

## **PERCEPTION OF ATTRACTIVENESS OF COMPONENTS OF THE OFFER AND FORMS OF SUPPORT TO REPEAT PURCHASES BY E-SHOP CLIENTS**

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### **Abstract**

Development of e-commerce shops leads to intensification of competition among various business entities. When trading in any products on the Internet it is no longer enough just to present the basic components of the offer - product, price, delivery method and payment method, but we also need to offer various forms of support to clients' purchases. In doing so, it is not enough just to use various tools of support to the direct purchases of customers, such as standard (transactional) forms of sales promotion. It is also necessary to use different tools to support repeat purchases, which will lead to an increase in the e-commerce client loyalty and strengthening of relations between them and the e-shop. The point is to induce repeat purchases by customers, enhance their retention and increase their emotional attachment to e-shop products and also build a desirable image of the e-shop in the market. This fully applies to all sectors in which products are sold in this distribution channel. The paper deals with changes in the concept of customer value attributes as emotional and social attributes are becoming increasingly important. This is also reflected in changing the effectiveness of various incentives to customers' repeat purchases. The paper summarizes selected results of a quantitative marketing research among clients of an e-shop with over-the-counter drugs and dietary supplements, aimed to determine the extent to which the clients of this e-shop consider individual components of the offer and various incentives to repeat purchases important. The research results are a valuable source of knowledge for the cultivation of demand for e-commerce products in industries whose products are intended for final consumers.

### **Keywords:**

Changes in the concept of customer value, customer preferences for e-shop components of the offer, client preferences for forms of online support to repeat purchases

### **1. INTRODUCTION**

The dynamics of market development, increasing competitive pressures and increasing penetration of Internet into commercial activities in all sectors, all this implies the need to upgrade the system of working with the market in selling through e-shops and adapt it to changing customer preferences with regard to the components of the offer and attractiveness of various forms of incentives to repeat purchases. Although the number of e-commerce shops in most sectors is growing exponentially, most of them adhere to the classical model of supply and sales. After finding an e-shop, the clients of these e-shops have the opportunity to see the supply in which there is an audiovisual presentation of the product mostly in the form of pictures or short video spots, price and sometimes the product description. Gradually after choosing a product and saving it to the shopping basket, the client clicks through giving personal contact information and mailing address to selecting the payment method and delivery method and confirming the order and sending it. The question arises whether in the time of increasing competition in the electronic commerce this business model is sufficient to attract and retain clients and establish long-term relationships with them. We do not think so. Only a comprehensive approach to meeting the needs of customers [1] and supply of fresh and innovative solutions to their problems [2] may lead to the establishment of long-term relationships with customers [3] and winning their loyalty [4, 5].

## **2. CHANGES IN THE CONCEPTION OF CUSTOMER VALUE AND THEIR IMPACT ON THE FORMS OF SUPPORT TO CUSTOMER REPEAT PURCHASES AND LOYALTY**

At present, customer value is viewed as an integrated configuration which creates a comprehensive model of customer value [6, 7, 8]. Customer value should be understood more broadly than just products and services that are useful for the customer. At present, it should move from the emphasis on products and services to a wider and more comprehensive basis for customer satisfaction and pleasure by inserting these products and services to experiences generally meaningful to the customer. The shape of products and services should thus incorporate elements associated with the overall customer experience that creates or enhances the value. Increasingly accented is the multi-dimensional concept of customer value, which points to a number of attributes associated with the customer value and allows to better reveal how the customer derives benefits from products and services offered in real life [9, 10]. The intangible emotional and social attributes of customer value have been gaining increasing importance since they are difficult for the competition to copy and they create assets that lead to gaining of more intensive customers' experience and deepening relationships with customers and increasing their loyalty [11, 12, 13, 14]. One way to get an innovated customer value and to cultivate of demand [15] is thus strengthening the ability of the firm and its staff to develop strong relationships with customers and to raise positive experience of customers as an inherent part of the products and services offered. In strengthening the emotional and social components of the customer value, that means to cooperate more closely with the suppliers of the products, with distributors and other entities of the value network to work together to create the strategic benefits, enabling strong and long-term increases in the customer value as a result of synergies arising from cooperation of these entities of the value network [16, 17]. The question arises, what tools can be used to increase the customer value in this modern concept in serving customers of e-shops.

Typical tools to make the customer purchase are various forms of transaction-related sales support (transactional sales support). These are various instant discounts, gifts, as well as competitions, coupons, etc. [18]. We are witnessing an explosion of the use of these forms of support. As the experience with their use shows, the customers of traditional shops meet with them every day. The consequence thereof is that they gradually lose their effectiveness and do not make the clients purchase repeatedly. In addition to the transactional forms of sales support, various forms of rewards programs and loyalty programs have begun to be used, consisting in the fact that the customer receives some form of rewards for repeat purchases [19, 20]. All these forms can also be used to create offer in e-shops. The question arises to what extent these are appealing to the clients of e-commerce shops.

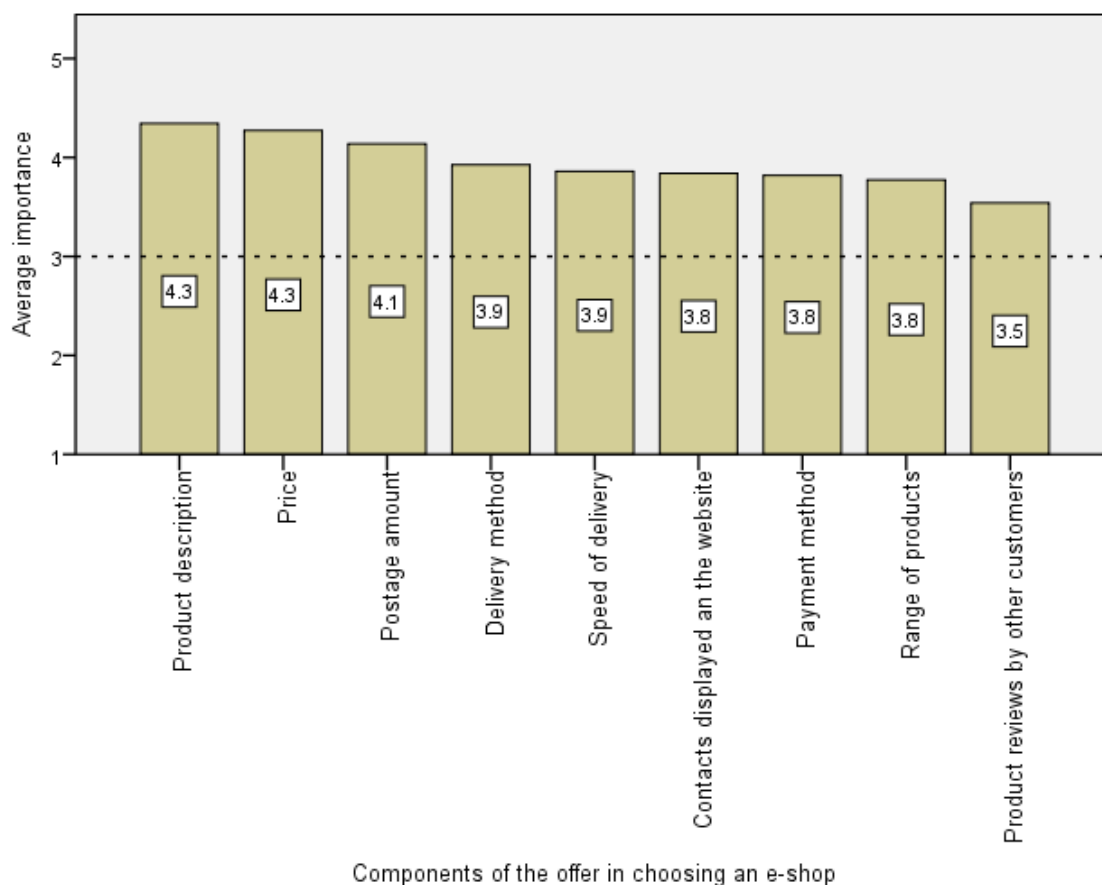
## **3. RESEARCH METHODOLOGY OF PREFERENCES FOR COMPONENTS OF THE OFFER AND FORMS OF SUPPORT TO REPEAT PURCHASES WITH E-SHOP CLIENTS**

Internet pharmacy customers' preferences for sales support forms were researched in a quantitative research through an online interview. We carried out this quantitative research in September 2011. By a simple random selection 1,200 customers were chosen of an Internet pharmacy from the population of 5,630 clients. Its owner also operates a bricks-and-mortar pharmacy in the centre of Prague and also runs a private clinic for overweight reduction, modification of metabolism and healthy lifestyle. The research was conducted through Internet polling. 761 clients returned the completed questionnaire, representing a 63.4 percent return of questionnaires. The data were processed and analyzed using the IBM SPSS Statistics and through synthesis of the findings obtained. This research was (among other things) focused on mapping the importance that the e-shop clients attach to various parameters of the offer, including the range of products offered. Examined was also the extent to which the clients consider important, from their perspective, various forms and tools of support that make them purchase repeatedly. In doing so, we also investigated how important it is for them to get online counselling on the e-shop's website and what should be the content of this counselling.

#### 4. RESULTS OF RESEARCH INTO PREFERENCES FOR COMPONENTS OF THE OFFER AND FORMS OF SUPPORT TO REPEAT PURCHASES WITH E-SHOP CLIENTS

##### 4.1 Preferences for components of the offer in choosing an e-shop

First of all, it was examined what criteria the respondents consider when choosing an e-shop (in our case an online pharmacy) and how important these criteria are for the e-shop clients when choosing an e-shop. The findings are summarized in Figure 1.



**Fig. 1** The average importance of the components of the offer in choosing an e-shop

The research showed that customers of online pharmacies consider the basic components of the e-shop's offer, such as the broad range of products, product description, price, amount of postage, delivery method, speed of delivery, contacts on the website and method of payment offered, to be very important and therefore not one of them may be excluded for the offer presented on the e-shop's website.

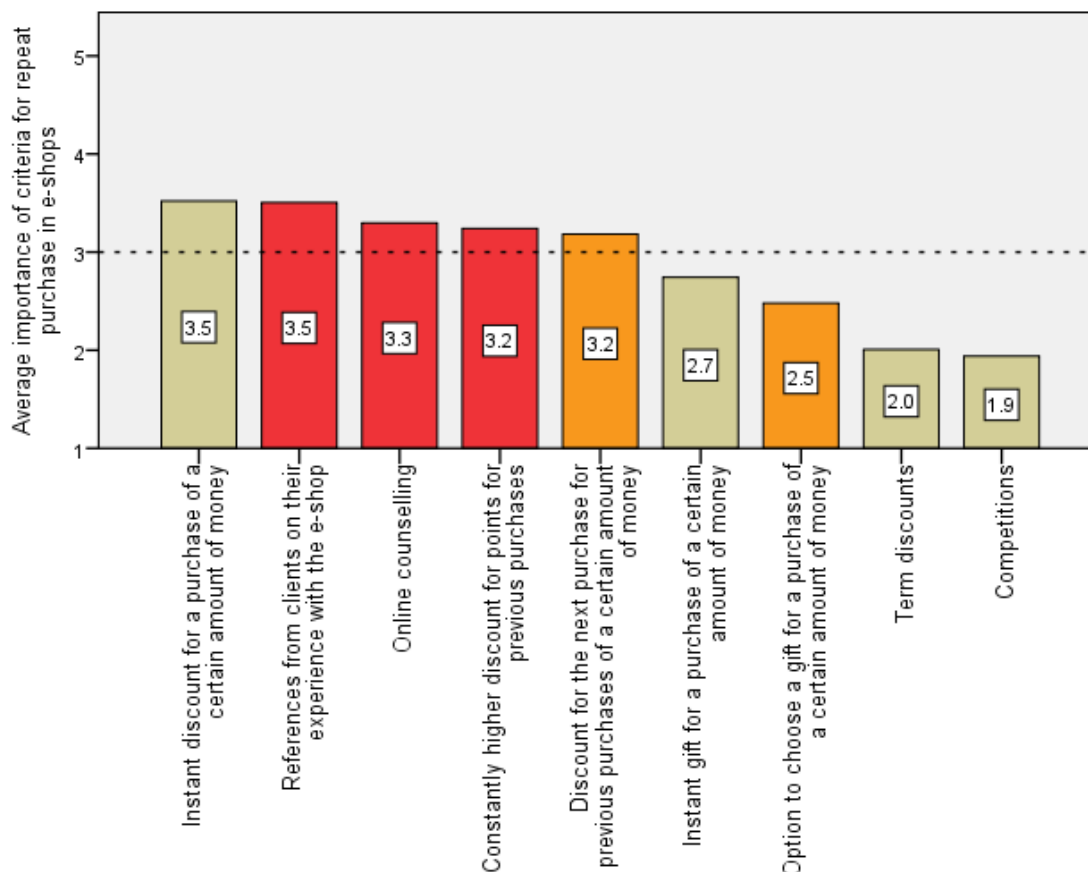
It was also discovered that they want the widest possible range of products sold. At the same time, the clients appreciate references from other customers and online counselling on the e-shop's website. They would appreciate it if each product had its detailed description, information on the ingredients of products, method of use, side effects, notice of complementary products, notice of substitution products so that their choice of products was as easy as possible. The clients expressed themselves that they require a choice of different methods of delivery from delivery by post to delivery by courier or picking-up the product in the bricks-and-mortar shop. They also demanded payment not only for cash on delivery but also by credit card or via electronic banking. Very beneficial for them was also providing information on the status of the order and notice when the goods ordered are delivered. The online pharmacy clients considered reviews and shared experiences with the use of products from other customers very important.

The Crosstabs analysis revealed that there are significant differences among the clients in the online offer component "price" and "product reviews from other clients," as these components of the offer are much more important for the age group under 35 than for other ages. Also, the product description is important for women than for men. Description of the product is very important for clients with medium and basic education while for clients with higher education description of the product is rather important.

Pearson correlation coefficients in terms of the importance of various components of the offer in choosing an e-shop showed which components of the offer clients consider simultaneously. A stronger correlation was demonstrated between the method of delivery, speed of delivery, payment method and price and between the product range, reviews by other clients and contacts on the website, and between the method of delivery and contacts on the website. This means that we can specify three different market segments in terms of what various segments of the market consider important when selecting an e-shop.

#### 4.2 Preference for forms of support leading e-shop (online pharmacy) clients to repeat purchases

The aim of the research was to further determine the extent to which e-shop clients are encouraged by the various forms of support to repeat purchases. The research results are summarized in Figure 2.



**Fig. 2** Preferences for forms of support to repeat purchases in e-shop

The research results lead to the knowledge that while a short-acting stimulus is more attractive for the clients of e-shops to repeat purchase – getting an instant discount when they purchase a certain amount, long-term incentives are almost equally important to them (marked in red in Figure 2). These are mainly references from clients about positive experience with e-shop, online counselling and permanent discounts for certain points from the previous purchases. The Crosstab analysis revealed that the long-term incentives are significantly more important for clients with higher (particularly secondary and tertiary) education and older

age groups over 51 years. All these incentives are emotional and social components of the value provided to the customers, leading them to a stronger emotional attachment to an e-shop reinforcing their positive attitude to the e-shop while increasing their loyalty.

Somewhat less, but still above average, important for the e-shop clients is discount they can get with the next purchase for a previous purchase, or a gift they get for some points for previous purchases (marked in orange in Figure 2). Interestingly, the purchase discounts for the clients of e-shop are significantly more important than the gifts, especially for men and age group under 35. The fact is that their impact on repeat purchases is short-lived.

Very valuable for deciding on forms of support programs is the finding that the e-shop clients are encouraged to repeat purchases much less by classical forms of short-term sales support, such as gifts that the customer gets immediately for a purchase for a certain amount, term discounts (special offers) and rewards for competitions when the customers respond to a question, and one of them is drawn and wins a gift. In terms of increasing e-shop customer loyalty and retention, short-acting forms of sales support are mostly less effective (marked in green in Figure 2).

Pair correlation of significance of the various stimuli is shown in Table 1. The darker the colour is in the correlation matrix in the cell, the stronger the pair correlation is between certain incentives to repeat purchases.

**Table 1** Pearson pair correlation coefficients of importance of incentives to repeat purchases

| The importance of incentives to repeat purchases: | Discount from previous purchase | Choose a gift for certain number of points | Instant gift | Constantly higher discount for points | Instant discount for a certain amount | Competitions | Special discounts | Online counselling | References from clients on the e-shop |
|---|---------------------------------|--|--------------|---------------------------------------|---------------------------------------|--------------|-------------------|--------------------|---------------------------------------|
| Discount from previous purchase                   | 1                               | ,340**                                     | ,235**       | ,416**                                | ,394**                                | ,324**       | ,263**            | ,214**             | ,217**                                |
| Choose a gift for certain number of points        | ,340**                          | 1  | ,457**       | ,393**                                | ,227**                                | ,324**       | ,299**            | ,139**             | ,127**                                |
| Instant gift                                      | ,235**                          | ,457**                                     | 1            | ,165**                                | ,318**                                | ,341**       | ,259**            | ,154**             | ,156**                                |
| Constantly higher discount for points             | ,416**                          | ,393**                                     | ,165**       | 1                                     | ,464**                                | ,155**       | ,160**            | ,163**             | ,209**                                |
| Instant discount                                  | ,394**                          | ,227**                                     | ,318**       | ,464**                                | 1                                     | ,166**       | ,153**            | ,104*              | ,144**                                |
| Competitions                                      | ,324**                          | ,324**                                     | ,341**       | ,155**                                | ,166**                                | 1            | ,590**            | ,244**             | ,184**                                |
| Term discounts                                    | ,263**                          | ,299**                                     | ,259**       | ,160**                                | ,153**                                | ,590**       | 1                 | ,354**             | ,235**                                |
| Online counselling                                | ,214**                          | ,139**                                     | ,154**       | ,163**                                | ,104*                                 | ,244**       | ,354**            | 1                  | ,524**                                |
| References from clients on the e-shop             | ,217**                          | ,127**                                     | ,156**       | ,209**                                | ,144**                                | ,184**       | ,235**            | ,524**             | 1                                     |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

The table of pair correlations shows that the clients who require online counselling also require references from clients on their experiences with e-shop. Also, importance of different types of discounts is strongly correlated. A strong correlation between incentives is obvious, in which they are offered gifts and, finally, there is an obvious stronger correlation between short-term incentives in the form of discounts and competitions. These four areas of stronger correlations reveal that e-shop clients in terms preferences for incentives to repeat purchases can be divided into four market segments, as confirmed by the subsequent cluster analysis.

## 5. CONCLUSION

The Internet penetration in business practices and the growth of e-commerce in various sectors, offering products for final consumption, require changing business models used in the marketing of products and services over the Internet. It turns out that in creating value for customers it is necessary to provide customers, in addition tangible benefits, with more intangible emotional and social benefits that make e-commerce clients to a far greater extent repeat purchases, increasing their loyalty and strengthening relationships with them. The representative quantitative research showed that online pharmacy customers consider basic components of the e-shop's offer, such as the broad range of products, product description, price, amount of postage, delivery method, speed of delivery, contacts on the web and method of payment offered, to be very important, therefore neither can be excluded from the e-shop's offer, and, on the contrary, they should adjusted to the needs and requirements of the clients of e-shops. At the same time, the clients of e-shops appreciate references of other products by other clients on the e-shop website. To repeat purchases in the e-shop, instant discounts on purchases over a certain amount are important for them now but it isn't enough. The research has shown that for repeat purchases in e-shops equally important to customers are the long term incentives. The clients of e-shops would welcome in particular access to references on the clients' experience with the purchase at the e-shop and an extensive online counselling, preferably by an expert for the category of the product offered. They demand advices on how to use the products, which products are complementary to the products ordered, which products are substitution products. They want to also address potential problems associated with purchasing and using the products. Conventional short-acting forms of sales support, such as competitions and term discounts, for no attractive enough for the clients of e-shops to repeat purchases.

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