Service Convenience, Trust and Exchange Relationship in Electronic Mediated Environment (EME): An Empirical Study of Chinese Consumers

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ABSTRACT

The purpose of this study is to develop and empirically validate a research framework in relation to Chinese consumers’ service convenience perceptions, its determinants, and influences in EME. The analysis of data from 415 Chinese consumers reveals that service convenience serves a very significant mediating role in terms of services in EME and consumer relational exchange in the Chinese context. This study provides companies and service providers in EME, who are seeking to acquire and retain customers in the Chinese marketplace, specific information about the Chinese consumer’s perceptions in EME in relation to service consumption decisions.

Keywords: Chinese Consumers, Perceptions, Relational Exchange, Service Convenience, Services in Electronic Mediated Environment

1. INTRODUCTION

The economies of the world are shifting from agriculture and manufacturing to services centric economies (Maglio, Kreulen, Srinivasan, & Spohrer, 2006). The services sectors dominate economic activity in both developing and developed countries in terms of the amount of value added and number of people employed (Abe, 2005). According to Nationalmaster.com, China is ranked first in terms of service growth over the last 25 years. As a result, in addition to rapid economic growth, China has seen a significant expansion in services offered through Electronic Mediated Environment (EME). By extending previous definitions of E-Service (Rust & Lemon, 2001; Fassnacht & Koese, 2006), as part of this research, the services in the EME is defined as any kind of services that incorporate service convenience via electronic devices where the consumer interacts with an appropriate user interface for service consumption in an EME such as Web site, mobile phone, PDA, iPod, Virtual World Environment, etc. in order to gain a consumption

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experience and pursue desired benefits preferably on a long term basis. China has already become the world leader in mobile phone usage and has surpassed the United States as the No. 1 nation in Internet users (McDonald, 2008). According to the Statistical Survey Report from the China Internet Network Information Center (CNNIC), the number of Chinese Internet users had reached 298 million by the end of December, 2008 (CNNIC, 2009). According to Pace (n.d.), Chinese Internet users spent nearly two billion hours online each week compared to U.S. users logging 129 million hours per week. Chinese consumers are provided with various services in the EME: digital entertainment, online community, network media, online banking, online financing, online job hunting, online education, etc. Among these services in the EME, online music service ranked at the top in terms of users, reaching 214 million in 2008. In addition, the development of online payment and online banking is rapid with the usage rate of 22.5% and 23.4% respectively.

The increase in Chinese consumers participation in services offered through EME may be due to the increased convenience afforded through the consumption of services in Electronic Mediated Environment in contrast to services consumed in the traditional brick-and-mortar environment. Information technology improves consumers’ convenience perception of using and buying services (Berry, Seiders, & Grewal, 2002). According to Kim et al. (2006), convenience was found to have a significant effect on satisfaction of Chinese consumers in relation to hotel and tourism services offered over the Internet.

Marketing literature has acknowledged that there is a steady increase in consumer demand for service convenience (Yale & Venkatesh, 1986; Berry, Seiders, & Grewal, 2002; Seiders, Voss, Godfrey, & Grewal, 2007). Previous literature in marketing and traditional service research has identified several unique characteristics of services—intangibility, heterogeneity, inseparability, and perishability (Parker, 1960; Lovelock & Gummesson, 2004). These characteristics are present in all types of services consumed in the traditional face-to-face environment.

Studies in economics, marketing and services research in relation to services in EME investigated different aspects of services such as service quality, service relationship, and service profitability (Oliver, 1980; Zeithaml & Bitner, 2000; Reinartz, Thomas, & Kumar, 2005; Rust & Miu, 2006). Among these studies, the service convenience in EME has been given insufficient attention. Several early attempts in the information systems (IS) and marketing literature either treated service convenience in EME as a general construct or compounding concept with other constructs (Baty & Lee, 1995; Bhatnagar, Misra, & Rao, 2000; Heijden, Verhagen, & Creemers, 2003; Kim, Ma, & Kim, 2006).

There is also limited or no attention paid to service convenience in EME and its influence on consumer-provider relationship development, specifically in the context of Chinese consumers. Online technology provides consumers with more options in choosing the mode of service—traditional employee service or self-service (Berry, Seiders, & Grewal, 2002). Besides, the advances in electronic devices and communications technologies make it possible for the consumer to use a service online at anytime and anywhere—thus providing the consumer with significant convenience factor in the service consumption process. This interaction with service provider in the process of service consumption in the EME affords the opportunity for developing long term exchange relationship between consumers and service providers. Exchange relationship is yielded through the process of repeated interaction between consumer and service provider in EME over time when consumers spend their time and effort in service consumption in EME (Rust & Kannan, 2003). Such relationships are guided by high order mental constructs such as satisfaction, trust, and commitment. According to Gefen (2002, p. 28), “there are no empirical studies examining the theory that service quality increases customer loyalty through increased trust in the unique online environment where
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