E-Customer Loyalty

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INTRODUCTION

Increasingly, businesses are beginning to understand the profit potential of loyal customers (Oliver, 1999). Marketers endowed with such consumers can expect repeat patronage to remain high until competitors can find a way to: (1) close the gap in attitude among brands, (2) increase the differentiation of their own brand, or (3) encourage spurious loyalty from consumers (Dick & Basu, 1994). 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). Given its relative importance in cyberspace, it is 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. Besides customer trust, our study also incorporates two constructs—corporate image and perceived value—that have been poorly explored in online environments despite their recognized importance in off-line contexts.

Consequently, a primary objective of this article is to discuss the impact of three constructs (i.e., customer trust, corporate image, and perceived value) on e-loyalty in a business-to-consumer (B2C) e-commerce context. In doing so, our model is expected to offer useful suggestions on how to manage customer trust, corporate image, and perceived value as online loyalty management tools.

This article is generally divided into three sections. The first section will discuss the constructs of interest and clarify what they mean. In the second section, we will propose hypotheses explaining these relationships. And in the final section, we introduce actionable strategies for online loyalty management based on the proposed framework.

BACKGROUND

Customer Loyalty

In research conducted in the 1960s and 1970s, customer loyalty was interpreted as a form of customer behavior (i.e., repeat purchasing) directed toward a particular brand over time. However, Day (1969) criticizes behavioral conceptualizations and argues that loyalty has an attitudinal component.

More recently, Morgan and Hunt (1994) defined loyalty as an ongoing relationship with another that is so important as to warrant maximum efforts at maintaining it which implies strong affective and behavioral commitment to the company. In this chapter, consistent with Oliver (1999), e-loyalty herein is defined as a deeply held intention to repurchase a preferred product/service consistently from a particular e-vendor in the future, despite the presence of factors or circumstances that may induce switching behavior.

Customer Trust

Online markets are different from the traditional brick-and-mortar marketplaces, owing to the lack of face-to-face personal contact and the opportunity for buyers to see products physically. There are inherent risks in trading online because of information asymmetry. All these factors make trust crucial to e-commerce because it lowers transactions risks. As a result, it puts pressure on online marketers to nurture stronger feelings of trust than is required in off-line environments (Keen, 1997).

In this study, we adopted a parsimonious definition, in tandem with Gefen, Karahanna, and Straub (2003). E-trust is defined herein as a set of specific beliefs dealing primarily with integrity (trustee and honesty and promise keeping), benevolence (trustee caring and motivation to act in the truster's interest), competence (ability of trustee to do what truster needs), and predictability (trustee's behavioral consistency of a particular e-vendor).

Corporate Image

A growing number of companies have tried to position themselves through the communication channel with the objective of building strong corporate images in order to create relative attractiveness (Andreassen & Lindestad, 1998). A favorable image is a powerful tool not only for encouraging customers to choose the company's products and services, but also for improving their attitudes and levels of satisfaction toward the company (Aaker, 1992, p. 16).

A review of the literature, however, reveals scant research on the concept of corporate image in online environments. Much of the traditional research, however, focuses on products (e.g., Darden & Schwinghammer, 1985) or services (Gronroos, 1990) in off-line environments. There is an urgent need for more of such research that explores this concept better as it applies to online environments. Customers are often overwhelmed with a variety of offerings on the Internet; as a result they base their decision on global judgments, such as store image and reputation (Teas & Agarwal, 2000).

In consonance with definitions by Barich and Kotler (1991), corporate e-image is defined in this article as an overall impression held of an e-vendor by its customers at a particular point in time. This, in turn, is the net result of consumers' experiences with an organization, both online and off-line, and from the processing of information on the attributes that constitute functional indicators of image.

Customer Value

The inclusion of the value construct in our model is important for several reasons. First, recent research revealed that more that 70% of customers feel they gain nothing by being loyal to a company (Gillespie, 1999) and, therefore, would move if perceived benefits were greater elsewhere. This makes understanding what buyers value within a given offering, creating value for them, and then managing it over time, essential elements of every market-oriented firm's core business strategy (Slater & Narver, 1998).

Second, Helm and Sinha (2001) argue for the importance of delivering customer value in electronic B2C operations. However, there has been little empirical research to develop an in-depth understanding of the concept (Sweeney & Soutar, 2001). Fewer studies still (e.g., Chen & Dubinsky, 2003) have examined this construct in the context of online environments. Finally, to the best of our knowledge, there seems to be no research that has captured the relationships between corporate image, customer trust, and perceived value in a single integrative framework.

Based on a synthesis of previous definitions (Chen & Dubinsky, 2003; Woodruff, 1997), perceived customer value is defined here as a consumer's perception of the benefits gained in exchange for the costs incurred to attain his/her goals at a particular point in time.

A PROPOSED MODEL FOR BUSINESS-TO-CONSUMER E-COMMERCE

Consumers rely heavily on the online vendor's image as a proxy for trustworthiness (Lee & Turban, 2001). This is because of the lack of intrinsic product cues that are generally used to evaluate quality. Indeed, Yoon (2002) found that Web site trust is significantly related to corporate awareness and image. We thus posit that: *Corporate image leads to customer trust (H_1).*

Chen and Dubinsky (2003) reported that online retailer image is a forward indicator of value in the online context. This is corroborated by Strader and Shaw (1999) who found that in e-marketing, unless a seller's price is significantly lower than prices of a trusted seller, switching costs will inhibit the consumer from buying from the unknown e-seller. Thus, we argue that: *Corporate image leads to perceived value (H_2).*

Meanwhile, Sirdeshmukh, Singh, and Sabol (2002) suggested that perceived value is an important partial mediator of the trust-loyalty relationship. Customer relationship value may only develop when the customer has "confidence in an exchange partner's reliability and integrity" (Morgan & Hunt, 1994, p. 23). Safety, credibility, and security are important to reduce the sacrifice for the customer in a relationship and therefore lead to higher e-relationship value. Hence, we postulate that: *Customer trust leads to perceived value (H_3).*

Finally, Hoffman and Novak (1996) argued that the likelihood of Internet product purchase is influenced by the amount of consumer trust regarding the delivery of goods and use of personal information. Trust influences loyalty by affecting the consumer's perception of congruence in values with the good/service provider (Gwinner, Gremler, & Bitner, 1998). Also, when there is perceived similarity in values between the firm and the consumer, the consumer is more entrenched in a relationship. This is also evidenced in research by Gefen (2000) which showed that customer trust has a positive effect on e-adoption intention. We thus propose that: *Customer trust leads to e-customer loyalty (H_4)* and *Perceived value leads to e-customer loyalty (H_5).*

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