Customer Retention in E-commerce business

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E-commerce is growing fast with the fast development of internet and communication technology. Now E-commerce brings the businesses a world wide market and a huge population of protential csutomer. For customers the price information is more transparent and there are much more buying choices than before. Online businesses are competeing for customers on a word wide market like never before. The customer retention gained increased value among the E-commerc businesses. But the research of customer retention in E-commerce context remain limited.

This thesis is aimed to investgate the concrete influenc factors of customer retention in an E-commerce context.

After reviewed existing theories, the author developed a conceptual framework about factors affect the customer retention in E-commerce context. Then a questionnaire is used to find out the real customer attitude of these factors.

As the result 13 concrete influence factors (Reliability, Responsiveness, Contact Points, Convenience, Merchandising, Site design, Security, Service ability, Customization, Contact Interactivity, Cultivation, Care, Community) were presented for E-commerce business customer retention. Also this thesis brefily discussed about the constructs of customer retention.

This thesis could be used as a reference for the E-commerce business owner for meansuring their E-commerce sit or improve the customer retention rate of their business. Also could be used by student or researcher who is studying or interested in the topic of online customer retention.

Keywords
Customer retention, E-commerce, E-satisfaction, E-loyalty, E-service quality, E-business,

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1 Introduction

In this chapter author will introduce the background of the thesis topic including E-commerce, the trends of relationship marketing, customer relationship management, importance of customer retention. Then we will discuss the existing problem of E-commerce in the context of customer relationship management. After that we will raise the research problem.

1.1 Background

E-commerce is growing rapidly since its first day. The credit card company reported the internet purchase of their customers has researched 13 billion dollar mark in the year of 2000. They still expected to have a tremendous grows in the future. The online transaction will be one if the major activity of credit card companies. In some areas the E-commerce has already become the most popular format of business, such as books, CDs and magazines. According to David (2000) Amazon now selling millions books, CDs, and DVDs to more than 6.2 million customers in more than 160 different countries and areas. (David, 2000)

With the exceptional rapid growth of the E-commerce business also come the great challenges. Customer relationship management in the E-commerce area is one of the areas require deeper research. In the 80's the 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. With the technology involving business combine the information technology and relationship marketing together to improve the efficiency of relationship marketing strategies, it forms the CRM concept. The ECRM concept is an involvement from CRM. Because the web technology and internet technology are becoming more and more wildly used and these technologies could give the businesses more durability to stay with their customer information, CRM concept adopt these technology to provide the better supporting for businesses- ECRM.

Since the adoption of relationship marketing lots of the research and data from the real businesses show that to retain an existing customer is far more economic than to require a new one. Business starts to invest more and more resource and efforts into this area. At the same time academic researchers also start to investigate different merits that enhance the customer retention. Also the E-commerce environment also is trying to catch the same trends because of the unique characters of this industry. Because of the unique characters of this industry, E-commerce business cannot just adopt the classic theories from relationship marketing. These businesses need some theories in the E-commerce context to support their operation.

1.2 Problem discussion

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 transparent of online business improves the possibility that the customer could find the right product with good price. But the information transparent also gives the customer more power to select their vendors. Now the competitor is just a click away, the competition become more flat more directly. In the modern time the difference of products is less and less. When the products provide almost the same value for customer, you need to add some extra value to customer to stand out from the crowd.

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

According to many research, business found that the most valuable customer is the repeat customers. The high cost of require new customer makes the many customer relationship goes unprofitable because the new customer only stay in the initial stage of the transactions. Only in the later transaction the cost of service starts to fall and the customer trends to buy more and not so price sensitive. (Srini, Rolph and Kishore. 2002)

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.

1.3　Research question

There is a great amount of literature about customer loyalty, customer satisfaction etc. But not many of researches are focus on the specific topic of customer retention. Customer retention should be a bigger topic. And also there are quite many different characters in the context of E-commerce compare to the regular businesses. So this is the motivation and purpose of this thesis 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?

1.4　Thesis structure

The thesis will be divided into seven chapters.
- Introduction
- Theories review
- Conceptual Framework
- Methodology
- Empirical Findings
- Data Analysis
- Discussion, Conclusions and Recommendations

In the introduction chapter the background information: such as briefly information of E-commerce, relationship marketing and customer relationship management will be presented. Then in the theories review chapter the relative theories (customer retention, E-loyalty, E-satisfaction, E-service quality and Switch barrier) will be introduced.

In the conceptual Framework will form a theory about the factors that influence customer retention for E-commerce business? Methodology chapter explains the research technique and methods. Empirical Findings, Data analysis and Discussion, conclusion and Recommendations will show the actually data and result of this thesis.

2 Theories review

In this part I will go through the existing theories about E-commerce and customer retention within the E-commerce context. So I will divide this chapter in two parts: Theories concerning E-commerce and Theories concerning customer retention.

In the E-commerce part I will compare E-commerce and E-business to make the reader understand deeper about E-commerce. And after that I will show the audiences the consumer models of E-commerce and the types of sell side E-commerce. These will give the audiences better view of the characteristics of this business.

Then we go to the part of customer retention. First introduce what is customer retention and find out the constructs of customer retention, audiences will gain the understanding of what leads to customer retention. After this, I will show the existing theories about the influencing factors to each of the constructs. These factors are the concrete factors that lead to customer retention.

2.1 Theories concerning E-commerce concept

In order to understand customer retention for E-commerce business, I believe to understand the concept of E-commerce is the first thing we should do. What are the characteristics of this business? What makes it different from the regular traditional businesses? What effects these differences make on their customer behaviour?

When we talk about E-commerce, sometimes we confuse it with the concept of E-business. But in a general way these two concepts are quite different they place their emphasis on different point of view. I will compare these two concepts together make reader understand what is E-commerce more efficient.

2.1.1 E-commerce and E-business

E-commerce according to the English cabinet office's definition is:

> 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 not only talks about the business with financial transaction but also include 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 evaluating some strategy issues of an E-commerce business, both sides of the E-commerce transaction should be bring into consideration. Because the needs of both sides (buy-side E-commerce and sell-side E-commerce) need to be fulfilled.

Buy-side Ecommerce refers to the activities involve purchase from supplier. Sell-side E-commerce refers to the activities involve selling products to the customer. (Chaffey, 2009. 10-11.)

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

> When a business has fully integrated information and communications technology (ICTs) into its operations, potentially redesigning its business process 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)

Chaffey (2009) argues that the term of E-business has two different usages within an organization. First, it describes a way of operation or a business strategy. Second it be used to describe the business mainly operates by some web and commutation technologies. This kind of business operate without a real store or location, they operates in a way that using the technology to minimize customer service and support activity by enabling "web self-service".

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).
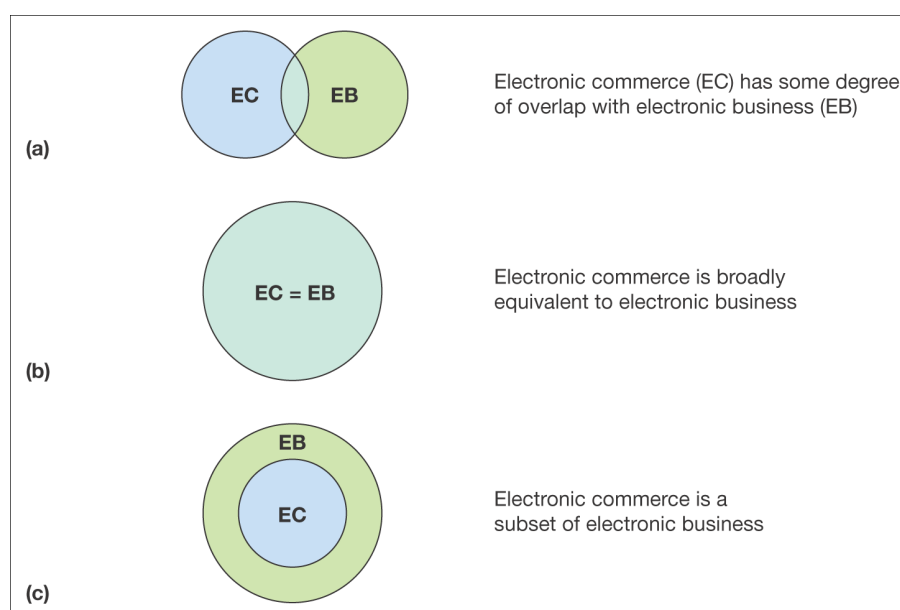
Figure 1.1 Three types of definition relationship between e-commerce and e-business
Source: Chaffy, 2009, 14

The figure 1.1 shows three types understanding of E-commerce and E-business relationship. Each of them is based on the different understanding of E-commerce and E-business.

a) Electronic commerce (EC) has some degree of overlap with electronic business (EB).
b) Electronic commerce is broadly equivalent to electronic business.
c) Electronic commerce is a subset of electronic business.
(Chaffy, 2009, 14)

Chaffy, DTI and IBM all have a common describe of E-business that is E-business is the business that their operation is in a way of internet technology.

E-commerce is more focus on the all-electronic transactions between two parts. But E-business is more focus on transform the business process through the internet technology. So In this thesis we adopt the description of the relationship between E-

commerce and E-business is E-commerce is a sub set of E-business. E-commerce is the action when E-business doing business with their customer.

2.1.2 Different consumer models of E-commerce transactions

Figure 1.2 explained the consumer models E-commerce transactions.

From: Supplier of content/service		
Consumer or citizen	**Business (organization)**	**Government**
Consumer-to-Consumer (C2C) • eBay • Peer-to-Peer (Skype) • Blogs and communities • Product recommendations • Social networks: MySpace, Bebo	**Business-to-Consumer (B2C)** • Transactional: Amazon • Relationship-building: BP • Brand-building: Unilever • Media owner – News Corp • Comparison intermediary: Kelkoo, Pricerunner	**Government-to-Consumer (G2C)** • National government transactional: Tax – inland revenue • National government information • Local government services
Consumer-to-Business (C2B) • Priceline • Consumer-feedback, communities or campaigns	**Business-to-Business (B2B)** • Transactional: Euroffice • Relationship-building: BP • Media Owned: Emap business publications • B2B marketplaces: EC21	**Government-to-Business (G2B)** • Government services and transactions: tax • Legal regulations
Consumer-to-Government (C2G) • Feedback to government through pressure group or individual sites	**Business-to-Government (B2G)** • Feedback to government businesses and non-governmental organizations	**Government-to-Government (G2G)** • Inter-government services • Exchange of information

To: Consumer of content/service (Consumer or citizen / Business (organization) / Government)

Figure 1.2 Summary and examples of transaction alternatives between businesses, consumers and governmental organizations

Scource: Chaffy, 2009, 14

Current situation is to describe E-commerce transactions between organization and stakeholders according to if they are primarily with customers (B2C) or businesses (B2B).

Figure 1.2 listed the companies that in different categories of E-commerce transactions. Most of these famous E-commerce companies are mainly focus on B2C markets but at the same time B2B communication are also quite important for these companies, like Google and YouTube, MySpace etc. In the figure 1.2 also other additional transaction types are presented. For example the type of C2C which is the customer transacts direct with other customer, and the type of C2B which is the customer transact with business. Also there are the third part is included. The public organizations

and government provide service online (E-government). This part will not going be discuss deeply in this thesis. (Chaffy, 2009.)

2.1.3 Different types of sell-side E-commerce

As we all know not all products or services are suitable for sale online but now more and more products and services has been put online. So sell-side E-commerce is not only limited as online shops selling DVD or books etc., but also the technology enables the business providing different services online. It means sell-side E-commerce can be exists in many different forms.

Paul (1998) summaries 11 typical business models in the market. Most of them are being used in the market, but some of them still under experiment.

- E-shop

Promotion, cost-reduction, additional outlet, (seeking demand)

- E-procurement

Seeking suppliers

- E-auction

Bidding online

- E-mall

Collection of e-shops

- Third party marketplace

Common marketing frontend and transaction support to multiple business

- Virtual communities

Share valuable information between members. Most times the revenue is from the membership fees or company use it to improve the customer loyalty or collect customer feedback.

- Value chain service provider

Support part of value chain, Such as UPS (www.ups.com) etc.

- Value chain integrator

Provide information consulting service online.

- Collaboration platforms

Perform the collaboration media for groups. Such as provide the file share platform for visual teams doing design, workflow, and document management.

- Information brokers

Trust providers, business information and consultancy

2.2 Theory concerning customer retention

In this part I will first introduce the reason why business use the valuable resources and time to improve the customer retention. Then I will indicate the different components of customer retention. Furthermore I will analysis these components, find out the influence factors of customer retention. These factors are more directly line to the real business operations to improve the retention rate.

2.2.1 Why customer retention?

The benefits of customer retention are well recognized by great number of researchers. The customer retention brings more profit and save cost. Healy (1999) found that the long term customer tends to buy more, they provide positive influence on the world of mouth and they take less time of the company, also they are less sensitive to price. Reichheld and Kenny (1990) and Hurey (2004) indicate in their research, it is more cost efficient to keep existing customer than to acquire the new ones. According to the data to require a new customer cost five times than to retain an existing customer. Replace the lost customer by acquiring new customer is cost more from the business. The reason is the action of acquiring a new customer is always staying in the starting stage of the commercial relationship. At this stage the business needs to pay more to get the customer's participation. Thus, the common understanding of customer retention is long term customer bring more revenue and cost less to keep the long term customer than to acquire new customer.

Customer retention is one powerful tool to achieve business success. But what influence customer retention? First we should know the different aspects (components) of customer retention.

2.2.2 Components of customer retention

What constructs lead to customer retention? Kotler (1994) even said "the key to customer retention is the customer satisfaction". Lots of books point out that customer satisfaction is the necessary premise for customer retention. Is that so? And is that only customer satisfaction could bring us customer retention? The answer is no, there are more components. Hennig-Thurau and Klee (1997.740) discovered some more information on this area and they provide a new model of customer retention.

Hennig-Thurau and Klee model of satisfaction-retention relationship

Customer satisfaction is a major component of customer retention but only customer satisfaction is not sufficient, Hennig-Thurau and Klee (1997.740) add a relationship quality component which consists of overal quality, commitment and trust.
(Rust & Zahorik. 1993). Hennig-Thurau and Klee (1997.740) found a strange situation that only the customer satisfaction does not promise customer retention. After they researched the real situation they produced a model indicates that customer satisfaction plus relationship quality come to customer retention. The new model extends the existing theory of customer satisfaction and customer retention relationship. They use an improved customer quality perception (Relationship quality) as the central variable.
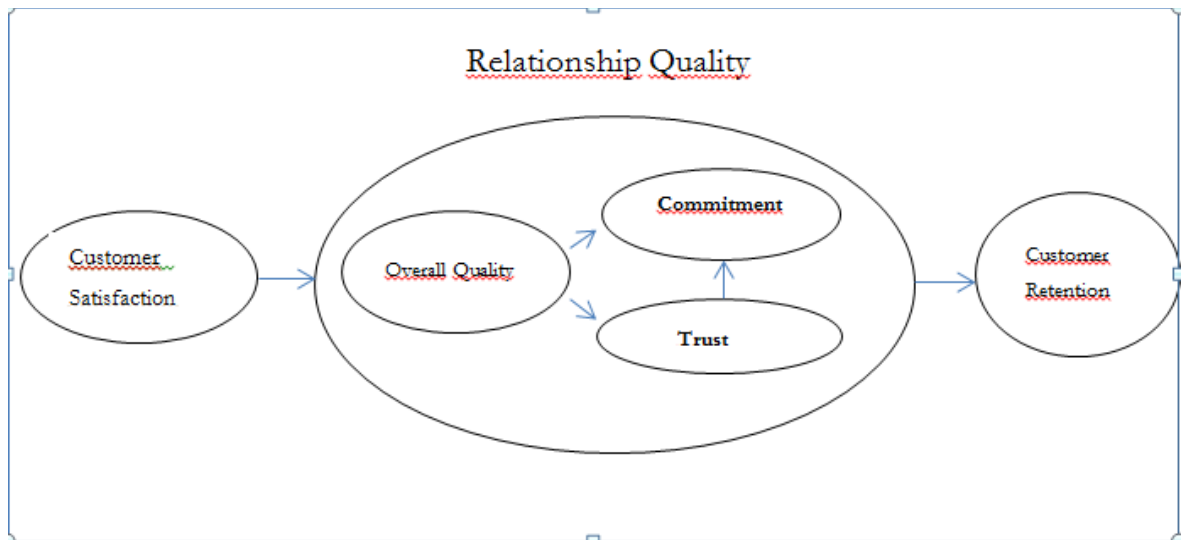
Figure 3.1 A conceptual model of Satisfaction-retention relationship

Source: adapt from Hennig-Thurau and Klee (1997.742)

In this model the customer satisfaction is the initial construct of the model instead of the classic customer satisfaction central model. The central moderating variable of this model is the relationship quality. Relation quality consists of three parts: overall quality, commitment and trust. Then customer and relationship quality leads to the customer retention. This model takes the involvement and perception of customer into account.

This is a more considerable model of customer retention. According to the real data they found the problem that a satisfy customer may not be a long term customer. Then they developed this new model with the relationship quality component that contributes the customer retention. But what exactly the relationship quality is? According to their explanation, it contains overall quality, trust and commitment. The quality has positive influence on the trust and commitment. Trust has positive influence on commitment. In here we know they should bring the concept of customer loyalty instead of the relationship quality. Luarn and Lin (2003) developed a customer loyalty model has the commitment, trust, customer satisfaction and perceived value as the components of customer loyalty. We considered the satisfaction of perceived value is service quality. So in this model relationship quality should be modified to two components: customer loyalty and service quality. Thus, customer satisfaction, customer loyalty and

service quality have influence on customer retention. Next we will look into these three components within the E-commerce context, what factors affect these components.

2.2.3   E-satisfaction

Customer satisfaction is well researched subject since the marketing model was transformed from transactional marketing to relational marketing. Also with the web technology constantly advancing, E-commerce is getting more and more prosperity. Then the new problem is coming, due to the business model is different than the traditional business the way of interaction with customer is also changed.   Customer now has much more choices than before, the competitor is just a click away, they want custom service and they do not want to wait (Korper, and Juanita 2001, 35). So the customer satisfaction of E-commerce must be different from other business.

Akshay's E-satisfaction Model

Akshay (2007) developed an E-satisfaction model. The model consists of five major contexts, under these five contexts there are eighteen factors influence the E-satisfaction. The five contexts are convenience, merchandising, site design, security and serviceability.
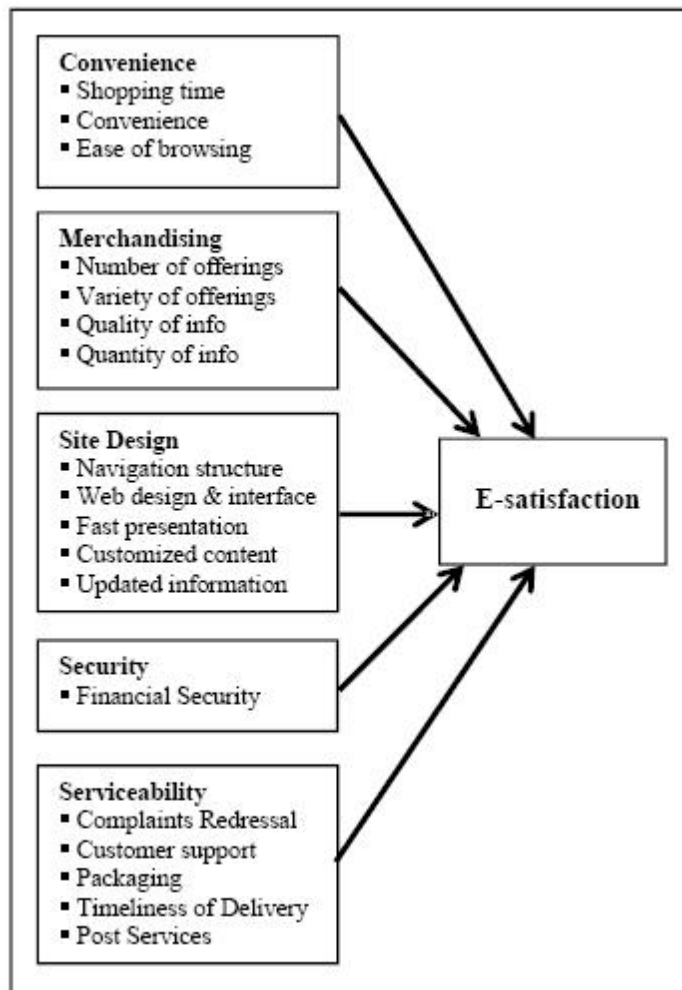
Figure 3.1 Akshay's E-Satisfaction model

Source: Akshay, 2007. 704

Convenience

One of the natures of the E-commerce is to provide convenience service or product for their customers. The convenience should include satisfy of customer's perception of functional and utilitarian dimensions, such as easy to use, usefulness etc. The other way it means it should also satisfy the customer's emotion dimensions perception, such as enjoyment. The whole experience should save customer's time and effort to find, buy or browse the services or products they want.

Influence factors of this context are shopping time, convenience, ease of browsing. (Akshay, 2007. 704)

Merchandising

According to Akshay (2007) if the product assortments offering can be superior will be positive affect the online customer satisfaction. Superior product assortments can increase the possibility to meet customer's various demands. On the other hand wider assortment of products can increase the possibility of customer find the better quality products. Detailed products introduction also is a positive element for customer satisfaction. Customer can get correct and rich information also increase the possibility of customer getting better quality products.

Influence factors in this context are number of offerings, variety of offerings, quality of info, quantity of info. (Akshay, 2007. 705)

Site Design

An effective web site design will lead to positive customer perception and satisfaction of the business(Lam & Lee, 1999. 528). An easy navigating fast and well contented web site can make the customer browsing experience enjoyable. And customer also saves time and effort to find the expected products or services.

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 come to a conclusion that the security issue is one of the most important reason that prevent the customer shopping online.

Influence factor of this context is the financial security. (Akshay, 2007. 705)

Serviceability

The serviceability is also one of the key context are for E-satisfaction. Author points out 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 redress, customer support, packaging, time of delivery, post services. (Akshay, 2007. 705)

This model is developed based on the E-service quality approach. It means that better E-service quality brings the better E-satisfaction. "There is a positive relationship be-

tween service quality and customer satisfaction.(Olu, 2010)". We will discuss more deeply about the E-service quality below.

2.2.4 E-loyalty

Customer loyalty has been well researched. Researchers have been giving the definition for customer loyalty for a lot of times. These definitions come from different perspectives and dimensions. Based on the purchase patterns, Brown (1952) divided customer loyalty into four categories (1) Undivided loyalty, (2) Divided loyalty, (3) Unstable loyalty, (4) No loyalty. Engel & Blackwell (1982) define loyalty in an attitude center way. "The preferential, attitudinal and behavioral response toward one or more brands in a product category expressed over a period of time by a consumer." Gremler (1995) latter suggested both attitudinal and behavioral dimensions should be take into account. But both of them no matter they focus on the behavior patterns or attitudinal response or both, they all point out one common key point- repurchase. The ultimate purpose of improving customer loyalty or even adopting relationship marketing is to make the most of the existing customers, due to the high cost of requiring new customers and high profitability of the loyalty customers.

The factors lead to customer loyalty in E-commerce environment

Srini, Rolph and Kishore (2002, 42-45) conducted a research to find out the important issues that affect customer loyalty. They form an 8C model to explain the factors appeared to impact e-loyalty. These factors are (1) customization, (2) contact interactivity, (3) cultivation, (4) care, (5) community, (6) choice, (7) convenience, and (8) character. We discuss these factors briefly below.

Customization

"Customization is the ability of an e-retailer to tailor products, services, and the transactional environment to individual customers."(Srini, Rolph and Kishore. 2002, 42) E-commerce has begun the trends that start to adopt customization into their operation. Also technology advancing provides the technical support to enhance this trend.

Different reasons why customization affects e-loyalty are explained by author. Customization made customer save the time or effort to find out what they want. It is a sign of high quality of this site and reveals the real match of the products and customer type. These advantages of customization appeal for customer coming back again. (Srini, Rolph and Kishore. 2002, 42-45)

Contact interactivity

Contact interactivity means active communication and intricate with customers. Lack of interactivity is one of the major problems now days in the majority of websites. Usually it occurs in form of inconvenient to navigate and insufficient product information also slowly response of customer inquiries.

In the day to day operation customer interactivity is focus on the providing the efficient customer support tools for customer with a two ways of communication. For example providing customer a very efficient product search function can greatly improve the possibility of customer found the most suitable products without the needing of customer to memorize the detailed information of this product. It save the time and effort of customer. Second the interactive way increase the amount of product information can be reviewed by the customer. Such as in an online book store the customer not only can get to the content of one book by reading the front page of the book but also they can get the review information from other customers. This providing the customer the possibility to find the right products without to buy it first then evaluate if this product can fulfill the requirements. Customer is beneficiate from this also give customer a reason to come back again. (Srini, Rolph and Kishore. 2002, 42-45)

Cultivation

> "Cultivation is the extent to which an e-retailer provides relevant information and incentives to its customers in order to extend the breadth and depth of their purchases over time." (Srini, Rolph and Kishore. 2002, 43)

By study the existing customer's shopping records and other information, the business should sent proactively offer to their customers to invite them to come back again. Also the invitation should be as customize as possible. It is inexpensive for the business to send this kind of information. Other benefit of cultivation is the business can even help customer to find out the hidden desire of some products. Some relative products recommendation according customer's shopping record can greatly improve the interests of the customer and help them to find new way to satisfy their needs. (Srini, Rolph and Kishore. 2002, 43)

Care

Care refers to the business process that covers from pre to post purchase to facilitate both immediate transactions and long term relationship. Customer care is deployed to ensure that the service is always available. In the word of mouth negative impression or experience spread so fast that the market controlled media cannot compare with it. And it is hard to control. So the only way is to give the customer a good experience or impression (entire cycle). (Srini, Rolph and Kishore. 2002, 43)

Community

Community is an online social entity that enables the customer or potential customer to share and exchange the opinion, experience and other information about the purchasing. For example the customer can go to the online community to check the review of the product which the customer interested or after the purchasing the customer can share the opinion of the product. The community influences the customer loyalty in some special ways. Online community has strong influence on the word of mouth. Many customers regularly consult other customer for information regarding the product or service. This action can continue the satisfaction of the old customer finally turn into loyalty. (Srini, Rolph and Kishore. 2002, 44)

Choice

One of the best advantages of online business is they can offer great more range of products than the traditional business. The limitation of the physical room is not exists anymore for the online business. The business model does not require the huge storage any more. On the other hand customer does not like to deal with multiple vendors. Purchase across a great deal of vendors can increase the time and efforts spend. Together the vendor can provide most of the customer needs will be the top of mind destination for shopping furthermore engendering e-loyalty. (Srini, Rolph and Kishore. 2002, 44)

Convenience

The meaning of convenience here is not in a same way of the choice. Convenience is referring to the usability of the online shopping system. It includes the customer feeling of simplicity of the website and transaction process, accessibility of information etc. The quality of the website may be the only interface with the market. According to Schaffer (2000) point out that one third of the customer who left without any purchasing because of they did not found their way. Schaffer (2000) further more point out that a simple using website should come with a short response time, fast completion of a transaction and least customer effort. Because the initiate reason for a customer makes the purchase online is the seeking of the fast and efficient transaction. Fail to fulfill this need always leading a non-comeback customer. (Srini, Rolph and Kishore. 2002, 43)

Character
 Character of an e-commerce is quite important to the business. Because it can be very boring and unattractive if the website is just a plain website. A creative can help the business give customer an impression of positive reputation and characterization for itself. Also a characterized website can enhance the site recognition and recall. (Srini, Rolph and Kishore. 2002, 45)

As we can see in this model there are some factors also influence customer online satisfaction. So is that the E-satisfaction is part of the E-loyalty? But when you do more comparison of them you will find out that E-satisfactions and E-loyalty are not the same, they influence each other but no one belong to each other.

2.2.5   E-service quality (E-SQ)

Schneider (2002) point out the fact that more and more sophisticated E-customers would rather pay a higher price to the business who provide the better service quality of E-service. Wang (2003) shows the research about the effect of E-service on different areas, such as customer satisfaction, loyalty, retention, and purchase decisions even on the financial performance. In order to build the customer trust, loyalty and retention, the first thing should do is to improve the E-service quality in the whole cycle of the transaction.

E-service quality (E-SQ) model of Zeithaml (2002)

Zeithaml (2002) and other researcher created a model for Conceptualizing and measuring E-service quality. They divided the E-service quality into two scales and furthermore seven dimensions. These two scales are core E-SQ scale and a recovery scale. For the core E-SQ scale there are four dimensions: efficiency, reliability, fulfillment, and privacy. And for the recovery scale there are three dimensions: Responsiveness, compensation and Contact points. We will briefly discuss these dimensions below. In the core E-SQ scale there are four dimensions.

Efficiency in this context means: how convenient to find the website, how easy to find what customer need and the information about it within the website. It should not take more than necessary efforts to get this information.

Reliability refers to the durable technical function of the site. These functions should always functioning properly and available.

Fulfillment means the ability of deliver exactly what you have promised to the customer, such as availability of the products, delivery time etc.

Privacy make sure the shopping data is well secured no body without authority could check these information, and the payment information are safely handled, no credit card information can be use or leak to a third party.

In the recovery scale there are three dimensions.

Responsiveness means the business already has information available about schemas or procedure for dealing the customer purchasing problems. For example return policy and guarantees.

Compensation refers to how to handle the finical issue when a return situation occurs. And the logistic part of returning.

Contact point means the availability of customer support cannel. May the customer contact a live customer service agent through online channel, phone or other channels? (Zeithaml, 2002)

Zeithaml's E-SQ theory did not based on this well-known SERVQAL service quality model. SERVQAL is developed for measuring the regular tradition service quality. But in the context of E-commerce the factors should be changed. Zeithaml further developed the model into two scales; it not only covers the core E-service quality but also discover the recovery scale factors that can greatly contribute the E-service quality.

2.2.6   Switch Barrier

One character of online customer is they relatively less loyal than the regular customer. Especially the other choice is just one click away. Switch barrier is a helpful factor contributes to the customer retention. Businesses like cell phone operators usually set up switch barriers for the customer by offering the low cost cell phones or air time com-

pensation. This is one way to keep the customer and its influence should be further discussed.

Researchers discovered two types of switch barriers; each of them gives customer some kind of benefit. Switch barrier or we called switch cost is one of the efficient way to retain customers. "The perceived economic and psychic costs associated with changing from one alternative to another. (Jones 2002, 441)" the above is one of the definitions of the concept of switch cost. Switch cost including include time, effort and other finical costs. Online switch costs has some different aspects. Balabanis, Reynolds and Simintiras (2005, 215) point out the switch barriers can also include in the loyalty program benefits. Normally there are two types of benefits to raise the switching barriers: hard and soft benefits. Hard benefit give the customer direct finical benefits, it helps to build customer database, customer attention and credibility. And the soft benefit enhances the customer's emotional feelings towards the products or services. It leads to the durable customer loyalty and an emotional attachment with the business. (Balabanis, Reynolds and Simintiras 2005, 215)

Although Chatura and Jaideep (2003) discovered the contribution of switch barriers to customer retention could be significant, switch barriers even could keep the customers who are less than satisfied. But they also point out customer could become resentful of switching barriers. The right way of setting up switching barriers should create the switch barriers could also add value for the customers.

3 Conceptual Framework

In the last section of this thesis the relative theories have been reviewed. I will create an emerged conceptual framework form the reviewed theories in this chapter. This framework will be my guidance of this thesis.

3.1 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, I will signal out these factors that contribute to same construct of customer retention by emerging them together.

Table 3.1 Conceptual factors influencing customer retention.

Influence factors	Authors
Reliability	Zeithaml (2002)
Responsiveness	Zeithaml (2002)
Contact Points	Zeithaml (2002)
Convenience	Zeithaml (2002) & Akshay (2007) Srini, Rolph and Kishore (2002, 42-45)
Merchandising	Zeithaml (2002) & Akshay (2007) Srini, Rolph and Kishore (2002, 42-45)
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)

3.2 The conceptual framework

In this framework there are three levels: factors level, constructs level and goal level. Factors level describes the concrete factors that influence the constructs of customer retention. Construct level describes the major theoretical constructs of customer retention; in this level all the merits are theoretical intangible items. Not all the constructs have a direct impact on customer retention. Only the E-loyalty and switching barriers have direct influence on customer retention.

Influence Factors Of Customer Retention Conceptual Framwork

Factors	Constructs	Goal

Reliability

Responsiveness

Contact Points

Convenience

Merchandising

Site Design

Security

Serviceability

Customization

Contact Interactivity

Cultivation

Care

Community

E-satisfaction

E-service quality

E-loyalty
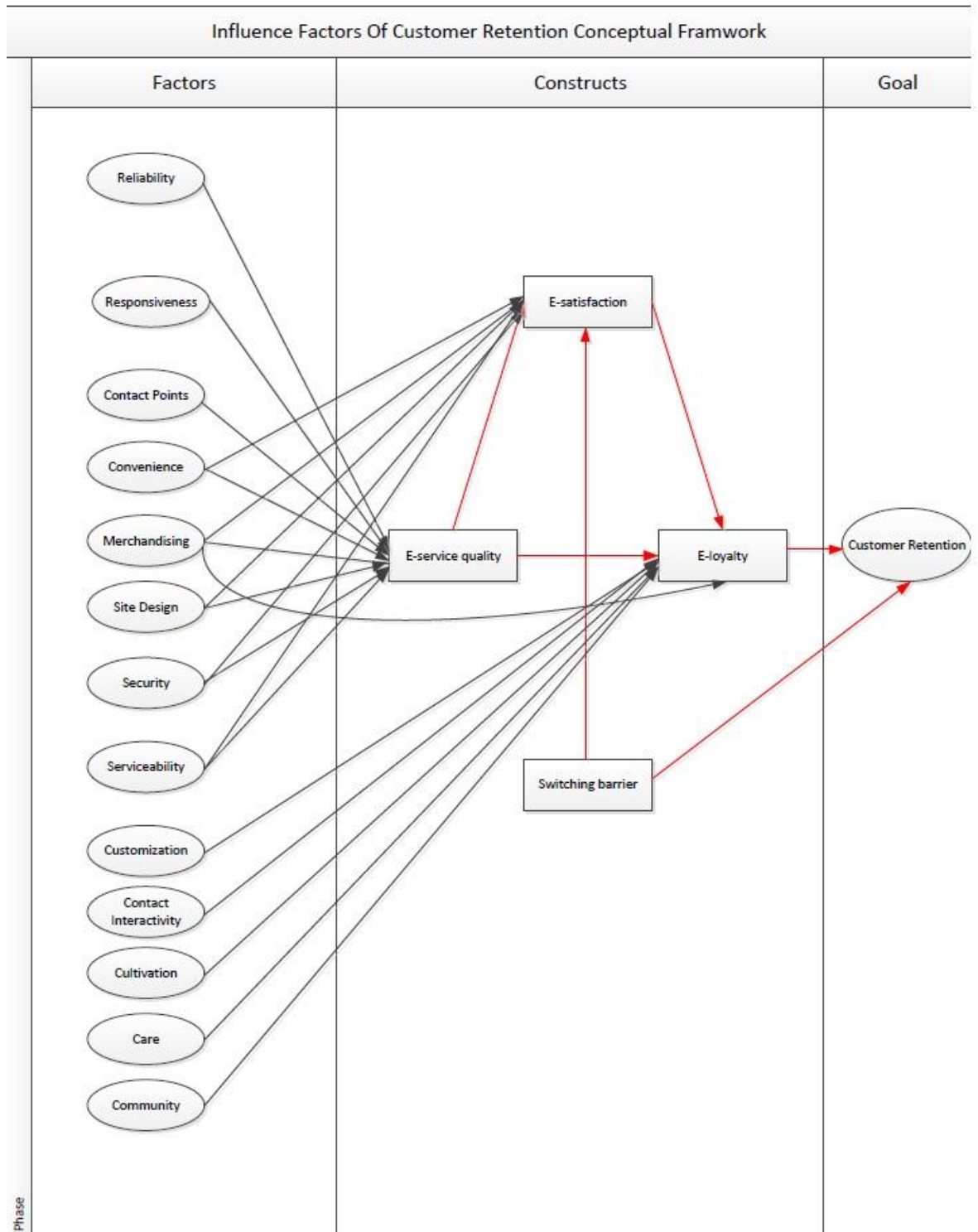
Customer Retention

Switching barrier

Phase

Figure 3.1 Factors influencing customer retention.

4 Methodology

I will present my applied research methodology framework in this chapter. It includes the research purpose, research approach, and research strategy. Then the sample selection and the data collection methods are introduced. The validity and reliability of this thesis is going to list in the end of this thesis.

4.1 Research purpose

The research of this thesis is a descriptive research, because this thesis trying to find out how one business actually operate. A description of how one E-commerce business should do to retain their customers is performed. For discover how the business should do to retain customer, several existing theories are reviewed to form a theatrical framework.

4.2 Research approach

The quantitative research approach is selected as the research approach of this thesis. Because the quantitative research more focuses on the static outline, analysis of the different variable and the relation between them. In this thesis we try to find some factors that contribute to one goal. It is more convincing to use the number than words. 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. Analyzing these previous researches provide a better and deeper theoretical understanding of this problem domain.

4.3 Research strategy

Yin (1994) defined five primary research strategies in social science: experiments, surveys, archival analysis, histories and studies. Each of them has advantage and disadvantages according to what kind of research they are used to.

In this research we are trying to find out the relationship with some variable and to test some hypothesizes (the conceptual framework). Survey is used to evaluate some conclusions, so in this thesis the strategy of survey is selected.

4.4 Data collection method

For survey, there are different sources available. The most commonly used sources for collecting data are questionnaire, interviews and direct observations. In this thesis the method of questionnaire is selected as the main method of collecting data. Because questionnaire in the most suitable method of this thesis. We are trying to find out the opinion towards the contribution of these factors to customer retention. The questionnaire has the ability to clearly show these opinions in a numeric way. Also it is easier for compare the result.

In the questionnaire I designed seventeen questions. The first two questions is the basic information of the people gender and age range. Then each of the rest questions presents a factor that leads to customer retention. I did not design the question directly about the constructs like E-satisfaction, E-service quality etc. Because considering the knowledge background of the responders is vast and not anybody has the knowledge of marketing. But these data also could provide the opinion of customer towards these constructs of customer retention. For each question I set five opinion scale from 1(strong disagree) to 5 (complete agree). This can make the responder more easily to understand and have enough measurable choices to express their attitude.

4.5 Sample selection

In this thesis the author used a paid mail list to send the questionnaire. The paid mail list has the advantage that they can guarantee the amount and quality of the answers. Also we have the possibility to choose the people who have online shopping experience. It provides the accurate experience based answers. In this questionnaire author sent about 60000 questionnaires through Email. Received 523 responds.

4.6 Validity and reliability

Validity refers to how accurate the questions measure corresponding components. We design the questions in a way that can make sure people could understand without difference. And get some people to read and explain to the author to make sure there are no misunderstand in the language and the translation.

The questions in the questionnaire did not contain any preference or attitude words that could lead the responder to certain answer. And in the answers are also designed in a way of free of attitude. These patterns make sure responder will answer these questions without any influences.

The sample group is general and chooses randomly. But we have a pre-condition of these people who will receive the questionnaire; people should have previous experience of online shopping. This makes sure the answer is based on the real experience and thought.

5 Empirical Findings and Data Analysis

In this chapter we will show the real data gathered from a survey questionnaire. We will show, discuss and analysis each questions 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 suggestion. The questionnaires and its Chinese version are in the appendix 1.

5.1 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 we also could see customer behavior patterns.

Choice	Number	Ratio
Male	245	46.8%
Female	278	53.2%

Table 5.1.1 Gender ratios of the respondents

We can see there are total 523 responders, 46.8 %(245) are Male and 53.2 %(278) are Female. Female is more than male, probably because we selected the sample group with online shopping experience, and female is more tends do the online shopping.

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 5.1.2 Age range distribution of the respondents

In the Age range we can see no respondent with age of fewer than 15. Because of the nondependent finical status and limitation of register as an online customer at this age range make no response from this group. As we can see from the table 5.2 the major group is the people from age of 21 -40. They count 494 in number and 94.4 % in ratio. So people in the age range of 21-40 is the major research target and also they are the major group of online shopping.

5.2   Questions about the influence factors

In this sector there are 14 questions about influence factors of customer retention.

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.

Choice	Number	Ratio
Totally disagree	1	0.2%
Disagree	6	1.1%
Do not know	37	7.1%
Agree	205	39.2%
Completely Agree	274	52.4%

Table 5.2.1 Customer attitude towards Reliability

In this question result a number of 479 and ratio of 91.6 % customer at least agree Reliability should be well maintained. Furthermore 274 out of 523 (52.4 %) respondents completely agree with this. Only 7(1.3 %) respondents do not agree this item is important.

So the factor of Reliability is important for customer retention in the E-commerce business. The business should have a reliable and functional well platform for supporting the customer purchases.

Responsiveness

The question is "Clear state of the return policy, quality guarantee and how to get refund etc."

Choice	Number	Ratio
Totally disagree	2	0.4%
Disagree	3	0.6%
Do not know	36	6.9%
Agree	128	24.5%
Completely Agree	354	67.7%

Table 5.2.2 Customer attitude towards Responsiveness

In the result of the customer attitude towards the factor of Responsiveness 482 (92.2 %) out of 523 respondents at least agree that the responsiveness is one of the important factors leads to customer retention in their own experience. In this group there are 354 (67.7 % of all) out of 482 completely agree with this. Only 5 (1%) believe Responsiveness is not important.

This result shows that the customers do believe a good and predefined schema or procedure for exceptions during or after the purchase. Clearly stated return policy or qualities guarantee will give the customer confidence of the business behind the website. Then they tend to stay.

Contact points

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

Choice	Number	Ratio
Totally disagree	1	0.2%
Disagree	7	1.3%
Do not know	32	6.1%
Agree	165	31.5%
Completely Agree	318	60.8%

Table 5.2.3 Customer attitude towards Contact points

Surprisingly, the question result shows customers like to have different channels to require service or support. The table 5.2.3 shows that 483 (92.3 %) out of 523 respondents at least agree that different contact channels existing will increase the possibility to stay with this business. 60.8 % customer completely agree with this point.

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.

Choice	Number	Ratio
Totally disagree	0	0%
Disagree	2	0.4%
Do not know	46	8.8%
Agree	186	35.6%
Completely Agree	289	55.3%

Table 5.2.4 Customer attitude towards Convenience

475 (90.9 %) out of 523 customer believe easy to find the products which meet their perceptions is a critical motivation of stay with this business. Actually there is no one totally disagree with this point.

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.

Choice	Number	Ratio
Totally disagree	3	0.6%
Disagree	7	1.3%
Do not know	68	13%
Agree	204	39%
Completely Agree	241	46.1%

Table 5.2.5 Customer attitude towards Merchandising

In this result 445 (85.1 %) respondents at least agree the vast product category is one factor to keep them coming back to this business. 68 (13%) respondents give the answer do not know.

Actually most of the online business is not all categories store. They keep their focus on one certain type of product or service. For example some site only focus on cellphone and cellphone accessory also some of them focus on books etc. In this situation Merchandising means the site should provide great number of different brand or different type, function products of their specialized product type.

Site design

Question: Website design. Such as easy navigating, special character and easy to remember etc.

Choice	Number	Ratio
Totally disagree	1	0.2%
Disagree	7	1.3%
Do not know	64	12.2%
Agree	210	40.2%
Completely Agree	241	46.1%

Table 5.2.6 Customer attitude towards Site design

In this result about Site Design influence customer retention 451 (86.3%) out of 523 respondents at least agree with that good site design should be one of the reasons keep them coming back again. 64 (12.2 %) selected the Don't know choice.

A good designed website should contribute the customer coming again. 86.3 % customer thinks 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.

Choice	Number	Ratio
Totally disagree	2	0.4%
Disagree	2	0.4%
Do not know	42	8%
Agree	106	20.3%
Completely Agree	371	70.9%

Table 5.2.7 Customer attitude towards Security

In this question's result 477 (91.2 %) out of 523 customer agree that online infor-mation security is one of the most important issue that affect if they will purchase again in the online shop. 70.9 % customers completely agree with this point. and sur-prisingly still 2 person totally disagree with this point but considering the deviation of online survey it make sense.

This is the most critical influence factor since 70.9 % customers strongly agree with this point. All in all nobody want their information been misused and they want their finical security are garneted.

Serviceability

Question: Delivery time, complain handling, customer support, packaging

Choice	Number	Ratio
Totally disagree	2	0.4%
Disagree	5	1%
Do not know	46	8.8%
Agree	173	33.1%
Completely Agree	297	56.8%

Table 5.2.8 Customer attitude towards Serviceability

About 89.9 % (470/523) customers agree with that delivery time, complain handling, customer support, packaging etc. Could make them come back again. These little services merits also could great improve online service quality furthermore customer retention. These services also show the customer the business take service and customer value seriously. They also protect customer's interests.

Online business should also provide good and thoughtful extra service such as choosing better deliver service 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 then they will become repeat customer.

Customization

Question: Website provides recommendation according to your shopping preference.

Choice	Number	Ratio
Totally disagree	4	0.8%
Disagree	11	2.1%
Do not know	90	17.2%
Agree	216	41.3%
Completely Agree	202	38.6%

Table 5.2.9 Customer attitude towards Customization

79.9 % customers agree customization will bring positive affects to the customer retention. The ratio of this group is high but compare to other factors it is relative lower. 17.2 % customer choose the choice of Do not know.

When the site provides the recommendation or other customize service; they need to monitor and record customer's behavior first. Sometimes people do not want to be watched and they do not want to be record 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.

Choice	Number	Ratio
Totally disagree	1	0.2%
Disagree	4	0.8%
Do not know	52	9.9%
Agree	205	39.2%
Completely Agree	261	49.9%

Table 5.2.10   Customer attitude towards Contact interactivity

89.1% (466/523) respondents agree that providing the detailed high quality professional product introduction and other buyers reviews also can bring them back to the business again. And only 1 % of the respondents disagree with this.

The site provides professional and detailed product information mean the site has professional knowledge of the selected product. Customer could trust this site because the business is able to choose the good quality products for you. The other buyer's review 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 has good chance to buy product or service that met their needs.

Cultivation

Question: Send invitation, newsletter, and new offer to you.

Choice	Number	Ratio
Totally disagree	7	1.3%
Disagree	30	5.7%
Do not know	125	23.9%
Agree	198	37.9%
Completely Agree	163	31.2%

Table 5.2.11 Customer attitude towards Cultivation

In this question about 68.1 % (361/523) respondents think to receive newsletter new offer or invitation has positive influence on keeping them coming back. But I also notice that 23.9 %(125/523) respondents choose the do not know choice and 37(7%) respondents said they disagree with this.

This result indicate that almost 1/3 of the customer population do not want to be disturbed. They do not want to receive these invitations; sometimes these points can be a negative influence factor for customer retention. So the business should ask the customer beforehand if the customer wants or ready to receive further contact from them. And also they should also give the customer the ability on what kind of further contact they want to receive and they also should have the right to cancel it.

Care

Question: Service and support available all the time from pre to post purchasing.

Choice	Number	Ratio
Totally disagree	2	0.4%
Disagree	4	0.8%
Do not know	61	11.7%
Agree	225	43%
Completely Agree	231	44.2%

Table 5.2.12 Customer attitude towards Care

87.2 % (456/523) customer wants to have these whole process services available. 11.7 % (61/523) customer chooses do not know choice and only 1.2% (6/523) respondents disagree with this.

The care could give the customer a good image that this site is a professional online shopping business and they are thoughtful, they committed to give the customer good shopping experience. And the other prospective is these businesses provide the all-time service give the customers the image that the business is a well-organized and trust worthy business. Because the business needs to have enough resources to per-form this kind of service, it means they are doing well furthermore it means the business has the ability to provide the satisfaction for customer needs.

Community

Question: Online community or club share information about the products or service.

Choice	Number	Ratio
Totally disagree	3	0.6%
Disagree	6	1.1%
Do not know	107	20.5%
Agree	233	44.6%
Completely Agree	174	33.3%

Table 5.2.13 Customer attitude towards Community

This result shows that 77.9% (407/523) respondents believe to have a customer community or club is good for customer retention. And 107 (20.5%) have no opinion on this issue. 1.7 % disagree with this point.

Community is a good place for customer to share the products information how is the service and the experience of the purchase. Business also should research the community. There are the true opinion about the service and product. And this is the place that improves the business's image in the word of mouth.

Switching barriers

Question: Providing benefit for members such as discount or extra service etc.

Choice	Number	Ratio
Totally disagree	3	0.6%
Disagree	10	1.9%
Do not know	60	11.5%
Agree	213	40.7%
Completely Agree	237	45.3%

Table 5.2.14 Customer attitude towards Switching Barriers

450 (86%) of the respondents agree that if the business provide some membership benefit for customer, it is good for keep the customer stay with the business. and 60(11.5%) did not leave the opinion. 2.5 %(13) respondents disagree with this.

Providing some benefits for customer could help the business retain them as a repeat customer. These benefits do not ways have to be financial rewards but also could be some extra services. Sometimes if all the other factors are the same business should give customer little more reason to choose them.

Extra question

In this part author asked if there are any other factors could affect customer retention. Try to find some other factors that can influence the customer retention. There are some people mentioned the price would be a great advantage to retain customer. Below are some samples.

"The website should provide good price."

"Competitive price is very important."

"Price!"

6 Discussion, Conclusions and Recommendations

In this chapter, first the author will discuss the result about the research question then the conclusion will be presented. After all, the author will introduce the limitation of this research and give suggestion for the future research.

6.1 Discussions and Conclusions

Author design the concept framework into three levels: factors, constructs and goal. The item of constructs means the theoretical items that could affect the goal (Customer retention). Between these constructs they also affect each other in some ways. There are four of them: E-satisfaction, E-service quality, E-loyalty and switching barriers. The factors are the concrete items in the real operations could affect the constructs. There

are 13 factors. Some of them are affect more than one constructs due to the relation between each constructs.

In the survey we asked the customers what they think these factors could affect their willing to come back to this 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 is the factor of contact points, it has a 92.3% agree rate. All together 8 factors for E-satisfaction and E-service quality 5 of them got more than 90% and also most of the factors are support both of them in the concept framework. So E-satisfaction and the E-service quality are quite important for the online customer retention. Especially the item of E-Eservice quality the 5 factors which have more than 90% agree rate contribute to it. Also between these two constructs E-service quality has a very strong influence on the E-satisfaction. The ability to fulfill the customer's needs could bring the customer's satisfaction.

Most of the factors only contribute to E-loyalty 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 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. Also some factors for example Cultivation (68.1% agree rate) engaged customer contact, some of the customer do not want to be disturbed. So when business wants to use this, they should ask the customer if they want to contact in the future and leave the channel to stop the contact anytime. If business failed to do so the factor also could become a harmful factor for customer retention.

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 in E-commerce environment.

The factors have positive impact on customer retention.

- Reliability
- Responsiveness
- Contact Points
- Convenience
- Merchandising
- Site Design
- Security
- Serviceability
- Contact Interactivity
- Customization
- Care
- Community

And the factors have positive impact on customer retention but should use and design it carefully.

- Cultivation

Business should ask customer if they want to get the further contact, also give customers right to stop the contact.

- Switching barrier

Give customer clear description about the rules of rewards.

6.2   Limitation of this research

There are also limitations in my research. First, the sample group is not wildly enough; I used a Chinese Email list, so the opinion of customer is not in an international scope. Second, the questionnaire question could be designed more skillful.

6.3   Future research

During the research process of this thesis some more interesting research areas are come out.

- The relationship between E-satisfaction, E-service quality, E-loyalty and Switch barriers. How exactly they affect each other. I have some little discussion in this thesis but it still need further investigate and prove.
- How to use member community to improve customer relationship.
- Switching barrier design strategy.

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Appendices

Appendices 1 The questionnaire (English)

In order to keep your coming back and purchasing again from An E-commerce website, how you think the following factors matters. Please give a rate.

1. The website should be always online and all the function in this website should always work properly.

       Totally disagree   1   2   3   4   5   Completely Agree

2. Clear state of the return policy, quality guarantee and how to get refund etc.

       Totally disagree   1   2   3   4   5   Completely Agree

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

       Totally disagree   1   2   3   4   5   Completely Agree

4. Easy to find what you want (not only products also service or customer support) in the website. Fast website response time. Excellent product searching function.

       Totally disagree   1   2   3   4   5   Completely Agree

5. Great number of products. One-stop purchasing no need to go to other site to find what you need.

       Totally disagree   1   2   3   4   5   Completely Agree

6. Website design。Including easy navigating, special character etc.

       Totally disagree   1   2   3   4   5   Completely Agree

7. Online information security, such as credit card information, personal information and purchase record etc.

     Totally disagree   1   2   3   4   5   Completely Agree

8. Delivery time, complain handling, customer support, packaging

     Totally disagree   1   2   3   4   5   Completely Agree

9. Website provides recommendation according to your shopping preference.

     Totally disagree   1   2   3   4   5   Completely Agree

10. Provide detailed high quality product information including good quality of product presentation, detailed introduction or reviews from the other buyers etc.

     Totally disagree   1   2   3   4   5   Completely Agree

11. Send invitation, newsletter, and new offer to you.

     Totally disagree   1   2   3   4   5   Completely Agree

12. Service and support available all the time from pre to post purchasing.

     Totally disagree   1   2   3   4   5   Completely Agree

13. Online community or club share information about the products or service.

     Totally disagree   1   2   3   4   5   Completely Agree

14. Switching barriers

     Totally disagree   1   2   3   4   5   Completely Agree

15. Something else you think could keep you coming back.