THE IMPACT OF TRUST FACTORS ON CUSTOMER LOYALTY IN B2C ECOMMERCE

by:

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ABSTRACT

This study is focused to investigate the impact of trust factors on customer loyalty in B2C ecommerce business. The study analyzes the effects of online customer satisfaction and customer trust as major factors influencing online customer loyalty. A documentary research format has been used. This study found that website quality and ease of use have a positive significant impact on online customer satisfaction and online customer trust. This study also shows that online customer satisfaction and online customer trust impact online customer loyalty significantly. This study also suggest that online merchant can improve loyalty of online customer by focusing their strategies on the satisfaction and trust of online customers. Results indicate that the perceived website quality has positive direct effects on both customer satisfaction and trust. In this work we present the theoretical and managerial implications of the findings. For conclusion we present the limitations of the research and some suggestions for future research.

Keywords: ecommerce, trust, customer satisfaction, loyalty, website quality, ease of use

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INTRODUCTION

In recent years the Internet and Web development have been the most exciting developments in the field of information and communications technology. With increasing Internet access, the use of ecommerce services by the population is booming globally. Ever since the introduction of ecommerce in the 1990s thanks to the World Wide Web (WWW), online trade has taken the world tremendously fast. Empowered by the Internet companies found it to be an effective way of communication between parties and ecommerce quickly spread out to most businesses. Ecommerce is very a cost-optimal way to promote and run a business (Rayport & Jaworski, 2004). According to The Internet World Stats (2018), there are over 4 billion Internet users world-wide with penetration rate of 54.4% ("World Internet Users Statistics and 2018 World Population Stats," 2018). In ecommerce, all internet users are potential customers to companies (Nguyen, 2014).

Technology innovations and the web utilization in our every-day lives have changed the manner by which the organizations transact and operate all around the globe. The online business has shown to be an option for customers who progressively have changed their customary business practices. The significant growth of online shopping makes the competition in this industry become more intense (Pratminingsih, Lipuringtyas, & Rimenta, 2013). The absence of trust creates difficulties for accepting internet shopping because of the clients being not able to touch or try a products or service before settling on the choice to buy it (Yánez, 2015). Providing quality service and building customer confidence leads organization towards enhancing customer trust and at the end trust make the customer loyal. After restraining the state of trust customer tends towards loyalty. (Sarwar, Abbasi, & Pervaiz, 2012).

Building customer confidence and providing quality website leads the organization towards enhancing customer trust and at the end trust make the customer loyal. After restraining the state of trust customer tends towards loyalty. (Sarwar et al., 2012). This research will be focused on which factors influence trust the most in leading customers toward loyalty.

The main goal of this study was to examine the idea of trust from different views with focusing on the impact factors that are significant to establish online trust. This research also intends to investigate the factors that influence customer loyalty in online service. Furthermore, to examine the influence of satisfaction, quality of website, ease of use and trust on customer loyalty in online shopping (Yánez, 2015).

This paper used documentary research format for investigating the influence of satisfaction, quality of website, ease of use and trust on customer loyalty toward online shopping. Although establishing initial trust is crucial in any online transaction, more research has to be focused on understanding how trust in ecommerce can be developed and then maintained over time (Yánez, 2015).

Ecommerce or online business can offer products and services online 24 hours daily diminishing costs related to staff and retail space and drawing in new shoppers. Since the exchanges are performed without individual contact and taking care of items, shoppers in the web-based business condition are more presented to issues identified with fraud or theft of credit card data, not getting delivered the correct items, and issues with returning products by mistakes made during the order process therefore building and maintain trust is crucial for business to survive (Pratminingsih et al., 2013; Yánez, 2015).

The marketing department of every company realizes that its cost lesser to retain the prior customer than getting in hands new customers (Sarwar et al., 2012). Maintaining customer loyalty has been recognized as one of the essential factors for business survival and growth (Pratminingsih et al., 2013).
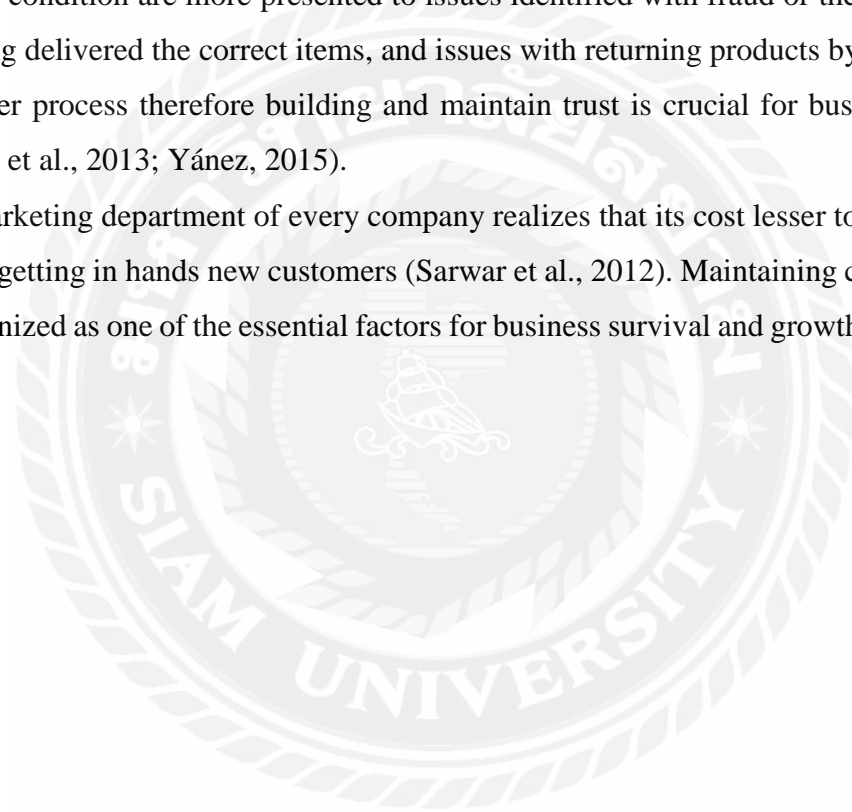
LITERATURE REVIEW

Ecommerce

Electronic commerce (ecommerce) has various definitions. Ecommerce can be defined as the use of electronic networks with the objective to simplify and fasten business processes, from the production of goods to their sale and delivery (Baršauskas, Šarapovas, & Cvilikas, 2008). Ecommerce is the use of internet and website to perform business transactions (Hidayanto, Herbowo, Budi, & Sucahyo, 2014). Therefore, ecommerce is kind of business model performed using modern technology and systems via internet as fundamental support. In order to get profits from selling online the activities there are three critical factors to be accomplished (Lynch, Kent, & Srinivasan, 2001). Online merchants have to attract potential buyers to visit and observe their online store. Online businesses must must also convert the shoppers to make the first purchase. Online businesses also have to ensure that the customers and shoppers will return and make more online purchases.

Trust

Trust is a willingness to take any risk in any types of relationship, which is based on the positive expectation one has for another for any future actions (Shafiee & Bazargan, 2018). From a business perspective, trust is the belief or expectation of a customer that the vendor will keep his words or promises and that no harm will be done against the customer in the future (Geyskens, Steenkamp, Scheer, & Kumar, 1996). As risk and uncertainty are always involved in online buying, developing trust level of online buyers is important because any of them may be subjected to the violation of trust during the transactions (Hidayat et al., 2016). Moreover, (F. Reichheld & Schefter, 2000) argued that the single most important factor for customers choosing an online supplier is trust. It is because in the online business with the absence of face-to-face contact, people need a lot of reassurance. Therefore, before online businesses begin to build a relationship with their customer, they need to show that customer trust to them.

Loyalty

Customer loyalty is a profound commitment to repurchase a favored product or service consistently in the future that makes the buyer choosing the same brand regardless situational effect and advertising efforts that lead them to choose another brand (Oliver, 1999).

All ecommerce business is faced with the question how to successfully gain a loyal customer. Xiao denotes it is more difficult and less efficient to get a customer in comparison to retain and maintain them, which the cost to gain a new customer will be five times bigger than the cost to retain a customer (Xiao, Guo, & Dâ, 2010). Another study by Reichheld and Schefter implies if a company could retain a customer for 5%, thereby increasing profit for 25-95% (F. Reichheld & Schefter, 2000). Thus, it is important to build a strategy for customer retention for company sustainability (Xiao et al., 2010). An essential key to gain a loyal customer is by building customer trust. Accordingly, trust is accentuated as a main factor determines customer loyalty from many literatures (Xiao et al., 2010). Building customer trust on ecommerce would be more difficult because this kind of business model might not provide a physical store that could be touched and felt by customers directly.

Customer Satisfaction

Customer satisfaction has been defined as an evaluation of the perceived discrepancy between prior expectations and the actual performance of the product as perceived after its consumption (Tse & Wilton, 1988), or as a global evaluative judgment about product usage/consumption (Hidayat et al., 2016). (Oliver, 1999) stated that satisfaction is a summary psychological state resulting from the condition when the emotion surrounding disconfirmed expectations is coupled with the customer's prior feelings about the consumption experience. Customer satisfaction has long been shown by marketing practitioners to be extremely important for a company to be able to stay in business as in the end products and services are meant to satisfy customers' needs or demands. In any business settings, customer satisfaction plays a vital role in a business success as it enhances customer trust, acts as initial for word-of-mouth spreading, and ensures repeat purchases (Nguyen, 2014). According to (Geyskens et al., 1996), customer satisfaction is directly related to interpersonal trust. It also appears to be the initial element to build trust. According to

another research paper, customer satisfaction is expected to have a positive effect on trust in the online business context (Seetharaman et al., 2017).

Website Quality.

Web site quality from the customer's point of view refers to the entire perceived quality of the web site (Poddar, Donthu, & Wei, 2009). Sinha pointed out that website quality should be examined in accordance with the quality of content, structure and navigation, and functionality (Sinha, Hearst, Ivory, Draisin, & Awards, 2001). Content refers to the information showed on the website which should be engaging, relevant, informative, useful and appropriate for the customer. Structure and navigation includes organization's information on the site and the instructions that help users move through sections on the site in a quick and easy way to check in depth the website content. So, websites are qualified as consistent and effective when they have a good structure and navigation. Functionality involves the use of technology on the site in order to provide some features as content's load quickly, live links, and any new technology used to increase functionalities and give more relevance to the site.

Ease of use

It has been defined as the degree to which a person believes that using a particular system would be free of effort (Davis, Bagozzi, & Warshaw, 1989). Ease of use is a critical factor in terms of customer usage and experience with regard to computer technology and especially critical to customers who are new comers to such technology (Nguyen, 2014). Shankar found that ease of obtaining information has a greater positive impact on overall customer satisfaction when the service is chosen online than offline (Hidayat et al., 2016). (Liu, 2007) also found that information quality has significant impact on customer satisfaction in Chinese context. Website design and its ease of use produce positive outcomes to online satisfaction and it became one of the greatest effects on the online satisfaction. Design of the website is related with customer perception of the organization and order at the site (Sfenrianto, Wijaya, & Wang, 2018). Another research found that the user interface quality influences the customer satisfaction directly, since it provides physical evidence of the service provider's competence as well as facilitating effortless use of the service (Hidayat et al., 2016).
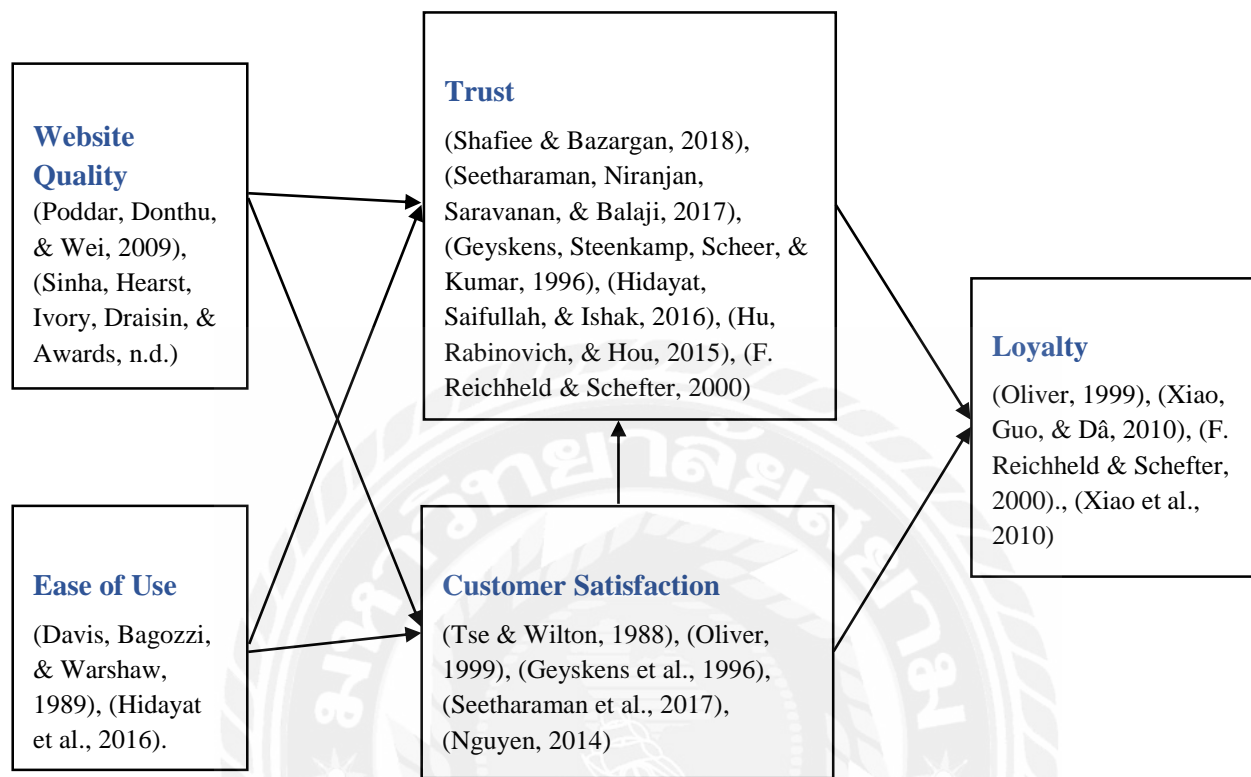
FINDINGS

Figure 1: Model used as a guideline for this research

This chapter used documentary research and compared results which related to the study of the impact of trust factors on customer loyalty in B2C ecommerce. The result has shown that a global level, customer loyalty (e.g. customer retention) is generally very strongly related to the profitability and long-term growth of a firm (F. Reichheld & Schefter, 2000). As such, it is not surprising that customer loyalty has been found to be a critical asset for ecommerce businesses. Attracting and retaining the attention of online shoppers who skim virtual shelves is not an easy task, and without a strong incentive for online shoppers to visit a website and without an anchor to keep customers on it, e-retailers may struggle retaining them in an increasingly competitive e-market. However, what can logically improve customer loyalty though is maximizing customer satisfaction and trust. This study generally focuses on the literature review of customer loyalty, trust, customer satisfaction, ease of use and website quality in B2C ecommerce.

Satisfaction is positively associated with loyalty. It has been confirmed that customer satisfaction is one of the major antecedents of loyalty (Liu, 2007). Satisfaction and trust are conceptually connected. The study also revealed that though satisfaction commitment relationship is not so strong, but still, increase in satisfaction level enhances the commitment and trust of customers (Delgado-Ballester & Luis Munuera-Alemán, 2001). Commitment to a preferred online service develops loyalty for that service provider. The evidence that increased commitment level enhances customer loyalty (Lee, Huang, & Hsu, 2007). The results show that trust and customer loyalty are conceptually connected and have positive significant relationship. Based on the findings, satisfaction, trust and commitment are very important variables for online shopping. On line shopping managers should take into account that both customer satisfaction and trust are required because both will influence commitment and loyalty. Previous research (Eid, 2011), has pointed out that ease of use, will influence online satisfaction. Thus, creating and maintaining satisfaction through its antecedents is an appropriate and necessary strategy for establishing customer satisfaction. Studies on customer online experience (Eid, 2011) have shown that good experience produced by website quality on on-line shopping has positive and significant influence on trust and loyalty. User interface quality of the website and its ease of use also has a positive significant influence on online customer trust. It means that the higher the level of website quality perceived by online customer, the higher the levels of online customer trust. This finding is in line with (Hidayat et al., 2016) that support that there is a strong relationship between website quality and trust.

CONCLUSIONS AND RECOMMENDATIONS

The research for this study, especially when tested and refined by future work, will help the academics who are studying the topic, and businesses using the ecommerce sites and their customer retention via loyalty. From academic perspective, the study will add to the ecommerce research an overview of factors influencing trust, satisfaction and loyalty that need further to be investigated to reach excellence in ecommerce. From the business perspective, businesses can implement the findings of this research in order to improve the customer loyalty which leads to improve the competitive advantages and achieve higher performance. This project explores the factors that affect customer trust, satisfaction and loyalty in ecommerce.

From the result of the research, it can be concluded that website quality and ease of use have positive significant impact on online customer satisfaction and trust. Online customer satisfaction and online customer trust are also found to influence online customer loyalty significantly.

The results of this study suggest that online merchant can increase the loyalty of online customer by focusing their strategies on the satisfaction and trust of online customer, because the increase of satisfaction and trust of online customer will lead to increase of the customer loyalty. To obtain the satisfaction and trust, it is suggested to develop the key factors affecting it. This study found that satisfaction and trust of online customer can be obtained by increasing website quality, ease of use which significantly lead to customer trust and customer satisfaction (Clemons et al., 2016).

Marketing managers in website media can focus on those factors that can lead to the higher satisfaction and trust of online customer and further extend the loyalty of their customers.

To increase loyalty in ecommerce business by customer trust and customer satisfaction a website must provide market transparency (visibility of potential supply chain, market information and companies' behavior that can reduce traditional market inefficiencies), self-regulation for ethical business (rating and feedbacks systems, reputation building mechanisms), more efficient decision making (precise and in time information from the market), increase the flexibility and speed of business transaction (Delina, n.d.).

Any industry, could saw the benefits ecommerce at its highest level as companies can use the Internet to deliver products and services to their customers. They can have commonly

rewarding relationships with customers they have never seen, met, or spoken to. The entire relationship can successfully exist in online.

In carrying out this study, the researcher accepted that many limitations have been confronted. First, the data gathered in this study mostly came from limited number of research papers due to the time restraints given to finish the research. It may not be complete representative of general ecommerce impact factors on customer trust and customer satisfaction that most likely lead to customer loyalty. Second, another factor may influence the poor indication of fit model is because the current model does not include many other potentially impacting factors.

For the future study, it is suggested to add or modify another several important factors that may influence and determine online customer satisfaction, online customer trust, and online customer loyalty. Review of previous study found that there are many other factors that may affect and become the antecedents of online customer satisfaction, online customer trust, and online customer loyalty. Whereas in this research, the proposed antecedent and factors influencing online customer satisfaction and online customer trust are limited to website quality and ease of use. The research model in this study is suggested to be modified and developed to become a better research construct model.
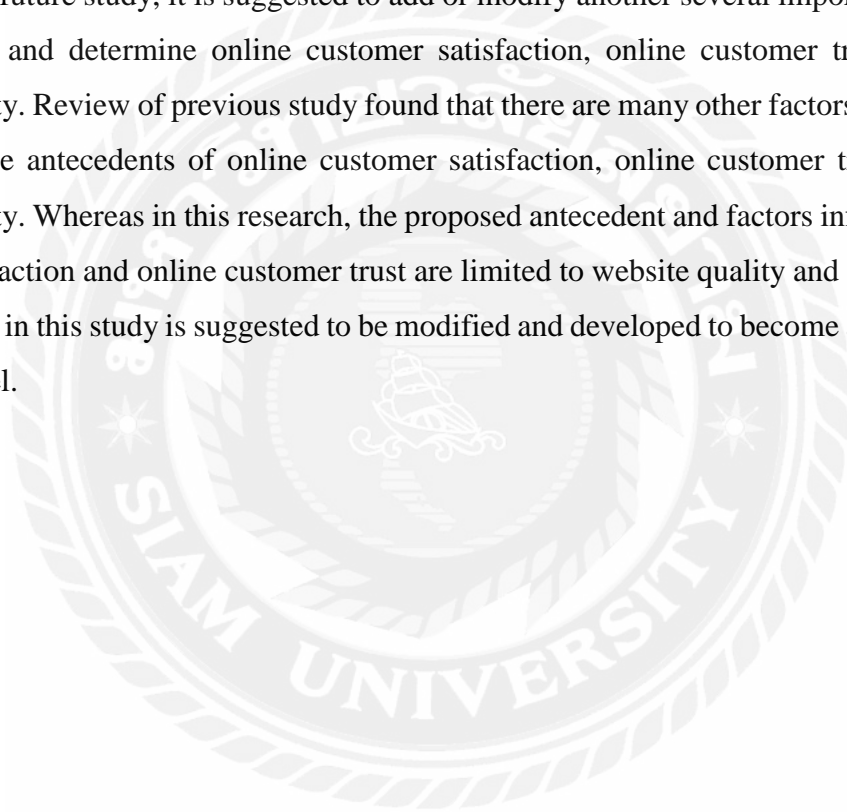
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