



DOES LOYALTY EXIST ON THE INTERNET?

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Loyalty is achieved by minimizing the gap between experience vs. expectations

It should come as no surprise that loyalty scores on the Internet barely break double digits (11-14%). Achieving loyalty is much more difficult on the Internet than it has ever been for bricks-and-mortar companies. Pointedly, most Internet sites that are getting higher loyalty ratings are those of established bricks-and-mortar companies. Bricks-and-mortar companies clearly have a leg up when it comes to achieving Internet loyalty.

For Internet companies to compete in the loyalty game, they must first understand what loyalty means. And that's not easy. There is no concrete definition. Some believe loyalty means the customer recommends the product or service, while others have categorized it as "consumers going out of their way to ensure they purchase the product or service." Past studies have shown that loyal customers visit a site almost twice as often as typical customers and spend 1/3 more time there. However, these studies have defined loyalty in various ways - including the above definitions.

I believe there is a formula for defining and achieving loyalty. Simply put, *loyalty is achieved by minimizing the gap between experience and expectation*. This is true online as well as in traditional bricks-and-mortar. I also believe that loyalty is simply "top of mind".

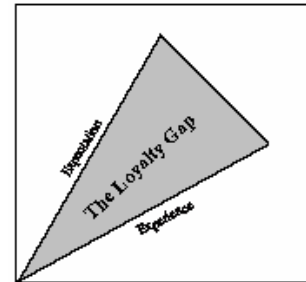
Online expectations are achieved offline

Prior to visiting a website, the typical consumer has high expectations. He assumes that the site will meet his needs. In the same way that a consumer prior to entering Nordstrom, believes he will be able to get the items he is looking for and find good, courteous customer service. As long as his expectations are met, it will be difficult for a competing store to get his business. Furthermore, the closer his experience is to his expectations, the more enamored he will be with the store/brand/etc. And yes, it is possible (although rare) that his experience could exceed his expectations.

On the Internet, it is so easy to comparative shop that one must keep the bar of experience very high to get a visitor to continue to come back. Every site is only a click of a mouse away from its competitors. If a site can't live up to consumers' expectations there are dozens, if not hundreds, of others that can easily replace it without any extra exertion on the part of consumers.



Our research has shown that, as a result, almost 85% of consumers never return to a site. Why? Because, more often than not, their experiences never met their expectations. The closer the customers' experiences are to their expectations, the smaller the gap between the two. (See diagram). The smaller the gap, the greater the loyalty. On the other hand, the more the customers' experiences falls short of their expectations, the more the gap expands and the less loyalty customers will have.



To increase customer retention, a site must leverage the positive attributes of the Internet while alleviating its disadvantages. These include its lack of physical contact with products, its lack of general human contact, the perceived risks among consumers regarding financial security and privacy issues.

The Internet's problems are not unique. There are examples, in the "real world", of companies that devised ways to overcome similar challenges. Catalogue-based companies, such as Land's End, for instance, were accustomed to selling products under such conditions. Land's End has not only made an easy transition to the virtual marketplace, but has used technology to improve on its ability to convey information about a product. Visitors to the Land's End site are given the option to create a virtual model of themselves and "try on" items. The experience the consumer has on the Land's End site exceeds the expectation of what he knows from the catalog, which results in increased loyalty.

- 1) Building your website around functionality increases experience and lowers expectations

While achieving customer loyalty on the Internet might not be impossible, it certainly starts with closing the gap between customers' expectations and their experiences. The following components are "must haves" on the way to achieving stronger customer loyalty online:

Navigation and Layout - The main goal of the design and layout of a Web site should be to allow consumers to find and purchase the products they want quickly and easily. It should offer multiple, flexible searching methods. It should also be quick to load.

Product Information - All consumers need to have some degree of knowledge about a particular product before they buy it. The need for information becomes even more pronounced on the Internet due to consumers' inability to see, touch and examine products and their lack of contact with knowledgeable staff. However, Web sites should strike a balance between not providing enough information and inundating consumers with too much.



Customer Service – Providing good customer service is one of the most significant aspects of generating consumer loyalty. Any difficulties in getting information, making purchases or receiving products can see consumers clicking to competitors.

Privacy and Security – Consumers are very wary of sites that do not take active steps to reassure them that their information will not be lost or misused. Sites should make their policy statements immediately available and easy to understand.

Purchasing and Checkout – The final check out screen is the place where a majority of transactions are abandoned. The best way to get consumers to make that final decision is to make sure that they have all the information they need before they get to that screen. Several sites have implemented convenient and timesaving features that allow repeat users to establish a personal information account that allows consumers to speed through the ordering and purchasing process.

Price and Product Selection - Since becoming established as a legitimate retail channel, the Internet has been perceived as an ideal channel for bargain hunters, making price the most important factor in online purchases. Recently, however, online retailers have been under added pressure to show investors a profit and have raised prices as a result. Fortunately, this is coming at a time when consumers are showing lower levels of sensitivity to prices, and some are willing to pay more for faster, more reliable service.

Building strong customer loyalty on the Internet will be challenging. Companies need to understand the perceptions that consumers have, deliver on the basic/core features of the site in order to minimize the gap between the users expectations and experience, and finally, find a unique point of differentiation to claim within the category.

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