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# Customer Retention Strategies on Corporate Web Sites: An Empirical Study

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## INTRODUCTION

With too many competing offers on the World Wide Web, it is increasingly difficult for companies to draw people to their Web sites and, more importantly, to make them stay and return. Electronic Customer Relationship Management (e-CRM) strategies seek to turn first-time visitors into repeat visitors and eventually into loyal customers (Romano & Fjermestad, 2003; Salmen & Muir, 2003; Taylor & Hunter, 2002). Examining customer retention features on commercial Web sites in Austria, this paper seeks to identify starting points for improving customer retention on corporate Web sites. It first reviews the literature on customer retention on the World Wide Web and then describes the methodology of the study before it presents the findings of an analysis of 155 corporate Web sites in Austria.

## CUSTOMER RETENTION ON THE WORLD WIDE WEB

Previous research has shown that establishing lasting relationships between buyers and sellers is more efficient than acquiring new customers for one-time transactions (Dwyer et al., 1987; Reichheld et al., 2000; Lee-Kelley et al., 2003). In the Internet age, this means that companies need to increase the 'stickiness' of their Web sites, including the length of time people stay on the site, the number of pages they view and their likelihood of return. In addition, one has to bear in mind that just because a site has succeeded in luring customers, this does not mean that they will come back (Reibstein, 2002).

Customer retention can be achieved, for example, by using tools such as personalized content, online communities, feedback mechanisms, or online games (Holland & Baker, 2001). Further, the World Wide Web enables companies to learn more about their audiences by including interactive features on their Web sites that encourage visitors to enter into a dialogue with the company (Freedman & Sudoyo, 1999). The information companies gather from these interactions may help them to enhance their Web sites (Hurme, 2001). Sharp (2001) suggested that the goal of any Web site should be to elicit 'positive response action' from users, i.e. that they remain on the site, download material, subscribe to a newsletter, purchase something or return at a later date.

Research on the antecedents of users' attitudes toward a Web site and their willingness to return has looked at a variety of relationships, which are depicted in Figure 1. First, the scope of interactivity on corporate Web sites has been found to be positively correlated with users' attitudes toward the site and thus their willingness to return to the site (Coyle & Thorson, 2001; Fiore & Jin, 2003; Teo et al., 2003). For the purpose of this paper, interactivity is defined as anything that enables consumers "to be both sources and recipients of content and interaction" (Sundar et al., 2003, p. 32). Chen and Wells (1999) identified informativeness, entertainment and organization as the main determinants of users' attitudes toward Web sites. Similarly, van der Heijden (2003) found that the perceived enjoyment of a site positively influences users' attitude toward a Web site, thereby increasing their likelihood of using it.

As far as the relationship between the organization and the user is concerned, Huizingh and Hoekstra (2003) identified *a priori* involvement with the content of the site as an important predictor of consumers' perceptions of a Web site. The term involvement is used in a variety of different meanings in academic literature (Andrews et al., 1990). For the purpose of this paper, we use the widespread definition of Zaichowsky, who describes involvement as "a person's perceived relevance of the object based on inherent needs, values, and interests" (1985, p. 342). In addition, the users' overall satisfaction with the Web site can be seen as another important antecedent of their intention to return. Satisfaction itself is influenced by a multitude of factors including content, accuracy, format, ease of use, and timeliness (Doll et al., 1994). On the other hand, Otto et al. (2000) found that satisfaction is not influenced by delays in a download time of 15 seconds or less. Thorbjornsen & Supphellen (2004) found that brand loyalty can be seen as a stronger determinant of Web site usage than Internet experience or the kind of motivation for the visit, i.e. seeking information and/or entertainment.

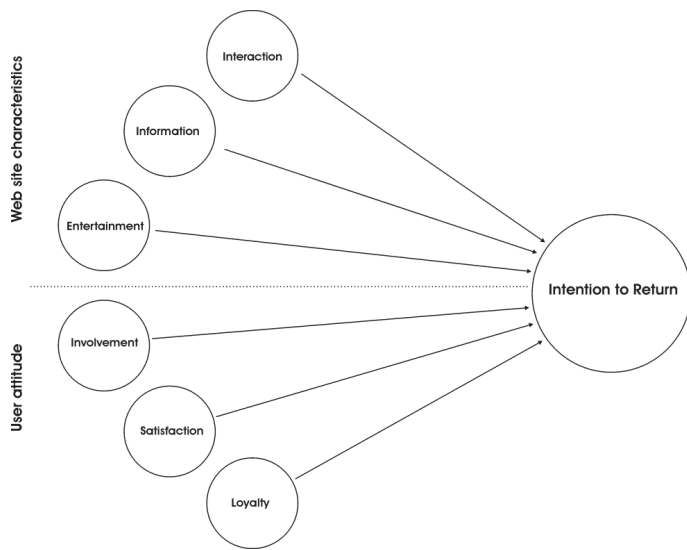
## RESEARCH DESIGN

### Conceptual Framework

Uses and gratifications theory provides a useful framework for researching computer-mediated communication (Morris & Ogan, 1996). Essentially, it explains the expectations people have and the gratifications they seek when they use mass media. According to uses and gratifications theory, mass media content can be categorized into informational content and entertainment content. People's motivation to use mass media is driven by the search for at least one of these two gratifications (McGuire, 1974).

The advent of the Internet and its interactive capabilities brought with it additional gratifications, which have been considered in mass media research. Papacharissi and Rubin (2000) have identified five uses and gratifications of using computer-mediated communication channels, including information seeking, interpersonal utility, pass time, convenience, and entertainment. Novak et al. (2000) maintained the original twofold categorization into information and entertainment, but focused on how the World Wide Web is used as a mass medium, distinguishing between task-oriented Web use (information search) and experiential Web use (entertainment). However, different users seek different gratifications and so their motives for visiting Web sites differ (Joines et al., 2003). Holland and Baker (2001) argue that task-oriented users will be satisfied if they fulfill their tasks, while experientially oriented users are satisfied if the site provides entertainment and enjoyment. They also hold that both types of satisfaction are conducive to brand loyalty. Stafford and Stafford (2001) and Stafford et al. (2004) revisited uses and gratifications theory and identified social gratifications as a third category in WWW-mediated communication, in addition to content and process gratifications. They argue that this third gratifica-

Figure 1. A Framework for Attitudes Toward Web Sites and Return Visits



tion has emerged, because the Internet is both a mass medium and an interpersonal medium. Drawing on these findings, the current study segregates customer retention techniques on commercial Web sites into these three categories. The notion of 'Interaction' includes interpersonal activities such as forums or chats, which provide social gratifications.

### Purpose of Study

While there is a sufficient body of literature on the uses and gratifications Internet users seek, research on which of these gratifications corporate Web sites actually provide is lacking. Corporate Web sites have been examined quantitatively from a variety of different angles, including content (Perry & Bodkin, 2000; Robbins & Stylianou, 2003), interactive features (Ghose & Dou, 1998; Ha & James, 1998), usability (Huang, 2003), and cross-cultural differences (Okazaki & Rivas, 2002). However, none of these approaches captures the uses and gratifications consumers seek when they use corporate Web sites. The present study seeks to shed light on the customer retention strategies Austrian companies pursue and the gratifications they provide to consumers on the Internet. The rationale for this study is to identify starting points for improving customer retention and customer relationship management on corporate Web sites by providing gratifications to Internet users more effectively.

### Methodology

The Web sites of the 155 most successful Austrian companies dealing in consumer goods were examined, with success referring to annual sales. The companies belong to the following 14 industries: automobile, construction, drugstores, electronics/hardware, software, energy, food and tobacco, photo services, furniture, household appliances, leisure, telecommunications, textile, and travel. Space does not permit to reproduce the entire list of the companies surveyed. Since some of the companies are conglomerates that are active in several industries, they were included in every industry they are active in for the cross-industry analysis (see 4.2).

The basic methodology of content analysis was used for the data collection (cf. Krippendorff, 1980; Bauer, 2000). As a first step, the top-ranked Web site in each of the 14 industries was examined for features satisfying information needs, entertainment needs, or social needs. This list of features was then used for a pilot coding of the 14 companies ranking second in their industries and subsequently amended

to include additional features. Ultimately, the list consisted of a total of 22 features, including 16 pertaining to information, 4 to entertainment, and 2 to interaction. The features in the Information category include customer service and support (FAQs, product guides, glossaries, information downloads, feedback forms, full-text search, site maps, and newsletters), trust-building measures (date of last update, information on environmental affairs, and information on health aspects), and company information (company history, financial information, job vacancies, online job applications, and press releases). Features in the category 'Entertainment' encompass online games, sweepstakes, e-cards, and screensavers/wallpapers. Features included in the category 'Interaction' are guestbooks and forums/chats. The 155 Web sites were then coded for the presence or absence of these features.

## RESULTS

### World Wide Web Gratifications and Customer Retention Features

The Austrian company Web sites examined seem to satisfy primarily information needs. As Figure 2 shows, all Information features appear at least on one third of all Web sites and most of them are offered by more than half of all companies. However, not a single feature is found on more than 75% of all Web sites. Interaction and Entertainment features appear at the bottom of the chart, indicating that companies make little use of features such as consumer forums, screensavers, guestbooks, games, and e-cards. Sweepstakes seem to be the only entertainment feature offered by a substantial proportion of the sample companies, presumably because companies benefit from sweepstakes by gathering consumer data. Also, orientation devices such as site maps and full-text search facilities appear on only half of the Web sites, although they would greatly enhance site usability. It is also worth noting that

Figure 2. Customer Retention Features on Corporate Web Sites in Austria (n = 155)

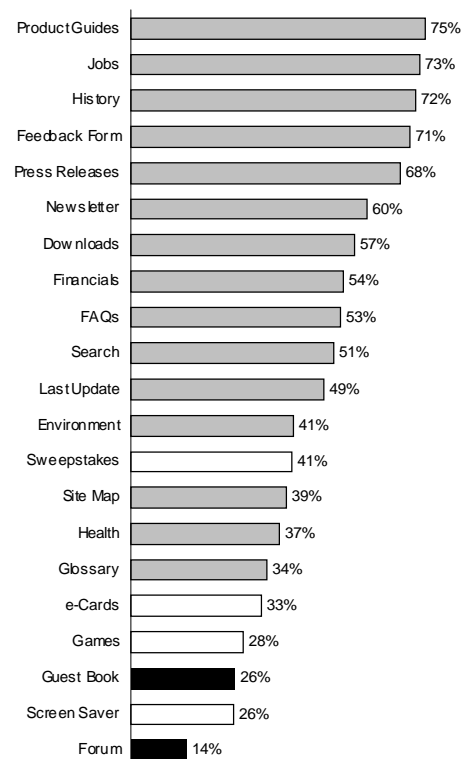


Table 1. Industry Breakdown of Customer Retention Features per Company

INDUSTRY	n	INF	ENT	INT	TOTAL
Telecommunications	26	<b>10.10</b>	<b>2.39</b>	<b>0.81</b>	13.30
Electronics/Hardware	33	<b>9.43</b>	<b>2.00</b>	<b>0.70</b>	12.13
Software	11	<b>9.82</b>	1.73	<b>0.55</b>	12.10
Construction	12	<b>9.50</b>	1.67	0.25	11.42
Automobile	20	8.15	<b>2.55</b>	<b>0.55</b>	11.25
Energy	14	<b>9.50</b>	0.93	0.21	10.64
Photo Services	21	8.19	1.81	0.48	10.48
Furniture	16	8.63	1.56	0.19	10.38
Appliances	20	8.20	1.65	0.10	9.95
Food & Tobacco	52	6.48	<b>2.56</b>	0.31	9.35
Drugstores	32	6.53	<b>2.50</b>	0.31	9.34
Travel	8	7.75	1.00	<b>0.50</b>	9.25
Leisure	18	6.94	1.61	0.33	8.88
Textile	19	6.68	1.74	0.21	8.63

(The top five industries in each category are highlighted in bold; Maximum = 22 features)

features such as feedback forms and newsletters are found toward the top of the chart.

#### Customer Retention Features Across Industries

This section breaks the customer retention features examined above down to 14 different industries. Table 1 shows the average number of Information, Entertainment, and Interaction features per company in each industry, ranked according to the total number of features. IT-related industries including telecommunications, electronics/hardware, and software came top in this analysis. Telecommunications was the industry with the highest number of total gratification features per company and came first in the Information and Interaction categories and fourth in Entertainment. Electronics/hardware was among the top five industries in all three categories and software and automobile in two categories. Construction and energy did very well in the Information category, but worse in the other two categories.

High-involvement industries such as furniture and household appliances are in the middle of the ranking, with medium-to-low scores in Information and Entertainment and extremely low scores in Interaction. Low-involvement sectors such as food and drugstores are found toward the end of the list, scoring low overall, but being among the top five in Entertainment. Travel, leisure and textile have the lowest scores overall, although the nature of their products and services bears a tremendous potential for customer retention features (Appiah-Adu et al., 2000; Hughes, 1996). In particular, the travel industry scores extremely low in Entertainment but came fifth in terms of Interaction features.

#### DISCUSSION AND CONCLUSION

The analysis of the 155 sites has shown that, in general, corporate Web sites in Austria make comparatively little use of customer-retention features. Particularly those features pertaining to entertainment and interaction are used to a miniscule extent only. Clearly, the provision of information features comes at lower cost than the implementation and maintenance of features such as discussion forums, games, or guest books. However, such efforts may greatly increase the 'stickiness' of the site and therefore also customer retention.

Web sites of any industry should make more efforts to provide content, process, and social gratifications. In particular, industries offering low-involvement products should place more emphasis on entertainment

and interaction features to draw visitors to their sites and make them return. Companies offering high-involvement products may find it easier to attract visitors to their sites, as people seek content gratifications before purchasing high-involvement products. Still, they should not neglect process or social gratifications but combine them with content gratifications.

Ultimately, companies also need to bear in mind that Internet-mediated communication is just one component of the corporate marketing communications mix that has to be integrated with all other components to communicate consistent corporate, brand, and product images. Other media, e.g. advertisements in magazines, should point to the gratifications the Web site may provide, e.g. games or discussion forums. This is of particular importance for low-involvement products, where it is necessary to make users aware of the gratifications provided by the Web site in the first place, whereas prospective buyers of high-involvement products will visit a Web site on their own initiative.

The findings of this study are limited to Austria and may not apply to other European countries, let alone companies operating overseas. Future research should thus compare customer-retention efforts on corporate Web sites across a variety of countries and regions. It may also be worth examining transnational companies with budget allocations for marketing communications larger than those of Austrian companies or subsidiaries. Another limitation is the fact that all gratification features were considered equal, ignoring the fact that some features may be more useful for specific industries or companies. Further research should also look at users' expectations of different categories of Web sites.

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