

A Conceptual Framework of B2C Website Loyalty

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ABSTRACT

In the on-line context, the representation of the loyalty between website and customer can be divided into two parts: the attitudinal loyalty and the behavioural loyalty. These two kinds of customer loyalty are affected synthetically by factors such as service quality, perceived value, customer trust, switching costs, brand, and so forth. Based on the TAM framework, this paper develops a model on customer loyalty in relation to B2C websites. The paper elaborates on the hypothesis of the relation between customer loyalty and its drivers. The conclusions provide reference for both academics and practitioners of B2C websites.

Introduction

Loyal customers' frequent purchases bring increased profitability to a firm and reduce costs of obtaining new customers. Consequently, building and holding customer loyalty remains a major topic for companies. However, knowing that "competing businesses in the world of electronic commerce are only a few mouse clicks away" (Srinivasan et al. 2002: 41), it is not as easy as before to maintain customer loyalty with B2C websites. Thus, generating e-loyalty is both more difficult and more important than for conventional commerce. Thus, an understanding of loyalty antecedents will promote B2C websites to develop and adopt their marketing strategies effectively.

Both academics and practitioners have attempted to determine the driving factors creating loyalty. Some of these studies have been carried out in the context of e-commerce, arguing that customer loyalty is related to satisfaction, trust, perceived value, user interface, brand, etc. (Anderson and Srinivasan 2003; Yoon 2002; Flavián et al. 2005; Gommans et al. 2001). Although e-trust, e-satisfaction, websites and other antecedents have been examined in relation to e-loyalty, it is also essential to distinguish between attitudinal loyalty and behavioural loyalty. In regard to this, Gommans et al. (2001) have proposed a conceptual framework. Nevertheless, there is a lack of empirical validation in their research. Meanwhile, other literature indicates how to build e-loyalty. For instance, with the help of advanced technologies, network companies have more capacity to meet their customer specific needs. In this regard, tech-

nologies provide great opportunities to obtain their customers and enhance customer lock-in (Mobasher et al. 2000).

The issues that determine whether, and to what extent, loyalty is different in the online environment have yet to be fully resolved. Responding to the situation of e-commerce as context, this paper conducts a new evaluation of some of the commonly accepted elements of loyalty and their influence. To be more specific; is a website's service quality important to loyalty? Does a website's perceived value influence online loyalty? Is there any relationship between the driving factors? How do brand and switching costs influence online loyalty? The current study seeks to deal with the above questions by adjusting the Technology Acceptance Model (TAM) considering the role of switching costs, brand, customer trust, perceived value and service quality in relation to B2C e-commerce. Loyalty antecedents are supposed to have a distinct impact on improving attitudinal loyalty and/or behavioural loyalty, which lead to customer e-loyalty. Thoughts on the empirical validation of the proposed model and the implications for B2C website practice are also presented.

This paper begins by synthesizing the existing studies. The next section constructs a modified model of understanding B2C website's customer loyalty. All the facts will be described in detail. Finally, this paper concludes with a discussion of the findings for both scholars and website managers.

Literature Review

Customer satisfaction theory indicates that customer

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loyalty is directly affected by customer satisfaction. The primary model is the American Customer Satisfaction Index (ACSI) (Kristensen et al. 1999). This model, which is based on consumption process of product and services, is an appropriate theoretical frame to measure and analyse customer satisfaction. ACSI, which is based on the expectancy disconfirmation theory (Tang 2009), indicates that customer satisfaction is an important antecedent for customer loyalty. The driving factors of customer satisfaction consist of perceived quality and customer expectation. These two factors actuate the forming of perceived value and jointly influence the customer satisfaction, which lead to customer complaint and customer loyalty.

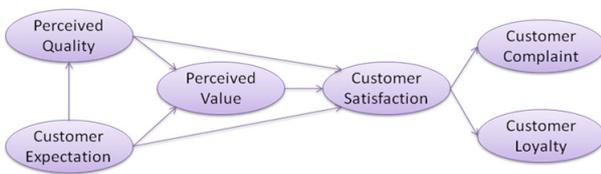


Figure 1: ACSI Model (Kristensen et al. 1999)

It can be seen from Figure 1 that ACSI studies loyalty by the use of intermediate variables (i.e. Customer Satisfaction). However, there is a lack of standard quantitative criteria to evaluate the products and services of an e-business website. This is mainly because there is a certain extent of uncertainty of the products or services in the e-commerce context. This paper thinks Perceived Value reflects the customer's attitude toward products and services of e-business websites, and it is also an important variable according to Customer Satisfactory Theory and Expectancy Disconfirmation Theory (Tang 2009). Given this, perceived value has been regarded as a key cause in this paper. Yan (2005) proposed a model of driving factors behind customer loyalty.

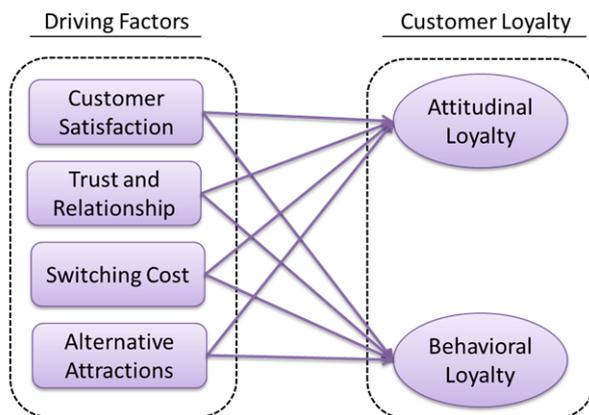


Figure 2: Yan's (2005) Model

His integrated model takes advantage of customer satisfaction theory, the expectancy-disconfirmation model and switch cost theory. Four driving factors

are adopted in his research; Customer Satisfaction, Trust and Relationship, Switching Costs and Alternative Attractions. Yan (2005) also divided the measurement of customer loyalty into two separate dimensions (attitudinal loyalty and behavioural loyalty) for analysing; each driving factor effect on customer loyalty is discussed separately. The result of an empirical test on the Chinese telecommunications industry corroborated this model. Although his research method brings instructive enlightenment to customer relationship management, the contribution of his paper is restricted to mobile communication firms in China.

Gommans et al. (2001) establish a conceptual framework of 'e-loyalty' and its underlying drivers in the context of B2C e-commerce. Combining customer satisfaction theory with customer trust theory, an exploratory research model on customer loyalty driving factors has been constructed. The underlying drivers consist of Value Propositions, Brand Building, Trust and Security, Website and Technology and Customer Service. More than that, it also considers attitudinal and behavioural aspects of e-loyalty. Taking advantages of the characteristics of e-commerce and related theory, this model is a significant reference for us to do further research on this topic. To be more specific, their model (e.g. variable selection and measurement items selection in terms of the nature of e-commerce) brings instructive enlightenment to the current study. However, empirical validation would have greatly enhanced the viability of this model.

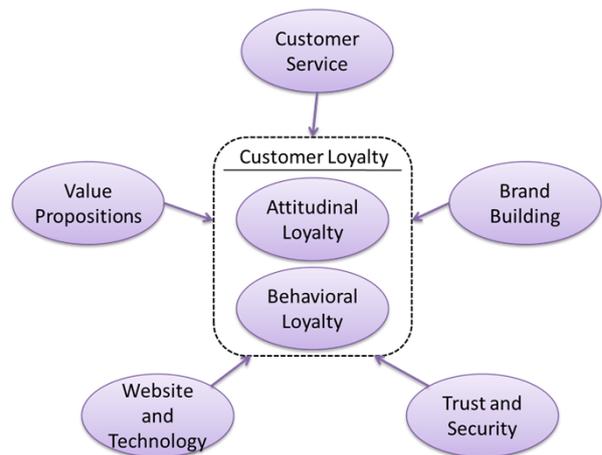


Figure 3: Gommans et al.'s (2001) Model

Lloyd and Mark (2004) established frameworks of perceived value, trust, satisfaction and loyalty within an online context. Combining customer satisfaction theory with customer trust theory, an exploratory research on customer loyalty driving factors has been conducted, which takes the quality of web services as the driving factor of perceived value, customer trust and customer satisfaction. Except for satisfaction, the other factors and their causal relationship have been

supported (see the solid lines in Figure 4). Taking advantage of the characteristics of e-commerce and related theories, this model is of significant relevance for the current research.

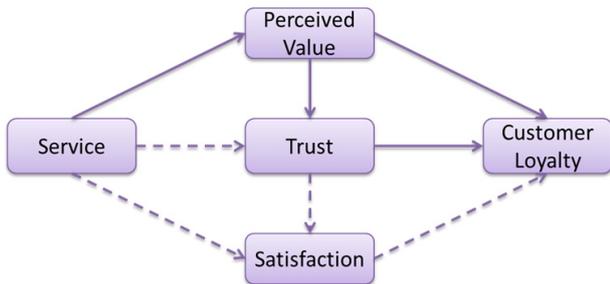


Figure 4: Lloyd and Mark's (2004) Model

A 'trust-attitude-loyalty' model is proposed by Lu and Lin (2002). As suggested in their research, customer satisfaction is affected by the content of the website, situation and infrastructure. By means of customer attitude, loyalty is affected by trust directly and indirectly. This model explains the relationship between confidence level and customer loyalty in virtual consumer markets. Although this model is building on the theory of trusting relationship, the factors are applicable for e-commerce and the model has been modified accordingly. Therefore, it provides a good starting point for studying loyalty driven by trust in the context of e-commerce. Similar to the ACSI Model, this model adopts satisfaction as an intermediate variable.

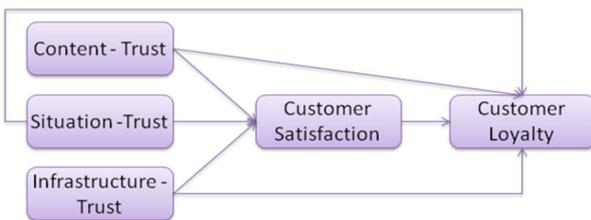


Figure 5: Lu and Lin's (2002) Model

Each model has its advantage and weakness. In the following section, some underlying factors of e-loyalty in the current study will be selected based on the models outlined above.

Conceptual Framework

Research Model

The Theoretical base for the modified model draws from the Technology Acceptance Model (TAM). As one of the most influential models, TAM is an extension of the Theory of Reasoned Action (TRA) (Malhotra and Galletta 1999). TAM replaces many of TRA's attitude measures with two technology acceptance

measures; Perceived Usefulness (PU) and Perceived Ease Of Use (PEOU). PU refers to "the degree to which a person believes that using a particular system would enhance his or her job performance" (Malhotra and Galletta 1999: 6); PEOU is defined as "the degree to which a person believes that using a particular system would be free from effort" (Malhotra and Galletta 1999: 6). Attitude toward using (ATU) an IT artefact is determined by PU and PEOU. ATU and PU predict the Behavioural Intension (BI) to use the system. Finally, Actual Use of the system is predicted by BI (see Figure 6).

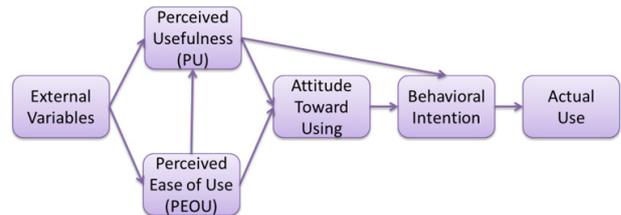


Figure 6: Technology Acceptance Model (TAM) (Malhotra and Galletta 1999).

To conduct further research on how to preserve customer loyalty in an e-commerce context, the current study presents a research model (see Figure 7). Taking advantage of the research models analysed above, this model modifies the Technology Acceptance Model (TAM) including the driving factors selected from the literature review.

B2C websites can be regarded as one kind of information technology; therefore it is valid to use TAM to conduct this research. Specifically, perceived value replaces the PU, brand building takes the place of PEOU, and the external variable is service quality. Furthermore, an element of switching costs is added to the model, as it is a vital factor (this will be covered later in this paper) especially in the e-commerce environment. Elements and causal relationship are provided.

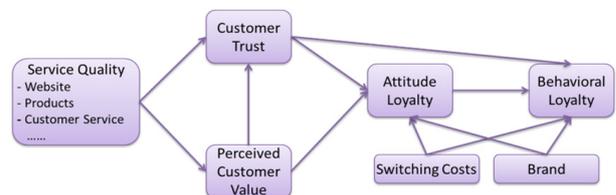


Figure 7: Proposed Conceptual Framework

Service Quality

Providing a variety of services with high quality is important for a B2C websites in order to compete with alternative sites. This research considers a global perspective of service quality. Five factors such as brand image, service performance, product quality, prices and security are important to the customers'

purchase intention and behavioural loyalty (Smith 2002). In the conceptual framework of e-loyalty, Gommans et al. (2001) indicate both a website's brand and customer services as major driving factors. In addition, other essentials such as value proposition, internet technologies, trust and security contribute to customer on-line loyalty as well. An empirical study on customer loyalty of electronic food retailers (Gregory and Kingshuk 2001) presents that factors such as ease of return, delivery performance, website design, pricing, goods information, and obtaining goods have positive influence on customer loyalty. Nonetheless, the underlying factors in all the above models can be simplified and reintegrated.

In addition, both perceived value and customer trust are influenced by service quality. Prior research has studied the relationships between service quality and trust. Sultan and Mooraj (2001) indicate that a number of service quality factors are linked to trust. Taking security as an example, customer trust will be improved due to advanced security technologies of a website. Besides, conceptual and empirical research that supports links between service quality and perceived value have been also conducted by Parasuraman and Grewal (2000) as well as Standifird (2001). Lloyd and Mark (2004) have synthesized and built on existing research into loyalty, trust, satisfaction, value and service quality. They concluded that service quality performs a vital role in both perceived value and customer trust.

Good service will lead to customer trust and improve perceived value. Moreover, service quality has an impact on loyalty. This research, therefore, assumes that services must be an original motivator variable that predicts the perceived value and customer trust.

Perceived Value

The concept of perceived value is a general judgment of a product or service associated with perceptions of expense and payback. It is the balance between the use-value of the products or services and the cost such as time, money and emotion.

Perceived value has a great influence with regard to both customer satisfaction and future purchase intention. For instance, Cronin et al. (2000) have examined some driving factors (e.g. perceived value, quality and satisfaction) and consumer behaviour. They inferred that the relationship between perceived value and e-loyalty is significantly positive. As highlighted by Zhang et al. (2007), perceived value is regarded as one critical factor to the success of e-loyalty. To be more specific, the perceived value which affects e-loyalty consists essentially of more personalization and competitive pricing. Hence, perceived value has a positive influence on the attitudinal loyalty towards

a B2C website.

Existing studies also elaborate on the linkage between perceived value and trust. Specific studies of e-commerce show the influence of perceived value on trust and satisfaction effects loyalty similarly (Anderson and Srinivasan 2003). Sirdeshmukh et al. (2002) find evidence that there is a direct relationship between trust and value. Thus, perceived value also has a positive influence on customer trust in a B2C website.

Customer Trust

Trust has often been studied in the electronic commerce context. It can be described as a customer's belief in the content and security of a specific vendor (Gabarino and Johnson 1999). The literature suggests that trust is an essential factor to consolidate purchase intentions, no matter whether it is in traditional commerce (Chaudhuri and Holbrook 2001; Sirdeshmukh et al. 2002) or in an e-commerce context (Park and Kim 2003; Pitta et al. 2006). However, different from the relationships between buyers and sellers in a bricks-and-mortar context, the exclusive interactive mode between shopper and vendor is through a website (Cyr et al. 2007).

Based on a survey on on-line shopping, CNNIC (2010) presents that 62.4% of customers will refuse on-line services as they are afraid of the lack of security in terms of their private information (e.g. credit card information and password). 42.3% of customers will refuse on-line services as they believe the Credit Rating of sites is less reliable. Accordingly, lack of trust is one key factor that results in potential consumers avoiding to purchase online. On the other hand, literature indicates that when trust is established, it is easier for customers to shop online (Flavián et al. 2005). For these reasons, trust has a positive influence on both the attitudinal and behavioural loyalty towards websites.

Switching Costs

Switching costs are an important segment of customer loyalty research. Literature has shown the strong relationship between switching costs and customer loyalty. Switching costs refer to the time, money or emotion that customers will spend when switching from one service provider to another (Chang and Chen 2008). In addition to economic expenditures, switching costs can be the result of emotional and psychological elements as well (Sharma & Patterson 2000; Wu et al. 2007). This paper regards switching costs as economic expenses or incorporeal costs when switching from one on-line shop to another.

Switching costs lead to consumers increasingly depending on a particular vendor. Still, although the

internet allows for easy and convenient comparisons of online offers, Srinivasan et al. (2002) indicate that the switching of online shoppers is not as frequent as among brick and mortar consumers. Few on-line consumers are willing to purchase at alternative optional websites (Reichheld and Scheffer 2000). Adamic and Huberman (2001) have studied on-line customer behaviour, claiming that the top 1% of websites obtain over half of all online transactions, suggesting that customers give allegiance to a limited number of well known websites.

Switching costs between websites is constructed by additional factors, such as learning costs, evaluation cost, social relation and value added service costs. Customers get accustomed to a specific website and its shopping flow. Customer Loyalty Card and Credit Rating systems as well as the costs of learning how to use new websites have enhanced the switching barriers gradually for customers. Hence, switching costs have a positive influence on both attitudinal and behavioural loyalty towards a website.

Brand

Brand has been studied in a wide range of disciplines, such as marketing, strategic management and economics (Aaker 1996; Fombrun and Shanley 1990; Shapiro 1983). It contributes to both tangible (Grewal et al. 1998) and intangible (Andreassen 1999; Yoon et al. 1993) benefits to a firm. A good and healthy company image can be a major asset for B2C websites, simply because customers have difficulties remembering websites without an impressive brand image, not to mention loyalty towards the websites they know little about.

Owing to the advantages of the internet, website brand building becomes interactive, while rapidly and extensively spreading reputation. In addition, new alternatives are available due to internet technologies. As a result, the importance of the brand for customer loyalty has increased in the context of e-commerce. Some research has been conducted on the causal relationship between brand and e-loyalty that supports the argument. Holland (2001) explores a conceptual model concluding that customer's brand loyalty has a significant association with predictable affective, cognitive and behavioural results. Other literature highlights that corporate image is connected to customer loyalty as well (Chia-Hung 2008). Gommans et al. (2001) integrated prior research on brand building associated with e-loyalty. After presenting a research model on e-loyalty and its influencing drivers, they underline that brand building is one vital element in obtaining and keeping e-loyalty. In this regard, brand may be another essential variable that affects customer loyalty.

E-Loyalty

Although the definitions of customer loyalty are similar in traditional and on-line contexts, they result in diverse characteristics related to on-line context and customer behaviour. E-loyalty or on-line loyalty is simply considered as the desire to return to a specific website and to purchase from it. E-loyalty is usually conceptualized in terms of customer behaviour intent (e.g. duration and frequency of a customer visit is easily measured). However, it is still not convincing to say those customers are behaviourally loyal. A considerable number of consumers visit particular websites in order to inform them but the purchase remains offline, which makes the concept of e-loyalty problematic (Wind et al. 2001). As the literature indicates, e-loyalty is considered as perceived loyalty towards an e-service or e-shop resulting in an increased likelihood to go back to visit and to purchase again. In addition, they will not turn to other alternatives (Flavián et al. 2005).

Conclusion and Limitations

In the current hyper-competitive e-commerce era, the importance of customer loyalty is prominent. Understanding the drivers of a B2C website's customer loyalty is critical to both academics and practitioners. Based on the review and analysis of the literature on e-loyalty, this paper proposes a modified model to seek out the association between e-loyalty and its driving factors. This may be a guidance to further studies on e-loyalty.

Some limitations of this research should be noted as well. Due to the fact that this paper needs the follow-up work, the validation of the model is still to come. Due to limitations in time, this paper does not distinguish between different product types: purchasing cheap products (e.g. stationeries) may differ from buying expensive or unfamiliar products (e.g. mobile phones). Consequently, future research must be conducted.

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