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The effect of website features in online relationship marketing: A case of online hotel booking

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ABSTRACT

The primary objective of this research is to develop a theory-based model of utilitarian and hedonic website features, customer commitment, trust, and e-loyalty in an online hotel booking context. Structural Equation Modeling was deployed to test research hypotheses. Findings highlight the importance of creating loyalty by focusing on both hedonic and utilitarian features. Affective commitment is more influenced by hedonic features whereas calculative commitment is driven by utilitarian ones. Both commitment dimensions sway customers' trust towards the online vendor and trust is an important antecedent of e-loyalty. Findings confirm that web design features are important for online relationship marketing. Both commitment dimensions were found to be precursors of trust whereas affective commitment is the precursor of e-loyalty.

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1. Introduction

Lately, online shopping has witnessed a remarkable leap forward (Chiu et al. 2014, Kim et al. 2006, Luo et al. 2012) with sales growing more than 19% a year (Internet Retailer 2011) and has become an important distribution channel or business model for many companies (Chiu et al. 2014). Worldwide retail online sales had already reached approximately \$1 trillion by the end of 2010 (Goldman Sachs 2011). More than 60% of US online users made a purchase online in 2009 (Forrester Research 2009). The Cisco IBSG Economics and Research Practice predicts that e-commerce will reach almost \$1.4 trillion in 2015 globally (Bethlahmy et al. 2011). Forrester Research estimates that online shoppers will spend \$327 billion in 2016 in the US alone, up 45% from \$226 billion in 2012, and 62% from \$202 billion in 2011 (Forrester Research 2012). However, regardless of the rapid growth in online shopping, many customers indicate that they are unsatisfied with their online purchase experiences (Luo et al. 2012). This calls for more research to better understand the factors that affect customers' evaluations in their online shopping behaviors (Luo et al. 2012).

In a similar vein, electronic distribution of various services including hotel rooms, flights, travel packages, attraction tickets, cruises, and car rentals has been on the rise due to many advantages to both consumers and e-tailers. Over the last decade, the Internet has developed into being one of the most significant

channels for hotel room distribution (Doolin et al. 2002, Thakran and Verma 2013). The Internet allows potential guests to gather information about hotel amenities and facilities in a utilitarian nature since they can compare prices without contacting a hotel's sales representative or travel agent and prepare their travel itineraries while looking at a screen (Runfola et al. 2013). Because of the high acceptance of e-commerce, successfully adopting a more effective e-commerce channel has become a significant matter for hospitality businesses (Kim et al. 2006).

E-commerce in hospitality and tourism has progressed in recent years from the preliminary sales of less-complex products such as airline tickets, accommodations and car rentals, to embrace more complex products including vacation packages and cruises (Beldona 2005; Inversini and Masiero 2014, Nusair and Parsa 2011). However, during this evolution, it is usually claimed that online travel portals have fallen behind when creating a pleasant online environment for customers (Hassan 2013). We hypothesize that developing compelling and useful online shopping portals would help e-commerce companies build and maintain relationships with their customers. We further hypothesize that customer commitment in online environments will be established via website features.

It is important to understand consumer behavior in online environments and develop strategies to increase customer loyalty towards the website. From a theoretical perspective, it is important to develop a model that explains the antecedents of relationship marketing in e-commerce. Even though hotel reservations constitute the second most frequently purchased travel product online

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(Card et al. 2003); limited research has investigated the factors that influence loyalty in an e-travel context.

The primary objective of this study is to develop a theory-based model of utilitarian and hedonic website features, customer commitment, trust, and e-loyalty. This model investigates the relationship between website features and loyalty, as well as the relationship between various components of customer commitment, online trust and customer loyalty.

2. Literature review

2.1. Website features

As a contemporary marketing channel, the Internet differs from traditional commerce structures in various ways requiring further explanation. A unique characteristic of online shopping suggests that customers have to base their judgments on service/product information presented (e.g. room pictures, virtual tours, product information, customer reviews) on the websites. Specifically, consumer purchasing decisions are usually based on the appearance and website design elements including pictures, virtual tours, graphics, quality information, and video clips of the product (e.g., Chiu et al. 2014, Hong et al. 2004, Kolesar and Galbraith 2000). This is especially important for online hotel room reservations due to the characteristics of service products (e.g. reducing the perceived risk of intangible product prior to purchase). Consequently, the promise of e-commerce and online hotel room reservation is determined by, preeminently, user interfaces and how people interact with computers and websites (Griffith et al. 2001, Hong et al. 2004). Better website designs and easier navigations nurture shopping enjoyment (Floh and Madlberger 2013). Recently, the social aspect of e-commerce design has also emerged as an important concept (Huang and Benyoucef 2013) which highlights the importance of Web 2.0 tools and online communities.

Previous research identified that the positive outcomes a customer seeks from using the Web can be categorized as: (a) *hedonic shopping orientations* obtained when the Web is used for the enjoyment of the online experience itself (e.g. taking the virtual tour of the hotel room, looking at the pictures of the amenities offered by the hotel); and (b) *utilitarian shopping orientations* resulting from achieving a particular goal including the purchase of an item (e.g. comparing the prices, looking at the location of the property) (Fischer and Arnold 1990, O'Brien 2010). The online hedonic orientations are grounded on enjoyment, pleasure, fun and amusement via Web interaction, whereas utilitarian shopping orientations are related to achieving a particular goal (Babin et al. 1994, Holbrook and Hirschman 1982, O'Brien 2010). Consequently, a customer's attitude about the product/service offered by the company is shaped by the degree to which an online hotel booking website fulfills the utilitarian or hedonic requirements of the customer.

Based on a literature review of the online shopping behaviors, it is suggested that a website should be designed based on hedonic and utilitarian aspects (Poyry et al. 2012). Previous research (e.g. Childers et al. 2001, Ha and Stoel 2009; Mahfouz et al. 2008; Shen and Khalifa 2008) classified the features of e-commerce websites as explicitly utilitarian or hedonic.

Utilitarian features of the website are imperative for e-retailers. These features were outlined as physical presence (Rafaeli and Noy 2005), utilitarian facet (Ha and Stoel 2009), or shopping as problem solving (Childers et al. 2001). Those features are aligned with utilization strategies (Fan and Poole 2006) suggesting an approach to focus on designing, enabling, and enhancing valuable, functional, and user-friendly tools. Characteristics of the utilitarian features include accessibility, ability to effectively search for information, and the provision of comprehensive product and service information. For users seeking utilitarian features, web designers need to

be aware of the availability of information and intuitive design interfaces that facilitate the use of the site for information searches (Wolfenbarger and Gilly 2003). Herrero and San Martín (2012) investigated the adoption of tourism accommodation websites and found that the intention to use such websites is determined by the usefulness and ease of use of websites as perceived by visitors. Their results indicate that adequacy of information positively influences the website's perceived usefulness, whereas the interactivity and navigability have a positive effect on their perceived ease of use. In the context of online hotel booking, the focus should be on effective and reliable search systems, easy navigation, and orderly presentation of complete and consistent information. Such characteristics in the online hotel booking context include location, attractions nearby, restaurants, amenities, and prices.

On the other hand, hedonic features focus on fun, fantasy-driven, and arousal-laden shopping (Childers et al. 2001; Suki 2010). The hedonic features represent the interactive and social aspect of an e-commerce website (Chiu et al. 2014, Ha and Stoel 2009). Hedonic features are strongly connected to leisure activities with a focus on the fun-based aspects of using information systems, encouraging prolonged rather than the productive use (Van der Heijden 2004). The value of a hedonic website feature is a function of the degree to which the user experiences fun when using the website. Therefore, developers employ tactics that are classified as the inclusion of hedonic content: animated images and a focus on colors, sounds, social components and esthetically appealing visual layouts. Accordingly, hotel companies should be mindful of the social richness (Lombard and Ditton 1997), and create opportunities for the consumer to be an actor in the virtual environment. Enabling the multi-way communication between different social avatars can shape the social online experience (Mahfouz et al. 2008). Hedonic features also include strategies such as "gamification", a trending topic that supports user engagement and enhancing positive patterns in service use by providing "gameful" experiences (Hamari et al. 2014). Such strategies motivate behavioral outcomes.

2.2. Customer commitment

Customer commitment is considered as a key element in long-term relationships (Dwyer et al. 1987, Morgan and Hunt 1994a). Moorman et al. (1993) have defined commitment as "an enduring desire to maintain a valued relationship" (p. 316). Several studies have recognized a multidimensional nature of commitment (Allen and Meyer 1990, Bansal et al. 2004, Pritchard et al. 1999). The first dimension is emotional and the second one is cognitive or economic. These two dimensions are often recognized in literature as affective commitment and calculative commitment (Evanschitzky et al. 2006).

Affective commitment has received significant attention in marketing literature (Gundlach et al. 1995, Kumar et al. 1995a,b, Morgan and Hunt 1994b). The definition of affective commitment in marketing is very similar to the one used in organizational behavior studies (O'Reilly and Chatman 1986, Allen and Meyer 1990). Allen and Meyer's (1990) affective commitment scale was used to create a relationship commitment instrument in Morgan and Hunt's (1994) study. Fullerton (2005a) concluded that affective commitment helps create a marketing relationship. Further, relationships that are built on affective commitment are more stable because customers tend to have a positive rapport with the organization they identify themselves with.

Calculative commitment is defined as the intent to continue the relationship, considering switching costs and lack of alternatives (Bendapudi and Berry 1997). This type of commitment is different from affective commitment because it is based on cost oriented calculations and not a true emotional relationship. The customer does not have to have a true desire to develop a long-term relationship

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