

MARKETING PRACTICE

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The consumer decision journey

Consumers are moving outside the purchasing funnel—changing the way they research and buy your products. If your marketing hasn't changed in response, it should.

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If marketing has one goal, it's to reach consumers at the moments that most influence their decisions. That's why consumer electronics companies make sure not only that customers see their televisions in stores but also that those televisions display vivid high-definition pictures. It's why Amazon.com, a decade ago, began offering targeted product recommendations to consumers already logged in and ready to buy. And it explains P&G's decision, long ago, to produce radio and then TV programs to reach the audiences most likely to buy its products—hence, the term “soap opera.”

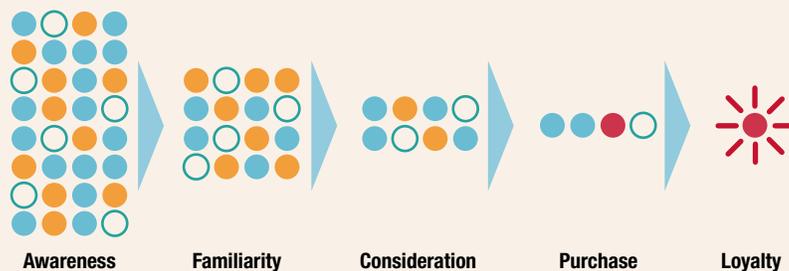
Marketing has always sought those moments, or touch points, when consumers are open to influence. For years, touch points have been understood through the metaphor of a “funnel”—consumers start with a number of potential brands in mind (the wide end of the funnel), marketing is then directed at them as they methodically reduce that number and move through the funnel, and at the end they emerge with the one brand they chose to purchase (Exhibit 1). But today, the funnel concept fails to capture all the touch points and key buying factors resulting from the explosion of product choices and digital channels, coupled with the emergence of an increasingly discerning, well-informed consumer. A more sophisticated approach is required to help marketers navigate this environment, which is less linear and more complicated than the funnel suggests. We call this approach the *consumer decision journey*. Our thinking is applicable to any geographic market that has different kinds of media, Internet access, and wide product choice, including big cities in emerging markets such as China and India.

We developed this approach by examining the purchase decisions of almost 20,000 consumers across five industries and three continents. Our research showed that the proliferation of media and products requires marketers to find new ways to get their brands included in the initial-consideration set that consumers develop as they begin their decision journey. We also found that because of the shift away from one-way communication—from marketers to consumers—toward a two-way conversation, marketers need a more systematic way to satisfy customer demands and manage word-of-mouth. In addition, the research identified two different types of customer loyalty, challenging companies to reinvigorate their loyalty programs and the way they manage the customer experience.

Finally, the research reinforced our belief in the importance not only of aligning all elements of marketing—strategy, spending, channel management, and message—with the journey that consumers undertake when they make purchasing decisions but also of integrating those

Exhibit 1

The traditional funnel



elements across the organization. When marketers understand this journey and direct their spending and messaging to the moments of maximum influence, they stand a much greater chance of reaching consumers in the right place at the right time with the right message.

How consumers make decisions

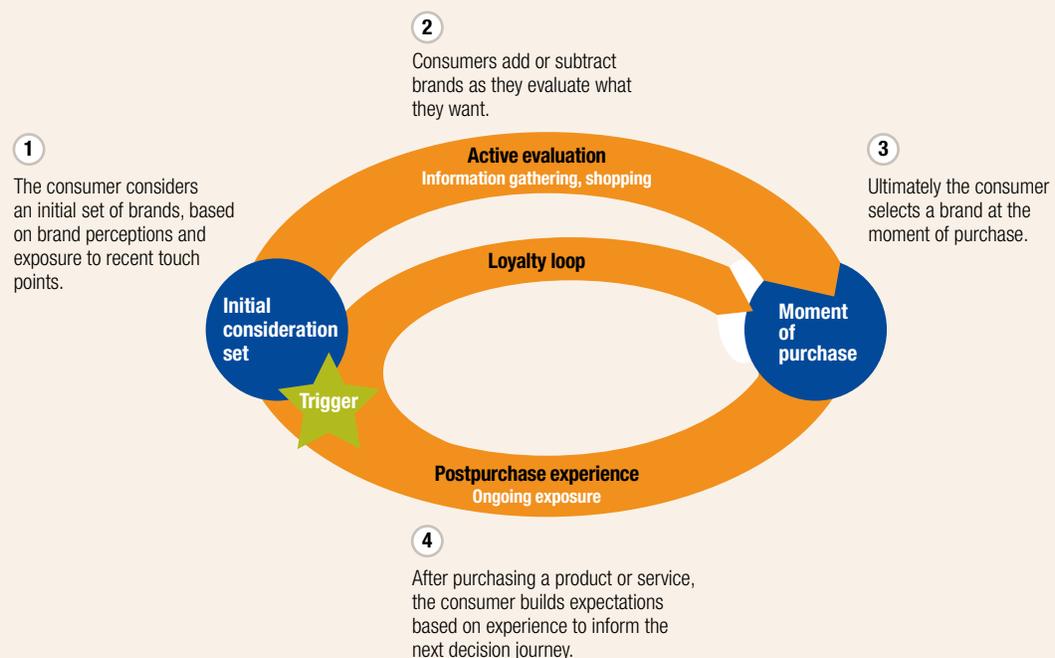
Every day, people form impressions of brands from touch points such as advertisements, news reports, conversations with family and friends, and product experiences. Unless consumers are actively shopping, much of that exposure appears wasted. But what happens when something triggers the impulse to buy? Those accumulated impressions then become crucial because they shape the initial-consideration set: the small number of brands consumers regard at the outset as potential purchasing options.

The funnel analogy suggests that consumers systematically narrow the initial-consideration set as they weigh options, make decisions, and buy products. Then, the postsale phase becomes a trial period determining consumer loyalty to brands and the likelihood of buying their products again. Marketers have been taught to “push” marketing toward consumers at each stage of the funnel process to influence their behavior. But our qualitative and quantitative research in the automobile, skin care, insurance, consumer electronics, and mobile-telecom industries shows that something quite different now occurs.

Actually, the decision-making process is a more circular journey, with four primary phases representing potential battlegrounds where marketers can win or lose: initial consideration; active evaluation, or the process of researching potential purchases; closure, when consumers buy brands; and postpurchase, when consumers experience them (Exhibit 2). The funnel metaphor does help a good deal—for example, by providing a way to understand the strength of a brand compared with its competitors at different stages, highlighting the bottlenecks

Exhibit 2

The consumer decision journey



that stall adoption, and making it possible to focus on different aspects of the marketing challenge. Nonetheless, we found that in three areas profound changes in the way consumers make buying decisions called for a new approach.

Brand consideration

Imagine that a consumer has decided to buy a car. As with most kinds of products, the consumer will immediately be able to name an initial-consideration set of brands to purchase. In our qualitative research, consumers told us that the fragmenting of media and the proliferation of products have actually made them reduce the number of brands they consider at the outset. Faced with a plethora of choices and communications, consumers tend to fall back on the limited set of brands that have made it through the wilderness of messages. Brand awareness matters: brands in the initial-consideration set can be up to three times more likely to be purchased eventually than brands that aren't in it.

Not all is lost for brands excluded from this first stage, however. Contrary to the funnel metaphor, the number of brands under consideration during the active-evaluation phase may now actually expand rather than narrow as consumers seek information and shop a category. Brands may “interrupt” the decision-making process by entering into consideration and even force the exit of rivals. The number of brands added in later stages differs by industry: our research showed that people actively evaluating personal computers added an average of 1 brand to their initial-consideration set of 1.7, while automobile shoppers added 2.2 to their initial set of 3.8 (Exhibit 3). This change in behavior creates opportunities for marketers by adding touch points when brands can make an impact. Brands already under consideration can no longer take that status for granted.

Empowered consumers

The second profound change is that outreach of consumers to marketers has become dramatically more important than marketers' outreach to consumers. Marketing used to be driven by companies; “pushed” on consumers through traditional advertising, direct

Exhibit 3

Adding brands

Sector	Share of purchases, %			Average number of brands	
	Initial consideration	Active evaluation	Loyalty loop ¹	In initial consideration set	Added in active consideration
Autos	63	30	7	3.8	2.2
Personal computers	49	24	27	1.7	1.0
Skin care	38	37	25	1.5	1.8
Telecom carriers	38	20	42	1.5	0.9
Auto insurance	13	9	78	3.2	1.4

¹ For skin care, includes consumers who purchased their current brand 2 or more times in past 3 months and for whom current brand made up at least 70% of total category purchases in past 3 months; for all others, includes consumers who purchased same brand on current occasion as on previous occasion and did not consider any other brands.

Source: McKinsey consumer decision surveys: 2008 US auto and skin care; 2008 Germany mobile telecom; 2009 US auto insurance

marketing, sponsorships, and other channels. At each point in the funnel, as consumers whittled down their brand options, marketers would attempt to sway their decisions. This imprecise approach often failed to reach the right consumers at the right time.

In today's decision journey, consumer-driven marketing is increasingly important as customers seize control of the process and actively "pull" information helpful to them. Our research found that two-thirds of the touch points during the active-evaluation phase involve consumer-driven marketing activities, such as Internet reviews and word-of-mouth recommendations from friends and family, as well as in-store interactions and recollections of past experiences. A third of the touch points involve company-driven marketing (Exhibit 4). Traditional marketing remains important, but the change in the way consumers make decisions means that marketers must move aggressively beyond purely push-style communication and learn to influence consumer-driven touch points, such as word-of-mouth and Internet information sites.

Exhibit 4

Where it counts

Most-influential touch points by stage of consumer decision journey, for competitors and new customers, % of effectiveness¹



¹Based on research conducted on German, Japanese, and US consumers in following sectors: for initial consideration—autos, auto insurance, telecom handsets and carriers; for active evaluation—auto insurance, telecom handsets; for closure—autos, auto insurance, skin care, and TVs; figures may not sum to 100%, because of rounding.

The experience of US automobile manufacturers shows why marketers must master these new touch points. Companies like Chrysler and GM have long focused on using strong sales incentives and in-dealer programs to win during the active-evaluation and moment-of-purchase phases. These companies have been fighting the wrong battle: the real challenges for them are the initial-consideration and postpurchase phases, which Asian brands such as Toyota Motor and Honda dominate with their brand strength and product quality. Positive experiences with Asian vehicles have made purchasers loyal to them, and that in turn generates positive word-of-mouth that increases the likelihood of their making it into the initial-consideration set. Not even constant sales incentives by US manufacturers can overcome this virtuous cycle.

Two types of loyalty

When consumers reach a decision at the moment of purchase, the marketer's work has just begun: the postpurchase experience shapes their opinion for every subsequent decision in the

category, so the journey is an ongoing cycle. More than 60 percent of consumers of facial skin care products, for example, go online to conduct further research after the purchase—a touch point unimaginable when the funnel was conceived.

Although the need to provide an after-sales experience that inspires loyalty and therefore repeat purchases isn't new, not all loyalty is equal in today's increasingly competitive, complex world. Of consumers who profess loyalty to a brand, some are active loyalists, who not only stick with it but also recommend it. Others are passive loyalists who, whether from laziness or confusion caused by the dizzying array of choices, stay with a brand without being committed to it. Despite their claims of allegiance, passive consumers are open to messages from competitors who give them a reason to switch.

Take the automotive-insurance industry, in which most companies have a large base of seemingly loyal customers who renew every year. Our research found as much as a sixfold difference in the ratio of active to passive loyalists among major brands, so companies have opportunities to interrupt the loyalty loop. The US insurers GEICO and Progressive are doing just that, snaring the passively loyal customers of other companies by making comparison shopping and switching easy. They are giving consumers reasons to leave, not excuses to stay. All marketers should make expanding the base of active loyalists a priority, and to do so they must focus their spending on the new touch points. That will require entirely new marketing efforts, not just investments in Internet sites and efforts to drive word-of-mouth or a renewed commitment to customer satisfaction.

Aligning marketing with the consumer decision journey

Developing a deep knowledge of how consumers make decisions is the first step. For most marketers, the difficult part is focusing strategies and spending on the most influential touch points. In some cases, the marketing effort's direction must change, perhaps from focusing brand advertising on the initial-consideration phase to developing Internet properties that help consumers gain a better understanding of the brand when they actively evaluate it. Other marketers may need to retool their loyalty programs by focusing on active rather than passive loyalists or to spend money on in-store activities or word-of-mouth programs. The increasing complexity of the consumer decision journey will force virtually all companies to adopt new ways of measuring consumer attitudes, brand performance, and the effectiveness of marketing expenditures across the whole process.

Without such a realignment of spending, marketers face two risks. First, they could waste money: at a time when revenue growth is critical and funding tight, advertising and other investments will be less effective because consumers aren't getting the right information at the right time. Second, marketers could seem out of touch—for instance, by trying to push products on customers rather than providing them with the information, support, and experience they want to reach decisions themselves.

Four kinds of activities can help marketers address the new realities of the consumer decision journey.

Prioritize objectives and spending

In the past, most marketers consciously chose to focus on either end of the marketing funnel—building awareness or generating loyalty among current customers. Our research reveals a need

to be much more specific about the touch points used to influence consumers as they move through initial consideration to active evaluation to closure. By looking just at the traditional marketing funnel's front or back end, companies could miss exciting opportunities not only to focus investments on the most important points of the decision journey but also to target the right customers.

In the skin care industry, for example, we found that some brands are much stronger in the initial-consideration phase than in active evaluation or closure. For them, our research suggests a need to shift focus from overall brand positioning—already powerful enough to ensure that they get considered—to efforts that make consumers act or to investments in packaging and in-store activities targeted at the moment of purchase.

Tailor messaging

For some companies, new messaging is required to win in whatever part of the consumer journey offers the greatest revenue opportunity. A general message cutting across all stages may have to be replaced by one addressing weaknesses at a specific point, such as initial consideration or active evaluation.

Take the automotive industry. A number of brands in it could grow if consumers took them into consideration. Hyundai, the South Korean car manufacturer, tackled precisely this problem by adopting a marketing campaign built around protecting consumers financially by allowing them to return their vehicles if they lose their jobs. This provocative message, tied to something very real for Americans, became a major factor in helping Hyundai break into the initial-consideration set of many new consumers. In a poor automotive market, the company's market share is growing.

Invest in consumer-driven marketing

To look beyond funnel-inspired push marketing, companies must invest in vehicles that let marketers interact with consumers as they learn about brands. The epicenter of consumer-driven marketing is the Internet, crucial during the active-evaluation phase as consumers seek information, reviews, and recommendations. Strong performance at this point in the decision journey requires a mind-set shift from buying media to developing properties that attract consumers: digital assets such as Web sites about products, programs to foster word-of-mouth, and systems that customize advertising by viewing the context and the consumer. Many organizations face the difficult and, at times, risky venture of shifting money to fundamentally new properties, much as P&G invested to gain radio exposure in the 1930s and television exposure in the 1950s.

Broadband connectivity, for example, lets marketers provide rich applications to consumers learning about products. Simple, dynamic tools that help consumers decide which products make sense for them are now essential elements of an online arsenal. American Express's card finder and Ford's car configurator, for example, rapidly and visually sort options with each click, making life easier for consumers at every stage of the decision journey. Marketers can influence online word-of-mouth by using tools that spot online conversations about brands, analyze what's being said, and allow marketers to post their own comments.

Finally, content-management systems and online targeting engines let marketers create hundreds of variations on an advertisement, taking into account the context where it appears,

the past behavior of viewers, and a real-time inventory of what an organization needs to promote. For instance, many airlines manage and relentlessly optimize thousands of combinations of offers, prices, creative content, and formats to ensure that potential travelers see the most relevant opportunities. Digital marketing has long promised this kind of targeting. Now we finally have the tools to make it more accurate and to manage it cost effectively.

Win the in-store battle

Our research found that one consequence of the new world of marketing complexity is that more consumers hold off their final purchase decision until they're in a store. Merchandising and packaging have therefore become very important selling factors, a point that's not widely understood. Consumers want to look at a product in action and are highly influenced by the visual dimension: up to 40 percent of them change their minds because of something they see, learn, or do at this point—say, packaging, placement, or interactions with salespeople.

In skin care, for example, some brands that are fairly unlikely to be in a consumer's initial-consideration set nonetheless win at the point of purchase with attractive packages and on-shelf messaging. Such elements have now become essential selling tools because consumers of these products are still in play when they enter a store. That's also true in some consumer electronics segments, which explains those impressive rows of high-definition TVs in stores.

Sometimes it takes a combination of approaches—great packaging, a favorable shelf position, forceful fixtures, informative signage—to attract consumers who enter a store with a strong attachment to their initial-consideration set. Our research shows that in-store touch points provide a significant opportunity for other brands.

Integrating all customer-facing activities

In many companies, different parts of the organization undertake specific customer-facing activities—including informational Web sites, PR, and loyalty programs. Funding is opaque. A number of executives are responsible for each element, and they don't coordinate their work or even communicate. These activities must be integrated and given appropriate leadership.

The necessary changes are profound. A comprehensive view of all customer-facing activities is as important for business unit heads as for CEOs and chief marketing officers. But the full scope of the consumer decision journey goes beyond the traditional role of CMOs, who in many companies focus on brand building, advertisements, and perhaps market research. These responsibilities aren't going away. What's now required of CMOs is a broader role that realigns marketing with the current realities of consumer decision making, intensifies efforts to shape the public profiles of companies, and builds new marketing capabilities.

Consider the range of skills needed to manage the customer experience in the automotive-insurance industry, in which some companies have many passive loyalists who can be pried away by rivals. Increasing the percentage of active loyalists requires not only integrating customer-facing activities into the marketing organization but also more subtle forms of organizational cooperation. These include identifying active loyalists through customer research, as well as understanding what drives that loyalty and how to harness it with word-of-mouth programs. Companies need an integrated, organization-wide "voice of the customer," with skills from advertising to public relations, product development, market research, and data management. It's hard but necessary to unify these activities, and the CMO is the natural candidate to do so.

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Marketers have long been aware of profound changes in the way consumers research and buy products. Yet a failure to change the focus of marketing to match that evolution has undermined the core goal of reaching customers at the moments that most influence their purchases. The shift in consumer decision making means that marketers need to adjust their spending and to view the change not as a loss of power over consumers but as an opportunity to be in the right place at the right time, giving them the information and support they need to make the right decisions. *Q*

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