Consumers and Internet Studies: a Summary of the Second Workshop on Internet Studies

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A series of Workshops on Internet Studies is an initiative of the Oxford Internet Institute in collaboration with Internet-research groups and centres based at universities from other nations and regions. The aim of this series is to encourage and gather critical analyses and views on Internet Studies, from a wide range of disciplines and perspectives. It is not meant to define a field that is rapidly developing, but help recognize the broad terrain and structures of this emerging area of research and facilitate its continuing vitality.

The workshops are one in a set of activities, which also include academic publication-related initiatives oriented to stimulate and inform global discussion about the Internet Studies, such as the development of several handbooks on Internet Studies and related compilations World Wide Research: Reshaping the Sciences and Humanities (Eds. W.H. Dutton and P.W. Jeffreys, 2010) and The Handbook of Internet Studies (Eds. C. Ess and M. Consalvo, 2011); and the special issue for New Media & Society, ‘Internet Studies: The State of an Emerging Field’. In particular, this special issue hopes to encourage and collect scholarly contributions developed initially for the workshops of the series, along with scholarly research and reflections from the global community of Internet scholars and researchers.

The Second Workshop on Internet Studies was held in Barcelona, Spain, on 10th January, and was jointly organised and promoted by two Internet-research centres: the Internet Interdisciplinary Institute of the Universitat Oberta de Catalunya; and the Oxford Internet Institute of the University of Oxford. In addition, it was supported by the Department of Economics and Business Sciences within the Universitat Oberta de Catalunya. The first was held at the University of Aarhus on 19th March 2010.

This ‘second edition’ of the series paid special attention to Internet Studies focused on aspects of the consumer and consumer behaviour, especially within the evolving Web context. In particular, the Workshop aimed to support the development of Internet Studies about the consumer and to offer direction for enhancing its substance, significance and impact.

The workshop was structured in two parts of different lengths. The first consisted of a series of modules of 30 minutes length, each of them focused on presenting and debating a topic or issue based on a specific paper prepared by a speaker. Modules started with the presentation of a paper by the speaker, which was followed by reflections and comments raised by a specific respondent,

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2 Oxford Internet Institute, University of Oxford.
and, immediately, by a discussion opened among all contributors. The second part of the workshop involved a public lecture by Professor Carlos Flavián-Blanco, President of the Spanish Association of Academic and Professional Marketing (Asociación Española de Marketing Académico y Profesional, AEMARK). With the aim of promoting the key research field of Internet Studies about the consumer, this session was opened to both faculty and researchers, as well as to practitioners interested in the topic of consumers and the Internet.

A total of 17 Internet scholars and researchers from a range of disciplines – including marketing, consumer behaviour, business sciences, media studies, accounting, economics, political sciences, and philosophy – participated in the workshop. As indicated in the programme, one of these academics contributed as a guest lecturer, 7 participated as speakers, while the other 7 acted as respondents.

The Workshop provided a forum for exploring, informing and reviewing Internet Studies concerning the consumer. Specifically, critical perspectives on the growing body of research into the Internet and the consumer were presented, discussed and debated, coupled with comprehensive overviews of key issues in Internet Studies about the consumer – such as trust, empowerment, eCRM, co-creation and brand communities. Contributions and recommendations related to these major topics are summarised in the following sections.

Opening Session

The interface between Internet Studies and the consumer

The contributions made by marketing and by, in particular, the discipline of consumer behaviour to the field of Internet Studies are evident in the development of research that aids the understanding of people’s activities with respect to their experiences as consumers in the digital context.

Early contributions to the study of consumer behaviour on the Internet were focused on obtaining user profiles and on the segmentation of the user community. In many cases, this initial research came under the ‘second age of Internet Studies’, as defined by Wellman (2004), since they were partially descriptive in nature, providing results with important descriptive value, but with a strong theoretical focus, as they were primarily oriented to discovering and documenting use of the Internet.

Following on these early descriptive studies, questions more closely related to consumer behaviour were examined: the characteristics of the buyers on the Internet, the determinants of the intention/decision to buy on the Internet, the online purchasing process itself, satisfaction and loyalty on the Net, trust in purchase decisions, and the adoption of classic theories and models to explain Internet-based consumer behaviour.

Within the interface between studies of the Internet and the consumer behaviour discipline, a new generation of studies can be situated, a collection of studies specifically examining consumer behaviour within the new environment defined by the Internet and Web, and increasingly the ‘Social Web’. They have, in early phases, identified forms in which these tools empower the consumer and
various patterns of behaviour on the part of the consumers that lead to or detract from the consumer’s communicative power. In addition, a new line of investigation has arisen which explores the participation of the consumer in collective innovation initiatives, and the generation of content based on the Social Web. A third line of investigation exists that is oriented to the study of consumer behaviour in personalization processes. A fourth and quite prominent line focuses its studies on virtual communities and their relevance to consumption and production. Beyond the different classifications identified here, some studies have analysed the nature and role of the motivations and other determinants of participation in virtual communities, while other studies have specifically examined the social networks established around commercial brands.

Opportunities and directions for future research

- Further research could usefully focus more on the sources of consumer empowerment on the Internet. Frequently, studies within this line of research tend to derive from a notable current of opinion that has laid the foundations for greater power on the part of online consumers, thanks to greater information transparency regarding electronic exchanges. However, additional sources of empowerment should be taken into consideration, such as the connected consumers’ increased capacity to intervene directly in the shaping of a value proposition adapted to their individual needs, and their greater capacity to sanction firms and hold them more accountable.

- Although some evidence reveals different behaviour patterns as far as empowerment is concerned, more research is needed in order to explain why a relevant segment of connected consumers are prone to increase their levels of empowerment, while other online consumers do not use the Internet to enhance their empowerment. Still others continue to choose not to use the Internet at all, despite an overall view on its value to consumers.

- Further research would be needed to determine whether and how thrusting proposals in marketing (e.g., new service-dominant logic; Customer Relationship Management, or CRM) effectively face the pitfalls presented by empowered connected consumers, who are able to benefit from a collective intelligence and who demand a greater control over the shopping experience.

- More attention should be given to various critical aspects of the impact that personalization initiatives have on consumers: they may perceive these initiatives as being excessively complex; or may feel frustrated if they do not have, or are unable to exercise, sufficient knowledge, expertise and involvement. In this sense, research might explore whether online personalization should be developed within the framework of CRM programmes which adapt the degree of personalization to each consumer, and so are able to consider aspects such as their individual preferences with respect to content or interaction.

- Some evidence has been obtained about the various characteristics and behaviours of consumers who are linked to virtual consumption communities and, in particular, to those communities created around a commercial brand. However, the lack of empirical research,
which explores the effects of participation in brand communities on brand confidence and loyalty, suggests that further research is required.

Module 1

Making sense of the connected consumers: the business perspective

The increasingly connected consumer poses significant challenges for businesses. Even though it is widely assumed that technological challenges can be resolved by further technological advances and new investments; in practice, some technological challenges restrict the ability to introduce strategic and organisational innovations based on the notion of pervasive connectivity with consumers. For instance, many large banks and insurance companies – with integrated systems that combine several generations of technologies and which were not designed for supporting real-time analysis and decision making – face difficulties managing the enormous amount of data captured from interacting with consumers. Likewise, business intelligence analysis remains difficult to carry out efficiently for many large organisations, due to the lack of transparency in legacy systems and processes, and in different sources of data. The potential is great, while its realisation often falls short.

There is no easy solution to some of these problems under the current economic climate, especially when most organisations are under significant financial constraints and the tenure of CEOs and CIOs has been significantly shortened in recent years.

Questions that required further research

- Identifying consumers’ motivations in participating in virtual communities, and examining the nature and function of the social influence exercised by virtual communities on its members.

- Developing a new generation of organisation and management theories that exploit the consumer’s connectivity and respond to the rapidly evolving patterns of consumer behaviour.

- Exploring the potential of activity recognition in connected homes to interact with retailers and other providers.

- Discovering profitable Internet-based business models in providing health and social care services, which are resource intensive.
Module 2

Internet press releases: informative or manipulative?

Recent studies on Internet-based corporate financial communication are covering a number of related lines of research, including: a) the drivers for Internet-based disclosure of corporate financial information; b) the impact of Internet-based corporate financial disclosures, either on the firm’s value or on the investor’s behaviour – giving particular attention to the manager’s decisions regarding online announcements of earnings/losses and their effects on the stock market; and c) the accuracy, integrity and timeliness of corporate financial information on the Internet. One notable limitation that a majority of these studies faces is the difficulty in assessing the extent and quality of Internet-based disclosures given there is often limited information on the reality.

There is evidence that companies combine up to seven single disclosure techniques to produce the desired impact on readers in an Internet-based context of communication: thematic form-orientated analysis; emphasis (reinforcement of keywords); performance comparisons (use of benchmarks); selectivity (choice/selection of performance number); an attribution bias, positioning/framing; and qualitative vs. quantitative information.

Several illustrations of practices consistent with these opportunistic disclosure behaviours were presented at the workshop. Many large firms in the stock exchange systematically change their disclosure strategy depending on whether they are reporting good or bad news: firms that have bad news to report use various techniques to focus on positive outcomes, and present an image of the firm as every bit as positive as those companies reporting good news.

Opportunities and directions for future research

- Empirical analysis is needed to demonstrate general tendencies in designing Internet-based corporate financial disclosures, as well as the determinants and effects of disseminating information in a manner that optimizes the way in which firm performance is presented. In addition, it could be of interest to explore whether disclosure practices are more common among business-to-consumer companies than in other firms.

- Further research is needed to study how online audiences receive potentially misleading Internet-based corporate financial information.

- Integration across the accounting literature and philosophically and empirically grounded literature on trust online will be useful to better understand the Internet-based corporate financial communication phenomena and its consequences, including related ethical aspects.

Further reflections

- As research on the area advances and online audiences could be more aware of potentially misleading disclosure practices, firms might design new techniques. In that case, further analysis would be required to cover the evolution of these new techniques.
• In order to limit opportunistic disclosure strategies, should regulators normalize Internet-based corporate financial communication – as with paper-based financial reporting?

• Bad corporate financial news, if honestly reported, could lead to a ‘vicious cycle’ (investor lack of confidence, drop in investment... and firm bankruptcy) while modest levels of deception may lead to ‘virtuous cycles’. Specifically, one can argue that modest levels of what *prima facie* would count as deception (e.g., not reporting actual net profit figures in a bad year) are ethically justifiable, insofar as these deceptions prevent investor confidence from declining so much as to result in complete withdrawal from a given company. Rather, by sustaining investor confidence in bad years through such deceptions, such as emphasizing the positive, companies thereby are better able to weather the storm and return to better financial performance that much more quickly.

*Module 3*

**Future consumers – Digital values policy developments related to ICT and consumers**

Confidence, a concept connected with topics as privacy, security and safety, is one of the most important factors that influence consumer purchasing decisions on the Internet. In this sense, the regulatory framework can effectively support e-business activities and contribute to the growth of e-commerce sales figures.

**Questions that required further research**

• The rapid advance of technology poses new challenges for the legal and regulatory framework shaping online commerce in all countries. How can legal and regulatory actions keep pace with technical innovation?

• Could the legal European framework be effective in the global e-market? What could be its role in issues related to piracy and copyright protection?

*Module 4*

**Media consumption cultures and networked communication**

Networked communication is replacing mass communication and its mass communication paradigms. New communication models are structured by some theoretical approaches around the social appropriation of two technology nodes, which consumers access through multiple technological screen interfaces: television practises (e.g. broadcast and zapping) for low interactivity activities, and Internet practises for high interactivity activities (e.g. search and browse).

The networked communication model is configured by the capacity of communication globalisation, together with the networked interconnection of mass and interpersonal media, and, accordingly, by
the emergence of networked mediation under different interactive patterns. Those patterns take
the shape of what Manuel Castells has called ‘self mass communication’, when consumers use
twitter, blogs or chain SMS; multimedia interpersonal communication, when consumers use MSN,
Google Chat or Skype; one-to-many mediated communication, when they use Facebook or other
similar social networks; and still mass communication, and non mediated interpersonal
communication.

The practises and representations of networked mediation are building new media cultures, such as
cultures of ‘openness’, ‘piracy’, ‘cloud cultures’, and ‘belonging cultures’. These new practices and
representations related to media consumption are making the debate around media and message
obsolete. Once in the network, the message reaches its audience and, if its format is not the most
appropriate for a given media, it is remixed by consumers in order to reshape its format accordingly
to the media. In this sense, some argue that people, not the media, are the message.

Module 5

Information scarcity in an information age

Agents are often incentivised to explicitly engender information scarcity in order to increase their
economic rent. Such behaviour may distort allocations and undermine the efficiency of e-market
outcomes. However, for certain online-advertising pricing modes (pay-per-click), it is possible to find
‘virtuous cycles’ concerning the decision making of consumers and firms, and to design the
advertising marketplace in such a way that transparent behaviour is effectively incentivised without
direct intervention. By contrast, other online-advertising modes (based on pay-per-impression and
on pay-per-sale pricing) seem to incentivise advertisements merely oriented to attract sales in the
short term, in such a way that they do not provide relevant information for many consumers. In the
end, such online-advertising pricing modes can lead to ‘vicious cycles’ (uninformative
advertisements, less audience interest in advertisements, reduction of advertising effectiveness) and
damage consumer welfare.

Further reflections

The results obtained for each online-advertising pricing mode show no change when considering the
moment in which the ad fee is determined (i.e. ‘ex-ante’ and ‘ex-post’ consumer decisions of
viewing, click and buy). On the one hand, the salient characteristic of pay-per-impression (a ‘ex ante’
pricing mode) is the fact that there is no connection between the advertiser’s choice of an
advertising message and its payment: once the consumer is shown an ad, the advertiser’s payment
is sunk, so that the firm’s only remaining consideration is the optimal message for attracting
consumers. On the other hand, the firm’s ad message strategy changes the number and type of
attracted consumers – as well as the number of clicks that must be paid for when the company uses
a pay-per-click pricing mode (‘ex-post’). This dis-incentivizes efforts to obtain clicks from ‘low value’
consumers.
Module 6

Consuming music: how Internet changed everything

- The Internet raises questions over the economic value of music. Nevertheless, the crisis in the music industry does not represent a crisis in the popularity of music.

- Since many online consumers have become so accustomed to music being easily, widely and freely available on the Internet, the paradigm of ownership of music has been replaced to another one based on access to the music as a service.

- Thanks to social networking sites, Internet enhances the opportunities for the symbolic consumption of music (i.e., as an expression of self, or as a badge of identity).

- The Internet leads to the de-contextualisation of music, for instance, by de-situating the music from its original historical context. However, other media can have the same impact.

Opportunities and directions for future research

- Further research is needed to explain the attitude and behaviours of consumers regarding the adoption of online music services and there subsequent purchasing behaviour.

- The possible effect of music piracy practices on legal music purchases (whether on physical or digital formats) appears to be major, but remains relatively unclear and difficult to research, as well as the possible mediator and/or moderator effect of certain psychographic factors.

- Although it is widely believed that the critical success factor in the music business lies in the ability to provide instantaneous and ubiquitous services in return for subscriptions, further research is required to explore feasible and profitable new business models, such as that developing around live performances.

Further reflections

Music offers opportunities to take advantage of broad, multidisciplinary approaches, as suggested by Internet Studies, and is an area that is placing great pressure on policy and practice. Can Internet Studies make a contribution to this debate?

Module 7

Internet retailing: the past, the present and the future

Many of the initial predictions made around e-retailing have not become a reality: established retailers are not cannibalising their own customers on their virtual stores; pure virtual merchants are not dominating the market-place; and the high street has not, as yet, been put out of business. By contrast, other predications have come to pass: electronic intermediaries are playing an increasingly
important role; ‘one-to-one’ marketing has become a reality; prices are more competitive; and, most importantly, the consumer has become more powerful.

In the future, it is very likely that there will be a significant power struggle between the retailer and the consumer. One possible scenario is one in which e-retailers will want to get more out of their customer database, so that their ‘one-to-one’ marketing initiatives will deliver more value, providing consumers remain happy to form long-term relationships with particular retailers and are prepared to act on the tailored promotional advice, to which they are being subjected.

An alternative, and perhaps more likely, scenario is that in which social networking plays an increasingly powerful role. Taking into account that word of mouth and personal recommendations have a greater impact on product perceptions, attitude formation, and purchase decisions than formal marketing communications, it may be plausible that social networking has a far greater effect on the consumers’ online shopping behaviour than other online messages. Certainly, the influence of social networking sites is appearing in other areas, such as in news consumption.

Opportunities for future research

It will be important for future studies to explore how retailers are responding in the face of growing consumer power (e.g., marketing on social networking sites, differentiating product offerings, ensuring enjoyable and reliable online shopping experiences, integrating effectively the online with off-line channels, growing the brand). It will also be necessary to conduct regular audits of the electronic marketplace to identify new types of Internet businesses, whether these be focused primarily on the sale of goods and services, or the provision of market-related information.

Public Lecture

Virtual social networks: a new environment for a new consumer

The Internet in general and virtual communities in particular configure a new environment which has received very substantial attention from marketing perspectives and approaches. In this sense, contributions to understanding the behaviour of people’s with respect to their experiences as consumers on the Internet are informing and enriching marketing disciplines. Furthermore, the accumulating knowledge gained around the online consumer seems to facilitate the advance of customer-centric paradigms for businesses.

Directions for further research

While some important topics – such as the importance and characteristics of virtual communities; and the techniques to monetize traffic from virtual communities – have been substantially addressed, a number of other topics need a more detailed analysis:

- **Digital identities of consumers in virtual communities.** It should be interesting to identify and study the antecedents of the activation of consumer identities in the social and marketing environment; the mental organization of multiple consumer identities; and the implications
of consumer identities, for buyer-seller interactions advertising effects and for international marketing consumer segmentation.

- **Patterns/rules of behaviour in virtual communities.** Much more research needs to be conducted to better understand the nature and limits of firm behaviour, whether in its own virtual community, in a sponsored forum of a virtual community, or in the marketplace.

- **Promotion of user participation in virtual communities.** Further research is required to confirm and quantify the effectiveness of strategies previously identified to promote social interaction and participation in virtual communities (e.g., organization of online/offline events to celebrate important milestones).

- **Typology and management of users in virtual communities.** It would be desirable that further research would be done to understand: characteristics and behaviours of enthusiastic, actively involved, and sophisticated users of virtual community products; and how such users and certain marketing initiatives could contribute to socialize and ‘upgrade’ other consumers within the virtual community.

- **Consumerist movements and anti-brand virtual communities.** Since anti-brand communities are a reality nowadays, research is needed to know: marketing initiatives to anticipate and prevent anti-brand behaviours; ways in which virtual communities could limit the development of anti-brand communities; and the role of virtual communities in models for customer complaint management – to identify sources of consumer dissatisfaction and solve problems in a timely way.