

The Henley Centre for Customer Management



The Key Influences Upon A Positive Online Customer Experience

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1. Executive Summary

Customer experience has been identified as a strategically important component of a retailer's performance. Given the steep rise in online sales, this means that understanding online customer experience (OCE) in terms of what creates good experiences (the influential factors) and what results (the outcomes) is now crucial.

The results of this study support a definition of online customer experience that views it as the outcome of an interaction between the customer and an organisation's website. There are six potential components of an experience which are: *sensorial, emotional, cognitive, pragmatic, lifestyle* and *relational*. The relevance and importance of each will vary depending on the purchase context.

Work conducted by researchers within the Henley Centre for Customer Management identified the factors that influence a positive OCE using a quantitative survey and the development of an OCE measurement scale.

Six factors were identified and validated as having a positive influence upon the creation of a positive OCE: *Connectedness; Personally Satisfying; In-Control; Simplicity; Aesthetically Pleasing; and Beneficial*. Each of these can be linked to the experiential components

Managerial implications are that e-retailers should move from a focus upon the marketing mix elements that they can control to the creation of online environments that generate appropriate experiential responses within the customer.

2. Introduction

Advances in technology now enable consumers to browse and buy products and services online anytime, anywhere. The past decade has witnessed a steep rise in online sales. For example in the US figures reached US\$128.1bn in 2007 and were projected to reach US\$165.9bn by 2009 (source: US Census Bureau, 2009). Similarly, in the UK online sales rose from £0.8bn in 2000 to £43.8bn by 2008 (source: IMRG/Capgemini Index 2009). This significant change in consumer buying patterns has led to the emergence of a new sector of e-retailers, composed of both “pure player” (online only) and multi-channel operators. The adoption of online shopping has been fuelled by wide-spread Internet in-home penetration along with technological advances such as high quality visual display of products, information search capabilities, more secure payment facilities and the development of sophisticated fulfilment operations.

This report summarises the results of an investigation conducted by the Henley Centre for Customer Management, the purpose of which was to identify the key drivers that create a positive online experience within a retail context. The report also provides a useful discussion of OCE, how it is composed and proposes outcomes that result from it.

3. Literature on Online Customer Experience

A significant amount of research of both an academic and practitioner nature has been conducted into how people use and perceive the Internet for purchasing goods and services. Less attention has been paid to the experience that results for the customer when conducting these activities online. At the same time, the subject of customer experience in face-to-face retailing has been well researched. This therefore becomes a useful start-point to our investigation.

The strategic importance of a customer experience in face-to-face situations is well documented (Grewal et al. 2009, Miller and Johnson 2008). Definitions of customer experience emphasise that it is an outcome of the customer's interactions with an organisation at what have been referred to as "touch points" or "moments of contact" (LaSalle and Britton 2003; Shaw and Ivens 2005)".

The outcome of the interaction is the creation of internal perceptions which Carbone and Haeckel (1994, p9) refer to as the "take-away impression formed by people's encounter with products, services and business". The "lasting impression" is created in a face-to-face retail situation by the many pieces of sensory data that the customer absorbs during various interactions such as browsing the store, talking with sales assistants, buying the goods, final consumption and post-purchase actions (e.g. returning goods to the store or after-sales support).

In the e-retail context impressions are created via the interaction that the customer has with the website, and subsequent order fulfilment. We can therefore view OCE as a personal, psychological response that each customer has, at differing levels of involvement, to the website interaction in which they are taking part. Customer experience literature relating to online shopping is still rather limited. The term "experience" has been used in many forms within the online shopping and e-retailing context, often referring to the functional aspects of the website such as navigation, ease-of-use, or speed of access to information (Christodoulides et al. 2006, Novak et al. 2000). The purpose of this study is to extend our understanding of OCE beyond the merely functional.

A useful study of customer experience (Gentile et al. 2007) identifies the nature of more personal responses by a customer to an interaction with an organisation. The authors provide a framework of six components of customer experience, each of which will have varying levels of importance for different customers, in different purchase situations. The framework proposes that customer experience is composed of six response levels to each of these components drawn from varying elements of the individual customer's personal psychology and lifestyle. These are :

- **Sensorial** : response to sensory aspects of the interaction
- **Emotional**: response to emotions generated by the interaction
- **Cognitive**: mental and thinking responses to the interaction
- **Pragmatic**: elements of the interaction that generate practical benefits
- **Lifestyle**: elements of the interaction that fit with the values and beliefs of the customer's life
- **Relational**: elements of the interaction that provide support to social relationships of the customer

The development of a positive experience is dependent upon the extent to which the interaction has a positive influence upon each of the six components. In the online context, some aspects of a website may have an impact upon a customer's sensory system due to the website having good use of say graphics or video, whilst other aspects may have impact say upon the customer's relational and social needs if there are opportunities for interactivity or social networking with other customers. The sum total of these positive or negative impacts, judged in the context of the buying situation, will lead to an overall perception of OCE. Ultimately the effect of these positive or negative impacts will be to influence the customer's level of satisfaction (Janda and Ybarra 2005) and ultimately likelihood to use/re-use the website (Khalifa and Liu 2007).

Table 1 below presents this six component experience framework and against it we map the potential website factors that may influence each component. Literature references that support these potential factors are provided. The objective of the study was to confirm these influencing factors.

1. Customer experience component (Gentile et al. 2007)	2. Definition of the experience component (Gentile et al. 2007)	3. Potential website factors influencing the experience component	4. References for Potential Influencing Factors
<i>Sensorial</i>	"stimulation affects the senses; an offering, whose aim is to provide good sensorial experiences "	<ul style="list-style-type: none"> • Visual displays • Audio and video • Atmospheric • Aesthetics • Brand appearance 	Aesthetics, Atmospheric and Design: Eroglu, Machleit and Davis, 2001; Cyr, Head and Larios, 2009.
<i>Emotional</i>	"involves one's affective system through the generation of moods, feelings, emotions"	<ul style="list-style-type: none"> • Enjoyment/fun • Trust • Risk • Fear and control 	<p>Enjoyment: Wolfenbarger and Gilly (2001);</p> <p>Trust: Lee and Turban (2001); Bart, Shankar, Sultan and Urban (2005).</p> <p>Perceived Risk: Cases (2002), Huang, Schrank and Dubinsky (2004).</p> <p>Perceived Control: Novak <i>et al.</i> (2000); Wolfenbarger and Gilly (2001);</p>
<i>Cognitive</i>	"connected with thinking or conscious mental processes"	<ul style="list-style-type: none"> • Information processing • Memory • Ability and skills • Navigation • Ease-of-Use 	<p>Prior Knowledge: Jaillet (2002);</p> <p>Memory/Prior experience: Jaillet (2002);</p> <p>Skills and Ability: Novak <i>et al.</i> 2000 Hodkinson and Kiel (2003);</p> <p>Perceived Ease-of-Use: Gefen (2003); Gefen, Karahanna and Straub (2003);</p>
<i>Pragmatic</i>	"coming from the practical act of doing something.... includes but is not exhausted by the concept of usability"	<ul style="list-style-type: none"> • Usefulness • Convenience • Perceived benefits 	<p>Perceived Usefulness: Childers <i>et al.</i> (2001); Gefen (2003); Gefen, Karahanna and Straub (2003);</p> <p>Perceived Benefits: Childers <i>et al.</i> (2001)</p>
<i>Lifestyle</i>	"comes from the affirmation of the system of values and the beliefs of the person often through the adoption of a lifestyle and behaviors"	<ul style="list-style-type: none"> • Online user profiles • Personalization 	User Profiles: Teo 2002; Hodkinson and Kiel (2003);
<i>Relational</i>	"involves the person and, beyond, his/her social context, his/her relationship with other people or also with is/her ideal self"	<ul style="list-style-type: none"> • Online communities • Interactivity • Social networking • Brand relationship 	Social Networking: Poynter, 2008; Cova and Pace, 2006.

Source: Adapted from Gentile et al. (2007).

Table 1: A framework of Online Customer Experience Components

4. Research Design

In 2007 the Henley Centre for Customer Management undertook an exploratory study of OCE in which we explored the concept of OCE and identified a wide range of factors relating to customers' perceptions of OCE in both the B2B and B2C context¹. This work was undertaken using an established qualitative inductive approach known as Repertory Grid and indicated the presence of a number of key variables which became the basis for the start of this quantitative investigation. The purpose of this study was to validate a smaller, core set of antecedents influencing OCE and in so doing create a measurement tool for practical usage. The objectives of the study were therefore:

4.1. Research Objectives:

1. To identify and validate the core antecedents of an ideal OCE
2. To develop a measurement tool for these antecedents.

4.2. Research Method

Using the framework shown at Table 1, measurement items for the potential influencing variables shown in column 3 were drawn up either from existing measurement scales used in prior research studies or developed new by the research team (approximately 3 items per variable). A total of 41 measurement statements were generated that respondents in the survey were asked to rate in terms of their level of importance in order to generate a positive customer experience when shopping online (from 1 = Not at all important through to 5 = Highly important). The instruction read: *"Thinking of your own online shopping, please rate the following statements in terms of their importance to you in order to have a good online customer experience"*.

An example statement read: *"Learning how to navigate the website does not take too long for me."* (Ease of Use). The questionnaire did not ask the respondent to rate one specific website or shopping occasion but rather to generalise across their recent shopping occasions. This was to capture data on the cumulative effect of experience over time.

The survey was distributed online to a range of online shoppers worldwide via websites and online user groups. A total of 650 questionnaires were completed, which after cleansing yielded 621 usable questionnaires from the US and Europe. A breakdown of the sample profile is as follows:

- US (48%: 303), Europe (51%: 318)
- 58% male, 42% female
- 93% using the Internet daily

¹ "Exploring the Optimal Customer Experience Online" HCCM Report 28th November, 2007

5. Results

The data collected from the survey was analysed at the total sample level as well as by location (North America and Europe). The data was analysed in two stages, firstly using Exploratory Factor Analysis (EFA - Varimax) and then via Confirmatory Factor Analysis (CFA - Amos). Factor Analysis is a statistical technique by which a large set of items can be reduced down into a more meaningful set of underlying factors.

EFA at Stage 1 revealed six underlying factors. The statistical output is shown in Table 2 below.

Total Sample	North America	Europe
1. Connectedness	1. Personally Satisfying	1. Connectedness
2. Personally Satisfying	2. Connectedness	2. Reassuring
3. In-Control	3. In-Control	3. Personal
4. Simplicity	4. Simplicity	4. Aesthetically Pleasing
5. Aesthetically Pleasing	5. Beneficial	5. Ease of Use
6. Beneficial	6. Trust	6. Information Rich
Total Variance Explained: 64%	Total Variance Explained: 61%	Total Variance Explained: 59%
Cronbach Alpha Reliability: .898	Cronbach Alpha Reliability: .884	Cronbach Alpha Reliability: .882

Table 2: Six Factor EFA Output

CFA at Stage 2 assessed the statistical soundness of the six factor output for the total sample. All loadings were found to be significant ($p < .001$) with a satisfactory model fit. The reliability of all the outputs was acceptable.

Total Sample

The factor analysis for the total sample demonstrates the importance of two key factors: *Connectedness* indicates that the ability to connect with others, customers, non-customers and the organisation is important to a positive OCE. Here we see the impact of interactivity and social networking that enables an individual to interact and communicate easily with others who can provide support to their shopping decisions and buying process. Being connected turns the online activity into a more social experience. The experience of buying online is enhanced by being able to connect with others. *Personally Satisfying* refers to the customer being able to customise and personalise their use of the website and that it provides rewards that satisfy the individual.

Key to a positive OCE is also website interactions that enable the customer to feel in control of what they are doing and able to easily access and use the information provided. Ability to be in control is strongly aligned with *Simplicity* which is the degree to which the customer

can quickly get up to speed in terms of using the site and that it is easy and simple to understand and use. Finally, and to a lesser extent, OCE is affected by the degree to which the website is *Aesthetically Pleasing* and is positively *Beneficial* to the customer when using it.

North America

The factors most influencing customers within North America were very similar, with only the exception of *Trust* appearing, albeit at a relatively low level. *Trust* has been widely recognised as an important factor in online shopping (Lee and Turban 2001, Suh and Han 2003, Kim and Stoel 2004). Whilst *Trust* is a concept that appears regularly in the literature on online shopping and has been widely investigated, it is interesting to note that it did not appear at a significant level in the output of the total sample and only at a lesser level within the North American sample sub-group. This may be the consequence of the sample being a high frequency Internet user group (93% using it daily). However this does indicate that as online usage grows so too will confidence and trust to use the Internet and this will have distinctly less influences upon OCE.

Europe

Connectedness also remained a key factor within the European sample, indicating that interaction and social connection are important across geographies. However there is also a strong need for the site to be *Reassuring*. This is in terms of a low level of risk and assurance that the products purchased will perform to an acceptable level and that there is reassurance regarding financial risk. This factor is therefore closely related to *Trust* as discussed above.

Factors relating to the *Ease of Use*, *Personalisation*, and the *Aesthetically Pleasing* nature of the website, are similar to the factors influencing customers in North America. A key distinction is that the European sample appears to view the websites that are *Information Rich* as creating a more positive OCE. This suggests that European customers need to have detailed facts and information which they can easily access and assess prior to making their purchase decision(s).

The identification and validation of the importance of these factors enables us to propose how each may have an effect upon the six components of OCE. Below at Table 3 we propose how each influencing factor may directly impact one or more of the six components of OCE.

Influential Antecedent Factor	Component of OCE which the factor may influence
1. Connectedness	Emotional, Pragmatic
2. Personally Satisfying	Relational, Emotional, Lifestyle
3. In-Control	Lifestyle, Pragmatic, Cognitive
4. Simplicity	Cognitive, Emotional
5. Aesthetically Pleasing	Sensorial, Emotional
6. Beneficial	Pragmatic, Lifestyle

Table 3: Proposed connection between the Influencing factors and the components of OCE

The next stage of research work will seek to investigate and validate the connections proposed in Table 3.

6. Implications for Managers

Taking the findings of our research survey we now propose a definition of OCE which is useful to e-retailers and those directly involved in the delivery of online retail environments. We propose the following definition of OCE:

“The online customer experience originates from a set of interactions between a customer, an e-retailer’s website and operational delivery of the product and /or service which provoke a reaction. This experience is strictly personal and implies the customer’s involvement at six experiential levels (Connectedness, Personally Satisfying, In-Control, Simplicity, Aesthetically Pleasing and Beneficial). Its evaluation depends on the comparison between a customer’s expectations and the stimuli coming from the interaction with the e-retailer and its offerings across all touch-points

The results of the study provide us with six key factors that customers identify as influencing their likelihood to have a positive experience when shopping online. This clearly is of relevance to e-retailers and is useful in formulating online retail strategies. Figure 1 below places these six factors within the context of consumer responses and provides an indication of how these factors manifest themselves in consumer language.

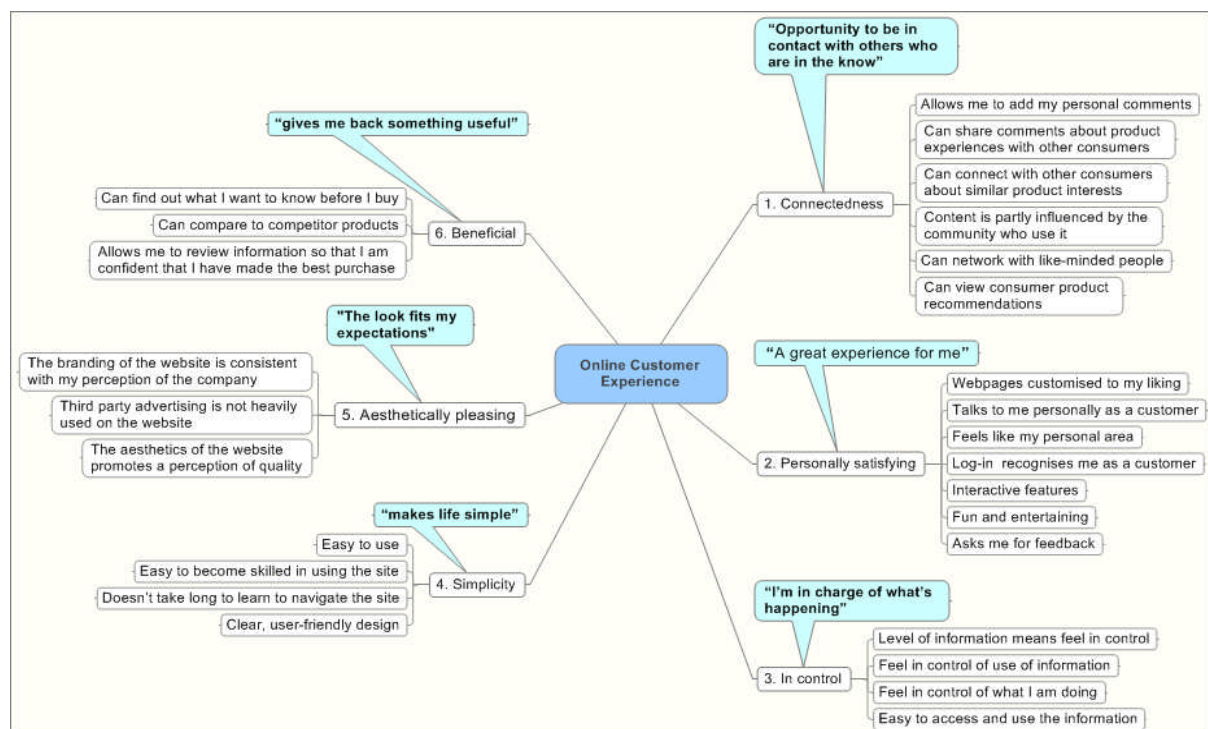


Figure 1: Customer expression of the drivers of OCE

The findings indicate that the touch-points of most relevance for online shoppers are those that enable connection and personal satisfaction to the customer. As the survey identifies the importance of these two elements, this suggests that e-retailers should focus upon the role that new forms of social networking and personalised use of a website play in the lives of their customers. This suggests that e-retailers need to move away from a “firm controlled” (Grewal et al. 2009) view of customer management (i.e. focusing upon promotion, price or

merchandise) and concentrate on aspects of the website operation that enables the customer to be in connection with the organisation and/or other customers and to ensure that the experience is highly personal, simple and enables the customer to remain in control.

E-retailers should be aware of the components of OCE and how these relate in terms of involvement to their customer's purchase situation. It may be that certain of the six components are more or less relevant to building an effective OCE depending on the nature of the purchase being made. Online grocery shopping may need to meet pragmatic and lifestyle components of experience, whereas cosmetic or perfume purchases may need to emphasise emotional or sensorial experiences. Finally, the study provides e-retailers with a tool that aids the identification of relevant elements of their website that will build OCE in the context of their product category.

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