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Delivering customer value online: an analysis of practices, applications, and performance

Nancy M. Levenburg*

Department of Management, Seidman College of Business, Grand Valley State University, 464-C DeVos Center, 401 W. Fulton Street, Grand Rapids, Michigan 49504, USA

Abstract

An expanding array of technologies exist that can enable retailers to add value to product/service offerings online. Yet for many firms, determining which applications to employ can be perplexing. This study examines dimensions of service orientation among market leaders and measures performance results of adopting selected customer service applications. Findings suggest that while a majority of retailers use the Internet to enhance company image, greater pay-offs come from offering more online services, particularly those that may be used by customers in the acquisition process (e.g., e-mail and online ordering) and for post-purchase support.

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1. Introduction

Within the past decade, the retail sector has become an increasingly competitive and dynamic business environment (Darian et al., 2001). Today's customers have more choices than in the past. The World Wide Web has produced a revolution in retailing (Griffith and Krampf, 1998), with the emergence of new competitive formats (e.g., e-Bay) and new competitors due to low entry barriers. A plethora of research exists on competitive advantages that result from incorporating the use of digital technologies in the firm's marketing mix (e.g., Rayport and Sviokla, 1995; Olivia, 1997; Griffith and Krampf, 1998; Walsh and Godfrey, 2000; Piccoli et al., 2001; Zaino, 2002). Strategically, this new environment provides opportunities for retailers to increase business performance by using Internet technologies to increase the perceived value of their offerings.[1] The desired outcome is enhanced customer satisfaction—a positive outlook on received performance as compared to that expected.

Since perceived value influences customer satisfaction and, ultimately, customer retention and retail loyalty (e.g., Bolton and Drew, 1991; Innis and La Londe, 1994; Kolesar and Galbraith, 2000; Piron, 2001), it is of high strategic importance to most retailers (Gale, 1994). Further, the extant literature on customer loyalty can be appropriately applied to online retail service offerings (Kolesar and Galbraith, 2000).

Value-enhancing services may be offered in any phase of customers' buying processes. A growing body of literature documents the importance of the Internet in shoppers' pre-purchase search for sources and evaluation of alternatives, acquisition process, and

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*Tel.: +1 616 331 7475; fax: +1 616 331 7445.
E-mail address: levenbun@gvsu.edu.

[1] Perceived customer value represents the customer's appraisal of the benefits received in an exchange tempered by the costs associated with obtaining those benefits (Zeithaml, 1988), including qualitative and quantitative, and subjective and objective attributes. According to Homburg et al. (2002, p. 86), "In the case of retailing, services are designed to augment the core offering or add value rather than represent the core offering itself."

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post-purchase support (Carlson, 2000; Kolesar and Galbraith, 2000; Kiff, 2000; Betts, 2001; Devlin, 2001; Burke, 2002; Zeithaml, 2002; Chen and Dubinsky, 2003). "If an organization has a presence on the Internet and is selling products or supplying information, customers expect to get service through the same channel" (Carlson, 2000, p. 28).

Unfortunately, despite the Internet's prevalence, growth, and prolific use for marketing purposes, there are reports that e-service is "generally poor" (Griffith and Krampf, 1998; Kolesar and Galbraith, 2000; Burke, 2002; Darian et al., 2001; Zeithaml, 2002). Kolesar and Galbraith (2000) suggest that this is due to the nature of the medium, since the Internet lacks the capacity for direct personal interaction in the same sense as in the physical world and requires customers to forego benefits that are commonly associated with in-store shopping (e.g., immediate acquisition). Perceptions of inadequate service may also be due to poorly designed Web sites (Passikoff, 2000; Burke, 2002; Chen and Dubinsky, 2003), the heterogeneous (and frequently fickle) nature of consumers (Kolesar and Galbraith, 2000), or breakdowns in the performance of e-retailing processes (Kolesar and Galbraith, 2000). Finally, reliable and valid performance measures within the Internet industry do not yet exist (e.g., Shen, 2002; Krishnamurthy, 2000), making it difficult to evaluate the impact of changes.

Advances in technology have produced a vast menu of applications that can be used to furnish services online (Kolesar and Galbraith, 2000; Hof, 2001). Amidst this expanding array of digital alternatives, however, there is a scarcity of knowledge about measures of performance (Griffith and Krampf, 1998) and best practices. This makes decision-making difficult regarding which application(s) to deploy to meet the needs of today's increasingly discerning and demanding clientele. The Internet offers tremendous potential but as demonstrated by the bursting of the dot-com bubble, there is a need for organizations to better understand how to leverage this technology. This is especially important for retailers since investments are evaluated in terms of their impact on business performance (Darian et al., 2001; Homburg et al., 2002). As noted by Burke (2002, p. 431), "Retailers must be cautious in adopting new technologies. Many innovations will not deliver sufficient value and consumer patronage to offset their costs."

One approach that may be helpful in understanding how e-business technologies may be more successfully employed to enhance retail service offerings, is benchmarking. Benchmarking, the process of comparing one's practices and procedures against those believed to be the best in the industry, is fitting for several reasons. While early benchmarking efforts focused on manufacturing and logistics, the process has grown to encompass a wider array of activities including exporting (Crespy et al., 1993), quality goals in service systems (Chen, 1998), supply chain interface (Bommer et al., 2001; Simpson and Kondouli, 2000), employee practices (Simpson and Kondouli, 2000), and brand management (Andriopoulos and Gotsi, 2000), to name a few. At the same time, the focus has shifted from an emphasis on comparison with direct competitors to learning about best practices and identifying possibilities (Smith, 2000).

This study identifies factors that distinguish successful use of the Internet to add value to service offerings, including the importance of using specific applications. Specifically, it seeks to determine "best practices" in Internet-delivered customer services by examining the practices of retail market leaders as well as comparing the results among those that have been more and less successful in their online ventures. In so doing, the intent is to provide aspirational targets, thereby enabling firms to assess and increase competitiveness within the retail sector. By examining firms' perceptions and experience with using the Internet to deliver customer value, along with nuances of their successful ventures online, this study aims to gain insight into practices that can enable retail organizations to utilize the Internet more effectively.

2. Benchmarking customer services on the internet

2.1. Customer value, customer services, and business strategy

According to Bommer et al., "Customer service is viewed as a means for an organization to differentiate their product from their competition and sustain customer loyalty. Customer service is the process, which takes place between the buyer and the seller, which results in some shared value-added results. The idea is that both parties (buyer and seller) are better off after the transaction" (Bommer et al., 2001, p. 11). Services offerings can be distinguished from other value-enhancing activities undertaken by a firm (e.g., improved products or lower prices) (Leung et al., 1998), and include identifiable, yet frequently intangible, activities that enhance the value of product/service offerings—a total package of attributes (Devlin, 2001). Numerous studies have explored the quality dimensions of customer services: reliability, tangibility, responsiveness, assurance, and empathy (e.g., Berry et al., 1990; Parasuraman et al., 1991). Additionally, there has been steady growth in the importance of customer service and customer service measurement over the past few decades (Wilson, 2002) because of theoretical links to customer loyalty and business profits (Narver and Slater, 1990; Anderson et al., 1994; Taylor and Baker, 1994; Bitner, 1995; Jones and Sasser, 1995; Rust et al., 1995; Piron,

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