An Integrated Model of Customer Experience, Perceived Value, Satisfaction, and Loyalty in Electronic Stores

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ABSTRACT

The main problem of electronic-stores is to resolve the obstacles of visitors as potential customers. In this paper the relationship between the experience of online customers, perceived value, satisfaction, and the loyalty is investigated. The main hypotheses of this study are analyzed using Structural Equation Modelling (SEM) methodology. The study is conducted in the biggest electronic-store in Iran. The structural model, is developed on the basis of four main hypotheses as follows: H1) Customer purchasing experience has impact on perceived value; H2) Perceived value of customers has impact on satisfaction; H3) Customer satisfaction has an impact on loyalty; H4) Customer purchasing experience has an impact on loyalty. The reliability of questions is checked using opinion of a group of experts who have at least 15 years of related experiences. The hypotheses are tested using data extracted from 396 questionnaires through AMOS software. Results show that customer’s experience is influenced by trust, interaction, perceived usefulness, action, information credibility, and relating. Also, the customers’ experience in online purchases does not directly influence their loyalty, since experience is a mental concept which has to pass the sequence of “Experience-Perceived Value-Satisfaction-Loyalty” in order to be converted to a behavioral concept.

KEYWORDS

Customer Experience Management (CEM), E-Commerce, Loyalty, Online-Shopping, Structural Equation Modeling (SEM)

1. INTRODUCTION

E-commerce a commercial activity in which selling and buying of goods or services is done through internet. Online shopping was invented by Michael Aldrich in 1979. Since that time, this type of shopping has grown amazingly (Turban et al., 2000). As a result of major growth in technologies of E-commerce, the number of online shops has grown exponentially. This has created a lot of challenges in business and commercial activities. Because of highly-competitive nature of this type of business activity, online shops need something beyond low prices or inventive products. Commercial organizations need to focus on customer experience (Gentile et al., 2007). Customers’ online experiences depend on pictures, forms, quality of information, and video advertising. Such experiences do not depend on real life activities, because customers cannot directly see and touch the goods before buying them (Pine and Gilmore, 2011).

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On the other hand, in the competitive environment of markets, attracting new customers has become more difficult and the profits that can be obtained from loyal customers have grown. Therefore, companies have shifted their attentions from pure customers’ satisfaction to strengthening customer loyalty. Strengthening customer loyalty has become a key factor for online shops to achieve success and lasting profits. The goal of this paper is to investigate the impact of customer experience on customer loyalty in online-purchasing.

The main hypotheses of this study are analyzed using Structural Equation Modelling (SEM) methodology. The case study is conducted in the biggest electronic-store in Iran. The structural model, measurement model, and questionnaire, are developed, proposed, prepared on the basis of four main hypotheses supported through a deep literature review of relevant past research works as follows:

\[ H_1: \text{Customer online purchasing experience has impact on perceived value; } \]
\[ H_2: \text{Perceived value of customers has impact on their satisfaction; } \]
\[ H_3: \text{Customer satisfaction has an impact on their loyalty;} \]
\[ H_4: \text{Customer online purchasing experience has a direct major impact on customer loyalty.} \]

The reasons behind confirming or rejecting each hypothesis have been presented and some strategies have been suggested to solve the problems of online business activities.

The next sections of this paper are organized as follows. In Section 2, the literature of past works is reviewed. In Section 3, the main hypotheses and conceptual model of the research including structure model, main hypotheses, and secondary hypotheses are presented. The methodology of the research including data gathering, tests, statistical analysis, main steps of SEM procedure, fitness statistics, and results are discussed in Section 4. Finally, the conclusions are presented in Section 5.

2. LITERATURE REVIEW

Customer experience is assumed as a new tool to improve the value of customer and company (Gentile et al., 2007). In the competitive markets, companies try to create positive experiences for their customers in order to find a proper place in their minds (Pine and Gilmore, 2011). Designing a service system by encouraging customers to participate actively can enhance customer experience (Stuart and Tax, 2004). The three hypothetical parts of a products’ design i.e., application, designing, appearance, can be considered as the principal elements for improving customer experience (Pickles, et al., 2008). Five human senses, feeling, thinking, action, and relation are the five main elements of customer experience (Chen and Lin, 2015). Information credibility also has a key role in facilitating the process of information transfer to customers and improving customer experience (Hsu and Tsou, 2011). Trust and perceived usefulness of brand have a direct impact on online brand experience. (Morgan et al., 2009). “Quality of experience, perceived value, satisfaction, and behavioral willingness” is an ever-present chain in online marketing (Chen and Chen, 2010). A major part of perceived value is related to customer experience. Such positive experiences create an emotional relationship between customers and a brand. The emotional relationship strengthens customer loyalty (Gentile et al., 2007). There is a strong relationship between customer behavior on the one hand and perceived aspects of experiences on the other (Cetine and Dincer 2014). Perceived control, skill, focused attention, interactivity, and challenge have been introduced as the key elements of customer experience (Ding et al., 2010). Dimensionality of the website has an impact on cognitive absorption, facility of use, and objectives of online shopping which is modified by the experiences of the users (Visinescu et al., 2015). Experiences and quality of services are influenced by information technology (Dawes and Rowley, 1998). Positive and negative experiences have a significant impact on encouraging or discouraging other customers (Grove and Fisk, 1997). Some interesting studies on customer experience have been categorized in Table 1.
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