E-Personalization and Its Tactical and Beneficial Relationships to E-Tailing

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ABSTRACT

The numerous advancements in electronic-personalization communication have generated both benefits and challenges as online retailers try to regain competitive advantages in the current global recession. Through appropriate multivariate analyses and data-reduction techniques, the basic elements e-personalization, namely online purchasing behaviors, personalized communications, information retrieval services, degree of personal web presence, quality assurance of customer service, and the promotion of customization services, were found to be conceptually and statistically related to retailer benefits of e-personalization (increased buying and creates customer loyalty) from the viewpoint of managers for a large goods and services chain store headquartered in Pittsburgh, Pennsylvania.

Keywords: Case Study, Cause Branding, Customer Relationship Management, Empirical, E-Personalization, E-Tailing, Service Marketing, Service Quality

INTRODUCTION

Growth of Web-Enabling Technologies in E-Tailing Activities

Marketing tactics for online retailers have been evolving at a rapid pace since its inception. With the advent of increased accessibility to the Internet, faster Internet connection speeds, and improved functionality of online retailer websites, the Internet has become a staple of the multi-channel marketing strategy. Online retailers are looking for ways to improve customer retention and to outperform their competition. Consumer spending online continues to grow despite the current economic recession. It has been estimated the customer online market has been growing rapidly that the domestic web-based retail sales are estimated to grown from US$172 billion in 2005 to US$329 billion in 2010 (Johnson, 2005). Few can argue that e-commerce is a driving engine of the global economy; thus essentially the electronic marketplace has transformed how people do business in very dramatic ways. The types of communication and types of information exchanges goes far beyond mere economic transactions as companies race for new delivery modes that take advantage of the new technologies for sustainable competitive strategy (Neal, 1999; Woodruff, 1997). It is important to understand the unique personalization aspects of this electronic media for
personalizing the consumer transaction and information exchanges. The retail-based online shopping experience differs significantly from the traditional brick-and-mortar experience in many ways through enhancing the benefits of personalization and convenience (Burke, 2002; Brynjolfsson & Smith, 2000; Eroglu, Machleit, & Davis, 2003; Koernig, 2003).

Online shopping can offer greater product selection, accessibility and convenience without the restrictions of time and space (Castaneda, Rodriguez, & Luque, 2009; Chang, Cheung, & Lai, 2005; Chaudhuri & Holbrook, 2001). There are less tangible and intangible transaction costs in an online shopping process, such as product searches, price comparisons and transportation, which result in higher shopping convenience value (Blake, Neuendorf, & Valdiserri, 2005; Childers, Carr, Peck, & Carson, 2001; Grewal, Iyer, & Levy, 2004) than traditional shopping. In general, established retailers have the advantage over pure plays in e-tailing, as multi-channel retailers usually have higher profit margins, better brands, better marketing, and lower customer acquisition costs than pure plays (online only). Large investments in e-tailing as well as organizational problems must still be overcome. To be successful, historically e-tailers must do some of the following: run the e-tailer with proven land store techniques, hire experienced business people, highly focus marketing efforts, reduce fixed costs, integrate the e-tailing channel, or seek advertising or referral commissions (Cowles, Kiecker, & Little, 2002; Devaraj, Fan, & Kohli, 2002; Eroglu, Machleit, & Davis, 2003).

Customer loyalty and retention has been recognized as one of the important factors in creating profitability for companies, especially within the e-commerce environment (Smith, 2002; Wu & Lin, 2006; Yang & Lester, 2004; Yang & Jun, 2002; Yang & Peterson, 2004). However, in online environments, it is more complicated in establishing a social connection between firms and customers due to the lack of physical environments, social distances between companies and customers (Glaser, Radjawali, Ferse, & Glaeser, 2010; Olaru, Purchase, & Peterson, 2008; Overby & Lee, 2006; Schijns, 2003; Soltanifar, Ebrahimnejad, & Farrokhi, 2010) and anonymous and automated shopping contexts (Head, Yuan, & Archer, 2001; Park, Lee, & Han, 2007). Furthermore, consumers can compare competing products and services with minimal expenditure of personal time or effort, which results in competitive business markets and lower brand loyalty (Park & Lee, 2009; Srinivasan, Anderson, & Ponnavalu, 2002).

According to statistics cited by O’Brien (2009), the U.S. Census and Forrester Research both expect total online sales of goods and services should reach US$235 billion in 2009, which is an increase of about 15% from 2008 spending levels. O’Brien also found that according to ComScore Media Metrix, in 2004 industry revenue was US$67 billion. This provides that e-tailing has been evolving not only rapidly, but in a very profitable fashion. Although e-tailers are enjoying positive revenue, management needs to reevaluate strategies due to rising costs of attracting new customers and intense competition.

Purpose of the Present Study

The purpose of this paper is to discuss the advancements in online personalization communication as well as new challenges that face online retailers by citing examples of e-tailers that are successfully using these new personalization techniques to overcome the challenges that they face. The research that is reported in the present research deals with the perceptions that middle-level managers have about the customers’ preferences that their company directly serves. It is to be made clear at this point in the research that these middle managers are answering the survey questions in the experiential portion not as customers themselves, but as managers giving expert information on what they had experienced about customer behavior. This point was stressed and explicitly in the methodology section. The role(s) of the respondents in relation to the research design and the perspective of their answers are from
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