO | 3,766,538 | 3,693,999 | 3,642,229 | 3,568,094 | 3,457,427 | 3,553,274 | 3,699,185 |
| MTN | 10,249,528 | 10,323,334 | 10,394,363 | 10,518,581 | 10,644,804 | 10,757,974 | 10,828,585 |
| VODAFONE MOBILE | 4,340,905 | 4,366,536 | 4,524,038 | 4,576,384 | 4,671,999 | 4,819,700 | 4,758,272 |
| AIRTEL MOBILE | 2,725,128 | 2,813,598 | 2,897,077 | 2,938,108 | 3,015,499 | 3,021,863 | 3,037,336 |
| GLO MOBILE | | | | | 468,508 | 990,566 | 1,152,474 |
| TOTAL MOBILE | 21,265,706 | 21,381,137 | 21,660,021 | 21,805,590 | 22,453,907 | 23,370,773 | 23,658,697 |

NCA (2012) Market Share Statistics for 2012, Ghana, National Communication Authority. Retrieved 12 September 2012 From http://www.nca.org.gh/40/105/Market-Share-Statistics.html

1. International Telecommunications Union (ITU) (20011a).  Percentage of individuals using the Internet, ICT Statistics Database, Geneva: ITU, Retrieved 12 September 2011 from: http://www.itu.int/ITU-D/icteye/Indicators/Indicators.aspx
2. International Telecommunications Union (ITU) (20011b). Mobile-cellular telephone subscriptions, ICT Statistics Database, Geneva: ITU, Retrieved 12 September 2011 from: http://www.itu.int/ITU-D/icteye/Indicators/Indicators.aspx

# Technological Context

| | Internet Users Online | source |
|---|---|---|
| Ghana | 14.11 per cent | ITU (2011) |
| Nigeria | 28.43 per cent | ITU (2011) |
| Uganda | 13.01 per cent | ITU (2011) |
| UK | 82 per cent | ITU (2011) |
| USA | 77.86 per cent | ITU (2011) |

1. International Telecommunications Union (ITU) (20011).  Percentage of individuals using the Internet, ICT Statistics Database, Geneva: ITU, Retrieved 12 September 2011 from: http://www.itu.int/ITU-D/icteye/Indicators/Indicators.aspx

# Technological Context

| | |
|---|---|
| Total Facebook Users | 1 436 560 |
| Position in the list | 73 |
| Penetration of population | 5.90% |
| Penetration of online population | 110.76% |
| Average CPC | $0.24 |
| Average CPM | $0.04 |

Social Bakers (2012) Ghana Facebook Statistics, Social Bakers. Retrieved 12 September 2012 From http://www.socialbakers.com/facebook-statistics/ghana

# Top websites in 17 September 2012

| Ghana | Nigeria |
|---|---|
| 1. Facebook | 1. Facebook |
| 2. Google.com.gh | 2. Google.com |
| 3. Google.com | 3. Google.com.ng |
| 4. Yahoo | 4. Yahoo |
| 5. Youtube | 5. Youtube |
| 6. Myjoyonline.com | 6. Twitter |
| 7. Mywebsearch.com | 7. Blogspot |
| 8. Twitter | 8. Mywebsearch.com |
| 9. Ghanaweb.com | 9. Vanguard News |
| 10. WindowsLive | 10. LinkedIn |
| 11. Wikipedia | 11. Wikipedia |
| 12. PeaceFM | 12. Nairaland |
| 13. Goal.com | 13. Babylon |
| 14. Blogspot | 14. GTBank.com |

# More…

## content

- engaging in design and development
- enchanting in delivery

more…

# Social and Cultural Contexts

☐ One of the most important social trends is that consumers trust each other more than they trust advertising or companies online.

☐ Social/cultural trends have a huge effect on online exchanges.

   ◻ <u>Sophisticated consumers.</u>

   ◻ <u>Information overload overwhelms consumers.</u>

   ◻ <u>Multitasking speeds up normal processes and lowers attention to each task.</u>

# Social and Cultural Contexts, cont.

- <u>Home and work boundaries are dissolving</u>.
- Consumers seek **<u>convenience and have high expectations regarding customer service</u>**.
- Consumers cannot do without internet access: "online oxygen."
- **Self-service** is required. – do it myself
- <u>Privacy</u> and <u>data security</u> are paramount.
- Online crime worries consumers.

# Legal Context

- ☐ Despite piracy laws**, <u>illegally used software</u>** abounds.

- ☐ the number of unsolicited emails has increased.

- ☐ However, when the recording industry sued <u>thousands of illegal music file downloaders</u>, consumer behavior changed.

    - ◻ In 2002, 37% of online consumers shared music files.
    - ◻ Only 23% shared files in 2004.
    - ◻ Now there are more legitimate music download or subscription websites – Itunes, Lastfm, Pandora
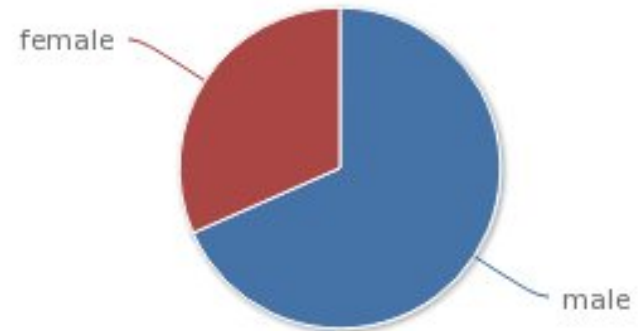
# Individual Characteristics & Resources

- Individual characteristics affect internet use.
  - Age, income, education, ethnicity, and gender.
  - Attitudes toward technology.
  - Online skill and experience.
  - Goal orientation.
  - Convenience or price orientation.

## User age distribution on Facebook in Ghana
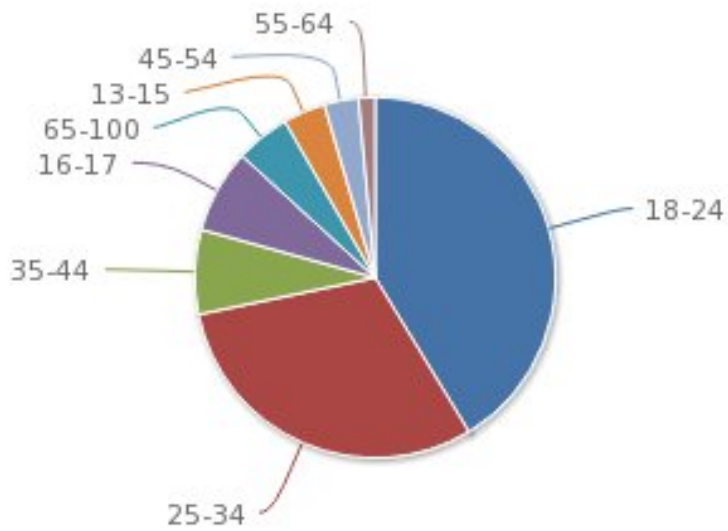


## Male/Female User Ratio on Facebook in Ghana



Social Bakers (2012) Ghana Facebook Statistics, Social Bakers. Retrieved 12 September 2012 From http://www.socialbakers.com/facebook-statistics/ghana

# Consumer Resources

☐ Consumers perceive value as benefits minus costs.

☐ These costs constitute a consumer's resources for exchange:

  ☐ Money

  ☐ Time

  ☐ Energy

  ☐ Psychic costs

# Global Internet Usage: Exhibit 7.6

| Metric | December 2007 |
| --- | --- |
| Number of sessions/visits for the month | 34 |
| Number of domains visited | 69 |
| Web pages per person per month | 1,504 |
| Page views for each session | 43 |
| PC time spent per month | 32:14:51 |
| Time spent per session | 56 minutes |
| Duration of page viewed | 44 seconds |

# Exchange Outcomes

□ There are 5 basic things that people do online:

 ▫ Connect

 ▫ Create

 ▫ Enjoy

 ▫ Learn

 ▫ Trade

□ Each is ripe with marketing opportunity.

# Trading Online in the U.S.

☐ Exhibit 7.12

| Outcome | Percentage | Outcome | Percentage |
|---|---|---|---|
| Research product before buying | 81 | Use classified ads (Craig's list) | 30 |
| Buy a product | 66 | Pay to access digital content | 28 |
| Buy/make travel reservation | 64 | Participate in online auction | 26 |
| Bank online | 51 | Charity donation | 12 |
| Download computer programs | 39 | Take class for college credit | 18 |
| Pay bills online | 38 | Sell something online | 15 |
| Use online classifieds (Craig's list) | 32 | Buy/sell stocks, bonds, mutual funds | 11 |

# ☐Segmentation and Targeting

# The 1-800-Flowers Story

- Jim McCann started 1-800-Flowers as a traditional retailer in New York City in 1976.

- In 1995, he extended the brand to the internet.

- He used SAS data mining software to identify customer segments for better targeting.

- As a result of segmentation and targeting strategies, customer retention increased by 15% and sales by 13.8% in 2003.

# The 1-800-Flowers Story, cont.

- The firm's Web site attracted 13.1 million new customers and the repeat order rate increased to 43%.

- In 2006, the site had 2.1 million monthly visitors and $430 million in sales.

- Why do you think better **segmentation and targeting led to reduced phone time and lower costs**?

# Segmentation & Targeting Overview

□ Marketing segmentation is the process of grouping individuals or businesses, according to use, consumption, or benefits of a product or service.

□ Market targeting is the process of selecting market segments that are most attractive to the firm.

# Market Segmentation Bases and Variables

- ☐ Geographic location

- ☐ Demographics

- ☐ Psychographics

- ☐ Behavior with regard to the product

- ☐ Companies can combines bases, such as geodemographics (geography and demographics)
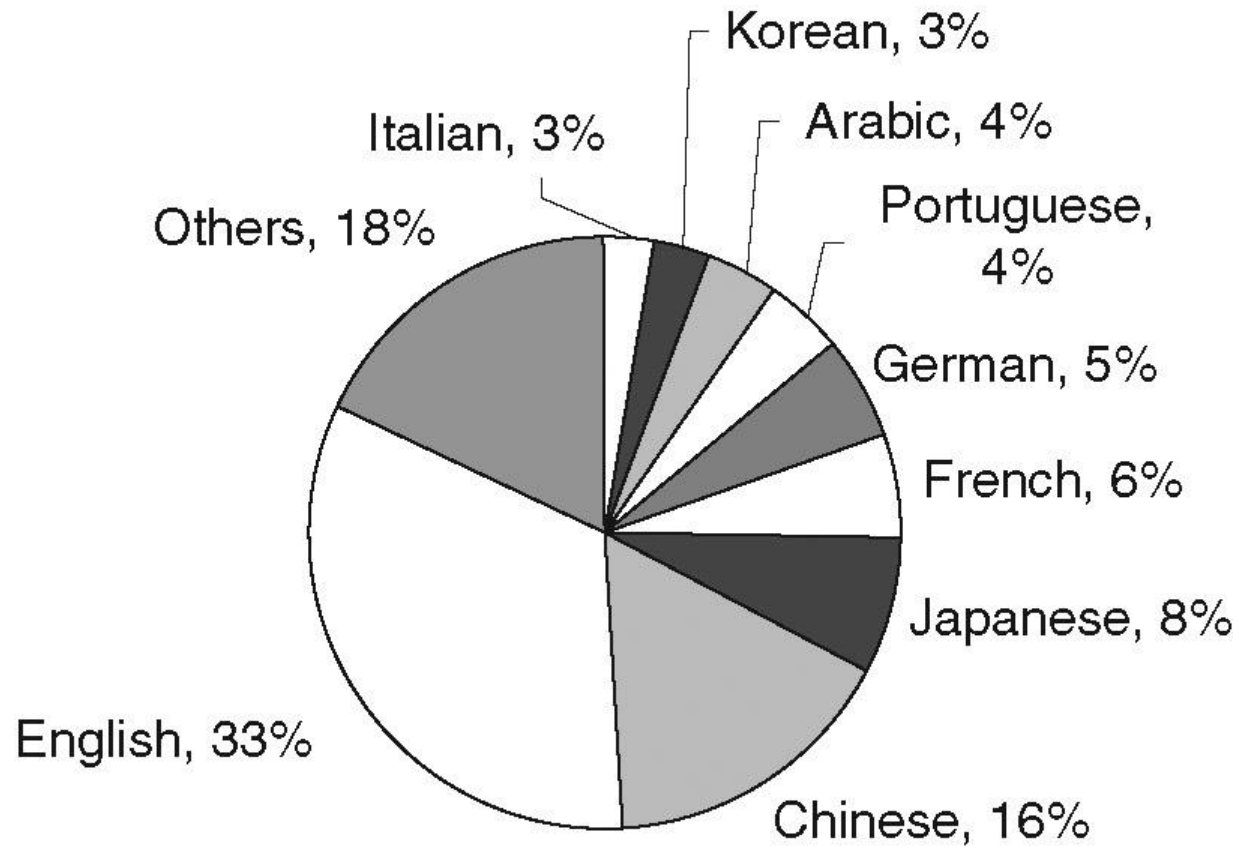
# Geographic Segments

- Product distribution strategy is a driving force behind geographic segmentation.

- Countries may be segmented based on internet usage.
  - Ghana has 14.11% of the population.
  - Nigeria has 28.43%
  - UK has 82%

- Geographic markets may also be evaluated by infrastructure variables.

- Language spoken may also be a variable.

# Top Internet Languages

☐ Exhibit 8.6

# Demographic Segments

- In developed nations, users are much like the mainstream population demographically.

- The heaviest internet penetration in 2008 includes 18 to 29-year-olds, who are white, live in urban or suburban areas, earn $50,000+, and have high education.

- Three market segments are of great interest to e-marketers.
    - Millenials
    - Kids
    - Online opinion leaders

# Millenials

□ Of those born between 1979 and 1994, over 90% use the internet.

□ They grew up with the internet.

□ 80% have cell phones and 36% use text messaging.

□ Most have broadband for downloading music and watching videos online.

□ This group is a proving ground for the future.

# Kids

- The number of kids under 16 online is increasing.

- They have spending power of $40 billion.

- Kids 8-12 do a number of activities online:
  - Online games (70%)
  - Look up information for homework (58%)
  - Use a search engine (48%)
  - Read or send e-mail (34%)
  - Watch online videos or movie trailers (28%)

# Ethnic Groups

- Hispanics, African Americans, and Asians are important online markets.
- 79% of Hispanics use the internet.
  - They view 15% more Web pages and spend 9% more online than the average internet user.
- African Americans are one of the largest and fast growing ethnic groups online.
  - They have a 56% rate of adoption and tend to be younger, more highly educated, and more affluent than African Americans not using the internet.
- More than half of Chinese Americans have internet access and high purchasing power.

# Ethnic Groups



**People Who Like Your Page (Demographics and Location)**                                    See Likes

**Gender and Age**

| | | 13-17 | 18-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65+ |
|---|---|---|---|---|---|---|---|---|
| Female | 28.2% | 0.6% | 17.2% | 7.3% | 0.8% | 0.6% | 0.2% | 1.5% |
| Male | 71.4% | 1.3% | 38% | 22.4% | 3.9% | 1.1% | 0.7% | 4% |
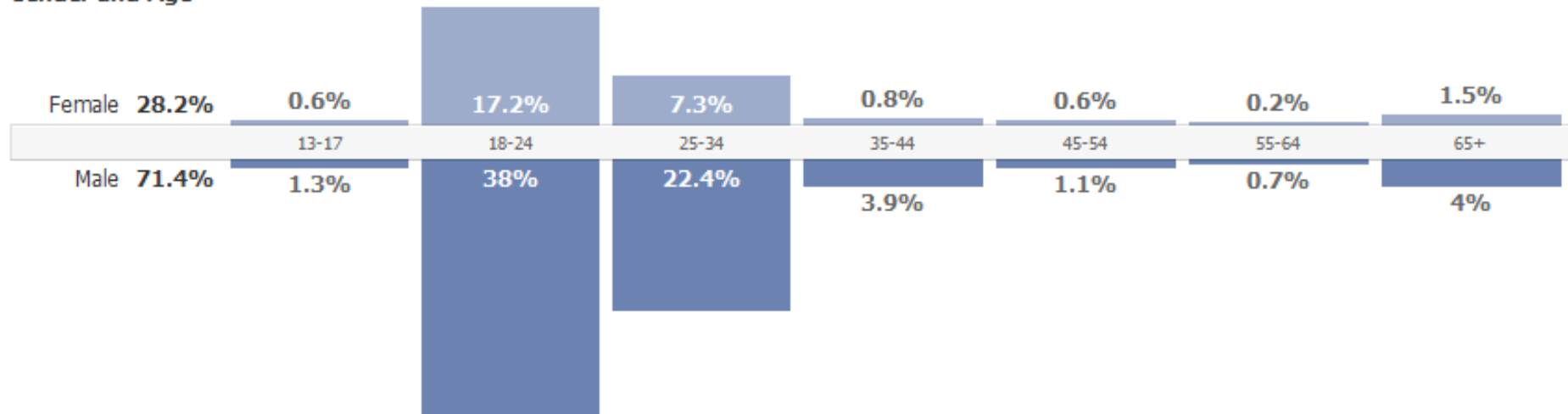
**Countries**

| 4,236 | Ghana |
|---|---|
| 897 | Nigeria |
| 134 | United States of America |
| 86 | United Kingdom |
| 51 | Congo, Democratic Republic |

**Cities**

| 3,363 | Accra, Greater Accra, Ghana |
|---|---|
| 474 | Lagos, Nigeria |
| 336 | Kumasi, Ashanti, Ghana |
| 164 | Tema, Volta, Ghana |
| 108 | Abuja, Abuja Capital Territory, Nigeria |

**Languages**

| 4,605 | English (US) |
|---|---|
| 1,013 | English (UK) |
| 25 | French (France) |
| 5 | German |
| 5 | English (Pirate) |

# Influentials

- Influentials are individuals who influence others, driving change.

- Represent 10% of the population and 15% of internet users.

- 82% of influentials have internet access, compared with 64% of the general U.S. population.

- They serve as opinion leaders for the rest of the population.

# Social Media Engagement Segments

□ Exhibit 8.13

| Segment | Proportion of internet users (%) | Segment Description |
|---|---|---|
| Creators | 13 | Posted to a blog, updated a Web page, or uploaded a video within the last month |
| Critics | 19 | Commented on blogs or posted ratings and reviews. Forty percent are also creators. |
| Collectors | 15 | Save URLs on social bookmarking sites (e.g. del.icio.us.com), use RSS feeds, or create metadata to share with a community |
| Joiners | 19 | Join and use social networking sites. |
| Spectators | 33 | Blog readers, video viewers, and podcast listeners. They are the social media audience. |
| Inactives | 52 | Do not participate in social media. |

# Psychographic Segments

□ User psychographics include:

■ Personality

■ Values

■ Lifestyles

■ Activities

■ Interests

■ Opinions

□ **Interest communities** attract like-minded individuals who post comments on Web sites or send e-mails to other members.

■ Social networking is perhaps the most important type.

# Targeting Online Customers

- ❑ E-marketers select a targeting strategy.
  - ❑ Which targets to serve online
  - ❑ Which locations
  - ❑ Other factors
- ❑ Two targeting strategies are well-suited for the internet.
  - ❑ Niche marketing
  - ❑ Micromarketing
- ❑ The internet's big promise is individualized targeting.

# Traditional Models of the Adoption/Purchase Process
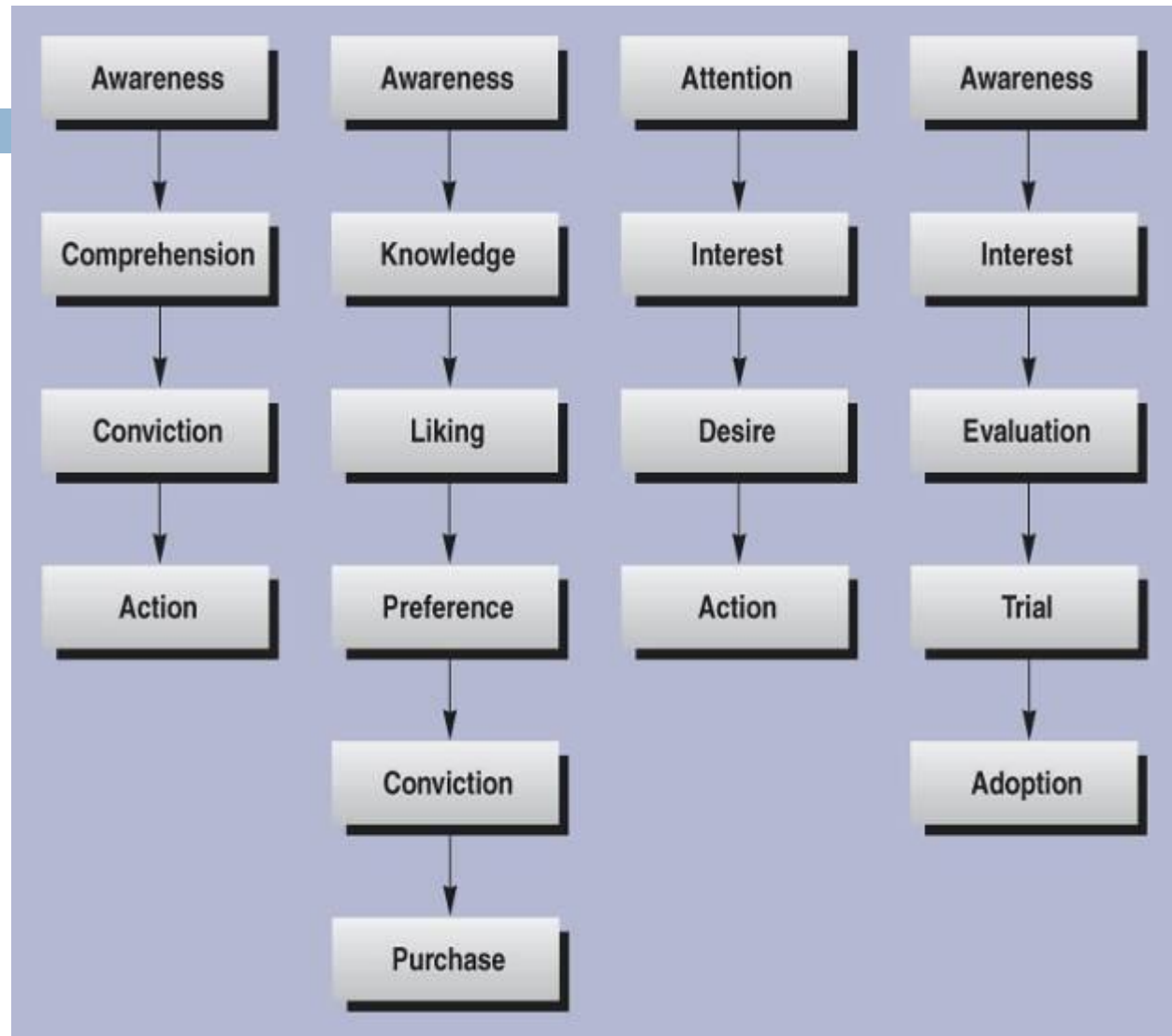
Aaker, D.A., Kumar, V. and Day, G.S. (2007) Marketing Research (9th edition), Hoboken, New Jersey: Wiley.

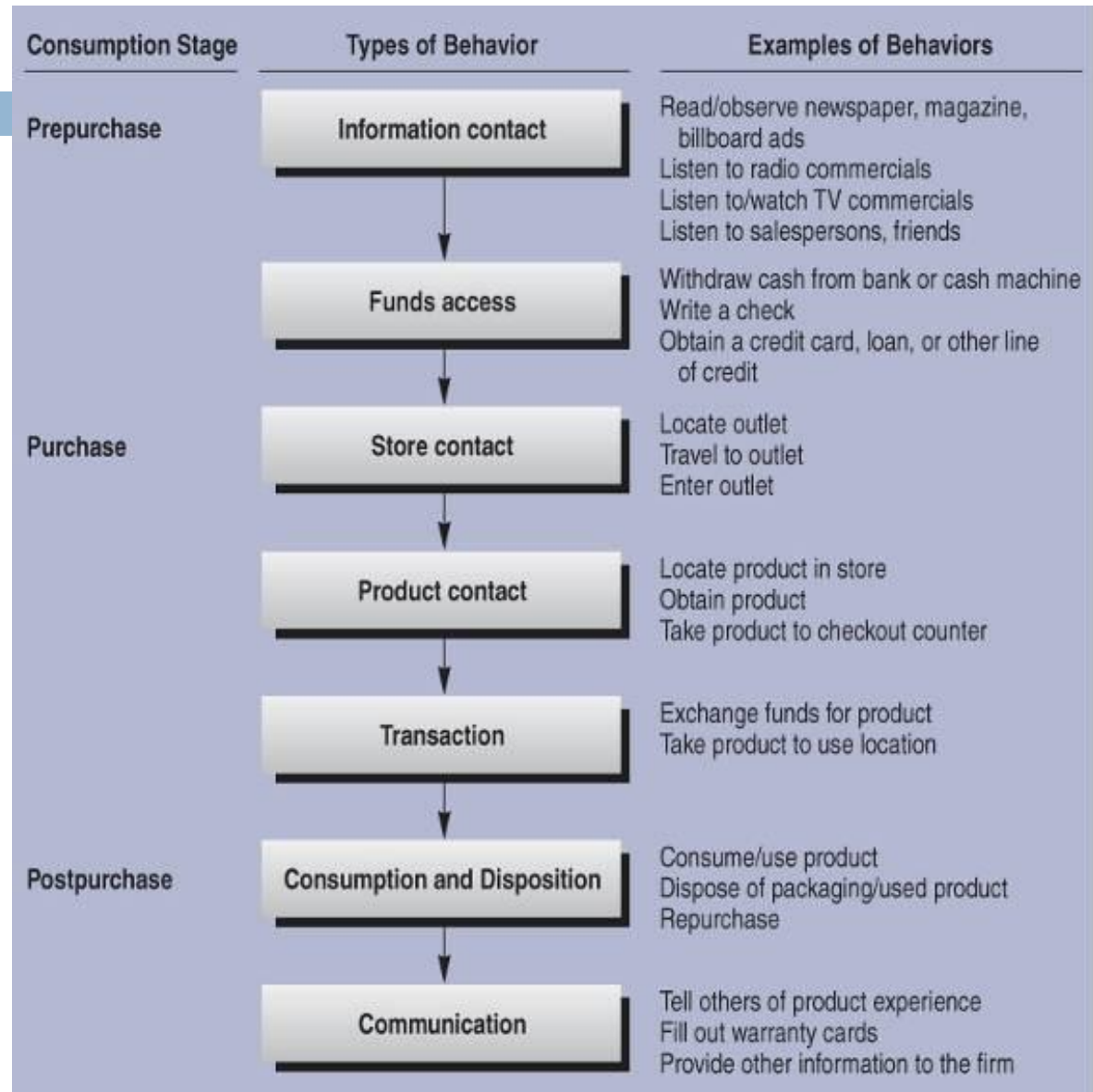# A Common Behavior Sequence for a Retail Store Consumer Goods Purchase

| Consumption Stage | Types of Behavior | Examples of Behaviors |
|---|---|---|
| Prepurchase | Information contact | Read/observe newspaper, magazine, billboard ads<br>Listen to radio commercials<br>Listen to/watch TV commercials<br>Listen to salespersons, friends |
| Purchase | Funds access | Withdraw cash from bank or cash machine<br>Write a check<br>Obtain a credit card, loan, or other line of credit |
| | Store contact | Locate outlet<br>Travel to outlet<br>Enter outlet |
| | Product contact | Locate product in store<br>Obtain product<br>Take product to checkout counter |
| | Transaction | Exchange funds for product<br>Take product to use location |
| Postpurchase | Consumption and Disposition | Consume/use product<br>Dispose of packaging/used product<br>Repurchase |
| | Communication | Tell others of product experience<br>Fill out warranty cards<br>Provide other information to the firm |

# Information Contact

- Occurs when consumers come into contact with information, either intentionally or accidentally
  - Marketers seek to provide consumers with information
  - Consumers search for information about products, brands, stores, and prices

Aaker, D.A., Kumar, V. and Day, G.S. (2007) Marketing Research (9th edition), Hoboken, New Jersey: Wiley.

Consumer Behaviour

# Factors Affecting Information Search

☐ **Market Characteristics**

 - alternatives, price range, information availability - advertising, sales personnel, experienced customers

☐ **Product Characteristics**

- price, differentiation

☐ **Consumer Characteristics**

- experience, orientation, social status, age and household status

☐ **Situational Characteristics**

 - time availability, purchase for self, pleasant surroundings, physical/mental energy

**Consumer Behaviour**

# Funds Access

□ **Primary marketing issues**

    ▫ Methods used by consumers to pay for particular purchases

    ▫ Marketing strategies to increase the probability that consumers can access funds for purchase

□ Another issue is the _effort_ the consumer exerts to obtain the actual funds that are spent or used to repay loans

Aaker, D.A., Kumar, V. and Day, G.S. (2007) Marketing Research (9th edition), Hoboken, New Jersey: Wiley.

**Consumer Behaviour**

# Product Contact

- Three behaviors usually necessary for a purchase to occur

    - Locate the product or brand in the store

    - Physically obtain the product or brand

    - Take the product or brand to the point of exchange

Aaker, D.A., Kumar, V. and Day, G.S. (2007) Marketing Research (9th edition), Hoboken, New Jersey: Wiley.

Consumer Behaviour

# Communication – post purchase

- From consumers to marketers
    - Marketers want at least three types of information from consumers
        - Information about the consumer
        - Names of other potential buyers
        - Information about defective products
- From consumers to consumers
    - A product that is effective and performs well may encourage this behavior

Consumer Behaviour

# Marketing Implications

- Marketing managers need to:
  - Consider carefully precisely <u>behaviors</u> necessary for consumers to purchase, and use particular products and brands
  - Have clear <u>implications</u> for offering products in appropriate outlets/electronic channels
- Marketing strategies and tactics are designed to alter consumer behavior by changing one or more aspects of the <u>environment</u>

Consumer Behaviour