Chapter 5.18
Providing Value to Customers in E–Commerce Environments:
The Customer's Perspective

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ABSTRACT

Effective advertising, good usability, and creating value are important in an e-commerce environment to attract and retain customers. In the human–computer interaction (HCI) literature, research into the success or failure of business to consumer (B2C) e-commerce sites has primarily focussed on usability. While increasing usability is important, even if an e-commerce Web site conforms to the Web design heuristics and usability guidelines, it might not always generate a positive total customer experience (TCE). Therefore, it is important that along with usability heuristics, customer relationship management (CRM) strategies are integrated into the design of the e-commerce environments for developing robust and long-term online customer–organisation relationships. We report on a project that is part of an ongoing cross-disciplinary research programme at the Open University, United Kingdom, which aims to integrate HCI and CRM strategies into the design and evaluation of e-commerce environments. In this project, we examined the customer's interaction with e-commerce environments and how a B2C relationship can be effectively supported from a customer's perspective. Based on intensive research that involved collecting data

from naturalistic observations of customers shopping on e-tailing environments, interviews, group interviews, and by identifying the negative incidents or obstacles that mar the customer's TCE, we have developed E-SEQUAL (E-SErvice QUALity), a framework for online service quality. E-SEQUAL is an evaluation instrument consisting of e-CRM (CRM for e-economy) or customer relationship-enhancing heuristics and HCI heuristics which can be applied to integrate customers' perceived dimensions of service quality into the design and development of e-commerce environments. E-SEQUAL can provide guidance to e-businesses regarding integration of front- and back-end business processes, and across different customer touch points such as phone, fax, e-mail, and so on. It can be applied by Web designers, marketing professionals, and developers to come up with requirements for integrating customers' expectations, and perceptions of service quality and value into the design of e-commerce Web sites. Furthermore, it can be used as an evaluation instrument by usability professionals for evaluating the conformance of an e-commerce environment against HCI (usability) and e-CRM heuristics.

INTRODUCTION

Online retail will grow from $95.7 million in 2003 to $229.9 billion in 2008, according to a report from Forrester Research (Forrester, 2003). More significantly, online retail sales are expected to account for 10% of total U.S. retail sales by 2008. In the United Kingdom, online sales already make up 4% of the total retail sales. Despite the growth in online retail sales, statistics show that 67% of transactions on the Web are never completed (Cohen, 1999). Only 36% of customers are satisfied by electronic transactions and this bad experience tends to drive customers to other channels (Chatham, 2002). Of the transactions that are not completed, 53% of abandoned transactions require

a phone call to the customer services or an off-line action. Consequently, call centre costs increase due to call volumes rising—with a reported rate of increase in volume of up to 65% as Internet use increases (Millard, 2001).

Evidently, while there are growing numbers of e-customers, such statistics suggest customers' dissatisfaction with e-commerce. Customers are not being supported in the completion of their transactions, and the defection rates are consequently high. With increasing competition in the e-marketplace and with a choice of off-line business channels (e.g., physical stores and mail order), it is difficult for e-businesses to first attract and then retain customers.

Customer retention and loyalty affect profit and growth to a significant extent. Depending on the industry, increasing the percentage of loyal customers by as little as 5% can increase the profitability by 30% or even 85% (Reichheld & Sasser, 1990)—a ratio estimated to be even higher on the Web than through traditional retail channels (Reichheld & Schefter, 2000). This reflects an important challenge to e-commerce to shift the focus from *customer acquisition* to *customer retention*.

To retain customers, it is necessary to ensure that the customer perceives value from the experience with an e-business (Weinstein & Johnson, 1999). *Value* from a customer perspective may be defined in terms of satisfaction with, and perceived quality of, the service received in the course of the e-commerce experience. A positive perception of value (when customers' experiences meet or exceed their expectations) will exhibit great influence in persuading a customer to return to the site. Therefore, generating a positive customer experience, and then continuously providing one, is important for (B2C) e-businesses to attract and retain customers (Seybold, 2001).

In the HCI literature (e.g., Spool, Scanlon, Schroeder, Synder, & De Angelo, 1999; Nielsen, Molich, Snyder, & Farrell, 2001; Vividence, 2002), research into the success or failure of E-

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