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Ponirin
Southern Cross University

Donald Scott
Southern Cross University

Tania von der Heide
Southern Cross University

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E-LOYALTY: ITS ANTECEDENTS, IMPLICATIONS AND DIFFERENCES BETWEEN DEVELOPED AND DEVELOPING COUNTRIES

Ponirin, Southern Cross University, Australia - Tadulako University, Indonesia
Donald Scott, Southern Cross University, Australia
Tania Von Der Heidt, Southern Cross University, Australia

ABSTRACT

This paper outlines the reasons for and the proposed method to be used in an examination of the antecedents affecting e-loyalty, since loyalty has been identified as being a critical aspect in online retailing (J. Kim, Jin, & Swinder, 2009; Park & Kim, 2003). The relationships between e-Service Quality, e-Service Value, e-Security, e-Satisfaction, e-Trust, and e-Commitment will also be examined in the overall model of e-Loyalty that is developed in this paper. Customers in Indonesia and Australia as representatives of developing and developed economies will be used as the subjects for the model examination and will be surveyed using an online survey. Analysis of their responses will utilize structural equation modelling to test the model of the inter-relationships and multi-group analyses will be used to examine the differences between the respondents in the two countries that are culturally different. The results will be used to further develop e-loyalty theory. Businesses will also be helped to gain a better understanding of their customers and to identify methods of providing better service so as to maintain their loyalty.

INTRODUCTION

Loyalty is at the heart of business firms and companies make great efforts in order to maintain their customers loyalty (Dowling & Uncles, 1997). These efforts become increasingly difficult and severe in the online business to consumer environment since online companies such as e-stores or e-retailers are facing competition not only from other similar stores but also from offline companies that offer similar products and services (Cristobal, Flavian, & Guinaliu, 2007; Yun & Good, 2007).

Currently in marketing literatures, service quality and satisfaction are recognized as variables that affect loyalty (eg. Athanassopoulos, Gounaris, & Stathakopoulos, 2001; Bowen & Chen, 2001). However, advances in information technology and the use of the internet for marketing goods and services require a re-examination and a redefinition of the variables that affect loyalty. Online transactions are a challenging activity for some people and they do not only need to be satisfied with service quality, but also to be convinced that their online transactions are secure (Shalhoub, 2006). Research has shown that trust was developed by perceived security (Casaló, Flavián, & Guinalú, 2007; Chellappa & Pavlou, 2002) and other research has identified that commitment also plays a significant role in determining loyalty (Bauer, Grether, & Leach, 2002; Bennett & Helen, 2001; Caceres & Paparoidamis, 2007) .

The purpose of this study is to develop variables that construct e-loyalty. The research will also examine the differences in the drivers of e-loyalty between respondents in a developing and a developed country and to provide a new understanding of the drivers of e-loyalty and their inter-relationships. Furthermore, examining this difference is based on the condition that developed and developing countries are culturally different. Prior research found each countries are culturally different, their cultures are determined in to five cultural dimensions, namely Power Distance Index (PDI); Individualism (IDV); Masculinity (MAS); Uncertainty Avoidance Index (UAI); and Long-Term Orientation (LTO) (Hofstede, 2001).

This paper is divided into several sections which consist of current research and the proposed model that can be derived from this work, followed by an outline of the proposed method of research and the hypotheses to be tested.

THEORETICAL FRAMEWORK & HYPOTHESES

Research on e-loyalty has been carried out for about a decade since the booming of the use of Internet as the medium for electronically selling and purchasing products and services. Some studies have revealed that e-loyalty was influenced by e-service quality (eg. Parasuraman, Zeithaml, & Malhotra, 2005; van Riel, Liljander, & Jurriëns, 2001; Wolfinbarger & Gilly, 2003). However, other scholars disagreed with this simple explanation of the variable affecting e-loyalty. They argued that e-loyalty was not only driven by a single variable, nor by a simple equation. E-loyalty was determined by a complex equation involving a set of variables (eg. Chi, Yeh, & Jang, 2008; Floh & Treiblmaier, 2006; Horppu, Kuivalainen, Tarkianinen, & Ellonen, 2008; Kassim & Salaheldin, 2009).

Many studies in e-service environment have identified a relationship between e-service quality and e-satisfaction (Colier & Bienstock, 2006; Cristobal, et al., 2007; Lee & Lin, 2005). In general e-service quality has been identified as having a positive relationship with e-service value (Chi, et al., 2008; Semeijn, van Riel, van Birgelen, & Streukens, 2005).

E-service quality dimensions also had significant relationship to e-trust (Floh & Treiblmaier, 2006; Horppu, Kuivalainen, Tarkianinen, & Ellonen, 2008) and e-service quality as represented by web site quality also had a significant and positive impact on e-trust (Chang & Chen, 2008). Some studies have found that e-loyalty was significantly influenced by e-service quality and Parasuraman et al., (2005) have identified relationships between each of the e-service quality determinants and e-loyalty. Other studies have also identified a positive and significant relationship between e-service quality and e-loyalty (van Riel, et al., 2001; Wolfenbarger & Gilly, 2003).

A perceived lack of web site security and privacy is one of the main reasons for consumer distrust of the internet. Research has found a positive and significant effect of perceived security on consumer trust of an online banking web site (Casaló, et al., 2007). It was also found that the effect of perceived security on trust was significant (Chellappa & Pavlou, 2002). The study underlined the importance of consumers' trust in e-commerce transactions, and pointed to the role of perceived security in building this trust (Chellappa & Pavlou, 2002).

A direct impact of e-perceived value on trust and indirect impact on commitment (which was developed through trust) (C. Kim, Zhao, & Yang, 2008) was identified. Perceived value has also been found to have a positive effect on customer satisfaction and behavioural intentions (Chi, et al., 2008). Based on a survey that examined a satisfaction model on travel-related websites, it was found that perceived value played a significant role in affecting online shopper's (Ha & Janda, 2008). Another empirical finding also showed that e-Perceived Value significantly and positively influenced e-Trust (C. Kim, et al., 2008; Liao & Wu, 2009). Service value was also found to have a positive effect on customer satisfaction and behavioural intentions (Chi, et al., 2008; Ha & Janda, 2008). Lee & Jun (2007) and Yang & Peterson (2004) also examined the satisfaction model in an online business-to-consumer relationship and found that perceived value played a significant role in affecting an online shopper's satisfaction.

Research into the relationship between e-Perceived value and e-Commitment has produced conflicting results. Firstly, C. Kim, et al., (2008) found that there was no relationship between e-Perceived Value and e-Commitment. However Jih, Lee, & Tsai, (2007) and Luarn & Lin, (2003) found that e-Perceived Value and e-Commitment had a positive relationship.

Further examination of relationship between e-satisfaction and e-loyalty in two different countries simultaneously (Korea and USA) has found that Korean e-satisfaction is significantly influenced by e-loyalty (Jin, Park, & Kim, 2008). However, there was no evidence that e-satisfaction and e-loyalty were related in the case of USA respondents (Jin, et al., 2008). Prior study was also found that the higher the level of e-satisfaction, the higher the level of e-loyalty (Anderson & Srinivasan, 2003; Luarn & Lin, 2003), in other words, that e-loyalty was significantly influenced by e-satisfaction

Research done by Kassim & Salaheldin (2009) found that both e-Satisfaction and e-Trust significantly affected e-Loyalty, however the relationship between e-Satisfaction and e-Trust was not significant. To the contrary, another empirical investigation found the existence of a relationship between e-Satisfaction and e-Trust (Horppu, et al., 2008; C. Kim, et al., 2008). Trust has also been found to positively affect consumers' purchase intentions towards a specific web site store (Chang & Chen, 2008; Donio', Massari, & Passiante, 2006). Further investigation supported the view that e-loyalty was significantly and positively influenced by e-trust (Floh & Treiblmaier, 2006; Horppu, et al., 2008; Jin, et al., 2008).

A re-examination of the commitment-trust theory proposed by Morgan and Hunt (1994) and carried out by (Mukherjee & Nath, 2007) found that e-trust had a positive relationship with behavioural intentions. This added to the original proposal by Morgan & Hunt (1994) since a relationship between e-trust and behavioural intentions had not originally been proposed by them. (Mukherjee & Nath, 2007).

A relationship between e-trust and e-loyalty has also been found. Trust was empirically identified as an important determinant of loyalty (Luarn & Lin, 2003). Other research found that web site trust as well as satisfaction had significant causal relationships with online purchase intention and it was also suggested that web site trust and satisfaction were significantly correlated each other (Yoon, 2002).

According to Gefen,(2000), on-line retailers have to make customers trust them since without trust, customers will avoid

shopping online and E-trust has been found to influence e-commitment (C. Kim, et al., 2008). Investigation of the relationship between e-trust and e-commitment in online banking showed that there was a positive, direct and significant relationship between consumer trust and commitment (Casaló, et al., 2007). Other studies also found that e-trust had positive impact on e-commitment a strong positive linkage between e-trust and e-commitment was found by (Kassim & Abdullah, 2006; Mukherjee & Nath, 2003, 2007).

Another study found that e-commitment positively and directly promotes e-loyalty and one of the findings supported the view that e-commitment had a significant influence on customer behavioural intentions (Mukherjee & Nath, 2007). Others found that both trust and commitment were positively and significantly associated with purchase behaviour (Donio', et al., 2006; Park & Kim, 2003).

This research has adopted the approach that e-loyalty is developed by complex relationship among multiple variables so that the potential relationships between such variables can be tested and measured. There are 14 hypotheses that will be tested, namely (H1) E-Service Quality has a significant influence on e-Satisfaction; (H2) E-Service Quality has a significant influence on e-Value; (H3) E-Service Quality has a significant influence on e-Trust; (H4) E-Service Quality has a significant influence on e-Loyalty; (H5) E-Security has a significant influence on e-Trust; (H6) E-Perceived Value has a significant influence on e-Trust; (H7) E-Perceived Value has a significant influence on e-Satisfaction; (H8) E-Perceived Value has a significant influence on e-Commitment; (H9) E-Satisfaction has a significant and positive influence on e-Trust; (H10) E-Satisfaction has a significant influence on e-Loyalty; (H11) E-Trust has a significant influence on e-Commitment; (H12) E-Trust has a significant influence on e-Loyalty; (H13) E-Commitment has a significant influence on e-Loyalty; and (H14) E-loyalty model of Indonesia and Australia is significantly different.

METHODOLOGY

A survey is a method of collecting primary data in which information (facts, opinions, motivations, awareness, and attitudes) is gathered by communicating with a representative sample of people (Malhotra, Hall, Shaw, & Oppenheim, 2001; Zikmund, 2000). Surveys are mostly used because they provide a quick, inexpensive, and accurate means of assessing information about a population (Zikmund, 2000). This research employs an Internet/Web-based survey, since this is the most relevant method for the research (Hewson, Yule, Laurent, & Vogel, 2003; Malhotra, et al., 2001).

Sample and procedure

The research will employ two samples of online customers from leading online stores in two countries (Indonesia as a developing country and Australia as a developed country). A convenience sampling method will be used since there is no sample frame that can be obtained due to security and privacy policy by most e-retailers. To collect data required for this research an invitation to participate in a web-based survey will be delivered to prospective respondents from both countries.

Measurement

The research will be divided into two stages. The first stage will be a pilot survey, which will generate a small sample that will be used test the questionnaire and to assess the constructs for reliability and validity. The second stage will be the main research. On this stage of research hypotheses testing will be carried out using structural equation modelling (SEM). The use of SEM will be because of its ability to comprehensively assess the relationships in the model (Hair, Anderson, Tatham, & Black, 1995). SEM will also be used to generate a testing of model for inter-country differences by using multiple group analysis (Joreskog & Sorborn, 1989).

To evaluate the results of the model evaluation goodness-of-fit indexes will be used. In Structural Equation Modelling (SEM) there is no single statistical test for measuring or testing the hypothesis of a correct model (Tabachnick & Fidell, 1996). Model will tested using absolute fit indexes and incremental fit indexes (Hu & Bentler, 1995).

Discussion above described the methodological procedures that are chosen for administering the research. Justifications of the use of web survey and sample technique selection were addressed. It also addressed questionnaire reliability and validity as well as the use of SEM as the main statistical method and its analytical procedures.

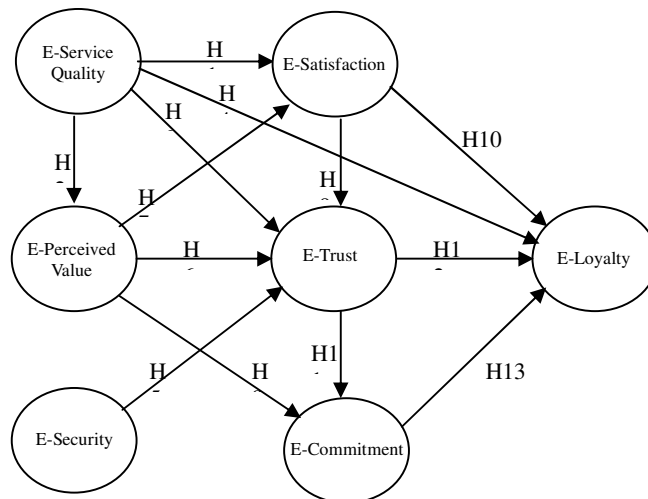
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FIGURES



Proposed complete model of e-loyalty