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Online Store Loyalty: An Investigation of Drivers and Outcomes

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ABSTRACT

This paper investigates drivers and outcomes of online-store loyalty. Data was collected from 201 online shoppers in Gauteng, South Africa using a structured questionnaire. The findings show that perceived value, trust and perceived web-usability are important factors that drive online store loyalty. Trust was found to be significantly influenced by perceived expertise in order fulfilment. The results also show that online store loyalty exerts positive influence both on customers' sensitivity to price as reflected by willingness to pay more and on word-of-mouth. The findings point to the need for online store managers to pay attention to the identified drivers of online store loyalty if they are to derive its associated benefits.

Keywords *Expertise in Order Fulfillment, Online Store Loyalty, South Africa, Web Usability, Willingness to Pay More*

INTRODUCTION

Developments in information technologies, the internet in particular, are revolutionising the way businesses in South Africa interact with and serve their customers. Many retail businesses are now opening up online stores, allowing customers to purchase products at any time of the day and from any place so long as they are able to access the internet. While online stores are a common phenomenon in some parts of the world especially in developed countries and in some emerging countries particularly those in Asia, the phenomenon is beginning to gain prominence in South Africa. According to Galatis (2013) online retail in South Africa currently stands at a mere 0.5% of total retail stores compared to an average of between 10-12% in much of the developed world. Despite the low percentage when compared to total retail sales, it is widely acknowledged that online retailing in South Africa has grown significantly from where it was just a few years ago (Mlitwa & Raqa 2012). A report on South Africa's online spending habits by Wilson (2013) noted that in 2012, South Africans spent R3.3 billion shopping online. According to the report, expectations were that by the end of 2013, South Africa's online spending will grow to R4.4 billion a year.

While online spending by South Africans is poised to increase, statistics in general show that the failure rates of online retail businesses is much higher than most businesses realise. According to Ducker (2010) more than 90 percent of all internet start-ups do not survive the first year of operations. Dixon (2008) reported that about 90 percent of those involved in internet

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marketing are not successful. While a number of factors may play a role in explaining success or failure of e-businesses, Dixon (2008) as well as Ducker (2010) note that difficulties in attracting and retaining customers contribute significantly to lack of success in e-business ventures. Chang & Chen (2009) as well as Rao et al., (2011) observed that the fact that with online business the competitor is only a click away makes it more challenging for any business to convert online store visitors into buyers and to ensure that they stay loyal to the online store. While these challenges need to be acknowledged Clifford & Lang (2012) as well as Koo (2006) argued that it is critical for businesses in general including those trading online to have a good understanding of ways in which they can build customer loyalty and put those ways into practice. This is largely because of the many benefits that businesses derive from loyal customers.

Some of the benefits relate to enhanced opportunities to grow revenue and in reducing cost of sales. Liu et al., (2011) noted that the cost of recruiting new customers can be twice as much if not more compared to the cost of maintaining existing customers. This is principally because of high promotional efforts often needed in recruiting new customers. El-Sady et al., (2012) observed that while most businesses combine offensive marketing strategies with defensive strategies, strong competition in most markets has resulted in defensive strategies becoming more common. Defensive marketing strategies are aimed at retaining new customers and fending off competitors' attacks whereas offensive marketing strategies are aimed at attracting new customers. Setó-Pamies (2012) points out that customer loyalty gives companies a sustainable competitive advantage over time and is the key to survival of most businesses. He further noted that understanding the principle factors that drive customer loyalty is often a difficult task because customer loyalty is developed within specific contexts. This paper aims at contributing to understanding factors that influence customer loyalty in the context of online stores. The research question addressed by the paper is 'what are the drivers and outcomes of online store loyalty among online customers from Gauteng, South Africa?'

The paper has been structured such that the next section provides a theoretical framework for the study followed by the methodology section. Thereafter the findings are presented followed by the discussion and implications section. The final section of the paper focuses on conclusions drawn, limitations of the study and provides suggestions for future research.

THEORETICAL FRAMEWORK

Customer Loyalty

A review of literature shows that a lot of research on customer loyalty tends to focus on loyalty towards products or brands. It is however important to note that customers can be loyal to suppliers of products including stores just as they can be loyal to specific products or brands (Martinelli & Balboni 2012; Ngobo 2011). Furthermore, as also noted by Setó-Pamies (2012) a review of literature shows that there is no single accepted opinion on how to define the customer loyalty. Clotey et al., (2011) as well as Koo (2006) however noted that the way customer loyalty is defined in literature can be categorised in two main ways. These include the actual behavioural perspective and the attitudinal perspective. Loyalty under the behavioural perspective is measured by examining actual purchases over a period of time. It is evidenced by repeated and/or exclusive purchasing of products and services (Nikhashemi 2013). Loyalty under this perspective can also be expressed as a percentage of total transactions in the category or a percentage of total expenditures in the category (Komunda & Osarenkhoe, 2012). One advantage associated with taking the behavioural perspective to define loyalty is that it is based on actual purchases, a factor that directly influences firm performance. While this is so there are limitations associated with the

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