CHAPTER II

THEORETICAL FOUNDATION

In this chapter, the author is discussing every elements or factors that are considered to be the ones that encourage buying behaviour. Every individual must go through some stages before ended on a decision of purchasing a product or service. Those stages are the elements or the encouraging factors, which the author is explaining elaborately in this chapter. Also, later in this chapter the author will explain about the theories that are used in this research study.

2.1 Convenience

People are willing to shop online because it can satisfy their needs for convenience. Convinience somehow act as major role for customer to engage in online shopping because customer tend to seek convenience in time and place by buying online (King, Sen, and Xia, 2004).

Many of the customers usually search for something that is easy and requires minimal effort (Beatty and Smith, 1987), which makes online shopping as one of the advantages for consumers. The reason for people to shop online is mainly due to the flexibility of the online retail store which is useful for customers who is just too busy to make a trip to the store and makes customer feels more comfortable and leads the customer to feel convenience.

Convenience refers to the degree of ease of using the website and the facility to search for related information in order to achieve convenience (Kim, Kim, and Kandampully, 2007). Thus, convenience is one of the crucial aspect for online retail customer to shopped online.

Convenience by purchasing online is also related to the website provided by the online retailers. A well structured website will provide every information needed by the customers and a user friendly and intuitive website decrease the chance of shopper to make mistake during the transaction process (Posselt and Gerstner, 2005).

Convenience is the key for customer satisfying shopping experience. Convenience is very important in online retail business, convenience can give the retail store the edge compares to others store in order to win the market (Machleit and Mantel, 2001). Convenience will not only influence satisfaction, but it will also leads to loyalty (Srinivasan, Anderson and Ponnavolu, 2002).

Convenience in this regard is related to this present research because once a customer has good experience with a company's online purchasing website, they will possibly to come and shop again. Therefore it is very important to understand what drives customer convenience in online environment. A right understanding on what drives customer convenience in online context will also drive the right marketing strategies taken by online sellers.

2.2 Customization

Customization is making products, services and shopping experience to meet a particular customer's needs and wants (Ferrell, Hirt and Ferrel, 2008). In the online environment, customization means e-retailer's website is tailored to suit the individual needs of each customers. It is important for the retail store to incorporate customization process in their business practices.

Customized e-retailers website provide a competitive advantage towards other competitor in the business. Customization enables customers to find product/services they want to buy quickly and efficiently, because customer doesnt't have to search

through lots of product category and large product selection (Dholakia and Uusitalo, 2005). Confusing retail website makes customer feels frustated and uncomfortable and end up leaving the website and search for a better alternative (Ganesan, Arnold and Reynolds, 2000).

Customization also creates a sense of familiarity in online environment, where familiarity in this concept is the face to face interaction between seller and buyers just like in the brick and mortar store, where in online environment the role of salesperson and employee is replaced by website. This sense of familiarity enables online retail store to connect with the customers and enables retailers to differentiate themselves from other e-retailers (Kalyanaraman and Sundar 2006). Online interpersonal interaction also enables e-retailers to accurately narrow the choices for customers and it can minimize the time customers spend browsing through the entire product category to find what customers wanted (Srinivasan, Anderson and Ponnavolu, 2002).

Customization enables retail store to provide alternative billing services and international shipping options that satisfy the specific needs of some customers. Thus, with that options customers are able to complete the transactions more efficiently due to specific options the retailers provided (Kim, Kim and Kandampully, 2007).

Online retailers nowdays are increasingly acknowledge the importance of customization as a way to attract new customers and retain their customers. Customized websites provides better customer service and it also make it appealing for customers to visit the site again in the future (Deitel, Deitel and Steinbuhler, 2001).

Customization here means that if the customer have already experienced that the online retail store are able to satisfy their need and wants, they will likely to develop a positive attitude for future purchases towards the online retail store.

2.3 Information

Information can be any difference you perceived, in your environment or within yourself while information seeking is defined as "a consciuos effort to acquire information in response to a need or gap in customer knowledge" (Lee and Turban, 2001). Information related to online shopping context is associated with trust, security and privacy issues which customer see those issues mentioned as a perceived risks when customers shopped online (Yoh et al, 2003).

Trust, security and privacy issues is closely related with each other. Security and privacy issues will be eradicated if trust present between retail store and customer. Online and offline business environment is different, trust is harder to build and more critical in online environment compare to offline environment (Kim, Ferrin and Rao, 2009). For example, most of the customers do not hesitate to pass the credit card or personal information to an unknown sales person in brick and mortar store however, we do not observe the same level of activity in online environments, as we do in our daily lives (Head and Yuan, 2001). Customers are far more cautious and skeptical to provide such an important information in the online channel (Hodges, 1997). Online transactions are lack of personal contacts, anonymous and more automated than offline transaction (Khalifa and Liu, 2007).

Jarvenpaa, Tractinsky and Saarinen (1999) distinguish between soft trust and hard trust, in which hard trust is related with security issues while soft trust embraces privacy issues face by customer.

Hard trust is related with technical aspect provided by the retailer to provide secure connections, so the customers feels confident that the credit card information and personal infromation they provided in the internet will not be a subject of internet fraud (Stratford, 1999). For example, encryption and firewall technique to protect customer information during transaction and protect the information once it is stored (Ghane, Fathian and Gholamian, 2011). Lack of credit card security has been identified as one of the vital obstacles for customer to purchase online (Ratnasingham, 1998).

While soft trust is related with the privacy issues face by customer and cannot be easily cover by technology. Soft trust includes privacy protection of the customer personal data (Milne and Boza, 1999). Sometimes in online business, the retail store requires customers to includes some of their personal data. This personal data do have a great monetary value, this value will tempt the retail store to sell the data to the third party and resulting in spamming to customer personal email and phone number, consumer need to trust that the retail store will not sell their personal information to the other retail store in order to protect individuals privacy (Lee and Lin, 2005).

In this research, the information trust in online business is that when online store are able to guarantee the safety and secuity of the online retail website and how well customer privacy is being protected. Therefore, the way of developing trust is by providing thorough information about the retail store. Complete information usually contributes to a reduction of uncertainty in the internet channel.

2.4 Communication

Communications is seen as vital part if organizations desire to establish and maintain profitable relationship between customer and retailers (Duncan and Moriarty, 1998). Communication is an attribute that enables buyers to communicate actively and share their thought with the retailers through the website (Kim, Kim and Kandampully, 2009). Online retail store should provide a room for customer to contact the e-retailers easily should they encounter any problems or issue. Ranganathan and Ganapathy (2002) stated that e-retailers website that provide additional features such as live help, chat rooms and bulletin boards attracts more shoppers to the website than those without these features. The additional features enables customers to share their experience and opinions or even exchange information about particular product/services.

Online tools that provide such electronic interactivity to communicate encourage customer to make more purchase in retail store, because customer perceived those tools as a sense of a serenity and security since those tools provided act as an assisstance for customers if they have encounters any problems and difficulty while they shop and requires an additional information about particular product/service that they are willing to buy (Mandel and Johnson, 2002).

Communication plays an important role in online business, an effective communication between customer and retailers increase customers repurchase intention towards particular online retail store because a good interaction between customers and retailers are considered to be an added value in the perspective of the customers (Ha, Muthaly and Janda, 2008).

The importance of effective communication related to online business is to act as a helping hand for customers and effective communication will make customers keep a positive attitude until their next purchase. Prior experience is one of the key drivers for habit formation.

2.5 Web Aesthetics

Web site aesthetics is associated with multimedia effects which includes music, colors etc that increase the appearance and the attractiveness of the website (Kim, Kim and Kandampully, 2009). Website aesthetics is describes as an artistically beautiful and pleasing appearance interface presented to customers that is intended to attract customer attection, website aesthetics is the degree of usability of the website such as ease of navigation and ease of use (Constantinides, 2004).

Aesthetically pleasing website is critical in attracting, sustaining and retaining customer to the website due to limited opportunity to create a store environment that would influence consumer behaviour (Tractinsky and Lowengart, 2003). Therefore, website aesthetics plays an important role to create a strong first impression in the customer cognitive response. First strong impression plays an important role because customer may switch to another online retail store easily (Vilnai-Yavetz and Rafaeli, 2006).

An interactive web aesthetics can create an atmosphere for attracting customer by inducing positive and poweful motives for customer to stop and explore the site and increasing the possibility for purchasing.

Web aesthetics is related to online business because web aesthetics is one of the factors that influence customer decision whether to purchase or not in one particular online retail store.

A retail store that have a good and interesting web design will be perceived to be more trustable compared to those with bad and unattractive web design.

2.5.1 Web appearance

Constantinides (2004) divides web appearance into four important elements which is design, presentation quality, design elements and style/atmosphere. All this elements refers to interactive colors, attractive graphics, attractive site layout, templates, design.

Website appearance also showing the credibility of one retail store. According to Nah and Davis (2002) consumers assessed the credibility of the e-retailers site based on the overall visual design of a site, including layout, typography, font sizes and colors. Website appearance are strong predictor of customer quality judgement and customer online satisfaction (Constantinides, 2004).

2.5.2 Entertainment

Entertainment in online context is associated with interactive graphical in-store experience such as music, animation, videos, logos etc. Entertainment features in online store create an interactive and unique customer shopping experiences that encourage customers to spend more times and interact with the online store and increase the possibility of impulse buying in the online store (Wong and Sohal, 2003).

2.6 Customer Online Satisfaction

In recent times all organization has increasingly come to understand the importance of customer satisfaction. It is widely understood that it is far less costly to keep existing customers than it is to acquire new customers. For many organization customer satisfaction will play important role for success (Anderson and Mittal, 2000).

Customer satisfaction is defined as "the customer evaluation of a product or service in terms of whether that product or service has met their needs and expectations" (Zeithaml and Bitner, 2000). Satisfaction in the online environment is related with customer shopping experience, satisfaction in e-business is when a customers expectations is met or surpass through the shopping experience when purchasing product from the e-retailers website (Ha and Perks, 2005).

Customer satisfaction are directly linked with profitability of the business (Best, 2005). A customer service that surpass the expetations of customer results in customer satisfaction and leads to increased profitability. Hill and Alexander (2006) stated when a customer commited to the product/brand, customer are less likely to switch to another competitor due to benefits provided by the product/brand.

As stated by Best (2005), measuring customer satisfaction is critically important in the online business, as dissatisfied customer will spread negative word of mouth to others potential customers. Especially in online business where there is lots of uncertainty, customers prefers to purchase from an online retailers where many customers have already been satisfied with the overall quality and performance of that particular retailers (Caruana and Fenech, 2005).

Satisfaction in online environment refer to good experience felt by the customer, in order for customer to achieve satisfaction, e-retailers website should be designed to look interactive. The greater the shopping experience felt by the customer, the higher the satisfaction will be (Hallowell, 1996).

Customer satisfaction are important drivers of business performance. According to Zairi (2000) customer satisfaction could influence;

a) Loyalty and repurchase intention

b) Satisfied customer are most likely to spread to four or six people but dissatisfied customer tend to tell twice as many people about the bad experience with the company than good one

c) An increase sales resulting from a 5 percent reduction in customer problems and increased satisfaction

Customer online satisfaction here means that high customer satisfaction associated with internet shopping generates more favourable attitudes towards shopping at a particular online store, which in turn increases willingness to repurchase from that online retail store.

2.7 Customer Online Loyalty

Customer loyalty is defined as a deepley held commitment to rebuy a preffered product/service consistently in the future, thereby causing repetitive same brand purchasing despite marketing efforts having the potential to cause switching behaviour (Best, 2005). As mentioned by Hawkins, Best and Mothersbaugh (2007) customers will only recommends a specific brand only if the customers is completely satisfied and trust the quality of the service or product provided. Nevertheless, customer loyalty consist of three main components which is customer recommendation, customer retention and customer satisfaction (Best, 2005).

With the rapid growth of internet, customer loyalty is growing into online loyalty, the concept of online loyalty expand the traditional loyalty concept to online consumer behaviour (Ghane, Fathian and Gholamian, 2011). Cry, Hassanaein, Head and Ivanov (2007) defined online loyalty as a behaviour from customers that are willing to revisit a website or to make a transaction from the website in the future.

In the online environment building online loyalty brings lots of benefit for the online retailers (Reichheld and Schefter, 2000) since if one customers feels satisfied and became loyal to particular online retailer, it will create a word of mouth buzz and will be beneficial for the retailers.

Online loyalty is closely related with the web customer service, customer online loyalty can be built when the online retail store providing an exceptional customer service and exceed customer expectations (Zha, Ju and Wang, 2006). A good customer service will help the retail store to satisfy customer because they believe the time spent and the experience is comparable with the money they spent (Hawkins, Best and Mothersbaugh, 2007).

Nowdays in the online business customers are faced with different variety of choices and the fact is customers of one retail store is likely to be the customer of others retails store as well. Loyalty exists based on the experience and service provided by the retail store rather than the product istself. Loyalty is based on the emotional level, loyalty engage with customer mind and heart (Dick and Kunal, 1994).

Loyalty affects company profits since loyal customers are willing to pay premium for the product and greater tolereance when the retail store conduct a mistake (Chow and Holden, 1997). Low customer complaints and increase in customer satisfaction are the important factors to increased customer loyalty (Gefen and Straub, 2004).

Customer online loyalty is important in online business because it can helps the online retailers to retain the exisitng customers rather than acquiring new customers and retaining customer are proven to be cost effective rather than acquiring a new one.

2.8 Development of Model and Construction of Hypotheses

The model for this research is adapted from the original article by Jung-Hwan Kim, Minjeong Kim, and Jay Kandampully (2009). The model has been simplified to suit the purpose of this research which is to find the key variable in online retail web characteristics that influence satisfaction and examine the relationship between satisfaction and loyalty.
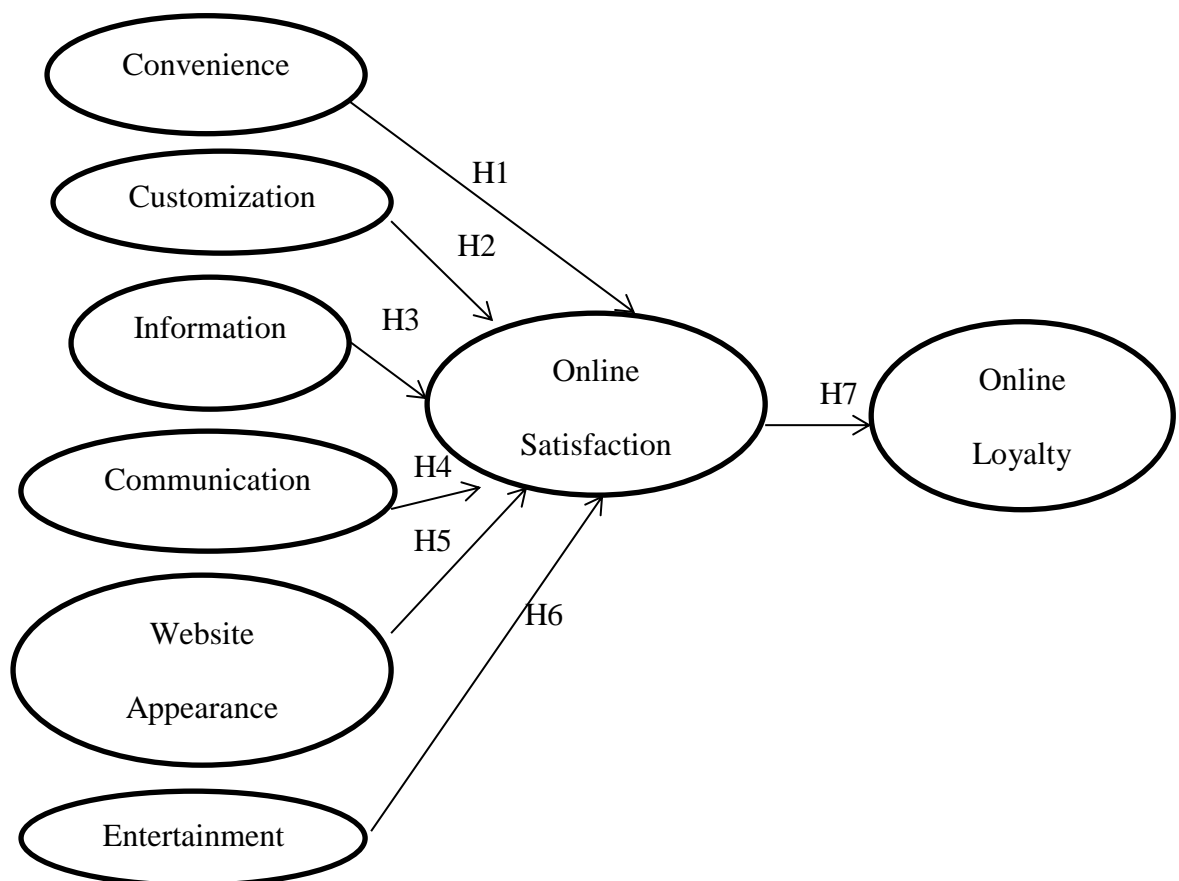

Figure 2.1 Conceptual Model

Original Source: Kim, Kim and Kandampully (2009)

2.8.1 Convenience influence towards online satisfaction

Convenience is related to how customer information need is fulfilled in a timely manner. Convenience refers to the degree of ease of using the website and the facility to search for related information in order to achieve convenience (Kim, Kim and Kandampully, 2007). Thus, convenience is one of the crucial aspect for online retail customer to shopped online. Furthermore, when an e-retailers website does not fulfilled customer information need or does not provide any satisfactory answer, it may lead to inconvenience and failed to satisfy customer information need (Sweeney and Soutar, 2001). Based on the research provided above, the following Research Questions and hypothesis is formulated:

RQ1: Does convenience have a positive influence on online satisfaction?

H1: Convenience have a positive influence on online satisfaction.

2.8.2 Customization influence towards online satisfaction

Customization happens when e-retailers provides superior customer value by producing goods and delivering services that meet individual customer needs and wants (Solomon, 2004). By offering customization, the retailers could have a competitive advantage. Customization can be an added value for the customers, it can help customers to find the desired product quickly and left a positive impression to the website (Soderlund, Vilgon and Gunnarsson, 2001). Therefore, customer will be delighted and increasing the possibility to revisit the website in the future. Customized website provides better customer service and consequently increase customer satisfaction (Deitel, Deitel and Steinbuhler, 2001).

According to the results from the previous research, this study presents the following Research Questions and hypothesis:

RQ2: Does customization have a positive influence on online satisfaction?

H2: Customization will have a positive influence on online satisfaction.

2.8.3 Information influence towards online satisfaction

According to Kim, Kim and Kandampully (2009) information in the online environment is related with security, privacy and trust. Those elements are customers main concerns when purchasing online. Trust, security and privacy are becoming the main issues of the online retail store customer in resulting online satisfaction (Lee and Lin, 2005). Yoh, Damhorst, Sapp and Laczniak (2003) argues that when security is established and customer privacy is protected it can heighten positive customer behaviour towards online shopping and may lead to higher satisfaction.

In line with this observation, this study presents the following Research Questions hypothesis:

RQ3 : Does Information have a positive influence on online satisfaction?

H3: Information will have a positive influence on online satisfaction.

2.8.4 Communication influence towards online satisfaction

Communication is the interaction between buyers and sellers through the e-retailers website communication features. This communication featurse enables customer to connect with the e-retailers and act as an assisstance to help customers when they encounter any problems and difficulty. Ranganathan and Ganapathy (2002) argues that e-retailers website that provide electronic interactivity brings more shoppers to the website than those without those features.

Consumer's ability to exchange specific e-retailers information and compare experiences via online community attributes may increase the satisfaction level on customers. With this understanding, therefore this study presents the following Research Question and hypothesis:

RQ4: Does communication have a positive influence on online satisfaction?

H4: Communication will have a positive influence on online satisfaction.

2.8.5 Website appearance influence towards online satisfaction

Web appearance refers to the colours, presentation quality, site layout, style/atmposphere that is intented to improve the visual elements of the website. According to Ranganathan and Ganapathy (2002) web appearance is important to attract customer attention and plays an important role in retaining customers. Lee and Lin (2005) stated that web appearance can affect customer satisfaction to one particular website. With this information, therefore this study presents the following Research Questions and hypothesis :

RQ5: Does web appearance have a positive influence on online satisfaction?

H5: Web appearance will have a positive influence on online satisfaction.

2.8.6 Entertainment influence towards online loyalty

Entertainment refers to the music, videos, animation and logos that is intended to create a satisfying shopping experiences and encourage customers to interact with the online store and create an atmosphere for customers to stop and explore the sites and increases the possibility of purchasing (Wong and Sohal, 2003). Entertainment attributes also helps the online store to entertain customers when they purchase product/services through the online store.

With this information, this study presents the following Research Questions and hypotheses:

RQ6: Does Entertainment have a positive influence on online satisfaction?

H6: Entertainment will have a positive influence on online satisfaction

2.8.7 Online satisfaction influence towards online loyalty

Berry (1993) indicates that a strong service quality increased the satisfaction level of customers. Satisfied customers will have a higher repurchase intentions, positive word of mouth and non price sensitive towards a particular retail store. Wong and Sohal (2003) stated that attracting new customers is far more expensive rather than retaining customers, that's the reason why satisfying customer is very important to keep customer loyal. In other words, online satisfaction is related with online loyalty. Based on the study above, the following Research Questions and hypotheses is formulated:

RQ7: Does online satisfaction have a positive influence on online loyalty?

H7: Online satisfaction will have a positive influence on online loyalty.