Chapter XVII

Internet Markets and E-Loyalty

Changsoo Sohn, The Catholic University of Korea, Korea
Dong-Il Lee, Sejong Cyber University, Korea

Abstract

As expectation of e-businesses has changed to disappointment, many e-business companies are trying to survive in Internet markets. As a way to survive in Internet markets, they try to build customers’ loyalty. This chapter explains critical components to build customers’ loyalty such as trust and switching costs. E-business companies need to try to enhance trust levels with setting up high switching costs.

Introduction

Recently, the expectation of Internet markets has changed due to disappointment. Many Internet companies try to survive in Internet markets by laying off many employees and finding out new profit models. As a way to survive in the market, they try to turn existing customers into loyal customers. They try to instill loyalty in customers’ minds. Loyalty is very important asset to the e-business company. Reichheld and Schefter (2000) said that loyalty by customer retention is critical to the success in e-business operations. Customers who trust the company are more likely to share personnel information without hesitation, which may increase loyalty.
This chapter describes what loyalty is and what factors are critical to explain online customers’ loyalty, which called e-loyalty. Finally, this chapter discusses the strategies to establish e-loyalty in Internet markets.

What Does E-Loyalty Mean?

Generally, loyalty indicates customers’ behavior to prefer specific brands or companies to other alternatives. Oliver (1999) generally explained that loyalty is “a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future …” Dick and Basu (1994) defined loyalty by illustrating loyalty conditioning with repeat patronage and relative attitude. Based on the idea, loyalty can be classified into four different categories: loyalty, latent loyalty, spurious loyalty, and no loyalty. When customers have strong preference and repeat purchases, they have loyalty. Latent loyalty emerges “when a consumer has a strong preference for or attitude toward a company’s brand over its competitors’ brands, but does not exhibit high repeat patronage due to some situational or environmental variable” (Javalgi and Moberg, 1997). On the other hand, spurious loyalty “could occur if there were no alternatives in a category” (Javalgi and Moberg, 1997). Thus, spurious loyalty may be difficult to include in “real” loyalty category because customers with spurious loyalty may switch the brand or service if a new alternative comes up.

Based on the above literature, the concept of loyalty in this study had better include loyalty and latent loyalty only. Spurious loyalty is excluded because it is difficult to regard customers who may switch (if alternatives come up) as loyal customers. Loyalty and latent loyalty have strong preference, while latent loyalty and spurious loyalty show high repeat patronage. Thus, loyalty can be explained by attitudinal viewpoint and behavioral viewpoint. Behavioral viewpoint considers loyalty “the amount of purchases for a particular brand” (Javalgi and Moberg, 1997; Bass, 1974; Tranberg and Hansen, 1986), while attitudinal viewpoint states that loyalty must “incorporate consumer preferences and dispositions” (Javalgi and Moberg, 1997). Therefore, loyalty by strong preference can be comparable to attitudinal loyalty and loyalty by high repeat patronage can be comparable to behavioral loyalty. If customers show high preference and mental attachment to the specific Internet store, the customers can be loyal.

For e-businesses, Reichheld and Schefter (2000) used the term “e-loyalty.” E-loyalty is different from loyalty without “e-” in that e-loyalty emphasizes loyalty of customers who have transacted over the Internet. Since Internet markets are different from traditional markets in terms of non-existence of human beings and physical facilities (Sohn, 2000), the loyalty from online customers must be considered differently. E-loyalty means customers’ attitude to visit the specific Web site and make transactions comfortably. Thus, this chapter defines e-loyalty as attitudinal loyalty in Internet markets. Although customers show low repeated purchases from Internet markets, the customers can be considered as loyal customers if they show high preference, based on the definition of attitudinal loyalty described above.
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