

## CUSTOMER CONSTANCY IN E-COMMERCE

**Prof. Jaysing Bhosale\***

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### **Abstract**

E-commerce is growing rapidly since inception. The online transaction will be one of the major activities of credit card companies. Customer relationship management in the E-commerce area is one of the areas requiring deeper research. In the 80's marketing approach started to focus on customers than products. The concept of relationship marketing became the major marketing approach. Relationship marketing put more attention on attracting, maintaining and enhancing customer relationship.

This is a study of customer constancy that aims to investigate the factors that influence individuals to buy through the Internet or to avoid e-commerce and what roles these factors play in retaining these customers. For instance, the simple translation of a web site into a foreign language may be a disaster. Likewise, ignorance about color associations may be a problem. For example, while the color white represents purity in the United States, in Japan this color is associated with death.

Additionally, beyond the interface factors it is necessary to investigate to what extent other factors influence people to buy, or not, through the Internet. For instance, availability is the main factor positively influencing Internet users in Singapore to buy through the Internet. Conversely, this same factor ranked as the least important for Internet users from Malaysia. It seems that the influencing factors to buy through the Internet differs within cultures.

On the other hand, for people who do not buy through the Internet, privacy, security and fear of using credit cards have been main factors negatively influencing individuals to buy through

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**\* Assistant Professor, Symbiosis Centre for Management Studies, Pune,**

the Internet. It seems that individuals avoid Internet purchases influenced by the same sort of factors.

**Key Words: E-commerce, customer constancy, Customer Relationship Management, Relationship marketing.**

### **Introduction**

The business of E-commerce is a new growing area with a huge market in the internet community. But great benefit comes with great challenge. The better information transparency of online business improves the possibility that the customer could find the right product with good price. But the information transparency also gives the customer more power to select their vendors. Now the competitor is just a click away, the competition become more flat more direct. In the modern time the product differentiation is less.

Now new trends of E-commerce industry are to import the customer relationship management concept to understand their customers better. By understanding the customer, the businesses could provide more tailored products or service for customer and also the businesses gets to know who their customers are and what kind of the customer is the most valuable customer.

According to research, businesses found that the most valuable customers are repeat customers. The high cost of acquiring new customer makes many customer relationships going unprofitable because new customer only stays in initial stage of the transaction. Only in the subsequent transactions the cost of service starts to fall and the customer tends to buy more becoming less price sensitive.

So for the E-commerce business customer retention is one of the key paths to profit. The businesses should have a clear strategy of customer retention.

### **Literature Review**

E-commerce is the exchange of information across electronic networks, at any stage in the supply chain, whether within an organization, between businesses, between businesses and consumers, or between the public and private sector, whether paid or unpaid. (Cabinet Office

1999) So E-commerce talks about the business with financial transaction and also includes the Non-financial transactions, such as pre-sale and after-sale activities. (Chaffey, 2009, 10-11.)

According to Chaffey (2009) if you are going to evaluate some strategy issues of an E-commerce business, both sides of the E-commerce transaction should be bought into consideration because the needs of both sides (buy-side E-commerce and sell-side E-commerce) need to be fulfilled.

E-business according to the definition of DTI (2000) is:

When a business has fully integrated information and communications technology (ICT) into its operations, potentially redesigning its business processes around ICT or completely reinventing its business model. E-business is understood to be the integration of all these activities with the internal process of a business through ICT. (DTI, 2009)

IBM (2011) also defines their understanding of E-business in a business process approach-“the transformation of key business processes through the use of Internet technologies” (IBM 2011).

### **Akshay's E-satisfaction Model**

Akshay (2007) developed an E-satisfaction model. The model consists of five major factors which influence the E- satisfaction. The five contexts are convenience, merchandising, site design, security and serviceability.

#### **Convenience:**

One of the natures of the E-commerce is to provide convenience service or product for their customers. The convenience should include easy to use, shopping time, ease of browsing etc.

#### **Merchandising:**

Detailed products introduction also is a positive element for customer satisfaction. Customer getting correct and rich information increases the possibility of customer getting better quality products. Influencing factors are number of offerings, variety of offerings, quality and quantity of information.

**Site Design:**

An effective web site design will lead to positive perception and satisfaction of the business (Lam & Lee, 1999. 528). An easy, fast navigating and well contented web site can make the customer’s browsing experience enjoyable. The influence factors in this context are navigation structure, web design and interface, fast presentation, customized content, updated information. (Akshay, 2007. 705)

**Security:**

Akshay (2007) researched on some theories forming conclusion that the security issue is one of the most important reason that prevent the customers from shopping online. Influence factor of this context is the financial security. (Akshay, 2007. 705)

**Serviceability:**

There are two parts in this context one is the amount of the existing services the other one is the quality of these existing services. Influence factors of this context are complaints redresses, customer support, packaging, time of delivery, post services. (Akshay, 2007. 705)

**Conceptual Framework**

Factors conceptualization

The purpose of this research is to provide concrete factors that could increase customer retention result. Author developed this conceptual framework based on the selected theories. Due to these theories often overlapping to each other, these factors that contribute to same construct of customer retention by merging them together.

Table 1 Conceptual factors influencing customer retention.

Influence factors	Authors
Reliability	Zeithaml (2002)
Responsiveness	Zeithaml (2002)
Contact Points	Zeithaml (2002)
Convenience	Zeithaml (2002) & Akshay (2007) Sрни,
Merchandising	Zeithaml (2002) & Akshay (2007) Sрни,

Site Design	Zeithaml (2002) & Akshay (2007)
Security	Zeithaml (2002) & Akshay (2007)
Serviceability	Zeithaml (2002) & Akshay (2007)
Customization	Srini, Rolph and Kishore (2002)
Contact Interactivity	Srini, Rolph and Kishore (2002)
Cultivation	Srini, Rolph and Kishore (2002)
Care	Srini, Rolph and Kishore (2002)
Community	Srini, Rolph and Kishore (2002)

### Research question

There is a great amount of literature about customer loyalty, customer satisfaction etc. But not many of researches focus on the specific topic of customer retention. Customer retention should be a bigger topic. So the motivation and purpose of this paper is to gain better understanding of how E-commerce business should retain their customer.

The research question will be:

How can the factors influencing customer retention in E-commerce environment are described?

### Research Methodology

#### Research purpose

It is a descriptive research because this paper tries to find out how one business actually operates. A description of how one E-commerce business should work to retain their customers.

#### Research approach

The quantitative research approach is selected as the research approach of this paper. In this paper we try to find some factors that contribute to one goal. The process of this research is to develop a theory by reviewing several existing theories, and then a research strategy is developed to test the new creating theory, so this is a deductive nature.

#### Research strategy

Yin (1994) defined five primary research strategies in social science: experiments, surveys, archival analysis, histories and studies. In this research we are trying to find out the relationship with some variable. Survey is used to evaluate some conclusions, so in this thesis the strategy of survey is selected.

### Data collection method

In the questionnaire seventeen questions were designed. The first two questions are about basic information of the respondent's gender and age range. Then rest questions presents a factor that leads to customer retention. For each question there was a Likert scale used stating 1 (strongly disagree) to 5 (strongly agree). This questionnaire was sent to about 1500 respondents through Email and received 523 responses. The sample group is general and random.

### Empirical Findings and Data Analysis

This paper will discuss and analyze each question, find out what is there between the real situation and the theories. The questionnaire is divided into three parts: Background information questions, Questions about the influence factors and Extra suggestions.

#### Background information questions

The first two questions are Gender and age range. The purpose of these two questions is to show what kind of customer we have in the E-commerce business. And based on these questions customer behavior patterns can be analysed.

Choice	Number	Ratio
Male	245	46.8%
Female	278	53.2%

Table 1.1 Gender ratios of the respondents

Choice	Number	Ratio
Under 15	0	0%
15~20	12	2.3%
21~25	202	38.6%
26~30	177	33.8%
31~40	115	22%
41~50	12	2.3%
51~60	3	0.6%
Above 60	2	0.4%

Table 1.2 Age range distribution of the respondents

In the Age range we can see no respondent with age of fewer than 15. And maximum respondents are in the age range of 21-40 which are major group of online shopping.

### **Reliability**

The actual question is “The website should be always online and all the function in this website should always work properly.” This question links to the factor of Reliability. It will exam the customer’s attitude towards importance of Reliability.

### **Responsiveness**

The question is “Clear state of the return policy, quality guarantee and how to get refund etc.” This result shows that the customers do believe a good and predefined scheme or procedure for exceptions during or after the purchase.

### **Contact points**

Different channels available for getting support or service, such as online charting, email, phone etc.

So this result clearly shows customers like to have multiple contact points to ask for information or support. Probably they do not want to use these channels but if they know there are lots of different ways to get help makes customers feel safe and comfortable. Also it shows the company care about the customers and they are willing to help.

### **Convenience**

Question: Easy to find what you want (not only products also information, service or customer support) in the website. Fast website response time. Excellent products searching function. This result shows that the business should increase the ability of helping customer to get what they want with minimal efforts. Modern online customers lack of patience.

### **Merchandising**

Question: Great number of products. One-stop purchasing, no need to go to other site to find what you need. Actually most of the online stores are not all category stores. They keep their focus on only one type of product or service. For example some site only focus on cellphone and cellphone accessory. Some of them focus on books etc. Merchandising means the site should provide great number of different brands or different types of products.

### Site design

Question: Website design as easy navigation, special character, easy to remember etc. A good designed website should contribute to customers visiting again. 86.3 % customer think an easy navigating, with special character and easy to remember website is a merit of E-customer retention.

### Security

Question: Online information security Such as credit card information, personal information and purchase records etc. This is the most critical influence factor since 70.9 % customers strongly agree with this point. No one wants their information being misused and they want their financial security to be guaranteed.

### Serviceability

Question: Delivery time, complain handling, customer support, packaging etc. Online business should also provide extra services such as choosing better delivery vendor, pack parcels carefully with proper material, provide efficient customer service and after sales support etc. Customer will gain confidence and trust of the business and then they will become repeat customer.

### Customization

Question: Website provides recommendation according to your shopping preference. When the site provides the recommendation or other customized services; they need to monitor and record customers behavior first. Sometimes people do not want to be watched and they do not want to be recorded before they lay trust on the business. So the customization should be used carefully.

### Contact interactivity

Question: Provide detailed high quality product information including good quality and professional product presentation, detailed introduction or reviews from the other buyers etc. The site provides professional and detailed product information means the site has professional knowledge of the selected product. The other buyers reviews could provide the customer firsthand information about the selected product or service. Also this information is based on



real experience. Customer could trust this information and they have good chance to buy product or service that meet their needs.

### Care

Question: Service and support available all the time from pre to post purchasing. The care could give the customer a good image that this site is a professional online shopping business and they are thoughtful and committed to give the customer good shopping experience. And the other prospective is these businesses provide the all-time service gives the customers the image that the business is a well-organized and trust worthy business.

### Community

Question: Online community or club share information about the products or service. Community is a good place for customer to share the products information, how is the service and the experience of the purchase. Businesses also should research the community about their opinions of the service and product.

### Discussions and Conclusions

This research tried to analyze customer opinions about what they think about various factors could affect their willingness to revisit particular website to purchase again. Most of these factors have a very positive impact. Most of the factors influencing E-satisfaction and E-service quality got high agree rate. The highest factor is contact points, it has a 92.3% agree rate. Out of 8 factors for E-satisfaction and E-service quality, 5 of them got more than 90. So E-satisfaction and the E-service quality are quite important for the online customer retention.

Most of the factors only contribute to E-loyalty which got relatively high rate of agree. But they are not as high as the factors for E-service quality and E-satisfaction. Because these factors are not the ones which directly support the fulfillment of customer needs. Or the ones only important when the purchasing goes wrong, the customer never noticed if everything runs smoothly.

Switching barriers get a agree rate of 86%, it also have very positive impact on the customer retention. To give or reward customer with finical or nonfinancial benefit works well to give

customer reason to stay with the business. But some respondents also indicate that the rewards should be defined clearly and people should be able to understand the rules easily. Fail to do so also could make this constructs harmful to the customer retention.

So based on the discussion above the following conclusion can be drawn concerning the customer retention E-commerce environment. Following factors have positive impact on customer retention.

(1) Reliability (2) Responsiveness (3) Contact Points (4) Convenience (5) Merchandising (6) Site Design (7) Security (8) Serviceability (9) Contact Interactivity (10) Customization (11) Care (12) Community (13) Cultivation (14) Switching barrier

### **Limitation of this research**

There are also limitations of this research. First, the sample group is not widely enough; I used a Chinese Email list, so the opinion of customer is not in an international scope. Second, the questions could have been designed more skillfully.

### **Future research**

During the research process of this paper some more interesting research areas have come out. The relationship between E-satisfaction, E-service quality, E-loyalty and Switch-barriers. How exactly they affect each other. How to use member community to improve customer relationship.

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