Chapter 10
The Evolution of Online Relationships in Business to Consumer E-Commerce

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ABSTRACT
The growth of business-to-consumer (B2C) e-commerce has gained a lot of attention among SMEs. Most B2C firms are turning their attention on how to retain new customers and are left in a situation to compete with larger firms. This chapter aims to examine the evolution and impact of online relationships in B2C firms. Drawing upon the theories of customer relationship management, e-commerce, trust and loyalty, the author develops an integrated model to illustrate the stages customers go through when shopping online and its impact on trust, hard and soft factors that reflect the level of transactional and relational components of communication thereby impacting the customers shopping time lifecycle experiences. This chapter develop a number of hypotheses to facilitate testing of the model. The author then provides a discussion of the model leading to the theoretical and practical implications of this study and directions for future research.

INTRODUCTION
Business to consumer (B2C) e-commerce, a significant subset of total Internet business, can provide significant benefits to customers and Small-Medium-Enterprises (SMEs) including the ability to market their products and services online thereby achieving global connectivity, high accessibility, scalability, interoperability, interactivity, and greater information richness (Turban, Lee, King & Chung, 2006). Online relationships evolve through stages of loyalty and trust when consumers engaged in B2C shopping.

Information Data Center predicts that e-commerce spending will reach $496.7 billion in the U.S. and $1.3 trillion globally by the year 2009. In recent years we have witnessed an increased growth of small businesses turning towards the Internet to market their products. SMEs are an important and integral part of every country’s economy and have
been long recognized as different from larger businesses (Street & Meister, 2004). The Internet helps SMEs to manage customer relationships effectively, as it provides an easy and inexpensive way to advertise, lowering the barriers to entry for SMEs. Despite that customers are now even more demanding than ever before and B2C e-commerce firms are challenged to keep pace with the changing customers needs in maintaining a competitive edge. Unlike traditional means of communication such as newspapers or television, there are many Web revenue models that assist customers in gaining control when choosing and processing informing about the firm. Web tools such as; online feedback forms, 1800 telephone numbers, help desk operators assist customers in obtaining information and clarifying questions quickly. Products such as LikeMinds from Macromedia uses complex algorithm to create affinity groups for each customer, so that B2C firms can better understand their customers engaged in buying from their web site. The Web overturns the traditional hierarchical system of distribution channels by allowing integration of systems and information between the marketing, sales and servicing activities thereby forcing SMEs to view online relationships seriously. Beyond blogs, podcasts and wikis, social media comprises social networks of all strips, social tagging that provides organized customer generated content for small businesses and customers to share views. The breadth of the medium allows wider availability, accessibility and selection of hard-to-find products and services. Web tools thus serve two purposes namely; to provide web content and to manage customers’ interactions.

This study aims to examine the evolution and impact of online relationships in the context of B2C e-commerce among SMEs. Drawing upon the theories of customer relationship management, e-commerce, trust and loyalty, we develop an integrated model to illustrate the stages customers go through when shopping online and its impact on trust, hard and soft factors that reflect the level of transactional and relational components of communication thereby impacting the customers shopping time lifecycle experiences leading to four modes namely; learning, monitoring, collaborating and distancing modes. The rest of the paper is organized as follows. The next section discusses the hard and soft factors in online relationships. While hard factors reflect the transactional component of communication including web site’s performance, user friendliness, quality of web content, customer acquisition/search costs and perceived security. Soft factors reflect on the relational component of communication including the quality of products/services, satisfaction, trust, loyalty and reputation of the firm. We develop a number of hypotheses to facilitate testing of the model. We then report and discuss the model leading to theoretical and practical implications of the study and directions for future research. This study contributes to theory as we provide a holistic framework that incorporates both hard and soft factors and its impact on customers shopping time lifecycle experiences. The study also contributes to practice as B2C e-commerce practitioners will be aware of the mechanisms used to achieve timely, cost-effective, scalable, manageable and reliable feedback on their customer relationship performance.

STAGES OF TRUST IN B2C E-COMMERCE

Trust may be even more critical in the context of B2C e-commerce because Internet purchase is based on consumers’ confidence in the processes that are not transparent online, in contrast to that of the traditional brick and mortar businesses where trust is based on personal relationships and face to face interactions between the customer and the merchant (Kim, Ferrin & Rao, 2008).

Schneider (2009) suggests that customer loyalty with a merchant evolves in five stages. First, is the awareness stage where customers