



A STUDY ON THE CONSUMER'S PERSPECTIVE ON BEHAVIORAL TARGETING

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1. INTRODUCTION

Behavioral targeting involves the collection of information about a consumer's online activities in order to deliver advertising targeted to their potential upcoming purchases. Behavioral targeting is conducted by companies generically identified as advertising networks. By observing the Web activities of millions of consumers, advertising networks can closely match advertising to potential customers. Data collected includes type of web sites one visits, how long they stay there, what pages they view, and where they go next. The typical data gathered does not include your name, address, email address, phone number and so forth. In this sense, the data collected is "anonymous." However, the clear intent of behavioral targeting is to track consumers over time, to build up digital dossiers of their interests and shopping activities. Even though names are not collected, these companies do continually try to tag consumers with a unique identifier used to aggregate their web activity. The most well known method for tagging consumers is with cookies, although methods such as Web beacons and Flash cookies are actively used.

A consumer searches for flights from Washington, DC shops online for airline tickets to New York City, but doesn't make any purchases yet. Then subsequently visits the web site of the local newspaper, where a targeted ad offering flights between Washington, DC and New York City is seen. While the consumer has not been identified by name, the interest in airline tickets has been noted, both by placing a cookie on the consumer's computer collecting and logging their airline shopping behavior.

There are potential increases in sales revenue and profits inherent in tailoring offers and prices to the buyer's behavior. At its core, market segmentation and target marketing are all about this kind of differential treatment of a broad market (Wasserman T, 2007). The technology to do behavioral targeting and targeting has only enhanced that ability to experiment, and in many cases, made it more economical to do so. For instance, an online marketer might offer a set of prices randomly to shoppers visiting the site to estimate the demand curve to the product. It is an axiom of direct marketing that investment in the first transaction, to obtain a new customer, typically has long-time benefits in terms of the lifetime value of the customer. (Feinberg FM, 2002). The existing customers must be distinguished from newcomers, but with this policy, the existing customers get the special deals, prices, or incentives. The offers and prices may be conditioned on how frequently the customer purchases, the volume of purchases, the duration of patronage, even the period of time since the last purchase, in order to win back inactive former buyers. (Cassidy M, 2007).



Tracking technology allows online merchants to identify visitors to the site who come directly from online product search and price comparison sites or shopping bots. (Chen Y, 2004). Some online marketers believe such customers are likely to be more price sensitive than those who come to the site directly or from other sites. Thus, they may offer such visitors, and especially the first time visitors, price discounts, special deals or incentives. Bombarded with ads and other messages, most consumers open only a small proportion of the email they receive. They respond to an even smaller fraction of offers. E-commerce merchants who track the behavior of visitors to their sites can and sometimes do use this data to target emailing. Recipients who are addressed by name or offered products or services related to previous purchases or to goods they have examined on the sender's website are more likely to respond than those who receive "blind" mailings. (Kocsis J, 2005).

Merchants who track consumer behavior at their sites may record what items are left in abandon shopping carts. The assumption is that such shoppers were close to making a purchase and then changed their minds. Perhaps a discount or other incentive, such as free shipping would push them over the edge, resulting in successful conversion. If the merchant has or can obtain the shopper's email address, this kind of "second offer" can be provided, containing a link to the site and even the specific page listing the product of interest to the shopper. (Cassidy M, 2007). Although behavioral targeting gives a wide list of benefits to the online sellers, it is essential for the marketer to understand the perceptions and reactions of the consumers towards this technology.

According to Federal Trade Commission the overview of the Consumers reactions provides insights into the perceptions and reactions of the people from the U.S.A towards the technology behavioral targeting. However there are limited researches on the consumer's perspective on behavioral targeting in Indian context with respect to Indian customers. With the growing number of online shoppers in India, it throws a great opportunity for the marketers to use behavioral targeting to gain more benefit in target sales. Hence this study is to understand the perspective of Indian consumers towards behavioral targeting.

1.1 Aim:

This research aims to study the Consumer's Perspective on Behavioral Targeting.

1.2 Objectives:

- To evaluate the awareness level of Behavioral Targeting among Youth.
- To determine the online shopping behavior of the Consumers.
- To identify various Behavioral Targeting strategies and to determine consumer's security measures.

2. BACKGROUND AND RELATED WORK

Behavioral targeting is a relatively new phenomenon. One related stream of literature is the studies on traditional targeted advertising. (Gal-Or et al. 2006) The most relevant work is by Pamela L, 2010 in USA. The author reported, "Sixty-four percent of American adults who have used the internet recently do not know it is legal



for “an online store to charge different people different prices at the same time of day.” The same study indicated, “Seventy-six percent agree that “it would bother me to learn that other people pay less than I do for the same products.”

Another seemingly relevant work is by Turow. In 2003, Turow found that when offered a choice between paying for their favorite website with cash or with their personal information, over half of respondents said they would rather stop using the site all together. Microsoft has been involved with behavioral advertising for years, and their adoption of Platform for Privacy Preferences Project (P3P) in Internet Explorer changed the third-party cookie landscape. Yet the Wall Street Journal reported that Microsoft re-designed Internet Explorer 8 specifically to enable third party tracking for business reasons.

In 2007, Jupiter Research conducted a study, which found behavioral targeting Converts at a significantly higher rate than contextual advertising (Leggatt, 2007). In theory, this allows marketers to show and pay for fewer ad impressions, while enjoying a higher click through- rate as well as a higher conversion rate. Additionally, the Jupiter Research study showed those that are more receptive to behavioral advertisements generally have a higher income, shop more frequently online and spend more money online in comparison to those that are contextually receptive (Leggatt, 2007). This effective targeting leads to less wasted efforts towards a higher value audience and in turn reduces overall marketing costs.

In another relevant literature in 2009, TRUSTe found that even if it “cannot be tied to their name or other personal information,” only 28% of Internet users would feel comfortable with advertisers using web browsing history, and 35% believe their privacy has been invaded in the past year due to information on the Internet.

At a Federal Trade Commission public hearing in late 2007 Direct Marketing Association President John Greco stipulated, “We need to determine from what we want to protect consumers beyond the areas upon which everyone agrees.” It highlights the fact that public concerns regarding ecommerce constitute a package of beliefs, preferences and fears.

A relevant literature on how Google has set boundaries on what categories advertisers can target, such as health status interest Categories or interest categories geared towards children was written by Wong, 2009. The author concludes with suggestion of how consumers who do not want the tailored advertising will have to opt-out of the system, which is achieved by obtaining an “opt-out cookie” through Google’s Ad Preferences Manager (Wong, 2009). Unfortunately, it is too early to tell if these preemptive steps will help Google more successfully implement the ad program.

In 2008, online behavioral tracking company NebuAd announced plans to pay Internet service providers for the right to track users’ Web site visits and searches (Singel, 2008). The agency engaged in Deep Packet Inspection, which is the act of inserting Internet packets to record a users URLs and search terms in order to classify each user’s interests and tailor advertisements based on those interests. This led to privacy advocates such as Public Knowledge and Free Press to object to the plan



because NebuAd did not receive consent from users (Singel, 2008). These concerns led to the House Subcommittee on Telecommunications and the Internet to look further into NebuAd, which evoked Charter to end their partnership with the agency in order to avoid negative publicity (Singel, 2008). In November 2008, a class action lawsuit alleges NebuAd of violating the Electronic Communications Privacy Act, Computer Fraud and Abuse Act, California's Invasion of Privacy Act and California's Computer Crime Law. Since the lawsuit NebuAd has ceased the use of Deep Packet Inspections (Singel, 2008).

The overview of the above literature provides insights into the privacy concerns of the consumers by the consumers themselves and the government. An important question is awareness by consumers, as to their exposure and susceptibility to behavioral targeting. However there is limited available in the Indian context with relevance to the consumer shopping behaviour and their awareness on behavioural targeting. There is still much research to be done on how consumers impact the acceptance of online behavioral targeting with respect to Indian market and Indian Consumers.

3. RESEARCH METHODS

A research design can be analytic or descriptive. The research design used in the study is the descriptive type. The researcher adopted survey methodology to study the Consumer's Perspective on Behavioral Targeting.

A random sample is one chosen by a method involving an unpredictable component. A population of 100 random samples was used. After collecting the survey results, the researcher interpreted the results.

3.1 FINDINGS

The respondents included 72 male consumers and 28 female consumers. Out of the total respondents 43% were students and 6% were self-employed, 1% home maker, 48% employed and 2% unemployed.

3.1.1 Consumer Shopping Behavior

Books and gadgets are being shopped more than the other products available online. Flip kart scores the top position where in respondents usually purchase, followed by eBay. Almost 87% of respondents compare between one or more websites before buying. Taken together, the results regarding online shopping behavior by respondents indicates that majority of the buyers are involved with what might be viewed as fairly typical actions by experienced online buyers using search engines, checking several sites and reading reviews and then comparing. Only 44% of respondents shop always from their favorite online shopping site.

57% of respondents have left a shopping site without making a purchase but came back again to the same website. A majority of the respondents sometimes add products to the shopping cart and abandon the shopping cart without purchasing. 49% of respondents rarely click on the ads they received in their mails, whereas 21% of



respondents never click on those ads and 20% clicks those ads sometimes. 60% of the respondents are ready to accept if a website put the ads on their sites they view based upon their behavior or what they surf online.

3.1.2 Consumer Awareness

The survey was designed to reveal, what consumers know or are aware about the practices that the online marketers use in the form of behavioral tracking and use that data in targeting of offers and pricing. 56% of respondents are aware that the online marketers can retrieve information about them and what they had in their shopping cart, whereas 42% are not sure about this and only 2% have denied statement. 71% of the respondents are aware that an online marketer can save the information about the buyers who purchase online, whereas 25% are not sure about this and 4% have denied this statement. The results when summarized highlighted the ignorance on the youth's part towards these practices. Most of the consumers are unaware of the fact that the online marketers track them down using cookies. 47% of respondents are not sure whether the online marketer uses cookies to track them, whereas 40% of respondents are aware of the statement and 13% have denied the fact. 63% of respondents have noticed the ads of the products or the websites which they have recently visited, whereas 21% don't remember those ads and 10% have not seen any ads. This revealed that most of the respondents are unaware that the targeted ads repeatedly appear based on their shopping behaviour.

Only 31% of the total respondents have clicked those ads and where as 69% have ignored those ads. 65% have found the targeted ads are annoying to them. Thus a majority of the respondents do not like targeted ads. 50% of respondents are not sure whether the online marketer offers low prices to the shoppers who previously visited but left the site without buying and only 11% of respondents agreed the statement whereas 39% denied the statement. Beyond knowing what online marketers are learning about their shoppers and consumers, the consumer must know why the data are being sought and recorded.

3.1.3 Consumer Opinion

81% of respondents agree that a law should be implemented on the online marketers for collecting and saving information about the shoppers. Also 82% of the respondents say the online marketer should be prohibited for trading and selling the information about the shoppers, without their permission. Over half of the respondents thought it is illegal and there should be strict laws against these online marketers for invading their privacy.

85% of respondents would be upset when the other shoppers got better offers for the same product they bought and when they found this 47% of respondents have said that they won't return to the charging different prices. 67% of respondents want the online marketers to offer better prices to the loyal customers than to the first time buyers. While a less proportion of consumers appear to be aware of practices associated with online tracking and different pricing, almost all of them do not like behavioral advertising.



38% of respondents have agreed that shopping online is much more risky than shopping in a conventional retail store and only 27% have denied the statement and 36 % are not sure. Compared to shopping at a conventional retail store, respondents found online shopping easier but also more risky. The nature of their perceived risk seems to be in regard to information privacy. Only 38% of the respondents have agreed the statement that the online shoppers can protect their privacy by deleting their browser cookies after each session, where 51% of respondents are not sure about this and 11% of respondents have denied the statement.

4. CONCLUSION & SUGGESTIONS

The study provided evidence of profound ignorance on the public's part towards the practices undertaken by the marketer to track the shopping behaviour and target the audience. Moreover, through the study, the researcher learnt that majority of the public believed that the online marketer should be prohibited for trading and selling the information about the shoppers, without their permission. It is the online marketers and their industry organizations responsibility to take the initiative in informing and persuading their publics about the benefits this kind of behavioural targeting has for those being targeted to get better co-operation from the consumers.

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