

RETENTION BY ENTERTAINMENT: HOW COMPANIES UTILIZE WEB SITES TO STRENGTHEN CUSTOMER RELATIONSHIPS (RESEARCH IN PROGRESS)

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Abstract

The emergence of the Internet as a tool for customer acquisition and retention has led to profound changes in the way companies communicate with their (prospective) customers. This paper analyzes the way how entertainment services on Web sites are used for building relationships with customers. Whereas other media suffer from a significant trade-off between the amount and the quality of content that can be delivered, the Internet breaks down those limitations and allows for a high level of interactivity. Even companies with so-called low involvement products can utilize entertainment services (such as online games) to attract customers to their Web sites. A total of 199 Austrian Web sites were analyzed according to the existence of online information and entertainment services. Subsequently we concentrated only on the latter and conducted a two-round Delphi study in order to create a framework for a categorization scheme. The last phase will be a factor analysis, scheduled for Spring 2004, whereby we will reduce the total of 86 features and 70 goals, that came out as a result of the Delphi study. Our completed research intends to find out what entertainment factors are suitable for building relationships and what goals companies are striving to achieve.

Keywords: Customer Relationship Management, Entertainment, Customer Retention, Involvement

1 INTRODUCTION

The Internet and especially the World Wide Web significantly shape the way modern communication is done. On one hand it offers multimedia possibilities, on the other hand it simultaneously increases the quantity and quality of information which can be presented online. While traditional communication media face a trade-off between the amount of information (richness) and the number of prospects which can be addressed (reach), the Internet overcomes those limitations and allows for more in-depth information (Evans and Wurster 1999). Furthermore, the amount of interactivity a certain medium offers heavily influences the way users communicate, and perceive the efficiency and effectiveness of their communication. We used three fundamental questions as a starting point for further investigations:

- What is communicated (Quality)?
- How much is communicated (Quantity)?
- How is the communication done (Interactivity)?

In comparison to other media such as e.g. print media, posters, radio and television, the Internet allows for interactive communication both synchronous (where the users can immediately respond) and asynchronous. The amount of information (Quantity) is virtually unlimited, just as the richness of the information (Quality). One example is given by the often-cited company Amazon that not only offers millions of books (high quantity), but also allows to view sample pages or, most recently, to search inside the book (high quality). By keying in certain requests, a high level of interactivity is given unparalleled in speed to the offline world.

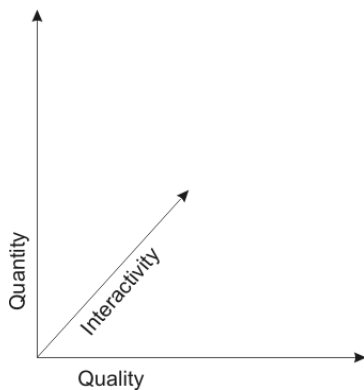


Figure 1: *Dimensions of Communication*

Companies can utilize these potentials for customer retention by offering information and entertainment thus counteracting the fact that the next competitor is just a mouse-click away. This paper starts with a comparison between information and entertainment, whereby the first notion received quite some amount of attention in the existing scientific literature (cf. Jaillet 2003, Torkzadeh and Dhillon 2002). By analyzing 199 Web sites we gained an understanding what kind of content is used for attracting new customers and customer retention. In order to categorize the features and the intended goals of these online services, we conducted a Delphi study with two rounds. A factor analysis, scheduled for spring 2004, will help to reduce the number of features and goals and to find a categorization scheme for analyzing Web sites, which will allow for a comparative analysis and will help to answer the question whether a sophisticated Web site offering a variety of entertainment features can help to gain new customers and retain existing ones.

2 INFORMATION AND ENTERTAINMENT

No consensus on the definitions of data, information and knowledge has yet emerged (Levitin and Redman 1998). Most authors use data as a starting point for defining information and concentrate on finding meaningful structures or patterns (Davis and Botkin 1994, Kahn and Adams 2000). Entertainment, on the other hand, can be defined as "that which engages the attention agreeably, amuses or diverts ..." (Webster's 1913 Dictionary, cited in Hyperdictionary 2003) or as "a diversion that holds the attention" (Freedictionary 2003).

Albeit a strict differentiation between information services and entertainment on Web sites is difficult to make, we used the classification seen in Table 1, which is based on the primary intention of the respective service. Information services are usually very product-oriented and are not used for their own sake, which differentiates them from entertainment services which can be used for diversion or fun. The list itself is not exclusive, other information services which were found include test reports, certificates, trust signs, interviews, environmental reports, health information, job offerings, and information for investors. Additional entertainment services which were found (and sometimes are hard to categorize) include horoscopes, music-charts, free sms and e-mail services, reminder services (e.g. for birthdays), Web cams, logos and ring tones, free photo albums, flirtlines, and online styling guides.

Information	Entertainment
Frequently Asked Questions (FAQs)	Online Games
Glossary	Lotteries
Product Guidebooks	E-Cards
Feedback Forms	Screensavers and Wallpapers
Search Functions	Others
Others	

Table 1: *Information and Entertainment Services on Web sites*

The main functions of these online services (both information and entertainment) can be seen in 1) attracting prospects to the Web site and 2) keeping them on the Web site. Different strategies for doing so are suggested in the practitioner and scientific literature, like e.g. providing regular, frequent and constant information or offering high levels of interactivity (Newell 2000, Scott 2001). Customer support, product representation and product information are factors which affect the likelihood to buy from the same merchant again (Reibstein 2002).

On the other hand the value of all entertainment services is hard to assess, since they seldom can be linked to purchases and more often are used to make the brand known (Cowan 2002). This can be especially useful for companies with a low product involvement that usually suffer from a low impact of advertising campaigns. Dholakia (2001) defines involvement as "an internal state variable that indicates the amount of arousal, interest or drive evoked by a product class", which serves as a reference for our further research. Although no clear-cut distinction between high and low involvement products has emerged yet, we used a common categorization which assigns companies depending on the sector of the economy (see Table 2). In cases where a company offers a multitude of products/services the most prominent product/service line was chosen for categorization purposes.

High Involvement	Low Involvement
Computer Hardware and Office Equipment	Electricity, Gas and Water Supply
Computer Software	Food and Beverages
Construction	Perfumery and Cosmetic Articles
Furniture	
Household Appliances	
Motor Vehicles	
Photographic, Optical and Precision Equipment	
Recreation and Entertainment	

Telecommunication	
Textiles, Clothing, Footwear and Leather	
Tourism	

Table 2: *Classification between high and low involvement products*

High involvement products usually are characterized by the following features: expensive, no day-to-day purchases, complex product structure, long retention period in the shop, used for hobbies and recreation. In contrast, low involvement products show the following features: cheap, standardized, easily exchangeable, low need for information (for an overview on involvement cf. Andrews et al. 1990).

The following research questions guided our study:

- How frequently are entertainment services used on these Web sites?
- What are the perceived features of those services?
- What are the perceived goals of those services?
- Are those services frequently used for low-involvement products?

In the following sections the used methodology is briefly described, followed by a descriptive presentation of the results available. The paper ends with a short outlook on the planned research.

3 METHODOLOGY

In the first phase 199 Web sites of 155 Austrian consumer goods companies were analyzed regarding to the existence of the information and entertainment services mentioned above. Due to the fact that many companies offer a wide range of products and services, a significant amount of double counting occurred, which led to a total of 300 units. The survey took place between December 2002 and April 2003, and consisted of all consumer goods companies from the Austrian Top 500 (as measured by their total revenue) with a focus on B2C. The vast majority of these companies are doing business internationally. The reason for choosing Austria as our focus of research was the fact that we wanted to compare Web sites that are targeted at the same region, which in most cases can be validated by the top-level domain ".at". Only a handful of companies chose the international domain ".com". The focus on B2C stems from the fact that these companies need to build relationships with (anonymous) end-consumers in mass markets where Web site communication may have the potential to enrich the overall marketing strategy.

In the following explorative phase the main target was to describe the features and goals of information and entertainment services on Web sites. Therefore a Delphi study was conducted. This technique was for the first time carried out at the RAND Corporation by order of United States Air Force. It is used to obtain a highly reliable consensus of experts by a series of enquiries and controlled opinion feedback (Dalkey and Helmer 1963). We chose a design that allows to generate and classify ideas (Nambisan et al. 1999).

As a first step a panel of experts which is capable of debating and judging the considered issues had to be selected. Required knowledge and background had to be considered during the selection process (Malhotra et al. 1994). For the purpose of this survey seven experts with various backgrounds in Information Systems and Information Technology were chosen to incorporate a preferably broad range of ideas into the study. Due the explorative nature of the survey, the first round was designed as a brain-storming phase. For that purpose, eight representative entertainment services were selected to be presented to the expert-panel. Each of these services represented a different kind of entertainment (online game, lottery, e-card, screensaver, wallpaper, horoscope, Web cam, styling guide). The experts were asked to evaluate the Web sites in regard to the perceived features and the perceived goals. All answers in the respective categories (features and goals) were pooled and served as a basis for our

further research. The following analysis consists of three different phases, whereof the first two (the descriptive analysis and the Delphi study) are already completed. In the descriptive analysis the relative frequencies of online games, lotteries, e-cards and wallpapers/screensavers are presented for the different sectors of the industry. Subsequently, we give a short overview of the Delphi study that is used as a starting point for the development of a consistent categorization scheme which will be done with the help of a factor analysis.

4 DESCRIPTIVE ANALYSIS

Combining online games with product placements may be a big opportunity for companies striving to reach certain target groups in an increasingly heterogeneous market. Advergaming, a mixture of advertising and gaming, should be the means to turn gamers into buyers (Fattah and Paul 2002). Different motives like sociability or entertainment are reasons to use online games, and therefore companies should develop communication channels through the Internet to learn about the players' motivations (Kim et al. 2002).

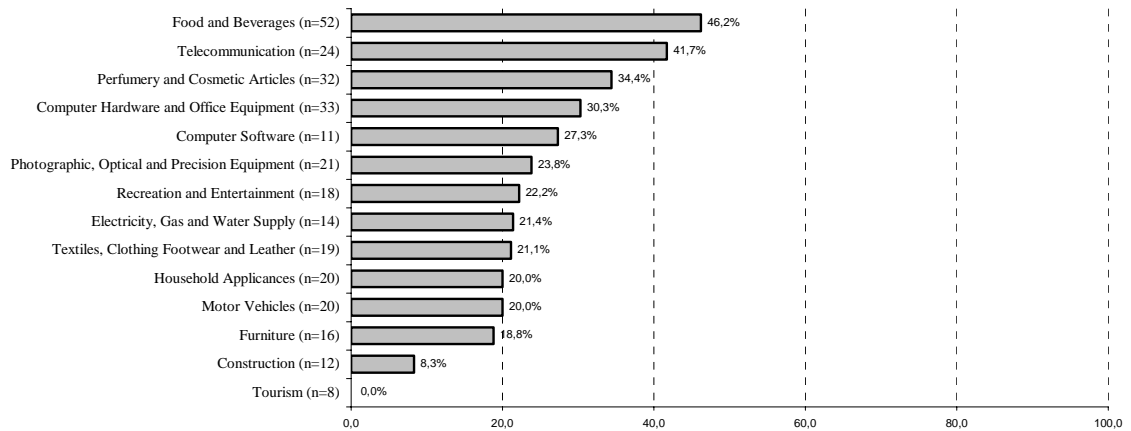


Figure 2: Frequency of Online Games on Consumer Goods Web sites (n = 300)

Nearly half of the analyzed Web sites in the Food and Beverages industry (46.2%) make use of online games. In other sectors such as Telecommunication, Perfumery and Cosmetic Articles, Computer Hardware and Office Equipment, more than 30% of the Web sites offer online games. Interestingly, no online game could be found on any of the eight analyzed Web sites for tourism (see Figure 1).

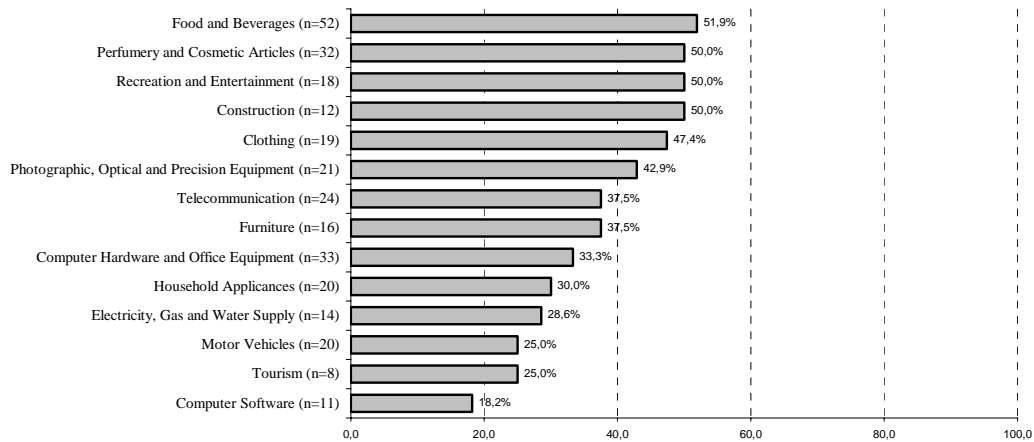


Figure 3: Frequency of Lotteries on Consumer Goods Web sites (n = 300)

Approximately half of the companies in Food and Beverages (51.9%), Perfumery and Cosmetic Articles (50%), Recreation and Entertainment (50%), and the Construction business (50%) are offering lotteries on their Web site. However, only 18.2% of the Web sites of the Computer Software Companies offered lotteries (see Figure 2).

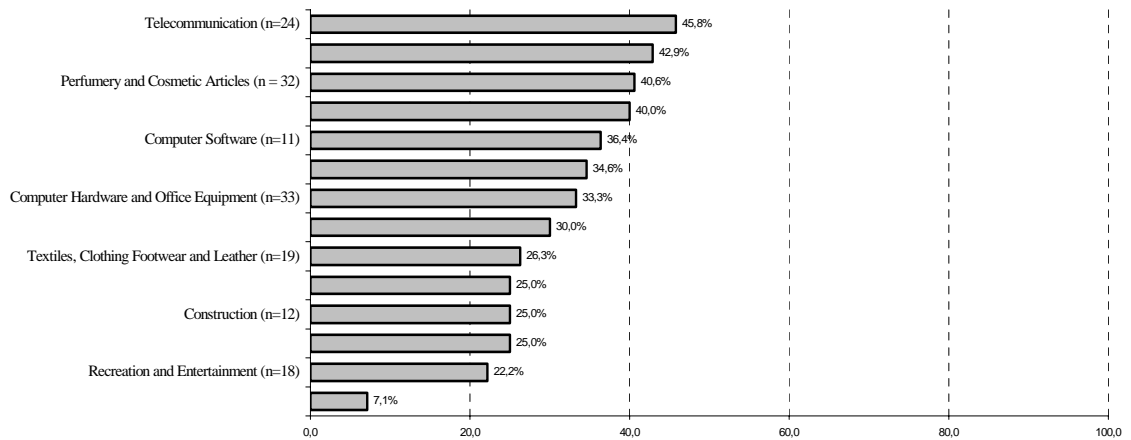


Figure 4: Frequency of E-Cards on Consumer Goods Web sites (n = 300)

The most frequent e-Card providers are Telecommunication Companies (45.8%), followed by Photographic, Optical and Precision Equipment (42.9%), and Perfumery and Cosmetic Articles (40.6%). Only one supplier of Electricity, Gas and Water Supply (=7.1%) offers an e-card on its Web site (see Figure 3).

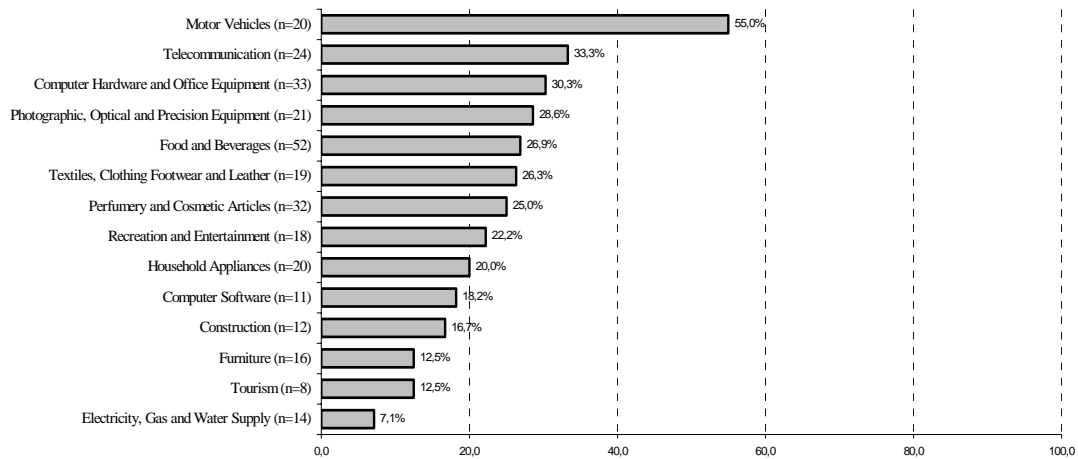


Figure 5: Frequency of Screensavers and Wallpapers on Consumer Goods Web sites (n = 300)

Companies in the Motor Vehicle Business are clearly the most frequent providers of Screensaver and Wallpaper functionalities. 55% of their Web sites offer this kind of online service. All other businesses provided fewer such offerings, once again Electricity, Gas and Water Suppliers offered the least (7.1%) (see Figure 4). In addition to the descriptive analysis, we conducted a Chi-Square Test in order to assess whether there are any significant differences in the offering of entertainment services on low or high involvement Web sites. The results can be seen in Table 3.

Entertainment Services	High Involvement Sites (n = 106)	Low Involvement Sites (n = 77)	Chi-Square	Significance
Games	23.6%	39.0%	.025	significant
Lotteries	34.0%	48.1%	.055	not significant
E-Cards	30.2%	32.5%	.742	not significant
Screensavers/Wallpapers	30.2%	24.7%	.412	not significant

Table 3: Differences between high and low involvement Web sites

Only games are significantly more often used on *low* involvement sites, all other differences are not significant. This shows that the difference lies between the sectors of the industry rather than the level of involvement with which a certain product is attributed.

5 THE DELPHI STUDY

In the first round the experts were given time to assess the assortments and were asked to articulate several features and possible goals of the entertainment services which resulted in a total of 86 features and 70 goals. Subsequently, eight features and four goals had to be eliminated. This was because they did not relate to any features or goals, which was confirmed with short expert interviews. For the creation of a first classification concept, the researchers grouped the items into six feature categories (“Games and Fun”, “Dynamics”, “Information”, “Individualization”, “Emotion”, “Static Design Aspects”) and six goal categories (“Promotion of Brands and Products”, “Individualization”, “Retention and Trust”, “Information”, “Emotion”, “Attraction and Entertainment”).

The intention of the second round was to categorize the collected items. The experts were asked to rank the items into the categories stated above. The analysis of the results led to the following conclusions: The two feature categories “Games and Fun” and “Dynamics” were heavily interrelated,

therefore they were consolidated into one category named “Games, Fun and Dynamics”. Three of the goal categories, “Individualization”, “Information” and “Emotion” found only weak response, so they were eliminated. This left five categories for features and three categories for goals remaining. Afterwards, only positive affirmed items were taken into account. The researchers rated unambiguous classification more important than consensus (Nambisan et al. 1999). Items which could reach at least six out of seven unique classifications were judged positive affirmed. As a result a list of 36 features classified into five categories and 22 goals classified into three categories was collected.

Assessment Criteria	Category
Perceived Features	Games, Fun and Dynamics
	Information
	Individualization
	Emotion
	Static Design Aspects
Perceived Goals	Promotion of Brand and Product
	Retention and Trust
	Attraction and Entertainment

Table 4: A categorization scheme for Entertainment Services

The factor analysis is scheduled for spring 2004. We intend to consolidate the initial 86 features and 70 goals into a number of influencing factors which will represent different dimensions of entertainment services on companies' Web sites. About 30.000 Internet users in german-speaking countries will be asked to evaluate the importance of a number of Web site attributes. The results will be available at the ECIS conference in June 2004. The quantitative results will be compared with the more qualitative approach of the Delphi analysis.

6 CONCLUSIONS AND FURTHER RESEARCH

Entertainment services are quite frequently used on consumer goods Web sites. Although the relative percentage of usage varies heavily between different services and sectors of the industry, there seems to be some agreement that entertainment can be incorporated in the overall company strategy (cf. Phillips 1995). With the exception of online games on Tourism Web sites, at least one Web site of each industry sector offers the services analyzed. As far as the level of product involvement is concerned, a significant difference could only be observed with the usage of online games, whereby low involvement sites offer more games than high involvement sites. Further research should be done by analyzing Web sites in other geographical regions, thereby revealing differences in corporate market development. In order to categorize the features and goals of entertainment services, the conducted Delphi study was able to generate 86 features and 70 goals which later were reduced to 36 features categorized into five categories and 22 goals categorized into three categories. While this framework already allows for a specific description of perceived features and goals of online services, we are going to validate the results by doing a quantitative analysis. The comparison between the results of the Delphi method and the scheduled factor analysis will also give some interesting insights on how different techniques can be used for research and whether they produce similar results. The expected outcome will reveal what entertainment factors are suitable for building relationships, and whether they are deployed successfully.

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