Chapter XXII

The Nature of E-Loyalty in B2C E-Commerce

Daniel Tomiuk and Alain Pinsonneault
McGill University, Canada

The present chapter discusses the nature of e-loyalty in B2C e-commerce. Based on previous theoretical work on loyalty in traditional commercial settings, we argue that highly affective forms of loyalty are unlikely to develop in online environments. Rather, we suggest that the e-commerce environment promotes self-sufficiency and mitigates the need for customer/employee interaction which represents a primary source of affect. Research on relationships in both social psychology and marketing suggests that this loss may not affect all customers equally. We distinguish between customers who value establishing interpersonal relationships with company employees (communally oriented) from customers who see customer/employee interactions as utilitarian and who derive little social benefits from such encounters (exchange oriented). The chapter suggests that online environments may be seen as useful by communally-oriented customers but relationally unsatisfying. Conversely, there exists a good “fit” between what exchange oriented customers value in their relationships with companies and what online environments offer. Consequently, online companies should not be surprised to find that e-loyal customers may be predominantly exchange oriented. Finally, we argue that because e-loyalty lacks a strong affective foundation, it may be less enduring than “traditional” customer loyalty. Implications of our analysis and areas for future research are discussed.

INTRODUCTION

Self-service information technology (SSIT) allows companies to sell products or provide service without the aid of employees and include such technologies as automatic teller machines, commercial Web pages, and online ticketing services. Apart from a few studies (e.g., Globerson & Maggard, 1990; Dabholkar, 1996), empirical research on how SSIT environments affect customer attitudes, behaviors, and evaluations of their retail and service experiences has, in the past, received relatively little attention. Work directly addressing how these environments can affect customer loyalty has been even scarcer (e.g., Barnes et al., 2000). This lack of interest on the part of the research community is not surprising given that,
until the mid-1990’s, the implementation of self-service technology was mostly concentrated in specific industries (e.g., ATMs in banking) and that the large majority of archaic SSIT environments had limited graphical and transactional capabilities, and simply supplemented more traditional means of service delivery and retailing which continued to rely primarily on direct contact between customer/front-line personnel. Today, ongoing design improvements to Web pages allow for greater interactivity. These represent much richer environments, enabling a broader range of services and transactions to be effectively handled. Essentially, for companies the Internet represents a cost effective means to offer customers a more personalized and customizable service/shopping experience with little or no employee support when realizing a sale or during service provision.

The growth and popularity of the Internet has been phenomenal. Worldwide, current estimates set the number of users at well above 300 million and rapidly growing. Predictions suggest that by 2005, this number should rise to more than 1 billion with about three quarters of users situated outside of North America. In 2000, in the U.S. alone, 44 percent of businesses sold goods and services via the Internet and online sales. In 2001, an additional 36 percent was added to this number. Online sales went from $25 to more than $37 billion between 1999 and 2000 while online revenues are expected to reach $233 billion by 2004. In fact, the number of Americans who will purchase something online is expected to reach 77% of the population by 2003, and each American’s yearly average of online purchases is expected to be around $1000 (ITTA, 2000). Although North America currently leads the e-commerce revolution, other continents are catching up. In Asia, for instance, the number of Internet users (and potential shoppers) will likely surpass that of both North American and European markets combined by 2003 (ITTA, 2000).

The popularity of online retail and service environments is not surprising. These offer both customers and companies several advantages. For customers, SSITs offer increased availability of services (better location, time), increased customization, and more control over the realization of the service and product purchase (Eastlick, 1996; Meuter et al., 2000; Zeithaml, Parasuraman & Malhotra, 2001). For companies, providing services online can allow them to more easily reach a greater number of consumers, thus increasing their customer base. Several companies also realize significant cost savings through improved efficiency such as more effective supply chain management practices and the ability to service their customers more cost effectively. In fact, it is estimated that, by 2002, companies worldwide will have realized $1.25 trillion in savings by moving their operations online (ITTA, 2000).

As companies and customers embrace online retail and service environments in ever-increasing numbers, an important question arises: are these self-service environments more, less, or equally auspicious to building customer loyalty? To address this question, researchers need to (1) understand what is loyalty and (2) understand how employees contribute to the development of customer loyalty. The latter is particularly significant given, that SSITs promote self-sufficiency and mitigate the need for employee/customer contact.

This chapter draws upon an article previously published in the Journal of Global Information Management (Tomiuk & Pinsonneault, 2001) pertaining to loyalty in e-banking environments. Our aim is to provide the reader with an understanding of loyalty and how it may be affected when customers use SSIT environments. We begin by exploring the organizational benefits associated with loyalty to establish the importance of the question addressed. We then look at the various conceptualizations of loyalty. Instead of being one state, recent work on loyalty (Oliver, 1999) postulates that loyalty encompasses several. These different loyalty states are believed to vary in strength and endurance, the weakest being founded strictly on the performance of the company and includes little if no affective
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