Online Consumer Stickiness: A Longitudinal Study

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ABSTRACT

The growth of e-commerce has been mainly in B2B, while B2C is still facing major hurdles associated with consumer acquisition and retention. In the evaluation of B2C businesses, the focus is shifting from measures of visitor attraction such as pageviews and click-through ratios to measures of consumer retention such as stickiness. Most prior research focused on explaining/predicting the intention to adopt and the usage of online shopping rather than repeated behavior such as repurchase. In this study, we develop and empirically validate a model explaining online consumer stickiness as measured by repurchase. The results provide strong support for the importance of satisfaction in explaining repurchase and for the moderating effect of online shopping habit on the relationship between satisfaction and repurchase. The implications of these findings for theory and practice are discussed.

Keywords: Customer stickiness, customer satisfaction, online shopping habit, PLS

INTRODUCTION

Customer retention, or stickiness, is an intangible ability to keep visitors coming back over a long period of time (Maciag, 2000). It is one of the main factors that help to create and maintain the competitiveness and sustainability of an organization. iWon.com, for example, strives hard to retain customers by offering the chance to win $1 million US dollars to its visitors every month (Crockett, 2000). From an economic perspective, it is a marketing strategy to increase the opportunity costs to prevent customers from switching to other counterparts. Short-term stickiness can be achieved through a number of factors like brand equity and customer relationship management which can be easily imitated by competitors. Long-term stickiness needs to grow continuously over time to create a financial hurdle that deters consumers from switching (Nemzow, 1999). With high customer stickiness, marketing
costs can be substantially reduced as it is always cheaper to retain a customer than to acquire a new one. It is reported that attracting new customers takes up 75% of the budgets of e-tailers while retention takes up 25% only (Crockett, 2000). With the proliferation of B2C electronic commerce, stickiness has become even more important to Internet merchants who sell online where customers are provided with a wide variety of choices and competition is globally severe. Selling in cyberspace is very different from selling in physical markets, and requires a critical understanding of consumer behavior and how new technologies challenge the traditional assumptions underlying conventional theories and models. A critical understanding of repurchase behavior in cyberspace, as in the physical world, cannot be achieved without a good appreciation of the factors that drive consumers to return. If cybermarketers understand online consumer behavior, they can adjust their marketing strategies to fit this new way of selling in order to convert their potential customers to real ones and retain them. Similarly, Web site designers, who are faced with the difficult question of how to design pages to make them not only popular but also effective in increasing sales, can benefit from such an understanding. It is not, however, clear what keeps customers returning. Stickiness is one of the key factors affecting the competitiveness of organizations that has become a primary concern for B2C businesses. As opposed to pageviews and click-through ratios, stickiness provides a more revealing metric of the effectiveness of websites. It is therefore important to explain and identify the determinants of online customer stickiness.

Previous IS research on online shopping mainly focused on adoption and usage issues. Very few studies, however, examined whether customers made repurchases after they were attracted to and satisfied with the buying experience and product. Most prior research studied the cognitive aspects of behavior with emphasis on the relationship between intention and behavior. These studies focused on the application of behavioral theories, e.g. the Theory of Planned Behavior (Ajzen, 1991), to examine the determinants of the intention and behavior of online shopping. However, to our knowledge, no study examined repeated behavior, i.e. repurchase.

The purpose of this study is to propose a theoretical model to address this void. More specifically, we develop and empirically test a conceptual model that identifies important determinants of online consumer stickiness, as measured by repurchase. Our research presents important theoretical and practical contributions. On the theoretical side, we operationalize and empirically test a stickiness model that explains online consumer stickiness as measured by repurchase. On the practical side, this research highlights and identifies specific factors that influence stickiness. Such specific drivers can help practitioners in formulating the appropriate marketing strategies.

This paper is organized as follows. The next section presents the theoretical foundations of our research model. We then outline the research methodology and describe the data analysis, and present and discuss the empirical results. Finally, we conclude this paper by discussing the implications of the results and providing suggestions for future research in this area.

RESEARCH MODEL

As illustrated in Figure 1, our model postulates that stickiness is mainly deter-
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