

E-retail factors for customer activation and retention: An empirical study from Indian e-commerce customers

Abstract

Customer satisfaction has emerged as one of the most important factors that guarantee the success of online store; it has been posited as a key stimulant of purchase, repurchase intentions and customer loyalty. A comprehensive review of the literature, theories and models have been carried out to propose the models for customer activation and customer retention. Five major factors that contributed to the success of an e-commerce store have been identified as: service quality, system quality, information quality, trust and net benefit. The research furthermore investigated the factors that influence the online customers repeat purchase intention on the basis of the Means End Chain theory (MEC) and Prospect theory. By hypothesising that a combination of both utilitarian value and hedonistic values are needed to affect the repeat purchase intention (loyalty) positively, Structural equation model has been presented on the primary data collected from the Indian online shoppers. Results indicate the e-retail success factors, which are very much critical for customer satisfaction. By increasing the utilitarian value and hedonistic values derived by the customers, customer satisfaction and hence the customers repeat purchase intention can be increased significantly.

Introduction

Large number of customers are getting attracted towards online retailing; this is because e-stores usually offer them a variety of services and products according to their preferences. Convenience, round the clock availability, flexible pricing, discounts as well as free door step delivery are some of the major benefits of shopping online. Presently, more number of online retailers are beginning to experience increase in demand for products and services (Singh and Rana, 2018). Indian online retail industry has been experiencing good times since the last six years; as a result of the constantly growing internet penetration, deployment of modern infrastructures, and a robust ecosystem for e-retail start-ups (Deloitte, 2018). Several e-commerce start-ups have commenced operation with innovative strategies, which differs from what was pioneered by first generation e-commerce companies. “More than 1200 start-ups came up in 2018, including eight unicorns, taking the total number to 7200 in India” (NASSCOM, 2019). India's B2C e-commerce revenue grew from ₹20 billion in 2017 to reach ₹25 billion in 2018 at a growth rate of 20% (Asendia, 2019). The number of internet users in India has been growing at a CAGR of 35% since the year 2007 according to a report by IAMAI-IMRB (2017). Having grown from just over a 100 million internet users in 2010, India has since touched 500 million internet users in 2018. Online retail businesses are positioning themselves to be able to take advantage of the

massive internet user base by turning them into online shoppers. Indian e-commerce market is poised to surpass that of the United States, making it the second largest in the world in less than twenty years from now (PwC India, 2018). According to global payments firm Worldpay (The economist, 2016), this rapid growth is driven by a host of e-commerce players comprising of small, medium and large firms in terms of revenue and assets. An amalgamation of factors contributed to India's rapid increase in number of online retail shoppers, which includes; digital friendly policies of the Govt. Large investments made by the online retailers, growing internet and smartphone penetration, demographics distributions, emerging middle class and young population (IBEF, 2019; Agarwal and Dixit, 2020).

With western markets getting saturated (matured) and China becoming more restrictive, India is becoming the main battleground for the e-tailers. The focus is attributed to the increased internet penetration, per capita income, rising middle class, urbanization and changes in consumer spending trends in India. Some foreign e-tailers like [Amazon.com](https://www.amazon.com) and Walmart (through [Flipkart.com](https://www.flipkart.com), [Myntra.com](https://www.myntra.com), [Jabong.com](https://www.jabong.com)) are already playing with a good market share, while others like [Alibaba.com](https://www.alibaba.com), [Rakuten.com](https://www.rakuten.com) are subtly trying to gain access to market through investment in small or big companies. A number of home-grown small e-retailers are struggling, while the big players are also facing a rough competition. Correspondingly, the decision making by these e-tailers becomes very much important in terms of customer activation and retention. Any wrong decision can lead to high risk for the growth strategies. Hence, there is stringent requirement of research on the dynamics of the Indian online retail industry and coming out with the models for successful development of this industry. The increasingly competitiveness of the online retail industry has led the e-tailers to shift their focus from inducing the consumers to motivate the customers for repeated purchase. Purani et al. (2019) have argued that customer acquisition cost in e-retail is significantly higher than in the traditional offline contexts. Hence the e-loyalty becomes the most crucial factor that decides the profitability of any online business.

Therefore, knowing how to maximise the repurchase intention of Indians online consumers' is vital for an online retailer in India to achieve its business goals. This may further lead to develop a general reference model for successful online retail business. Success of an online retail website depends on its system quality and how much consumer motivator values are derived through shopping from it (Ahn et al., 2007). "System quality is the level of user satisfaction with the technical and functional aspects and is dependent on factors like: response time, usability, availability, reliability, and adaptability" (Delone and McLean 2003). On the other hand, motivational values are referred to as either utilitarian value (function or task oriented) or hedonic value (fantasy, multisensory or elements based on emotions) as discussed by Hepola et al. (2020). The present work has focused upon these values and attempted to see their role in the customer satisfaction and purchase decisions. The primary objective of this study is to propose and empirically test the online retail success model with emphasis on proving values to the customers. This work proposes two online retail success models and test them with the data collected from online retail customers in India. First model incorporates the factors necessary for user satisfaction, which in turns leads to purchase/repeat

purchase intentions. While the second online business success model explains customers motivational values necessary for repurchase decision and loyalty, and most importantly how these values may differ from one customer to another.

Section snippets

Theoretical background

Several researchers have attempted to identify the factors necessary for online retail business success. Studies have mostly emphasized on: creating value for customer (Boshoff, 2007), managing the customers' online (Santouridis et al., 2009), improvement of e-retail service quality (Brown and Jayakody, 2008; Boshoff, 2007), e-retail strategy (Brunn et al., 2002; Nero and Raman, 2019), customer retention (Khalifa and Liu, 2007) and website quality (Kim and Lee, 2005; Kuan et al., 2008).

Proposed research models

The research model in this study is based on the Online Customer Lifecycle used in e-commerce, it tracks both the customer's qualitative and quantitative journey in relation to a product (Arul, 2020). The model is based on statistical records of customer's progression through the phases of the process; focusing on how to optimize the performance of several touch points and channels of interaction. Goal of every e-commerce company is to acquire customers ensuring that there is a continuously

Data analysis and results

Aim of the data analysis was to test and validate the proposed conceptual model and to identify the casual relationships that exist between variables. The researches adopted several techniques to test, validated, check the fitness of the model as well as to test the hypotheses. The study used several goodness-of-fit indices to test if the model can be accepted; the technique used includes; Chi-Square Goodness of Fit Test, Normed Fit Index (NFI), Comparative Fit Index (CFI), The Root Mean Square

Conclusion

To run a successful online retail store, emphasis must be given to the factors necessary for user satisfaction. However, these factors may differ among the customers as per their preferences. From the proposed and tested models: information, system and service qualities prove to be the well-established factors necessary for online business users' satisfaction. Nevertheless, e-tailers are required to integrate other benefits as well to create value to the customer.