CUSTOMER RETENTION IN FASHION E-TAILING: FACILITATORS AND BARRIERS

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Abstract

The Internet has changed the way consumers gather information and shop. An increasingly competitive market calls for new marketing approaches to attract customers to the companies’ online stores. The aim of the present article is to understand what facilitates and what creates barriers to prioritizing repeat customers. Further, the article discusses repurchasing among young female online fashion shoppers and how these consumers can be retained. Two research questions are addressed: 1. What facilitates repurchasing among online fashion consumers, and why? 2. What creates barriers to repurchasing among online fashion consumers, and why? In order to gain deeper knowledge of how e-tailers work with customer retention, we conducted a pilot study that included representatives from two clothing companies, as well as an expert interview with an analyst at the company Stroede Ralto. Then two focus groups consisting of young female online shoppers were formed. Results from the focus groups show that several companies use frequent e-mail advertising and targeted advertising on other websites to retain customers and facilitate re-purchasing. All participants found these features annoying rather than helpful. Moreover, the help functions provided in an online store played a major role in facilitating the purchasing, and shopping carts were appreciated as they enable customers to easily view and add items and obtain price information. We discovered that the consumers did most of their shopping on websites they found esthetically appealing and inspiring and that they would often return to these websites for inspiration or to browse. The article further provides advice to managers regarding how to retain customers.

Keywords: Customer Retention, Re-purchase, Facilitators, Barriers, Online Fashion E-tailing, Young Consumers
1. Introduction

The success of the Swedish e-commerce industry has been remarkable. It grew by 17 percent in 2012 (HUI Research Ltd, 2012) and is expected to continue expanding. One reason for the increasing e-commerce is the digitalization of society. Attractive digital concepts facilitate shopping. Smartphones, e.g., made it possible to make purchases independently of time and place. The large increase in e-commerce is, however, astounding when considering that the brick-and-mortar retail industry is continuing its struggle with great losses and higher costs (HUI Research Ltd, 2012). This success, accompanied with low entry barriers, creates an extremely competitive environment for e-tailing businesses. An increasingly competitive market necessitates new marketing approaches in order to attract customers to online stores. However, as the cost of attracting new customers is considered to be high, many companies may choose to switch their focus to customer retention in order to retain long-term profits. Indeed, the costs of retaining existing customers and making them return for repeat business are much lower than the costs of acquiring new customers. Thus, customer loyalty and customer retention are cornerstones of a successful business (Reichheld et al., 2000). When it comes to the fashion industry, the large presence of new entries and already existing firms has made it difficult to compete for “customer clicks.” According to HUI Research Ltd (2012), the fashion industry’s steady growth is leading to new entries in the e-tailing market. With the presence of new international actors, e.g., Zalando, tension has been created in the market (Lundin, 2013). The tension is what sparked our interest in fashion e-tailers.

The fact that clothing is seen as a complex product makes it even more interesting. Even though clothing is seen to be a complex product, the frequency of purchases is still high (Juhl et al., 2002). It is still important to consider the complications that might occur when dealing with online stores and shopping. The fact that quality and function are important becomes even more difficult when eliminating the ability to actually touch and feel a product before buying it, something that might affect with consumers’ intent to fulfill a repurchase in the nearby future (Park and Stoel, 2002).

When considering women, the results have proven to be even more evident. Women are much more sensitive to the fact that they cannot touch or feel the product prior to purchase (Jacobs and de Klerk, 2007). However, despite this barrier, women remain overrepresented in the fashion e-tailing industry. This is the reason we choose to focus our study on women and how/why they continue to shop online. When visiting several leading Swedish fashion e-tailers, it is evident that they target women, in particular young women. This could primarily be explained by the fact that young online consumers increasingly shop for entertainment reasons and out of boredom (MasterCard, 2013). The aim of the present article is to understand what facilitates and what creates barriers to repurchasing among young female online fashion shoppers and how these consumers can be retained.

The remainder of the article is structured as follows. Section 2 discusses the theoretical framework and the pilot study conducted. Section 3 describes the methodology and data used. The research findings as well as conclusions are presented in Section 4. Managerial implications are addressed in Section 5.

2. Customer Retention

It has been stated that a wide range of businesses can boost their profits by 25–100 percent if they manage to raise their customer retention rate by just 5 percent. In general, the profit will go down as retention level falls, although the numbers might differ quite a bit across industries (Reichheld, 2001). Not all return customers are profitable, though. There will always be those who are too expensive and demanding to retain, and those who constantly go for the lowest price and will not hesitate to switch to another seller as soon as a better deal becomes available (Reichheld, 2001; Buttle, 2009). Therefore, the cost of keeping a customer is significantly lower than the cost
of acquiring a new customer. In addition, good customers will also give your company free advertising by word of mouth (Reichheld, 2001; Buttle, 2009).

Even if the costs of retaining customers might be greater than the actual revenue from those customers, researchers argue that this will not lead to financial ruin if handled in one or both of two ways: reducing retention costs and/or increasing the lifetime value of the customers (Rust and Kannan, 2003).

Rust and Kannan (2003) argue that the customer lifetime value can be increased in two ways. One is to increase the duration of the customer lifetime relationship with the company, and the other is to increase the frequency and value of the customer’s purchases. This is where customer retention becomes important to e-tailers. However, even if e-tailers are well aware that the focus on customer retention is necessary, very little has actually been done. Even though plans might be in the making, the e-tailers argue that they are still on the verge of making more and more customer retention decisions in the future.

An advantage e-tailers have over regular brick-and-mortar stores is the amount of information they have on their customers about, e.g., age, sizes, address, previous purchases, shopping frequency and timing, and typical amounts spent. All this information enables them to tailor their interactions with their customers to make sure they reach and retain every one of them.

2.1. How to Manage Customer Retention

When considering a company's customer retention efforts, there are negative and positive retention strategies. One for negative retention is to “lock customers in” by means of switching barriers such as high switching costs. However, high switching costs may retain customers unwillingly and therefore cause negative attitudes to the company, since it may make customers feel trapped. Positive retention strategies involve, e.g., creating customer delight, adding customer perceived value, and building customer engagement (Buttle, 2009).

2.2. Pilot Study

In order to learn more about e-tailers’ approach to customer retention, we conducted a pilot study consisting of telephone interviews with representatives from two clothing companies. Albin Johansson, product manager at Nelly.com, was the first respondent. Nelly.com is a leading e-tailing company in Sweden and has since its start in 2003 continued to spread across Scandinavia and Northern Europe. The company targets 18–35 year old consumers (mostly females) and describes its typical customers as “youthful,” “outgoing,” and “trendy.”

The second interview was conducted with Christian Resell, executive vice president of Bubbleroom.com. Bubbleroom.com started in 2005 and has since developed into one of the leading fashion e-tailing businesses in Sweden. Bubbleroom.com has a target group similar to Nelly’s and is therefore appropriate for our study.

The two interviews revealed that both of these large actors in the Swedish fashion e-tailing industry were in the early stages of their strategy to give more attention to customer retention. The two respondents talked about how the prior focus in the industry had been on growth and recruitment of new customers, but this had recently switched to a focus on customer retention.

An expert interview with Tenggren (2013), analyst and senior advisor at Stroede Ralton, was also conducted. This company works with customer retention on a daily basis. Like the other two respondents, Tenggren (2013) argued that e-tailers focus too much on growth instead of retention. He claims that e-tailers have more tools to use when it comes to customer retention: they possess vast amounts of information and can also reward their customers by means of instant gratification. The ability to quickly reward or confirm good customer behavior can be very useful for e-tailers trying to boost their customer retention. Tenggren (2013) believes that people are extremely used to instant gratification due to the ever-present social media. There is a desire for instant gratification when, e.g., people post a status on Facebook and then expect others to respond. E-tailers, therefore, have a great advantage in the way they can quickly reward their customers for a good transaction. Arguably, prior research has referred to instant gratification as...
a tool that brick-and-mortar retailers have greater access to than e-tailers, since customers have to wait for the products to arrive and therefore transactions do not cause immediate gratification (Kim Y-K., 2002; Vijayasarathy, 2002).

2.3. Research Questions

In light of the above discussion, two research questions could be identified:

i. What facilitates repurchasing among online fashion consumers, and why?

This question requires information on what is important to online fashion consumers and how important the shopping experience is to these consumers, as well as information on online fashion consumers' expectations.

ii. What creates barriers to repurchasing among online fashion consumers, and why?

This research question requires information both on reasons for online consumer defection and on factors that keep online fashion consumers from returning.

3. Customer Retention Strategies

According to Buttle (2009), there are two main types of customer retention. There are positive customer retention strategies, e.g., creating customer delight, adding customer perceived value and building customer engagement. There are also barriers that hinder customers to re-purchase, such as high switching costs and discouraging customer defection.

3.1. Positive Retention Strategies

3.1.1. Creating Customer Delight

To retain customers, it is of great importance to understand and meet their expectations as much as possible. However, in the long run, this alone will not retain a customer in a competitive environment. Therefore, a company should always try to not only meet the customers' expectations but also delight them by exceeding their expectations and going beyond what normally satisfies them. Basic attributes online consumers look for include fast and problem-free order fulfillment, good prices, strong customer service, and website functionality (Buttle, 2009).

3.1.2. Adding Customer Perceived Value

Customer perceived value can be added in many ways. For example, there are loyalty schemes. These will usually give the customer immediate or delayed incremental rewards for spending money (Buttle, 2009). Then there are customer clubs operated by the respective companies. These companies offer various value-added benefits exclusively to members and are one of the most important instruments in customer retention strategies (Stauss et al., 2001). Retention-orientated sales promotion is also commonly used for adding customer value and encourages customers to repeat purchases. Examples of this include in-pack or on-pack vouchers, rebates, cash back schemes, patronage rewards, free premiums for return business, collection schemes, and self-liquidating premium (Buttle, 2009).

3.1.3. Building Customer Engagement

As Reichheld (1993) states, satisfaction is not enough. Having satisfied customers is only a basic requirement and will not guarantee retention. Customers who are highly engaged are much more resistant to competitors' offers and therefore less likely to defect. Engagement is defined as customers' emotions and rational response to customer experience (Bowden, 2007). Engagement can be achieved by consciously designing and developing the customer experience so that the customer feels surprised and provoked (Buttle, 2009).
3.2. Barriers to Online Shopping

3.2.1. Delayed or Lack of Instant Gratification

As for what facilitates and creates barriers to online shopping, the views and research findings vary. With respect to barriers to online shopping, the lack of instant gratification is often mentioned as such a factor. One example is Grewal et al. (2004), who hold that e-tailing is structurally disadvantaged when it comes to providing the type of instant gratification that customers can get from visiting and shopping at a brick-and-mortar store. This is also mentioned as a disadvantage of online shopping in de Kervenoal et al. (2009), where the delay in gratification leads to consumers avoiding online shopping. However, as they argue, it is also stated that instant gratification can be seen as a facilitator of online retailing when viewed as a way of which you can reward your customer directly when the purchase is done, as mentioned by Rigby (2011). Therefore, an instant gratification becomes extra important in the context of customer retention, e.g. when you can reward a customer for a purchase directly on the screen versus waiting for the products to arrive.

There are some risks involved in online shopping and these risks might make some consumers reluctant to buy fashion online. These risks mainly stem from the inability to try on and feel the garments before buying them and are said to be observed risks (Cox and Rich, 1964). It has been proven that there is a relationship between the information given and the magnitude of the risk perceived. The lack of information, due to the inherent inability to touch the garment, leads to a higher risk for the customer (Park and Stoel, 2002).

In a study by Jacobs and de Klerk (2007) on how women’s risk perception in online fashion shopping might affect their Internet adoption, the authors argue that potential problems involved in returning a garment are seen as a large risk factor. Being obligated to return a garment is viewed as a potential waste of time and may cause customers not to complete a purchase. This behavior often stems from prior experiences of online shopping when the ordered garment did not meet the customers' expectations in terms of size, color, etc. Many subjects in Jacob and the Klerk's (2007) study also felt as if they wasted time by having to wait for their garment to arrive.

4. Methodology

4.1. Abduction

We use an abductive approach. The abductive approach is a combination of deduction and induction, and can be described as first creating a hypothetical pattern based on a single case (inductive) and then testing this pattern on other cases (deductive). This approach allows the researcher to work more freely than when using a strictly inductive or deductive approach (Patel and Davidson, 2011). The searching for theories relevant for our article has been done throughout the whole process of our study, partly before our interviews to provide us with a better knowledge of the subject and previous studies, partly while we were conducting our interviews, new subjects came up and then in the end to tie all the information we had gathered together and analyze it. Therefore we have an abductive approach.

4.2. Pilot Study

To expand our understanding of the studied topic and define relevant research questions, we performed pre-studies. The pre-studies consisted of three parts: two interviews with informants from two Swedish online fashion companies, one interview with a customer retention/loyalty expert (senior advisor) at a consulting firm, and two in-depth interviews with young female consumers.

4.3. Selection of Frequent and Non Frequent Shoppers for the Focus Groups

We chose to focus our study on 18–29 year old women with experience of purchasing apparel online (more than once). With these eligibility criteria in mind, we then tried to maximize the variation in age, occupation, and shopping habits when recruiting subjects (Halkier, 2010).
To identify relevant respondents for our study we implemented so-called “snowball sampling,” where we contacted acquaintances who in turn contacted or recommended people they thought fit the description of the respondents we were looking for (Malhotra and Birks, 2003). Just as in the pilot study, we strived for a good blend of frequent and non-frequent shoppers to ensure heterogeneity in perspectives. However, in order to identify re-purchasing behavior, we saw it as important to only recruit respondents with at least some experience of online fashion shopping.

Two focus group interviews were conducted in a quiet environment in a small seminar room at the Gothenburg University. The groups consisted of four and five participants, respectively, and comprised a mix of frequent and non-frequent online shoppers. Each focus group was interviewed by one of the authors, while another author took notes and made observations. Four of the nine subjects were “frequent online shoppers” and five were “non-frequent shoppers.” They were all women between the ages of 18 and 29 years.

4.3.1. Reliability

Our main study consisted of two focus groups comprising online fashion shoppers, with whom we discussed what is important in an online fashion store and what would make them return. Focus groups, in contrast to other group interview schemes, invite the group members to interact with each other. They may, for example, compare experiences and ask each other questions, and one can use the group as a tool to gain complex data. However, the researcher should also be aware of the social effects that the group members may have on each other and the data (Halkier, 2010). This became obvious to us when one of the focus group members expressed very strong feelings about consumption of fashion and how people are so materialistic. She believed that people should only consume based on need and not out of mere desire. We believe that this subject’s remarks may have created a sense of guilt in the other group members about authentically expressing their true shopping habits. However, this atmosphere soon changed back to normal and ended up not having a major impact on the study since even the person with these beliefs started telling the group about her online shopping experiences, when she had shopped for pleasure and not just to meet a need.

5. Findings and Conclusions

In this section, the findings and the conclusions of the present study are presented separately for each of the two research questions.

5.1. What facilitates repurchasing among online fashion consumers, and why?

Online fashion stores were generally expected to have a much larger variety of products and a more unique supply than traditional stores. Several companies use frequent email advertising and targeted advertising on other websites to retain customers and facilitate return business. According to our study, all of the participants found these features more annoying than useful, and very few were actually swayed by them. Everyone stated that they would be more positive to the e-mail newsletters if they contained more targeted information based on their previous purchase and if they received considerably fewer e-mails than they were currently receiving. As for the targeted advertising, i.e., showing items previously viewed on other sites, most participants would have preferred to see items similar to the ones they had previously viewed, but not the exact same ones.

The help functions provided in an online store played a major role in facilitating purchases since they make the shopping experience faster and easier. Shopping carts were appreciated as they enable customers to easily view and add items and see both the price per item and the total price. Even though a large variety of products was desired, filters were often used as no one wanted to spend a lot of time manually looking for the type of items they wanted. Getting e-mails notifying them of products being back in stock was another frequently used function, and the participants said that suggestions for similar items received while viewing a garment were both
inspiring and useful. Quick shops were also something positive. All in all, it can be concluded that the easier and quicker the purchasing process, the greater the likelihood of a re-purchase and of customer retention.

Many of the participants stressed the importance of being able to write and view comments on garments. Other people’s comments could either lead a consumer to buy something if it was positive or have the opposite effect if it was negative. We perceived that the participants thought of the comments as a way to learn more about a product without actually being able to physically feel or see it, and that this helped them make purchases they would end up being satisfied with. Interestingly, it seems important not to remove bad product comments since such remarks were perceived to increase the creditability of and trust in the online store. We could see that being able to interact with the store and other customers was greatly appreciated in the group.

There was a strong connection between website design and the participants’ choice of website. We discovered that they did most of their shopping on websites that they found to be aesthetically appealing and inspiring, and that they would often return to these sites to just get inspiration or to browse. It was expressed as important how the clothes were presented, and the looks of the models were important to them as well. Lookbooks were found to be very inspiring and could often facilitate a purchase. Our perception was that the more inspiring the website, the more time was spent on it and thus the higher the likelihood of impulse buying. In the same manner, we believe that online stores via instant gratification can encourage customers to impulse shop further. If an online store is able to catch a customer browsing out of boredom, perhaps instant gratification notes such as reassessing offers can contribute to re-purchasing.

All participants said they appreciated rewards. However, most of them also felt that they were not being rewarded by their online stores as much as they would like to be. Among the more frequent customers, there was a feeling of disappointment and not being recognized for being a good customer. There was a need for more concrete explanations of why shoppers received an offer. Instead of receiving an e-mail offering a 20 percent good-customer discount, they would prefer to receive rewards of the type: “You have shopped for SEK 5,000 and as a thank you we want to give you SEK 200 to spend in our store.”

The participants felt that many online fashion stores lacked the reward point systems common in many traditional stores. They also stated that in most online stores, visitors have to become members before they can buy something. Again we sensed that this made some of the more frequent customers feel a bit under-rewarded since they felt like everyone who was a member received the same offers. Many were even willing to pay extra to receive more recognition and better conditions. Display of customer appreciation is important and can be considered a positive customer retention strategy.

### 5.2. What creates barriers to repurchasing among online fashion consumers, and why?

As for perceived difficulties associated with online fashion shopping, we discovered that almost all participants considered the freight aspect a real barrier. This concern was mainly related to the risk of having to return the purchased garments and the fact that the consumer may have to pay for the return shipping. Not being able to try on clothes contributed to the uncertainty of shopping online as well. It is therefore important to provide the customer with thorough information about the featured products. It is also important to describe the product as truthfully as possible in order to meet or exceed customer expectations and thus increase the likelihood of delighting and retaining shoppers.

We found that the shipping aspect actually had prevented our participants from buying a garment they were sincerely interested in. Moreover, the issue of shipping was repeatedly brought up in the discussions and many of our participants felt that online stores should offer free shipping. This extra charge might have a negative effect on online re-purchasing of fashion clothing since customers often feel they have to buy a lot at the same time for the order to be worth the cost of shipping. Thus, customers may avoid buying garments if they feel that their total order is too small. Although this dilemma may cause some shoppers to glance at other possible garments to buy in order to minimize or eliminate the shipping charge, they will not buy products they are not interested in. Therefore, even if a small amount, this might lead to a loss of a possible product re-
purchase. Although many fashion e-tailing businesses occasionally run free-shipping campaigns, shipping costs remain a cost to online shoppers since they never know when the campaigns will be run. Another reflection in this context is that a store’s free shipping campaign might not coincide with a customer’s convenient time to shop or might come after a customer has already repurchased products online, which in effect reduces an important advantage consumers see in online shopping: the opportunity to shop at one’s own convenience.

Most of the participants’ stories about online shopping experiences that had ended in disappointment had to do with goods not meeting their expectations. This led them to feel as if they had shopped in vain, and when this happened, many even argued that it was not worth returning the products. The time spent returning products and waiting for new items to arrive worked against the general view of online shopping as timesaving. Although the frequent shoppers felt that online shopping indeed saves time, several non-frequent shoppers argued that it is a complicated and time-consuming endeavor and thus something that contradicts the supposed convenience of online shopping. Additionally, an issue with sending goods back was due to the perceived hassle with mailing them. The study showed that everyone who participated, even the most frequent shoppers, found this to be complicated and difficult. Some even claimed not to know how to properly mail parcels and that the whole thing felt extremely old fashioned. The perception that this was an old-fashioned aspect of the shopping experience contradicts the view of online fashion shopping as modern. Even the walk to the post office seemed tedious and was frowned upon. However, they did not feel that returning garments in a brick-and-mortar store was equally tedious. It was also argued that the price made the incentive to return goods they were not happy with even lower. If the price of a purchase is low and close to the shipping charge, a majority of the participants did not feel a need to return it. This stance inevitably leads to dissatisfaction with purchases and probably also to a negative attitude to the e-tailer, which will almost certainly affect the company’s customer retention rate negatively.

Customers see the ability to return goods as important in order to be able to trust the company and feel secure about re-purchasing goods in the future. In fact, the issue of trust deserves great attention, as we found that many participants felt as if companies make returns and shipping complicated on purpose. This suspicion is another factor that may counteract an e-tailer’s efforts to boost customer retention.

In conclusion, the perceived hassle of online shopping is an issue commonly brought up in our study and seems to be something that keeps our participants from repurchasing clothes more frequently. We found that the participants were very annoyed with non-user-unfriendly websites and that this affected their likelihood of returning to a website. The perceived hassle came from having to click repeatedly in order to view the available products and from being thrown back to the top of the page after clicking on a product. Since the participants claimed to usually browse around and look at many products before buying something, they see the ability to easily return to a product they liked as very important.

Moreover, the models wearing the garments play a significant role in how customers perceive a product. We found that our participants liked models to be good-looking, but they did not like those who portrayed an unhealthy body image. In fact, most participants expressed a desire to be able to identify themselves with the models in order to trust that the garment would look as nice on them.

6. Managerial Implications

The study resulted in managerial implications for fashion e-tailers concerning how to retain young female consumers:

Fashion e-tailers should decrease or eliminate the perceived shipping cost in order to increase the number of product repurchases and satisfied customers. One suggestion is to offer a fixed yearly shipping charge. Another is to include the shipping cost in the product price.

Companies should decrease or eliminate the perceived hassle of returning products that customers are not happy with. A suggestion is to provide the customer with tools to facilitate the return procedure. This could be as simple as providing packaging material or a convenient return form. Eliminating return shipping charges could also be useful.
E-tailers should decrease or eliminate the perceived hassle of using websites. Barriers might occur when products are difficult to return to after viewing other options or if the browsing experience is cumbersome (e.g., a lot of clicking and scrolling required). Furthermore, companies should consider the number of newsletters and emails sent to consumers. It might be beneficial to send fewer advertising emails and offers and instead focus on distributing ‘bigger news’ and better offers.

We would also recommend e-tailers to target the information in the emails to individual customers to a greater extent. The e-tailers should make sure that the frequent customers get rewarded through loyalty programs and reward point systems. Furthermore, it is important to differentiate between profitable and non-profitable customers. Not all customers are worth trying to retain, and by treating everyone the same, the more profitable customers might defect because of lack of recognition.

It is important that companies maintain and develop help functions to make the shopping as easy and pleasurable as possible. One single missing help function might cause the customer to defect. E-tailers should also inspire customers to spend time at the site through optimized website design and product introductions. The use of well-designed lookbooks with appealing pictures and other “magazine-like” features seems be a good idea in this regard. Finally, companies are encouraged to let customers interact with the online store as well as with each other, since this will increase the potential for shoppers to be satisfied with their purchases and make them feel more included in the process. This can, e.g., be achieved by providing comment fields under each displayed product.

References


