Chapter II
The Influence of Consumer-Generated Content on Customer Experiences and Consumer Behavior

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ABSTRACT
The purpose of this chapter is to inform retail business managers about the amplification of consumer voices through new forms of Internet media. Candid, real-time feedback through various forms of Web 2.0 have revolutionized the way consumers research, purchase, and enjoy products and services in today’s world of commerce. The chapter provides a background on the importance of the Internet in consumer purchases, the development of various forms of consumer feedback, and the implications for multichannel retail businesses. An analysis of several leading Web 2.0 technologies is provided to clarify key differences. The reader should walk away with a more robust understanding of consumer behavior in today’s multichannel retail landscape.

INTRODUCTION
Marketers have long believed that consumers trust the opinions of others more than they trust the communications of companies and advertisers (see Appendix A for justification). Web 2.0 technologies have redefined word-of-mouth communication, empowering individual customers by enabling them to reach millions of people through online media such as threaded message board conversations, blog posts, collaborative wikis, video posts, social networking, tagging, and customer ratings and reviews. The rapid growth of consumer-generated content is having a significant impact on customer experiences for multichannel shoppers by equipping them with
relevant information supplied by peer consumers. The collaborative intelligence generated by customer communities provides unbiased, mutual opinions and advice that other consumers can utilize as they move through the entire purchase funnel: from research decisions to after-the-sale enjoyment.

Many companies in the retail landscape are already leveraging online customer communities to improve their overall marketing, merchandising, and customer service efforts. Leading retailers are generating additional payback by analyzing customers’ information preferences and shopping behaviors, and leveraging this knowledge to develop multichannel strategies that deliver on customer expectations and enhance lifetime customer value. Insights gained from social retailing initiatives can inform innovation priorities, provide real-time feedback on marketing programs, and, in many cases, even provide predictive input on demand for key products and services. This raw source of customer insight allows retailers to identify internal opportunities to continuously improve online and off-line efforts in areas such as web site experience design and store experience design as well as full life-cycle planning of assortments, pricing, and promotions across multiple channels.

Additionally, retailers have the opportunity to strengthen partnerships with value chain members, such as product vendors and third-party service providers, by sharing customer-driven insights that accentuate wins in the marketplace or present opportunities to deliver improved products and services with more customer-driven features. The growing practice of using customer insights to affect the upstream decisions of value chain partners will improve retailers’ abilities to exceed consumer expectations by continuously improving product information, selection, and availability and enhancing service execution after the sale.

The potential to segment geographic observations in order to create tailored offerings that address regionalized demand differences is one of the ultimate goals of complex retail organizations. At the end of the day, a retailer’s goal is to understand and more effectively serve specific consumer needs so that it can build lifetime customer value and deliver profitable growth. However, before new players attempt to leverage online consumer communities to improve their businesses, they need to develop a careful understanding of the unique potential benefits of the different Web 2.0 technologies and the challenges that come along with the territory.

LITERATURE REVIEW

Throughout the world, the Internet is becoming an increasingly important factor in the overall customer experience of investigating and actually purchasing goods and services. According to researcher comScore, e-commerce rates continue to rise at double-digit rates as Americans spent US$24.6 billion shopping online in the most recent holiday season (Kharif, 2007). In 2006, 63% of some 67,000 households surveyed by consultancy Forrester Research investigated purchases online (Kharif). Both of these findings suggest there is a significant opportunity to capture sales and influence consumer behavior through a variety of media and information available on the Internet. In the November 2006 Touchpoints survey by DoubleClick, now a Google company, researchers came to the following powerful conclusions:

*The Internet—in its various forms of websites, search engines, advertising, email, and professional and consumer reviews—is highly influential at every stage of the process, from first awareness to final decision making. In fact, the web influences purchase decisions—online and offline—more than any other factor.* (Row, 2006)

While this certainly illuminates the prominent role of the Internet in modern consumer
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