



GENERAL ASSEMBLY WHITE PAPER:
THE CONSUMER DECISION JOURNEY IN THE DIGITAL AGE

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Understanding What Motivates the
Connected Customer





INTRODUCTION

In this modern digital world, companies have found, to their dismay, that the traditional consumer decision model no longer applies. Potential customers have more options than ever before and more information at their fingertips, ready to be accessed instantly. This has shifted the relationship between brands and consumers in ways that are still being felt across all industries. Organizations that can adapt quickly to this new reality will find themselves better positioned to thrive going forward, while those that fail to adapt will put themselves at a distinct disadvantage.



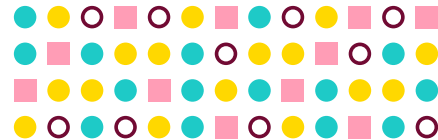


AN OUTDATED MODEL

For decades, businesses visualized a decision model that was linear and funnel-shaped. Companies sought to lead the customer on a straightforward path, slowly helping them pare down their options. The consumer started with total product ignorance, progressed to increased product awareness, and ideally arrived eventually at the decision to purchase.

AWARENESS

*First, initial exposure
to a brand*



FAMILIARITY

*Recognition of brand
through repeat exposure*



CONSIDERATION

*Active consideration
of a brand. Prompted
to take action*



PURCHASE

*Action taken.
Purchase is made*



LOYALTY

*Repeat purchases
are made*

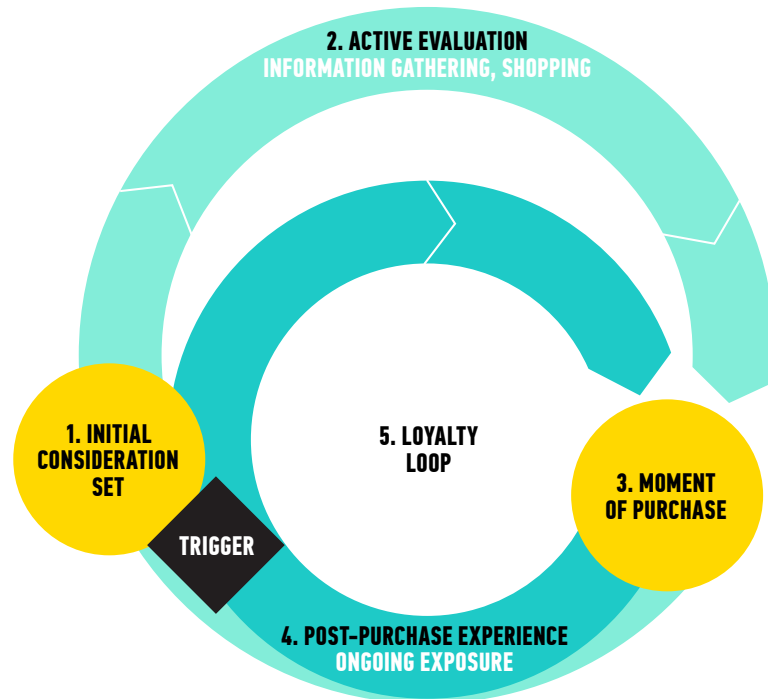


The limitations of this model were obvious. Brands were forced to cast a wide net, spending their advertising dollars to reach the largest number of consumers possible—a costly and inefficient approach. Meanwhile, the customer was also limited, with a relatively narrow stream of information about the product choices available to him and the pesky requirement that any purchases had to be made while physically inside a store during operating hours.



AN UPDATED UNDERSTANDING

Countless outdated paradigms have been irrevocably disrupted by the digital revolution and this old, linear purchase model was no exception. The new diagram—developed by a team of Harvard researchers after studying the behavior of 20,000 consumers—has been completely restructured to account for a highly-connected, hyper-accelerated, multichannel world.



1. *The consumer considers an initial set of brands, based on brand perceptions and exposure to recent touch points.*
2. *Consumers add or subtract brands as they evaluate what they want*
3. *Ultimately, the consumer selects brands at the moment of purchase*
4. *After purchasing a product or service, the consumer builds expectations based on experience to inform the next decision journey*
5. *Ongoing engagement and positive brand experiences trigger repeat purchases and revenue.*

The new model is multi-faceted and non-linear, reflecting a more sophisticated understanding of the interactions consumers have—with brands, peer influencers and their own past experience—while considering a purchase.



Does your company's approach to marketing appeal more to today's modern consumer journey?



BRAND LOYALTY

The model also prominently incorporates a customer loyalty loop, reflecting a truism of the digital age: the sheer volume of information that is bombarding consumers on a daily basis is staggering. (Some estimates have put it at upwards of 5,000 advertisements a day.) The end result is that it's increasingly difficult for companies to break through the clutter.

In this environment, brand loyalty becomes key for repeat revenue. With it being harder than ever to influence consumer behavior and recruit new customers, nurturing relationships with existing customers becomes vital to the bottom line.



How do your company's marketing efforts encourage brand loyalty and repeat revenue?

WHAT THIS MEANS FOR YOU

In order to achieve success with this re-imagined consumer decision journey, executives must understand how customers behave in today's digital world. Savvy decision-makers know that a traditional, wide-net, one-size-fits-all campaign is often no longer sufficient—the times call for a more holistic approach.





THE FOUR TRAITS OF THE CONNECTED CONSUMER

This white paper will identify and explore four key traits that the modern, digitally-inclined customer exhibits and give concrete examples as to how other companies have successfully leveraged these traits to move consumers toward the purchase decision.

1 DEPENDENCE ON ONLINE REVIEWS & RECOMMENDATIONS

Do you know someone who won't even consider eating at a restaurant until she's consulted the Yelp rating? Won't book a hotel until he's scoured reviews on TripAdvisor? Can't commit to a \$10 iPhone case unless it has at least 4 Amazon stars? The truly connected customer won't even buy a sandwich—let alone make a major purchase like a car or a computer—without consulting the vast online ecosystem of peer reviews and recommendations.

2 DESIRE FOR ADDITIONAL BRAND CONTENT

Customers expect more out of their brands today. More information about the product is just a starting point—the bare minimum. Keeping consumers engaged now leads companies to offer content as diverse and wide ranging as viral videos, iPhone games, interactive Twitter contests and behind-the-scenes Instagram feeds.

3 CONSTANT CONNECTION VIA MOBILE

The ubiquity of smartphones and the rise of always-on, lightning-fast data connections means that marketers are no longer limited by time or location when it comes to reaching potential customers. Challenges remain, however, as consumers, despite their willingness to share every aspect of their life on social media, are becoming ever more guarded of their privacy and may resent what they see as “intrusions” by commercial interests.

4 EXPECTATION OF ONGOING DIALOGUE IN CUSTOMER RELATIONSHIPS

The old way of marketing was a one way street. Brands put out their message and the consumer either accepted it or not. Now, like everything else in the digital age, it's no longer that simple. Marketers today are expected to engage in a two way conversation with customers on every level, hopefully with results that are mutually beneficial for both parties.



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“If you make customers unhappy in the physical world, they might each tell six friends. If you make customers unhappy on the Internet, they can each tell 6,000.”

— Jeff Bezos

1 DEPENDENCE ON ONLINE REVIEWS & RECOMMENDATIONS

While the connected consumer isn't exactly immune to traditional marketing, she's at the very least resistant to it. It's an unintended consequence of the digital age. When every website, Twitter feed, and Pandora station is plastered with ads, potential customers simply get better and better at tuning marketing messages out.

PUSHING VS. PULLING

With the effectiveness of active marketing—“pushing”—diminished, consumers resort to seeking out brand information themselves. This “pulling” can take many forms, but one of the most common is reading online reviews and recommendations. Coming from third parties, these sources are perceived as being more authentic and truthful. According to a Nielsen study, a whopping 92% of consumers say that they trust peer reviews and recommendations (what the researchers call “earned media”) more than any other form of advertising.

This effect is especially prominent in social media. A recent survey by the social marketing firm CrowdTap discovered that the leading driver of holiday gift purchases was recommendations from friends on Twitter and Facebook. Twenty-five percent of respondents cited their friends on those two sites as their top influence. (Compared with only 14% for TV ads, 8% for magazine ads and 2% for website banners.)

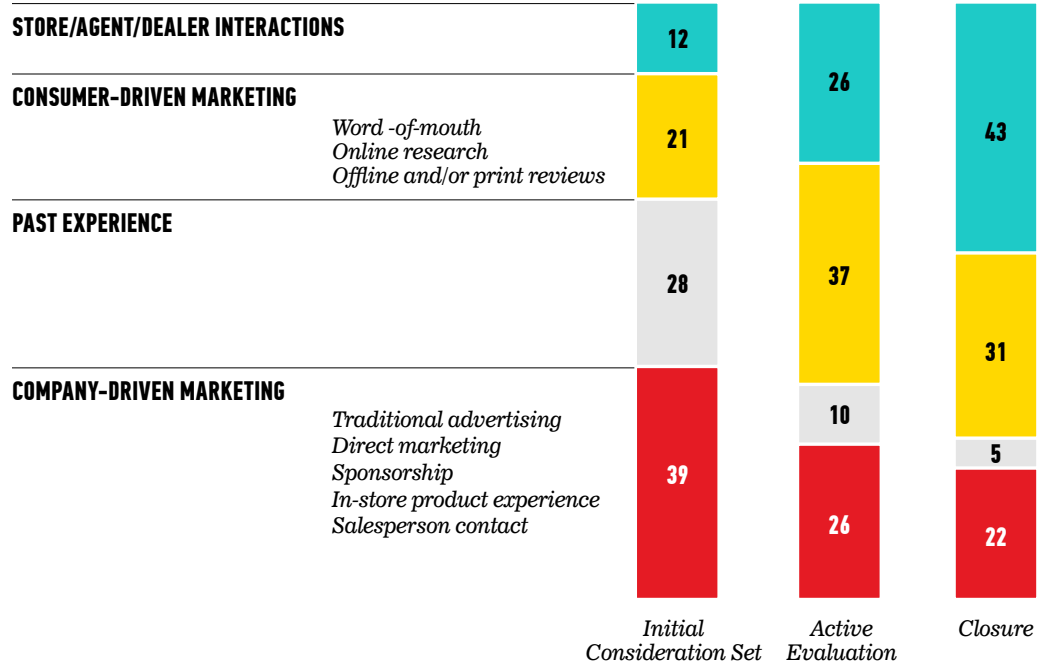
PEERS AND THE DECISION JOURNEY

A McKinsey study found that peer recommendations play an essential role in the decision journey. Along with online research, and even offline written material and word-of-mouth, this consumer-driven marketing is present throughout the process, but becomes especially important during the “active consideration” portion of the journey.

(Another point of interest in this graph—notice the steadily waning influence of company-driven marketing as the process moves forward.)



1 DEPENDENCE ON ONLINE REVIEWS & RECOMMENDATIONS CONTINUED



Source: McKinsey & Company, *The Consumer Decision Journey*, 2014

Research conducted on German, Japanese, and US consumers from the following sectors: auto, auto insurance, skincare, TV, and telecom handset & carrier.



Do your marketing campaigns encourage customers to spread the word and post positive reviews of your business?

TWITTER: CASE STUDY

Founded in 2000, the travel review website TripAdvisor was one of the first on the scene with user-generated content, a vanguard of the Web 2.0 wave. Today the site boasts 260 million unique visitors a month with over 150 million reviews of restaurants, hotels, and attractions. The site is so ubiquitous and influential that anecdotes abound of business owners that have resorted to offering discounts and gifts to customers who promise to leave positive reviews on the site. Negative reviews are considered so detrimental to business that TripAdvisor has been sued repeatedly by establishments that were unhappy with their ranking.



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“The key is to set realistic customer expectations, and then not to just meet them, but to exceed them—preferably in unexpected and helpful ways... deliberately move your customers’ expectations up a few notches and consistently over-deliver on your promises—you will leave your competitors struggling to catch up.”

– *Sir Richard Branson, Founder, Virgin Group*

2 DESIRE FOR ADDITIONAL BRAND CONTENT

Consumer savviness has grown exponentially with the rise of digital. Potential customers are more well-informed than ever before and are increasingly comfortable seeking out that information on their own instead of waiting for a marketer to deliver it to them.

With consumers doing all the extra leg work, they’ve come to expect the same level of effort from the brands they engage with, demanding access to troves of useful information in order to facilitate their purchasing decision.

Leaders at some of the most dynamic companies are finding it benefits them to provide not only the additional product information but also any content that will keep the customer entertained and engaged with the brand.

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What type of unique, engaging content does your brand provide to consumers?

ZAPPOS: CASE STUDY

Online shoe retailer Zappos is renowned for their lightning-fast shipping and best-in-class customer service, but they’re also notable for the sheer amount of website content available to their customers. Each shoe is photographed from seven different angles, including the bottom of the soles. Most of the product pages include a slickly-produced video with a Zappos staffer extolling the shoe’s virtues. And user reviews, good or bad, are prominently featured on every product page.

2 DESIRE FOR ADDITIONAL BRAND CONTENT CONTINUED

Beyond information about the product, the Zappos homepage hosts engaging content like shoe giveaway sweepstakes, trend-spotting videos, behind-the-scenes company photos and a Pinterest-like fashion board called GLANCE. The strategy is to keep customers engaged, even without directly urging them to buy all the time, hoping that the value-added content will translate into brand loyalty and eventually turn into sales.

CHIPOTLE: CASE STUDY

In fall 2013, the Mexican fast-casual chain Chipotle released an ad called “The Scarecrow.” It was a short, beautifully-animated film showing the title character unhappily working for a giant factory farm conglomerate. He watches sadly as other employees mistreat animals, caging them and pumping them full of chemicals. By the end of the piece the hero decides to cook using fresh ingredients from his own small farm. The three-minute long spot contained minimal branding from the company—just a logo at the very end.

The video quickly went viral, racking up millions of YouTube hits and glowing writeups from major media outlets, praising it as innovative and comparing it favorably to a Pixar film. Chipotle also released complementary iPhone and iPad games, featuring the Scarecrow battling his way through the sinister factory. The games, which, like the video, had minimal Chipotle branding, quickly rose to the top of the iTunes store.

It cannot be overstated how much of a marketing coup Chipotle pulled off with The Scarecrow. They were able to simultaneously entertain and engage potential customers while reinforcing the brand’s iconoclastic image (“we are against unsustainable farming” and “our food is fresher than everyone else’s”) in a subtle, non-pedantic way.

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“People don’t leave their phones more than 5 feet away from them at any point in the day. There is more access to the Internet on mobile devices than the PC, globally. The mobile device has become our communications hub, our diary, our entertainment portal, our primary source of media consumption, our wallet and our gateway to real-time information tailored to our needs. The revolution is now!”

— *Nihal Mehta*



3 CONSTANT CONNECTION VIA MOBILE

The pre-digital age put constraints on companies, ensuring that they'd only be able to reach customers at specific times and locations, during certain activities: reading the paper in the morning, or listening to the radio during the drive to work, or in front of the TV at night. The proliferation of always-on mobile connections has torn down that barrier, making it possible for brands to contact consumers at any time, no matter where they are or what they're doing, via social media, email, text messages or apps.

Americans are more and more connected to and dependent on mobile devices. 63% of mobile phone owners report using their phones to go online in 2013; of that group, a full one-third said that the phone was the only device they used to access the internet. In 2013, many websites—including behemoths like Facebook and ESPN—saw mobile traffic (smartphones and tablets) surpass desktop traffic. Worldwide, there are currently 6.8 billion mobile phones in use, almost as many devices as there are people on the planet. Accordingly, data use is growing at an exponential rate, with the amount almost quadrupling between Q4 2012 and Q4 2013:

More relevant to our concerns, mobile phones are increasingly involved in purchases, at all stages of the buying process:

Research: According to a recent survey, 81% of smartphone users have done product research from their mobile device, often while shopping at the brick-and-mortar store.

Purchase: At least 50% of smartphone users say they have used their device to make a purchase within the past year.

Feedback: If a connected customer has an unsatisfactory product or service experience, they won't wait until they get home to sound off about it on social media—they'll use their mobile device to report it in real time. (On average, 18% of smartphone time is spent on Facebook, with an additional 6% of time going to other social media apps. The only phone activity more popular is gaming.)



Is your business currently up to speed
in the mobile age and optimized for a
wide range of devices ?



3 CONSTANT CONNECTION VIA MOBILE CONTINUED

WALGREENS: CASE STUDY

One of the most innovative companies in the mobile realm isn't, as you'd expect, a small startup—it's a giant chain that was founded in 1901. Walgreens may seem an unlikely candidate to be delivering a best-in-class mobile experience, yet its phone and tablet app sits near the top of the charts in both the iTunes store and the Google Play (Android) market, with solid 4.5 and 4.3 ratings, respectively. It won "Best Retail App" at the 2013 SXSW, a venue not known for being particularly receptive stodgy legacy corporations.

WALGREENS: WHAT ARE THEY DOING RIGHT?

While other retailers might be content to have a bare-bones app, with a store locator and not much else, Walgreens set out to make an app that's loaded with features, including:

- » Refilling prescriptions remotely by "scanning" the pill bottle barcode with your phone's camera
- » Reminder feature that alerts the user when it's time to take a pill or refill the prescription
- » Print photos directly from the phone straight to a nearby Walgreens
- » Paperless coupons sent directly to the phone
- » On-screen rewards card that's scannable at the register
- » Ability to create shopping lists, which then show the user an in-store map locating the product on a specific aisle and shelf
- » Fitness tracker with the ability to tie in with third-party odometers, (Fitbit, Nike, etc.) then give store-redeemable reward points based on physical activity

WALGREENS: MOBILE ENGAGEMENT LEADS TO INCREASED PROFITS

Walgreens, through their flagship app and mobile-friendly website, have seen increased customer loyalty and spending. According to an in-house study by the company: "...customers who engage with Walgreens in person, online and via mobile apps spend six times more than those who only visit stores. Even those who just use the apps before visiting stores and not Walgreens websites generate four times the sales than store-only customers."

WALGREENS: HOLISTIC MOBILE ENGAGEMENT

The app alone isn't enough, of course. Walgreens has built on the app's success by putting in place a crack mobile and social media team, ensuring that the customer goodwill engendered by the app isn't squandered by an inept Facebook or Twitter response. The connected digital age customer expects this sort of seamless, firing-on-all-cylinders experience when he engages with a brand.



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“Spend a lot of time talking to customers face to face. You’d be amazed how many companies don’t listen to their customers.”

—Ross Perot

4 EXPECTATION OF ONGOING DIALOGUE IN CUSTOMER RELATIONSHIPS

The dynamic between consumers and companies has changed. What was formerly assumed to be a one-time, one-way transaction is now expected to be an ongoing relationship with a back-and-forth dialogue. The modern customer expects that when he engages with a brand, the brand will engage him right back.

As companies interact with their customers—offering them content, communicating on social media, compiling their purchase history—they’ll inevitably learn more about them over time. This is, of course, valuable information to have. And it’s not only beneficial to the brand, but can be beneficial to the consumer as well. The more the company knows about the customer, the more they can tailor their offers and promotions to that customer’s personal preferences. When it’s done well, that can make both sides happy. The marketer isn’t wasting time and resources with poorly-targeted ads and the customer is receiving incentives and opportunities that he’s actually interested in.

With modern sophisticated data-gathering techniques, companies don’t even need to wait for the consumer to make an initial purchase before engaging them. Marketers can scour public records, internet archives and social media accounts and reach out to customers preemptively. (i.e. Someone who tweets about their cat ten times a week might be a prime prospect for a pet food retailer, and so on.)

AMAZON.COM: CASE STUDY

The undisputed king of this kind of targeted customer engagement is Amazon.com. With reams of precise data about customer behavior, purchases and demographics, Amazon is the envy of every retailer in the world.

Through its Prime program, the company has a powerful data-gathering and loyalty-inspiring mechanism. For \$99 a year, Amazon offers free expedited shipping on every purchase and a subscription to a Netflix-like video streaming service. But that’s not even the most brilliant part: Amazon offers Prime to college students free for six months (and 50% off thereafter). This customer engagement helps the retailer gain and retain the loyalty of a potentially-lucrative demographic.

4 EXPECTATION OF ONGOING DIALOGUE IN CUSTOMER RELATIONSHIPS CONTINUED

In the same vein, Amazon Mom is a program for new mothers, offering 20% off diapers, wipes, and other household items that a growing family might need. In exchange for this, all Amazon asks for is that the mother register for the program with basic information about the child (name, date of birth, etc.). It seems like a no-brainer, and a great deal for the customer. It's also a relatively pain-free way for Amazon to not only lock in customers but to also start gathering demographic information on the next generation of consumers.

AMAZON.COM: THE PITFALLS

One thing brands should be wary about: data gathering can quickly cross the line from benign and beneficial to creepy. Consumers like when businesses anticipate their needs, but only to a certain point, as this next company found out the hard way.

TARGET: CASE STUDY

The following anecdote appeared in the New York Times Sunday Magazine in February 2012:

“...a man walked into a Target outside Minneapolis and demanded to see the manager. He was clutching coupons that had been sent to his daughter, and he was angry... “My daughter got this in the mail!” he said. “She’s still in high school, and you’re sending her coupons for baby clothes and cribs? Are you trying to encourage her to get pregnant?” ... [The mailer] was addressed to the man’s daughter and contained advertisements for maternity clothing, nursery furniture and pictures of smiling infants. The manager apologized and then called a few days later to apologize again. On the phone, though, the father was somewhat abashed. “I had a talk with my daughter,” he said. “It turns out there’s been some activities in my house I haven’t been completely aware of. She’s due in August. I owe you an apology.”

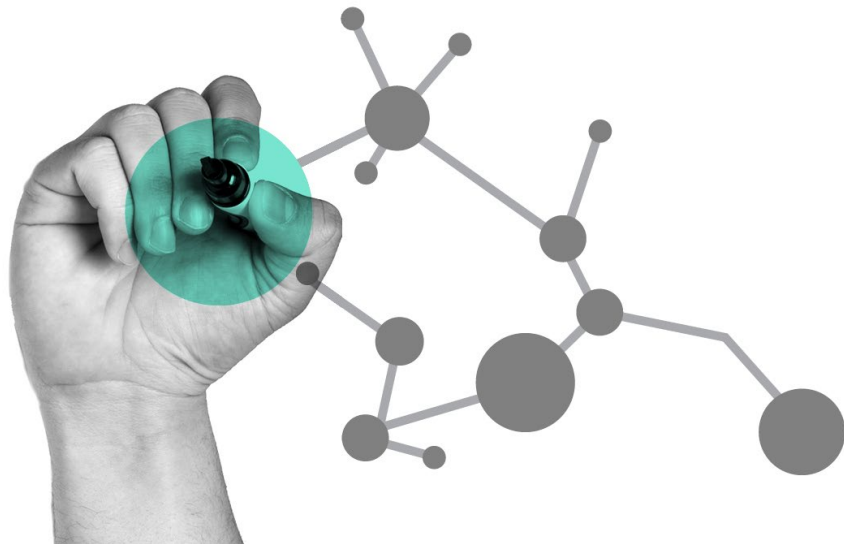
The story made the cover of the magazine and quickly went viral, getting picked up by hundreds of other media outlets. The coverage was mostly negative, with some accusing the retail giant of violating the privacy of its customers.

TARGET: WHAT WENT WRONG?

Target’s Guest Marketing Analytics department has a very sophisticated program. They track every customer that uses a credit card in their stores or online. They used this data to generate algorithms, based on a customer’s purchase history, that were able to predict major life events (marriages, divorces, births, moves, etc.) with an astonishing degree of accuracy, sometimes months in advance.

4 EXPECTATION OF ONGOING DIALOGUE IN CUSTOMER RELATIONSHIPS CONTINUED

In the case of the teen girl in Minneapolis, the algorithm had noticed that she was buying certain products that the Analytics team had determined were closely correlated with early pregnancy: unscented lotion, dietary supplements, extra-large bags of cotton balls, and so on. The algorithm, deciding that there was a high probability the girl was pregnant, mailed her customized maternity coupons to entice her into the store, leading to an unwelcome surprise for her father and national embarrassment for the retailer.





CONCLUSION

The upheaval caused by the digital revolution is still roiling markets, and will likely continue to do so for many years to come. Those who lead companies through these turbulent times are in truly uncharted territory.

While executives can't anticipate every twist and turn that the future may bring, they can rest assured that they're arming themselves with the most up-to-date thinking on selling to this new breed of customer. The consumer decision model that we outline here reflects the latest understanding of the psychology and influences that go into the purchase process.

As you may have gathered, the modern, connected customer is much more discerning and well-informed. She is willing to work harder, to put more thought into her decision, and she expects the same level of effort from the brand that she chooses to engage with. But the upside of the customer that sweats the process is that they don't come to a decision lightly, and they're likely to stick with it. If companies are willing to work for it, they could gain a customer for life.



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