



Chapter XIII

Locked In By Services: Willingness to Pay More and Switching Behavior in a Digital Environment

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Abstract

We discuss a dynamic model of cognitive and behavioral e-loyalty developed through the analysis of barriers (perceived switching costs) which can be raised against customer's switching behavior. Using results from an empirical study, our chapter will be focused particularly on the determinants of the switching behavior online and on the opportunity to change Web site usability in a powerful lock-in strategy. Finally, as a result, we will discuss one of the main consequences of loyal behavior, in presence of positive perceived switching costs: the customer willingness to pay more.

Introduction

E-commerce is growing rapidly and has penetrated almost all industries. Given its enormous potential, the number of electronic stores has increased at an unprecedented rate during the last 5 years. Theory seems to support the prediction that online shopping will keep rising in the future, as online search engines and various intelligent agents can dramatically reduce search costs associated with purchase decisions (Alba et al., 2000; Bakos, 1997; Lee & Clark, 2001). However, online shopping lacks “look-and-feel” (Figueiredo, 2000; Rosen & Howard, 2000) and hence evaluation of product attributes or firms online can be still difficult (Bhatnagar, Misra, & Rao, 2000).

The limited empirical research done on online customer trust and loyalty has concentrated mostly on how customer perceptions of the online company affect their trust. However, while in off-line commerce it is the salesperson who often influences the buyer’s trust in the seller (Doney & Cannon, 1997) thus inducing loyal behaviors, in the Internet context it is the Web site that should do that (Del Giudice & Del Giudice, 2003; Lohse & Spiller, 1998). Therefore, one would expect that the customer experience with the Web site would also have a strong effect on customer trust in the company. Following this approach, as in the marketing literature trust is positively related to the experience of the customer with the salesperson, in online commerce, instead, the salesperson is almost replaced by the company’s Web site:¹ as a result, the customers’ experience and perceptions of the quality service provided by the Web site’s tools can influence their assumptions about the nature of the company and its trustworthiness (Friedman et al., 2000; Tan & Thoen, 2000–2001). Moreover, customers who do not trust an online vendor will be less inclined to do business with the vendor (Gefen, 2000; Jarvenpaa & Tractinsky, 1999) or to return for additional purchases (Reichheld & Schefter, 2000). Since quality service is something customers generally expect vendors to provide (Parasuraman et al., 1985; Zeithaml et al., 1996), high-quality service through Web site should arguably build customer trust and loyalty, as a recent study of customers of online vendors indicates (Reichheld & Schefter, 2000).

Following those premises, the aim of this chapter is mainly to highlight the absolute need for Internet-based firms to develop and manage, through the Web site, strategic tools able to increase customer loyalty in digital markets, thus reducing customer churn. Our work mainly starts from the emerging change occurring in customer loyalty management strategies through Internet customer service and on the strong difference between the customer behavior online, respect to the off-line one. Although trade and popular literature indicate much marketing concern about online retail customer satisfaction, little research has considered the customer’s affective reaction to services provided by a Web site

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