

# How can the Web help build customer relationships?

## An empirical study on e-tailing

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### Abstract

The Web is increasingly being viewed as a tool and place to enhance customer relationship. In this paper we defined a model to analyze the Web characteristics that aid in building customer relationships and then used this model to examine consumer relationship building mechanisms in online retailing (e-tailing). Through a survey of 177 shoppers who had bought books, CDs, or DVDs online, the causal model was validated using LISREL; 13 out of 14 hypotheses were supported. This research has contributed to both theory and practice by providing a validated model to analyze online consumer relationship building and suggesting mechanisms to help e-tailers focus on online consumer relationship management.

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### 1. Introduction

Contrary to the early image that the Web was a place for bargain hunting for consumers, it is increasingly being viewed as a place to provide better service and enhanced consumer relationships. Some evidence indicates that Web customers consolidate their purchases with one primary retailer [43]. Relationships, such as trust in quality and brand, may serve as an important element in consumer decision making when purchasing products online, as the Internet lacks support for evaluative criteria such as tactile input. Relationships can also serve as risk reducers for online shoppers.

With the increasing recognition of customer relationships for business success, relationship marketing (RM) started to gain popularity in 1990s [44,53]. Due to its potential for interactive communication, the Internet is considered a promising tool for RM [46,55]. However, factors contributing to a consumer's intention to build a relationship with an online retailer are still not well understood.

### 2. Building online customer relationships

Generally, there are two stages in building a customer base: acquisition and retention. In the acquisition stage, customers are attracted to visit a retailer/retailing Website, and make initial purchases. The retention stage begins when customers who have had satisfactory experiences on a Website return and establish a long-term relationship.

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Table 1  
Research addressing customer retention

Articles	Dependent variables	Independent variables
[13]	Loyalty	Usability, satisfaction, trust
[14]	Intentions	Web store functionality, product attribute description, ownership conditions, delivered products, customer service, security
[24]	Satisfaction, revisit intention	Customization
[26]	Unplanned purchases, intention to return	Perceived control, shopping enjoyment
[28]	Satisfaction	Socio-psychological value, economic value, product value
[39]	Site commitment, purchase behavior	Information quality, user interface quality, and security perceptions, information satisfaction, relational benefit
[52]	Customer loyalty	Customization, contact interactivity, care, community, convenience, cultivation, choice, character
[54]	Satisfaction	Convenience, merchandising, site design, financial security
[55]	Consumer-brand relationships	Personalized Websites, customer communities, consumer Internet experience
[58]	Quality	Fulfillment/reliability, Website design, privacy/security, customer service
[59]	Satisfaction/dissatisfaction	Product cost and availability, customer service, online information systems quality
[61]	Overall site quality, attitude toward site, online purchase intention, site loyalty, site equity	Ease of use, design, speed, security
[62]	Quality	Efficiency, reliability, fulfillment, privacy, customer service (responsiveness, compensation, contact)

Most research on online consumer behavior has addressed consumers in the acquisition stage, while research on the retention stage is still in its infancy. Studies have generally focused on first time online shoppers. While it is important to attract consumers, it is more important to retain them: failing to do so doomed many “dot com” companies.

Table 1 shows some papers that have explicitly considered consumer retention. While these studies created a picture of attributes that are important to online consumers, RM theories have not been well integrated into the discipline of online retailing (e-tailing). Most of the research so far has failed to address the fundamental changes that the Web can bring to retailing, e.g., convenience is an important consideration when shopping online, but it does not contribute to e-loyalty as it is a factor applicable to all e-tailers, as are ease of use, speed, and security. Thus, they do not result in a sustainable competitive advantage. It is therefore important to identify the major impacts the Web has on the retail market and use this knowledge in retaining customers.

As noted by Wolfinbarger and Gilly [58], previous research has tended to provide a list of attributes, instead of constructs, or authors had not adequately addressed why some constructs were chosen over others. Furthermore, from the consumer RM perspective, most previous discussion had not considered the

complete relationship mechanism: how market characteristics affect consumer relationship intentions. Many have employed relationship mediators such as trust and satisfaction as the destination construct, or examined the direct relationship between market/consumer/channel characteristics and relationship intention. Without considering the overall mechanism, our understanding is incomplete.

Our research attempted to build and validate a model that systematically examined the mechanism of the relationships between Web impacts on the retail market and consumer relationships. Our model differs from those previously studied because it:

- (1) Focuses on the fundamental elements of online retailing that provide opportunities for online retailers. If the selected constructs are known, e-tailers can focus on them to help build consumer relationships.
- (2) Addresses consumer relationship intentions. We specifically focused on examining consumer attitude through their re-purchase intention.
- (3) Investigates the mechanism of the impacts of consumer market perceptions on relationship intention through mediators. The constructs in this model were selected and designed in a manner that should lead to understanding how the mechanisms affect consumer intention.

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