

**TRAVERSING E-COMMERCE IN INDIA: AN EMPIRICAL STUDY EXPLICATING THE ENIGMA OF
SATISFACTION LOYALTY PARADIGM IN E-TAILING FOCUSING GENERATION-Y CUSTOMERS IN
LUCKNOW, UTTAR PRADESH, INDIA**

THESIS

SUBMITTED TO

BABASAHEB BHIMRAO AMBEDKAR UNIVERSITY

(A CENTRAL UNIVERSITY)

LUCKNOW

**BABASAHEB
BHIMRAO
AMBEDKAR
UNIVERSITY**



**• LUCKNOW •
प्रज्ञा शील करुणा
ESTABLISHED 1996**

FOR THE AWARD OF THE DEGREE OF

DOCTOR OF PHILOSOPHY

IN

MANAGEMENT

SUPERVISOR

DR. M. S. KHAN

ASSOCIATE PROFESSOR

HEAD OF DEPARTMENT

SUBMITTED BY

UROOJ AHMAD SIDDIQUI

RESEARCH SCHOLAR

ENROLLMENT NO. – 156/14

DEPARTMENT OF RURAL MANAGEMENT

SCHOOL FOR MANAGEMENT STUDIES

BABASAHEB BHIMRAO AMBEDKAR UNIVERSITY

(A CENTRAL UNIVERSITY)

RAEBARELI ROAD, LUCKNOW, U. P. – 226025, INDIA

2018

ABSTRACT

Keywords: E-Commerce, E-Tailing, Multi-dimensional PERVAL, Satisfaction-Loyalty Antecedents, Perceived Value-Relational Quality Moderation.

Dawn of the 21st century has seen rise of internet across the world and it would not be wrong to say that India has witnessed a meteoric growth of internet users. One of the important applications of internet technology is e-commerce specifically online retailing. Following the trends worldwide, it is also growing in India with leaps and bound. In the last five to seven years, it has gained a considerable market in India. As per the latest report of ASSOCHAM and Forrester 2016, Indian e-commerce market will grow from a current level of USD 30 billion to whopping USD 120 billion by 2020 at an astonishing CAGR of 51% which is highest in the world. This 4-fold growth in e-commerce would mainly be fuelled by online retailing on the back of increasing internet penetration and changing lifestyles leading to sharp rise in online sales. The basic reasons for this growth is the benefits gained from online shopping, affordable & easy access to internet and proliferation of internet accessible devices like computers, tablets and smartphones and reducing data prices. Launch of 'Flipkart' in 2007, the largest online retailer in India is seen as one of the milestones that has changed the way of life of people. A consumer has been exposed to an altogether different level of experiences and the benefits online buying offers, it has changed the way consumers behave and make decisions. The sizeable market and growth potential in India have also attracted competition from different players like Snapdeal, Jabong, Myntra, Limeroad etc. The competition is further heightened by entry of international giants like Amazon and E-Bay, leading to tough competition in the segment. The excruciating competition is eating-up the profits of the online retailers and with low switching cost customer loyalty is eluding from the players. This study tries to address these aspects of online retailing and it is an attempt to study the online consumer behavior in the current context analyzing the factors that affect customer satisfaction, loyalty and their relationship.

Literature Review: literature related to factors affecting customer satisfaction, loyalty, and their relationship is reviewed. Among many factors, two important factors – perceived value and relational quality are identified and considered in the study. Perceived value is represented by service performance value, price value, emotional value and social value whereas relational quality is represented by customization, interaction and loyalty incentives. Several research

papers, theses and other publications have been explored for review of literature both through online and offline mode. In consonance with the literature and based on the established relationships among the considered factors, a research model is developed and tested empirically to establish the proposed linkages and test the hypotheses.

Objectives: The purpose of this research is to study and explain the online satisfaction and loyalty related consumer behavior and analyse the factors that affect them. The specific objectives of the study are:

1. To study and examine the current status and trends in E-Commerce in India with special reference to E-Tailing.
2. To study and analyse online buying behavior of customers.
3. Objective three consists of two parts
 - a. To validate modified PERVAL scale to measure perceived value and relational quality scale in online retailing context.
 - b. To analyze perceived value and relational quality on the basis of demographic factors.
4. To evaluate and estimate the proposed research model:
 - a. To analyze the effect of e-satisfaction on e-loyalty.
 - b. To analyze the effect of perceived value and relational quality on e-satisfaction and e-loyalty.
 - c. To analyze the post loyalty behavior.
 - d. To analyse the moderating role of perceived value and relational quality on e-satisfaction and e-loyalty relationship.

Research Methodology: typically a research design consists of the three main components – the sampling design, the observational design and the statistical design. The research design for this study is covered under following main heads:

1. Sample and data collection technique:
 - a. Sampling technique: convenience, purposive and snowballing.
 - b. Sample size: initially collected 445, reduced to 410 after data cleaning.

- c. Primary data collection: tool – consumer survey through questionnaire; administered through both personal and e-mail; source – from professional institutes of Lucknow, specifically from management institutes’ students, faculty and any other identified online buyer.
 - d. Secondary data: journals, reports, magazines, online resources, news papers, etc.
2. Questionnaire or survey design: the questionnaire is designed as per the objectives. It consists of two sections: first section recorded the demographic details and the characteristics related to online buying behavior; second section consisted of instruments to measure behavioral variables considered in the model.
 3. Measurement: multi-item five point Likert type scale was used to measure behavioral or psychographic variables and the instruments were either adopted from the literature or developed in accordance with the literature.
 4. Estimation and hypothesis testing approach: structural equation modeling approach (SEM) was employed to test the hypotheses. Anderson and Gerbing’s (1988) two steps approach was applied for SEM.
 5. Other research tools: content analysis, t–Test, ANOVA, Chi Square Test, Cluster analysis and Fisher’s Z-transformation analysis.

Key Findings: findings are arranged as per the objectives. This section presents the findings of objectives 2, 3 and 4 which are analytical in nature. Objective 3 of the study was to analyse online buying behavior and the analysis reveals that:

- Most of the customers shop online on a regular basis, 30% search internet daily and 40% twice a week. 84% bought online in the last 3 months.
- The average spending of customers in the last three months was found to be Rs. 4907 which is quite astounding given the Indian conditions.
- It was found that Flipkart was the most visited retailing website as rated by 45% respondents followed by Amazon with 27.5%.
- As expected, more than half, 56.3% of online customers buy from more than one website.
- 83.2% of the customers use smart phones for shopping and 70% prefers it for online shopping.
- 91% think that online shopping helps in time management in their busy life schedules.

- Analysis of the most purchased category online shows that ‘Clothing, Apparel & Accessories’ is the most purchased category followed by ‘Computers, Mobiles, Tabs & Accessories.’

The impact of demographic factors on online buying behavior or characteristics was studied separately for each characteristic and it was found that

- ‘Online Search/Shopping Frequency’ was independent of demography of the online consumers.
- ‘Preference for most visited websites’ was significantly associated with only gender of an online customer.
- ‘Buying from More than One Website’ was found to be significantly associated with age, employment status and monthly income of online customers.
- ‘Use of Smart Phone’ for online shopping was found to be significantly associated with age, education, employment status and monthly income of online customers.
- ‘Preference of Smart Phone’ for online shopping was found to be significantly associated with age, education, employment status and monthly income of online customers.
- ‘Time Saving Perception’ of online shopping was found to be significantly associated with only monthly income level of an online consumer.

Objective 3 was to validate the developed scale to measure different factors considered in the study. First, an exploratory factor analysis (EFA) was performed on 31 items (validated in the pilot study) on a sample size of 410 using SPSS 20. Analysis at a glance:

- Initial results shows only 7 factors could be extracted using Kaiser’s criteria explaining 61.3% of the variance against proposed 11 factors.
- Employing Joliffe’s criteria 11 factors could be extracted with 72.5% of the variance explained. This solution was accepted and only 29 items could be retained.
- Factor scores were obtained through regression method and were used further to determine the effect of demography on perceived value and relational quality.

Next, a confirmatory factor analysis (CFA) was performed, using AMOS 23 on the 29 items retained in EFA. The only purpose of conducting CFA here was to assess the significance of

relationship between the item (observed variable) and the construct (unobserved factor) it is measuring. Analysis at a glance:

- First the CFA model was identified, absolute, relative and parsimonious fit index were assessed, and it was observed that 8 out of 9 fit indices were in acceptable range.
- It was concluded that the 29 item scale validated through EFA and CFA, may be employed in the current e-tailing context to measure the respective concepts especially perceived value with four dimensions (service performance value, emotional value, price value and social value) and relational quality with three dimensions (customization, interaction and loyalty incentives) along with customer satisfaction, loyalty and posy loyalty.

Objective 4 of the study was to estimate the proposed model, Anderson and Gerbing's (1988) two step approach was followed to estimate the model, first measurement model (CFA) was tested and then testing a structural model was done using AMOS 23. Analysis at a glance:

- CFA model was identified, absolute, relative and parsimonious fit index were assessed and it was observed that 8 out of 9 fit indices were in acceptable range.
- Initially a total of 29 items, pre-validated in EFA were entered in CFA, however, to establish the convergent and discriminant validity of the constructs, the scale had to be refined further and after much iteration, 3 more items were deleted.
- The final output of the CFA ascertained structure of the 11 constructs considered in the study and correlation between these constructs was determined. It was found that all the constructs correlate among themselves either at a significant level of .05 or .001.
- Therefore, it may be concluded that the 26 item scale (of the 31 items originally considered) developed in the present study to measure 11 latent factors, is valid in the current e-tailing context and may be employed to measure the respective constructs.
- And since correlation among these constructs was also significant we may proceed to analyze the interrelationship among these constructs through structural model.

The hypothesized relationships among 11 factors, measured through 26 items validated in measurement model were tested through structural model (SM) using AMOS 23. Analysis at a glance:

- First the SM model was identified, absolute, relative and parsimonious fit index were assessed and it was observed that 8 out of 9 observed fit indices were in acceptable range.
- Model estimation was done using Maximum Likelihood method; all the relationship coefficients were estimated.

Since overall the model was satisfactorily fit, the estimated parameters were analyzed for significance, direction and magnitude of the relationships. It was found that:

- E-satisfaction had a significant and positive effect on e-loyalty, ($\beta = .77, p < .000$). ES explains approximately 59% of variance in EL.
- It was observed that all the perceived value dimensions have a significant effect on ES. The effect of SPV ($\gamma = .33, p < .001$), PV ($\gamma = .21, p < .05$) and EV ($\gamma = .22, p < .05$) on ES is positive and significant. It was interesting to know that the effect of SV ($\gamma = -0.16, p < .05$) is significant but negative.
- It was very interesting to know that none of the perceived value dimensions were found to have a significant impact on e-loyalty. The effect of SPV ($\gamma = .08, p > .05$), PV ($\gamma = .14, p > .05$), EV ($\gamma = .15, p > .05$) and SV ($\gamma = .08, p > .05$) were all found to be insignificant.
- Relational quality was having three dimensions, two of them customization ($\gamma = .27^{**}$) and interaction or communication ($\gamma = .19^{**}$) were found to have a positive and significant relationship with e-satisfaction while the impact of loyalty incentives ($\gamma = .10^{\wedge}$) was not significant.
- It was also very interesting to know that none of the relational quality dimensions had a significant impact on e-loyalty. The effect of CUS ($\gamma = .16, p > .05$), INT ($\gamma = .03, p > .05$) and LI ($\gamma = .01, p > .05$) were all non significant.
- The impact of e-loyalty on 'consumer's search for information' and 'willingness to pay higher was found to be significant ($\beta_1 = .70, p < .001$ & $\beta = .395, p < .001$ respectively).

To study the moderating role of perceived value and relational quality on ES and EL relationship, first of all a Cluster Analysis was done using SPSS to divide PcV & RQ into two groups and then **Fisher's Z-analysis** was done to test the significance of difference between the correlation coefficient of the groups.

- It was observed that correlation between e-satisfaction and e-loyalty for all the clusters was significant.
- For low perceived value the correlation is 0.76 and for high perceived value it is 0.93. The Fisher's Z-coefficient for these values is 0.99 and 1.68 respectively. These two correlations are significantly different with Fisher's z-value 5.89, one tailed $p < 0.000$.
- For low relational quality is the correlation is 0.81 and for high perceived value it is 0.9. The Fisher's Z-coefficient for these values is 1.12 and 1.47 respectively. These two these two correlations are significantly different with Fisher's z-value 3.08 one tailed $p 0.001$.
- Therefore it may be concluded that perceived value and relational quality have a significant moderating effect on the relationship between customer satisfaction and customer loyalty in online context.

Implications: From theoretical point of view, the study provides empirical evidence that e-satisfaction is a significant predictor of e-loyalty manifested by re-purchase intention and positive word of mouth. The obtained result is in consonance with Anderson and Srinivasan (2003), Kim (2005), Kim & Lennon (2006), Sahadev and Purani (2008), Chang, Wang and Yang (2009), Kim et al. (2011) and Gera (2011). It implies that only a satisfied customer may further go to have re-purchase intentions and also act as an advocate for positive word of mouth. Oliver (1999) also concluded that though e-satisfaction is significant predictor of EL but loyalty can only be achieved with the presence of other factors. Hence it may be implied that satisfaction is necessary condition for attaining customer loyalty in e-tailing settings also. This is where the role of other factors like perceived value and relational quality comes in between the relationship of ES and EL. These other factors may provide the sufficient conditions for a customer to be loyal in online settings.

The study provides empirical evidence to the theory that all the four dimensions of perceived value service performance value, price value, emotional value and social value are significant predictor of e-satisfaction. The result concerning service performance value supports the findings of Chang, Wang and Yang (2009), Chang & Wang (2011) and Carlson, O'Cass & Ahrholdt (2015). The study also provides empirical evidence to the theory that two dimensions of relational quality – customization and interaction with customers are significant predictor of e-satisfaction the third dimension of loyalty incentive was not found to be a significant predictor.

The finding regarding customization is consistent with the previous studies like that of Srinivasan et al. (2002), Kim et al. (2005), Kim et al. (2007) and Kim, Kim & Kandampully (2011). The main implication for the marketers is to understand the effect of each dimension of perceived value and relational quality separately. The relative importance of each dimension is also brought about along with effect of demographics of the online customers. Online retailers can strategize in a much better way after understanding the dynamics of each dimension along with the demographic orientations of online customers.

The study could not find any empirical evidence about the direct effect of perceived value and relational quality dimensions on e-loyalty. The results do not support the findings of Srinivasan, Anderson and Ponnnavolu (2002) who found significant and direct association of several variables (customization, contact and choice etc.) with loyalty in online context. On the other hand the study supports the findings of Kim, Kim & Kandampully (2011) who did not find a direct relationship between environmental characteristics (customization, communication) and e-loyalty. Kim, Kim & Kandampully (2011) also established the mediating role of satisfaction between environmental characteristics and e-loyalty. From theoretical point of view it provides important input that though the perceived value and relational quality dimensions have direct effect on online satisfaction they are not directly associated with the online loyalty. These results indicate the mediating role of satisfaction between perceived value and relational quality and e-loyalty. These results need to be confirmed through the analysis of direct and indirect effects in future studies which is not the scope of this study. From a marketers point of view it should be understood that satisfaction is the ladder through which customer loyalty can be achieved. Consecutively satisfaction can be created through increasing the perceived value of online purchasing and cultivating excellent customer relationships or relational quality.

The study provides empirical evidence regarding the moderating effect of perceived value and relational quality on loyalty-satisfaction relationship. These results are consistent with that of Anderson & Srinivasan (2003), Chang et al. (2009), Chang & Wang (2011) and Chen (2012). For online retailers also these results are quite important. Though the relationship between satisfaction and loyalty is significant both in traditional and online settings, it differs in nature on different counts like that of human less interaction and low switching costs leading to high shifts in loyalty and that of split loyalty in online context. Switching to other retailer in traditional

retailing involves a lot more efforts in terms of retailer search and interaction than that of in online retailers where an e-tailer may be switched with certain clicks of mouse. Now that the impact of e-satisfaction on e-loyalty is stronger for higher level of perceived value and relational quality group, e-tailer should give more importance to perceived value and relational quality dimensions in accordance with the implications discussed regarding these dimensions in the above sections.

Another important and interesting finding of the study is about the post loyalty behavior of customers. The study provides empirical evidence that if consumers are loyal they are not involved in the 'information search' about competitor and they are 'willing to pay higher prices on the favorite website'. The results support the findings of Anderson and Srinivasan (2003). These findings have important implications for marketers also. The empirical evidences establish that consumers having favorable attitude towards the online retailers lead to the compliant and favorable consumer behavior towards the retailers. Providing adequate level of services to the customers and satisfying them to delight customers goes a long way to extract favorable behavior of customers. The findings have two main implications for marketers – less dependence on discount pricing to attract customers' and 'providing an edge over competitors.'

Limitations and Future Directions: the major limitation of the study is the application of non probabilistic sampling technique. This limits the generalization of the conclusions. The other limitation is the paucity of resources, specifically finance and time leading to conduction of the study under various constraints. Consideration of only two predictors of satisfaction is also one of the limitations of the study. For future researchers it is recommended to include factors related to service quality and online environmental characteristics in the model; to analyse mediating effect of satisfaction through the study of direct and indirect effects, multi group analyses, higher order analysis may be done to measure perceived value and relational quality as higher order factors; considering loyalty as a two dimensional construct, and inclusion of other demographic groups other than Gen-Y will enhance the understating of behavior of various customer groups. Future researches may adopt random sampling from sampling frame or a consolidated list of online buyers to enhance the validity of the findings leading to further generalization. Additionally, researches might be done in various Indian cities to further validate the findings of this study.