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Web Shoppers' Loyalty Isn't So Crazy After All

By JASON FRY

INTERNET SKEPTICS -- and there are many these days -- believe that even the top Web retailers have built their businesses on shaky ground. Shoppers, they note, are always just "one click away" from looking for a better price on that book or airline ticket.

But these skeptics ignore a truth of online retailing that may be as important as it is little remarked: Consumers are, well, lazy. Once people take the online plunge and find a Web retailer they like, they're likely to stick with it -- even when just a couple of mouse clicks might save them money. (This writer, who rarely strays from Amazon.com, eBay and the Expedia travel service, will be the first to plead guilty.)



Robert Pizzo

The phenomenon is a reminder that e-commerce strategies must take into account not only economic theories, but also people's online habits. Ultimately it's human behavior -- not technological bells and whistles -- that determines how money gets spent.

In a Columbia/Wharton School study conducted between July 1997 and February 1999, researchers led by Columbia Business School Prof. Eric J. Johnson found that just 10% of the households that shopped for a book online visited more than one site during a shopping trip, and just 20% of such households looking for compact disks shopped around. (Shoppers for airline tickets were choosier, with 80% viewing at least two sites.)

BUT WHY don't people shop around? Prof. Johnson would like to know, and so would economists who keep seeing their models wrecked. One possibility: Being lazy isn't really so crazy. For online shoppers, price-shopping simply doesn't pay.

The argument comes down to the old saw that time is money. Prof. Johnson notes that first-time users visiting a retail site to buy a CD must learn how to use that site. On the next shopping trip the site is more familiar, and therefore more attractive. This effect is known as "cognitive lock-in," and it isn't an Internet-only phenomenon: Studies show the same thing happens in a supermarket as consumers learn the layout.

In a 1999 study, Prof. Johnson and others found that the average time spent on Amazon dropped from 400 seconds on the first visit to fewer than 200 on the fifth. Estimating the median income for Web users at \$53,000, the study determined that the 200 seconds saved because of site familiarity were worth \$1.44 to a median-income surfer. Change to a new site and the time saved would have been lost -- not to mention the time spent searching before making the change. Add up those costs and a site that charges less may not be cheaper.

And price isn't everything. Erik Brynjolfsson, who co-directs the Center for eBusiness at MIT, co-wrote a study that found online shoppers who used shopbots -- Net tools that compare retailers' prices for the same item -- also tended to stick with places they knew, even though such shoppers could see that an item was cheaper elsewhere. He calculated the price advantage of an already-visited retailer over a new retailer at \$2.49 for the same item.

"Even knowing full well what's available and how to get it, such consumers still prefer convenience and the reliability of retailers they know," Prof. Brynjolfsson says.

BUT WEB-RETAIL winners shouldn't be smug: Today's online shoppers tend to value a few minutes over a few dollars, but future shoppers may not.

"It's well known at this stage that Internet buyers tend to be more affluent" and therefore less-sensitive to prices, says Peter J. Danaher, a marketing professor at New Zealand's University of Auckland, adding that "a price-sensitive segment will emerge, no question," as more people take to the online world. Of course, that may be another economic prediction that doesn't materialize. But if real-world patterns hold, the Web's new shoppers will be more likely to hunt for lower prices -- and Web retailers accustomed to their current class of lazy loyalists may be caught unawares.

Until those surfers arrive, Web retailers should exploit the power of laziness. Radical redesigns are a bad idea, forcing people to relearn a site and raising the possibility that they may learn another one instead. When new product categories are added, they should look as much like existing ones as possible. Meanwhile, add anything that builds on prior purchases and increases shoppers' reluctance to jump ship, including personalized product recommendations and quick checkouts.

As for retailers looking to break into a crowded online market, they should minimize the disruption for new visitors used to other sites. A good way to do that: ape the look and feel of the market leader as much as the law allows. After all, it's no accident that many online booksellers look so much like Amazon.com.

What does all this mean for consumers? Maybe nothing. After all, finding a Web retailer you trust is a lot more important than being well-traveled in cyberspace. But it's worth remembering that the online stores you buy from are doing everything they can to hold on to you. So consider shopping around once in a while. Even if you don't care about saving a buck or two, you may find that the selection, interface or some other goody is more to your liking elsewhere. Or perhaps you'll find that you like your favorite Web retailer all the more -- which is also good to know.

--Tom Weber is on vacation.

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