A Study of Customer Retention across Retailers’ Channels

Hung-Chang Chiu* (corresponding author)
Institute of Technology Management, National Tsing Hua University, Taiwan, R.O.C.
E-mail: hcchiu@mx.nthu.edu.tw

Szu-Yu Chou
Graduate Institute of Technology & Innovation Management, National Chung Hsing University, Taiwan, R.O.C.
E-mail: susysn@yahoo.com.tw

Yi-Ching Hsieh
Department of Information Management, National Central University, Taoyuan, Taiwan, R.O.C.
E-mail: ychsieh@mgt.ncu.edu.tw

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1 Introduction

In today’s fast-paced world, technologies are increasing changing the way customers interact with companies to create service outcomes (Meuter et al. 2000). Customers have many different alternatives in which they can interact with a company (Wiertz et al., 2004). Consequently, in addition to the traditional network of channel intermediaries (e.g. retail stores and catalogs), customers could purchase anything through virtual or remote technology (e.g. Internet, mobile phone, kiosk and voice response system) (Shostack, 1985; Meuter et al., 2000; Stone and Hobbs, 2001; Burke, 2002; Montoya-Weiss, Voss, and Grewal, 2003; Wiertz et al., 2004). Consumers display complex shopping behaviors in this emerging multi-channel environment (Balasubramanian et al. 2005; Sridhar et al, 2005). Customers may search for product information online but purchase in a retail store. Therefore, from a manager’s perspective, companies have to understand the reasons why consumers choose a specific channel (retail store or online) in their decision making process.

Various literatures have evaluated customer satisfaction (Meuter et al. 2000) and the shopping benefits (e.g., Stone and Hobbs, 2001) based on existing service encounters. It ought to be ensured multiple service channel cooperation by identifying the determinants of channel intermediaries’ willingness to cooperate. Burke (2002) identified consumer preference for multi-channel shopping (in-store, online, catalog and television) through the purchase process (product searching, comparing and buying) and presented it by demography. Nunes and Cespedes (2003) analyzed different types of customers get what they need at each
stage of the purchase process – through one channel or another. However, these studies concerned customers’ decision process, they didn’t examined the reasons why customers make the migration decision during each purchase stage and what experiential values do customers perceived in the shopping process.

This study explores the applicability of the migration decision mode, push-pull-mooring (PPM), from the customer’s perspective to realize why customers cross-channel purchase after online searching. We propose a conceptual framework that considers perceived risk, switching barriers and attractiveness as the drivers of customer retention, and their antecedents across retailers’ channels context. According to the Baal and Dach’s (2005) study, we use “Do customers use the same channel from searching to purchasing?” and “Do customers contact with the same firm from searching to purchasing?” as two dimensions to construct a consumer behavior matrix which includes switch, cross-channel free-riding, retention, and cross-channel retention (FIGURE 1). In the past, consumer attained all their needs from a single integrated channel at different stage of their decision making. “Switch” and “Retention” are signal-channel consumer behavior. But now, in the multi-channel environment, “Cross-channel free-riding” and “Cross-channel retention” are multi-channel consumer behavior. In this study, we focus on cross-channel retention of multi-channel consumer behavior.

Do customers use the same channel from searching to purchasing?

<table>
<thead>
<tr>
<th>Retention</th>
<th>Cross-Channel Retention</th>
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<tbody>
<tr>
<td>EX: searching online channel of A-firm, then purchasing A-firm online channel</td>
<td>EX: searching online channel of A-firm, then purchasing A-firm offline channel</td>
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Do customers contact with the same firm from searching to purchasing?

<table>
<thead>
<tr>
<th>Switch</th>
<th>Cross-Channel Free-Riding</th>
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</thead>
<tbody>
<tr>
<td>EX: searching online channel of A-firm, then purchasing B-firm online channel</td>
<td>EX: searching online channel of A-firm, then purchasing B-firm offline channel</td>
</tr>
</tbody>
</table>

Figure 1 Type of Multi-Channel Customers
There is still an issue we take into concern is customers’ cross-channel behavior takes place in different purchasing stages (Baal and Dach, 2005). Nowadays, it is very common that customers browse or inquire in an online retailer will use the information they gained to purchase in traditional stores (Burke, 2002). We could see in different circumstances cross-channel customers going from online to offline or from offline to online. However, on the basis of Baal and Dach’s (2005) investigation, 10.4% of the respondents consulted the Web sites of the retailers from whom they purchased, and only 1.8% of customers completed their purchases in the online channels after gathering information in the traditional stores. In other words, the rate of cross-channel customers’ retention going from online to offline is higher than going from offline to online. So this study focuses on the retention of cross-channel customers going from online searching to offline purchasing. Consequently, this study simplifies the purchase process into only two important purchase processes: searching and purchasing. The aim of this study is for multi-channel service providers to realize under what circumstances cross-channel customer retention likely, and determine what would be the “ideal shopping experience” from the customer’s perspective.

2 Theoretical Background

Based on consumer behavior research and the above research, we developed a conceptual framework (Figure 2). Customer retention decision-making with respect to the particular provider is, according to the literature, guided by: (1) mooring-based determinants such as switching barriers: customers may remain with the particular provider because they need to do so; and (2) pull-based determinants such as attractiveness: customers may remain with the particular provider because they want to do so; (3) push-based determinants such as perceived risk: customers may remain with the particular provider because they have to do so (Bansal et al., 2004; Benapudi & Berry, 1997; Burnham et al., 2003; Jones et al., 2000; Wathne et al., 2001). Therefore, we refer to the push, pull, and moorings PPM migration model to develop our concept structure – online channel switching barriers, online channel perceived risk, and online channel attractiveness. Subsequently, we focus on the dimensions of the three drivers, and elucidate the roles played by the six drivers in predicting the future retention of the same retailer after online searching.

2.1 Online-Channel Perceived Risk

Perceived risk has two components: uncertainty (the likelihood of unfavorable outcomes) and consequences (the importance of a loss) (Bauer 1960). Different types of risk exist, namely, financial, performance, time, physical, psychological, and social risks (Havlena and DeSarbo, 1991; Jacoby and Kaplan 1972; Murray and Schlaeter, 1990). Perceived risk also varies across methods of shopping. Nontraditional shopping may have higher risk than traditional shopping (Gillett, 1976). Some previous research found that the financial risk,
performance risk, and psychological risk are most important factor that effect online customers’ switching behavior (Devaraj, 2002; Montoya-Weis et al., 2003). Therefore, we propose

P1: The higher the financial risk, performance risk, and psychological risk of online channel, the higher the likelihood consumers will intend to cross-channel retention.

P2: The lower the financial risk, performance risk, and psychological risk of online channel, the higher the likelihood consumers will intend to retention.

2.2 Online-Channel Switching Barrier

Switching barriers are defined as the degree to which customers experience a sense of being locked in to a relationship based on the economic, social, or psychological costs associated with leaving a particular service provider (Bendapudi & Berry, 1997; Allen & Meyer, 1990; Rusbult, Farrell, Rogers, & Mainous, 1988). Among these factors, economic and psychological are most common of the switching barriers. From a managerial perspective, if overall satisfaction diminishes when switching barriers are high, Accordingly, we propose

P3: The lower the economic cost, and psychological burden of online channel, the higher the likelihood consumers will intend to cross-channel retention.

P4: The higher the economic cost, and psychological burden of company, the higher the likelihood consumers will intend to retention.

2.3 Online-Channel Attractiveness

Attractiveness—the positive characteristics of competing service providers—positively influences consumers’ intentions to switch (e.g., Jones et al. 2000). enjoyment exchange behavior is reflected in the intrinsic emotion that comes from engaging in activities that are absorbing, to the point of offering an escape from the demands of the day-to-day world (Huizinga, 1955; Unger & Kernan, 1983). Oliver (1999) characterizes excellence of value as operating as an ideal, a standard against which quality judgments are ultimately formed. So we propose

P5: The lower the enjoyment, and excellence of online channel, the higher the likelihood consumers will intend to retention.

P6: The higher the enjoyment, and excellence of company, the higher the likelihood consumers will intend to retention.

3. Conclusions and Managerial implications

This research makes two primary contributions to relationship marketing research. Firstly, it provides researchers with a comprehensive migration concept of the drivers to make the goal of customer retention with a particular e-retailer or retention with going from online to offline. Secondly, we find that three drivers significantly impact on cross-channel retention.
They are online channel perceived risk, online channel switching barrier, and online channel attractiveness. These findings provide multi-channel businesses with guidelines for effectively managing customer retention.

(References available upon request from H. C. Chiu)
Figure 2 Conceptual Framework