



## **EFFECTIVE AVENUE OF ONLINE AND OFFLINE MARKETING IN CUSTOMER BEHAVIOR**

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**Cite This Article:** K. Umayal Parvathi & Dr. K. G. Selvan, "Effective Avenue of Online and Offline Marketing in Customer Behavior", International Journal of Advanced Trends in Engineering and Technology, Volume 3, Issue 1, Page Number 116-118, 2018.

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### **Abstract:**

Over the past decade, businesses have either integrated or replaced their traditional marketing with digital marketing. For some, however, the question remains: Should offline marketing be abandoned, or does it still hold value in the age of the Internet? The divide between offline and online marketing has even led to companies hiring wholly separate teams to handle print, Web and social media projects. This leads to campaigns that are disconnected and may even directly compete with one another. Businesses must keep in mind that, in the mind of the customer, brand consistency is key. Consumers don't differentiate between marketing channels, so why should businesses? It is common for companies to neglect the connections between offline and online marketing, but an integrated approach is required to achieve a cohesive, successful brand. Organizations have the chance to capitalize on the wide variety of marketing channels available today, both on the Web and in more traditional formats. This article reviews recently published research about consumers in Online and Offline marketing settings. Five themes are identified: (i) consumer digital culture, (ii) responses to digital advertising, (iii) effects of digital environments on consumer behavior, (iv) mobile environments, and (v) online word of mouth (WOM). Collectively these articles shed light from many different angles on how consumers experience, influence, and are influenced by the digital environments in which they are situated as part of their daily lives. Much is still to be understood, and existing knowledge tends to be disproportionately focused on WOM, which is only part of the digital consumer experience. Several directions for future research are advanced to encourage researchers to consider a broader range of phenomena.

### **1. Introduction:**

Using the internet, social media, mobile apps, and other digital communication technologies has become part of billions of people's daily lives. For instance, the current rate of internet use among American adults is about 87% and is closer to 100% for demographic groups such as college-educated and higher-income adults [1]. Younger people-the next generation of mass consumers-have similarly high levels [2]. People also spend increasing time online. The literature is still relatively nascent, however, and more research is of course needed - particularly given the ever-changing nature of the digital/social media/mobile environments in which consumers are situated and interact with brands and each other.

### **2. Research Themes and Findings:**

Five distinct research themes emerge in recent consumer research on digital marketing and social media. The five themes are (i) consumer digital culture, (ii) advertising, (iii) impacts of digital environments, (iv) mobile, and (v) online WOM and reviews. The most popular themes are online WOM, which is covered by almost half of the articles, and advertising, represented by slightly over one-quarter of the articles. I now discuss each theme.

**2.1 Consumer Digital Culture:** Consumer digital culture research considers, quite deeply, the digital environments in which consumers are situated. In a social media setting this essentially means that a blogger (or "influencer") makes recommendations that signal her expertise to others. This is in a specific setting, but has implications for understanding consumers' content-generation behaviors on social media more generally, since signaling positive personal attributes is likely a common motivation for posting certain things on sites like Facebook. Together, these articles make an important conceptual contribution around how we see consumers in a digital world, particularly by implying an expanded conception of what it is to be a consumer in today's digital world.

**2.2 Advertising:** Digital advertising is a major topic in the marketing literature and, with respect to consumer behavior, considers how consumers respond to various aspects of digital ads. A number of recent articles considered behavioral aspects of digital advertising from various perspectives. Tucker [3] found that personalized website ads are more favorably received when consumers have a higher perception of being in control of the personal/private information used for personalization, which directly corresponds to literature on psychological reactance and suggests a theoretical way forward for research into consumer digital privacy, which is lacking.

**2.3 Impacts of Digital Environments:** A still-emerging theme in recent years is how digital/social media environments impact consumer behavior [4-6]. The consequences can be thought of as environment-integral

(i.e., digital environments influence behavior in those environments) or environment-incident (i.e., digital environments influence behavior in other, unrelated environments). It is interesting to see how the various informational and social characteristics of digital/social environments, such as being exposed to other consumers' opinions (e.g., reviews) or choices (e.g., bids in online auctions), or even just to friends' lives through social media, can impact subsequent behaviors.

**2.4 Mobile:** Consumer behavior in mobile settings is also increasingly important, as consumers use mobile devices more frequently. Unrelated to shopping is work by Bart et al. [7] that considered how mobile display ads which are very small and carry very little (if any) information influence consumers' brand attitudes and purchase intentions. They found that in many product categories mobile display ads have no effect, but that they do lift attitudes and intentions for high-involvement, utilitarian products (e.g., financial services).

**2.5 Online WOM and Reviews:** WOM is the most-represented topic in digital and social marketing research, which is unsurprising given the reliance consumers seem to have on socially sourced online information. A number of sub-themes were covered recently. First, an interesting set of articles considered linguistic properties of online WOM and/or reviews, generally showing how perceptions of reviews and how influential they are can depend on subtle language-based properties. Another important topic recently examined is differences between online and offline WOM. Lovett et al. found that online WOM is driven by social and functional brand characteristics whereas offline WOM is driven by emotional brand characteristics. Eisingerich et al. studied differences between transmitting WOM in social media (e.g., on Facebook) versus offline (in person), showing that consumers are less inclined to transmit WOM in social media because of a higher perceived social risk. Finally, other recent articles considered additional online WOM-related issues. For instance, He and Bond considered when online reviews provide good versus bad forecasts of consumer brand enjoyment, finding that the forecast error/discrepancy depends on the degree to which a reviewer's and consumer's preferences are similar. Cascio et al. identified neural correlates of susceptibility to others' opinions in online WOM settings, with susceptibility to social influence being related to brain regions involved with shifting personal preferences and considering others.

### **3. How is the Online Channel Different from the Offline Channel?**

E-commerce technology can affect both the demand and supply fundamentals of markets. On the demand side, e-commerce precludes potential customers from inspecting goods prior to purchase. Further, online sellers tend to be newer firms and therefore may have less brand or reputation capital to signal and/or bond quality. These factors can lead to information asymmetries between buyers and sellers absent from offline purchases. Online sales also involve a delay in consumption when a product must be physically delivered. At the same time, however, e-commerce technologies reduce consumer search costs, making it easier to (virtually) compare different producers' products and prices. On the supply side, e-commerce enables new distribution technologies that can reduce costs along the supply chain, improve service, or both. Both the reduction in consumer search costs and the new distribution technologies combine to change the geography of markets; space can matter less online. Finally, and further combining both sides of the market, online sales face different tax treatment than offline sales. We discuss each of these factors in turn in this section.

**3.1 Asymmetric Information:** Information asymmetries are larger when purchasing online for a few reasons. The most obvious is that the consumer does not have the opportunity to physically examine the good at the point of purchase. This presents a potential lemons problem where unobservably inferior varieties are selected into the market. Another is that because online retailing is relatively new, retailers have less brand capital than established traditional retailers. A related factor is some consumers' concerns about the security of online transactions. Because information asymmetries can lead to market inefficiencies, both buyers and sellers (and particularly those sellers of high-quality goods) have the incentive to structure transactions and form market institutions that alleviate lemons-type problems. Many examples of such efforts on the part of online sellers exist. Firms such as Zappos.com offer free shipping on purchases and returns, making it easier for consumers to in effect make purchase conditional upon an inspection. However, there is a delay between the decision to order and the ability to consume a good that is inherent to online commerce but largely absent in traditional offline channels.

**3.2 Delay between Purchase and Consumption:** While a lot of digital media that is purchased online can be used/consumed almost immediately after purchase (assuming download times are not a factor), online purchases of physical goods typically involve a delivery lag that can range from hours to days and, occasionally, weeks. Furthermore, these delayed-consumption items are the kind of product most likely to have coexisting online and offline outlets, so this lag can be particularly salient when considering the interaction between a market's online and offline channels.

### **4. How E-Commerce Affects Market Outcomes:**

The changes in demand- and supply-side fundamentals that e-commerce brings can foment substantial shifts in market outcomes from their offline-only equilibrium. These include prices, market shares, profitability, and the type of firms operating in the market.

**4.1 Prices:** Perhaps no market outcome has been studied more intensively in the context of online sales activity than prices. Much of the conventional wisdom and some theoretical work (e.g., Bakos (1997) and Goldmanis et. al (2010)) has focused on the potential for e-commerce to reduce prices. Both reduced consumer search costs and lower distribution costs—two of the fundamental mechanisms described in the previous section—can act to reduce prices in online markets. Lower search costs make firms' residual demand curves more elastic, reducing their profit-maximizing prices. Reduced distribution costs directly impact profit-maximizing prices if they reflect changes in marginal (rather than fixed) costs. Certainly, *some* such barriers to substitution exist online. E-commerce markets are not the utterly frictionless commodity-type markets sometimes speculated about early in the internet's commercial life. Often, more than just the product upon which the transaction is centered is being sold. Goods are usually bundled with ancillary services, and the provision of these services might vary across sellers without being explicitly priced. Sellers' brands and reputations might serve as a proxy or signal for the quality of such service provision. Smith and Brynjolfsson (2001) quantify an example of such effects in online book sales. Heavily branded online booksellers like Amazon, Barnes and Noble, and Borders earn an average price premium of around 3.5 percent over their more generic competitors for the same book, presumably reflecting consumers' willingness to pay for ancillary services like faster or more reliable delivery.

**4.2 Other Market Outcomes:** The advent of online sales in a product market is likely to affect more than just prices. Reduced consumer search costs or differential changes in distribution costs across producers can lead to a wave of creative destruction that shifts the fundamental structure of an industry.

### **5. Implications of Online Commerce for Firm Strategy:**

The fundamental effects of opening a concurrent online sales channel in an industry that we discussed in Section 3 can have implications for firms' competitive strategies. These strategy choices can in turn induce and interact with the equilibrium changes we discussed in Section 4. This section reviews some of these strategic factors. A key parameter—perhaps *the* key parameter—that influences firms' strategies toward approaching offline and online markets is the degree of connectedness between online and offline markets for the same product. This connectedness is multidimensional. It includes the demand side: how closely consumers view the two channels as substitutes. It includes the supply side: whether online and offline distribution technologies are complementary. And it includes firms' available strategy spaces: how much leeway firms have in conducting separate strategic trajectories. This is particularly salient as it regards how synchronized a firm's pricing must be across offline and online channels.

### **6. Conclusions:**

The emergence of online channels in a market can bring substantial changes to the market's economic fundamentals and, through these changes, affect outcomes at both the market level and for individual firms. The potential for such shifts has implications in turn for firms' competitive strategies. Incumbent offline sellers and new pure-play online entrants alike must account for the many ways a market's offline and online channels interact when making pricing, investment, entry, and other critical decisions. In conclusion, there has been much recent activity in the consumer behavior/psychology literature related to digital and social media marketing, and many important contributions to knowledge have been made. To move this literature forward, particularly given the fast-moving nature of digital settings, research that attempts to broaden our understandings of key phenomena, examines brand-new phenomena, and develops theories in an area that lacks an established theoretical base will be most valuable.

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