When retailers expand their mobile strategies, there may be unforeseen consequences

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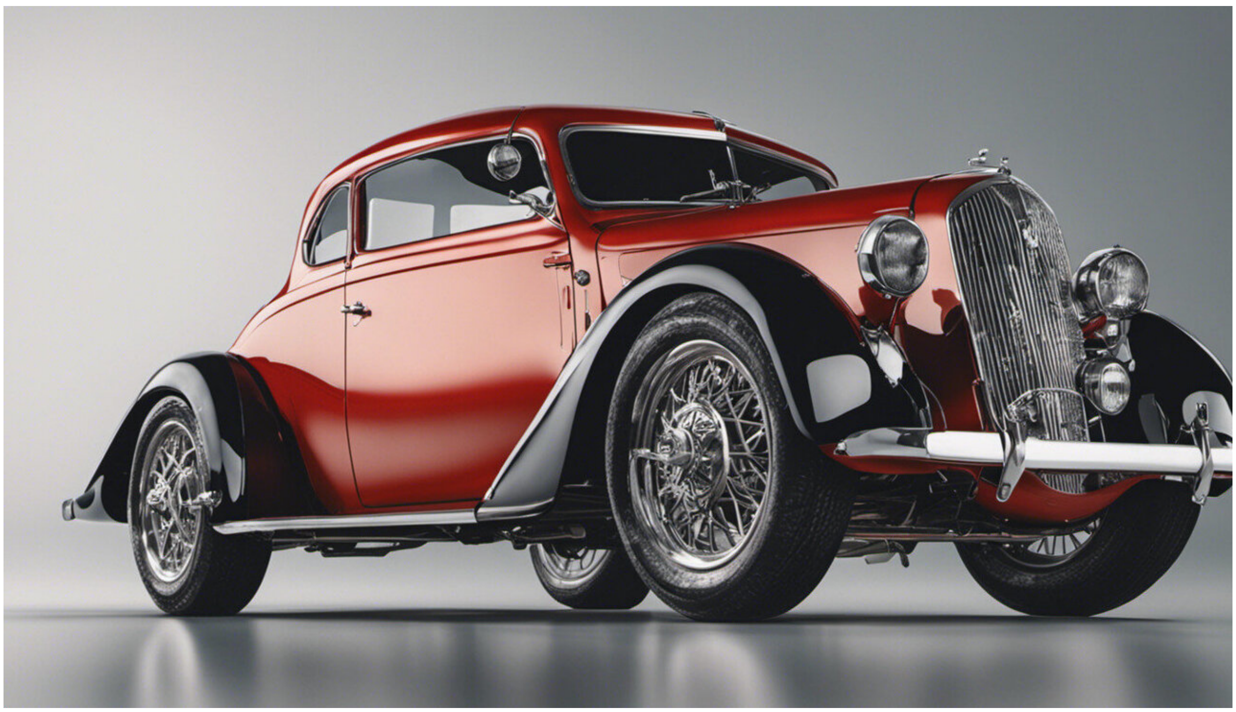

Credit: AI-generated image (disclaimer)

Many companies have invested significantly in online marketing and e-commerce, but while the easy-to-use apps on smart phones and tablets may be tempting, they're not enough to motivate shoppers to make high-ticket purchases, according to new research by an assistant professor of marketing at Lehigh.

Why consumers tend to click and browse rather than place orders on their mobile devices had attracted Ju-Yeon Lee's attention, and she began research last year in collaboration with her colleagues at the University of Illinois at Urbana–Champaign and Michigan State University. Their work concluded that consumers are more hesitant to make purchases for expensive items on their smartphones than on a desktop computer.

"Retailers and firms are transitioning their marketing channels to mobile interface instead of desktops, but they don't necessarily have clear guidance on the effects of these changes," she said. "They may have unforeseen and negative consequences."

Lee remembers many occasions killing time in an airport and perusing a mobile app from a large retailer such as Macy's. When the time came to confirm a purchase, she'd say to herself, "Wait, this order exceeds $300—do I feel safe making this transaction at the airport?"

Consumers generally don't worry about buying items such as diapers or hand lotion on Amazon, but beyond a certain level they become wary of making the final click because of concerns surrounding security and theft of personal information, Lee said.

"So in that sense my research is showing consumers may be buying more frequently on mobile devices but not big purchases. They think twice," she said.

Lee conducted two studies as part of her research—The Dark Side of Mobile Channel Expansion Strategies—that stressed the importance for companies to strive for a balance across all of their online platforms instead of relying primarily on mobile channels.

Her first study, which used data from a leading online shopping platform, showed that expanding to a mobile channel increases customer sales up to a critical point of 38 percent.

Beyond that threshold, the use of a mobile channel reduces revenue because active mobile shoppers buy more often but spend less per order. Further analysis revealed that orders made through mobile devices contain 20 percent cheaper and 7 percent fewer products than orders from other online devices.

These negative effects are mitigated when customers purchase low-risk products or buy from high-quality sellers. Companies could prominently display expressions of seller quality, such as consumer reviews, to help the decision-making especially for risky products.

"The study found that people buy more frequently but for less expensive items, but when they see good stellar product ratings on mobile sites like Amazon they don't hesitate," Lee said. "When the product ratings are high, people tend to buy more frequently and suppress negative feelings toward mobile shopping and spend more.

"We looked into more than 14,000 customers who made more than 218,000 transactions, and over time customers began feeling more comfortable in make high-price purchases," she added.

In the second study, which analyzed data from about 200 publicly traded U.S. firms, Lee found that mobile channel expansion improves stock returns when about half of a firm's online visitors enter through smartphones.

Websites or apps that are not developed specifically for a mobile interface do not address the limitations of mobile channels, such as small screens, difficulties in scrolling and visiting multiple different pages.

Restrictions in viewing full product descriptions limits a customers' confidence in making a large purchase, she said.

"This negative effect is suppressed in firms with high operating efficiency that have accessible, intuitive websites," Lee noted. "The study showed that improving operating efficiency is an advisable strategy for firms, as it not only directly contributes to the bottom line, but it also increases the returns from mobile traffic."

Additionally, firms could develop websites that do not demand much cognitive effort from consumers to navigate.

"They could experiment with alternative website versions and closely monitor consumers' cognitive load by measuring the statistics on the length of time spent per page before finalizing website design and functionality," Lee said.

Lee, who teaches marketing analytics at the undergraduate and graduate level, shared the results of her research with her students. "I was surprised that undergraduates were very interested in the topics covered because shopping online is something they do all the time," she said.

"There are advantages in talking about what is happening in the real world," Lee said. "You can't get it from a textbook."

Lee also enjoyed the research because it's conversational and very personal, because of the way people develop habits and expectations for their online shopping experiences.

"In the end, we are all consumers, so this is a very big topic," she said.

Provided by Lehigh University

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