

## ABSTRACT

The tight competition in e-commerce world, particularly in souvenir and handicraft business, requires a good service quality performance in order to win the competition. The internet world, as it has been used widely to be the marketing channel alternative, creates a broader area to unlimited customer acquisition. Therefore, the potential of e-commerce business is increasing and encourages many parties to involve in this business as well. It has created various new choices for the people which can be accessed easily through internet. However, it possibly generates churn phenomenon easily. It also incurs in Souvenia.com as it is one of the players in Indonesia's e-commerce companies. It has 14.6 % churn rate in average for January-June 2009. Therefore, this research is conducted to formulate a recommendation of customer retention program to maintain the existing customer base and reduce the churn rate. The design is conducted by firstly measuring the service quality in customer's perspective based on four E-S-QUAL dimensions including efficiency, system availability, fulfillment, privacy and the consequence model involving variables of e-trust, e-satisfaction and e-loyalty..

In this research, the data collection is conducted through a survey with questionnaire to Souvenia.com's 2009 customers by random sampling method. The questions in questionnaire are divided into three parts. First part contains screening, the second part contains general information of respondents, and the last part contains respondent's perception assessment towards research variables including efficiency, system availability, fulfillment, privacy, e-satisfaction, e-trust and e-loyalty.

The result of the research shows that all E-S-QUAL variables have positive influence towards e-satisfaction and e-trust. It indirectly contributes a positive influence to e-loyalty as well. Fulfillment has the biggest influence towards e-satisfaction and e-trust. Nevertheless, privacy contributes the weakest influence and no complain found over it from the customer. Thus, privacy is excluded in retention program considered factors.

The concept of recommended customer retention program is formulated based on influential research variables through improving the supervision towards quality and delivery, the technology support, and the value added service. The form of recommended customer retention program is in three main programs, such as SURE & PLUS SERVICE, SURE WEB TECH, and ALWAYS ONLINE. By these programs, the customer will gain the product and service quality guarantee and the company will gain more profit through higher e-loyalty.

*Keywords : Customer Retention Program, E-S-QUAL, Churn, e-satisfaction, e-trust, e-loyalty*