Chapter 4.12
Interactive Customer Retention Management for Mobile Commerce

Dirk Möhlenbruch
Martin-Luther-University Halle-Wittenberg, Germany

Steffen Dölling
Martin-Luther-University Halle-Wittenberg, Germany

Falk Ritschel
Martin-Luther-University Halle-Wittenberg, Germany

ABSTRACT

Mobile Commerce is of growing interest for vendors and customers and with that its importance within the mix of marketing and distributing channels increases. This is of particular significance when customer retention and improved service are essential success factors. Because of their focus on customer integration the instruments of Web 2.0 offer new interactive possibilities for customer retention management. With a systematization of the new web-based applications linked to an evaluation of existing possibilities of customer retention this chapter offers a reasonable frame of reference for the utilization of Web 2.0 within the success chain of customer retention management in Mobile Commerce. Combined with existing studies of the acceptance of Web 2.0 recommendations for a suc-cessful timely order of introduction are offered to reach optimal diffusion and retention rates.

INTRODUCTION

After the significant upheavals brought by the Internet and all the surrounding technologies, the way we work and communicate is changing again. Within just a couple of years, more people will be accessing the Internet from mobile phones, personal digital assistants (PDAs), pagers, and a wide variety of informational devices than from stationary computers (Sadeh, 2002). That includes the necessity of Mobile Marketing and Mobile Commerce as applications and services which become accessible from Internet-enabled mobile devices. Mobile Commerce is defined by the buying and selling of goods and services through wireless handheld devices such as cellular telephones and personal digital as-

sistants. Known as next-generation E-Commerce, M-Commerce enables users to access the Internet without needing to find a place to plug in.

The dramatically growing rate of this kind of mobile utensils is foiled by the marginal usage of Mobile Commerce applications and services. The reasons for these circumstances are different technical restrictions as well as the current user behavior. The consensus is that beside the ownership of mobile devices, three additional factors contribute to the establishment of Mobile Commerce. These are changes in the consumer funding model of mobile services, the establishment of fixed electronic commerce as a business phenomenon, and the accelerated service development ushered in by the Internet (May, 2001). With all these factors making strides of progress within the last few years, the breakthrough of Mobile Commerce is coming closer. In this context, the instruments and strategic applications of M-Commerce and marketing settings need to be discussed to serve the customer according to his specific needs. Scientific works on Electronic Commerce show the need of customer specific interaction and for the establishment of longtime relationships in electronic settings because they allow direct contact to each customer. As intensively discussed lately, the instruments of Web 2.0 make it possible for companies to arrange this kind of interactive business relationships. Hence their classification and usage within the specific stages of customer retention management is of growing meaning for the economic success of Electronic and Mobile Commerce. The management of customer retention comprises the analyses, planning, enforcement, and controlling of all arrangements concerning the actual customer, with the aim to keep the individual relationship alive.

The importance of customer retention rose distinctively within the last decade because of the amplification of global competition, ascending dynamics of markets and the change of consumer behavior in many industries (Boehm, 2008; Homburg, Bruhn, 2005). There is a large consensus in the scientific literature that customer retention is able to provide a considerable input to the economic success of a business operation. Customer retention achieves its contribution through the generation of repurchases, cross buying, recommendations and the improvement of tolerance to increased prices (Bruhn, 2001; Diller, Müllner, 1998). Several studies document that the acquisition of new customers is up to ten times more expensive than the retention of existing customers (Stolpmann, 2000; Gummesson, 1999). The consumer is the central authority in the processes of relationship marketing and obtains a strong position in the market, which is linked to a better negotiating point versus distributing companies. Additionally, the market power of customers is particularly strong on the Internet. The electronic market is characterized by high offer transparency, a comprehensive level of information, and a decrease of changing barriers for customers (Förster, Kreuz, 2002; Diller, 2001). The amount of information provided by vendors is increasing at a much faster pace than the volume the customer is demanding (Lihotzky, 2003). The resulting cognitive overload calls for more individualization of information (Kroeber-Riel, Weinberg, 2003). The combination of the rising market power of customers, the cost benefits of customer retention, and the necessity of individualized information search capabilities create an important need for customer retention management. It presents a plethora of possible solutions through the personalization of interaction and buying processes. Compared to the offline environment more opportunities for personalized marketing are offered as well as greater flexibility and convenience to the customer (Srinivasan et al., 2002; Wind, Rangaswamy, 2001).

The objective of this chapter is to analyze and systematize the applications of Web 2.0 within the context of customer retention management in Mobile Commerce considering its main focus functionality. To reach that goal the requirements of customer retention management will

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