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Innovativeness and involvement as determinants of website loyalty: II. Determinants of consumer loyalty in B2C e-commerce

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Abstract

This paper is the second of the series of studies entitled ''Innovativeness and Involvement as Determinants of Website Loyalty'', which was designed to test Foxall's [(1995). Cognitive styles of consumer initiators. Technovation 15(5), 269–288] style/involvement model in the context of Internet buyer behaviours. In this paper, a consumer Website loyalty model was proposed to describe how consumer transfer their existing brand loyalty in the traditional retail market to the same brand's Website in the B2C e-commerce market and how their perceived risk at the brand's Website mediates this loyalty transformation. Data were collected via an email invitation and Web-based questionnaire. One thousand and fourty four Taiwan Internet buyers randomly selected from the database of a well-known brand's Website have completed the survey. The multiple regression technique indicated the robustness of this loyalty transformation model (adjusted $R^2 = 0.50$). Findings further indicated the impact that consumers' cognitive style/involvement have on their loyalty transformation model. After segmenting consumers via their DSI and PDI scores, the distinct loyalty transformation models are revealed: the adjusted R^2 of *more-involved innovators*' loyalty transformation model was the highest (0.60), followed by *more involved adaptors*' model (0.45), *less involved innovators*' model (0.45), and finally, less *involved adaptors*' model (0.42). Discussions of how consumers' cognitive style and involvement level interact with each other and impact on the predictors of the Website loyalty are discussed. Proposals are made of how Website managers can use this knowledge to build marketing strategies.

Keywords: Loyalty; Perceived risk; Involvement; Innovativeness

1. Introduction

Consumer loyalty has long been regarded as the core of brand equity (Aaker, 1991), a basis for a price premium (Aaker, 1996), and an essence of the business/consumer relationship (Reichheld, 1996). However, being an extremely important technological innovation and having the potential to become the most powerful non-store retailing channel in the this century, the Internet has created a brand new B2C e-commerce market, which is so new that few studies were known to have investigated consumer loyalty in the Internet market (Jarvenpaa and Todd, 1997). The new retailing format of the B2C e-commerce was argued to profoundly affect individuals' buying behaviours (Lim, 2003), and made consumer loyalty even more important than it is in the traditional retail market (e.g. Harris and Goode, 2004). ThorbjØrnsen and Supphellen (2004) indicated the brand loyalty is a major determinant for Website use and affectively loyal consumers are motivated to visit a brand's Websites because they sense a relationship to their favoured brand. Similarly, Gommans et al. (2001) suggested that a company using the same well-known brand name in the traditional market and its Website (e.g. Waterstones—Waterstones.co.uk) will be able to persuade existing consumers from the traditional retail market to buy at the brand's Website. Given the importance of consumer loyalty to the business (e.g. Aaker, 1996), and the growing need to better understand Internet buyers (e.g. Srinivasan et al., 2002), this study aims to develop a model

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describing how consumers transform their brand loyalty in the traditional retail market to the brand's Website in the B2C e-commerce market.

Findings of this study will contribute to managers in making the decisions of how best position their Website. In such a way, the company's existing competitive advantage in the traditional market (loyal consumers) can be leveraged to the brand's Website in the new B2C e-commerce market. Past studies of consumer loyalty and perceived risk are reviewed sequentially in order to develop the study's hypotheses and the conceptual framework.

2. Literature background and research hypotheses

2.1. Brand loyalty/website loyalty transformation

Aaker (1996) stated that "A loyal consumer base represents a barrier to entry, a basis for a price premium, time to respond to competitor innovations, and a bulwark against deleterious price competition". More recently, consumers' attitudinal loyalty (i.e. commitment), has also been seen as the heart of Customer Relationship Marketing (e.g. Fournier, 1998). The importance of consumers' brand loyalty is thus acknowledged and researchers have shown great interests to extend it to the Internet market (e.g. Harris and Goode, 2004).

Researchers in general contend that consumers' positive brand attitude in the traditional market can be extended/transferred to the brand's Website in the B2C e-commerce market (e.g. Supphellen and Nysveen, 2001). Similarly, Gommans et al. (2001) indicated that consumers will extend their satisfactory past experiences with the brand in the traditional retail market to the brand's Website. Thus, the brand's Website was perceived as an extension of the brand in the traditional retail market (DelVecchio, 2000) and a well-known brand's Website was viewed as a quality promise in the B2C e-commerce market (Ernst and Young, 1996). In Ernst and Young's (1996) and Ward and Lee's (2000) surveys, up to 69% and 85.8% of those surveyed asserted that brand names played a significant role in their Internet buying decision. Thus, it is hypothesised that:

Hypothesis 1. Consumers' brand loyalty in the traditional market is positively related to their Website loyalty on the Internet.

2.2. Perceived risk as an exploratory mediating variable

Risk is the uncertainty and possible negative outcomes consumers perceive in a purchase, and has been regarded as a powerful and extensive variable to explain consumers' behaviour because "consumers are more often motivated to avoid mistakes than to maximise utility in purchasing" (Mitchell, 1999). Nevertheless, literature reviewed in the following showed that the relationship between consumer loyalty and perceived risk is not a simple and single direction arrow but a more complex phenomenon that can mediate the consumers' brand loyalty/Website loyalty link proposed previously. Given the very early stage of development (e.g. de Figueiredo, 2000) and unique characteristics (e.g. Sheehan and Hoy, 2000) of the B2C e-commerce market, perceived risk was tested as a mediate variable in this study to provide more insights and fill the research gap.

Researchers contended that brand loyalty is the most useful risk reducer (e.g. Roselius, 1971). Cox (1967) has asserted that risk reduction resulting from experiences with a brand is an important method of coping with uncertainty in purchase situations. Recent studies, e.g. Ernst and Young (1996), asserted the increased perceived risk of transaction via the Internet heightens the effect of the product brand name. In support, researchers like Ward and Lee (2000), suggested that brand loyalty is the most common risk reducer adopted by in-home/Internet buyers. Van den Poel and Leunis (1999) also revealed that a well-known brand is a better risk reducer than price reduction when consumers consider buying via the Internet. Consequently, it is hypothesised that:

Hypothesis 2. Consumers' brand loyalty in the traditional market is negatively related to their perceived risk when buying at the brand's Website.

Many studies, e.g. Miyazaki and Fernandez (2001) asserted that the risk issue plays a significant role in consumers' Website buying decision. Consumers' perceived risk was also regarded as an important variable mediating their trust to the Website (e.g. Anderson and Srinivasan, 2003), which was highlighted as a major issue in future B2C e-commerce development (e.g. Aljifri et al., 2003). Researchers argued that if consumers perceive a high-level risk when buying at the Website, not only will Internet purchases drop dramatically, but a negative attitude will also be generated towards the Internet business (McKnigh et al., 2002). Gommans et al. (2001) also revealed security and privacy risks are critical to consumer loyalty to a Website and a negative causal link was indicated between consumers' perceived risk and their Website loyalty. Thus, it is hypothesised that:

Hypothesis 3. Consumers' perceived risk when buying at the brand's Website is negatively related to their Website loyalty to the brand's Website.

Although most studies have indicated a negative causal link between consumer loyalty/perceived risk (e.g. Roselius, 1971), some researchers have proposed a reversed causal link. For example, Knox et al. (1993) revealed that brand risk is a significant antecedent of brand commitment (i.e. attitudinal loyalty), which implies a positive causal link between brand risk/consumer loyalty. In contrast, Gommans et al. (2001) reported a negative causal link between consumers' perceived risk/Website loyalty. Still others, e.g. Anderson and Srinivasan (2003), proposed that in the B2C e-commerce market, consumer perceived risk mediates the relationship between consumers' attitude (trust) and their