Understanding Online Consumer Behavior and Its Implications for Firm's Strategies

Abstract

Online information intermediaries such as Auto-By-Tel, LendingTree, and Insweb.com, have established themselves as pivotal players in the value chains of multiple sectors including automobiles, financial services, insurance, and real estate. Using the auto-retailing context as the setting for our research, we analyze consumers’ online information seeking behaviors - in particular, their use of online information sources. The first in this series of studies, draws upon a unique and extensive dataset of consumers who use online information sources in their vehicle purchase process, to examine if the observed behavioral choices – consumers’ use of online information sources – are related to underlying differences in consumer characteristics. Our findings show that consumers’ online behavior patterns and their differential use of online infomediaries are systematically related to underlying consumer characteristics. We also find that consumers’ online information seeking behaviors significantly influence the market outcomes as well as their use of the traditional channel. In a related study we examine whether online information retrieved by consumers purchasing used cars substitutes or complements traditional quality signaling mechanisms such as certification. We discuss the relevance of our findings for firms’ strategies in the auto-retailing sector, as well as for other sectors where online infomediaries have established a significant presence.