CHAPTER 1

E-LOYALTY: AN INTRODUCTION

1.1 INTRODUCTION

From one website in 1991 to one billion in 2014 (Internet Live Stats, n.d., a), a landmark was reached that not many people have thought previously. Worldwide the online virtual market is growing rapidly and so the Indian online market. Currently, the Indian population using the internet is approximately 300 million, and it is supposed to reach 699 million by 2019 (Dart Consulting, 2014). According to a study conducted by Associated Chambers of Commerce and Industry of India (Assocham) along with PricewaterhouseCoopers (PwC) (PWC, 2015), the Indian e-commerce segment has seen a compounded annual growth rate (CAGR) of 34% since 2009 to reach 16.4 billion USD in 2014. The sector is likely to be in the range of 22 billion USD in 2015. Not unexpectedly, online product/service providers (websites) are trying to reap this benefit. However, with the increasing number of Internet user the number of sites is also increasing. Thus, success for online players in this virtual market is hard to come by as competition is increasing day by day. More than 9 out of 10 online business start-ups eventually shut down within the first 120 days (Ducker, n.d.).

The success of a website, Tarafdar and Zhang (2008) defined, depends on two parameters - number of unique visitors and views per person. Traffic generation is an activity that all successful websites consider for better future prospects (Single Grain, 2015). Thus, number of visitors and numbers of repeated visit by the same user determines the overall success of a website. The success can be viewed from customer acquisition and customer retention perspective. The acquisition will increase the traffic to the site, and retention led to frequent repeat visits.

Like traditional markets, acquisition and retention are two imperative traits of an online business. However, acquiring and retaining customers is harder to achieve in online markets because unlike traditional markets, competition is merely few mouse clicks away (Srinivasan,
Anderson and Ponnavolu, 2002). Thus, acquisition and retention of customers is a challenging task in online markets.

1.2. BACKGROUND OF THE PROBLEM

In traditional customer marketing, building and maintaining brand loyalty has been the central theme of research in marketing theory and research (Gomman, Krishnan and Scheffold, 2001). The advent of Internet and growth of World Wide Web, fuelled by the rapid growth of e-commerce, resulted in significant increase in number of websites over the last few years. Li, Browne and Wetherbe (2006, p. 105) observed “many people now use websites as their sole source of news and information, and more and more people use the web to search for and buy products and services”. Also, the number of websites has increased because many businesses, to a great extent, are utilizing the Internet as a commercial channel (Turban et al., 2008). Due to this rapid growth of e-commerce players and advancement in technology, increasingly more research focuses on loyalty over virtual markets.

E-commerce has certain advantages over traditional brick-and-mortar stores – greater flexibility, deeper market penetration, lower cost, speedy transactions, wider product range, greater customization and convenience (Srinivasan, Anderson and Ponnavolu, 2002). However, these advantages have come up with certain challenges. The Internet is near to a perfect market due to instant information availability (Kuttner, 1998) and has made products/services search and comparison relatively easier and less costly (Rafiq, Fulford and Lu, 2013). Easy alternative offerings and instant information availability result in fierce price competition and vanishing brand loyalty (Kuttner, 1998). In such competitive environment, to achieve success, two important goals for websites are customer acquisition and customer retention. In fact, customer retention is important than acquisition as it is a widely accepted fact that acquisition cost of a new customer is more in comparison to cost involved in maintaining existing ones (Oliver, 1999; Reichheld and Schefter, 2000; Olson and Boyer, 2005). Customer loyalty is one of the main tools to achieve customer retention (Reinartz and Kumar, 2003). In online business, initial transactions with newly acquired e-customers are less profitable than transaction with existing ones due to high acquisition cost of new e-customers (Carter et al., 2014), and may lead to unprofitable relationship for up to three years (Reichheld and Schefter, 2000). E-loyalty positively affects the long-term profitability and is vital for companies providing online products/services (Ribbink et al., 2004). Building and maintaining loyal customer base is one of the most reliable success strategies for websites.
Thus, loyalty over the web has come into sharper focus and remains a central theme of research in the academic community (Toufaily, Ricard and Perrien, 2013).

1.3. PROBLEM DISCUSSION

Generating loyal customers is equally important for all types of websites. In e-retailing context, Srinivasan, Anderson and Ponnavolu (2002) noted, to gain benefits of its loyal customer an online retailer needs to develop a thorough understanding of determinants of e-loyalty. Such an in-depth understanding of e-loyalty antecedents can give a competitive advantage to e-retailers and help them in devising strategies to increase their loyal customer base. In context of content-based web services, Gummerus et al. (2004) observed that creating and maintaining loyal customer base is vital as these companies get a substantial portion of their income from third parties, such as publicists and partners.

Although loyalty is imperative for all types of website but at times, the studies have acknowledged that depending on the website’s characteristics customers’ loyalty perception differs i.e. relationships between e-loyalty, and its antecedents vary across websites. Some authors have differentiated between the websites selling products/services and content-based websites while some on the basis of the tangibility-intangibility aspect of products and services. Gummerus et al. (2004, p. 175) observed the difference between online retail websites and content-based websites and noted “since the service offering and consequently also customer evaluations of content-based service provider’s website differ substantially from those of web merchants, specific research is needed”. Torres and Martins (2004) examined an e-satisfaction model; the study aimed to identify the perceptual dimensions of customer’s satisfaction with ‘Internet information search’ and ‘purchase experiences’. They indicated that loyalty antecedents vary under these two different scenarios. Chiu et al. (2009) stated that information-based website and product-based website differ from one another because the browsing behaviour for a content-based website is different from purchasing behaviour. Sousa and Voss (2012) analyzed the impact of e-service quality on customer behaviour in e-services. They acknowledged that customer behaviour for a service provider might differ for an online physical good purchase in comparison to availing a service from a pure information-based e-service provider. Due to this difference they restricted their domain to pure information based e-banking service.
In an online environment, physical fulfillment also plays an important role and affects satisfaction and loyalty (Wolfinbarger and Gilly, 2003). There are many situations where transactions/services are initiated online and completed offline. In such circumstances, offline fulfillment is recognized as an important antecedent of loyalty (Zeithaml, Parasuraman and Malhotra, 2000; Wolfinbarger and Gilly, 2003; Semeijn et al., 2005). The experience of receiving the ordered product is likely to induce feelings of joy and pleasure (Semeijn et al., 2005). Thus, the loyalty behaviour of a customer is different in two scenarios: (1) availing a service where transaction is initiated online and completed online, (2) a tangible product purchase where the transaction is originated online but completed with an offline physical product delivery.

Furthermore, tangibility-intangibility aspects or physical attributes also affect the customer loyalty perception. According to Sousa and Voss (2012), contrary to intangible services, sale of physical products introduce some confounding factors like product pricing, transportation and physical characteristics of the product. Kassim and Abdullah (2008) noted that physical goods and service are conceptualized to fall on continuum ranging from tangible to intangible, and customer evaluates a product depending on the extent of tangibility and intangibility (Rushton and Carson, 1989). An exhaustive meta-analysis was done by Toufaily, Ricard and Perrien (2012) on e-loyalty and explains that the literature on e-loyalty ignores some variables related to the characteristics of product/service offered. Thus, the product type, the tangibility/intangibility characteristics are interesting variables that future research on e-loyalty should examine. Tarafdar and Zhang (2008) identified seven factors for website loyalty and noted that each factor, however, is not equally important for website performance in different domains, and some factors are more important than others. Despite these acknowledgments, very limited study, if any, has done the comparative analysis of the relative importance of e-loyalty antecedents across different website categories. Thus, this study aims to examine the e-loyalty and its antecedent’s relationship across various classes of websites. It helps to determine what antecedents require closer attention to enhance loyalty in the respective website category.
1.4. PRESENT STUDY

This study examines the e-loyalty and its antecedent’s relationship across three different categories of websites, namely product website, service website and social networking website. In order to achieve objective, first a user need-based approach is derived to classify the different websites combining the existing approaches i.e. website categorization is done on the basis of user’s primary need. Thus this study specifically intends to examine the effects of user’s primary need on relationship between e-loyalty and its antecedents. The major e-loyalty antecedents are identified by synthesizing the findings of studies conducted in different contexts. Then based on the analysis of existing literature a conceptual model of e-loyalty is proposed. The model is empirically examined against the response of same user for three different websites. It helps to determine what antecedent should be given closer attention for enhancing loyalty in the respective category.

The present study also explores the practical strategies that are adopted by website managers/providers to ensure loyalty in accordance with the proposed theoretical model. First, a detailed discussion on various techniques adopted by websites to ensure e-loyalty is done. Second, an exploration of the techniques implemented by three successful websites, Google (www.google.com), Amazon (www.amazon.in) and Facebook (www.facebook.com), in agreement to these major antecedents is done.

1.5. SCOPE OF THE STUDY

Generally, websites can be classified into one of the two classes: e-commerce or content based (Chow, 2006). E-commerce is “a type of business model or segment of a larger business model that enables a firm or individual to conduct business over an electronic network, typically the internet” (Investopedia, 2015). A content based website does not sell merchandises; alternatively offers content (information) for its users. In fact, the businesses are interlinked. Content providers often rely on third-party advertisements for income (Gummerus et al., 2004); e-commerce players provide them with these promotions and advertisement, which in turn, likely increases the revenue of e-commerce players. The present work includes both categories as loyalty is equally important for e-commerce websites (Srinivasan, Anderson and Ponnavolu, 2002) and content-based websites (Chiu et al. 2009). This study deals with loyalty towards a website in B2C context.
Companies exist in pure e-form or operate in multi-channel environment. Website loyalty is crucial for companies that operate online as it is the only source of interaction. Website loyalty is also vital for businesses that function in the multi-channel environment. Jarvenpaa and Todd (1997) noted, a website is a primary vehicle for advertising, sales and service related activities and medium of exchange for such companies. Tarafdar and Zhang (2008, p. 16) advocated the view and illustrated “as organizations try out new ways of selling and communicating over the Internet, it is becoming increasingly apparent that the performance of their websites in terms of the extent to which they can attract and retain traffic, strongly influences the volume of business transacted by them”. The increase in number of websites is primarily seen because more and more companies are using the Internet as a business channel (Turban et al. 2008). Thus, website loyalty is equally important for multi-channel product/service providers and pure online product/service provider. However, the present study does not observe the effects of multichannel operations on website loyalty and is concerned only with the online presence of product/service provider.

1.6. MAIN DEFINITIONS

E-loyalty

There is no widely accepted definition of e-loyalty. Loyalty is a well-built feeling of support or faithfulness towards a person, a particular brand or product or a company. E-loyalty is customer’s favourable attitude toward the e-retailer that results in repeat buying behaviour (Srinivasan et al. 2002). Reichheld and Schefter (2000) described e-loyalty is all about quality customer support, convenient and reasonably priced shipping and handling, on-time delivery, clear and trustworthy privacy policies, compelling product presentations. Gupta and Kabadayi (2010, p. 169) defined website loyalty as “deeply held commitment to revisit the website consistently and desire to stay more at the website for each visit, thereby causing sticky and repetitive visit”. According to Armstrong and Hagel (1996 cited in Tarafdar and Zhang, 2008, p. 17) website loyalty is the likelihood of repeated visits by the same individual. For this study, e-loyalty/website loyalty is defined as the likelihood of repeated visits and favourable attitude of an individual towards a website.
E-service quality

E-service quality is an important element in virtual markets. However, providing an accurate definition of e-service quality is hard to come by as various definitions and interpretation exist in the literature. Santos (2003) defined e-service quality as the ability of an online service provider to fulfill the needs of an online customer. Lee and Lin (2005) described e-service quality as overall customer assessment and verdict regarding the brilliance and quality of e-service delivery in the cyberspace. Thus, it can be interpreted as the ability of an e-commerce service provider to which it handles and manages customer interactions with efficiency and effectiveness.

Contact interactivity

Contact interactivity plays an important part in effective communication between the two parties, especially if there is a communication between a machine and a human. Contact interactivity is the availability and effectiveness of customer support tools on a website and the degree to which the website facilitates two-way communication with customers (Srinivasan, Anderson and Ponnavolu, 2002). There should be an efficient and complete communication between a user and the website.

Convenience

Convenience is the quality of a website to provide comfort and ease to online users during their visit or product purchase. It is the degree to which a website makes surfing and navigation easy for the users (Srinivasan, Anderson and Ponnavolu, 2002). Convenience measures how suitable a website is to its target customer. It is the extent of easiness by which an online user can locate products and services and a state of well-being when the user signs off from the website.

Responsiveness

How quickly a website answers to the user query is called responsiveness (Cyr, Head and Ivanov, 2009)? The soon the site give responses to user queries, the more responsive it is. Answering e-mails and phone calls of the user queries within a well reasonable time frame are the characteristics of a responsive website. Not only the staff of a website should respond
quickly, but more importantly the design of a website should be responsive enough to answer user demands well in time. Quick to respond web design is thus becoming the standard now since it certifies that the website or web page is well suited for all kinds of queries and needs of the customers that are ever changing. Responsive web design permits a website to reshuffle and realign with dynamic contents.

**Customization**

Customization is the ability of a website to alter the products and services as per the user specification (Srinivasan, Anderson and Ponnavolu, 2002). Customization offers a broad range of goods and services, allowing a quick focus, and provides what customer wants. Customization helps to bridge the gap between what customer wants and the actual offerings. It increases customer satisfaction by providing a real match to his choices. Also, individuals can complete their transactions more efficiently on a customized site. An extensive product selection can, in fact, irritate customers and drive them to use simplistic decision rules to narrow down the alternatives (Huffman and Kahn, 1998). If the company can accurately tailor or thin down choices for individual users, it can minimize the customers browsing time. It helps to find their precise requirements easily instead of going through the entire product assortment.

**E-satisfaction**

Satisfaction is a measure of how the offerings i.e. products and services of an e-retailer surpass the expectation of online user (Oliver, 1999). Satisfaction in electronic context i.e. e-satisfaction can be defined as “the psychological reaction of the customer with respect to his/her prior experience with the comparison between expected and perceived performance” (Chang, Wang and Yang, 2009, p. 427). E-satisfaction is one of the areas focused upon for customer retention, customer loyalty, and merchandise repurchase. The art and science of e-satisfaction involve building, executing and reinforcing congenial experiences. In an era where business is done on the web, it is imperative to observe closely the customers and encompass their needs and requirements in the business model. Building a relationship with the client that ends up in satisfaction is critical for business. Anticipating the needs of customers can also be a good strategy to enhance e-customer satisfaction. Sometimes deadlines are missed, and technology can fail, but up to date information about the
proceedings, assurance, and a quick apology can be an excellent strategy to build up the
customer satisfaction.

**E-trust**

Trust in e-commerce denotes the readiness to rely on the renowned and accepted
players, companies and systems with which the e-commerce interaction takes place. In an
offline environment, Morgan and Hunt (1994) defined trust as the confidence that a customer
hold on partner’s reliability and integrity. In e-context, Gefen (2002, p. 30) described trust as
“the willingness to make oneself vulnerable to actions taken by the trusted party based on the
feelings of confidence or assurance”. Higher e-trust will lead to more favourable attitude
towards the online store (Kim, Jin and Swinney, 2009) and hence loyalty towards it (Rafiq,
Fulford and Lu, 2013).

**E-perceived value**

Perceived value is the difference between what is received in comparison to incurred
cost in terms of psychological and economic value (Zeithaml, 1998). In the online context,
Yang and Peterson (2004, p. 803) stated “customer perceived value results from an
evaluation of the relative rewards and sacrifices associated with the offering”. Perceived cost
includes monetary and non-monetary sacrifices, and perceived benefit includes fair or
deserved value against that cost.
1.7. ORGANIZATION OF THE THESIS

Existing studies shows that many authors and researchers have contributed in understating e-loyalty and its underlying factors. This thesis presents the analysis of e-loyalty and its antecedent’s relationships across different websites, where the categorization of websites is done on the basis of users' primary need. A model of e-loyalty is proposed, and e-loyalty and its antecedent's relationships are investigated against the same user response across three different classes of the website namely service website, product website and social networking website.

The work reported in the thesis is organized into seven chapters. The following paragraphs explain the importance of these chapters -

*Chapter-1: Introduction*

This chapter introduces the main area of this research by presenting the background to the research topic. The importance of the research area and research problem is discussed. After that, the contribution of the study is presented, and scope of the research is outlined. Finally, a brief description of each chapter is reported.

*Chapter-2: Literature survey*

After a brief introduction to the research area, a critical review of e-loyalty studies is presented, and research questions are discussed. Chapter 2 begins by providing a brief discussion on e-loyalty and its advantages. Then the evolution of e-loyalty from brand loyalty is elaborated. Thereafter, the e-loyalty definition for the present context is discussed. Methodology to carry out literature survey is presented. The research gaps found in the literature are clarified along with the discussion on research objectives. The rationale for the basis of websites categorization is provided. The chapter provides a comparative analysis of e-loyalty studies that are considered in this research.

To answer the research questions, this chapter also develops a conceptual framework and its associated hypotheses. Explanation of development of the theoretical framework and formulation of research hypotheses are discussed.
Chapter 3: Research methodology

To deal with research hypotheses and research questions (discussed in chapter 2), a research methodology had to be adopted. Therefore, chapter 3 defines and justifies the research methodology adopted in this study. The research methodology section includes a discussion on research philosophy, research approach, research purpose, research strategy, questionnaire development, sampling strategy, sample size, non-response bias and research ethics. The data analysis tools and techniques and appropriate statistical techniques applied to conduct the research are also presented.

Chapter 4: Data analysis

The aim of this chapter is to present the analysis of data collected and testing of hypotheses that are delineated in chapter two. The primary data collected through questionnaires is processed in response to the posed problems. The relative importance of e-loyalty antecedents across different websites is compared. Eventually, a discussion on relative importance and comparison is provided.

Chapter 5: Empirical validation

To cross-examine and validate the findings presented in the data analysis chapter; the model is again empirically tested for three specific websites in each category. Hypotheses are tested against the response of 352 respondents. The responses are obtained for Google.com, Amazon.in and Facebook.com. The results are then compared with the results obtained in chapter four, followed by a discussion on the comparison.

Chapter 6: Theoretical validation

This chapter discusses the strategies and techniques adopted by the websites to enhance the efficiency and effectiveness of e-loyalty. Several website loyalty techniques implemented by Google.com, Amazon.in and Facebook.com have been identified and presented. The techniques elaborated are in agreement with the proposed model.
Chapter 7: Conclusions and discussion

The last chapter presents the findings along with research implications. It integrates and synthesizes the different issues discussed as well as highlights the study limitation and provided direction and areas for future studies.