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An examination of retail website design and conversion rate

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ABSTRACT

Retailers and manufacturers widely use Internet retailing as part of a multichannel promotion and distribution strategy. The rate at which site visitors convert to customers is low for online retail, resulting in high customer acquisition costs. Almost 96% of website visits end with no consumer purchase. This study examines empirical associations between website features and online conversion rates through regression analysis. Results indicate that certain website design features do explain a sizeable portion of the variance converting e-commerce visitors to purchasers. Features that promote flow, a psychological state of immersion into an activity, positively associate with conversion.

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1. Introduction

Retailers commit substantial resources to developing online brands and e-commerce sales channels. In 2014, global online retail sales reached \$1.3 trillion annually, representing over 5% of total global retail sales (EMarketer, 2014). Although record levels of activity underscore sales opportunities, 96% of all visits to a website do not end with product purchases (Nielsen NetRatings, 2005; Statista, Inc., 2015). This low conversion rate worsens when consumers switch to mobile devices (1.2%) (Statista, Inc., 2015). Thus, firms wishing to decrease their cost-per-conversion rate require knowledge of consumer behavior that occurs between the time points a user enters and exits a website.

Consumers linger in a company's website longer if they feel immersed, without mental interruption, in the content of that space. Prior research identifies this psychological state of deep immersion into an activity, called flow, as a potential influence on consumer behavior and e-commerce consumption (Richard & Chandra, 2005; Rosen & Purinton, 2004; Sicilia, Ruiz, & Munuera, 2005; Smith & Sivakumar, 2004). It proposes that website design has a considerable effect on the immersion a consumer feels, and thus increases the likelihood that the user stays through conversion (Visinescu, Sidorova, Jones, & Prybutok, 2015). This research examines whether website design features are associated with conversion rates. It examines websites of leading online retailers for specific design features and tests for association between these features and the site's conversion rate.

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2. Analytical framework

2.1. Web design

Internet retailing is part of a multichannel promotion and distribution strategy among retailers and manufacturers (Grewal, Gopalkrishnan, & Levy, 2004). The applicability of the Internet to a firm's business model imposes some constants. For example, high-risk, high-priced products do not easily sell over the Internet (Grewal et al., 2004). Some consumers are hesitant to purchase due to the risk of a security breach of their personal information (Koufaris & Hampton-Sosa, 2004; Tarafdar & Zhang, 2007/8). Because of these and other reasons, the rate at which shopping visitors convert to customers is low for online retail, resulting in high customer acquisition costs (Grewal et al., 2004; Hoffman & Novak, 2000; Sohrabi, Mahmoudian, & Raessi, 2012).

Research indicates that website design is an important factor that converts visitors to customers. Experts conceptualize the site's content and design to influence consumers' willingness to buy (Smith & Sivakumar, 2004; Sohrabi et al., 2012; Shobeiri, Mazaheri, & Laroche, 2015), and these features apparently alter the attitude of the viewer (Hausman & Siekpe, 2008; Sicilia et al., 2005). Pleasurable Visitor Greeting stages of consumer website experiences are associated with positive attitudes (Richard & Chandra, 2005). Entertaining content such as film, music, and games also boost positive attitudes and intention to purchase (Lu & Su, 2009; Hausman & Siekpe, 2008). Positive attitudes toward a well-designed website are positively associated with further site exploration (Menon & Kahn, 2002) and purchase behavior (Bruner, Stevenson, & Kumar, 2000; Jayawardhena, 2004; Lynch, Kent, & Srinivasan, 2001).

Designs that incorporate interactivity increase the appeal of Internet sites (Ghose & Dou, 1998). Many design characteristics, such as comment sections, downloads, and frequently asked question sections, can promote site interactivity while others can promote customer frustration. Information overload can cause users to become lost, grow weary, and exit before a purchase is made (Sohrabi et al., 2012). Knowledge of user behavior is key to ensuring that design does not interfere with purchase (Sismeiro & Bucklin, 2004).

2.2. Conversion rate

The conversion rate reflects the interaction between a website and its consumers' purchase choices and is defined as the percentage of users purchasing a product out of the total unique visitors entering a website. The conversion rate (Loftus, 2001) is exceedingly low for retailers, as low as 2% to 4% (Holzwarth, Janiszewski, & Neumann, 2006; Sohrabi et al., 2012; Retailer, 2013). Given the dramatic growth in online usage coupled with the historically low conversion rates, any increase in the conversion rate could greatly affect a firm's profitability (Li, 2004; Silverstein, Stanger, & Abdelmessih, 2001).

Several previous studies explore the links between conversion rate and website effectiveness. Direct website effectiveness measures linked to higher conversion rates include improvements in the Checkout process and the removal of unnecessary graphics (Tsai, 2004), using a decision maker to assist the user (Sismeiro & Bucklin, 2004), elimination of a back door element (Zhou, Lau, & Yang, 2004), and various customer interactions (Awad, 2004). Repeat visit behavior has a positive significant relationship with conversion rate (Moe & Fader, 2004). Users' trust in the company's abilities, which a well-designed, high-investment website reflects, is a great determinant of purchase intention (Schlosser, Barnett, & Lloyd, 2006).

2.3. Site design and user behavior

One perspective explaining consumer online behavior is flow. Flow is a pleasurable cognitive "holistic sensation that people feel when they act with total involvement" (Csikszentmihalyi, 1977). Flow typically occurs when an individual actively participates in some task that is interesting, and challenging, such as a sport, hobby, or work (Novak, Hoffman, & Yung, 2000; Richard & Chandra, 2005). When flow involves an online environment, the user's concentration blocks consideration of other occurrences outside the website environment (Hoffman & Novak, 2000; Novak et al., 2000). Studies examine this mental state in the context of computer interaction and the Internet as a means by which online marketers may engage customers and increase repeat purchases (Richard & Chebat, 2016; Smith & Sivakumar, 2004). Website interactivity increases the intensity of the consumer's flow experience and produces positive attitudes among consumers toward the website (Mahnke, Benlian, & Hess, 2015; Richard & Chandra, 2005; Sicilia et al., 2005). Inhibitors to flow include long download delays, link failure, long forms to complete (Richard & Chandra, 2005), extraneous product descriptions, and ambiguity about the next step in site navigation (Rosen & Purinton, 2004). Frustrated users develop a poor attitude toward the site, and their purchase intentions diminish (Hausman & Siekpe, 2008; Sohrabi et al., 2012; Trevinal & Stenger, 2014).

The objective of web design is to direct the consumer to the goals that the website designer sets (Geirland, 1996). Whether flow induces purchase behavior is not clear, although it apparently increases purchase intention (Jayawardhena, 2004). The more their exposure to irrelevant or dynamic content, the less likely the users are to convert (Sismeiro & Bucklin, 2004). It is possible that user preoccupation with extraneous information could enhance the browsing experience to the extent that completing the purchase becomes unimportant (Smith & Sivakumar, 2004).

3. Hypotheses, variables, and measures

3.1. Hypothesis development and maintained assumptions

This study hypothesizes a relationship between website features that enhance or impede user flow and the website's conversion rate. The hypothesis test involves examining the association between the online conversion rate and 21 potentially consequential website features. Research is not decisive with regard to the direction of the influence upon actual sales that these features may provide (Jayawardhena, 2004; Smith & Sivakumar, 2004).

3.2. E-commerce website progressions and hypotheses

E-commerce transactions require consumers to advance through websites in a sequential manner. Four specific stages of website experience are common to e-commerce progression (Scheffmaier & Vinsonhaler, 2002/3; Sismeiro & Bucklin, 2004). The first stage is the website's homepage, which identifies the site, gives content information, and provides links to other pages (Singh, Dalal, & Spears, 2005). The second feature group is the Catalog stage, which provides product information and offers browsing among options (Sismeiro & Bucklin, 2004). The third stage is the Shopping Cart, which summarizes the customer order and allows the user to either go back to browsing or move on to complete a purchase. The final stage is Checkout. This stage includes the pages of the site involved with payment and collection of information to complete an online transaction.

Although website pages representing different destinations are interconnected, purchase transactions generally lead a consumer to navigate through these destinations sequentially. For example, in the websites examined, consumers first connect with the Visitor Greeting page prior to connecting with the Catalog pages. Catalog pages generally lead to the Shopping Cart page(s), through which the Checkout pages are accessed. Although websites may allow consumers latitude to navigate backward or bypass destinations once they proceed through the initial sequence, websites generally require consumers to finalize each destination in sequence in order to complete a purchase. In keeping with this standard navigational path, the study tests independent hypotheses for each of the four website destination stages.

Hypothesis 1. : E-commerce website features that enhance purchase intention within the Visitor Greeting stage of the website are associated with conversion.

Hypothesis 2. : E-commerce website features that enhance purchase intention within the Catalog pages of the website are associated with conversion.

Hypothesis 3. : E-commerce website features that enhance purchase intention within the Shopping Cart page(s) of the website are associated with conversion.

Hypothesis 4. : E-commerce website features that enhance purchase intention within the Checkout page(s) of the website are associated with conversion.

3.3. Variable definitions and measures

3.3.1. Dependent variable

Data on the dependent variable, conversion rate, are available from the Nielsen data service as a measure of website usage. Nielsen data provide both session and visitor conversion rates. Session conversion rates track the percentage of web sessions that result in an online purchase by product. Session rates do not eliminate redundant counts of individuals making multiple session visits. This analysis employs visitor conversion rates, which track the percentage of unique visitors making an online

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