Chapter II

Unlocking E-Customer Loyalty

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Abstract

Marketers are working to improve loyalty apace. This chapter introduces an integrative framework for examining the relative impacts of corporate image, customer trust, and customer value on e-customer loyalty. Importantly, the authors hope that the accompanying suggested strategies would enable marketing managers to craft more compelling value propositions and effective marketing-mix strategies.
Introduction

One reason for loyalty’s growing eminence is that businesses are beginning to understand the profit effect of loyal customers (Oliver, 1999; Zeithaml, Berry & Parasuraman, 1996). Marketers with loyal consumers can expect repeat patronage to remain high until competitors can find a way to close the gap in attitude among brands either by (1) trying to reduce the differential advantage of the leading brand, (2) increase the differentiation of their own brand, or (3) encourage spurious loyalty from consumers (Dick & Basu, 1994). In fact, in Reicheld’s (2001) seminal book Loyalty Rules!, he asserts that the fundamental task of businesses today should be managing customer loyalty. Loyalty leads to higher retention. According to one study, a 5% increase in customer retention rates increases profits by 25% to 95% (Reicheld & Schefter, 2000).

It is thus heartening to note that “One of the most exciting and successful uses of [the Internet] … may be the Internet’s role in building customer loyalty and maximizing sales to your existing customers” (Griffin, 1996, p. 50). The presence of numerous Web sites means that e-retailers have a tenuous hold, at best, on a large number of “eyeballs” (Srinivasan, Anderson & Ponnavalu, 2002). Other research suggests that price sensitivity may actually be lower online than off-line (e.g., Degeratu, Rangaswamy & Wu, 2000; Lynch & Ariely, 2000). Perhaps this is because consumers can easily compare and contrast competing products and services with minimal time or effort. By changing the Internet’s roles of content, context, and infrastructure, it can heighten the importance of online loyalty.

It is thus not surprising that companies are embracing the customer loyalty challenge in a variety of ways. For example, Cisco customers log in problems they are having with Cisco hardware (e.g., error rates) to a public database. This information is accessible to everyone, including media, competitors, and customers. This example suggests that accountability and open honest management practices are pivotal to loyal relationships.

Given its relative importance, it is thus surprising that relatively little has been done in conceptualizing and validating e-loyalty models (Luarn & Lin, 2003). Parasuraman and Grewal (2000) argue for more research pertaining to the influence of technology on customer responses, such as perceived value and customer loyalty. In addition, despite the fact that the impact of customer trust on customer loyalty has been well-established for online environments (e.g., Anderson & Srinivasan, 2003; Kim & Benbasat, 2003; Koehn, 2003), researchers have focused more efforts on understanding interpersonal trust and