

# Some Factors Critical to the Success of Virtual Bookstores in Retaining Customer Loyalty

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*Abstract:* This research study seeks to develop a heuristic model, called 4Ps and 1L, for customer loyalty to virtual bookstores. The 4Ps represent one of the most traditional marketing concepts and the L relates to Customer Loyalty. In developing this model the aim is to see how each marketing P influences customer loyalty, thus identifying the factors critical to the success of virtual bookstores retaining customer loyalty.

*Key-Words:* Customer Loyalty, Virtual Bookstores, Retention, Electronic Commerce, e-Marketing, Information Technology, Trust, Internet, Web.

## 1 Introduction

The retail sector is currently experiencing a period of profound uncertainty. Frightened of missing out on new business opportunities, companies are investing in the Internet as an additional sales channel. However, it is almost impossible to tell that traditional strategies applied to the Internet will be profitable. One thing is abundantly clear, that electronic commerce will, in virtually across-the-board terms, alter the ground rules concerning competitive advantage in the retail world [1].

The new relationship between companies and clients has created different consumer habits and for the former to remain competitive in the arena of Electronic Commerce they have to rethink their marketing strategies [3]. For an electronic retail company to be profitable is necessary to adopt a business model based on retaining customer loyalty [4].

In light of this fact, this article seeks to establish exactly how the traditional 4Ps marketing mix, adapted to the Web, can influence Customer Loyalty in Virtual Bookstores, one of the growth sectors on the Web. As a result, this article analyzed, from the standpoint of customer loyal to certain virtual bookstores, some factors related to the 4Ps of Marketing that influence the process of customer loyalty.

## 2 Problem Formulation

The main aim of this article is to identify the factors critical to the success of customer loyalty to virtual bookstores using a heuristic model.

Certain other points have to be developed to achieve this objective, such as: (i) an analysis of the relevance of customer loyalty to electronic commerce companies; (ii) identification of customer requirements and desires during the process of purchasing books via the Internet; and (iii) identification and analysis of the main marketing tools adopted by virtual bookstores in Brazil to ensure customer loyalty.

## 3 Problem Solution

A two-stage method was used to achieve the proposed objectives: exploratory research and descriptive surveys.

### 3.1. Conception and Results of the Exploratory Survey

The exploratory survey was used to identify the variables that should be included in the field study, also providing a basis for the ideas behind the understanding of the problem.

As a result, factors were examined at this stage using bibliographical research and comparative analysis of the sites, searching for elements that can influence customer loyalty, to determine the relevance of each factor in this process in the field study. Table 1 shows these factors along with other information.

### 3.1.1. Theoretical Framework

#### **The impact of the Internet on the Product**

The product can be evaluated according to the availability of information about it, its degree of personalization and the customer participation in its development [2].

To compensate for the media limitations imposed by the Web, it is possible to offer customers tools that provide them with more product information, improving their possibilities to the right decision [6]. This information can be accessed and presented in various ways, such as text, images and sounds [5].

The increased information available in terms of product characteristics and prices as well as the greater variety of choice tends to drive prices down or leads to a more differentiated product search, largely achieved by aggregated services [14].

One of these services is customer service. With the Internet, the process of tracking customers is much simpler, with immediate availability of their past records and purchase preferences all registered in a central database. Consumer purchase preferences are much more transparent in virtual stores, as long as their visits and purchases can be documented electronically [10].

With this type of information, the company can offer unprecedented opportunities for a company to obtain in-depth knowledge of its customers and thus to personalize its products and services according to their preferences [10].

#### **The impact of the Internet on Price**

The question of determining prices in the world of electronic commerce is potentially unlimited, as are the implications associated with this decision.

The most cited reason why electronic markets should be more efficient than traditional ones concerns the reduction in the asymmetry of information, based on lower research costs. If the electronic market allows the consumer to more easily identify the prices and products on offer, the relatively low cost search should lead to lower product prices [2].

Another factor that tends to drive prices down on the Internet is the innate competitiveness of electronic commerce due to the smaller barriers to entry into this segment. These barriers are less restrictive due to the lower investment required to open an e business, as a virtual company operates with much lower fixed and running costs [13].

Due to the convenience of electronic purchasing, Web prices are likely to vary more. Retailers that help

customers to locate and analyze products on the Web may be treated preferentially by the more impatient users [14].

Another factor that adds to the disparity in online prices is the difference in confidence that the customer has between distinct suppliers. This trust is of immense importance on the Web due to the spatial and temporal separations between consumers and retailers imposed by the media. Consumers may prefer to pay a little more to purchase from what they consider more reliable and better known retailers, to the obvious detriment of the lesser known entities [14].

#### **The impact of the Internet on the Place**

The site can be evaluated according to the secure methods of payment available and the intrinsic characteristics [2].

In terms of secure payment methods, extremely delicate information is often sent over the Web, such as credit card numbers and personal details. As a result, the privacy of customer information should be respected through the use of secure transactions. It is important that the site explains its policy along these lines in writing, so that customers know exactly how they will be treated regarding this question [9].

The characteristics of the site are normally related to its content, ease of navigability, visual appeal and technical performance [2].

The electronic tools can give customers an extensive knowledge about the products available with the range of information accessible on the Web [9]. The site should provide an extensive range of relevant, updated and secure information.

In terms of access, most of the errors associated with finding information on the Internet are the result of a poorly developed navigation structure [9]. On planning the access structure of a site, the determining factor should be efficiency. The interest and involvement of the public is the result, among other factors, of the ease of finding the sought after information [7].

It is necessary to attract the attention of the consumer with an easy-to-use site, as well as one that is fun and quick. Maintaining the site consistently and aesthetically pleasing helps the consumer to navigate more easily. The site should keep customer's attention, curiosity and interest on the product on offer and its benefits. Consumer attention can be captured using graphics and a well-structured content of high aggregate value. [9].

The visual appeal can both facilitate navigation and offer a stimulating purchase experience, which can

affect the competition in the Internet market. Many companies exploit the design of the page to positively influence the behavior of consumers in their purchase decisions. Any imprecision in the maintenance of a consistent visual identity can result in the impression of a lack of care and attention to detail that may reduce the level of consumer trust in the company.

Considering the differences in interface between the various retail pages on the Internet, the consumer used to one particular interface may not adapt very well to purchases on another site, which may well be a contributory factor to customer loyalty [11].

### **The impact of the Internet on Promotions**

The evaluation of promotions on the Web can be made by analyzing the use of promotions using online discounts, the personalization of products and services and the participation of consumers in product development [2].

One of the advantages of Web messages is the ease of motivating interactive replies. Traditional propaganda has generally been a one-sided monologue on the side of the announcer, directed at the consumer market, but with an extremely limited return of information and opinion from the target public. With the advent of online services, a truer form of dialogue can be established, hopefully resulting in a longer-term relationship between the two parties [9].

The virtual communities are environments suited to the use of one-to-one marketing, as the relationship between companies and consumers can be based on feedback, suggestions and the exchange of information. The central idea behind one-to-one marketing is that each customer has distinct requirements and needs and, therefore, warrants more personalized attention [8].

The company can, within its own scope of possibilities, treat the customer in the most individualized manner possible, creating products more suited to their needs. In this sense, the role of the customer is also changing from a merely passive receptor to that of an active designer, in that they can pass on their requirements to the company concerned to be certain that they will get the best result [3].

### **Customer Loyalty on the Web**

Most of the companies that operate on the Web invest heavily in setting up their sites and get a large number of hits as a result. However, most of these visitors do not return to the site in sufficient numbers for the company to recoup its initial investment [11].

Customer acquisition on the Web is extremely costly and, unless these customers make repeated purchases, profitability is questionable. Marketing professionals estimate that it is seven times more expensive to attract new customers than to sell to existing ones [9]. Attracting customers on the Web is 20 to 30% more expensive than in traditional commercial activities [11].

Loyal customers purchase more often as well as recommend the company to new potential purchasers. Customer recommendation on the Web has an enormous potential due to the ease of sending electronic messages indicating a corporate site to a group of friends [10].

Customer loyalty is related to the level of trust that companies can gain, to the extent that they will continue to make purchases with the same outlet. To retain a customer it is first necessary to get their confidence, and this is even truer on the Web, where business is carried out at a distance, thus increasing the risks and uncertainties [15].

A strategic tool used to get customer loyalty is marketing relationships, based on the idea of establishing a learning curve with each customer, and one that has to be developed and perfected at each contact. The consumer provides information about their requirements and needs to the company, which in turn adapts its products to suit these profiles. In this type of relationship, even if a competitor offers the same type of personalized service, the customer will hesitate to switch suppliers, as the learning already developed would effectively be lost in this exchange [8].

The marketing of relationships is built on the belief that the mutual benefits for both the customer and the company will lead to more than a single purchase, preferably years of loyalty to the brand and frequent purchases [9].

### **The Impact of Information Technology on Customer Loyalty on the Web**

Profound changes are taking place as a result of electronic transaction technology, i.e.: almost all organizations, however large or small, now have the means by which to interact directly with their end customers. Companies have the possibility of consolidating information about their customers and obtaining a far more accurate picture of who they are, what products and services they purchase and how they like to be dealt with [12].

Database technology can store a vast amount of information accumulated over a long period of time, which allows companies to identify current and

historical trends. From the point of view of marketing strategy, this makes undoubted sense, as the behavior of former consumers generally is a good indication of future trends, particularly in attitudes of preference for brands and purchasing [9].

Utilizing the parameters of the information stored in data banks means being able to direct promotions, special offers and personalized products and services to each specific group of potential customers. The benefit is often mutual, given that the offers selected economize on the time it takes to make a purchase and reduces the difficulties encountered while doing so, while the retailer perfects its marketing communication to a specific target group [9].

This customer relationship can develop to a degree at which it is accompanied by individual interactions over a long period of time, which demands considerable integration of data and processes. At this stage one-to-one marketing is effectively being practiced [8].

The companies really focused on their customers use mass customization to create product packages to best satisfy the specific needs of each. The type of personalization necessary in a one-to-one relationship only becomes feasible using the methodology of mass customization, which allows a variety of highly specific products to be created using distinct components or modules, which best suit the requirements of each individual.

Using these three types of technology – database, interactivity and mass customization, a relationship can be established that gets to know the customer better to satisfy their requirements.

With each interaction and new personalization, the company is able to tailor its products and services a little better to its customer needs. A learning relationship is therefore established, which, in turn, tends to generate customer loyalty [12].

### **The Importance of Trust on the Web**

In as much as the Internet creates purchasing habits in which both customers and retailers are spatially and temporarily separated, and the parties involved are generally anonymous during the transaction phase, trust in online transactions is becoming a key factor in the success of Internet activities [14].

When the consumer visits a retailer site, he has no way of knowing immediately if the information provided about a product is reliable. When he orders and pays for the merchandise on the Web there is no way that he can be absolutely certain that personal and financial details are secure or whether he will receive his purchase

in the stated time and if he can really return the product if he is not entirely satisfied with the purchase [15].

Customers cannot touch the product over the Internet or even speak personally with a company representative. They have to believe in images and promises and, if they do not trust the supplier, they will buy somewhere else. When the customer trusts in the online retailer, he tends to share more personal information. As a result, the company gets to know the customer better, and offers products and services more suited to their needs and preferences thus gaining their trust and loyalty [13].

In a survey conducted by Professor Sunil Gupta, of the University of Michigan Business School, the interviewees indicated that price was a factor of low importance, showing, however, aversion to risk. The reliability and the security of financial information were classified as items of high importance [9].

### **3.2. Conception and Results of the Descriptive Survey**

The exploratory stage involves the drawing up of a questionnaire to be used in the descriptive survey.

The target public answering the field study questionnaire were customers loyal to virtual bookstores, which led to the necessity of having a metric for the concept of customer loyalty.

By analyzing common market practices, the frequency of purchases was chosen as a reliable indication of loyalty. The customer was classified as loyal when they made more than one purchase over a period of one year in the same virtual bookstore.

The exploratory research also endorses the use of purchase frequency as a measure of customer loyalty. Moreover, the frequency of purchase is crucial importance to the company's profitability.

A sample of 84 individuals was used in the survey, which was conducted using questionnaires received, answered and sent either personally or by e-mail.

The questionnaire was based on an interval scale of measuring attitudes, seeking to quantify the importance of the attributes selected in the opinion of the interviewees.

The data obtained in the field survey was tabulated and analyzed, giving an average and standard deviation for each factor identified as a possible determinant of customer loyalty (Table 1). As a result, the critical factors in terms of customer loyalty to virtual bookstores were identified according the customer viewpoint.

	Average	Standard Deviation
1	9.61	0.78
2	9.50	1.06
3	9.43	0.91
4	9.32	1.08
5	9.21	1.15
6	9.04	1.27
7	9.04	1.36
8	8.96	1.25
9	8.93	1.20
10	8.82	2.07
11	8.37	1.48
12	8.18	2.03
13	8.18	2.23
14	8.04	2.04
15	7.75	2.11
16	7.64	2.61
17	7.46	2.76
18	7.43	2.57
19	6.54	2.41
20	6.46	2.07
21	6.39	2.84
22	5.81	2.92
23	5.71	2.71
24	5.25	3.03
25	5.04	2.68
26	4.96	2.79
27	4.79	2.71
28	4.50	2.67
29	4.50	2.86
30	4.43	2.89
31	4.39	2.35
32	3.96	3.06
33	3.04	2.35

*Table 1: Main Influencing Factors in Customer Loyalty*

### 3.4.3. Comparison of the Results of the Exploratory and descriptive Surveys

The main advantage of electronic commerce identified in the exploratory survey was customer convenience and, the main disadvantages were the time taken to receive the products and the fact that it is impossible to have any contact with the product before purchasing it.

However, the convenience is the result of a combination of several factors, some of which were considered as extremely important by the customer, such as the location of information, search tools, the ease of finalizing the purchase and the information available about the products on offer.

The delivery waiting time was considered extremely relevant by customers. The reliability of the delivery period was the third most important factor for customers.

The disadvantage of not being able to see and touch the product prior to purchase may, according to theoretical references, be attenuated by the availability of product information, reviews and samples. These three variables were classified by customers in 11<sup>th</sup>, 19<sup>th</sup> and 26<sup>th</sup> place respectively. Consequently, the

availability of information about books was considered important, but not necessarily in the form of reviews and/or samples.

According to theoretical references, the price factor, the relationship between the company and the consumer and a book recommendation center for customers would be compromised by the success of virtual bookstores.

Product price was classified in 17<sup>th</sup> place in the overall order of importance, losing out importance to variables related to trust and convenience. The delivery cost, which is in fact part of the total price, was the 16<sup>th</sup> most important factor.

In terms of the relationship between the company and customers, the service offered was considered the 8<sup>th</sup> most important factor, which is in line with the exploratory survey. The factors correlated to this personalization of services were not of any great importance to the customers interviewed in the field study.

Customer support via e-mail, indicated in the literature available as a factor that aggregates service value was well received by customers, particularly when used to confirm purchase orders. This was the 5<sup>th</sup> most relevant factor in the survey.

Trust, in theory always a crucial point in electronic transactions, appears in fact to be the most important variable in terms of customer loyalty on the Web. The top three factors rated by customers all relate to trust in the company and its reliability. They are: the guarantee that the product will be delivered, privacy of personal details and reliable delivery times.

The security of payment methods – mentioned as extremely relevant – was classified in 10<sup>th</sup> place, confirming its importance. The diversity of payment means did not carry the same weight, being 23<sup>rd</sup> in the ranking.

Other factors related to trust were also fairly highly placed in the overall order of importance, such as the tracking of orders, which came in 13<sup>th</sup> and prior knowledge of the bookstore, which was 14<sup>th</sup>.

Finally, some characteristics were mentioned in the theoretical references available as means of analyzing the site, such as navigability, visual appeal, technical performance and the use of online discounts. The navigability of the site was classified as the 7<sup>th</sup> most influential factor in terms of customer loyalty. The factors influencing navigability are the ease of locating information and the existence of search tools, which were rated in 6<sup>th</sup> and 4<sup>th</sup> place respectively. Visual appeal was not considered that relevant, being placed 20<sup>th</sup> in the order of importance. Technical performance, however, was placed 12<sup>th</sup> in the same list.

## 4 Conclusion

To conclude, the model 4Ps and 1L of customer loyalty to virtual bookstores is summarized in Figure 1, representing the factors that make up each marketing P, separately, according to the order of relevance associated with loyalty.

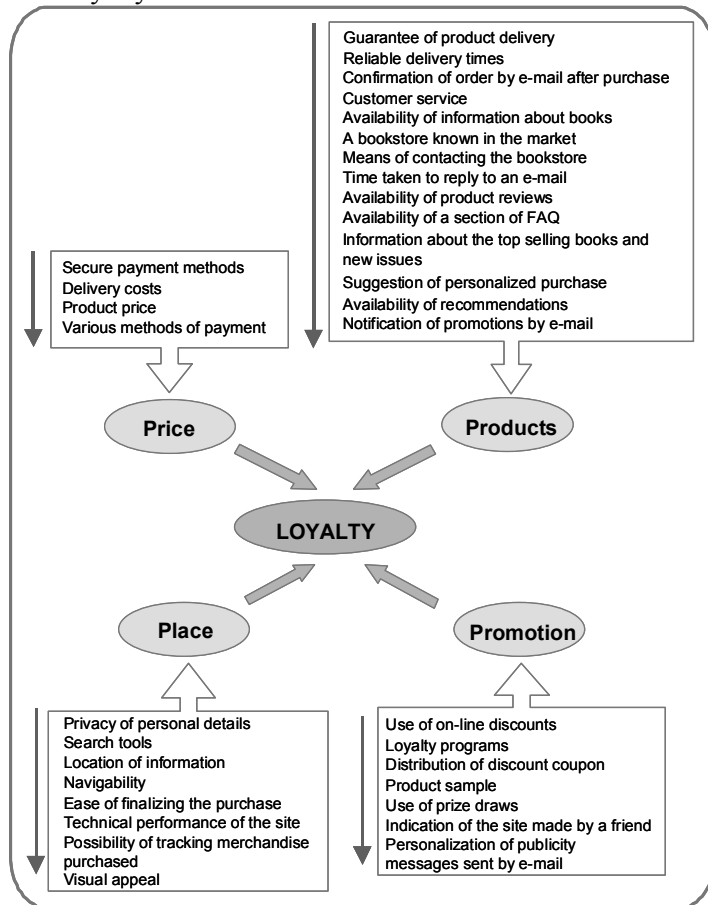


Figure 1: The Influence of Each P in Customer Loyalty

As can be seen in the results of the field study, most of the factors considered extremely relevant to customer loyalty are related to trust and convenience.

The price variable, although classified 17<sup>th</sup> in the order of importance, should not be underestimated. The poor classification of price in the overall order of importance is due to the priority given to factors related to trust and convenience.

It is believed that there is a tendency in the factors related to convenience to be considered more relevant in the medium-term, as the questions associated with trust are resolved. The insecurity of Internet purchases will undoubtedly diminish with the advances in Information Technology being made to try and offer safe solutions and as the habit for purchases on the Web develops.

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