Secure Electronic Commerce

Min-Yuh Day
Assistant Professor
Dept. of Information Management, Tamkang University

http://mail.im.tku.edu.tw/~myday/
2011-03-18
週次 月／日  內容（Subject/Topics）
1  100/02/18  電子商務安全課程簡介
                 (Course Orientation for Secure Electronic Commerce)
2  100/02/25  電子商務概論 (Introduction to E-Commerce)
3  100/03/04  電子市集 (E-Marketplaces)
4  100/03/11  電子商務環境下之零售：產品與服務
                 (Retailing in Electronic Commerce: Products and Services)
5  100/03/18  網路消費者行為、市場研究與廣告
                 (Online Consumer Behavior, Market Research, and Advertisement)
7  100/04/01  Web 2.0, Social Network, Social Media
8  100/04/08  教學行政觀摩日
9  100/04/15  行動運算與行動商務 (Mobile Computing and Commerce)
10 100/04/22  期中考試週
週次  月／日       內容 (Subject/Topics)
11  100/04/29      電子商務安全 (E-Commerce Security)
12  100/05/06      數位憑證 (Digital Certificate)
13  100/05/13      網路與網站安全 (Network and Website Security)
14  100/05/20      交易安全、系統安全、IC卡安全、電子付款
                   (Transaction Security, System Security, IC Card Security, 
                    Electronic Commerce Payment Systems)
15  100/05/27      行動商務安全 (Mobile Commerce Security)
16  100/06/03      電子金融安全控管機制
                   (E-Finance Security Control Mechanisms)
17  100/06/10      營運安全管理 (Operation Security Management)
18  100/06/17      期末考試週
Chapter 4
Online Consumer Behavior, Market Research, and Advertisement

LEARNING OBJECTIVES

1. Understand the decision-making process of consumer purchasing online.
2. Describe how companies are building one-to-one relationships with customers.
3. Explain how personalization is accomplished online.
4. Discuss the issues of e-loyalty and e-trust in EC.
5. Describe consumer market research in EC.
6. Describe the objectives of Web advertising and its characteristics.
7. Describe the **major advertising methods** used on the Web.

8. Understand how **advertising** is done in **social networks** and the **Web 2.0 environment**.

9. Describe various **online advertising strategies** and **types of promotions**.

10. Describe **permission marketing**, **ad management**, **localization**, and **other advertising-related issues**.
LEARNING ABOUT CONSUMER PURCHASING ONLINE
TRA (1975)

Fig. 1.1 Schematic presentation of conceptual framework relating beliefs, attitudes, intentions, and behaviors with respect to a given object.

Fig. 1.2 Schematic presentation of conceptual framework for the prediction of specific intentions and behaviors.

TPB (1985)

Fig. 2.1. Schematic presentation of the theory of planned behavior

TPB (1989)

**FIG. 10.2. Theory of planned behavior.**

FIG. 1. Theory of planned behavior

A GENERIC PURCHASING-DECISION MODEL

1. Need identification

2. Information search
   – product brokering
     • Deciding what product to buy.
   – merchant brokering
     • Deciding from whom (from what merchant) to buy products.

3. Evaluation of alternatives

4. Purchase decision and delivery

5. Postpurchase behavior
<table>
<thead>
<tr>
<th>Steps in the Decision-Making Process</th>
<th>CDSS Support Facilities</th>
<th>Generic Internet and Web Support Facilities</th>
</tr>
</thead>
</table>
| Need recognition                    | Agents and event notification  
                                    | Blogs                                   | Banner advertising on Web sites |
| Information search                  | Virtual catalogs          | Structured interaction and                | URL on physical material |
|                                     |                          | question/answer sessions                 | Discussions in newsgroups       |
|                                     |                          | Links to (and guidance on) external       | Web directories and classifiers |
|                                     |                          | sources                                 | Internal search on Web site    |
|                                     |                          | Search engines                          | External search engines        |
| Evaluation, negotiation, selection  | FAQs and other summaries  | Samples and trials                       | Focused directories and        |
|                                     |                          | Customers testimonials                   | information brokers            |
|                                     |                          | Models that evaluate consumer behavior    | Search engines                 |
|                                     |                          | Pointers to and information about        | Discussions in newsgroups       |
|                                     |                          | existing customers                       | Cross-site comparisons         |
| Purchase, payment, and delivery     | Ordering of product or service |                                          | Wikis, blogs                   |
|                                     | Arrangement of delivery   |                                          | Generic models                 |
| After-purchase service and evaluation| Customer support via e-mail and newsgroups |                                          | Electronic cash and virtual banking; wireless payment |
|                                     |                          |                                          | PayPal                        |
|                                     |                          |                                          | Logistics providers and package tracking |
|                                     |                          |                                          | Discussions in newsgroups       |
|                                     |                          |                                          | Answer function in LinkedIn     |
PLAYERS IN THE
CONSUMER DECISION PROCESS

• Initiator
• Influencer
• Decider
• Buyer
• User
ONE-TO-ONE MARKETING

- Match products (services) with individual consumers

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mass Marketing</th>
<th>Market Segmentation</th>
<th>Relationship Marketing (One-to-One)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interactions</td>
<td>Usually none, or one-way</td>
<td>Usually none, or with a sample</td>
<td>Active, two-way</td>
</tr>
<tr>
<td>Focus</td>
<td>Product</td>
<td>Group (segment)</td>
<td>Customer-focused (one)</td>
</tr>
<tr>
<td>Recipient</td>
<td>Anonymous</td>
<td>Segment profiles</td>
<td>Individuals</td>
</tr>
<tr>
<td>Campaigns</td>
<td>Few</td>
<td>More</td>
<td>Many</td>
</tr>
<tr>
<td>Reach</td>
<td>Wide</td>
<td>Smaller</td>
<td>One at a time</td>
</tr>
<tr>
<td>Market Research</td>
<td>Macro in nature</td>
<td>Based on segment analysis or demographics</td>
<td>Based on detailed customer behaviors and profiles</td>
</tr>
</tbody>
</table>
PERSONALIZATION, LOYALTY, SATISFACTION, AND TRUST IN EC
PERSONALIZATION, LOYALTY, SATISFACTION, AND TRUST IN EC

• personalization
  The matching of services, products, and advertising content with individual consumers and their preferences.

• user profile
  The requirements, preferences, behaviors, and demographic traits of a particular customer.
Major strategies used to compile user profiles

• Solicit information directly from the user
• Observe what people are doing online
  – cookie
• Build from previous purchase patterns
• Perform marketing research
• Make inferences
  – behavioral targeting
  • The use of information collected on an individual’s Internet browsing behavior to select which advertisements to display to that individual.
CUSTOMER LOYALTY

• e-loyalty

Customer loyalty to an e-tailer or loyalty programs delivered online or supported electronically.
SATISFACTION IN EC

• American Customer Satisfaction Index (ACSI)
• Customer Respect Index (CRI)
  – Simplicity
  – Responsiveness
  – Transparency
  – Principles
  – Attitude
  – Privacy
Customer Satisfaction in EC

**Information Quality**
- Accuracy of Content
- Up-to-Date Content
- Information Presentation
  (Visual representation of products)
- Completeness of Content
  (Detailed description of products)

**System Quality**
- Privacy and Security
- Simple Design
- Ease of Navigation
- Ease of Use
- Consistency of Web Site

**Service Quality**
- Flexibility (Billing and Delivery Option)
- Timeliness of Order Delivery
- Accuracy of Order Delivery
- Condition of Products Received
- Responsiveness
- Fairness of Policies and Procedures
- Empathy (Compensation and Apologies)

Consumer Satisfaction with an Internet Store
TRUST IN EC

• Trust
  The psychological status of willingness to depend on another person or organization.
MARKET RESEARCH FOR EC

• METHODS FOR CONDUCTING MARKET RESEARCH ONLINE

• WHAT ARE MARKETERS LOOKING FOR IN EC MARKET RESEARCH?

• MARKET SEGMENTATION RESEARCH
EXHIBIT 4.2 Online Market Research Process

Steps in Collecting Market Research Data
1. Define the research issue and the target market.
2. Identify newsgroups and Internet communities to study.
3. Identify specific topics for discussion.
4. Subscribe to the pertinent groups; register in communities.
5. Search discussion group topic and content lists to find the target market.
6. Search e-mail discussion group lists.
7. Subscribe to filtering services that monitor groups.
8. Read FAQs and other instructions.

Content of the Research Instrument
1. Post strategic queries to groups.
2. Post surveys on a Web site.
3. Offer rewards for participation.
5. Post relevant content to groups, with a pointer to a Web site survey.
6. Post a detailed survey in special e-mail questionnaires.
7. Create a chat room and try to build a community of consumers.

Target Audience of the Study
1. Compare audience with the target population.
2. Determine editorial focus.
3. Determine content.
4. Determine what Web services to create for each type of audience.
<table>
<thead>
<tr>
<th>Market Segmentation</th>
<th>Bases/Descriptors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic</td>
<td>Region; size of city, county, or Standard Metropolitan Statistical Area (SMSA); population density; climate; language.</td>
</tr>
<tr>
<td>Demographic</td>
<td>Age, occupation, gender, education, family size, religion, race, income, nationality, urban (or suburban or rural).</td>
</tr>
<tr>
<td>Psychographic (lifestyle)</td>
<td>Social class, lifestyle, personality, activities, VALS typology (see sric-bi.com/VALS/presurvey.shtml).</td>
</tr>
<tr>
<td>Cognitive, affective, behavioral</td>
<td>Attitudes, benefits sought, loyalty status, readiness stage, usage rate, perceived risk, user status, innovativeness, usage situation, involvement, Internet shopping experience.</td>
</tr>
<tr>
<td>Profitability</td>
<td>Valued customers are placed in a special category.</td>
</tr>
<tr>
<td>Risk score</td>
<td>Low risk customers are placed in a special category.</td>
</tr>
</tbody>
</table>
MARKET RESEARCH FOR ONE-TO-ONE

- Direct Solicitation of Information
- Data Collection in the Web 2.0 Environment
- Observing Customers’ Movements Online
- Collaborative Filtering
Direct Solicitation of Information

• Implementing Web-Based Surveys
• Online Focus Groups
• Hearing Directly from Customers
Data Collection in the Web 2.0 Environment

- Discussion forums
- polling
- blogging
- chatting
- live chat
- Chatterbots
- collective wisdom for intelligence
- find expertise
- folksonomy
- data in videos, photos, and other rich media
Observing Customers’ Movements Online

• transaction log
  A record of user activities at a company’s Web site.

• clickstream behavior
  Customer movements on the Internet.

• Cookies, Web Bugs, and Spyware
  – Web bugs
    Tiny graphics files embedded in e-mail messages and in Web sites that transmit information about users and their movements to a Web server.
  – spyware
    Software that gathers user information over an Internet connection without the user’s knowledge.

• Analysis of B2C Clickstream Data
Analysis of B2C Clickstream Data

• clickstream data
  Data that occur inside the Web environment; they provide a trail of the user’s activities (the user’s clickstream behavior) in the Web site.

• Web mining
  The use of data mining techniques for discovering and extracting information from Web documents and Web usage.
Collaborative Filtering

• A market research and personalization method that uses customer data to predict, based on formulas derived from behavioral sciences, what other products or services a customer may enjoy; predictions can be extended to other customers with similar profiles.
  – Legal and Ethical Issues in Collaborative Filtering
BIOMETRIC MARKETING

• Biometrics

An individual’s unique physical or behavioral characteristics that can be used to identify an individual precisely (e.g. fingerprints).
WEB ADVERTISING

• OVERVIEW OF WEB ADVERTISING
  – interactive marketing

  Online marketing, facilitated by the Internet, by which marketers and advertisers can interact directly with customers, and consumers can interact with advertisers/vendors.
EXHIBIT 4.3 The Advertising Cycle

1. Need assessment; why advertise
2. Concept high-level concept, initial planning
3. Determine the targets; mass, group, individuals
4. Measure and analyze results
5. Target
6. Launch the campaign
7. Determine the method (e-mail, banner, etc.) How to...
WEB ADVERTISING

• ad views
  The number of times users call up a page that has a banner on it during a specific period; known as impressions or page views.

• button
  A small banner that is linked to a Web site. It can contain downloadable software.
WEB ADVERTISING

• **click (click-through or ad click)**
  A count made each time a visitor clicks on an advertising banner to access the advertiser’s Web site.

• **click-through rate**
  The percentage of visitors who are exposed to a banner ad and click on it.

• **click-through ratio**
  The ratio between the number of clicks on a banner ad and the number of times it is seen by viewers; measures the success of a banner in attracting visitors to click on the ad.
WEB ADVERTISING

• conversion rate
  The percentage of clickers who actually make a purchase.

• CPM (cost per thousand impressions)
  The fee an advertiser pays for each 1,000 times a page with a banner ad is shown.

• hit
  A request for data from a Web page or file.
WEB ADVERTISING

• **page**
  An HTML (Hypertext Markup Language) document that may contain text, images, and other online elements, such as Java applets and multimedia files. It can be generated statically or dynamically.

• **stickiness**
  Characteristic that influences the average length of time a visitor stays in a site.
• unique visits
  A count of the number of visitors entering a site, regardless of how many pages are viewed per visit.

• visit
  A series of requests during one navigation of a Web site; a pause of a certain length of time ends a visit.
Advertising Online and Its Advantages

• Cost
• Richness of format
• Personalization
• Timeliness
• Location-basis
• Linking
• Digital branding
ONLINE ADVERTISING METHODS

• BANNERS
• POP-UP AND SIMILAR ADS
• E-MAIL ADVERTISING
• CLASSIFIED ADS
• SEARCH ENGINE ADVERTISEMENT
• VIRAL MARKETING AND ADVERTISING
ONLINE ADVERTISING METHODS:
BANNERS

• banner
On a Web page, a graphic advertising display linked to the advertiser’s Web page.

• keyword banners
Banner ads that appear when a predetermined word is queried from a search engine.

• random banners
Banner ads that appear at random, not as the result of the user’s action.
ONLINE ADVERTISING METHODS: BANNERS

• Benefits of Banner Ads
  – The major benefit of banner ads is that, by clicking on them, users are directly transferred to the shopping page of an advertiser’s site.
  – The ability to customize them for individual surfers or a market segment of surfers.

• Limitations of Banner Ads
  – The major disadvantage of banners is their cost
  – A limited amount of information can be placed on the banner
ONLINE ADVERTISING METHODS: POP-UP AND SIMILAR ADS

• **pop-up ad**
  An ad that appears in a separate window before, after, or during Internet surfing or when reading e-mail.

• **pop-under ad**
  An ad that appears underneath the current browser window, so when the user closes the active window the ad is still on the screen.
ONLINE ADVERTISING METHODS: E-MAIL ADVERTISING

• E-Mail Hoaxes
• Fraud
• E-Mail Advertising Methods and Successes
ONLINE ADVERTISING METHODS:
SEARCH ENGINE ADVERTISEMENT

• URL Listing
• Keyword Advertising
• Search Engine Optimization (SEO)

The craft of increasing site rank on search engines; the optimizer uses the ranking algorithm of the search engine (which may be different for different search engines) and best search phases, and tailors the ad accordingly.

• Google: The Online Advertising King
Viral marketing

Word-of-mouth method by which customers promote a product or service by telling others about it.
ADVERTISING IN SOCIAL NETWORKS AND THE WEB 2.0 ENVIRONMENT

• social network advertising

Online advertising that focuses on social networking sites.
Types of Social Network Advertising

• Direct advertising that is based on your network of friends
• Direct advertising placed on your social network site
• Indirect advertising by creating “groups” or “pages”

• Sponsored Reviews by Bloggers
ADVERTISING IN SOCIAL NETWORKS AND THE WEB 2.0 ENVIRONMENT

• ADVERTISING IN CHAT ROOMS AND FORUMS

• VIDEO ADS ON THE WEB AND IN SOCIAL NETWORKING
  – Video Ads
  – Tracking the Success of an Online Video Campaign
    • Web video analytics
      A way of measuring what viewers do when they watch an online video.

• VIRAL MARKETING IN SOCIAL NETWORKS
ADVERTISING STRATEGIES

• Affiliate Marketing
A marketing arrangement by which an organization refers consumers to the selling company’s Web site.

• ADS AS A COMMODITY
(PAYING PEOPLE TO WATCH ADS)

• SELLING SPACE BY PIXELS
ADVERTISING STRATEGIES

• PERSONALIZED ADS AND OTHER PERSONALIZATION
  – Webcasting
    A free Internet news service that broadcasts personalized news and information, including seminars, in categories selected by the user.

• ONLINE EVENTS, PROMOTIONS, AND ATTRACTIONS
  – Live Web Events
SPECIAL ADVERTISING TOPICS

• PERMISSION ADVERTISING
  – spamming
    Using e-mail to send unwanted ads (sometimes floods of ads).
  – permission advertising (permission marketing)
    Advertising (marketing) strategy in which customers agree to accept advertising and marketing materials (known as “opt-in”).
SPECIAL ADVERTISING TOPICS

• ADVERTISEMENT AS A REVENUE MODEL
• MEASURING ONLINE ADVERTISING’S EFFECTIVENESS
• MOBILE MARKETING AND ADVERTISING
  – mobile advertising (m-advertising)
    Ads sent to and presented on mobile devices.
SPECIAL ADVERTISING TOPICS

• AD CONTENT

• SOFTWARE AGENTS IN MARKETING AND ADVERTISING APPLICATIONS

• localization

The process of converting media products developed in one environment (e.g. country) to a form culturally and linguistically acceptable in environments outside the original target market.
EXHIBIT W4.17.1  What Is Involved in Localization?

Variables Considered in Localization

- Branding (names, language)
- Store formats (size, layout)
- Merchandise spaces and assortment (size, color, style, flavor, package design)
- Pricing (range, changes, financing)
- Promotions (types, duration, discount level)
- Vendor policies
- Management programs
- Store service levels
- Vendor services
- Operating policies

Location Variables

- Consumer characteristics
- Special demand drivers
- Competitor characteristics
- Company’s own stores’ characteristics versus others

Copyright ©2011 Pearson Education, publishing as Prentice Hall
1. Do we understand our customers?
2. Who will conduct the market research?
3. Are customers satisfied with our Web site?
4. How can we use social networks for advertising?
5. How do we decide where to advertise?
6. What is our commitment to Web advertising, and how will we coordinate Web and traditional advertising?
MANAGERIAL ISSUES

7. Should we integrate our Internet and non-Internet marketing campaigns?
8. What ethical issues should we consider?
9. Are any metrics available to guide advertisers?
10. Which Internet marketing/advertising channel should you use?
References

• Turban et al., Introduction to Electronic Commerce, Third Edition, 2010, Pearson