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Effects of behaviorally targeted online marketing in high involvement purchas- ing decisions

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TIIVISTELMÄ

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Tutkimuksen tavoitteena oli selvittää kuinka käytöskohdistettu markkinointi vaikuttaa korkean sitoutumisen ostopäätöksiin ja mikä on kuluttajien mielipide tämän tapaisesta markkinoinnista ja internetissä tapahtuvasta käytöskohdistuksesta.

Tutkimuksen teoreettinen osa koostuu erinäisistä internetmarkkinointitavoista, ostoprosessista sekä käytöskohdistuksesta evästeiden ja Web-analytiikan avulla. Käytännön osuus suoritettiin määrällisenä tutkimuksena, jossa esitettiin yksinkertaisia kysymyksiä internetkäyttäytymisestä ja internetmainonnan ymmärtämisestä.

Tutkimuksen tulokset osoittavat, että käytöskohdistettu markkinointi vaikuttaa korkean sitoutumisen ostopäätöksiin positiivisesti, vaikka yleinen mielipide internetmainonnasta olikin negatiivinen, sillä ne koetaan häiritseviksi. Käytöskohdistetut mainokset koettiin tutkimuksessa tehokkaammiksi, vaikka ne herättävätkin huolta yksityisyyden suojasta. Yhteenvedon voisi mainita, että kuluttajien luottamuksen nostaminen tämän tyylisten mainosten suhteen voisi edelleen lisätä käytöskohdistetun mainonnan tehokkuutta.

ABSTRACT

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The aim of this study was to study how behaviorally targeted marketing affects high involvement purchasing decisions and what the consumers' opinion is about this type of marketing and behavioral tracking.

The theoretical study consists of different methods in online marketing, purchasing process, behavioral tracking with the help of cookies and web analytics. The empirical research was conducted in the form of a quantitative questionnaire with simple questions about online habits and online advertisement knowledge.

The results of this study indicate that behaviorally targeted marketing affects the purchasing decisions of high involvement products positively. However, the general opinion about online advertisements is negative as they are seen as annoying. Behavioral targeting is considered more effective but it raises concerns about privacy.

As a conclusion, raising the consumers trust towards these types of advertisements would further increase the effectiveness of behaviorally targeted marketing.

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1 INTRODUCTION

This chapter is an introduction to this study and will introduce the reader to the background of the study, structure and research problem.

1.1 Background of the study

The internet revolutionized marketing when it entered to commercial use and companies understood and took advantage of the possibilities it had in marketing. Social media and email became easy to use and with the evolution of these channels, it was easier than ever to reach consumers with advertisements. In time consumers learned to ignore these advertisements and it forced the marketers to find ways to make online advertisement more appealing.

However, every consumer is different and finds different things interesting, so making advertisements that are interesting to everybody is practically impossible, the internet, however, is a platform that is different from the traditional platforms used in marketing such as newspapers, radio and television. It allows for a new type of targeted marketing based on every individual's internet history and habits.

Gathering this individual information is very simple and sites like Facebook and Google actively collect data and forward it to marketers or use it themselves. Behaviorally targeted marketing allows for personalized advertisements for every internet user which in turn makes advertisements more appealing. The aim of this study is to find out how the appearance of behaviorally targeted marketing has affected the online buying behavior of internet users.

The focus will be on high involvement purchases such as smartphones, laptops and other consumer electronics. These kinds of purchases tend to be thought thoroughly before making the purchasing decision, making it especially interesting to find out whether behavioral targeting influences them.

1.2 Research problems and limitations of the study

There are two research problems that this study aims to solve. The first research problem of this study is to find out how much behavioral targeting affects the consumers buying behavior in high involvement purchasing decisions by making more personalized advertisements targeted towards individuals based on their online history. The second aim is to find out the consumers' opinions about behavioral targeted marketing and how they feel about behavioral tracking.

The main limitation in this study is the focus on high involvement purchasing decisions or more accurately on consumer electronics as a product category. Consumer electronics is chosen in order to simplify the analysis of the results while still making sure the survey gains enough valid answers.

Another limitation is to focus on the consumers instead of the marketers in order to figure out the opinions the consumers have on the topic.

1.3 Structure of the study

This study consists of four sections, introduction, theoretical study, empirical study and the conclusion. The theoretical study is the main body of this study and consists of general information about online marketing, common tools in online marketing, customer behavior and behavioral targeting.

The empirical study consists of the research done about the views of the internet users on behavioral targeting, their online habits and online marketing in general. The empirical study also contains the results and analytics done based on the research.

The conclusion is the last section of this study and it has some thoughts about how this study succeeded in general and some possible topics for future studies.

2 THEORETICAL FRAMEWORK

This chapter is the theoretical framework of the study. It briefly explains how the internet has evolved towards the marketing channel it is now and how it differs from other channels. In this chapter, general information about online marketing and common tools used in it will be discussed as well as basic information on how behavioral targeting and web analytics work.

2.1 Marketing

Marketing is a process that tries to get as many consumers as possible to realize that they need a product. As such marketing focuses on creating value for a product and communicating that value to the consumers. There are several types of marketing, but commonly when someone thinks about marketing, they think of advertisements. Other types of marketing include branding and influencing the image of the company. Key themes in marketing include the 7P's, consumer behavior, product lifecycle and the purchasing process. (Dann & Dann, 2011)

Marketing is in the end driven by profit, since the main aim behind marketing is to sell as many products as possible. Sometimes branding or image generation is, however, hard to measure financially, but in these cases the profit comes in the form of public knowledge about a product or a company. (Dann & Dann, 2011)

Marketing mix and the 4P's are the basics of marketing that come up in almost every book or study about marketing. The 7P's model is a modified version of the original 4P's model written in the 1960's and the 7P's was modified more for the service industry so the additional 3P's added are not as relevant to this study. (marketingmix.co, 2015)

The 7P's are as follows:

- Product
- Price
- Place
- Promotion
- People
- Process

- Physical evidence

These 7P's are the foundation of marketing and every marketer should keep them in mind in order to achieve increased sales. The most relevant for this study is "promotion" since topic is about internet advertising.

Price and place are self-explanatory as they focus on the product itself and the price of that product. Place means the physical location where the product or service is sold. In online marketing place usually means the website where the product is sold. When the place is online it is always accessible, which is a large positive compared to the traditional stores.

Promotion is mostly about advertisements and how to get the information about the product to reach the consumers. This covers all types of advertisement channels from word of mouth to internet advertisements, these can then be used in combination to achieve the result wanted. (marketingmix.co, 2015)

Online marketing is a method of marketing that is derived from the more traditional ones but understanding the basics and keeping the 7P's in mind is still crucial. Online marketing is, however, a different environment where things are in constant motion. (Dann & Dann, 2011)

The online environment has global access, consumer to marketer interaction and customizability that no other type of marketing can achieve. This is a good thing since the marketer can have a larger audience and they can make quick decisions based on immediate feedback. The online environment can, however, also be extremely volatile since mistakes happen and information flows quickly in the online community. (Dann & Dann, 2011)

Making the decision on whether to go online or not is a matter of balancing positive and negative aspects. Today, however, when online marketing is one of the most effective channels of marketing, staying offline might not be a viable choice.

2.2 The Evolution of online marketing

The internet was originally a military project in the 1960s and through several evolutions turned into the World Wide Web we now know. In the 1990s specifically in 1993, it truly started to be adapted into commercial use. During the 1990s E-commerce started to take shape. However, back then it was still a shadow of what it would grow to be, (Leiner, et al., 2017)

In the year 2000, the internet was widespread and social media started to take shape. Homepages and E-mail were already a new type of a marketing channel but when blogs started to gain popularity and social media started to take shape it opened a whole new world of interactive marketing that we see today. In the early days of the internet, online marketing consisted mainly of e-mail advertising and banner advertising. These are still very much present currently but they have evolved and been upgraded multiple times as technology has advanced. (Leiner, et al., 2017)

Social media created a completely new type of interactive platform in marketing where the consumer could be in direct communication with the marketers. It also created the possibility for different types of social media campaigns and publicity stunts.

The latest evolution and the main topic of this study is behavioral targeting, the marketers use the consumers' internet history and browsing habits to provide personalized advertisements, which is also a huge step forward from the general mass marketing. In 2009 Google announced that it will use the consumers search history and browsing patterns to direct more appealing adverts to them and this was the first step in targeted marketing. Since then targeted marketing has evolved massively. (Toubiana, et al., 2010)

2.3 Difference to other channels

There are some clear-cut differences between the internet and other marketing channels. In the book "Netti mullistaa markkinoinnin" it was mentioned that the internet is not a media channel in the same way as television is, it is "a new type of communications channel that works both ways". (JUSLÉN, 2009)

Traditional channels such as newspapers and television are a one-way stream of information where the marketers feed the consumers knowledge about their products. Whereas on the internet and social media, the consumer may post reviews and comments about the product making the company or product more transparent and trustworthy (JUSLÉN, 2009)

The content on traditional media is polished and created by professionals in order to sell products to the consumers. On the internet content is created by professionals and the users/influencers that reviewed the product based on their experiences. Paid reviews or testimonials are illegal according to the Federal Trade Commission. (Warner, 2015)

One large benefit that internet marketing has over other channels is that customer behavior is significantly easier to understand, track and predict due to the nature of the internet. This makes targeted marketing easier to achieve, which again increases the success rate of marketing. (Hausman, 2016)

In traditional media, the content is created in advance and does not allow any involvement from the audience, on the internet and more precisely on the social media, the content is created in real time and allows for active participation from the audience. The audience on social media is loud and capable of immediate feedback. (Ghafoor, 2017)

2.4 Different advertising methods in online marketing

Online marketing is not just about putting a few advertisements on your favorite websites and hoping someone clicks on them. There are several different tools that are commonly use in online marketing and some of them have already been mentioned in this study. The most common tools are:

- Banners
- Email
- Search engine advertising
- Social media
- Pop ups

Banner advertising is something that everyone who has used the internet has seen some time when browsing the internet. They are advertisements placed in certain locations on almost every site. This is very close to how advertising works in newspapers, for example. This is also the method of advertising that has been affected the most by behavioral targeting. However, most people who spend a lot of time online have learned to ignore these types of advertisements, this is called banner blindness. (Marketing terms, 2017)

Email advertising was popular at the starting phase of internet marketing but has since lost its popularity since it is quite ineffective and most people find it extremely annoying. Email services have evolved and recognize most advertisements as “junk mail”, which makes email advertisements almost completely obsolete. However, it is still in active use in “newsletter” type advertising where companies send you information about new products if you have signed up for them. (JUSLÉN, 2009)

Search engine advertisement is a somewhat more hidden way of advertising which allows a company to be listed as for example the top three search results for certain keywords in search engines like, for example Google and Yahoo. The marketers pay these search engines in order to get higher on the list of results, which in turn gives their site more visitors and potential customers. (JUSLÉN, 2009)

Social media is a marketing tool and platform where companies can easily promote their products. A social media site is already good advertisement as it is, but it also provides a great place for putting additional advertisements and it gives the customers a chance to give feedback and communicate with the company. (JUSLÉN, 2009)

Pop ups are advertisements that pop up on screen whether the viewer wants it or not. Pop ups are generally blocked by different ad-block or antivirus software since they are often harmful and they slow down the users internet. They were actively used before the current ad-block systems and are part of the reason why other internet advertisements are met up with distrust or annoyance. (JUSLÉN, 2009)

2.5 Online customer behavior

Customer behavior has always been an important area of marketing, understanding the buying behavior, needs and wants of your customers makes marketing towards them a lot easier. (Dubois, 2001)

Traditionally stores asked their customers to fill in surveys in order to know more about the people that use their services and what kind of products they might be interested in. Understanding customer behavior makes it possible to make changes in business models and effectively change the product range to suit the already existing customer base. It also makes it easier to attract new customers by understanding your old ones. (Dubois, 2001)

In online marketing, customer behavior translates to online behavior which means the search history, previous purchases and interests that a potential customer has. These are very easy to find out on the internet and sites that you visit often know more about you than you might expect. (Koen Pauwels, 2013)

Online behavior is something that is easy to track but hard to influence, since during these 20 years that internet marketing has been developing the consumers have also learned to ignore advertisements and have developed habits that might be hard to change.

In the early days of the internet, clicking on advertisements was risky and the amount of email advertising annoyed most people. This effectively developed a distrust for online advertisements and this partially explains the extremely low click rate that online advertisements have today. The average click rate for online advertisements is around 0,10% meaning that for every 1000 views the advertisement gets around one click. (Maynes, 2015)

In order to increase the click rate, marketers try to make more interesting advertisements, which is difficult because each consumer is different and is interested in different things. This is where targeted marketing comes to play. By directing different advertisements to consumers based on their online behavior the marketer achieves an increased click rate and, thus, increased sales.

2.6 Purchasing process

All products can be categorized either as low or high involvement purchasing decisions. Low involvement decisions are generally day to day goods such as toothpaste or cheap novelty items such as books or cosmetics. These types of products are usually purchased without much thought or research put in to it. In these types of low involvement purchases the consumers often skip some of the stages mentioned

below and jump straight to the formulation of the decision stage and buy the product. This is called impulse buying and in these cases all theory is irrelevant. (Open textbooks, 2016)

High involvement decisions are commonly more expensive or something that lasts for a long time such as electronics or furniture and for these reasons the purchases often have a relatively high risk. High involvement decisions are more thought out and researched than low involvement. This also means that the consumers are often unsure about their purchase and they end up spending extended amounts of time thinking about these purchases. (Tanner & Raymond, 2012)

The marketers are usually aware that their products are high involvement decisions and they tend to offer more information and convincing advertisements where they often compare themselves to other brands. (Open textbooks, 2016)

Every single purchasing decision is initially triggered by a consumer either needing something or wanting something and this is the first stage of the purchasing process that consumers usually go through before making the purchasing decision. This stage is called the “arousal” stage if the consumer wants something or “problem recognition” stage if he needs it. This stage is over when the consumer admits to the necessity of the purchase. (Dubois, 2001)

When the consumer realizes that he wants or needs a product, he becomes more open to the information regarding that product, the consumer also begins the next stage of the purchasing process called “information search and processing”. In this stage, the consumer actively searches for information regarding the product, finds alternative options and evaluates them according to his preferences. (Dubois, 2001)

At the end of this stage the consumer usually ends up with some choices since most product categories have several assorted brands with different price ranges. This stage is called “formulation of decisions”, where the consumer makes the decision of which product he chooses. Most consumers go through “mental accounting” where they calculate which option is the best financially. For some consumers’ this is the only thing that matters and they choose the option that comes out on top after “mental accounting”. However, there are several other features that affect the buying decision either consciously or subconsciously. Some consumers choose to buy

their favorite brands, products in nearby stores or products with their preferred payment methods. (Dubois, 2001)

The formulation of decision stage is sometimes further split into three different stages. The “evaluation of alternatives” is the stage where the consumers knows what they want but wish to compare prices and look for other brands. (Jones, 2014)

The “purchase decision” stage is where the consumer is aware of the alternatives and prices and decides whether to move forward and buy the product or walk out and choose another option. At this stage advertising is important, because the consumer needs to be reminded why he needed the product and why he looked at a specific product. (Jones, 2014)

With behavioral targeting the marketers can direct advertisements to the consumer even if they decide to walk out, in hopes of changing the consumer’s decision.

The “purchase” stage is the last stage from the further divided “formulation of decisions” stage. This is the stage where the consumer has decided to buy the product, during this stage marketing really has no effect since the consumer has already made the decision. (Jones, 2014)

The purchasing process does not actually end with the purchase but after the purchase the consumers go through the reviewal stage where they formulate an opinion based on the transaction and the product itself. This stage is the final stage of the purchasing process and it is a very crucial stage since the consumer may decide to use this brand again or never buy anything from this brand in the future. (Dubois, 2001)

The stages where marketing affects the most is the information search and the purchase decision stages. Identifying these stages through behavioral tracking and directing targeted advertisements towards the consumers when they are the most receptive may be the most effective method of using behaviorally targeted advertisements.

2.7 Web Analytics

Web analytics play a significant role in tracking information about web sites, one of the simplest and most popular web analytics provider is Google analytics. With the help of web analytics online sites can gather vital information about their visitors, which can then help them to improve their services and increase sales.

A list of information that can be gathered with web analytics:

- How many users see your advertisement in a day.
- Where they see your advertisement.
- How many users visit your site through an advertisement.
- How much time each user spends on your site.
- Have they clicked on your advertisement before.
- How many users made purchase after clicking your advertisement.
- The click to buy ratio.
- Which advertisements are clicked the most.
- What the users were looking for when they saw your advertisement.
- How many were repeat customers.
- How much each customer costs to acquire.

This information is easy to acquire and very helpful in improving online marketing strategies and it is used a lot in targeted marketing because it helps the site to connect the common interests and behavioral patterns for each individual. (Google Inc, 2017)

2.8 Cookies

HTTP cookie or simply cookie is a term commonly used on the internet and it is something closely related to the data acquisition process that enables behavioral targeting. Cookies were originally designed in order make web browsing faster by making websites remember browsers that have already visited them. (Microsoft corporation, 2012)

There are several different types of cookies that perform different tasks, however, the most common ones and the most essential for this study are the tracking cookies

and third party cookies. These cookies track the user's behavior online by following which sites the user visits and for how long.

Tracking cookies are linked to the domain that the user visited. When a user visits a domain the site automatically saves a file on the user's computer, this file is the cookie. The cookie then automatically tracks and saves all actions taken on that site. Tracking cookies stay active even when the user leaves the site and once the user returns, the site gains knowledge of all other sites visited and actions taken. This data is then used in various ways by personalizing advertising towards the user and improving their site. (F-secure, 2017)

Third party cookies are similar to tracking cookies as they work in the same way. The main difference between third party cookies and tracking cookies is that third party cookies come from other sources than the original domain that the user visited, most commonly they come with banner advertisements from the banner's original domain. This makes it possible for domains that the user has not visited to track him and direct their advertisement towards him. (Microsoft corporation, 2012)

Third party cookies are mostly used by advertisement services and this type of action is also called data mining. Since third party cookies are used to gather data from thousands to millions of different users, the advertisers have access to a vast amount of data that is then used in behavioral targeting. (Microsoft corporation, 2012)

Almost all web browsers have an option to disable cookies which makes this type of tracking impossible, however most people do not disable them because they are either not aware that they are being tracked or they choose to keep them active since many sites require them to function properly. (Boggan, 2013)

Larger sites use cookies in combination with web analytics to gain a deep understanding of what type of people visit their site in order to develop the site itself and the advertisements shown on it.

According to a survey done in 2016, 71% of internet users in Europe are aware that cookies are used to track their internet behavior, Finland being in the top three with

85% awareness. (Eurostat, 2016). In a study done in the United States in 2013 it was shown that 41% of respondents have disabled cookies at some point. (Lee Raine, 2013)

2.9 Behavioral targeting

For a long time, advertising has been about getting the product information (advertisement) to reach as many consumers as possible. However, the fact is that most people reached by this type of mass marketing are not interested in the product. This simple fact makes the traditional way of marketing a waste of resources. (Graham, 2006)

Targeted marketing allows for the marketer to market the product to those already interested, or in need of the product. This method creates better results with less waste. Identifying these individuals requires the marketer to understand the needs, wants and interests of the consumer. (Graham, 2006)

Targeted marketing has been used in television advertisement and other channels for a long time, but the target has been a lot broader than it is now in behavioral targeting. Targeted marketing can be, for example, generational targeting where the advertisements are targeted to people aged 18-25 or geographical where it is targeted to people living in Finland or other specific regions, but the target audience in this type of advertising is still extremely wide and the targeted audience can still consist of millions of people with different interests and needs. The internet makes behaviorally targeted marketing possible and with the help of internet tracking tools, the marketers can now target individual consumer based on their interests. (Pumphrey, 2017)

Behavioral targeting is practically impossible without the help of the internet. Understanding the consumer behavior can be achieved with traditional methods such as surveys or membership cards but it is considerably easier with web analytics and browser tracking. (Graham, 2006)

Directing advertisements to individuals, however, is impossible with other mass medias like television, radio or newspapers. One method of traditional behaviorally targeted marketing is sending advertisements via mail to people who might be interested. This method is outdated, time consuming and not cost effective. Online

targeted marketing makes this method simple and on a much larger scale and with less waste.

The data required to achieve behavioral targeting is gathered with the combination of several methods, like tracking cookies and web analytics. It can be further enhanced by geographical targeting with the help of mobile phone apps that track your location via GPS.

Behavioral targeting is typically used in banner advertisements that are usually displayed in the sides of the site you are viewing or placed in between lines of text. The advertisement each person sees is different based on their browser history and the data that the cookies have saved. Not all advertisements you see online are targeted but they are getting increasingly popular among marketers.

3 EMPIRICAL PART

This chapter briefly explains the research method used in the thesis and contains analysis of the results gained from the questionnaire.

3.1 Research method

The quantitative research approach is commonly used in surveys where it is important to find out limited information from a large audience in order to formulate statistics and patterns in human behavior or knowledge. The respondents need not be particularly informed about the subject and the questions usually require simple answers to be chosen from given alternatives. Common methods for this approach are surveys and questionnaires. (Saunders, et al., 2016)

Since the topic of this study is such that everyone that uses the internet on regular basis has an opinion or experience on the topic, it was easy to choose the research method. The research requires numerous respondents to answer a set of simple questions, so the preferred research method is a quantitative survey about internet habits and online advertisement knowledge. With this method it is possible to gather a significant amount of data to be analyzed and compared to the already existing statistics about online behavior in order to find out how behavioral targeting has affected it.

The questionnaire is constructed so that it gives out the necessary data but keeps in mind the respondents time in order to maximize the data gathered and number of respondents. Having a long questionnaire reduces the number of respondents, but having a short one may not be able to collect all the necessary data. The questionnaire had 18 simple questions that are mostly simple “yes or no” questions with few rating scale questions mixed in.

The questionnaire was sent to the students of VAMK via email and it received 214 responses. The number of respondents was satisfactory and allowed for a decent amount of data to be collected and analyzed.

3.2 Results

This chapter goes through the results of the questionnaire methodologically without much analysis. Each of the topics is looked at more closely in the following chapters.

3.2.1 Respondents demography

The research was conducted in the form of a questionnaire sent to students and it gathered a total of 214 responses. The respondents were almost equally male and female with males having a slightly higher number of responses. The majority of these respondents were between ages 19-25. The respondents spend on average five hours on the internet each day, which makes their knowledge about the topic adequate. Most of the respondents were students since the questionnaire was sent only to the students at Vaasa University of Applied Sciences.

3.2.2 Online marketing knowledge

The majority of the respondents either tolerate or dislike online advertisements with only a small percentage (10,2%) feeling positively about them. 63% of the respondents have ad block installed and 53% have disabled their cookies, which shows a certain degree of awareness about online advertisement and privacy issues. The results show a clear correlation with the Eurostat study done in 2016¹ when 83% of the respondents understand what cookies are but only 53% have chosen to disable them.

94% of the respondents have noticed that the advertisements are directed towards them and 88% have heard about behavioral targeting, which shows that people are clearly aware about the topic of this study. Most respondents were bothered by the fact that their behavior is being tracked by marketers, which is completely understandable. However 36% said that they do not mind behavioral tracking.

¹ (Eurostat, 2016)

3.2.3 Online behavior

42% said they occasionally click on online advertisement. This is a relatively high number when compared to the average click rate of online advertisement, which is around 0,1% (Maynes, 2015). This is not comparable, but it shows that a surprisingly high number of respondents are open to online marketing.

96% of the respondents have bought products online and out of those 63%(129) had bought consumer electronics. This is a high enough number of people to see if behaviorally targeted marketing had made a difference in these purchasing decisions.

Eleven respondents or 8,5% of those that had purchased consumer electronics had purchased it after clicking an advertisement. Of the respondents that had bought something other than consumer electronics six or 7,5% had done so after clicking an advertisement. These numbers are similar but even a deviation of 1% is noticeable when these percentages are exceptionally high as they are in this study. When the average click-rate is only 0.1% having a rate of 8,5% of purchases done through advertisements is exceptional. The product category with the highest rate of purchases done through advertisements with 8,65% was laptops and desktop PCs with 81 total purchases and seven were bought after clicking on an advertisement.

These high percentages might be explained by the sample size and the sampling where most of the respondents were students between the ages of 19-25. If the sample size was larger and the sampling more diverse the rates would have likely been lower. The respondents usually choose to answer the types of questionnaires if they have interest or prior experience on the topic, this might also be one factor which could explain these high rates.

3.2.4 Opinions about behavioral targeting

As mentioned before most of the respondents find online advertisement annoying or neutral with a small minority of respondents who like them. Over 50% of the respondents feel like online advertising does not affect their purchasing decisions in any way, and the other majority felt like online advertisement slightly affects their decisions. Only a few respondents thought that online marketing has a substantial impact on their purchasing behavior.

36% of the respondents thought that behavioral targeting is no more effective than other, more traditional, methods. 47% thought that it might be more effective and the last 17% believed behavioral targeting is definitely more effective than other methods of marketing.

The last question in the questionnaire asked the respondents to share some experiences or opinions about behavioral targeting they might have had. This question received 15 responses with three main themes.

The first theme that arose in the open questions was privacy and the concerning nature of behavioral tracking. The respondents wondered how it sometimes seems that the advertisements they have received are based on conversations they have had and not something they have searched online.

The second theme that came out was that advertisements targeted to them were often wrong, based on some quick search and not really matching their interests. Another reason for mistakenly directed advertisements was a shared Wi-Fi with multiple users.

The final theme that arose in the open question was that online advertisements in general are very annoying and the respondents do not find the advertisements trustworthy because they are afraid of scams and viruses.

3.3 Reliability and Validity of the study

Validity of a study means that the study answers the points it was meant to and that the responses are truthful.

The research conducted in this study is valid since none of the respondents had a reason to alter their answers in any way. Some of the results could be compared to previous researches and the results seemed similar. The study also answers the questions it was meant to answer.

Reliability of a study means that it is repeatable and the results of the repeated study should match the results of the original one.

However, the topic of the study is such that for it to be completely reliable it should have had a far larger number of respondents and the sampling should have been

more varied. With most of the respondents being in a similar age group and almost all of them being students the results are not completely reliable.

If this research were to be done again with a larger sample size and more effective sampling the results could be different. Adding respondents from different age groups, education and life situations could alter the outcome of this research considerably.

Taking these issues in to account the research is still valid to a degree and can be used as giving directional results.

3.4 Analysis

There were no significant differences between male and female respondents other than that females purchased more clothes and accessories. The age of the respondents played some role, showing that the younger respondents were more active online shoppers and more knowledgeable overall in the questions related to behavioral targeting knowledge and privacy issues.

The fact that the percentages of respondents who understood cookies and had disabled them were quite close to the results in previous researches is a good sign of the validity of this study.

One of the most important results in this research is the percentage of purchases of consumer electronics done by clicking on an advertisement, which was slightly higher than the percentage on other purchased goods such as clothes and accessories. The fact that this percentage was higher on consumer electronics than on other goods, indicates that behaviorally targeted marketing affects high involvement purchases more than low involvement purchases.

The reason for this might be that high involvement decisions generally have a longer information search phase. As this information search is conducted usually on the internet the directed advertisements can more easily and accurately pinpoint these individuals.

The respondents' opinions on internet marketing and behaviorally targeted advertisements were mostly negative in the sense that most people find them annoying

and mentioned they do not affect their purchasing decisions. There were, however, indications that behaviorally targeted advertisements are more effective and interesting than regular ones.

The questionnaire did not clearly give the answer to the research problem since there was no question asking if the respondents made their purchases due to behaviorally targeted advertisements. Because the initial hypothesis was that the respondents' understanding of the topic would not be as high as it was, and they would not be able to tell the difference between regular online advertisements and targeted ones.

3.5 Summary

The questionnaire was conducted on a very small scale if the total amount of internet users is taken into consideration and the sampling was not diverse enough in order to gain a result that would be completely valid. Due to these reasons, all the deductions drawn from the questionnaire can only be considered as directional.

The consensus was that internet marketing in general is annoying and behavioral tracking is scary to most people so they use ad-block software in order to minimize online advertisements. There was, however, some indication that behavioral tracking is more effective and the high percentage of purchases done via clicking on these advertisements seems to support that.

The percentage on consumer electronics bought through advertisements is not directly linked to the effectiveness of behaviorally targeted marketing, but since most if not all banner advertisements seen online are targeted towards the one seeing it, a clear deduction can be drawn. High involvement purchasing decisions are more affected by behaviorally targeted marketing because they require extensive information searching giving the targeted advertisements more time and better targets to work.

Behaviorally targeted marketing may have a significant effect on the outcome of the purchasing process since most of the information search will be done online with the help of Google and therefore marketers can easily feed advertisements to

the consumers searching for information on the products they need. Since the consumers who have gone through the problem recognition stage are more susceptible to information they need, this might increase the click rates of the advertisement and alter the original outcome of the purchasing process. Identifying the stages of the consumers purchasing process and directing well timed and topical advertisements seems to be the most effective method of using behavioral targeting.

In conclusion, the findings of this study seem to indicate that the general online users are aware and concerned about the privacy issues related to behaviorally targeted online marketing and are therefore cautious about clicking on online advertisement. There still seems to be some indication that using behaviorally targeted marketing will be beneficial for the marketers since it seems to work in products that require some research before purchase. There is, however, nothing to compare these results with so the numerical value of how much behavioral targeting has affected purchasing decisions concerning consumer electronics cannot be figured out

The study gave somewhat valid answers to the research problems initially thought out and it can be considered as a success. Behaviorally targeted marketing affects consumers purchasing decisions concerning high involvement products positively but the general negativity associated with online marketing eats away at the effectiveness of it. If the marketers could increase the trust consumers have towards online advertisements or lessen the perceived risk of behavioral targeting, these types of advertisements could be even more effective.

4 CONCLUSION

Writing this thesis was an educational experience and the topic grew more interesting the more it was researched. There were several difficulties and obstacles writing this thesis, the number one difficulty being the lack of literature on the topic. It was extremely hard to find citable papers concerning behavioral targeting ,which is one of the main reasons for why the theoretical part is so short.

It was also difficult to formulate the questionnaire so that it would answer the questions raised by the research problem and after analyzing the results it became evident that further specification would have been required to effectively answer these problems. The fact that it is often difficult to distinguish a regular online advertisement from a behaviorally targeted one played a part in why the results of the questionnaire were slightly dissatisfactory.

There is also the fact that the validity of the questionnaire is slightly questionable do to the sampling and sample size of the survey. Despite these issues the study can be considered as a success since it did answer the questions raised by the research problems.

4.1 Future research

This topic could have been more easily studied from the marketers, point of view, because of the large amount of numerical data in the possession of these marketers, but it would have left the consumers opinions and behavior ignored. This could be one point for future research on this topic.

Another topic for future research could be to look at how behavioral targeting could be made more trustworthy in the eyes of the consumers.

It could also be interesting to examine at how these types of advertisements affect the purchasing process everyone goes through, however, this would be extremely difficult to achieve.

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APPENDICES

Appendix 1

Questionnaire

1. Gender. Male/Female
2. Age. (15-18) (19-21) (21-25) (25-30) (30-40) (40+)
3. How many hours on average do you spend on the internet each day? (0-2) (3-5) (6-9) (10+)
4. How do you feel about online advertisements? 1,2,3,4,5
5. Do you use ad block or other similar addons? Yes/No
6. Do you know what cookies are? Yes/No
7. Have you disabled your cookies? Yes/No
8. Do you ever click on online advertisement? Yes/No
9. Have you heard about behaviorally targeted online marketing Yes/No
10. Have you noticed that online advertisements are targeted to you based on your browser history? Yes/No
11. How do you feel about web sites tracking your browsing habits in order give you targeted advertisement?
1,2,3,4,5
12. Have you bought products online? Yes/NO
13. Have you bought consumer electronics online? Yes/No
14. What kind of electronics have you bought? 1.Laptops 2. Smartphones 3.Consoles 4. Other_____.
15. Did you click on an advertisement in order to make the purchase?
16. How much do you feel that online advertisements affect your purchases? 1,2,3
17. Do you think that personalized advertisement affect your purchases more than traditional ones such as TV and newspaper advertisement? 1,2,3
18. If you have some personal experiences with behaviorally targeted marketing, you can share it here.

Appendix 2

Answers

1. Gender. Male/Female

Responses: Male 116 Female 98

2. Age. (15-18) (19-21) (21-25) (25-30) (30-40) (40+)

Responses:

15-18=5

19-21=52

21-25=79

25-30=34

30-40=30

40+=14

3. How many hours on average do you spend on the internet each day? (0-2) (3-5) (6-9) (10+)

Responses:

0-2=30

3-5=91

6-9=68

10+=25

4. How do you feel about online advertisements? 1,2,3,4,5

1.I like them a lot=4

2.I somewhat like them=18

3.I tolerate them=90

4.I dislike them=70

5.I hate them=32

5. Do you use adblock or other similar addons? Yes/No

Yes=135

No=79

6. Do you know what cookies are? Yes/No

Yes=179

No=39

7. Have you disabled your cookies? Yes/No

Yes=114

No=100

8. Do you ever click on online advertisement? Yes/No

Yes=91

No=123

9. Have you heard about behaviorally targeted online marketing Yes/No

Yes=189

No=25

10. Have you noticed that online advertisements are targeted to you based on your browser history? Yes=202

No=12

11. How do you feel about web sites tracking your browsing habits in order give you targeted advertisement?

1,2,3,4,5

1.I like it a lot=0

2.I like it=9

3.It does not bother me=78

4.It bothers me=85

5.It bothers me a lot=42

12. Have you bought products online? Yes/NO

Yes=207

No=7

13. Have you bought consumer electronics online? Yes/No

Yes=129

No=85

14. What kind of electronics have you bought? 1.Laptops/desktop PCs 2. Smartphones 3.Consoles/TVs 4

Other_____.

1.=81

2.=75

3.=42

4.=49 These answers range from household products and gaming equipment to clothes

15. Did you click on an advertisement in order to make the purchase?

Yes=17

No=197

16. In your opinion how much do online advertisement affect your purchasing decisions?

1.They affect them a lot. =4

2.They affect them a little. =93

3.They do not affect them. =105

17. Do you think that personalized advertisement affect your purchases more than traditional ones such as TV and newspaper advertisement?

1.Yes=36

2.Maybe=102

3.No=76

18. If you have some personal experiences with behaviorally targeted marketing, you can share it here.

-15 answer with some experiences and opinions on behavioral targeting.