The Effects of Online Cues and Perceived Risk on Customer Loyalty: An Empirical Study Among Online Footwear Buyers in India

Sanjeev Prashar, IIM Raipur, Chhattisgarh, India
Pranay Verma, Amity International Business School, Amity University, Uttar Pradesh, Noida, India

ABSTRACT

This article investigates the influence of perceived risk upon product display satisfaction, price comparison satisfaction, assortment satisfaction, and customer loyalty for footwear retail sales conducted online in India. 458 survey responses from college students who had purchased footwear online were analyzed. The findings show that price comparison satisfaction is the most important factor influencing assortment satisfaction. Assortment satisfaction leads to customer loyalty. The model suggests perceived risk is vital for customer loyalty, and that males and females perceive the relationship between product display satisfaction, assortment satisfaction, and price comparison satisfaction differently. Product display satisfaction, price comparison satisfaction, and assortment satisfaction are antecedents to customer loyalty but independent of perceived purchase risk.

KEYWORDS

Assortment Satisfaction, Customer Loyalty, Perceived Risk, Price Comparison, Product Display

INTRODUCTION

Because of the rapid growth in online buying (Kahn, 2017), it is increasingly important that online retailers understand how online shoppers perceive the assortment offered. Retail customer satisfaction comes from haptic cues (Huang, Moll, Sallnas, & Sundblad, 2012; Luangrath, Peck, & Barger, 2017). When buying online, product display satisfaction and price comparison satisfaction serve as substitutes for haptic cues. Most of the past studies have focused on price comparison and other extrinsic cues for satisfaction (Jang, Prasad, & Ratchford, 2017; Elkhani, Soltani, & Jamshidi, 2014). Murray, Talukdar, & Gosavi (2010) have related product display and product price for consumer-packaged goods to assortment satisfaction. Kumar, Dalla Pozza, & Ganesh (2013) have suggested churn and product usage are antecedents to assortment satisfaction, and that assortment satisfaction leads to behavioral loyalty.

That satisfaction is an antecedent to, and influences loyalty is widely accepted (Pollack 2013; Atulkar & Kesari, 2017; Kamran-Disfani, Mantrala, Izquierdo-Yusta, & Martínez-Ruiz, 2017; Chuah, Marimuthu, Kandampully, & Bilgihan, 2017). Satisfaction has been shown to be negatively influenced by perceived risk for both retail shoppers (Sands, Oppewal, & Beverland, 2015) and online shoppers (Martin, Mortimer, & Andrews, 2015). Perceived risk is also important for satisfaction, and particularly important for high involvement products (Casidy & Wymer, 2016).
Athletic footwear, a part of sportswear (Ko et al., 2012) is fast growing segment of online buying. For footwear purchases, price (Ko et al., 2012) and window display (Gudonaviciene & Alijosiene, 2015) are important decision makers. Online assortment satisfaction for athletic footwear to our knowledge has not been formally studied in the academic literature, and hardly any research exists on the effect of product display and price comparison on customer’s satisfaction with a retailer’s online assortment. Similarly, the effect of product display and price comparison on customer loyalty has not been sufficiently researched. So, this study seeks to close the research gap by inspecting the relationship between product display, price comparison satisfaction, assortment satisfaction, and customer loyalty for online footwear retail transactions, and the influence of perceived risk upon these four constructs. First, we review and summarize the literature. We then develop a theoretical model and test it empirically. We use Structural Equation Modeling (SEM) to validate the measurement model and test the research hypotheses. We close with some theoretical and managerial implications, and a brief discussion of limitations and future research directions.

LITERATURE REVIEW AND HYPOTHESES

Product Display (PD) Satisfaction

A product’s visual appeal (Krasonikolakis, Vrechopoulos, & Pouloudi, 2011), affects the senses of the customer, and so product display (PD) satisfaction. According to Cheng et al., (2014), a product display can use texture, color, and style (Wu et al., 2013) in combination of color and shape (Reutskaja & Hogarth, 2009) to achieve a satisfactory two or three dimensional look. The objective of product display is to entertain, inform, educate and persuade the customer (Pegler, 2012). Murray et al. (2010) have posited that the amount of space allocated to a product for display determines the demand for a product, meaning a more spacious product display is better for sales than a cluttered one (Ballantine, Jack, & Parsons, 2010).

Price Comparison (PC) Satisfaction

Price comparison (PC) satisfaction parameters vary by product category (Chatterjee & Kumar, 2017), product cost (Marmorstein, Grewal, & Fishe, 1992). PC is important because it tends to increase profits (Baye & Morgan, 2009). Marketers invariably seek to make the price barrier appear lower than it is (Bambauer-Sachse & Mangold, 2009). Product display conveys the price (Ogle & Schofield-Tomschin, 2002) and display layout influences the ability to make comparisons (Shao, Lye, & Rundle-Thiele, 2008). We therefore hypothesize that:

H₁: Product display is positively related to price comparison satisfaction for online footwear

Assortment Satisfaction (AS)

Assortment satisfaction (AS) has been defined as the difference between assortment benefits and assortment costs (Beneke, Cumming, & Jolly, 2013). Assortment satisfaction is an important driver for store choice (Hoch, Bradlow, & Wansink, 1999). Assortment satisfaction is a function of price (Rodríguez & Aydin, 2011), and product display influences assortment satisfaction (Pizzi & Scarpi, 2016). We therefore hypothesize that:

H₂: Product display is positively related to assortment satisfaction for online footwear
H₃: Price comparison is positively related to assortment satisfaction for online footwear
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