



The customer satisfaction–loyalty relation in an interactive e-service setting: The mediators

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ABSTRACT

This study aims to examine the relation between customer satisfaction and loyalty through the introduction of commitment, trust, involvement and perceived value as mediators in the e-service context. An online consumer survey on selected web auction sites was used for the data collection. The findings suggest that customer satisfaction is an essential ingredient for service loyalty, but that mediators exist between satisfaction and loyalty. Commitment, trust and involvement are each proven to be partial mediators between satisfaction and loyalty, while perceived value is proven to be a complete mediator. The results have implications for the retention of satisfied customers in an interactive e-service setting.

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1. Introduction

Customer loyalty is an essential factor in business survival and development. A loyal customer is regarded as a competitive asset for an organisation, as customer loyalty is a vital determinant in predicting profit levels (Reichheld and Teal, 1996) and market share (Baldinger and Rubinson, 1997). In particular, the intense competition in the retail market emphasises the need to retain existing customers (Sirohi et al., 1998). The effort required to acquire new customers is much greater than that required to retain existing customers (Stone et al., 1996). Understanding which factors may influence the development of loyalty in current customers is, therefore, critical in business management.

Previous researches have made sound contributions to this field in terms of defining the predicting factors of customer loyalty. In general, customer satisfaction is regarded as the prerequisite for customer loyalty. A satisfied customer is more likely to stay with a business (Reichheld and Teal, 1996; Abdinnour-Helm et al., 2005). Some researchers have argued, however, that a satisfied customer may not be a loyal customer (Oliver, 1999). Therefore, in addition to customer satisfaction, there are other variables that may influence current customer loyalty development and also need to be examined.

Consumers currently show increasingly favourable attitudes toward online shopping, however, research into internet-based marketing practices remains scarce (Taylor and Lee, 2008). This is

particularly the case in regard to research into e-service provided by non-store-based e-retailers (de Ruyter et al., 2001). Also, few studies have examined the relation between customer satisfaction and loyalty in the e-commerce context (Balabanis et al., 2006; Christodoulides and Michaelidou, 2011). Moreover, a literature review of the relevant studies suggests some critical factors that drive, or lead to, customer satisfaction and/or customer loyalty. A number of variables that moderate the relation of satisfaction and loyalty have also been found (Voss et al., 2010). Significantly, commitment, trust, involvement and perceived value are suggested in several studies as influencing the customer satisfaction–loyalty relation (e.g., Caceres and Paparoidamis, 2007; Cyr et al., 2007; Olsen, 2007; Hume and Mort, 2008). Nevertheless, it is difficult to find empirical evidence of the impact of these variables as mediators of the relation in the e-service context.

The above discussion leads to the development of the three research questions to be examined here: (1) Is customer satisfaction the only predictor of loyalty? (2) Is there a possible mediator between customer satisfaction and loyalty? (3) What is the effect of each possible mediator on the customer satisfaction–loyalty relation? Accordingly, this study aims to address the identified gaps in the existing knowledge of customer satisfaction and customer loyalty in the e-service context and outline the results of these research questions. Specifically, this study selects auction type e-retailers as the research context, due to the provision of new aspects on issues of customer retention (Haruvy et al., 2008) and chooses satisfied customers as informants, due to the arguable cause-and-effect between customer satisfaction and customer loyalty (e.g., Reichheld and Teal, 1996 vs. Oliver, 1999). In order to find answers to these research questions, this study examines the relation between customer satisfaction and loyalty

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in the non-store based e-retail setting, and introduces the service website related variables of commitment, trust, involvement and perceived value as mediators in the formation of e-loyalty, as well as assessing the degree of mediation of each of these factors. By carrying out these tasks together, this study will provide a fuller view of the research area of e-service from different perspectives, as it is a research area that remains to be explored (e.g., Taylor and Lee, 2008). It will also provide guidelines for managers on the retention of satisfied customers in the e-commerce context. This topic continually attracts a considerable amount of attention from researchers and practitioners (e.g., Balabanis et al., 2006). This study contributes to the relevant studies of customer satisfaction and loyalty by providing insights into the factors that influence the formation of the customer satisfaction–loyalty relation; providing insight into the existing e-commerce studies by presenting empirical evidence from a non-store based e-retail setting and by providing managerial implications for marketing practice based on empirical evidence of the role of customer satisfaction in online customer loyalty behaviour in relation to the various influential mediators in the e-service context.

2. Theoretical development and hypotheses

2.1. Customer loyalty and customer satisfaction

Customer loyalty is a significant objective for e-retailers. It is found to be negatively related to customers' searches for alternatives (Srinivasan et al., 2002). This suggests the pivotal role of customer loyalty in e-retail survival and development. The concept of customer loyalty has been largely defined through attitudinal and behavioural aspects (e.g., Too et al., 2001). In the e-commerce context, customer loyalty has been defined as "...the customer's favourable attitude toward an electronic business resulting in repeat buying behaviour" (Anderson and Srinivasan, 2003, p. 125). In this study, customer loyalty refers to customers having favourable attitudes toward target e-retailers, shown through repeat purchase intentions and behaviours.

The widely accepted concept of customer satisfaction is that of overall satisfaction (e.g., Gustafsson et al., 2005), with customer satisfaction having been defined as overall satisfaction with customer expectations and consumption experiences. Also, overall satisfaction has been suggested to be a function of disconfirmation, which is a utility of both expectations and performance (Oliver, 1997). The definition of customer satisfaction has been derived from customers' overall evaluation of the store experience in the retail context (Macintosh and Lockshin, 1997), and the performance of an offering to date in the service context (Gustafsson et al., 2005). In the e-commerce context, satisfaction is defined as the contentment of the consumer with deference to his/her previous purchase experiences with an e-commerce firm (Anderson and Srinivasan, 2003).

Satisfying customer needs and wants is the key to gaining customer loyalty (Oliver, 1997). Customer satisfaction has been found to have a direct and positive effect on customer purchase intentions and repeat behaviour (e.g., Tsiotsou, 2006; Chiou and Pan, 2009). Moreover, overall satisfaction can enhance loyalty in both the online and offline contexts, and the positive relation between satisfaction and loyalty can be stronger online than it is offline (e.g., Shankar et al., 2003). Nevertheless, past empirical evidence has also suggested the existence of difference in the effect of customer satisfaction on customer loyalty (e.g., Oliver, 1999 vs. Agustin and Singh, 2005) and the existence of difference in the strength of the relation between customer satisfaction and loyalty in an e-commerce context (e.g., Balabanis et al., 2006 vs. ForeSee Results, 2008). In addition, the relation between customer

satisfaction and loyalty in an e-commerce setting remains to be explored (Balabanis et al., 2006; Christodoulides and Michaelidou, 2011). Therefore, we propose the following hypothesis:

H1. Customer satisfaction has a direct and positive effect on customer loyalty in the e-service context.

2.2. The mediator

Previous empirical studies have shown a direct link between customer satisfaction and loyalty (e.g., Tsiotsou, 2006). In addition, a direct link between each of the variables of commitment, trust, involvement and perceived value, and either customer satisfaction, or loyalty, has been found, as shown in Fig. 1. Significantly, the consistent concluding remarks in the relevant studies state that these variables remain to be studied as mediators in terms of the customer satisfaction–loyalty relation. For example, commitment has been found to have a moderating effect on the relation between satisfaction and loyalty (Liljiander and Strandvik, 1995), and to also be an antecedent of loyalty (Caceres and Paparoidamis, 2007), or the consequence of customer satisfaction (Meyer et al., 2002). Trust has been found to be a predicting variable of satisfaction (Chiou, 2004), as well as that of loyalty (Cyr et al., 2007). In addition, involvement has been suggested as a consequence of satisfaction and an antecedent of loyalty (e.g., Olsen, 2007), as well as a moderator in some studies (e.g., Castañeda, 2011). Similarly, perceived value has been empirically found to be an antecedent of satisfaction (e.g., Hume and Mort, 2008), as well as of loyalty (Parasuraman and Grewal, 2000). It has also been argued that perceived value is a moderator of the relation between satisfaction and loyalty (Anderson and Srinivasan, 2003). Gaps found in the relevant extant research (see Fig. 1), thus, provide a base for introducing the roles of commitment, trust, involvement and perceived value as mediators in the current research of the customer satisfaction–loyalty link in the online context. A discussion regarding these variables, leading to the formation of the hypotheses, is continued in the following sub-sections.

Commitment. Commitment reflects a customer's desire to maintain a valued relationship (Morgan and Hunt, 1994). It can be viewed as a force that binds customers to continue purchasing services, or products, from a particular seller, and is experienced by an individual as "...a frame of mind or psychological state that compels an individual toward a course of action" (Meyer et al., 2002, p. 301). Garbarino and Johnson (1999) defined commitment in the business to customer (B2C) relation as "...customer psychological attachment, loyalty, concern for future welfare, identification, and pride in being associated with the organization" (p. 73). This study follows Garbarino and Johnson's (1999) definition of commitment in terms of the research purpose and research context.

Commitment is viewed as a proxy for loyalty (Oliver, 1997). Previous research has identified three principal behavioural consequences of commitment. These are as follows: Repurchase of the brand (Coulter et al., 2003); resistance to switching to a competing brand (Gustafsson et al., 2005) and resistance to negative feelings generated by specific incidences of dissatisfaction (Caceres and Paparoidamis, 2007). Study of the relation between commitment and loyalty in the online context has, however, been limited (Ranaweera et al., 2005).

In addition, commitment has been identified as being positively influenced by customer satisfaction. Most satisfied customers will be more effectively committed to the supplier (Meyer et al., 2002). The general idea that customer loyalty results from satisfaction and a positive commitment has, however, been challenged. Though satisfied customers show repeat purchase

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