IlLUminate Blog Transcript: Rebecca Wang on Holiday Shopping, Online Trends and AI

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ANNOUNCER: 00:02	This podcast is brought to you by ilLUminate, the Lehigh Business blog. To learn more, please visit us at business.Lehigh.edu/news.
JACK CROFT: 00:13	Welcome. I'm Jack Croft, host of the ilLUminate podcast for Lehigh University's College of Business. Today is November 16th, 2023, and with Black Friday almost upon us, we're talking with Rebecca Wang about holiday shopping trends, particularly online, and how artificial intelligence, or AI, is impacting how we make shopping decisions. Dr. Wang is an associate professor of marketing in Lehigh's College of Business. Her research reflects her interest in marketing, data science, and technologies, and focuses on digital and mobile channels, social media, and data-driven marketing. Rebecca, it's nice to have you back on the ilLUminate podcast.
REBECCA WANG: 00:58	Thank you so much for inviting me, Jack.
CROFT: 01:01	As I mentioned in the intro, for many years, Black Friday - the Friday after Thanksgiving, if anyone doesn't know - kind of kicked off the holiday shopping season for most Americans. I'm wondering, how has online shopping changed that?
WANG: 01:20	So the power of online storefronts and internet-based retail is that anytime, anywhere convenience a retailer can now offer to its customers. And it's this ubiquitous nature of being able to engage with the customers literally 24/7 that cuts through all the locational as well as temporal restraints. So because of that, now, all the holidays, not just Thanksgiving and Black Friday, have been shifting earlier and earlier, right? So you start to see back-to-school shopping in July, and Halloween in August, Thanksgiving in October, and then Christmas in November, right? And it's because it is so easy for a retailer to program up a website and the corresponding offerings. And customers can then go online and shop literally anytime, anywhere.
WANG: 02:11	But besides the technological advances, besides the fact that we can now do it, there's actually a strategic reason as to why a retailer does this. So even before the proliferation of online retail-- I don't know if you remember how physical or brick-and-mortar Black Friday started to shift earlier and earlier, even before online retail, right? It used to be, let's say, 8:00 AM on the Friday, right? And then it started to-- like 5:00 AM, when the sun rises. And then it was 3:00 AM. And then midnight. And then 10:00 PM after Thanksgiving dinner, right? The idea is that, if I can offer a superior product at an earlier time, then the customer will buy from me instead of my competitor. After all, holiday shopping typically has a fixed budget, especially in today's economic landscape. So the online environment simply makes this strategy even more transparent and more flexible. So this benefits not just the retailers, but the customers as well. And customers can now do comparison shopping across different retailers, across different websites more easily. So I think it is a win-win strategy, in my view.
CROFT: 03:28	Yeah, obviously, the pandemic drove a lot of people who may have initially been resistant to the idea of shopping online to go ahead and take the plunge. And I'm wondering, now that things have returned to something close to normal, how has that affected the balance between in-person shopping and online shopping?

WANG: 03:51

Yeah, so I think, before the pandemic, for those who were resistant to online shopping, they probably had their own brick-and-mortar stores that they visited frequently. In other words, they were buying out of habits. So brand and retail loyalty were an important factor that probably influenced their purchase decisions a lot. But as they were forced to do online shopping during the pandemic, they started to get into the habit of checking products out more carefully online, they were probably doing comparison shopping, they were probably getting bombarded with all sorts of coupons and offers. And not to mention, they're now used to the convenience that online retailers offered during COVID, like free shipping or perhaps two-day free shipping, right, or free returns.

WANG: 04:45

So now, post-COVID, and especially considering the price and cost inflation in recent years, customers are becoming smarter shoppers who will evaluate their shopping goals as a whole and go online or offline depending on what they want, whether it be deals and good prices, more suitable or personalized products and offerings, niche products, savings on time, not just in terms of money, but also time and hassle. Or perhaps they want the holiday in-store experience, right? So the balance between whether you shop online or offline really depends on what kind of benefits you are seeking from the shopping experience.

WANG: 05:33

And I also want to point out that a shopping experience is not either online or offline. It is a journey. So there's a terminology called omnichannel, which refers to this notion of constantly engaging with the customers at any time point, in any platform or type of storefront, throughout the entire decision-making process, right? You might be learning about the product, and you then want to do comparison shopping, and then you want to decide whether you're going to buy the product, where to buy it, at what price point you want to buy it, to even post-purchase evaluation, perhaps even writing a review or sharing the word of mouth, right, whether it be a good or bad experience, with your community. So this entire journey can be omnichannel, meaning you're moving seamlessly from online to offline and then offline to online again, right, to compose this entire experience, starting with learning about a product all the way to post-purchase.

CROFT: 06:37

One thing I had noticed that started during the pandemic and seems to have only increased is exactly what you're talking about, where people will make their shopping decisions online, but if they're doing it with a retailer that has a brick-and-mortar store that they're used to going to, they can go there to pick it up in like an hour. And even they'll bring it to you outside, you don't even have to go in the store. Or if you want to go in the store, you can. But increasingly, I've noticed that is an option on almost all of the places that do have a retail presence in communities.

WANG: 07:18

Yes, exactly. Yes, and that is definitely an omnichannel strategy. And I'm very glad to see a lot of these retailers are adopting it because it's been shown that an omnichannel shopper is a more loyal shopper. You shop more frequently and your basket size is also greater than if you're just a single-channel type of shopper. And there's the flip side as well, right? There's this notion of showrooming, which is you go to these brick-and-mortar stores, you check out the products, and once you've decided on the product, the brand that you want to purchase, you go back home and you do an online comparison and you find the cheapest online retailer to buy from. So that's another possibility that you can do. I'm not saying you should do it as a shopper, but I'm saying that's what people do. [laughter] Yes.

CROFT: 08:19

Yeah, I would think most of the places that have the showroom layout probably are hoping that you'll go and buy from them online when you go back.

WANG: 08:33

That's the hope, yes. [laughter] Yeah, yeah. And this entire shopping process is not unique anymore. I think this notion of showrooming or you order online and you pick it up later-- or what we call wardrobing, which is you buy a whole bunch of stuff from an online retailer, and then you try all of them on, and you just keep one or two items that you like, and you return the rest, right? So I think all of these are strategies that more and more people are aware of now because of the pandemic. And because a person has, on average, three connected devices-- an American household, on average, has about 10 connected devices. So this omnichannel, this multi-channel engagement is very common now.

CROFT: 09:27

Yeah. Now, I wonder how pronounced the generational differences in online shopping are, and what implications you think that may have for the future.

WANG: 09:40

So the generational difference is definitely there. Gen Z shops or browses almost every day, millennials, a little bit less, but still very avid online shoppers, and then Gen X-- and then the majority of boomers probably didn't shop online at all until COVID. And I think this generational difference was even more prominent before the pandemic, right? I read somewhere-- I think it's an industry survey that was conducted in February and then it was conducted again in March of 2020. So it was literally right before the pandemic and then right after. And then they found that, actually, 30% of boomers adopted online shopping in that one-month gap because of COVID. I think it used to be only 8% of boomers that would do online shopping, and then it went up to like 35[%] or something like that afterwards. So that's amazing, right? There is this external factor that pushed everyone to adopt technology.

WANG: 10:52

And I think this generational difference is not going to go away. I think Gen Z and millennials will always be more open to technologies and shopping online. Also, this notion of finding new products online. So Gen Z rely on social media platforms like Instagram and TikTok the most, and then boomers are still, even now, after COVID, more likely to try new products or discover new products in brick-and-mortar stores. That being said, people across all generations, boomers included, have said that, even after COVID, they're continuing to shop online. So I don't think this trend is going away. I think it has stuck, basically. People still enjoy that convenience. And I think, because people are becoming smarter shoppers, they realize that, to get the best bundle of benefits, you do have to be both offline and online.

CROFT: 12:05

I think last year was the first year that a lot of people kind of ventured out again in the holiday season. There was almost this-- I don't know if you'd want to call it nostalgia, but a longing for that old holiday shopping experience again.

WANG: 12:21

Yeah, definitely, yes.

CROFT: 12:24

And I wonder, do you think that's lingering this year? And will that continue? Or is that going to fade over time?

WANG: 12:32

No, I think, it's going to continue. I mean, shopping, especially holiday shopping for gifts in brick-and-mortar stores, it's fun, it's celebratory, it's festive, right? I think that's a major advantage, especially because people have been cooped up for years during the pandemic. And especially when you're shopping for gifts, you're shopping

for your loved ones. So you do want that kind of atmosphere around you, right, when you're thinking about your loved ones or buying gifts for them.

WANG: 13:02   Also, I think it's a little bit premature to say we're done with brick-and-mortar stores forever, we're just going to rely everything online now. I mean, there are a lot of things that still online stores cannot offer. So for instance, even with two-day shipping, you still need to wait for shipping, right? Whereas, if you buy from a brick-and-mortar store, you get the item right then and there, right? And then there's certain experiential types of items, like clothing or beauty products-- customers probably still feel more comfortable making a purchase if they can feel or touch them or try them on in person. Or a big item purchased, like, say, a washing machine or refrigerator. You might want to talk to a salesperson first in-store. Or perhaps it's an item that you would like but don't need, let's say a new smartphone or a, I don't know, 80-inch TV or something, right? You might want to go into a store and window-shop first, right?

WANG: 14:04   Obviously, brick-and-mortar stores, there are disadvantages, right? You need to travel to the retailer during store hours, you have to go during the days when they have sales if you are price-conscious, you have to deal with the crowds and the salespeople who may or may not be as helpful as you had originally expected. Whereas online really is 24/7 and online now has AI and systems in place to make sure that your questions are answered, the offerings that they're going to recommend match up with your preferences. But it's a tradeoff, right? And it really depends on the person, what kind of interaction you hope to have with the retailer.

CROFT: 14:55   One of the areas you've studied are online reviews. And again, this is something that-- word of mouth has always been part of particularly big shopping decisions. If you were going to spend a lot of money on something, you'd talk to your friends, neighbors, family to find out what their experiences were. Now, at the touch of a device, you have hundreds, thousands of family, friends, and neighbors who are happy to tell you about what they think about the product you're looking at. So what role do online reviews play in the way consumers make purchasing decisions? And what were the main takeaways from your research on online--?

WANG: 15:41   Yeah, so online reviews can be a strategy for both the retailer and the consumers. It's been established over and over, my work included, that online reviews are influential. Ratings, review sentiments can make or break a consumer's purchase decision. And even when you read a review, you get influenced by it. And if the rating is positive, the likelihood of you purchasing the item is higher. And if you write a review in a positive light, even as a writer of the review yourself, the likelihood of you engaging with the retailer also increases subsequently. So this notion of sharing and also gathering information from the community is very powerful.

WANG: 16:36   So naturally, right, retailers nowadays may be tempted to solicit positive reviews from their customers. And this is one of my research projects with my friends and colleagues, Nevena Koukova from the same department, Lehigh Marketing, as well as Matthew Isaac from Seattle University. So our work actually was to just don't do that. Because customers who know that the reviews are being solicited tend to downgrade the reviews. So in other words, knowing that a positive review is solicited, they don't trust it as much. So that's something that I think a retailer should keep in mind. That said, right, the more reviews you have and the more positive reviews that you have does have a positive impact. So I think, for a retailer, right, solicit reviews, yes, but

don't ask for a conditional review. Don't make this kind of request, which is, "Write a positive review for me if you are satisfied," right? Meaning, if you're not satisfied, don't write a negative one, right? [laughter] So this type of-- it's a little bit unethical, right? It's a little bit manipulative, if you will. A type of practice definitely not recommended for the retailer.

WANG: 18:04   And then, for the consumer, obviously, reviews provide a lot of good information, but I think you also need to be a little bit cognizant about the sources of these reviews. So AI systems now-- generative AI systems actually can summarize all the reviews for you. And Amazon does that. I think Amazon is one of the first retailers that's doing that right now. But AI systems might still miss cues from the reviews that may signal certain aspects of the products that you may or may not want. So one thing, for instance, is actually whether a review is incentivized or not, meaning a retailer pays someone or perhaps even an influencer to create a review. And that obviously needs to be taken with a grain of salt, if you will. Or another possible thing to look out for is the type of platform on which the review is posted. So this is a working project, again, with Nevena, with Matt, and Matt's colleague, also from Seattle, Katie Quinn. We have a working project, and we find that reviews written on first-party platforms tend to be more positive. So for example, products on, let's say, Chanel.com are getting a higher rating than, say, the same products on Sephora.com, right? So you kind of need to know that, right, as a consumer, when you are reading reviews. And we've also found that some consumers are not as sensitive, right, to these cues. So they don't take that into account, and they really believe that a five-star product is always going to be better. And we're saying that that may or may not be true. So just be a little bit more careful about how you might interpret these reviews.

CROFT: 20:14   Also, a lot of the research you've done has looked specifically at mobile shopping within that context of online shopping. And I'm curious how mobile shopping in particular has changed the shopping experience for consumers. I mean, I don't know, it seems like everybody has the Amazon app now, and it is dangerously easy to buy things there. Anytime, day, night, the phone's always in your pocket or in your purse or-- so has that changed the way that people make decisions? Is it more impulsive now because they've made it so easy?

WANG: 21:02   Yeah, that's a very good question, right? So if internet-based shopping has elevated the customer engagement so that temporal and locational constraints don't matter, right-- mobile shopping really increased that level of engagement even further. I mean, like you said, right, mobile device is small, it is portable, it is highly personal, and it's with you literally every day, right, and all the time. It's the first thing you check in the morning when you wake up, it's the last thing you check before you go to bed. So it really allows the customers to engage with a retailer or to buy from a retailer across time and location, as well as context. And I think it's the context that makes it a little bit dangerous, right? So let's say I'm watching a movie and I see the main character eating Rocky Road ice cream. I might just swipe across my phone and log onto an online grocery store, right, to add the ice cream to my basket, right? Which will probably be delivered later in the week, right? I'm an online grocery shopper myself. So it's that context that makes it a little bit dangerous.

WANG: 22:15   That said, my research also shows that online shopping in general actually is more considered. So especially if you transact that order across multiple sessions. So you're going to review what you are buying at the end before you actually buy that basket.

So if you only use your mobile phone, if you're more of a conservative and budget-conscious type of person, you actually only put things on the mobile phone that you really, really need or habitually that you are buying right? So perhaps the Rocky Road ice cream is a good example. I like Rocky Road ice cream. The contextual cue tells me to buy it. It doesn't cost much, and I know I like it already. So I put it in my basket and I buy. So it is an impulse buy, but it is not one that will break the bank, it's not one that needs a lot of cognitive decision to make that purchase. So in that case, a mobile phone is actually great for that kind of purpose. I found that, if it's an item that you kind of need to do research on, consumers are typically smart enough to actually rely on a secondary device, a PC, for instance, something with a larger screen, something with a larger screen real estate, if you will, to do their comparison. So I don't think you need to be too worried about using the phone to spend too much, but you do need to watch out for the little things, I suppose, yes.

WANG: 23:58   Another thing is mobile devices are with you all the time. So my research shows that mobile shoppers tend to buy more frequently. So if you're a pure mobile shopper, then your basket sizes tend to be small, but you buy the most frequently for a single device user. Nothing beats a multi or omnidevice, omnichannel shopper. Omnichannel shopper actually buys the most frequently with the largest basket. But for a single device shopper, right, mobile versus PC, let's say, a mobile shopper actually buys a lot more frequently than a PC-only shopper. So the punchline really is, for a retailer, it's best to have a multi or omnichannel type of strategy.

CROFT: 24:48   All right. Now, you've mentioned AI a couple of times already, and I do want to talk about that. Because it's hard to believe it's only been a year since ChatGPT kind of came out of nowhere for a lot of people and introduced us to this idea of generative AI and kind of kicked off this debate about whether the benefits outweigh the potential harm. So I'm wondering, what role is AI and particularly generative AI-- and maybe you could explain briefly what that is, the difference between the artificial intelligence we've had for decades now and this new generative AI. What role it's playing and how it may impact shopping in the future.

WANG: 25:41   Yeah, so we have AI already in-- we've had AI for a long time. So anytime you receive a personalized email, how Amazon knows what offerings you are more likely to buy, right, when you go to Amazon's webpage and immediately-- let's say you're shopping for a jacket. Immediately lands the default on your favorite color, right? So all of that is predictive AI. So based on your histories, your purchase histories or your browsing histories, it's able to, well, predict what your behaviors are going to be, and it's trying to match, right, its offerings to that prediction. Similarly, a recommender system, right? When you do a search term, what items come up first, ranking systems, right? Or when you go into the web page and you're looking at, let's say, a jacket, and it tells you, "Customers who buy this jacket also buy other products," right? So these type of systems have been in play for, I would say, perhaps a decade or two now, right? And this is predictive AI.

WANG: 26:59   Generative AI basically uses the same statistics, the same type of machine learning techniques, but it goes a little bit further, right? So it pulls from a lot of data, more than just your own personal history or your customer base's history. We're talking about the entire web, right? It pulls in a lot of data, and then the goal is no longer just predictive. It's trying to generate, it's trying to create content. So ChatGPT right now is a language model. So it creates language, it creates texts. But you have similar

systems that create images, for instance, and even videos. So that's what we mean by generative AI. The mathematics behind it, it's essentially the same, but the data that it uses, it's much more powerful, much larger data set than the application. Therefore, the application can be creative rather than simply just predicting what's going to happen. So that's what we mean by generative AI, really.

WANG: 28:13   So we're starting to see generative AI and perhaps other related but not necessarily AI types of technologies already. So I think these are going to be even more prominent in the future. So for instance, for each product - I think I mentioned this already - Amazon summarizes the reviews for you, right? So as a shopper, you don't have to look at all the reviews. You can simply look at a little snippet to see what customers are talking about, the pros and cons, right? So that is generative AI, right? Amazon actually does it for you. Instead of having to read through hundreds of reviews, it basically distills it to this one paragraph. Another example-- this is not necessarily AI, but it's more advanced technology, right, which is furniture shopping. Retailers like IKEA, where you can use a virtual reality type of mobile app to see how a sofa might look in your living room before placing an order. And purportedly, this mobile app reduces their product returns by 30%, which translates to hundreds of thousands of dollars a year.

WANG: 29:31   Yeah, so this is very interesting technologies, right? And I think, for the most part, generative AI and these advanced technologies, they offer benefits of cost savings and more personalized offerings, which hopefully can turn into better loyalty, right, higher shopping frequency, bigger basket. So the original intent is a win-win, right? I think the downside really is data privacy issues and this notion of, "Is my privacy being violated?" And I think that's a moving target that we're all trying to resolve. And I think the White House is trying to resolve right now. I think there are a lot of these regulations or a lot of these recommendations coming out from all sorts of parties - the White House, the EU - literally every day now. So we'll see how that works and what the guidelines are going forward.

WANG: 30:38   That said, I kind of want to point out that I think there's a lot of hype around how AI is going to change shopping entirely. So I don't know if you've seen the movie Minority Report with Tom Cruise. [laughter] So in that movie, right, you will walk into a store and the store will pronounce your name and make product recommendations in a robotic voice while tracking your eye pupils for arousal or excitement to see if you are interested in buying this product. And then you walk by a wall and the wall wakes up and turns into a billboard and shows you a personalized ad while calling out your name and asking you, "Where do you want to go?" I don't think it's going to be like that in the future, right? [laughter]

WANG: 31:31   So I think, to the customer, any changes because of AI, it's going to be gradual. It's almost like an augmented feature, a nice-to-have function that makes the products just a little bit better or the fit just a little bit better. Maybe the ad you see on the screen is more pertinent to what you're interested in. Maybe the clothing is a better look and fit. Maybe the makeup color is a truer match, right? So maybe when you're shopping at brick-and-mortar stores-- this is not just in online retail, right? It can also be used in offline retail, particularly in terms of frontline personnel, right, service personnel, how they interact with you. I mean, maybe there is an AI app that the personnel can now look up your information, know your preference, and perhaps the AI app can even give the personnel cues as to how to interact with you, right? And

because of that personal touch facilitated by AI, your entire shopping experience is a little bit better, right? So I think a lot of these are nice changes, and hopefully, all these nice changes add up and the customer becomes a more loyal shopper, right? But it's not life-changing. That's what I'm trying to point out, right?

WANG: 33:03   However, for the retailer, that could mean millions of dollars of difference if you add everything up. It's not just about the customer experience, right, after the product is already being offered. They can also allow for new product developers to look at not just analytics, but also interact with this AI system to think about what the R&D direction should be, right, "What kind of new products should I be developing next?" And the AI system not only can do predictive AI, but it can also help the developers to brainstorm new ideas. So I think, for the most part, generative AI is going to be beneficial to companies with respect to their operations, their services, their product offerings, their R&D development, their innovations. I think the customers will experience these changes in bits and more gradually, and you'll feel like your needs are getting addressed more efficiently than before. But it's not going to be like Minority Report, right? [crosstalk]--

CROFT: 34:15   That's good to hear.

WANG: 34:17   Yes. [laughter] And here's the kicker, right? So let's say every company implements generative AI successfully, right? How would companies differentiate themselves, right? It will then ultimately come down to the so-called traditional marketing, like good customer service, right, the brick-and-mortar decorations, the human touch, right, the holiday atmosphere, right? So it's going to come down to that, right, if everyone implements AI successfully, right? So I don't think it's an either/or, or perhaps humanity is going to end one day because of AI. I don't think it's going to come to that at all, right? I think it's just one piece of what retailers are doing to hopefully optimize the shopping experience for the customers.

CROFT: 35:16   Great. Well, on that optimistic note, I think that's probably a good way to end the conversation today. And I'd like to thank you once more for being with us on ilLUminate today, Rebecca.

WANG: 35:28   Yeah, thank you so much for inviting me.

CROFT: 35:30   Rebecca Wang's research has been published in such leading journals as Journal of Marketing Research, Journal of Consumer Research, Journal of Retailing, Journal of Interactive Marketing, and Computers and Human Behavior. This podcast is brought to you by ilLUminate, the Lehigh Business blog. To hear more podcasts featuring Lehigh Business thought leaders or to follow us on social media, please visit us at business.Lehigh.edu/news. I'm Jack Croft, host of the ilLUminate podcast. Thanks for listening.