

## **SPECIAL SESSION: MARKETING AND E-SERVICES II**

### **Panel Discussion of Relationship Marketing for E-Services**

**Moderator: Eileen Bridges**

Kent State University

This special session provides food for thought (and discussion!) regarding key issues that concern service marketers who wish to make their product available online. Bob Krampf discusses how relationship-building activities are different for Web merchants as compared to traditional retailers. He provides results of exploratory research with clicks-and-mortar retailers and their customers. When e-services are offered to an international customer base, new issues arise regarding the meaning of relationships in various cultural groups. Renée Florsheim considers how e-services must be designed to take differing needs into account. It is also necessary for e-service marketers to consider the tradeoffs between offering a transactional service to price-conscious customers, versus offering a service relationship to continuing customers who are interested in value added. Charlie Hofacker considers the customer equity question in discussing how e-service marketers might decide where to invest their development dollars. Each speaker will present for 15 minutes, followed by 15 minutes of discussion on that topic.

### **Drivers of Relationship Building for Web Merchandisers**

**Robert F. Krampf**

Kent State University

#### ***Abstract:***

Customer relationship management (CRM) focuses on identifying and building understanding of the most valued customers; it has become a major driver of customer loyalty in both B2C and B2B settings. For retailers in traditional settings, key factors in relationship building are well known and are commonly employed in establishing store loyalty. Of course, loyal customers are the key to enhancing profitability of any retail business.

The best means of building relationships with customers visiting retail websites have not yet been developed, either in practice or in the academic literature. However, we do know that the Internet is becoming a popular medium for consumers, both to gather information and to purchase goods and services. There has been substantial growth in the use of the Web in retailing and continued growth in the future looks very promising. The Web merchandisers that win in the marketplace will be those that develop strong relationships with their customers, capturing their loyalty and thus obtaining greater profitability. The question that needs to be better understood is: *What are the drivers of building relationships on the Web?*

This presentation develops understanding of some of the key drivers that result in customers becoming loyal to specific online retail sites. To accomplish this, I include three important investigations. First, I review the human-computer interaction literature. This addresses some technology issues that will improve the interface between the user and the computer. As these technical developments evolve, human-computer interaction will be facilitated by enhancing consumer interaction with Web merchandising sites. Second, I

discuss current strategies and tactics that retailers are using to improve customer relationships. For this part, I review the trade and academic literature to discern the degree to which the drivers of Web merchandising relationship building (WMRB) have been addressed either directly or indirectly. In addition, I have interviewed representatives of several national retailers and have talked with their internet/web personnel. This has enabled me to better understand the importance that they place on relationship building and establishing customer loyalty. During these interviews, I have discovered some of the creative tactics that they have utilized on their websites to promote online and store loyalty. My third investigation will cover a select group of heavy users of Web merchandise sites, describing their perceptions regarding the methods/tactics used to promote and enhance online relationship development.

It appears that currently some stores use the Web to enhance store loyalty while others use the Web to create website loyalty. In either case, the establishment of loyalty is the critical issue and understanding the drivers of WMRB need to be better understood. This presentation should generate discussion that could lead to a number of interesting research issues that will need to be addressed in the future.

## **Discussion: Drivers of Online Relationship Building**

### **E-Services and the Cultural Significance of Relationships: An Exploratory Study**

**Renée Florsheim**

Loyola Marymount University

#### ***Abstract:***

It has long been a truism that in some societies, notably those in Asia and Latin America, the trust developed during long-term business relationships is seen as a barrier to entry by outsiders, creating frustration among competitors wishing to expand into these markets. Hofstede (1980) characterizes such cultures as “collectivist”; individuals within such cultures belong from birth onward to mutually-protective groups, and business behavior mirrors this form of organization. Indeed, in a strongly collectivist society, relationship marketing would be the norm; transactional marketing would be the more foreign concept.

Because services are performances, the purchase of a service more frequently involves human interactions than does that of a tangible product. Traditional rules of service marketing suggest that the service provider matters in ways that the seller of a good does not. The service provider acts as a surrogate for the service itself; the customer looks for cues about the service to be performed in the provider him- or herself. Appearance, demeanor, style, perceived experience, credentials – all may engender trust in the competence of the provider and may facilitate a business relationship.

E-services, on the other hand, generally operate impersonally. The customer’s interface is with a website, not with an individual. While a poorly-designed or sloppy website may make a poor impression and hinder the ability of an e-service provider to connect with customers, it may be easier to hide shoddy business practices behind the façade of a professionally-designed website. Furthermore, there are fewer opportunities for a service customer to develop trust in the e-service provider prior to purchase; while a traditional service customer can repeatedly test the trustworthiness of a service provider in varied interactions, the

e-customer can only return again and again to the same website, repeating the same experience without expanding it.

After centuries of doing business by relying upon trusted human relationships, the collectivist regions of the world have embraced e-services. Although one might assume that the fit would be an uncomfortable one, no one has investigated the overall impact and integration of e-services in collectivist societies.

This presentation takes a preliminary look into both the impact of these relationship-oriented societies on e-services, and the impact of e-services on these societies. Who is using e-services? How are such services being used? Which services are successful, and why? Are they e-extensions of pre-existing business relationships, or are they seen as a new form of relationship? Are they more likely to include global players than does the traditional marketplace? How does the use of e-service impact extant business relationships? Does it weaken, or strengthen, the bonds of trust thought to be so critical to doing business in these countries?

This investigation of e-relationships in collectivist societies begins with a review of the literature on business relationships in these countries, considering how the characteristics sought in such relationships may or may not be duplicated in e-service form. This is followed by a limited set of in-country interviews with users of B2B services, in an attempt to understand their choice of service providers and the role played by e-services in those decisions. These findings will be considered in light of Internet penetration into these countries and their business vitality, to give preliminary predictions on the regional future of e-services.

It is often suggested that the global reach of e-commerce will homogenize business in years to come. This presentation provides an early look at the feasibility of such a future for e-services.

## **Discussion: Cultural Differences in Online Relationships**

### **Investing in E-Service Relationships**

**Charles F. Hofacker**

Florida State University

#### ***Abstract:***

This presentation discusses two related questions: (1) In what aspects of e-Service should a firm invest? (2) How much should a firm invest in E-Service?

Traditionally, company expenditures in marketing activities have been justified in terms of the elasticity of demand with respect to those activities, and the immediate profits that result from increased transaction volume. Some firms with direct connections to the customer offer exceptions to this rule; examples include catalog retailers, travel agencies, and financial service firms. Recently, the static orientation has given way in more industries to a marketing philosophy based on building long term relationships with customers.

Advances in IT, and particularly in the Internet, give many of the characteristics of direct marketing to all of marketing. With the ability to track individual consumers, it has become possible to assess marketing activity in terms of the discounted lifetime value of the customer base. This focus on customer equity in marketing has been discussed by Dwyer and

Singh (1998), Blattberg and Deighton (1996), Jain and Singh (2002) and Gupta, Lehman and Stuart (2004), among others. In effect, the question of marketing strategy has become the question of how best to manage customer relationships.

A company's website currently plays a central role in mediating the new customer-firm relationship. In fact, it may fill a variety of key roles in communications, promotion, direct selling and providing post purchase support. The website is the electronic face of the firm, and as such is clearly worthy of investment. But here is where the two questions posed at the beginning of this note come into play.

### *(1) What to Invest In?*

Early research has pointed to the importance of website interactivity as being important to attract and retain customers (Lohse and Spiller 1999). Another area for potential investment is e-service quality and the creation of valid scales for measuring it. Gefen (2002) applied SERVQUAL online, finding that it collapsed to just three of its original dimensions: tangibles, empathy/responsiveness and reliability/assurance. Zeithaml, Parasuraman and Malholtra (2003) identified website design features, positing an impact of these on site evaluation and eventual product purchase. Other potential investments include ease-of-use, aesthetics, speed, and security (Yoo and Donthu 2001); graphic style, information content and navigation structure (Montoya-Weiss, Voss, and Grewal 2003); fulfillment/reliability, privacy/security and customer service (Wolfenbarger and Gilly 2003).

Trust and security have emerged as key elements of e-service quality, and there have been a large number of studies treating that topic (see Grabner-Kräuter and Kaluscha 2003 for a review). According to Urban, Sultan and Qualls (2000), recommendation agents can help to generate trust. In fact, one of the unique aspects of e-commerce is the ability to offer software help that is simply not possible off line and which leads to better quality choices (Häubl and Murray 2003).

### *(2) How Much to Invest?*

A company can benefit greatly when consumers become familiar with its website (Johnson, Bellman, and Lohse 2003). This is true whether the site actually sells a product on line, supports offline selling through communications or other support, or is a content site that sells advertising. For the latter, return visits are paramount for gaining revenue while for other sites, a return visit might lead to an eventual trial or repeat sale. The likelihood of retention, a factor that appears in the customer valuation model of Gupta and Lehman (2003), is logically dependent on the site quality factors reviewed above.

## **Discussion: Investment Decisions for Online Relationships**