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Ecommerce "*Stickiness*" for Customer Retention

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Abstract

Creating and maintaining a competitive and long-term sustainable e-commerce channel obligates attention to business process "*stickiness*, ." The contention for new Internet customers and retention of existing ones has culminated in the reuse of stickiness, a recycled marketing expression, as the mechanism for assessing and boosting customer retention. This Such a "threshold" is primarily created through integrated site and transaction-oriented processes, making it too expensive for customers to switch to rivals. Initially and traditionally, stickiness is created at ecommerce sites, (although only secondarily do you mean as a by-product?), through brand equity, customer loyalty, and other useful site functions. This type of stickiness is short-lived because it is easily replicated by competitors. Long term stickiness needs to grow even stickier over time, creating a financial hurdle that discourages customers from switching to competitors. In addition to the cost factors involved, stickiness makes it too risky, and impractical to alter the ingrained workflows.

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Internet Stickiness

When Internet visitors and even prior customers have many if not hypercompetitive ecommerce choices, overcoming purchasing objections and indifference distills to site "*stickiness.*" This is a term designated by visitor conversion rates, brand equity, performance, site utility, and primarily the switching costs for ecommerce sites. Stickiness is typically used as a vague measurement of how well an ecommerce site converts visitors to customers and retains the existing ones. This is at best a nebulous criterion of customer commitment even when presented in percentages and contrasted with other customer acquisition costs.

In the retail world, stickiness is a product of physical inertia; even within a defined mall environment. Customers seek to fulfill their needs and desires before they are exhausted. In manufacturing and reselling, stickiness is a factor of business relationships, methods for doing business, pricing, shipping, and performance.

Public relations agencies and product marketing people use the term "affinity" in addition to stickiness, as though there is no distinction between the terms. Rather, affinity addresses the overlap between a demographic group and potential desire to buy the products or services offered at a site. Affinity is useful for initial direct marketing efforts to drive visitors to a site or select from possible advertising venues, but it does not address the stickiness issue directly on retaining customers. So-called "affinity credit cards" and "frequent buyer programs" generate kickbacks (also known as "rebates"), discounts on special goods or services, or merely express an affiliation or emotional attachment to schools and organizations. Some affinity cards and programs, such as frequent flier miles, miles toward vehicles, or special merchandise redeemable only on a periodic basis do create stickiness. Affinity for an ecommerce site is instead about an overlapping of interests.

Internet site affinity, as previously explained, is another synonym used interchangeably with stickiness, brand loyalty, or customer loyalty. It is also a stale concept when used simplistically. Affinity is soon ignored without a complex entanglement with the customer. Once you get a visitor to an ecommerce site, if there is nothing there for the visitor, there is no reason for stickiness. Realize that is easy for marketing types to throw around new terms, define them for you, and expect that encapsulated fact represents something new and different, and thus they seem valuable to your ecommerce operations. However, when new terms disguise old concepts, any semantic change is stale too. Affinity is not stickiness, and does not add to customer retention. By analogy, *affinity* is only the sex pheromone attractant, whereas *stickiness* is the actual sexual, contractual, or mechanical ambush. Here is a table to classify methods for their potential to create affinity and stickiness.

Methods	*Affinity*	*Stickiness (short term)*	*Stickiness (long term)*
Demographics	•		
Interests	•	•	
Price points	•	•	Competitive
Useful tools	•	•	Competitive
Useful services	•	•	Competitive
Needs	•	•	

Desires	•	•	
Design	•		
Content	•	•	
Freshness	•	•	Competitive
Personalized news		•	
Instant rebates	•	•	•
Accumulating rebates			•
Visitor conversion rates	•	•	
Brand equity		•	•
Performance		•	•
Customer support		•	•
Site utility		•	•
Switching costs			• %Ï
Process integration			•

Stored information			•

Table 1. Comparison of ecommerce methods for creating affinity and both short and long term stickiness useful for implementing effective ecommerce web sites.

A more relevant ecommerce site usage of the term stickiness is as a benchmark against which to judge repeated interest in a web site, that is, providing prior visitors or existing customers with a reason to return again to a site. A search engine has stickiness because of its fundamental value at reducing vast amounts of data into something immediately useful; it gets visitors back to the site. A portal or Internet mall has stickiness because it serves as an important entry point for various commercial transactions and creates a simple and obvious shopping metaphor for repeated shopping excursions. Stickiness also is a proxy for the first URL stop or query for product or service availability, customer support or help, or likelihood of an efficient solution. In that guise, stickiness is an indirect review of the effectiveness, utility, and organization of an ecommerce site. This aspect of stickiness is more akin to measurements for site recognition, site benchmarking, or site return statistics; use those terms instead rather than misusing stickiness.

On the Internet, stickiness has come to mean, quite insufficiently, the process of converting visitors to customers and retaining prior customers with repeat business. It is also used as an equivalent to retail channel brand awareness and customer loyalty. Various methods exist to foster or simulate standalone e-commerce stickiness. Traditionally, this includes registering users, creating memberships, signing visitors up for e-mail notices, encouraging newsletter subscriptions, integrating ecommerce and other site-specific activities into user work flow, or capturing user information from visitor cookies and browser configurations. That last method is covert and invasive; sites must heed the need not to violate customer trust implicitly or explicitly by capturing personal visitor infrormation.

The overall industry consensus is that visitors are unlikely to register unless personal value exists, which means they have affinity with the site, to wit, answer, "what is in for the visitor to register?" Most visitors will not sign up for any e-mail or newsletter unless there is obvious and apparent value. Even search engines and portals have a hard task creating loyalty with Internet users. Some have gone so far as to create browser-based applets or browser buttons that activate specialized site access or service features. The applets extend and expand search functionality but lock the search capability to hosting search engine in order to promote the banner ads and advertising links.

Site content is also a draw, an expensive one as evidenced surveys from Forrester Research that estimate site content development as a multimillion dollar effort. Since stale sites do not bring visitors back, freshness and currency becomes important. Even though browsers such as Microsoft Internet Explorer provides automatic notification when favorite sites change, the ability to communicate freshness is currently limited by a visitor's interest in checking out that favorite site. Ultimately, such simple tricks become stale themselves and soon ignored.

Stickiness is important because new visitors bought through advertising are expensive. The cost per thousand (abbreviated as "CPM" where M is Latin Mil for thousands) and effectiveness of advertising is driven in this case by group affinities. However, after this, once visitors hit a site, stickiness pays. It is more cost-effective and efficient if you can retain a higher percentage of those visitors as customers, and prior customers as repeat customers. Retention is stickiness. Strategically, stickiness is a way to describe a sustainable barrier to competitive market entry or erosion of the customer base, a strategic ecommerce target with permanent and dominant value. While brand awareness and customer loyalty initially drives customers with affinity to a ecommerce site, retains some of them there, it is the kingpin of process integration, described latter, that pays dividends.

Site affinity, as previously explained, is another synonym used interchangeably with stickiness, brand loyalty, or customer loyalty. It is also a stale concept when used simplistically. Affinity is soon ignored without a complex entanglement with the customer. Once you get a visitor to an ecommerce site, if there is nothing there for the visitor, there is no reason for stickiness. Realize that is easy for marketing types to throw around new terms, define them for you, and expect that encapsulated fact represents something new and different terms, and thus they seem valuable to your ecommerce operations. However, when new terms disguise old concepts, any semantic change is stale too. Affinity is not stickiness, and not add in customer retention.

Traditionally in marketing, stickiness has described the financial and opportunity costs of switching to other alternatives. This has nothing to with brand equity and customer loyalty used to evaluate ecommerce sites. This is obvious in terms of sSwitching costs are obvious to customers of credit card processors, mortgage brokers, checking accounts (now with an online component), frequent flyer programs, car dealerships (and warrantee repair work), or new insurance policies when older ones have limited surrender value or ongoing premium dividends. However, on the Internet, stickiness has come to mean, quite insufficiently, the process of converting visitors to customers and retaining prior customers with repeat business. It is also used as equivalent to retail channel brand awareness and customer loyalty. Internet and ecommerce stickiness must represent more than simple site retention; aSince a jump to a competitive URL entails no financial cost and minimal time to view a new page, Internet and ecommerce stickiness must represent more than simple site retention. Something else, instead of affinities and sticky techniques that work only for the short term are required for ecommerce. Despite attempts to remake ecommerce customer retention through that nebulous stickiness term, the traditional definition should still apply to the Internet and ecommerce, specifically through transaction process integration and the alignment of complex workflows. ThereforeThat something else is the imposition of , stickiness occurs when financial and opportunity costs to discourage switching to other eccommerce alternativescompetitors.

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Creating Stickiness

A standalone e-commerce site lacks stickiness¾except that which is created through prior customer relationships, development of brand equity, and the uniqueness in the merchandise or services offered. As previously states here, this stickiness is insufficient to retain customers indefinitely. Customer conversion costs to other sites, jumping to another URL, entering new credit card information, or establishing a line of credit is often less costly than sustaining higher prices or business problems with a longstanding but unsatisfactory ecommerce partner. New entrants, once they overcome basic presence, brand issues, and Internet mind share can represent competitive threats using price and performance. Under those conditions, there is no stickiness. All the prior customer relationships, development of brand equity, and the uniqueness in the merchandise or services is insufficient to retain customers with access to a hypercompetitive market driven by price and performance.

Create process integration that imposes financial and opportunity costs when abandoned or changed. For example, create a customized profile that is useful for simplifying additional orders. Send email or records to a proprietary accounting system with an invoice that can be directly imported into that system. Provide automated reorder and billing features for depleted supplies at a price point with reorder labor saving that locks out potential competitors. In-house systems could also initiate an order and payment transaction when inventory falls below preset levels.

Expanding on these simple and obvious examples, the financially valuable and sustainable stickiness coalesces from supply chain automation over the longer term. Supply chain automation is represented by the integration of seller-side operations with buyer-side activities. Search engine links are good as a start in terms of matching seller side advertising needs with buyer side information requests. Customer registration and specialized services are useful enhancements when they provide unique and value information to a buyer while spreading the seller side messages. Personalized content also adds to the stickiness because it is directly aimed at the buyer. However, work flow integration is decisive in creating that financial and operational barrier to change that retains the traditional meaning for stickiness.

In other words, financial systems and its information on the seller side need to interact with corresponding functions at the buyer side. This integration must serve a useful and profitable end for the customer, or it will amount to nothing. For example, buyers will be able to query inventory levels, pricing breakpoints with quantity buys, generate delivery schedules, and verify product or performance requirements. Once a transaction is initiated, fund transfers could automatically makes payments but also adjust ledger accounts to minimize accounting oversights on both sides of the transaction. It is costly to disrupt those activities once integrated, and almost impossible to duplicate those services or replicate it through another channel without serious disruptions.

It is no longer a matter of both parties using electronic data interchange (EDI), accepting VISA/MasterCard, making fund transfers, or trusting each other as business partners, but rather establishing a secret handshake that is duplicated, replicated, or extended to others only with difficulty. The handshake transcends data processing systems to the seller side operational people and creates expectations from the buy side people too. That difficulty represents a sustainable barrier to entry for additional players.

The value of this stickiness seems true for both retail consumer channels and business-to-business activities. Simplicity of transactions will capture and retain retail customers for catalog-type purchasing and online financial services, such as stock and bond sales, acquiring mortgages and lines of credit, or handling personal checking, bill presentment ad online payments. Margins differences among competitors will be insignificant on the Internet, as previously explained, one of the great equalizers of telepresence-based businesses. No single low-cost provider will capture a dominant market share. However, simplicity in operation or an early lead even in services will create dominant market shares through process integration.

For example, Quicken (Intuit) demonstrated the value of stickiness when Microsoft tried unsuccessfully to compete with its Money and Checkfree applications. Consumers and business-to-business customers show time and time again that they are unwilling to spend money, invest time, or deal with the typical new software bugs and process hurdles just to make a change in product and linked service. When an ecommerce site providing stock transactions maintains a customer's stock portfolio with useful services for managing that portfolio difficult to replicate elsewhere, or makes it hard to transfer the portfolio data elsewhere, that site has created process stickiness.

The larger ecommerce market, the commercial market captures 90% of all worldwide money flow in contrast to retail sales at 10%. Most ecommerce activities are focusing on the retail consumer as the customer, retail ecommerce sales is dwarfed by the pace of banking and financial ecommerce. However, the level of business and the potential for integration is far greater in the commercial market because the potential and likelihood of process integration is far greater. Stickiness through ecommerce process integration is more likely to be perceived as a strategic imperative.

Global hypercompetition creates pressure to be low-cost suppliers, manufacturers, and service providers. Within business-to-business channels, stickiness in the form of supply chain automation is even more important because transaction costs can equal or often exceed profit margins. Hence, streamlining initial acquisition costs, actual transaction processing, and subsequent customer or technical support requires a cooperation at the work flow level.

Realize that stickiness created through process integration is not a nefarious subterfuge; it is addressing real business requirements with real financial value. Once these positive and valuable workflows are established, proven reliable, and generate savings, organizations will be unwilling to try alternatives. Switching will only occur when perceived improvements or changes warrant leaping that tall hurdle of stickiness. When attempts to switch create undesirable side effects, fail to work the first time, require more elapsed time for results, force excessive retraining, fail to live up to expectations, or upset how things work, you are likely to get that customer back because they are still stuck to you. Proactively address any negatives that forced the customer to try the switch in the first place to forestall future events like this.

This operational process form of stickiness transcends URL hotlinks, browser bar buttons, or comfort levels because software processes across the Internet have been established, debugged, and proved to work. Like consumers, organizations are unwilling to spend money, time, and deal with the typical new software bugs with a change in product and linked service, particularly when that work flow has established it as low-cost provider, dominant player, or even monopoly.

Examples

What does this mean for you? It means that brand equity and customer loyalty is not enough to create a dominant stickiness. You also need to tie in the customer so that they face a strong disincentive to switch by linking in processes, data, and work flows. Action plans to achieve these results are different by industry and by sales process because the relationships between customer and seller and sales processes are different for every industry. Two examples, retail banking and reseller services are highlighted here because they represent immediate potential for application.

For example, if you are in the retail banking, locking customers to a site could mean delivering monthly statements in a computer file format so that the customer can grab the data, add it in, and reconcile discrepancies with a local software application, such as Quicken. Internet backup for the local application data-with guaranteed security, privacy, and availability-might overcome traditional fears of the customer losing that information and win over lukewarm potentials. Over time, increased services, such as the ability to receive electronic bill presentment and make electronic payments from the same software application, thereby saving postage, making payments instantaneous, and guaranteed to arrive, locks a customer into that site. The knowledge and comfort level that a customer develops over time is not so portable. It doesn't take much, like a wrong phone number or a problem converting data to a new bank and software to get a customer scurrying back.

Tying debit and credit cards to that bank account and automating the reconciliation saves time and adds to the level of service for the customer. Artificially intelligent software can assess financial status and make suggestions to the customer, such as that $14,000 in the non-interest bearing checking account could get 7.89% in a US treasury for 91 days until the annual real estates taxes come due. While it is clear that banks benefit by holding customer money without paying interest, the goodwill and positive services from simple by compelling services outweigh the $122.50 that the bank might have earned from that non-interest bearing account. Of course, such sophisticated sales offerings are impossible to make without the bank having wide and deep access to customer data.

Surpassingly, customer satisfaction increases dramatically (from a low of 1% to as high as 10%) as stickiness increases through this process integration. Customers do not become mistrustful with the increased reliance on a single source. John Hubich, SVP for Wachovia Corp. states that "building a relationship and creating affinity (he really means "stickiness") increases service buys the more contact we have with customers. Central to this approach is directed information rather than bombarding customers with unsolicited offers, since all customer needs are based on life events."

Adding a buffet of online offerings, insurance (medical, life, auto, house, disability), stocks, binds, certificates of deposit, and even loans that require no additional data entry and use the familiar payment methods, raises the hurdle to switch. While every customer eventually will realize how difficult it has become to switch banks, this level of directed service saves times, money, aggravation, and fulfills the customers' needs. Ecommerce integration addresses the increasingly complex customer needs first and foremost, or it will not be successful. Any service, monetary bribe, or customer support incentive necessary to persuade a customer to switch will be very high indeed.

Here is the other example for the industrial niche. If you are a manufacturer or reseller, your web site probably posts the standard online catalog. This really represents a very primitive channel for ecommerce as it only provides an alternative to preprinted catalogs. If you are leading edge, you might have some ecommerce capabilities, such as the ability to generate an order, an invoice, a shipping statement, and a means to accept payment. Any stickiness created through brand loyalty, past performance, and relationships will not survive a competitor with lower prices, better information, and the improved and integrated workflow. Once you lose a customer to a better site, the hurdle to regain that customer is that much higher. Instead, you want to preemptively create ecommerce stickiness. First actions might be to post your prices and also the competitors' pricing. This creates short-term stickiness (similar to what GE Plastics did several years ago) because your site is now the focal point for comparative information. If you can adjust your own prices to match or beat competitors, you have a slight advantage until they notice.

In addition, you might want to tie in the backoffice computers the web site so that customers can query inventory levels, validate shipping times, check their status as customers in terms of outstanding payables, orders, or returns. Detailed product or service information, including your own alternatives and alternatives even from a competitor, address inventory shortages, specific purchase requirements, and applications. It is a serious mistake to underestimate your customers' abilities to locate competitors on the Internet; they will discover the information you do not want them to have anyway, but you will have lost the customer to another site. Ecommerce is hypercompetitive, not just in price and performance, but also in service and information. Play to that competition by addressing it directly. Do not ignore it. Provide information and price and performance comparisons to keep the customer at your site.

If your site can generate information in a format useful for the customers' data systems (either through EDI, XML, or even proprietary file or record formats), you reduce data entry labor (and potential for mistakes) for the orders, returns, shipping, and other data activities. If you can take orders from forms generated from customers' data systems so that the customers in effect link into your systems, both parties to a transaction save time and money. This has the secondary benefit seen over time of streamlining workflow and lowering its cost. Cost savings can then be passed back to the customers in the form of lower prices. Customers will not willingly give up lower prices, lower costs on their side, and a workflow built into a juggernaut with which they are afraid to meddle. Those are high hurdles to overcome, the form of ecommerce stickiness with a long term value useful for shaping dominant market positions.

Conclusion

Stickiness provides the decisive function for sustaining the ecommerce site as the low-cost provider, dominant player, or even monopoly against would be competition. In contrast, stickiness enabled through simple site value, content freshness, brand equity, performance, personalized e-mail is not as sticky. It does not create a competitively sustainable hurdle. While brand equity and customer loyalty is effective for short duration stickiness, these features grow stale as hypercompetition erodes value and distinction between competing ecommerce sites.

Instead, site integration saves times, lowers costs, and locks a customer into a process that is not easily duplicated, replicated, and when performed well, not easily abandoned. Transaction integration as stickiness will endure as long as the current data processing systems persist without substantial process or workflow changes. Stickiness is a competitive advantage when it becomes too expensive, risky, and impractical for your customers to alter the ingrained workflows and switch to rivals.