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A Study of Customer Loyalty in E-Commerce Era

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ABSTRACT: Customer Loyalty plays a prominent role in driving the success and growth of the organisation. This study aims to understand customer loyalty, factors influencing loyalty towards e-commerce platforms, customer preference for online shopping and data privacy affecting brand loyalty. A convenience sampling of 100 was taken from Chennai in Ambattur, Anna Nagar and Mylapore. Percentage analysis was done along with ANOVA, Correlation, Independent T-test and Chi-square. There is a significant difference between age and loyalty programs that allowed the customers to earn rewards. There is a significant association between gender and decision to recommend the e-commerce platform to friends and family. The females are more likely to switch to different online store after making a purchase when compared to males.

KEYWORDS: Customer Loyalty, Customer satisfaction, Customer trust, Word of mouth.

I. INTRODUCTION

Customer loyalty is crucial for e-commerce businesses in today's competitive landscape. E-commerce stores need to focus on providing a positive customer experience at every touchpoint to build a loyal following. Loyal customers spend more, are less price-sensitive, and promote business through word-of-mouth. Acquiring new customers is expensive, so retaining existing ones is more cost-effective. When people trust a company, they feel more comfortable shopping online. They think the company will keep its promises, conduct secure transactions, and offer reasonable return policies.Trust inspires confidence in the company's knowledge and capacity to satisfy customer demands. This confidence encourages customers to return for future transactions..Trust promotes a favourable image of the brand. Customers see the company as dependable and trustworthy, making them more inclined to suggest it to others. Overall, customer loyalty is essential for sustainable growth and success in e-commerce.

II. OBJECTIVES

- To identify the key factors that contribute to customer satisfaction, trust, and customer loyalty in the e-commerce era.

- To examine the elements that influence customer preference for e-commerce platforms.

- To determine how frequently customers recommend e-commerce to others through word of mouth.

III. LITERATURE REVIEW

Reichheld & Sasser, 1990 Customer loyalty has been recognized as a key path to profitability. The high cost of acquiring customers makes customer relationships unprofitable during early transactions. Only during later transactions, when the cost of serving loyal customers falls, relationships generate profits. With millions of web sites clamoring for attention, e-retailers have a tenuous hold at best on a large number of "eyeballs." In order to reap the benefits of a loyal customer base, e-retailers need to develop a thorough understanding of the antecedents of e-loyalty, that is, customer loyalty to a business that sells online. Such an understanding can help e-retailers gain a competitive advantage by devising strategies to increase e-loyalty. The main objectives of this research are to identify those managerially actionable factors that impact e-loyalty and investigate the nature of their impact.

Morgan and Hunt 1994 states that trust is a perception conditioned by customers further confirmed satisfaction of online experience. If online customers are more satisfied with products and services, they are more willing to build trust towards the vendor that make consumers more comfortable in sharing information, making decision and accepting the vendor's offering. Trust is also an essential foundation of making repeated purchase. The accumulation of satisfaction

gives rise to increasing the level of trust in the firm's reliability and stability of performance. Trust is an important determinant of e-loyalty construction. It reduces the perceived uncertainty and risk in the case of online transaction. Zeithamlet al.1996 states that the urgency to gain and retain online customer is considered critical in e-commerce. No relationship can be built online without trust. Privacy and security issues are two very significant components of trust building. Weak management of privacy exposes the incapacity of a website to retain customers. Website may post statements that clearly clarify the privacy and security policies. Third-party certification could help to provide guarantees for the online transactions. Security issues have been the core concerns in most transaction systems. Customers want to be protected from hackers during and after the online purchase.

Hill Roche & Allen 2007 defines customer satisfaction as a crucial component of a business strategy as well as customer retention and product repurchase. To maximize the customer satisfaction companies should sell ideas and methods after the completion with all necessary documents. As for example, customers will buy a car after taking a closer look as it such as how is the engine, what is its model, how many kilometers it has been travelling, and are there any cracks or not. Therefore, they do not feel disappointed after purchasing it. Otherwise, if the company uses only their sell and build method customers might expect that the car is exactly the same as what they see in the pictures or during the exhibition and later on the company might receive complaint if anything is wrong. Customer satisfaction is a barometer that predicts the future customer behaviour.

Thaichon and Quach 2015 examine how to improve the quality of customer relationships and retention through marketing communications. They argue that enhanced marketing communications affect customer satisfaction and confidence and thus the organisation's success in retaining customers. Furthermore, marketing contacts have direct and indirect implications for the brand and brand loyalty. Several studies suggest that regular personalised emails, among other personalised online communication strategies, allow a firm to improve its relationship with its customers by enhancing customer satisfaction, suggesting that loyaly improves the relationship between firms and their customers.

Pandey and chawla 2018 identified that e-negative beliefs, e-self-inefficiency, e-logistic ease, e-convenience , e-enjoyment, and informativeness as determinants of the online customer experience, influencing customer loyalty either directly or indirectly through satisfaction and loyalty varies across contexts. Roy et al. (2014) have developed an experimental model to examine the relationship between various dimensions of the electronic service responsible for the success of an information system. They find that website quality, adherence to the website, word of mouth and perceived website quality positively impact the intentions to maintain relationships with an e-retail website.

IV. RESEARCH METHODOLOGY

This study uses a descriptive design to understand customer loyalty in e-commerce. It focuses on a diverse sample across age, gender, and location to describe customer loyalty in e-commerce.. A quantitative approach gathers numerical data from respondents residing in Ambattur, Anna Nagar, and Mylapore. The primary data was collected through questionnaire with closed-ended, Likert-scale questions and multiple choices. Secondary data was used for literature review and introduction.. A convenience sampling approach, with 100 as sampling size was used in the study..Percentage analysis was done along with ANOVA, Correlation, Independent T-test and Chi-square.

V. RESULTS AND DISCUSSION

5.1 ANOVA:

H0 - There is no significant difference between age and website's loyalty programs that allowed the customers to earn rewards.

H1 - There is a significant difference between age and website's loyalty programs that allowed the customers to earn rewards.

ANOVA

What are the reasons that made you satisfied and choose the particular website over other websites? [The website had a loyalty program that allowed me to earn rewards.]

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	15.278	5	3.056	2.657	.027
Within Groups	109.237	95	1.150		
Total	124.515	100			

Inference: As the significant value is less than 0.05. H1 is accepted and H0 is rejected. Therefore there is significant difference between age and loyalty programs that helped them to earn rewards.

5.2 CHI- SQUARE TEST

H0- There is no significant association between gender and their recommendation of e-commerce platform to others.
H1 - There is a significant association between gender and their recommendation of e-commerce platform to others.

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	4.183[a]	1	.041		
Continuity Correction[b]	2.608	1	.106		
Likelihood Ratio	6.298	1	.012		
Fisher's Exact Test				.079	.044
Linear-by-Linear Association	4.142	1	.042		
N of Valid Cases	101				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 2.38.

Inference: The chi-square tests reveal that there is significant association between gender and the chance of recommending the platform to friends and family. As the significant value is less than 0.05, H0 is rejected. Therefore there is significant association between gender and decision to recommend the e-commerce platform to friends and family.

5.3 INDEPENDENT T TEST

H0- There is no significant difference between gender and their decision to switch to different online store after making a purchase
H1- There is a significant difference between gender and their decision to switch to different online store after making a purchase

Group Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean
why would you recommend that particular e-commerce platform? [The platform features strong loyalty programs, rewarding you for your continuous patronage.]	Male	61	3.30	.955	.122
	Female	40	3.58	1.010	.160

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means							
						Significance		Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
		F	Sig.	t	df	One-Sided p	Two-Sided p			Lower	Upper
Have you ever switched to a different online store after making a purchase?	Equal variances assumed	20.128	<.001	2.038	99	.022	.044	.186	.091	.005	.366
	Equal variances not assumed			2.137	95.268	.018	.035	.186	.087	.013	.358

Independent Samples Effect Sizes

		Standardizer[a]	Point Estimate	95% Confidence Interval	
				Lower	Upper
Have you ever switched to a different online store after making a purchase?	Cohen's d	.448	.415	.011	.817
	Hedges' correction	.451	.412	.011	.810
	Glass's delta	.385	.482	.067	.892

a. The denominator used in estimating the effect sizes.
Cohen's d uses the pooled standard deviation.
Hedges' correction uses the pooled standard deviation, plus a correction factor.
Glass's delta uses the sample standard deviation of the control (i.e., the second) group.

Inference: The independent sample t-test shows a statistically significant difference in the chance of switching to a different online retailer after making a purchase between the two groups. As the significant value is less than 0.05. H1 is accepted H0 rejected. The mean value is showing a higher value for female than male. Therefore, the females are more likely to switch to different online store after making a purchase when compared to males.

FINDINGS

- Switching Platforms: 71.3% switch stores after purchase, potentially due to poor experience or service.

- Loyalty Programs: 82.2% value loyalty programs when choosing e-commerce over physical stores.

- Product/Service Quality: Satisfaction ranged from "Very Satisfied" (40%) to "Not Satisfied" (6%).

- Free Shipping: Satisfaction ranged from "Very Satisfied" (42%) to "Not Satisfied" (4%).

- Loyalty Programs: Satisfaction ranged from "Very Satisfied" (33%) to "Not Satisfied" (9%).

- Fast Delivery: Satisfaction ranged from "Very Satisfied" (42%) to "Not Satisfied" (5%).

- Secure Payment Methods: Considered "Very important" by 33%.

- Data Security Measures with Favorable Ratings: Considered "Very important" by 39%.

- Strong Reputation and Positive Brand Image: Considered "Very important" by 45%.

- Responsive and Helpful Customer Support: Considered "Very important" by 35%.

- Transparent and Proactive Communication: Considered "Very important" by 38%.

- Quality of Products and Services: Considered "Very important" by 37%.

- User-friendly experience, efficient customer service, product variety, fast delivery, positive reviews, competitive prices, and strong loyalty programs are all seen as "Very important" for recommending a platform.

- Anova results demonstrate there is significant difference between age and loyalty programs that helped them to earn rewards.

- Chi- square results demonstrate there is significant association between gender and decision to recommend the e-commerce platform to friends and family.

- Independent T test shows, the females are more likely to switch to different online store after making a purchase when compared to males

- The correlation result demonstrates significant positive associations between several elements that contribute to confidence in an e-commerce platform. Offering secure payment methods and positive brand image are positively and significantly correlated with trust and with r value " .811" and p value is <.001. Whereas, Quality of products/ services and responsive customer service support are positively and significantly correlated with trust with r value ".856 " and p value is <.001 . Along with Transparent & proactive communication and product/service quality are positively and significantly correlated with trust with r value".844" and p value is <.001.

VI. CONCLUSION

This study explored factors influencing customer behaviour in e-commerce, focusing on loyalty, platform preference, trust, and recommendations. Loyalty programs significantly impact satisfaction and website choice, warranting further investigation into their effectiveness. Secure payment methods and strong brand image are correlated with customer trust, highlighting the importance of robust security and brand building for e-commerce businesses. Additionally, high-quality products, responsive customer service, and transparent communication are crucial for building trust. The study found a association between gender and recommendations, but further research is needed to identify the key drivers of customer recommendations in e-commerce.

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