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Building Relationships Between Consumers and Online Vendors: Empirical Findings from Austria

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ABSTRACT

Customer Relationship Management has become one of the major topics in Information Systems. While IS researchers concentrate on the influence of computer-supported systems to strengthen the ties between customers and organizations, the underlying theoretical base has mainly been built and developed by the marketing discipline named relationship marketing. Interestingly, the central definition of what exactly constitutes a relationship remains unclear in both research fields. This paper takes an interdisciplinary approach and shows how relationships are defined in scholarly literature. Since the results remain unsatisfying, an empirical survey is conducted to let online consumers define what they perceive to be the crucial attributes of a relationship in general and with an (online) organization. The results indicate that the notion of relationship has to be redefined at least for online communication and interaction and offer practical implications for designing the interaction process with online users.

Keywords

Relationship, Customer Relationship Management, Electronic Customer Relationship Management, Online Interaction, Online Relationship

INTRODUCTION

For many years (electronic) Customer Relationship Management ((e)CRM) stands out as one of the major research topics in the literature of Information Systems and juxtaposed disciplines such as (relationship) marketing (Romano and Fjermestad 2002). Given the multifaceted dimensions how humans can interact with organizations, different research interests have emerged¹. IS researchers mostly deal with issues such as the underlying technology, business models and the interaction between humans and computers (Goodhue et al. 2002; Romano and Fjermestad 2003), while the theoretical foundation has been built by marketers since the term “Relationship Marketing” has first been coined by Berry (1983b).

¹ The term Relationship Marketing can be used equally for Business-to-Business and Business-to-Consumer relationships. For the purpose of this paper only the latter will be considered. In addition to that, the focus lies on computer-mediated relations.

Most definitions of Relationship Marketing are circular, i.e. they use the term relationship in both explanans and explanandum, which can be perceived as an indicator that a relationship is considered to be something which is common knowledge and doesn't have to be explained (see Table 1).

#	Definition
1	Relationship Marketing is attracting, maintaining, and - in multi-service organizations - enhancing customer relationships (Berry 1983a).
2	... marketing can be viewed as the building, maintenance and liquidation of networks and interactive relationships between the supplier and the customer, often with long-term implications. (Gummesson 1990).
3	... relates marketing to the development of long-term relationships with customers and other parties ... (Grönroos 1990).

Table 1: Selected Definitions of Relationship Marketing

In summary it can be ascertained that, while the importance of customer relationships remains unquestioned, the problem still persists as how to adequately describe the (online) interaction processes between a customer and a company. In the next sections it will be briefly described how the Internet has changed those processes. By addressing the question as to how the customers themselves perceive a relationship with an organization, both scholars and practitioners might gain some knowledge as to why customers behave as they do. Furthermore, the issue will be examined whether online data transfer can substitute for interpersonal relationships.

THE IMPORTANCE OF THE INTERNET FOR BUILDING CUSTOMER RELATIONSHIPS

Ever since the idea of One-to-One Marketing emerged in the early nineties (Peppers and Rogers, 1993), the Internet was regarded as being the ideal medium that enables the individualization of mass customer communication. With consumers increasingly getting Internet access, many companies realized that large customer databases and efficient methods of analysis allow them to target consumers according to their individual preferences. Interactive marketing and database marketing began to challenge the existing paradigm of transaction marketing.

The Internet supports interaction processes between customers and organizations by facilitating the collection of customer-related data, which even can be gathered with

or without the users' being aware of or explicitly approving it (e.g. by log file analysis or cookies). In addition to that, during recent years the methods of data mining have been vastly improved and, in combination with more powerful hardware, allow the extraction of information out of large amount of data. Techniques such as collaborative filtering even permit a prediction of a customer's potential interests.

INTERACTION PATTERNS

Different interaction patterns between humans or humans and organizations have to be taken into account to define the term relationship. We perceive interaction as a process of two-way communication and exchange (Haeckel 1998), including any kind of online transactions. IT-enabled interaction between customers and an enterprise can be differentiated into IT-assisted interaction and automated interaction, whereby the first is predominately a manual process and with the second the complete control is passed to the customer.

We differentiate between various types of interaction processes. In the case of a buying process the "interaction" between an organization and a vendor becomes the focus of research. When transactions are performed online, the physical contact is lacking completely. When users are shopping offline they might experience interactions with sales personnel, whereas in the case of buying online usually no interpersonal interaction exists at all.

Therefore, three major research questions arise, which will be elaborated upon in more detail in the following sections.

Research Question #1: What are the major attributes which constitute a *relationship* in general?

By taking into account which features are to be considered essential for defining a relationship, we strive to analyze what may be called the "core attributes" or "defining attributes" of a relationship in general. This allows us at least to circumscribe the perceived semantic meaning of a relationship from a consumer's point of view.

Research Question #2: When does a *relationship* with an *organization* exist?

In contrast to defining a relationship in general, it is essential to know what the main attributes of a relationship with an organization are. As was indicated above, the interaction process with a human being may differ from the one with an organization as an abstract entity.

Research Question #3: What kinds of aspects are important to an *online relationship with an organization*?

By hypothesizing that the online interaction process with an organization may be called a relationship, we asked users what they perceive to be the most important attributes to this situation. Most of the items were derived

from the literature on CRM and focus on the specific abilities of the Internet to foster (individualized) communication and interaction with a multitude of anonymous users.

METHODOLOGY

We used the Austrian Internet users as our universe, which was motivated by the fact that we aimed to assess the importance of *online* relationships. The survey was supported by one of the major Austrian newspapers, that included a link to our questionnaire in two weekly newsletters. No incentive was given for filling out the questionnaire. We used sliders with a range from 1 to 100 to generate a magnitude scale (sometimes called Visual Analogue Scale, Graphical Rating Scale or Continuous Rating scale, respectively).

RESULTS

In total, 385 persons completed the survey. Less than a third of the questionnaires were filled out by men (30.4%), while the major part consists of women (69.6%). 71.1% of the respondents are between 21 and 35 years old, and 57.5% possess a high school degree. The largest group, as far as the current occupation is concerned, works as administrative or technical employees (45.2%), the second largest group being students (20.7%). Most of the users show a considerable experience with the Internet, with only 3.6% indicating that they have been online for fewer than three years. The weekly frequency of Internet usage shows a wide range of answers, with approximately one quarter (25.9%) being online for up to five hours a week. About the same number of respondents (22.6%) state that they use the Internet for 6 to 10 hours a week. Included in the sample is also a high number of "heavy users" with more than 30 hours of weekly usage (12.7%).

For the following analyses the items, which were gained by a literature research in IS and marketing publications dealing with relationships, (e)CRM and related topics, are clustered into three main sections. The first category includes attributes which could be used to describe a relationship in general, while the second category especially focuses on the interaction between an individual and an organization. The third pool of items concentrates on those activities which a company can conduct only online, such as individualizing mass communication and production, or at least can be considerably supported by the use of the Internet, as is the case when offering customized pricing, such as discounts or rebates based on former purchases. In the first step, all three analyses will be discussed individually and then be integrated into a more comprehensive framework. For all three cases we used a Principal Axis Factoring with Promax as the method of rotation.

In order to find out what constitutes a relationship in general, the respondents were asked to assess the perceived importance of several items for constituting a relationship. All items were scrambled within the

respective categories (i.e. "constitutive attributes of a relationship", "relationship with a company", "online relationship with a company") and an exploratory factor analysis was used to detect underlying structures. The respondents were asked to separately assess the importance of a number of attributes in regard to the research questions elaborated above.

A MSA value of .89 ("meritorious") for the items used to measure the attributes which constitute a relationship indicates a good eligibility of the data for factor analysis (Kaiser and Rice, 1974). The three-factor solution shown

in Table 2, with the items being grouped by their highest primary factor loading turned out to be the best one, according to their interpretability. Based on the analysis and conceptual congruence we labeled the three factors as "Emotion", "Communication/ Transparency" and "Ties" to indicate that the first one mainly includes items that emphasize feelings such as solidarity, familiarity, friendship and partnership, whereas the second one focuses on the exchange of information and communication. The third factor describes the existence of invisible ties, indicated by items such as dependence and bondage.

In general, which meaning do you associate with the term "relationship"?					
Factor	Mean	Item	F1	F2	F3
Emotion	72.66	Friendship	.909		
	76.73	Solidarity	.891		
	80.57	Familiarity	.830		
	76.57	Partnership	.802		
	62.78	Intensity	.682		
	70.22	Emotion	.660		
	83.78	Trust	.540		
	71.52	Long-term Orientation	.482		
	84.29	Interpersonal Contact	.476		
Communication/ Transparency	68.03	Exchange of Information		.696	
	61.34	Transparency		.580	
	80.96	Communication		.578	
	77.78	Concern		.443	
Ties	30.67	Dependence			.708
	47.28	Bondage			.535
	36.71	Selflessness			.431
Eigenvalue			6.10	1.95	0.97
Variance Explained			.32	.10	.5
Factor loadings < .4 are omitted for better readability					

Table 2: Constitutive Attributes of a Relationship

In order to estimate the valuation of the items, the means are shown in the second column of Table 2. Generally speaking, the emotional and communicational factors are considered to be of greater importance than the perceived existence of ties. Interestingly, of all items "Interpersonal Contact" achieved the highest level of agreement (84.29), which indicates a high importance of interpersonal

interaction in a relationship. On the other hand, items such as trust (83.78) or satisfaction (73.60), which are also valued quite high, do not necessarily call for a human contact person. In a next step we look at the most important attributes of a relationship between an individual and an organization (see Table 3). The MSA value is .828 and can be interpreted as "meritorious".

A relationship with an organization exists, if					
Factor	Mean	Item	F1	F2	F3
Service and Transactions	84.82	... personal requests are treated individually	.712		
	81.15	... my complaints are handled satisfactorily	.637		
	82.70	... I get competent advice	.560		
	82.50	... I already have positive experiences with the company	.712		
	83.96	... I regularly buy from this company	.816		
	76.87	... I frequently buy from this company	.725		
	66.57	... I am already a customer of this company	.431		
	77.49	... I am so committed to this company that I won't buy anywhere else	.404		
	Value for money	59.82	... the company offers high-quality products		.766
42.65		... the company offers brand products I know		.632	
42.79		... prices are low		.609	
51.87		... friends and acquaintances recommended me this company		.511	
65.52		... additional services exist		.478	
63.29		... the corporate philosophy appeals to me		.409	

Information Exchange	46.35	... I inform myself actively about the company				.761
	48.28	... I already have provided a lot of personal information				.549
Eigenvalue				4.79	1.59	1.38
Variance Explained				.24	.8	.7

Factor loadings < .4 are omitted for better readability

Table 3: Relationship with a Company

Service-related activities, such as the handling of personal requests (84.82) or complaints (81.15) and the provision of competent advice (82.70) are regarded as being highly important for a relationship with an organization. In addition to that, customers show a high level of agreement that regular (83.96) or frequent (76.87) purchases from a company may be called a relationship. Given the strict classifications in marketing literature, e.g. into transaction marketing and relationship marketing, it seems remarkable that many customers perceive existing transactions as being de facto relationships, thereby

blurring those distinctions. The other factors which came out as results of the factor analysis were labeled "Value for Money" (including the offer of high quality products (59.82) and low prices (42.65)) and "Information Exchange". In general, those items are valued less important than service or existing transactions.

The third factor analysis is intended to include the Internet as an important communication and transaction channel. Again, a MSA value of .855 ("meritorious") indicates a good eligibility of the data for factor analysis.

In an online relationship it is important for me that

Factor	Mean	Item	F1	F2	F3	F4
Service and Transparency	90.91	... I receive the ordered products and services on time	.825			
	85.74	... I can inspect my personal data at any time	.778			
	82.84	... the Web site is clearly arranged	.764			
	88.82	... I get answers for my requests quickly	.719			
	80.18	... data can be encoded transmitted	.676			
	84.58	... I can find a contact person at any time	.619			
	73.34	... the general terms and conditions are clearly defined	.557			
	78.82	... I can check my delivery status at any time	.545			
	71.56	... I have the opportunity to give feedback	.477	.448		
Individualization	55.64	... I regularly receive individualized newsletters		.788		
	62.30	... I receive individualized offers		.607		
	38.01	... I receive congratulations on important dates (e.g. birthday)		.569		
	44.40	... I am personally welcomed		.536		
	56.27	... I can express my opinions in forums		.441		
Online Entertainment	17.40	... the Web site offers online games			.650	
	37.08	... I can download software			.587	
	43.89	... I find the Web site entertaining			.559	
	41.08	... I can send SMS free of charge			.546	
	38.54	... I can participate in sweepstakes			.501	
	63.14	... I like the Web site			.422	
Extended Benefits	69.66	... I get presents or discounts				.805
	75.16	... I get aggregated rebates				.753
Eigenvalue			6.39	2.68	1.16	1.06
Variance Explained			.26	.11	.5	.4

Factor loadings < .4 are omitted for better readability

Table 4: Online Relationship with a Company

Service is the most important factor in the relationship with an organization. In addition to that, in the online world transparency becomes a major criterion, which is reflected by items such as "I can inspect my personal data at any time (85.74)" or "The general terms and conditions are clearly defined (73.34)". Since the factor analysis allowed no clear distinction between items pertaining to service and transparency, all items were combined and the factor label contains both constructs. The second most important factor includes the offering of presents or discounts (69.66) or aggregated rebates (75.16) and is

referred to as "Extended Benefits". Interestingly, those items that reflect the potential advantages of the Internet, and were subsumed into the factors "Individualization" and "Online Entertainment", tend to get lower levels of agreement. Personalized communication such as congratulations on important dates (38.01) or welcome greetings (44.40) receive below-average acceptance. The same holds true for most items that are included in "Online entertainment", such as the valuation of online games (17.40), the download of software (37.08) or the participation in sweepstakes (38.54).

In a last step the combined results are visualized in Figure 1. The ordinate represents the unweighted mean of all items loading on a single factor, while on the abscissa the different types of relationships are depicted.

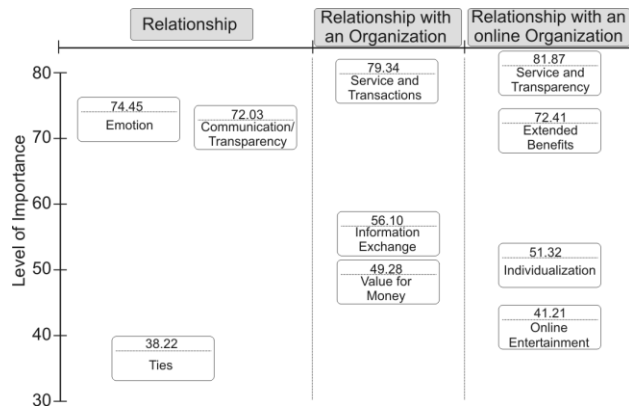


Figure 1: A Framework for Categorizing the Constituents of Relationships

Starting with the definition of a relationship in general, it can be seen that involuntary interactions usually are not perceived as being a relationship, as is indicated by the position of the factor "Ties" in the lower left corner of the framework. On the other hand, those items which refer to "Emotion" and "Communication/Transparency" are, from a consumer's point of view, much better suited to characterize the essence of a relationship. By having a look at the relationship with an organization, one can see that especially good service and existing transactions are associated with a relationship. In contrast to that, the "Information Exchange" or "Value for Money" are rated much lower. The last section describes the relationship with an online organization and again good service is seen as being essential. In addition to that, transparency is considered being quite important. Measures of individualization or online entertainment are regarded as being of comparatively less importance for building relationships online. While in interpersonal interactions hedonic motives (e.g. familiarity or emotion) are seen as being very important for constituting a relationship, the opposite holds true for online organizations. For a majority of users an entertaining Web site, the ability of customizing it or the participation in sweepstakes are not adequate instruments for producing a perceived relationship, as is indicated by the below average grading for the latter.

CONCLUSIONS AND FURTHER RESEARCH

When relationship marketing emerged, the Internet was seen by many researchers as the ideal medium for creating and maintaining long-lasting relationships with customers.

This paper took a closer look on how customers themselves would define a relationship offline and online. The findings suggest that the term relationship might be misleading, since customers tend to emphasize different focuses, depending on the situation and the interaction partner (human vs. organization and online vs. offline). While in a noncommercial interpersonal interaction emotional values are still of preeminent importance, in a selling situation the level of service determines the perceived existence of a relationship. In addition to that, transparency is considered to be important when conducting business online.

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