

Psycho-Analytical Considerations in Internet Marketing – Focusing on Human Needs and Personal Trust

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Abstract: Purchase decisions are complex processes that follow economic, psychological and consumer behaviour models. These processes have been largely explored and subsequent marketing strategies have been derived from them. Selling products and services over the Internet complicates the process introducing a technical intermediary into this system.

To facilitate a maximum of transactions initiated via the Internet means understanding the purchase decision process and optimally adjusting the Internet marketing approach accordingly. The areas of human needs and trust have been identified as two substantial determinants within this environment. On the one hand the topic of needs addresses a classical decision factor; on the other hand trust describes a media-specific aspect.

The discussion paper illustrates the two determinants from an Internet marketing perspective and how established structures and concepts from conventional psychology or marketing can be adapted in an Internet marketing approach. Furthermore two surveys provide insight about the behaviour of the models in the new environment.

1 Introduction

The Internet created a ubiquitous platform for profit organisations to promote, sell and procure products and services. A comprehensive structure on how to use this platform as a strategic sales channel – providing value over the complete product life-cycle – has not yet been fully established [Mc08, Ec09]. In this environment the perception of the strategic relevance of the Internet for a profit organisation remains coined by fragmented individual success-stories and disastrous failures [Ch09].

Similarly consumers approach the Internet with different perceptions. Based on increasingly sophisticated security mechanisms on the one hand, but also continuous publicity about and experience with fraud on the other hand, users remain cautious about their level of engagement with the media. Appreciating this caution offers a broad spectrum of potential competitive advantage and subsequent business growth [Ch09]. Exploiting this potential requires the conscious integration of psychological processes and human purchase behaviour in the design of the technical platform.

Considering the aspects of human needs and personal trust as major psychological facilitators of Internet transactions, the two determinants are a central part of the marketing approach [Ti07]. The objective of this paper is to establish the awareness of those two determinants and to provide clear guidance on how to design a corresponding Internet marketing strategy based on accepted principles of other research disciplines.

2 Purchase decisions in an Internet environment

The purchase decision process of a consumer is a cognitive selection of a specific action among multiple alternatives. The process follows economic, psychological and consumer behaviour models and is highly biased (e.g. selective search, perception and premature termination of search for evidence, inertia, recency or anchoring). “The assumption of a perfectly rational economic factor is unrealistic. Often we are influenced by emotional and non-rational considerations” [Si47].

The purchase decision making process can be structured in 5 steps [Tu08]: 1. Need recognition or problem awareness, 2. Information search, 3. Evaluation of alternatives, 4. Purchase and 5. post-purchase evaluation. The Internet enables the consumer to experience a much more convenient (products and services can be purchased any time from anywhere and are delivered to any target destination) as well as informed (information about products and services can be analysed, compared and neutral feedback can be reviewed) purchasing process [Ke99, Ba98]. Unfortunately this comfort is diluted by a high degree of anxiousness and distrust as to the consequences of the decision process. During every purchase decision process the consumer is influenced by certain conscious and unconscious factors that shape his opinion. As illustrated above one of the primary conscious factors is the underlying need for the undertaken product search. How to optimally design a website according to the need of the promoted products and services on this site is illustrated below. The aspect of trust is one of the unconscious factors and plays a major role in Internet marketing due to the characteristics of the technical intermediary platform.

3 Need-oriented Web design

Understanding the human needs and how to position the marketed products and services accordingly is a key function to determine a successful marketing strategy. Applying this function in the Internet environment means to create a Web design that positively influences the psychological aspects of the decision process. This section describes the most prominent approach for the description of human needs in general as well as how to classify products and services into the proposed structure. Based on this a corresponding Web design is suggested and illustrated on two examples.

3.1 Maslow’s classical concept of human needs

Every human desire to purchase a product or service is based on a certain need. The most established concept of needs is structured in the model of Maslow, called pyramid of

needs (however, while this model is intuitively appealing, it has been difficult to operationalise it experimentally. It was further developed by Alderfer [Al80]. An alternative model “why people shop” is illustrated by Wilkie [Wi86]). From a marketing perspective it has to be targeted to perfectly align the illustration of the products and services (e.g. components, price, packaging, distribution channels) with the needs that they must satisfy. This alignment requires a sensible understanding of underlying human needs. Figure 1 below illustrates the pyramid of Maslow describing the 5 levels or hierarchy of needs:

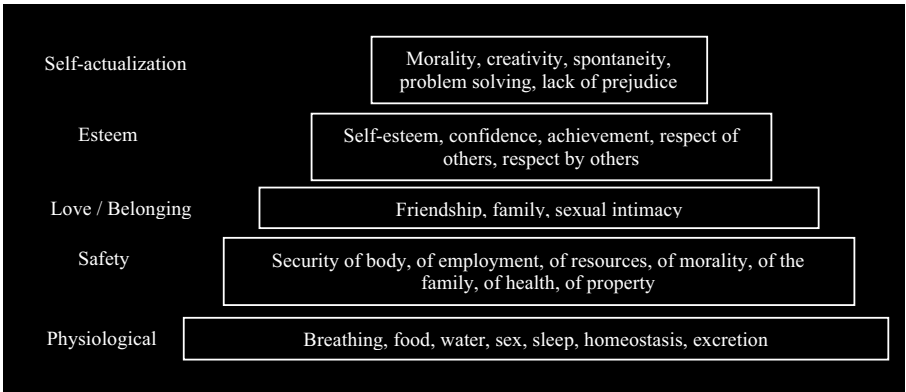


Figure 1: Maslow’s hierarchy of needs [Ma43]

Based on this simple hierarchy model products and services can be allocated to a specific level. Some selected examples are illustrated in the table below:

Product / Service	Level
Butter, Bread, socks	Physiological need
Insurance, Helmet, toothpaste	Safety need
Travel, Sofa, kitchenware	Love/Belonging
Chanel Bag, Jewellery, Cars	Esteem need
Donations, arts, cultural activities	Self-actualisation

Table 1: Product/Services and Maslow’s layer

Products in different layers of the pyramid require different marketing approaches. For example the marketing mix of a Chanel bag (esteem need) is significantly different than for butter, socks or other products satisfying physiological needs.

3.2 Applying Maslow's model to Internet design

The spectrum of products and services generally offered in the Internet covers all levels of Maslow's pyramid. Many websites also have to promote products and services from different levels via one central site. Trying to identify the right Internet marketing strategy for a website is therefore a task that goes far beyond technical understanding and artistic Web design. Based on the identification of the specific need behind the purchase decision the website can be designed accordingly.

Products and services at the bottom of the pyramid are very price sensitive while the ones on the top are determined by how they satisfy and appreciate the specific need or desire [LU08, HMY09]. When translating this understanding into Internet marketing, products and services at the bottom of Maslow's pyramid have to focus on the pricing as well as the physiological or safety need in terms of illustration and information. Products and services on the top of the pyramid require a sophisticated, attractive and appealing design to attract the desire of potential customers. The ones on the bottom have to focus on the price in terms of the complete product illustration on the websites. The figure below illustrates this correlation of the pyramid of needs and the two main decision factors:

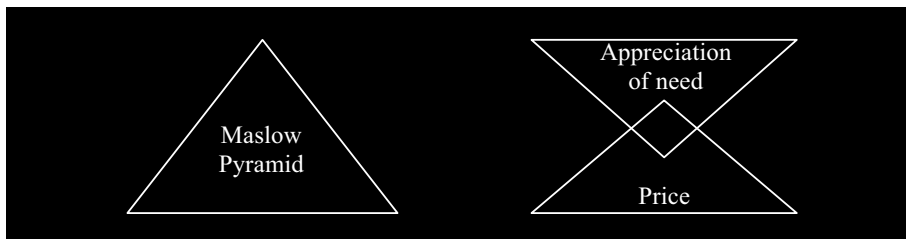


Figure 2: Satisfaction of needs vs. primary decision factors

In general focusing on a pure price leadership marketing strategy implies inherent business risks as elaborated by Porter [Po80]. Based on this careful consideration, a corresponding website stressing a certain price structure can be created rather easily. Designing a website that appreciates the underlying need (love/belonging, esteem and self-actualisation) of the consumers' visit is potentially more difficult.

An illustrative example for a price-focused design strategy (low cost products and high cost products) is illustrated in the two screenshots below:

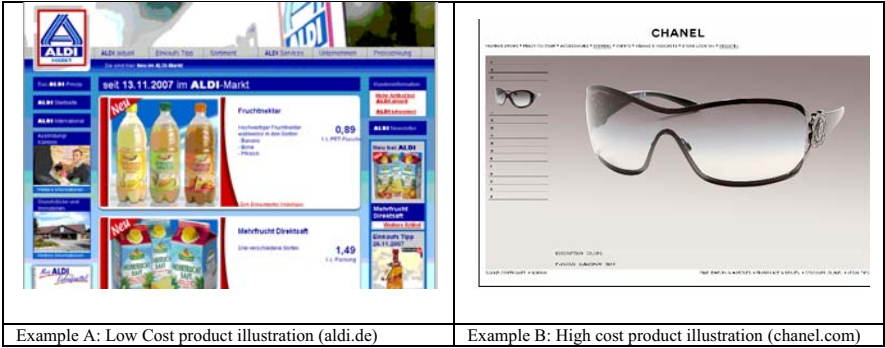


Figure 3: Example of low/high-cost product illustration

Example A illustrates fruit drinks as a low-cost commodity product. The price is the biggest font-size of the visual centre (white area with dark blue text). Example B shows a luxury product. Clear focus is the high quality illustration of the sunglasses; the sales price is even completely excluded from the overview. The two simple examples illustrate how to apply human-need based Internet marketing correctly. Drinks satisfy a physiological need and are price sensitive, and so the website has been designed accordingly; the sunglasses target the esteem level and the website is customised to purely appeal a design-focused customer.

3.3 Impact of need-oriented design

As part of the research a set of websites has been analysed as well as observed over a longer period of time. In general, for example all 9 companies of the Forbes Luxury Goods Index (self-actualisation) follow the Web design principles highlighted for high-cost products as much as all websites of main German groceries chains (Aldi, Lidel, Edeka, Spar, Reichelt, Rewe – physiological need) of the S&P 500 are in line with above mentioned considerations (stressing affordability and price leadership). The correlation of decision factors and Maslow’s pyramid has been analysed in a small survey performed during the research. 83 participants described their preferences on different products and pricing illustrations. The six commodity (1–3) and luxury products (4–6) were shown randomly in different orders for each participant. In the area of the commodity products (1–3) illustrations highlighting the price were clearly more favoured. For the luxury products (4–6) the design-focused illustrations were preferred (with an undecided outcome on product 5 – a Rolex watch, which might look like a cheap replica on the pictures and corresponding low price). The table 2 summarises the result:

Product	Price Focus	Design Focus
1 – coke	72 %	28 %
2 – banana	69 %	31 %
3 – toothpaste	56 %	44 %
4 – valet	17 %	83 %
5 – watch	47 %	53 %
6 – ring	23 %	77 %

Table 2: Survey preferences on different products

4 Trustworthy Internet marketing

Performing transactions over the Internet is a biased process for most retail and wholesale customers as illustrated in the sections above [Vo09, HMY09]. Based on this customers have to overcome a psychological barrier to freely and openly engage into this transaction channel.

4.1 Tiangsoongnarm's criteria of trust

For most consumers the Internet consists of an unstructured and incomprehensible network of websites [Me04, Ga04]. Within this largely uncontrolled network everything is by essence virtual. Products are not physically visible, sales people are absent, no cashiers – not even cash – is required. Within this unnatural environment each user is inherently afraid that offered products, services and prices might not be real, certain quality attributes might not be ensured or that the products and services will not be delivered [Me04, Ga04]. Especially as several publications continuously inform about fraud and improper business practice in the Internet, which nurtures the sentiment of insecurity.

To be able to help the customer overcome this psychological barrier of insecurity is a key success factor for a profit organisation that tries to fully leverage the opportunities of Internet marketing. Tiangsoongnarm conducted extensive studies in the area of Internet trust [Ti07]. In her work she identifies three main “factors influencing perceived risk” and trust [Ti07]: Internet marketing strategy/product information, privacy & security concern and Internet fraud. Based on this research the authors developed a structure that focuses to positively influence those three factors.

4.2 Applying Tiangsoongnarm's criteria to Internet design

Derived from the three critical criteria crystallised from Tiangsoongnarm (Internet fraud, Marketing strategy, privacy & security concern) the authors defined three subsequent ‘facilitators’ to exploit the topic of trust as a competitive advantage [Ti07]. Figure 4 illustrates three areas that allow a potential customer to develop trust:

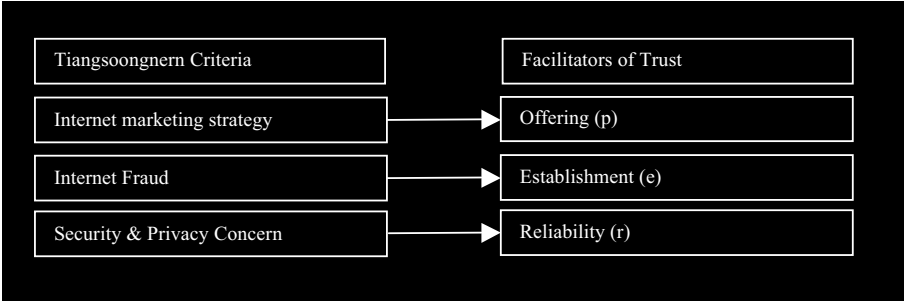


Figure 4: Facilitator of trust

Additionally to the three facilitators there are certain minor aspects (o = others) that may influence the trustworthiness of an offer. With illustrating the development of trust mathematically in an multiplication structure the authors attempt to stress how a failure of one area can completely ruin the established trust for the overall environment T(total).

F1:
$$T(\text{total}) = T(p) * T(e) * T(r) * T(o)$$

The formula illustrates the opportunities and threat of the scheme in actively managing trust (T). While all components may multiply the effectiveness, also just one failure may result into a total loss of trust.

Establishment: The influence of collective behaviour on an individual has been studied from LE BON for several years [Le85]. If for example in a shopping centre there are two electronics stores A and B; while store A is completely empty, a bored salesman stands behind the counter and the shop looks like it has never had any customer, and store B is full of people and several salespersons are smilingly welcoming the passing customers, it seems quite obvious that a new customer would initially enter store B. This behaviour is based on the intuitive trust in a collective correct opinion as described by LE BON [Le85, Be74]. Following this approach, it is suggested that the same holds true for a website. An established website which is known to be used for several years from many customers potentially creates more trust in a targeted customer, than a site that appears to have been never used before. There are many documented methods to indicate that a website is established and used. First of all understandable and attractive statistical information can be illustrated on the sites. Besides quoting numbers, the use of real reference names and photos will raise the level of trust that can be created. Up-to-date news and articles show that the site is alive and taken care of. Entries in an online forum may contribute to daily movements on the site. Consumers, which are afraid of fraud, find in that structure security that their purchase behaviour follows an established pattern and they are not exposed to any unforeseeable risk.

Offering: All information illustrating that a website is used is already an implicit indicator that the offered products and services are perceived to be acceptable. This sentiment

can be enhanced significantly by some additional considerations. These considerations focus on the complete value chain of the products and services as well as the usability and design of the website, the payment and delivery processes and even the feedback or return policies. This marketing strategy, determining all features of the offering can increase the level of trust in a potential online transaction. The level of transparency of the products and services and of the price correlation depends on the business strategy – in some cases full transparency is valuable while in others a comparative pricing disadvantage has to be hidden in bundling products and services intelligently. No matter whether the pricing information is comparable or not, the offer has to be very clear and explicitly illustrated as providing a comparable advantage to alternatives. Published customer feedback helps to foster this evaluation. An additional major criterion is to be extremely easy or convenient to do business with (easy registration, ordering and payment). A fast but secure loading of the pages is also a key element to prove the service quality the profit organisation wants to provide. Published feedback from customers or external awards may strengthen the acceptance of a collective correct opinion.

Reliability: In a normal retail shopping environment sales personnel are often available for consumer questions and can typically provide personal advice immediately on the point of sales. In an Internet environment personal consultation is also possible but requires significant technical development as well as the consumer's acceptance of digital media. This technical implementation requires the creation of an online chat or even a voice connection between the user and a service centre consultant. In case a consumer has a question, he can click on a particular field to start an online-chat and type his question or ask it directly. As this kind of service is not very prominent yet, the main part of the sales process is without personal care. The establishment of a similar service level as within a retail store can create a great reputation and a clear long-term competitive advantage as a service-oriented organisation. There are several ways to create an atmosphere of personal care and reliability on a website. First of all different support channels can be established (phone, email, online-chat or voice). Those channels can be nicely integrated on the different sites to enable the potential customer to use them without a great transaction complexity. Certainly all support channels have to be very responsive to incoming enquiries to show the reliability of the sales organisation. A channel is completely useless and maybe even harmful if the turn-around time is not reliable. Pictures and names of the service consultants help to add a sense of humanity to the site. Subject-specific frequently asked question pages can become very helpful. They can show that the profit organisation has experience with customers and their specific questions regarding a product or service. From a different perspective customer feedback can be published online. In a very aggressive marketing model even customer complaints and how they were resolved might create an atmosphere of complete transparency and customer focus. Finally a direct and explicit explanation of how privacy and security concern are handled has to link into a considerate ordering process and security measures.

4.3 Impact of facilitators on Internet trust

To evaluate the significance of the newly identified facilitators of trust a survey was conducted in Singapore. Over one day random 173 adults were questioned in the central

business district to allocate in total 10 points to $T(p) * T(e) * T(r) * T(o)$. The result of the survey is illustrated below:

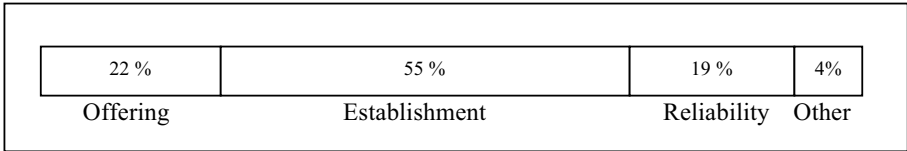


Figure 5: Example of people-supported websites

Based on the responses the highest impact in creating trust has the establishment of the website. The offering and reliability are rather similar in the evaluation with around 20%. Furthermore 4% was allocated to other influences. Considering the limitations of survey as such the result indicates a valid case for the identified facilitators. Future research surveying consumer behaviour of larger groups directly online may complement those findings, while it remains difficult to build psychological scenarios *ceteris paribus*.

5 Conclusion

Facilitating a maximum of transactions initiated via the Internet means understanding the purchase decision process and optimally adjusting the Internet marketing strategy accordingly. This paper illustrates how concepts from two major components of this purchase decision can be transferred to online marketing. Furthermore an explorative survey provides data of how the models behave in the new environment.

Identifying the underlying need of a potential purchase decision allows the profit organisation to design a website that perfectly penetrates the motivation of purchase. Two examples illustrating the concept are described and analysed. Secondly the role of trust in the Internet is discussed in conjunction with ways to implement measures to convince potential buyers to initiate an online transaction. Utilising psycho-analytical research to improve the efficiency of marketing activities requires the careful consideration of many determinants. The descriptions and concepts of this paper illustrate the main principles of human needs and personal trust as two examples how advanced tactics can be utilised designing and implementing a comprehensive Internet marketing strategy.

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