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What Attracts Customers to Online Stores, and What Keeps Them Coming Back?

David J. Reibstein

University of Pennsylvania

Many businesses on the Internet in the late 1990s spent wildly, doing whatever it might take to attract customers to their sites. It soon became clear that the challenge was not simply to bring the customers in the door but also to retain these customers for future purchases. The quest was on to discover what tactics had the most appeal to Internet shoppers. This study reveals survey and behavioral data drawn from Internet customers that reflect what was most important to the Internet shoppers and compare the factors for attraction versus retention. Since many have viewed the Internet as creating more perfect information for the buyer, the question arises as to how important price will be in the purchase process. What becomes clear from the analysis is that what attracts customers to the site are not the same dimensions critical in retaining customers on a longer term basis.

As the Internet unfolded and the world of dot.com businesses began to emerge, it became clear that the race was on to acquire customers. Many dot.com businesses were under the belief that the first to gain customers would be the “winners” in this space. As such, in the late 1990s, we witnessed excessive amounts of spending on advertising, such as Super Bowl 1999 and 2000 advertising by dot.coms, numerous promotions and “give-aways,” and other forms of enticement to attract customers to Internet sites. Much attention was given to the conviction of “first-mover advantages” on the Internet. As a result, there was

little time to study what worked online and what did not. There was an urge to be there first.

Of course, the premise of the first-mover advantage on the Internet was the belief that once the customers came, they would be “locked in” to using that site, thereby making it more difficult for later entrants to be able to attract customers. Hence, the quest was on for customer acquisition.

Much of the willingness to wantonly spend in order to acquire customers was based on some either explicit or implicit notion of the lifetime value of the customer, a much-developed concept in the marketing literature. Why else would anyone be willing to spend more to acquire a customer than the margins generated from the one-time customer sale? This became all the more apparent when the next rallying theme on the Internet was that of customer retention. The central focus moved internally to assess what operational features were most effective in keeping customers so they would continue to shop at a particular site.

The Internet, while offering promise to the numerous aspiring entrepreneurs, is a dangerous territory. Because of the ease of switching and the ability to quickly gather near-perfect information, customers are awarded with a new set of power tools in their decision making. Armed with the latest information and prices of what a product is being sold for at numerous sites, there is little to inhibit customers from switching suppliers or from changing where they would shop. This makes the retention task all the more difficult.

Without doubt, much of the expenditure for both the acquisition and the retention objectives was based on intuition and what the general managers felt were the most likely methods to succeed. Undoubtedly, much of the expenditure was also stimulated by managers who

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emulated what others had done, believing that these are the necessary steps in acquiring and retaining customers. Hence, we were able to observe spiraling marketing expenditures.

The purpose of this article is to explore from the customers' perspective what attracts them to a specific site and which characteristics of a site keep them coming back. In particular, we will explore the role of price both for the acquisition process and for customer retention. This should provide guidance to future e-tailers about the best methods for attracting and retaining customers and the importance of having the lowest price, based on market data. This article provides a background of the literature on decision making in the digital environment and how it might be different, a description of the data that are explored in this study, the results, and the implications for doing business online.

BACKGROUND

In a surprisingly short amount of time, a literature has built up on consumer decision making in the digital environment. Dholakia and Bagozzi (2001) did an excellent job of summarizing much of what has been written about how consumers make their purchasing decisions in the new digital environment. Similarly, Häubl and Trifts (2000) discussed consumer decision making and the impact of decision aids in the process. Both are excellent references.

One perspective is that the Internet will allow customers to become more efficient in their buying process. This efficiency results primarily because the cost of information, as well as the cost and time required of acquiring information, is so low (Bakos 1997). With information being exceedingly easy to access, the resulting outcome will be that consumers have the capability of becoming fully informed with regard to their options (Bakos 1997; Brynjolfsson and Smith 1999). Thus, they will be able to make better decisions with less required effort.

Often, the amount of information that can be delivered to the consumer is constrained by the size of the package and the space available on which to deliver a message, the time available in a 30-second spot, or the space available in a print ad. Alternatively, the cost of delivering the information could be quite high if one were to buy the ad space to provide full communication of information. Given that information requirements may differ across consumers, the total amount of possibly required information could be daunting and prohibitively expensive. In the digital environment, these constraints are much less severe. Package size is not a factor, nor is ad space. In the digital world, the information is not limited by the physical space (Alba et al. 1997; Johnson, Lohse, and Mandel 1997).

As pointed out by Dholakia and Bagozzi (2001), there is a downside to this information-abundant environment—that is, the possibility of information overload and the cognitive costs that might be involved (Bettman, Johnson, and Payne 1991; Malhotra 1982). The potential consequence of this excess of information is, perhaps, customers making suboptimal decisions and/or developing decision heuristics to simplify the decision task. But how does the decision process differ in an environment when information is plentiful and easy to access and perhaps there is more information than the customer can process?

The Role of Prices in the Choice Process

The Argument for Lower Prices Online

Many authors have speculated about the role of prices in the “efficient market” setting. Customers armed with full information of what prices are charged by different retailers, particularly for the same product, will be able to make the most economical decision. A barrier to finding the lowest price for an item in the “bricks-and-mortar” world has always been the lack of customer information and the cost of acquiring this information.

The process of searching for information online has been even more accelerated with the availability of electronic agents that automate the search process. In these cases, consumers can find all (or most) of the Web sites that sell a specified product and list the product's prices at these various sites. The role of consumer behavior when confronted with such electronic agents could easily be altered (Häubl and Trifts 2000; West et al. 1999). It is possible that with the introduction of electronic agents, the factors that attract and retain customers to a site might be different because of the ease of comparison across sites on certain dimensions.

Brynjolfsson and Smith (1999) found that prices online are 8 to 15 percent lower than the prices for comparable products in traditional retail outlets. This might be because of lower direct costs to supply the product (i.e., no rent, lower or centralized inventory, etc.). It might also be because of more price competition online—more competitors with more focus on price. A third potential reason for this might be the removal of the physical monopoly or an advantage any one retailer might have over another because of its proximity to the customer; that is, the customer has to incur an additional travel and time cost to go to another retail outlet. This cost to the customer does not exist to the same extent in the digital world, and thus the local monopoly is lessened.

Because of the visibility of prices as a comparison variable across e-tailers (the primary focus of most electronic agents), it puts added price pressure on each of the e-tailers. Last, the customer who is supplied with full information (or the “efficient consumer”) may be able to make a more

informed choice. Given it is the same product being offered from different e-tailers, it would be easy to envision customers selecting the lowest cost providers. All of these reasons could be part of what helps drive prices down on the Internet.

The Argument for Higher Prices Online

Of course, just because lower prices are being charged on the Internet does not mean there is more price sensitivity. It is merely a reflection of e-tailer behavior. We, however, would like to believe that e-tailer behavior is a reflection of what the customers they are serving value most, yet we do not really know whether the charging of lower prices is the correct retailer behavior.

Some have argued that price will play an even lesser role on the Internet, given the opportunity for more nonprice information to be provided. In contrast to the arguments above regarding the price attribute being so visible and dominant, the alternative position, with the lack of constraint on the quantity of information, is that customers can spend more time looking at and assessing nonprice attribute information (Lynch and Ariely 2000). Some believe that consumers, armed with increased nonprice information on which to base a choice, can make selections that lead to a higher level of postpurchase satisfaction, thereby increasing levels of loyalty. These increased loyalty levels will be reflected in lower levels of price sensitivity.

Brynjolfsson and Smith (1999) found lower prices being charged online than in traditional outlets. They also found much wider price dispersions being offered for the same product than in traditional retailing. They speculated that this might be the result of greater differences in nonprice attributes and services; hence, price plays a less important role in the consumer choice process.

Alba et al. (1997) believed that price sensitivity would be lower online than in traditional outlets when the nonprice attributes or quality attributes are of greater importance and when there is more product differentiation among the choices. When the products are relatively comparable, then price, of course, will play a greater role.

Even when we try to sort out the different expectations, the role of price in the digital consumer's choice process is not clear. There is little doubt that consumers in the digital environment have more information and that the ease of search is higher; as a result, consumers will be more fully informed or will have the opportunity to be more fully informed when making their product choices. It is important that some of the research seems to apply for consumers choosing *across brands*. In these cases, one might expect price to play a lesser role when quality attributes are important in the category (Alba et al. 1997). Brynjolfsson and Smith's (1999) research seemed to be more focused on the role of price when deciding which e-tailer to shop at for a particular product or when the choice is *across*

merchants. The focus of this research will be on the role of price and other attributes in the store choice when selecting brands or items.

While there are arguments on both sides, we come to our first proposition in this study:

Proposition 1: Price will be the dominant attribute in attracting a customer to a specific retailer online.

The Repeat Purchase Decision

Above we have explored what is known about the consumer choice process in the digital environment. But are the factors that drive initial choice the same for repeat purchase decisions?

Ariely and Carmon (2000) contended that a crucial part of the purchasing experience occurs at the end of the purchase process, when critical factors influence one's likelihood of returning to the same site. This argument would contend that the fulfillment aspects of the purchase process might play a greater role than the level of information provided or the amount of choice that is available to the consumer.

Just as in the case with traditional shopping, consumer behavior online becomes routine after a while. Once the consumer has become accustomed to shopping at a particular location or site, the decision process becomes "habitual" (Alba and Hutchinson 1987).

As to whether the choice process for a repeat purchase is different when choosing between brands versus merchants, Dholakia and Baggozi (2001) contended that the decision to return to the same site is equivalent to the decision to buy the same brand.

In this study, we will look at which attributes are important in deciding where to buy a product and whether to repeat a purchase at the same location. This takes us to our second proposition:

Proposition 2: Price will be the dominant attribute that draws customers to repeat purchase at a particular online merchant.

DATA

The desire is to find out which attributes are most important in the consumer choice process, both in consumers' initial purchase decisions and for the repeat choice decisions. It would be possible to construct an experiment in which the data provided to people are controlled, making it possible to extract factors that played a dominant role in their choice process. Or one could envision, for example, a conjoint design in which consumers would be given a choice of hypothetical sites that varied over a set of attributes. The concern in such experiments

would be the external validity—that is, is what they exhibited in the experiment consistent with their actual behavior in the marketplace? There would also be a question about the sample and whether the sample chosen was consistent with the actual shoppers to whom we are trying to generalize.

In contrast in this study, the data that will be viewed are of two forms:

1. actual behavioral data reflecting which attributes consumers used when using an electronic agent that allowed them to search on multiple attributes (not just price), and
2. self-explicated data in a survey regarding which attributes consumers claim are most important to them in the choice process.

Behavioral Data

All data come from the consumer shopping site BizRate.com. Customers who go directly to the BizRate.com site have a choice of browsing in a particular product category (apparel & accessories, actions, computers & software, consumer electronics, food & drink, gifts & flowers, health & beauty, home & gardens, office supplies, sporting goods, toys & games, or travel reservations), as is the case with many other shopping sites, such as can be found on AOL, Yahoo!, Dealtime, and so on. Once at the category, customers can look at the merchant ratings within these categories or can do a specific product search. The product search will yield a set of merchants online that carry that particular product at their site.

Most online shopping sites will allow or automatically sort the merchants by price for the searched-for product. At the BizRate.com site, the consumer can then have the sites ordered by a number of different attributes, including on-time delivery, price, service, and so on. The data used in this study are the behavioral data of the attributes that customers used for sorting the stores, as well as which stores they tended to go to from the BizRate site to complete their purchases from 1999 and 2000. The total sample used in this study is in excess of 1 million customers who have come to the site, conducted a search, and ventured onto the online merchant.

Survey Data

The second set of data comes from survey respondents who have purchased from an online retail site and, upon purchase, received a banner ad requesting them to complete a survey of the site prepared by BizRate.com. At more than 2,000 e-tail sites, whenever a purchase is made from that site, consumers are then given a chance to

complete a survey at the purchase page. Respondents are asked to rate the performance of the site on a set of attributes, state how important the attributes were in choosing which site they would shop at for the particular category they had just made a purchase, answer a series of questions about their likelihood of returning to the same site for their next purchase, and answer a number of demographic and other questions. The set of 10 attributes, which are used for the self-explicated importances and for the store ratings, was derived from a series of focus groups. In these focus groups, the participants were asked to discuss and then identify which attributes were most important to them in selecting which store they would buy from. The survey is of all purchasers at the selected sites, not a sample. There have been more than 10 million respondents to the survey to date. These data are from April 1998 through March 1999, with again an excess of a million respondents. The number of respondents differs by question.

Of course, several concerns should be raised about these data. The survey is not administered at all sites on the Web, only those that cooperate with BizRate.com. The respondents are those who have elected to go to a site and buy from it. Those who did not choose to go to a particular site or who went to the site and then left for whatever reason are not part of the sample. Hence, the sample consists of buyers, not surfers, browsers, or information seekers. As a result, the ratings of the particular stores tend to be on the positive side. If the consumers were not very content with the site, they most likely would have left without completing a purchase.

While the number of responses has been very impressive, there have been an even larger number of nonrespondents. The overall response rate has hovered around 8.4 percent for quite some time. Of course, one should always be concerned with any potential nonresponse bias. The fact that not everyone has answered the survey is normal; even a 100 percent response rate does not mean there is no nonresponse bias. For a nonresponse bias to be present, the respondents would have to answer the questions differently from those who did not bother to respond. BizRate.com has on numerous occasions conducted validity checks on its nonrespondents. This has entailed e-mail follow-up to nonrespondents to see whether the answers by the nonrespondents were any different from those who had responded earlier. BizRate.com has reported no noted nonresponse bias.

In the survey, the respondents are asked to report what they had purchased and how much they paid for the products. From the sample of BizRate.com shoppers, the average price paid per purchase in the sample is \$107. Not surprisingly, the highest average price is for computer goods, with an average price of \$272; consumer goods purchases are second, with an average purchase amount of \$137.

RESULTS

Behavioral Measures

The behavioral measures taken were from consumers who were given a choice of attributes to search by on the BizRate.com site. Shoppers could pick one attribute and then make a choice of which retailer to go to, or they could pick one attribute and then continue picking additional attributes sequentially until a choice was made of which store to shop. They could also weight the attributes and have the sites listed in weighted order before selecting their store choice. Analytically, all that was done was a frequency count of which method was used by the shoppers and on which attributes the search was done.

What became clear was that nearly no one (with the exception of perhaps a couple of academics who wandered to the site) bothered to use the weighted attribute approach to complete the search. The overwhelming choice process was the selection of a single attribute with which to sort. The attribute most frequently chosen as the sorting variable was price. The second most frequently chosen variable was "on-time delivery."

Once the sorting was completed, the consumers then had an opportunity to make their store choice. The store listed first was the most frequently chosen, the second listed store was the second most frequently chosen, and so forth in a geometric proportion.

Self-Explicated Importances From the Survey Data

The respondents were given the opportunity to state on a 10-point scale the attributes' importance weight in the store choice process. The overall mean for all of the attributes is relatively high. The rank order of the attributes for the overall sample of respondents is shown in the first column of Table 1. As can be seen, product price was the most important attribute for the overall sample.¹

Because respondents also provided demographic information as well as the "purpose of their purchase," it was possible to detect whether there were any differences within the sample. For all segments except for mature adults, price was the most important attribute. Only for the mature adults was price of second importance, with product representation and the level and quality of customer support being first and third in importance, respectively (see Table 1).

These results also differ in importance based on the purpose of the purchase. When customers are buying gifts for others, product representation is the most important retail characteristic, followed by "on-time" delivery. Price is fifth in importance. This makes sense because buyers often

never get to see the product they are purchasing for someone else and would like to be able to trust that what they have purchased is consistent with what they thought they were buying; hence, accurate product representativeness should be key. Also, if you are ordering a product for someone else, particularly for a special occasion, it is important that it is delivered on time. Given the differences across segments, it is key that the Internet retailer understand who is their targeted customer.

In addressing the first proposition, it would appear, based on the behavioral data and on the stated importances, that price, on average, is the dominant attribute in the choice process.

Customer Retention

This study seeks to address which attributes are most important in the customer retention process. There are several potential measures indicative of customer retention: customer satisfaction, repeat buying, share of requirements, and "likelihood to purchase again." We will examine each of these measures and then how the results relate to Proposition 2—the role of price in the customer retention process.

Customer satisfaction should be an indication of how well customers like their experience at the site, and it is probably the best indication of their willingness to return to the site again if they are to make another purchase in the category. It is easy to imagine that if customers are very dissatisfied with their experiences, they are highly unlikely to return to the site for future purchases.

Repeat buying is referred to here as the number of times a customer shops at the particular site. Whether the customer shops at other sites is probably of less importance to any merchant than the volume that it is able to capture from a customer.

Of course, to determine how well the site is capturing the customer's potential volume, merchants might focus on a *share of requirements* measure. Share of requirements is a common measure for consumer-packaged goods firms. It captures the percentage of purchases in the category captured by each brand. It indicates how well the brand is meeting the customer's needs or, from the other perspective, the opportunity not yet captured. In this context, the share of requirements measure is the portion of purchases for that customer that is conducted at one particular site. Whether a site should prefer to have a higher share of requirements value rather than focus on the level of repeat buying is debatable. It is possible to have a 100 percent share of requirements, yet it may only represent a customer who has purchased one item. In contrast, a customer with a 50 percent share of requirements who has

TABLE 1
Attribute Importance (self-explicated): Total Population and by Segment

	Attribute Importance by Segment							
	All Buyers	Teen Plus	Young Adults	Average Income, No Kids	High Income, No Kids	Average Income With Kids	High Income With Kids	Mature Adults
Ease of ordering	6	7	5	6	3	6	3	5
Product selection	3	2	2	5	4	5	4	8
Product information	8	6	7	7	8	8	8	6
Product prices	1	1	1	1	1	1	1	2
Navigation	10	10	10	10	10	10	10	10
On-time delivery	5	4	4	8	5	7	5	7
Product representation	2	3	3	2	2	2	2	1
Customer service	7	8	8	3	7	4	7	3
Privacy policies	9	9	9	9	9	9	9	9
Shipping and handling	4	5	6	6	6	3	6	4

NOTE: We chose not to present the actual mean importances and their variances because with a sample of this magnitude, all differences are highly statistically significant.

purchased 10 items in the category brings the e-tailer five purchases.

In what follows, we look at the results of each customer retention measure.

Customer Satisfaction

Respondents rated their satisfaction with the site where they shopped on a 10-point scale, with 10 being *very satisfied* with their purchase experience at that site. Overall, the ratings were very high, with an average satisfaction rating of 8.43. Of course, we do not know about the sites consumers did not go to or the sites where they visited and decided not to buy since they would not receive a survey in such circumstance.

They were also asked to rate their satisfaction levels on each of the 10 attributes as well as to provide self-explicated importances, as described above. This provided the information to determine a specific measure by attribute of “dissatisfaction” by factor—that is, the maximum attribute level (10), minus the actual rating, multiplied by the attribute importance weight. From these data, it is clear there are two main areas for potential improvement: customer support service and on-time delivery. Both of these dimensions were of moderate importance (see Table 1) but represented the areas of greatest dissatisfaction.

Repeat Buying

While the satisfaction results were fairly consistent across categories, this was not the case for repeat buying. The highest incidence of repeat buying was for small-ticket items, such as music and books.

As the frequency of buying increases, the average number of items per order also increases. This contrasts with

the findings of Fader and Hardy (2001), who found that *within a cohort*, the purchase rates decrease. By *cohort*, they mean customers who made their first purchase in the same time period. As they observe their purchases over time, each cohort’s purchase amount and rate diminish. Our results are not in direct conflict with Fader and Hardy, but looking across cohorts (i.e., over time) in the BizRate.com data, it is clear that the customers who purchase more from a site tend to buy more than those who purchase less.

Frequency of repeat buying was measured by asking the customers how many times they have shopped online and at a particular merchant over the previous 6 months. As can be seen in Table 2, there are some customers who buy repeatedly from a particular merchant. This frequency rate undoubtedly differs significantly by product category. For example, the entertainment category, which has products such as music and books, has numerous repeat buyers, while apparel sales might be significantly less frequent. For categories in which there are multiple purchases within the category over time, it is essential for these customers to be retained at that site. The margins from each purchase rarely justify the individual acquisition costs. Given the high growth within the heavy frequent buyer categories, merchants appear to be generally successful in attracting repeat business. Looking at the last column of Table 2, it can be seen that as the frequency of shopping increases, the number of items purchased per order increases, making repeat customers all the more important.

Buyers can also be grouped into three different categories:

first-time Web buyers—respondents who indicated that this was their first purchase on the Web,

TABLE 2
Frequency of Repeat Purchase Online

Buying Frequency ^a	Contribution to Sales				
	Sales (in \$ millions)	Percentage Change Prior Quarter	Percentage of Sales	Point Change Prior Quarter	Average Number of Items Per Order
Never, this is my first purchase	1,263.6	41.3	50.5	-4.8	1.8
My last purchase was > 6 months ago	400.9	49.2	16.0	-0.6	1.8
Moderate buyers					
1-3 times	599.1	73.2	23.9	2.6	2.1
4-5 times	142.3	132.2	5.7	1.9	2.4
Experienced/frequent buyers					
6-10 times	59.5	106.5	2.4	0.6	2.6
11-20 times	22.7	141.9	0.9	0.3	3.0
Greater than 20 times	14.0	63.2	0.6	0.0	3.3

a. Number of previous times purchased from a given merchant.

first-time merchant buyers—respondents who indicated that this is their first purchase from a given merchant, and

repeat merchant buyers—respondents who indicated that this is not their first purchase from a given merchant site.

It should be noted that the sum of the first-time merchant buyers and repeat merchant buyers equals all buyers. In all three categories, there has been steady growth in monthly online sales, with a surge in the back-to-school and Christmas seasons (August and December) and the immediate months thereafter experiencing a dip in online sales, similar to what is experienced offline. In Table 3, sales by these different categories of buyers are shown based on a 12-month period from April 1998 to March 1999. There will be some period in which first-time Web buyer population will start to decline, indicating that the growth from new consumers can no longer be expected. It is worth noting that that period had not happened according to the data shown in Table 3.

Sales in April 1998 to first-time Web buyers were \$28.2 million. By March 1999, that figure had risen to \$95.9 million, almost a fourfold increase. While the sales of the other two categories had not grown as much, both had experienced significant growth as well. Interestingly, the growth of volume to first-time merchant buyers had grown much faster than to repeat merchant buyers. In April 1998, the volume was almost evenly divided between first-time merchant buyers and repeat merchant buyers. By March 1999, the dollar sales volume for first-time merchant buyers was nearly 50 percent greater than for repeat merchant buyers. This may be indicative of the need for improving customer loyalty. Given the growth of the total sales volume by repeat Web buyers (the total Web volume less the first-time Web buyer volume), there obviously is some satisfaction with buying on the Web; that is, e-commerce customers are not “turned off” by the experience and are continuing to come back to buy on the Web. However, the

portion of volume bought from the same merchant is down—perhaps indicative of a willingness to try other merchants or a lack of site loyalty.

Share of Requirements

Rampant spending to establish a presence within Internet space occurred because of an underlying belief in a first-mover advantage. Many believed that once customers tried and became accustomed to a particular site, it would be difficult to get them to switch to an alternative site. Yet, only one third of the customers make the majority of their purchases from a single vendor. Twenty-three percent of the respondents make nearly all of their purchases within a category from a single merchant. The inference from this is that there is still significant opportunity for new entrants to capture customers. These data call into question the notion of first-mover advantages. Perhaps, because of the ease of switching, there are fewer advantages of being first to market.

One product category that differs from the others is *computer goods*. Looking specifically within the product category, we have a sample of 234,658 computer goods buyers who bought from 108 different e-tailers. Here consumers report having bought 65 percent of their requirements within the category from a single merchant.

“Likelihood to Purchase Again”

Respondents were asked on a 5-point Likert-type scale their likelihood of shopping again at the specific merchant where they had just purchased. As can be seen in Figure 1, 54 percent of the respondents indicated they were *highly likely* to purchase from the same merchant again. Only 7 percent said they were *highly unlikely* to do so. Again, this reflects the high level of customer satisfaction with the experiences they have had to date.

TABLE 3
First-Time Web Buyers Versus First-Time Merchant Buyers Versus Repeat Merchant Buyers

Month	Sales (in \$ millions)							
	All Buyers		First-Time Web Buyers		First-Time Merchant Buyers		Repeat Merchant Buyers	
	Sales	Percentage Change Prior Month	Sales	Percentage Change Prior Month	Sales	Percentage Change Prior Month	Sales	Percentage Change Prior Month
April 1998	264.7	20.0	28.2	62.4	129.2	34.9	135.5	8.6
May 1998	328.0	23.9	31.3	11.2	175.3	35.7	152.7	12.7
June 1998	304.9	-7.0	29.9	-4.6	163.4	-6.8	141.6	-7.3
July 1998	326.8	7.2	28.0	-6.2	167.1	2.3	159.7	12.9
August 1998	548.6	67.9	46.2	64.8	285.0	70.5	263.7	65.1
September 1998	384.4	-29.9	32.2	-30.4	188.6	-33.8	195.8	-25.7
October 1998	346.0	-10.0	40.6	26.2	172.2	-8.7	173.8	-11.2
November 1998	483.4	39.7	62.6	54.3	269.2	56.3	214.2	23.2
December 1998	787.5	62.9	89.8	43.4	452.8	68.2	334.7	56.3
January 1999	674.5	-14.4	60.9	-32.2	296.2	-34.6	378.3	13.0
February 1999	848.2	25.8	70.1	15.1	376.0	26.9	472.3	24.8
March 1999	979.4	15.5	95.9	36.8	591.5	57.3	388.0	-17.9

FIGURE 1
Likelihood to Buy Again From Given Merchant

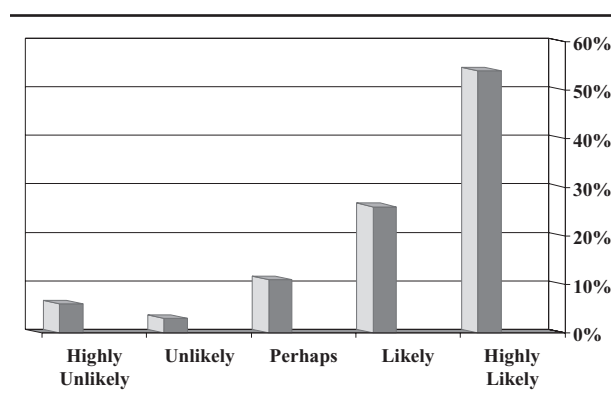
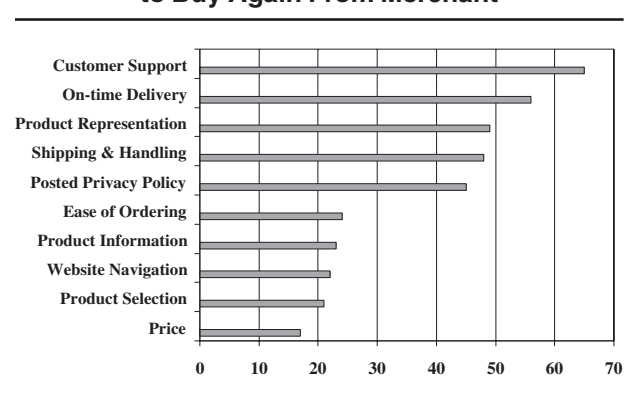


FIGURE 2
Factors Affecting Likelihood to Buy Again From Merchant



NOTE: Correlations with merchant performance.

To address Proposition 2, the importance of price on customer retention, we must assess the customer retention measures as they relate to the attribute assessments. Taking the “likelihood to purchase again” measure and correlating it with customers’ ratings of the e-tailer sites’ performance on the 10 attributes of choice yields the results shown in Figure 2.² What can be seen is that the highest correlation falls between perceived “customer service support” and the “likelihood to purchase again” ($r = .64$). This is primarily driven by the fact that the sites that were rated poorly in customer service were the least likely to be shopped at again. Those e-tailers rated as being “highly unlikely to buy from again” were rated very poorly with regards to the customer service dimension. The next strongest correlation was with “on-time” delivery ($r = .56$). Once again, this correlation was driven by the low

ratings given to the merchants who did a poor job of delivering on time. This result is highly consistent with the observation by Ariely and Carmon (2002), who noted that the part of the shopping experience the customer faces at the end of the purchase process has the greatest influence on the likelihood to repeat purchase.

Perhaps of greatest interest is the correlation with price ($r = .18$). Here, just because the merchant’s prices were rated very positively did not mean there was a high likelihood that the same merchant would be chosen the next time around. This is particularly noteworthy, given that the price dimension was indicated to be the most important dimension in attracting customers to a site. This directly addresses Proposition 2 and rejects the importance of price for customer retention. Price may be important in initially attracting customers, but if they are not provided good

customer service and on-time delivery, it will be hard to attract customers back.

CONCLUSIONS

Not surprisingly, the attributes that cause a customer to select one site over others is dependent on the shopping trip's specific purpose and differs by customer segment. Online shoppers certainly are not homogeneous. While there is controversy about the role that price will play in the purchase process online, customers on average state and behave as if price is the most important factor in drawing them to a site. While other factors are easy to search and perhaps dampen the potential impact of price, customers do tend to use price as their primary factor in their search engines and follow that up by buying at that price.

Interestingly, the sites that have capitalized on this by using price promotions or low prices overall may have attracted the most price-sensitive customers. The downside is that price-sensitive customers may be the least loyal. Just because a site has been attractive in luring customers to their site does not mean they are likely to come back. It is still necessary to follow through with on-time delivery of goods and services and to provide good customer support services when needed. The customers who come for the low prices are just as likely to go to another site the next time around if it happens to offer low prices. Sites that attract bargain seekers are attracting a very fickle customer segment. Hence, Internet businesses that have thought they could bring customers in with low prices and, once capturing them, could then raise prices may be in for a rude surprise.

We have now experienced a few years of Internet shoppers, many of whom have not been buying online for long. The question remains whether the observed behavior here will evolve over time. Customers may start to develop other motivations for why they will buy online and where they choose to go. In the meantime, those e-tailers that elect to live by price promotion may find the difficulties of retaining the "deal-prone" customers.

Whether the observations we have found for online shoppers apply equally well in traditional outlets is unknown. As more traditional retailers move to having an online presence, it will definitely be worth their knowing if the knowledge they have gained through their "bricks-and-mortar" experience is applicable for online customers. Future research should address the comparison between online and traditional shopping behavior.

NOTES

1. We chose not to present actual mean importances and their variances, as with a sample of the magnitude we are dealing with results in all differences being statistically significant.

2. A multiple regression could be applied here, but there is considerable correlation between the merchant attributes.

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ABOUT THE AUTHOR

David J. Reibstein is the William S. Woodside Professor and a professor of marketing at the Wharton School, University of Pennsylvania. He was the executive director of the Marketing Science Institute from 1999 to 2001. He received his Ph.D. in industrial administration at Purdue University. He has authored numerous articles that have appeared in major marketing journals, including the *Journal of Marketing Research*, *Marketing Science*, *Harvard Business Review*, *Journal of Advertising Research*, *Journal of Marketing*, and *Journal of Consumer Research*. His primary research interests are in Internet marketing, competitive marketing strategy, market segmentation, marketing models, and understanding brand choice behavior. He has been actively involved as a consultant with a number of major companies and serves on the board of several companies and not-for-profit organizations.