

# Customer Loyalty in the Auction E-Service



**Shu-Ching Chen**

*Ritsumeikan Asia Pacific University, Japan*

## INTRODUCTION

Customer loyalty is a vital determinant in predicting profit levels (Reichheld & Teal, 1996) and market share (Baldinger & Rubinson, 1997) of an organisation. It is an essential factor in business survival and development. Previous researches have made sound contributions to the knowledge of defining the predicting factors of customer loyalty. A literature review of the relevant studies suggests some critical factors that drive, or lead to, 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 & Teal, 1996). Some researchers have argued, however, that a satisfied customer may not be a loyal customer (Oliver, 1999). In addition to customer satisfaction, there are other variables that may influence customer loyalty development (Voss, Godfrey & Seiders, 2010) and need to be examined. Call for a further study of motivational constructs related to satisfaction and loyalty has also been made by researchers (e.g., Olsen, 2007; Christodoulides & Michaelidou, 2011; Chen & Quester, 2015) in order to improve the knowledge of motivation in the loyalty formation process.

In addition, research into internet-based business practices remains scarce. Few studies have examined customer loyalty in the e-commerce context (Balabanis, Reynolds & Simintiras, 2006; Christodoulides & Michaelidou, 2011). Although consumers currently show increasingly favourable attitudes toward online shopping; it is not easy to keep customers loyal on the web. In particular, the intense competition in the e-retail market emphasizes the need to retain existing customers. Understanding which factors may influence the current customer's loyalty development in the e-commerce context is critical in business management.

This is particularly the case in regards to research into e-service provided by auction type e-retailers. Auction type e-retailers are classified by Korgaonkar, Silverblatt and Girard (2006) in their study of online retailing as the pure e-retailer, which conducts a purely e-retail based business, offers a flat-site for individuals to sell and buy products on their website and provides auction functions for individuals to sell and purchase products on-line. This type of e-retailer also provides marketing services to those who sell items on the sites and, thus, by its nature it is itself a service. Moreover, research into auctions are "increasingly prevalent in all aspects of commerce" and offer "fresh angles on issues not addressed previously, such as customer retention [and] relationship development..." (Haruvy et al., 2008, p.432).

Online auctions have become popularized among consumers and present a new research domain of online consumer behaviour (Haruvy et al., 2008; Darley, Blankson and Luethge, 2010). This article, therefore, aims to provide insights into customer loyalty in the auction e-service from the aspect of some influential factors in the relation between customer satisfaction and loyalty. Specifically, commitment, trust, involvement and perceived value are suggested in several studies as influencing the relation between customer satisfaction and loyalty (Caceres & Paparoidamis, 2007; Cyr et al., 2007; Olsen, 2007; Hume & Mort, 2008). This study should provide a meaningful contribution toward the area of e-commerce implementation and management.

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## **BACKGROUND**

### **Customer Loyalty, Customer Satisfaction, Influential Factors in E-Service**

Customer loyalty is a significant objective for e-retailers. It is found to be negatively related to customers' searches for alternatives (Srinivasan, Anderson & Ponnnavolu, 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 behavioral aspects (Too, Souchon & Thirkell, 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 & Srinivasan, 2003, p.125). In this article, customer loyalty refers to customers having favourable attitudes toward target e-retailers, shown through repeat purchase intentions and behaviors.

Previous empirical studies have shown a direct link between customer satisfaction and loyalty. Customer satisfaction has been found to have a direct and positive effect on customer purchase intentions and repeat behavior (Chiou & Pan, 2009). The widely accepted concept of customer satisfaction is that of overall satisfaction (Gustafsson, Johnson & Roos, 2005), with customer satisfaction having been defined as overall satisfaction with customer expectations and consumption experiences. Moreover, overall satisfaction has been suggested to be a function of disconfirmation, which is a utility of both expectations and performance (Oliver, 1997). In the e-commerce context, satisfaction can be defined as the contentment of the consumer with deference to his/her previous purchase experiences with an e-commerce firm (Anderson & Srinivasan, 2003). Also, customer satisfaction enhances loyalty in both the online and offline contexts, and the positive relation between satisfaction and loyalty is stronger online than it is offline (Shankar, Smith & Rangaswamy, 2003). It is critical to understand the customer's e-loyalty formation process through an examination of the relation between customer satisfaction and loyalty.

Some service website related variables have been identified as influential factors of the relation between customer satisfaction and loyalty. Past studies have found a direct link between each of the variables of commitment, trust, involvement and perceived value, and either customer satisfaction, or customer loyalty. Commitment has been found to have a moderating effect on the relation between satisfaction and loyalty, and to also be an antecedent of loyalty, or the consequence of customer satisfaction (Liljiander & Strandvik, 1995; Meyer et al., 2002; Caceres & Paparoidamis, 2007). Trust has been found to be a predicting variable of satisfaction, and that of loyalty (Chiou, 2004; Cyr et al., 2007). In addition, involvement has been suggested as a consequence of satisfaction and an antecedent of loyalty, as well as a moderator in some studies (Olsen, 2007; Castañeda, 2011). Similarly, perceived value has been empirically found to be an antecedent of satisfaction, and of loyalty (Parasuraman & Grewal, 2000; Hume & Mort, 2008). It has also been found to be a moderator of the relation between satisfaction and loyalty (Anderson & Srinivasan, 2003). Significantly, the consistent concluding remarks in the relevant studies state that these variables remain to be studied as influential factors in terms of the relation between customer satisfaction and loyalty. The relevant extant research, thus, provides a base for introducing these influential factors of commitment, trust, involvement and perceived value in the current research of customer loyalty in the auction e-service context. An introduction regarding these variables is continued in the following sub-sections.

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