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Unpacking the Digital Consumer Mindset

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Abstract

The digital economy is recasting global commerce. The digital drive is often attributed to millennial and Gen Z technology adoption, purchase power, and societal habits (urbanization and discretionary income). For e-commerce, when defined as the sale of physical product(s) mediated by a digital platform, the pivot point is the consumer mindset. The consumer mindset is the root cause of purchase intent. That collective demand spurs all levels of sellers (firm) to behavioral strategies aimed to complete the commerce circuit; a good or service is sought and sold. During the reign of retail, advances in consumer research and neuromarketing led to a deeper competence (never complete) of the consumer in the retail context, which led to successful strategies of the firm. The consumer mindset in the digital economy can prove vexing for the firm that cannot identify the new cognitive schemas that define the digital path to purchase. This chapter presents no original research but synthesizes the research, existing subject matter expert insight and direct industry experience to give vision to the emerging mindset of the digital consumer, the social context of e-commerce, and the imperative behavioral strategies of the firm in the digital economy.

Keywords: digital platform, digital economy, social context, individual decision-making, behavioral strategy of the firm, cognitive schemas, social proof, unboxing, e-commerce

1. Introduction

If the consumer mindset instigates purchase intent, then it is the social context that integrates intent into action and delivers the transaction in time and space. Beginning with the psychological underpinnings of the consumer mindset, then the social context is applied and understood in its symbiotic substance with the consumer's mindset. Then the subsequent behavioral strategies of the firm emerge and complete the picture of the commerce. By seeing retail commerce and e-commerce side by side, the transformation becomes clear and actionable.

2. The age of retail

The recent period of commerce was an age of retail, defined as transactions within a bricks-and-mortar store. At the height of retail, store counts expounded, and same-store sales increased year over year. The retailer and brand implemented the four Ps with excellence; price, product, promotion, and place. Now blogs

proclaim—the retail apocalypse is upon us—bricks and mortar are dying, or becoming a showroom for the online shopper. Retail forecast aside, there is no doubt the digital economy is in a rapid ascension; however, in understanding the opportunities and mindsets of each, brands and retailers can leverage the digital economy for growth and manage the evolution of retail.

2.1 The retail consumer mindset

In Piaget's framework for childhood development, he describes the progression of childhood development in a spectrum from sensorimotor, whereby children handle and touch to begin to learn, to concrete and operational phases, whereby children recognize sight symbols and recall concepts not tangibly present [1]. This framework can be similarly applied in tracing the consumer mindset in retail—where consumers operate within the senses to make purchases. The retail consumer consciously draws upon the senses to discover new and appealing products and packaging [2, 3]. The shopping experience consists of a series of individual decisions made by touching, seeing, tasting (think Costco), listening, and smelling. The consumer mind keeps shortcuts, called somatic markers [3], which link past life experiences with the senses and aid in selection process of new products. Even the in-store bakery is a strategic somatic smell, persuading the subconscious to purchase upon the universal positive association of fresh baked bread [2, 3]. Additionally, more pre-loaded somatic markers, brand colors and logos, often connect with childhood and first experiences and become a way to speed up individual decision-making [3]. The retail store has a stickiness to the senses that connects the consumer mindset in retail inseparably with the senses—even a conscious consumer with a shopping list must remain a disciplined passerby to reach the milk in the back corner (intentional of course) [2]. Perhaps the most sensual purchase awaits the consumers as they checkout, where candy and confections tug upon the inner impulses [2]. The retail consumer relies upon their senses to make purchases in the retail context. The consumer mindset is operating within the sensorimotor stage 1 [1] of Piaget's framework, a purchase path of the senses. The consumer even operates in the preoperational stage 2 [1] whereby the consumer experiences a sense that recalls a memory or experience that is intuitively applied (subconscious) to the purchase decision-making. So the consumer mindset in retail is anchored to stages 1 and 2 of the Piaget development hierarchy. The consumer mindset now enters a retail social context of competition.

2.2 The retail social context

For the consumer, the retail environment is a competitive social context. The consumer enters retail with purchase intent and ready to fight for the best solution according to a vast and diverse set of individual cognitive schema and decision-making. The buyer navigates a tactile and physical landscape, expending energy to evaluate a multitude of products and battling to make a series of individual decisions to purchase.

In retail, the brands compete in order to emerge with dominant market share and be crowned as a category captain. For the retailer, the competitive arena, they aimed to offer the best cadre of competitors to give the consumer the power of choice. But, as retail matured, retailers had saturated store count and captured new foot traffic [2]. This intensified competition in store by turning the attention to spending more by measuring year-over-year same-store sales. Growth came from the upsell and more purchase from the same buyers, which intensified the competitive strategies further.

2.2.1 Retail strategy: in-store merchandising

The strategic imperative of in-store merchandising is often a combination of retailer and brand creating in-store point-of-purchase (POP) displays, both elaborate and unexpected, to capture the senses and intrude the attention of shoppers. This strategy initially took a secondary position until brands and retailers realized that an array of seasonal displays, high-impact display graphics, strategic floor placements, and active floor talkers could capture the upsell to the tune of adding 60% purchase beyond the “list” [2]. This highly effective strategy quickly became a go-to tactical playbook that matured into a lucrative niche industry of its own [2]. This strategy is a collaboration between marketing and sales specialists with targeted retailer intelligence to act upon in execution.

2.2.2 Retail strategy: product and package differentiation

Product differentiation and shelf presence became a trusted strategy for brands as they sought novel and new ways for product, packaging, and price strategies to stand out and get selected from shelf across retail channels like club, grocery, and convenience stores. Often new and differentiated packaging utility (like microwave soup vs. a can) would be implemented to stand out and create new consumer utility. Yet other times the best price and best quality caught the consumers’ cart. The differentiation strategy involves a mix of risk, reward, and developed points of difference to outmaneuver the rest. With 90% of new products failing [2], this strategy is a relied-upon behavioral strategy of the firm. In most firms this is where research and development leads the way through the coveted catchall, innovation.

2.2.3 Retail strategy: consumer insights

One of the most discussed and contemplated strategies of the retail firm is “market research” or “consumer insights.” This consumer-centric strategy aims to understand the consumer mindset and build or fine-tune a product and package to match. This is the heart of focus groups, insight panels, surveys, and the like. The brands segment like-minded or connected demographics and maximize marketing efforts to give the market a reason to believe in the product offering. A consumer insight strategy mines buying patterns of these groups and translates them into sales growth. Brands delve deeper into the consumer’s life, with ethnography studies that follow and observe consumers in home or in life. Moreover, brands are gaining new intelligence with neuromarketing and eye tracking and tools to identify the subconscious buying habits are cognitive puzzles of insights. The consumer mind is a complex exploration, and brands have learned that buying. In fact the focus groups often show that action and words do not line up [2–4]. The consumer may say one thing in group while buying another in the moment. The pursuit of deeper consumer insights and cognitive drivers uncovers new opportunities in retail.

2.3 The digital consumer mindset

In Piaget’s framework of childhood development, stage 3, concrete operational stage, is where symbols are manipulated and take on less egocentric focus, and stage 4, formal operational stage, is where symbols and relationships can be conceptualized readily [1]. These latter stages of the development are what anchor the digital consumer mindset. The consumer now starts the decision-making without product or package in hand, instead searching and scrolling through symbols, numbers, and images that represent the product. Although the full sensorial experience is restrained

at this point, this creates opportunity for the consumer to engage and find product attributes, company backstory, and the mission for common good. Perhaps this is where millennial and Gen Z naturally align with this mindset, as they relish researching a firm(s) bigger purpose and mission prior to the purchase decision. This exemplifies the shifting mindset of the digital economy where cognitive concepts (i.e., mission, story, purpose, product, and social proof) formalize on the front end of the decision to purchase. It also blocks less personal recollection to a tangible product and ascribes value to public good and brand purpose at the onset. In the digital economy, the consumer mindset is distinctly more concrete and abstract in approach [1].

2.4 Social context of digital economy

The digital economy has shifted the social context of commerce to connection. As consumers are connected through social media, their leads to products show them what and who to buy and come not from a retailer but from their social network. The trusted advisor role has shifted from what is on shelf to what has been shared [4]. A consumer places trust in what has been shared but then begins a period of researching five-star ratings, blogs, website, and testimonials. In the new digital economy, a consumer no longer has to enter a brick-and-mortar store in buy mode and pick the best available but rather can be ever-present in a buy mode browsing and researching—in no hurry to commit—gaining whatever is necessary to commit. This process is before any product is physically in a consumer's hands, which is contrary to sensual experience of retail. This contrarian social context in part explains how new brands find success in the digital economy, while big-scale brands find difficulty in shifting strategies for the new context [5].

2.4.1 Digital strategy: selling small and scaling socially

In the digital economy, direct to consumer sales is a foundational element of new commerce. The digital platform offers brands a chance to shape and sell their story and product directly to consumers, instead of retailers (as most big brands are accustomed) [5]. This is how the digital mattress brands broke through, by selling and telling about their mattresses directly to the consumer. Even when an e-retailer, like Amazon—a brand has an opportunity to connect to consumers directly with their story, products, and purpose. Once a social network recommends a product, the consumer will begin research and connecting to the brand. This leads to a new behavioral strategy of the firm; sell small and let social scale. The digital economy imperative is to sell small, as if to solve something for a single consumer—by designing an exceptional solution—for a given situation and letting social scale it. If brands focus on superior solution, the consumer will share and scale it socially. This strategic shift is the starting point for winning in the digital economy; the brand must woo the consumer with an exceptional product and offer.

2.4.2 Digital strategy: caring commerce

In the digital economy, the brand must show what it cares about, beyond the transaction: a worthy cause, a story of how it started, or a dedication to the craft and quality. As the consumer spends more time researching and browsing before they buy, they set out to discover what the brand cares about and factors into the individual decision-making process. A well-told story and purpose will not only influence the purchase but demonstrate how it aligns with a consumer's life and values. In Martin Lindstrom's bestseller *Buyology*, he researched three brand sponsors of American Idol and found that only two of the three remained and stuck in

consumers' mind [3]. The common bond for the two that stuck was they had integrated into every facet of the show: chair shaped, color scheme, functional placement on set, and lending itself an aid to be something bigger [3]. The two brands went beyond the standard advertising spots and into the subconscious appeal that this brand belonged in their own pursuit of making dreams come true. In the digital economy and e-commerce, this is what commerce that cares can do for a brand; it shows creatively what it stands for and that a purchase is investing in something bigger.

2.4.3 Digital strategy: strategic supply chain

In the digital economy, supply chain management must become a strategic supply chain. Supply chain was an engine of optimization for the firm in retail: orchestrating just in time trucks and maximized truckload efficiencies across customers and distribution. But now the optimization imperative shifts from cost cutting to consumer demand [6]. Supply chain is no longer just an in-house activity but a consumer facing part of the offer—and it is manifested in no bigger way than free shipping.

Free shipping is the portal to supply chain strategy in the digital economy. Free shipping starts within the cognitive mindset of a digital consumer as they realize the fact that they are buying something that is not physically in front of them—so without the senses, they count the costs of shipping. They often find themselves in an online checkout, ready to buy, when it happens—they drag their mouse to the upper right corner and clicked the X. Why? It is because they did not realize it would be about 10 dollars of shipping on 30 dollars of goods. This is one of the main drivers in online shopping cart abandonment, dissatisfaction with shipping costs [7]. The firm must create a strategic advantage through free shipping. Perhaps it means communicating a clear average order value (AOV) on the website in order to get free shipping. For other brands, it might require product and package innovation, like the digital mattress brands, to capture free shipping.

2.4.4 Digital strategy: unboxing a new ritual

The digital economy creates sensual surprise and new ritual of strategic advantage for the brand. The digital economy transaction being highly cognitive on the front end now delivers the products in tangible and sensual experience on the back end. Since the consumer made the purchase, anticipation of arrival is built, until products arrive in a shipping container and are presented inside (with possible other layers of protection). This is a new strategic moment for brands to think about. In retail, these components were disposed of and never seen, touched, or opened by consumers. In e-commerce, unboxing has become a new ritual. The neuroscience of unboxing taps into the brain's dopamine to amp up anticipation [3] and excites in ways that feed social sharing and imitation to unbox with mirror neurons [3]. Rituals are known to drive brand usage and loyalty, like corona with lime, cookies, etc. [3]. In the digital economy, unboxing is a ritual that each brand can customize for a startling new connection to the digital consumer.

2.5 The digital mattress flip

The mattress industry exemplifies the emergence of the digital economy and how it disrupted a category and transformed it to the digital consumer. Mattresses are big ticket purchases, made infrequently, and abound with personal preferences. Retailers display showrooms of mattresses from many brands and furnish the sensual discovery process (customers could see, try, and touch) before committing to such a large purchase. This is classic retail strategy in action. But then new

challenger brands leveraged the digital platform to build a better mattress experience. First, the mattress brands went direct to the customer (DTC) using online storefront(s) to tell their story and show the science of crafting mattresses that meet or exceed sleeping preferences. The new challenger mattress brands built a connection and trust by showing why their solution alone was worthy to be picked. Where the retailers carried many brands and makes, these challengers leveraged one of the basic strengths of e-commerce, direct access to your consumers. They also used the opportunity to show how they care and donate beds, which connects the purchase to a higher purpose [8]. Next, they offered 100-night no-risk, refund-guaranteed trial period, with free shipping and returns [8]. This new risk-free extended trial period freed consumers from bricks-and-mortar mattress shopping and demonstrated brand commitment and a real-life test in consumer's home. This also exposed a glaring weakness in the retail trial process—it was awkward and unrealistic [2]. The consumer found no comfort in the mattress buying experience by laying on a bare mattress in a showroom among strangers and salesmen. The digital economy opened opportunity to meet the new digital consumer mindset.

Mattresses are large and bulky. In retail, delivery is arranged and bulky mattresses are carried to place as a service. Any consumer excitement for the new bed is extinguished when they watch the mattress twist and turn into position. Once again, the digital economy and mattress brands reimagined something new for digital—a mattress in a box and free shipping [8]! The mattress in a box is delivered anytime via small parcel carriers and the consumer's apprehension turned to anticipation—at the mattress unboxing. The carefully bundled mattress opens and forms into a bed—watched with the same wonder as when a child sees a ship raised in a bottle. As the consumer watches the bed unfold through this ritual, the worry has been turned to wonder. In order to make this happen, mattress makers redesigned the mattress materials, innovating a design that used various engineered foams to specific consumer preferences. This new material choice triggered equipment to compress and roll the mattress into a box of anticipation. Mattress brands combined the digital platform and product and package innovation to enter the digital economy.

3. Conclusions

The consumer mindset is the prominent starter for purchases across commerce. In retail, a consumer mindset operates within the senses to see, touch, and taste their way into decision-making on a multitude of products. This can be thought of within Piaget's stage 1 (sensorimotor) and stage 2 (preoperational) of purchase mindsets. Accordingly, a social context of competition sets off a cast of competing brands vying for attention and floor space from a consumer fighting to get the best solution to their felt needs (or shopping list). This retail commerce environment experiences wild successes for buyers and sellers alike but began to fall upon hard growth times—then the digital shift began.

The digital consumer mindset operates within a concrete operational (stage 3) and formal operational (stage 4) mindset. This manifests itself with abstract and outside contemplations brought into the decision-making; things like company purpose, product design, and shipping are now found upfront in the pre-purchase. Coupled with a social context free from the tangible product—and you have a new digital path to purchase. This necessitates new behavioral strategies of the firm like learning to sell small and socially, getting strategic with supply chain, demonstrating commerce that cares, and creating new experiences and rituals. Each firm will have to implement these abstract principles into a brand articulated plan to win in the new digital economy.

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