Antecedents of Loyalty Towards Online Retailers: Heavy Shopper versus Light Shopper Groups

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ABSTRACT

E-tailing has had a phenomenal growth in the last few years but still great potential remains unused because of consumers’ general lack of trust in online retailers. The purpose of this study is to develop and test an integrated model to understand the role of satisfaction and trust in building e-loyalty. It further explores the moderating effects of shopping levels on antecedents of trust, satisfaction and loyalty toward an Internet retailer. The study has used structural equation modeling to reveal the nature of relational influences of these constructs on loyalty. The moderating effects of the levels of shopping are observed as the price/value had a stronger effect on e-satisfaction for light shoppers, while e-trust had a stronger effect on e-satisfaction for heavy shoppers. This study not only advances our theoretical understanding but also helps practitioners to formulate strategies to convert light shoppers to heavy and loyal ones.

Keywords: E-Loyalty, E-Satisfaction, E-Trust, Level of Shopping

1. INTRODUCTION

Internet retailing or e-tailing has had a phenomenal growth in the last few years in India. Several new retail stores have come up and its number is increasing every day (Economic Survey, 2011). Changing demographics and lifestyles, especially in urban India and exposure to the developed markets have surely given a boost to this growing industry. The growth in the e-tailing market is driven by the need to save time and money. Besides with over 2.5 billion users Internet retailing or e-tailing has had a phenomenal growth in the last few years in India. Several

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Venkatesh, & Agarwal, 2006). In India it is still in the nascent stage (FICCI Publication. 2011). Furthermore, online searches are used mostly in preparation for purchases made in brick-and-mortar retail outlets (Verhoef, Scott & Vroomen 2007; Forsythe, & Shi, 2003). Consequently, the conversion rates are rather small even for well-known firms. This reluctance to engage in e-tailing stems from the special character of purchasing via distance selling. In contrast to a purchase at a brick-and-mortar retailer, an opportunity to inspect the physical product and the personal communication with a salesperson are lacking. Thus consumers generally perceive that the Internet carries an increased risk and uncertainty (Benbasat, Gefen, & Pavlou, 2008).

In the online context, the customer can easily switch stores (Reichheld, & Schefter, 2000). For the retailer, it is expensive to attract and retain customers, so a very good customer-retailer relationship is essential (Srinivasan, Anderson, & Ponnavolu, 2002). A loyal customer not only purchases repeatedly but also brings profitability through long-time commitment and costs of acquiring new customers are reduced.

2. CONCEPTUAL FRAMEWORK

Thus the importance of e-loyalty in online retailing is obvious and a critical issue, as an Internet store has to face intense price pressures from different competitors. E-loyalty can be defined as customer’s favourable attitude and commitment towards the online retailer that results in repeat purchases (Rodgers, Negash, & Suk, 2005).

The Internet-based distance trade is a service and therefore an experience good whose quality can be judged only after completion of the transaction. The safe transmission of sensitive financial data for the transaction and the e-tailer’s general integrity in dealing with personal data can be assessed only long after completion of the transaction. Thus trust plays a central role in buyer–seller relationships, which is derived from the prevailing asymmetry in information between the buyer and seller (Akerlof, 1970). Trust has always been an important element in successful marketing and it is especially true in e-commerce (Urban, Sultan, & Qualls, 2000).

To develop e-loyalty both e-satisfaction and e-trust are found to play a pivotal role (Anderson, & Srinivasan, 2003; Reichheld, & Schefter, 2000). Previous studies indicate that e-satisfaction and e-trust influence e-loyalty either individually or in a sequential order (Anderson & Srinivasan, 2003; Sirdeshmukh, Singh, & Sabol, 2002; Gummerus, et al., 2004). But there is a lot more to understand the development of the e-loyalty process. The antecedents of these constructs need to be identified and their relationships established. The website characteristics influence e-trust and purchase intentions (Cyr, 2008). They also can influence e-satisfaction leading to loyalty mediated by e-trust (Chiou, & Pan, 2009; Kim, Shi, & Srinivasan, 2011).

In an online context the consumers go for repeat purchase decision based on complex evaluations of full service offer. Most of the transactions start online but is completed offline. E-tail quality is more than just interaction with a website (Semeijn, et al., 2005). Previous studies have missed out the complementary roles of website performance and offline fulfilment in the process of developing e-loyalty. Studies have primarily focused on website design, navigation design, display, system and service quality (Kim, Shi & Srinivasan, 2001; Devaraj, Fan, & Kohli, 2002) while addressing e-tail quality. The present study proposes e-tail quality as a multi-dimensional construct investigating the roles of each quality dimension in the process of e-loyalty development. The study also attempts to reveal the role of price/value in the e-loyalty development process.

In spite of the impressive growth, a considerable e-tailing potential is unattained as most customers are still unfamiliar with online shopping (Meziane, & Kasiran, 2008; Venkatesh, & Agarwal, 2006). In India it is still in the nascent stage (FICCI Publication. 2011). Furthermore, online searches are used mostly in preparation for purchases made in brick-and-mortar retail outlets (Forsythe, & Shi, 2003; Verhoef, Scott,
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