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A review of the main parameters effecting customer loyalty, customer satisfaction and retention in internet retail services

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Table of Contents

Abstract

Customer satisfaction is one of the primary factors leading to the continuation of relationships.

There are several main streams in services and retail research (both offline & online): customer satisfaction, customer loyalty, and customer retention. In this paper we will review the main antecedents of customer satisfaction and its consequences, such as purchase intentions and attitude (e.g., Oliver, 1980; LaBarbera and Mazursky, 1983), which lead to customer loyalty and retention (Bolton, 1998).

The forerunner of customer satisfaction may differ between offline and online channels (Balasubramanian et al. 2003).

In offline environment, some traditional service quality dimensions that determine customer satisfaction are unobservable. The traditional/offline channel characteristics that determine customer satisfaction and service quality are: physical appearance of facilities, and employees' empathy and responsiveness (Balasubramanian et al. 2003).

On the other hand, Online environment is originated towards self-service with little human interaction, therefore other parameters, such as trust (or assurance) in the online channel, perceived security of the online service, and operational competence (e.g., high system availability, best prices, and fast response times) may play a central role in enhancing customer satisfaction (e.g., Balasubramanian et al. ,2003; Chiou and Droge, 2006).

We will demonstrate the differences between online retail services and offline (traditional) retail services, and review main service parameters in online retailing (in contrast to traditional service characteristics).

We will try to explain the predictors and drivers for Customer Loyalty and Customer Retention in online retailing, and to examine variables that can be predictors to Customer Loyalty, Customer Retention, and/or Customer Satisfaction.

We will discuss the concept of 'Cannibalization' within companies (Biyalogorsky and Naik, 2003). This term emerged when companies began to work in multi-channel environments ("Clicks-and-Mortar"[1]). Retailers did not immediately extend their business to the Internet environment, fearing that on-line activities could adversely impact their off-line sales. Today online activities are perceived as complementing offline activities and each can help the other in some ways. The relationships between the two channel types will be discussed.

The goal of this work is to present an overall review of connections and relationships between service parameters in Internet Retail Services. We will (1) incorporate major streams and parameters in services research (2) show differences between online and offline retail channels, and how they integrate into multichannel businesses[2] (3) discuss characteristics of online shoppers (4) discuss how satisfaction affects loyalty and retention (5) review the extreme form of customer satisfaction – customer delight.

Introduction

Facilitating communication, data transmission, and global interaction - the Internet is a playing field unlike any other. Transcending the traditional barriers of time and space, the Internet is redefining the world of retailing and services, creating new methods for carrying out a variety of transactions.

[1] An Internet Web site is used to complement an existing brick and mortar branches
[2] The service provider or retailer offers both online and offline channels to customers

In the past decade, the Internet has moved from being a novel technology to a routine channel for information, communication, retail, and services. During the early years of e-commerce, researches (e.g., Evans and Wurster 2000) felt that market would be "revolutionized" because consumers would flock to the web and many offline physical stores would be put out of business. This has not happened to the extent predicted, and even though the Internet affords tremendous opportunities to businesses and is the fastest growing retail channel, it still is not the most common method for consumers to shop or get service.

The growth in online shopping and the continuing movement of retailers to a multichannel format imply that this medium will continue to grow in importance. According to *Internet Retailer* ("Americas top 10 retail businesses" 2008), seven of the top-ten Internet retailers in the US are traditional businesses with an online presence. Looking at Europe and Asia, European and Asian online shoppers average almost twice as many purchases as North American online shoppers, and growth in online shopping is faster in the developing markets then in developed economies (ACNielsen 2005).

Of the more than 200 million active Internet users in the US, only 49 percent report actually making a purchase on the Internet (Horrigan 2008). This contradiction between Internet usage and Internet buying behavior implies that much remains to be known about the factors that promote consumer purchases online – a situation that gets compounded with the consideration of multiple countries as consumers from different countries are assumed to be from different cultures and hence may act differently while using the Internet to make a purchase.

Research Plan

We will conduct an *exploratory research* in which we will review and compare major and recent services researches conducted on Customer Loyalty, Customer Retention, Customer Satisfaction and the relationship between them. These three concepts, related to product and service providers, have been extensively discussed in the past decades.

We will set the conceptual ground for future research on these topics among users of online retailing services.

Literature review

Customer Satisfaction, Loyalty, and Retention in Offline Retail

The first three articles we will review discuss the relationship between customer satisfaction and customer loyalty in offline retail.

Oliver (1980) proposed a cognitive model of the antecedents and consequences of satisfaction decisions in the formation of purchase intentions.

The proposed model in Oliver's (1980) research tries to express consumer satisfaction as a function of expectation and expectancy disconfirmation. Satisfaction is believed to influence attitude change and purchase intention. Oliver (1980) defined Loyalty as follows: "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviors". This definition actually encompasses two different aspects – behavioral and attitudinal. Behavioral loyalty represents repeat brand purchase by consumers. Attitudinal loyalty includes a degree of dispositional commitment toward the brand by consumers.

Oliver (1980) has set the theoretical foundation for customer satisfaction models, based on consumers’ behavior discipline and especially from Expectancy Disconfirmation theory.

LaBarbera and Mazursky (1983) proposed a simplified cognitive model to assess the dynamic aspect of Consumer Satisfaction/Dissatisfaction in consecutive purchase behavior. In other words, how satisfaction affects loyalty. They investigated the role of satisfaction in determining repurchase intentions and revealed behavior within the context of longitudinal study. Satisfaction is found to have a significant role in mediating intentions and actual behavior for five product classes that were analyzed. Although this research refers to off line retailing, this early study showed that satisfaction can affect loyalty.

Bolton (1998) wrote about the relationship between *customer satisfaction and retention* with a continuous service provider.

This was one of the first analytical models of service. She used a sophisticated analytical method – a hazard model to study customer satisfaction and retention.

Throughout the 80’s, service organizations relied on customer satisfaction and quality ratings obtained from surveys to monitor performance, compensate employees, and allocate resources. In the 1990’s, however, organizations have become increasingly concerned about the *financial implications* of their customer satisfaction and quality improvement. The financial justification for customer satisfaction and quality improvement programs primarily rest on management’s beliefs that higher levels of satisfaction or quality increase retention rates, stimulate consumption levels, allow firms to charge a premium for their products or services, and/or decrease costs. These beliefs have become critical as service organizations have embraced relationship marketing with its focus “Attracting, maintaining, and … enhancing customer relationships”. Thus, understanding the link between customer's satisfaction and the duration/strength of his/her relationship with a service provider has become increasingly important for organizations that are attempting to predict future customers, augmentation of core activities, pricing, and other so-called defensive marketing strategies that are purported to encourage satisfaction, loyalty, and customer retention. We will later review a study by Morgan and Rego (2006), who conducted an empirical research on the most valuable customer feedback metrics for predicting future business performance.

The goal of Bolton's (1998) paper is to develop and estimate a dynamic model of the duration of the provider-customer relationship, focusing on the role of satisfaction. The model exploits information obtained within customers at different points in time; therefore it is a dynamic model. The study context is the cellular telephone industry, which is characterized by both high customer turnover and high customer acquisition costs.

According to Bolton (1998) the relationship between duration times and satisfaction is stronger for customers who have more experience with the service organization. Managers and researches may have under-estimated the importance of the link between customer satisfaction and retention. Consequently, instead of "learning from defections", the researchers suggest that service organizations should be proactive, and learn from customers before they defect by understanding their current satisfaction levels.

The Internet Shopper

Internet usage is estimated to be over 1.3 billion users around the world ("World Internet Usage & population statistics" 2008).

Brashear et al. (2009) discuss the similarities and differences between Internet shoppers and non-shoppers in six countries worldwide. This is crucial for both market theory and practice. Findings show that online shoppers share many similar traits around the world.

They are similar in regard to their desire for *convenience*, are more *impulsive*, have more favorable attitudes towards *direct marketing and advertising*, *wealthier*, and are heavier *users of e-mail and Internet*.

Different Methods to Describe Relationship among Customer Evaluative Judgments

Several methods to describe the relationship among customer evaluative judgments can be found in services research. The use of *symmetric* linear functional forms to describe the relationships among customer evaluative judgments is omnipresent in services research. However, according to several researchers (e.g., Mittal et al. 1998; Anderson and Mittal, 2000), the use of symmetric linear functions to model the relationships among customer evaluative judgments leads to serious model misspecification. Although several *asymmetric* nonlinear functional forms have been proposed, only modest empirical evidence is available on the superiority of these more complex model specifications. Although there appears to be a general consensus regarding the positive associations between service quality, customer satisfaction, perceived value and customer loyalty (Kamakura et al., 2002; Cronin et al., 2000), considerable lack of clarity exists on how to best specify the relationships among the different customer evaluative judgments. Streukens and Ruyter (2004), empirically assess the exact nature of the relationships among customer evaluative judgments with regard to the presence of nonlinearity and asymmetry using data from three different retail service settings. Based on a formal empirical comparison in multiple service settings, Streukens and Ruyter (2004) find that *asymmetric nonlinear functions do not possess superior explanatory power compared to symmetric linear functional forms*.

Trust and Loyalty in Offline and Online Channels

Chiou and Droge (2006) offered an integrated framework explaining loyalty responses in high-involvement, high-service luxury product markets. The model is rooted in the traditional chain (attribute Satisfaction – overall satisfaction - loyalty) but explicitly incorporates facility versus interactive service quality, trust, specific asset investment (SAI), and product-market expertise. Attribute satisfaction refers to consumer's cognitive satisfaction with product or service attribute. Overall satisfaction refers to cumulative satisfaction over time from an aggregation of transaction experiences.

The results support the traditional chain but also show loyalty can be increased by building a trustworthy image and creating exchange-specific assets. *Satisfaction is the precursor for both loyalty* and to building SAI.

Satisfaction is a major driver of customer retention and loyalty, and therefore achieving high customer satisfaction is a key goal for practitioners (Fornell et al.1996; Oliver, 1997). Since the cost of obtaining a new customer is very high and the profitability of a loyal consumer grows with the relationship's duration, understanding loyalty cultivation or retention is a key to long-term profitability (Bolton et al. 2000; Bolton et al. 2004). Temporary dissatisfaction may not affect loyalty, for example by members of loyalty programs (Bolton et al. 2000). In the high involvement, premium, or luxury product markets of interest according to Chiou and Droge (2006), each consumer transaction is of very high value, and thus understanding combinations of satisfied-defection and dissatisfied-loyalty is crucial.

The results show that (1) attribute satisfaction and interactive service quality (i.e. human interface between customer & service/product provider) generate overall satisfaction and trust. Encounters with service personnel appear to be a key to consumer's overall satisfaction and to overall trust (Chiou and Droge, 2006), in contrast to virtual online interfaces, in which trust may play a central role in enhancing Customer Satisfaction (Balasubramanian et al. 2003).

(2) Trust and overall satisfaction affect attitudinal loyalty. Trust is defined as a cognitive construct and hence argued that it precedes overall satisfaction. The affect of overall satisfaction on attitudinal loyalty is not new. However, Chiou and Droge (2006) demonstrate that trust has direct affect on attitudinal loyalty and in-direct affect through satisfaction.

Balasubramanian et al. (2003) present a preliminary step towards understanding the process of trust formation and its central influence on Online Customer Satisfaction.

In offline environments, trust or assurance is typically generated by traditional service quality dimensions such as: physical appearance of facilities, employees, equipment, and employees' empathy and responsiveness.

However, in the absence of human interactions, trust in the online environment grows out of the service consumption experience over repeated interactions with the service provider. These interactions help the customer form perceptions about service attributes such as reliability of information, availability of the website, and efficiency of transaction execution. Similarly, institutional regulations are more likely to impact trust formation.

Impact of Loyalty on Satisfaction

Degeratu et al. (2001) compared consumer choice, satisfaction and loyalty across the offline and online environments, and determined that in the online environment, sensory search information (e.g., visual cues) has a lower impact on choices, price sensitivity is higher due to stronger signaling effects of price promotions, and branding is more valuable only in the absence of factual attribute-related information. In another study that contrasted consumers who chose hotels online with those who used conventional means, Shankar et al. (2002) determined that while there are significant similarities across groups, the impact of loyalty on overall satisfaction was higher in the online group. Shankar et al. (2002) attribute the incremental impact of loyalty online to a greater consumer control over information and choices.

Multichannel Environment – Examples from Banking & Investment Industry

As a retail channel- the Internet has not yet reached the mainstream status of its in-store counterparts (Soopramanien and Robertson 2006), although up to date, with several notable exceptions, online retail has not been successful as an independent platform in that most web-only businesses have often not survived (Brashear et al. 2009).

As the Internet becomes more important for commerce, Internet Web sites are playing a more central role in most companies’ business plans. In the banking industry, for example, overhead expenses can be reduced by jettisoning physical branch offices. Banks can use the resulting savings to reduce their loan interest rates or increase their deposit interest rates, attracting new customers without sacrificing earnings. The web-based distribution focus allows banks to enter new geographic markets, without the costs of acquiring existing banks or starting up new branches, further increasing growth potential.

Customer trust is strongly related to environmental security, operational competence, and satisfaction. Balasubramanian et al. (2003) model trust in the online environment as an endogenous construct that impacts customer satisfaction. Their model is validated in the context of *online investing*. Online investing constitutes a sector where the Internet has had a large impact in terms of total monetary flows, and on 2003 (year of their research) accounted for about 35% of all retail trades. In online investing, investors do not seek advice from brokers; therefore, their satisfaction with the service provider can be separated from the performance of their investment decisions.

The model suggested includes trust as an endogenous variable within a model of experience-based customer satisfaction. Furthermore, Balasubramanian et al. (2003) consider the influence of variables such as environmental security (e.g., regulations), and the customer’s innate trust disposition, which have rarely been included in previous models of customer satisfaction. Findings in their research reveal that operational competence is potentially a useful vehicle to build trust – hence, positioning a service provider favorably along this dimension may engender greater trust. The findings also suggest that the projection of environmental security by online brokers and regulatory bodies can build operational competence and trust beliefs, and offer insights into how the relative importance of factors related to environmental security, operational competence, and trust may vary according to the experience of the investors.

We can extrapolate insights from this study to additional virtual markets where service quality is difficult to inspect in advance (for example, online travel reservations and services, online auctions).

DeYoung (2005) examined the effect of an offline channel on online channel in the banking industry. The analysis attempts to identify which components of the Internet-only business model have worked well and which have worked poorly, and how government regulations affect banks business models to reduce risk for customers.

Nearly half of all U.S. banks and thrifts were operating transactional Internet Web sites at the beginning of 2002. But most of these firms have adopted a ‘‘click-and-mortar’’ business model[3]. Only a few dozen banks and thrifts have adopted a pure Internet-only strategy; by-and-large, these firms have generated sub-par earnings. For every Internet-only bank or thrift that has achieved marginal levels of profitability, another has exited the market through liquidation or acquisition or has abandoned the pure Internet only business model and established physical branches. Government regulators have become increasingly risk averse with banks and thrifts that deploy, or wish to deploy, this business model.

The aforementioned thesis is also supported by Falk et al. ,2007. In their research they proposed that in a multichannel environment, evaluative conflicts between service channels exist. Building on status quo bias theory, they developed a model that relates offline channel satisfaction to perceptions about a new self-service channel. Data were collected from 639 customers currently using offline investment banking. Results showed that offline channel satisfaction reduces the perceived usefulness and enhances the perceived risk of the online channel. These inhibiting effects represent a status quo bias. Trust in the bank shows both adoption-enhancing effects and an adoption-inhibiting effect. Finally, the negative relationship between offline channel satisfaction and perceived usefulness is significantly stronger for men, older people, and less experienced Internet users. This study has both theoretical and managerial relevance as it helps to understand consumer behavior in multichannel environments and provides implications for the design of multichannel service strategies.

[3] An Internet Web site is used to complement existing brick and mortar branches

Cannibalization in Multichannel Environment

How does customer visits at the company's website translate into customer satisfaction and customer loyalty and to sales in the long run?

Biyalogorsky and Naik (2003) tried to assess the impact of on-line activities on off-line sales. They developed a method that allowed retailers to use readily available market data for making informed decisions. The proposed method determined the extent to which on-line sales cannibalize off-line sales and whether on-line activities build on-line equity for the firm. The method was illustrated using data from Tower records' internet sales division. They found that on-line sales did not significantly cannibalize retail sales, and that the firm's web activities build long-term on-line equity.

Biyalogorsky and Naik (2003) formulated and applied a mathematical model to the real situation at Tower Records, and demonstrated how to yield valuable information for improving decision making. For example, they found that 100 customer visits at the web site would generate about $48 sales in the long run.

The proposed method can be used by any "Clicks-and-Mortar" firm.

Service, Customer Relationships and Financial Impact

Given the growth of the services sector, and the advances in information technology and communications that facilitate the management of relationships with customers, models of services and relationships are fast growing area of marketing science. Models of service and relationships can help managers manage service more efficiently, customize service more effectively, manage customer satisfaction & relationships, and model the financial impact of those customer relationships (Rust and Chung, 2003).

The quality of physical products may be adequately measured by attributes, objective performance indicators, or adherence to manufacturing specifications, whereas the quality of service is adequately measured only by customer perceptions.

With the increasing communization of goods, firms are increasingly turning to service as the most promising *means of differentiation* (Sawhney et al. 2004). In addition, many changes were brought by the information revolution, which *brings about the growth of the service sector.*

Customer satisfaction from product or service and relationships with the firm are a result of the way the firm manages service. All of these have financial impact, meaning the firm should be able to quantify the profitability of its customer relationships.

Managers commonly use customer feedback data to set goals and monitor performance on metrics such as "Top 2 Box"[4], customer satisfaction scores, and "intention to repurchase" loyalty scores (Morgan and Rego, 2006). Managers use metrics that they believe to be leading indicators of business performance (e.g., Hauser et al. 1994, Ittner and Larcker 1998). Feedback data is collected via customer surveys using measures of attribute level and overall satisfaction, behavioral loyalty intentions, such as repurchase likelihood, likelihood to recommend, and actual making recommendations (Morgan et al. 2005). Academic researchers have advocated average customer satisfaction and repurchase intentions (e.g, Anderson et al. 1994, 1997; Fornell 1992), while consultants have advocated loyalty metrics such as likelihood to recommend (e.g., Reichheld 1996, 2003).

Morgan and Rego (2006) empirically examine which commonly and widely advocated customer feedback metrics are most valuable in predicting future business performance.

[4] The proportion of customers rating their overall satisfaction on the two highest-scoring points on the most commonly used five-point scale

Sampling frame were selected companies included in the ASCI[5] database. The data was collected over several years, enabling to look at the effects of customer feedback metrics on future business performance. Their results indicate that *average satisfaction scores have the greatest value in predicting future business performance and that Top 2 Box satisfaction scores also have good predictive value*. Results clearly indicate that recent prescriptions to focus customer feedback systems and metrics solely on customers' recommendation intentions and behaviors are misguided. In addition, they found that *monitoring customer complaints does provide insights into satisfaction and is valuable for predicting future business performance.*

Results clearly indicate that collecting customer feedback data is worthwhile in terms of predicting future business performance. Therefore managers use customer feedback data in their management control systems to improve their performance on customer feedback metrics.

Customer Satisfaction and Delight

Customer satisfaction is highly dependent on customer expectations (Oliver 1980). The theoretical basis for models of satisfaction arises primarily from consumer psychology, and especially the theory of expectancy disconfirmation (Oliver, 1980, Oliver et al. 1997), which posits that the difference between what customers expect and what they receive is a primary determinant of satisfaction.

The most extreme form of customer satisfaction is customer delight. Its theoretical nature and relationship to other constructs has been investigated (Oliver et al. 1997), and its managerial implications explored analytically (Rust and Oliver, 2000). Some researches posited a nonlinear effect for satisfaction, involving a "zone of tolerance" (Parasuraman et

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[5] American Customer Satisfaction Index

al. 1994) in which there is a first threshold of satisfaction, below which there is a little behavioral impact, and a second threshold of satisfaction, at which customer delights kicks in.

The growing importance of customer satisfaction led companies initiating customer satisfaction measurement on a regular basis. This, in turn, led to longitudinal customer satisfaction databases, which could then be related to managerial initiatives and business performance.

Customer Retention and Duration of Relationship

Reinartz et al. (2004) showed that insufficient allocation into customer-retention efforts will have a greater impact on long-term customer profitability as compared to insufficient allocation into customer-acquisition efforts.

One way to motivate customers to take on a more long-term decision making approach to their choice of products is through the use of loyalty programs. Lewis (2004), for example, shows that a loyalty program is successful in increasing the annual purchasing for a substantial proportion of the customers in the context of an online grocery and drug retailer. How customers respond to loyalty programs depends on the profitability and magnitude of the rewards provided.

Bolton (1998) analyzes the duration of customer's relationship with a continuous service provider. Bolton's (1998) results indicate that customer satisfaction ratings obtained prior to any decision to cancel or stay loyal to the provider are positively related to the duration of the relationship.

Customer Retention in Multichannel Environments

Bendoly et al. (2005) checked the relationship between customer retention rates and risks believed to be associated with product availability in firms managing both on line and in-store channels.

The findings suggest the firms simultaneously managing both online and in-store channels should consider efforts that encourage the *transparency* of channel integration. Firms may be motivated to emphasize both channel diversity and channel interchangeability as a means of retaining customers in light of the risk of un-avoidable availability failures.

In last decade, many firms are openly promoting the use of a multiple integrated channels. For example, Barnes & Noble took one of the earliest steps as integrating online and in-store channels in October 2000, when it announced that it would begin allowing customers of Barnseandnoble.com to return products to Barnes & Noble stores.

In addition to market share, potential gains, and cost efficiencies that channel integration can provide, some of the most interesting benefits come in form of *psychological effects on consumers.* With an awareness of pursuable backup options provided by a multichannel firm, customers may place less importance on the risk that any one channel may fail to fulfill their needs. Subsequently, such firms may appear increasingly appealing to customers.

According to Bendoly et al. (2005), perceptions of *higher levels of integration between store and online channels are shown to be associated with greater loyalty*.

Discussion and Managerial Implications

Although growth rate in Internet usage worldwide between years 2000 and 2007 has been over 200 percent, Internet penetration statistics reveal that most of the regions in the world still offer opportunity for substantial growth ("World Internet Usage & population statistics" 2008). The computer Industry Almanac ("Worldwide Internet users top 1.2 billion in 2006", 2007) predicts that the global Internet population is expected to surpass 2 billion users by 2011-2012 with much of current and future Internet user growth coming from populous developing countries such as China and Brazil. In response to these trends, companies should globalize their e-business to generate increased business value since a global virtual presence can be more feasible and cheap then a physical presence.

Companies should build online channels that will be appealing to the profile of the Internet Shopper, who has strong desire to convenience, and lacks tolerance to operational malfunctions and security issues online. As shown, trust in the online environment is an endogenous construct that impacts customer satisfaction. Therefore, companies should build trust in the online channel and increase loyalty by building a trustworthy image and creating exchange-specific assets. Online service providers must work in two directions when building trust and satisfaction – they must focus inwardly to improve operational competence, and must focus outwardly to improve environmental security. Managers need to find credible ways to demonstrate that technologies are indeed being deployed and managed in ways that protect and advance the best interests of their customers.
Managers should keep in mind that customers rely on the security provided by regulatory and other institutions.
Companies should implement multichannel interchangeability and transparency, operational competence, and environmental security which reduce customer fears and risk perception of the online channel and consequently increase loyalty.

We saw that building a multichannel environment will also contribute to business performance. As demonstrated in Tower records example, in which web visits resulted in customer satisfaction, customer loyalty and even to sales. Cannibalization fears of online sales on offline sales were proven to be unjustified.

Satisfaction is the major driver of customer retention and loyalty, and therefore achieving high customer satisfaction is a key goal for practitioners (Fornell et al.1996; Oliver, 1997). Since the cost of obtaining a new customer is very high and the profitability of a loyal consumer grows with the relationship's duration, understanding loyalty cultivation or retention is a key to long-term profitability

Management of relationships with customers (CRM) must be a common practice, especially in firms which are turning to service as their means for differentiation. CRM is crucial in order to use customer feedbacks to learn, improve and increase business performance. In the past, managers and researches may have under-estimated the importance of the link between customer satisfaction and retention (Bolton, 1998). But nowadays, instead of "learning from defections", we suggest that service organizations should be proactive, and learn from customers before they defect by understanding their current satisfaction levels, because the quality of service is measured only by customer perceptions, rather by objective parameters. Managers should use customer feedback data to set goals and monitor performance.

Companies' investment in customer retention has a greater impact on long-term customer profitability as compared to insufficient resources allocation in customer acquisition efforts. Therefore, promoting loyalty programs, membership programs etc. is recommended for increasing sales and customer retention.

Conclusion and Future Research

Customer satisfaction, customer retention, and customer loyalty in internet retail services is affected by many variables and predecessors.

We need to investigate the kinds and characteristics of online services that promote and strengthen customer satisfaction, customer loyalty and customer retention, and the most effective ways to combine the online relationship with offline relationship, with the idea that full satisfaction-loyalty-retention of a customer is not complete without considering both online and offline, and how they interact.

As a first idea for future research, we would like to suggest continuing to study the symbiotic effects of multichannel environments; The debate between having a single channel business model, either online or offline vs. using both online and offline channels has already been greatly studied (DeYoung, 2005) and is backed by multiple real life examples (Tower Records, Barnes & Novel etc). At present a new type of multiple channel scene is evolving. This scene involves two different variations of the same product being sold offline and online (and sometimes both are sold online). We refer to book publishing where a book can be sold in its physical form or in its virtual representation, as a computer file (also known as eBook), for the various eBook readers available in the market (Kindle, Sony Reader). Publishers are contemplating the move to dual sell mode and the big question is whether eBooks will cannibalize physical books revenues? What would be the effects on customer loyalty- satisfaction-retention in the case of a publisher moving from one mode to another? Various publishers who have already taken the dual sell mode route can be studied as well as their close counterpart – the press industry.

We saw that in the online channel many *psychological* effects and *subjective perceptions* of customers are translated into satisfaction-loyalty-retention when the experience is positive. Companies realize the enormous impact of those customers' evaluative judgments and perceived service quality on the firms' financial results, and consequently use sophisticated CRM systems as a common practice.

Concerns mount about the potentially improper use of this information, leading to many consumers to seek better protection for their privacy. Yet, that same data collection, storage, and analysis permits companies to customize their offerings and serve customers better.

We suggest conducting a research on *privacy issues* regarding the customers' data stored in those CRM systems. For example, do customers provide genuine facts about themselves and their consumption habits, and how does this information affect the firm's managerial decisions and financial results? What is the 'optimal dose' of inquiring personal information from customers which contribute to the firm's financial results, or increase the number of visits in the firm's web site, or increase the number of returning customers to the online channel?

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