

# Chapter 1.11

## Unlocking E-Customer Loyalty

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### ABSTRACT

Marketers are working to improve loyalty apace. This chapter introduces an integrative framework for examining the relative impacts of corporate image, customer trust, and customer value on e-customer loyalty. Importantly, the authors hope that the accompanying suggested strategies would enable marketing managers to craft more compelling value propositions and effective marketing-mix strategies.

### INTRODUCTION

One reason for loyalty's growing eminence is that businesses are beginning to understand the profit effect of loyal customers (Oliver, 1999; Zeithaml, Berry & Parasuraman, 1996). Marketers with loyal consumers can expect repeat patronage to

remain high until competitors can find a way to close the gap in attitude among brands either by (1) trying to reduce the differential advantage of the leading brand, (2) increase the differentiation of their own brand, or (3) encourage spurious loyalty from consumers (Dick & Basu, 1994). In fact, in Reicheld's (2001) seminal book *Loyalty Rules!*, he asserts that the fundamental task of businesses today should be managing customer loyalty. Loyalty leads to higher retention. According to one study, a 5% increase in customer retention rates increases profits by 25% to 95% (Reicheld & Schefter, 2000).

It is thus heartening to note that "One of the most exciting and successful uses of [the Internet] ... may be the Internet's role in building customer loyalty and maximizing sales to your existing customers" (Griffin, 1996, p. 50). The presence of numerous Web sites means that e-retailers have a tenuous hold, at best, on a large number of "eyeballs" (Srinivasan, Anderson & Ponnavalu,

2002). Other research suggests that price sensitivity may actually be lower online than off-line (e.g., Degeratu, Rangaswamy & Wu, 2000; Lynch & Ariely, 2000). Perhaps this is because consumers can easily compare and contrast competing products and services with minimal time or effort. By changing the Internet's roles of content, context, and infrastructure, it can heighten the importance of online loyalty.

It is thus not surprising that companies are embracing the customer loyalty challenge in a variety of ways. For example, Cisco customers log in problems they are having with Cisco hardware (e.g., error rates) to a public database. This information is accessible to everyone, including media, competitors, and customers. This example suggests that accountability and open honest management practices are pivotal to loyal relationships.

Given its relative importance, it is thus surprising that relatively little has been done in conceptualizing and validating e-loyalty models (Luarn & Lin, 2003). Parasuraman and Grewal (2000) argue for more research pertaining to the influence of technology on customer responses, such as perceived value and customer loyalty. In addition, despite the fact that the impact of customer trust on customer loyalty has been well-established for online environments (e.g., Anderson & Srinivasan, 2003; Kim & Benbasat, 2003; Koehn, 2003), researchers have focused more efforts on understanding interpersonal trust and inter-organizational trust and less so on trust between people and organizations (Lee & Turban, 2001). We will examine this type of trust closer, in particular in the context of consumer e-commerce. Our study further incorporates two constructs—corporate image and customer value—that have been poorly explored in online environments despite their recognized importance in off-line contexts.

Consequently, a primary objective of this chapter is to discuss the impact of three constructs (i.e.,

customer trust, corporate image, and perceived value) on e-loyalty in a business-to-consumer (B2C) e-commerce context. In doing so, our model is expected to offer useful suggestions on how to manage customer trust, corporate image, and perceived value as online loyalty management tools. This chapter is generally divided into three sections. The first section will discuss the constructs of interest and clarify what they mean. In the second section, we will propose hypotheses explaining these relationships. In the final section, we introduce actionable strategies for online loyalty management based on the proposed framework.

## **A BRIEF LITERATURE REVIEW**

### **Customer Loyalty**

In research conducted in the 1960s and 1970s, customer loyalty was interpreted as a form of customer behavior (i.e., repeat purchasing) directed toward a particular brand over time (Tucker, 1964). However, Day (1969) criticizes behavioral conceptualizations and argues that loyalty has an attitudinal component.

More recently, Morgan and Hunt (1994) defined loyalty as “an ongoing relationship with another that is so important as to warrant maximum efforts at maintaining it” (p. 23) which implies strong affective and behavioral commitment to the company. However, this view is not universally held. For example, Assael (1987) argues that they are synonymous and represent each other.

In this chapter, we subscribe to the former school of thought where the notion of e-consumer loyalty includes both attitudinal and behavioral loyalty. This is consistent with Oliver (1999), where e-loyalty herein is defined as “A deeply held intention to repurchase a preferred product/service consistently from a particular e-vendor in the future, despite the presence of factors or circumstances that may induce switching behavior”.

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