How Effective are Firms' E-Marketing Tools?

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Abstract: - Competition in cyberspace is becoming more intense. With vast information available on the Internet consumers may easily switch at low cost, thus gaining higher bargaining power in the electronic marketplace. In turn, companies have sought to use information technology, such as the Internet to improve service quality. In this instance, the Internet serves as electronic marketing (e-marketing) tools to a company. This study attempts to investigate the extent to which the use of e-marketing tools helps to influence customers' intention to return leading to increased retention rates. As such, questionnaire surveys were used to gather consumers' perceptions toward the Internet as a shopping medium. The results show that personalization, online community, integrated channels and online rewards influence consumer retention on the Internet. We discuss the results and suggest some directions for future research.

Key-Words: - Customer retention, Internet, e-marketing, personalization, online community, channel integration.

1 Introduction

The globalizations of trades as well as advancement in communication technology are the uprising pressures which lead to a rise in competition. These factors force companies to rethink of new and alternative ways to market their products. The Internet, an electronic tool which seems to serve as powerful shopping tools for buyers as well becomes a potential marketing platform for companies to reach out to their customers. Today, as the numbers of world wide Internet users escalate the growth of companies utilizing the Internet as a marketing medium (e-marketing) increases rapidly leading to fierce online competition.

At this junction, online firms are in a critical position to fully comprehend what e-marketing features are more likely to induce repeat visits and retain customers. The use of Web sites by customers for purchase and information gathering suggests that these Web sites and other technologies embedded within will be essential e-marketing tools for online companies in the future. Since for these companies the first contact point between a company and a potential buyer is via the web sites, it is crucial for companies to create the "first impressions" effectively – adopt effective e-marketing features leading to increased intention to return to a firm's Web site- retention. Thus, this study aims to examine firms' e-marketing features and the extent to which these features play effective roles in online retention.

1.1 E-marketing and customer retention

Although the Internet is viewed as another marketing channel for companies, online consumers behave differently from those using traditional channels [1]. For instance, online consumers are demanding different relationships from the service providers [2]. According to Ab Hamid and McGrath [3] online consumers are more value-oriented than traditional consumers, that is, online customers may be more concerned with the quality received, in return for the price paid [4]. In addition, online consumers tend to demand for high quality experiences and evaluate the high quality services as most valuable attributes [5].

Therefore companies need to rethink their marketing strategies to fulfill the different needs of online customers. In view of stiff online competition, companies strive to increase their abilities to retain customers.

The motivation is driven by consumer economics in which keeping consumers may lead to securing sales [6] and serving repeat consumers costs less than acquiring new ones [7]. Hence, consumer retention has been a primary goal of almost all companies, including Web-based companies [8]. Identifying specific elements implicating different effects on repeated patronage behaviours as well as providing services that match consumers' expectations are important to managers, especially in determining firms' e-marketing strategies. Hence, an understanding of critical performance criteria in the assessment of retention is crucial.

2   Theoretical framework

This study is premised on the belief that an effective implementation of e-marketing tools would influence customers' intention to return. Adapted from previous research on retention program model, this study proposes five e-marketing tools leading to online retention as shown in Figure 1 below.
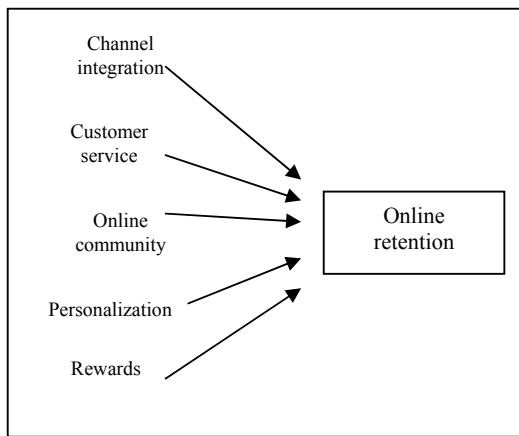
2.1   Channel integration

One of the drivers of customer retention is the integration between companies' offline and online channels. For click-and-mortar companies, integration of the virtual and physical operations is crucial to ensure continuous consumer relationships in both channels. This is because consumers want to be able to deal with companies as single entities [9]. They also expect to get the same consumer service level via all channels [10]. Through the Web channel, consumers can save valuable time and energy by checking whether their orders are ready for pick-up at

the physical store. This will increase the value delivered to the consumers, thus increases the likelihood that they will continue to buy from the company in the future [11].   Thus we propose our first hypothesis,
H1: A firm's effective e-marketing program is influenced by the levels of integration between the offline and online channels.

2.2   Customer service quality

To induce customers' retention, companies need to pay as much attention, if not more, to post purchase (consumption) service.   The fact is that competitors are just a click away. It is a necessity that an online company maximizes its efforts in communicating the firm's image and purpose to its consumers [12]. Consumers constantly demand for careful, continuous, useful communication with company representatives. Since these attributes are frequently identified as salient dimensions in store selection behaviour [13], company representatives should have the knowledge and basic technology skills to answer online questions as well able to handle problems that arise and address consumer complaints in a friendly manner. Our second hypothesis proposes,
H2: A firm's effective e-marketing program is influenced by the quality of customer service.

2.3   Online community

Another factor that can help companies retain their consumers is by building an online community of consumers. An online community is an e-group, which is an online discussion forum for registered members of a site, where members receive the messages or emails posted and replied by other members in the group [14]. In this way, consumers are able to create relationships with the company and other consumers [15]. Therefore, the third hypothesis is proposed:
H3: A firm's effective e-marketing program is influenced by the availability of online community.

2.4   Personalization level

Personalization, which has rapidly gained broad attention by businesses, aims at providing products/services that serve an individual's personal needs and wants at the

right time [16][17]. In fact, consumers' involvement in designing products/services offered by Web sites is imperative since consumers have the very best understanding of their needs and relay the information to the providers [18]. Consumers are empowered in ways that they can choose their own preferred design, colour, product updates and other attributes that go well with their tastes. Indeed, personalization attracts consumers to come back repeatedly since it turns consumers into product 'makers' rather than simply product 'takers' [19]. We propose the fourth hypothesis,

H4: A firm's effective e-marketing program is influenced by the levels of personalization offered.

2.5 Rewards

Reward is another attribute deemed important to attracting consumers to repatronize [20]. Reward programs allow consumers to collect points for every purchase from or visit to a site, in exchange for free gifts, coupons or cash rebates. The program also provides greater membership privileges for returning consumers. Hence we propose that,

H5: A firm's effective e-marketing program is influenced by rewards.

3 Research method

The main source of the individual Internet users' list came from various education, government and corporate institutions. Due to the nature of work that people do in these institutions, which requires the use of the Internet, most users can be found in these institutions in Malaysia. Letters seeking permission to access the institution's list of users' database were sent out to 15 universities and colleges, 10 government and 50 corporate institutions.

A personally administered survey was employed in this study so as to obtain a higher response rate (since the questionnaires were collected immediately once they were completed) [21]. The questionnaire consisted of three sections. Section A consisted of demographic information such as respondent's age group and income level. Section B consisted of general information about respondent's Internet activities: types of activities

conducted and years of experience while Section C was designed to assess consumer opinions about Internet usage. Using a 5-point Likert scale (1 = 'Strongly disagree' to 5 = 'Strongly agree') respondents were asked to respond to the survey questions.

4 Analysis and results

4.1 Respondent profile

A total of 626 (62.6%) responses were collected, however due to invalid and missing responses only 547 (54.7%) were usable for analysis. Respondents were almost evenly split by gender. 52% of the respondents were 21 to 30 years of age followed by the age groups of 31 to 40 and below 20 years at 29% and 10%, respectively. Almost half of the respondents (49%) had spent at least 15 years in education. As to the Internet usage profile, majority of the respondents spent less than 30 hours per week (57%) while 27% of the respondents spent more than 40 hours per week on the Internet. More than half of the respondents were experienced users who have been using the Internet for more than 5 years (55%).

4.2 Reliability

As shown in Table 1, the scale items are reliable measures of studied variables given the high values of Cronbach alpha (>0.70).

Table 1 : Measurement Scale

Constructs/ Scale items	Cronbach alpha
Customer Service (CUS)	
C1 Customer service always responds within 48 hours	0.82
C2 Customer service can be contacted through variuos channels	
C3 Customer service appears to have wide knowledge of products/services	
C4 Customer service is always professional in answering enquiries	
Personalization (PES)	
Z1 I receive online advertisements that match my interests	0.76
Z2 The Web site allows users to create "My Account" that will keep all past transactions details	
Z3 Products/services can be custom-made based on my specification	
Reward (REW)	
R1 I will receive rewards for returning to the site..	0.95
R2 The Web site offers attractive points redemption.	
R3 The Web site offers attractive	

coupons.

Integration (INT)   0.89
T1 I can pick-up the products I ordered
via the Web at a nearest physical store
T2 I can check orders placed on the
Internet through the physical and vice-
versa
T3 I can exchange or return products
bought from the Web in a physical store

Online community (COM)   0.90
Y1 I can share/exchange information
with my buddies in an online forum
Y2 I can trade goods with my "friends"
found on the same channel/site.
Y3 I can obtain useful information about
a company from the online
    Members

Online Retention (RET)   0.85
OR1 I feel committed to this site, hence
I will stay.
OR2 I feel a sense of belonging to this
site
OR3 I will recommend this site to
friends and family

4.3 Path analysis

To test the hypotheses, regression analyses were conducted. A dependent variable for this study is *online retention* (RET) while *customer service quality* (CUS), *channel integration* (INT), *rewards* (REW), *online community* (COM) and *personalization level* (PES) are the independent variables. The details of the results are shown in Table 2.

Table 2: Path analysis results

Path	Beta value	t-value	r^2
CUS → RET	0.08*	3.03	0.78
PES → RET	0.34	11.65	
REW → RET	0.30	10.04	
INT → RET	0.28	8.62	
COM → RET	0.47	12.04	

* not significant at p<0.05

The results indicate that four out of five e-marketing tools proposed by this study have significant positive impact on online retention. These tools are *online community* (β= 0.47, t=12.04), *personalization level* (β= 0.34, t=11.65), *rewards* (β= 0.30, t=10.04) and *channel integration* (β= 0.28, t=8.62). However, the low coefficient value (β= 0.08, t=3.03) for *customer service quality* show that online customer support is not a factor affording customer retention on the Internet. Hence, H1, H3, H4 and H5 can be safely accepted while H2 is rejected. In addition, the r-square value (0.78) indicates that the four-factor model explains 78% of customers' retention on the Internet. We discuss these results next.

5 Discussion and conclusion

Winer [22] introduced the notion that consumer retention programs should mainly consist of personalization of services, rewards and loyalty program, online community and efficient customer service. However, more recent research has increasingly suggested the importance of offline-online channel integration, leading to increased intention to return. [23]. Therefore, this study extended on previous propositions to include channel integration as one of the determinants of retention. The finding provides good support for a four-dimension model of consumer retention on the Internet and postulates that customer service quality explains consumer satisfaction [24] better than it does for retention. A possible explanation for this is that customer service support is deemed to be one primary criterion in the satisfaction process and without good customer support dissatisfied consumers may easily switch to competitors.

Although other studies have empirically tested several dimensions of retention, no previous research has proposed a four-dimension model: personalization level, online community, reward and channel integration, hence this study provides a required empirical evidence of a four-dimension model of retention.

The Internet is a "new" medium of commerce which attracts different types of consumers than that of traditional shopping channel. Undoubtedly, online consumers seek better characteristics than those that merely satisfy them in order to entice them to return. One of the differentiating factors is building an *online community of users*. Having an online community brings a long-term benefit to firms, that is consumers who are "attached" to their online members may find it difficult to switch to other sites [25], hence leading to retention.

Additionally, information shared on firms' sites may be analyzed enabling firms to learn about consumers' perceptions towards firms' performance. Then, firms

should invest their resources in enabling *personalization of products/services.* Given the self-service nature of Internet technology, consumers may feel empowered and in control when they are provided with a choice to design a product/service as they want it to be. Indeed, through personalization, firms may use the information captured with regards to individual preferences and history to target marketing campaigns and product offerings.

Offering point redemption, cash rebate or gifts in return of a purchase or visits increases the likelihood of repeat purchase/visits (Winer 2001). However, this *reward/loyalty program* should be well managed as to target consumers who are less likely to default for the many rewards offered to them.

Lastly, there is a strong and growing need for *synchronized online-offline channels*. For example orders that are placed online are available for pick up at a nearest physical store. Likewise, information about products and promotions in a physical store can also be found online. An explanation for this occurrence may lie in an increase in the number of brick-and-click companies in the market today. Providing these features on firms' site may improve their relationships with consumers and gain a competitive edge.

This study is subject to several limitations. Firstly, the respondents from this research were mainly working adults in urban localities, well educated and have at least three years of experience using the Internet. Further research is needed to generalize the results across different groups of Internet users. The results of this study may be applied to other countries with similar culture and business environment. Therefore, before conclusions and implications can be made to other countries with different culture and business environment (such as the Western region), further research should be conducted.

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