Antecedents Of Customer Loyalty In A Digital Environment

Benjamin Odei Appiah

University Of Gavle, Gavle Sweden

Abstract:

Aim: This research seeks to propel a new model which will aid in the selection of antecedents of customer loyalty in a digital environment by businesses.

Methodology: The study uses a descriptive meta-analysis format of research. 9 previous studies in the area of the study are integrated and analyzed for plausible conclusions to be attained.

Result & Conclusions: Customer loyalty can be developed mainly by critically assessing the factors which influences the characteristics of customer. This helps in the further development of relational variables which in turn lead to increased perceived value of the customer and ultimately develops the loyalty of the consumer. Finally, the business stands, to gain immensely from the loyal customer.

Suggestions for future research: Future research could ascertain if the relationship between customer loyalty and profitability of firms is linear. Moreover, Future research could also determine the mathematical correlation of the factors identified in my proposed model.

Keywords: Customer Loyalty, Digital Environment and Digital Marketing

I. INTRODUCTION

Loyalty is a key factor desired by businesses among their customers because of the impacts it has on them. Unfortunately, reaching a consensus on concise antecedents of customer loyalty in these present-day digital environments remains a major challenge among researchers and the business community as well. The high level of uncertainty and dynamism in the business environment coupled with the corporate globalization drive, demands that the traditional approaches to running businesses in this current global digital space be changed. Currently, to remain competitive as a business, there is a need to optimize the use of digital technologies across all activities of the firm. The edge for businesses to remain competitive has boosted the growth of the digital business environment, from both the theoretical and practical point of view (Nikolaev, 2018).

Considering the level of competitiveness in the current business environment, there is a need for businesses to strive to attain loyalty among their customers. Attaining loyalty among customers has been identified as a vital means by which the profitability of businesses could be increased

(Larsson & Viitaoja,2016). Furthermore, it has been estimated that the cost of attracting a new customer is five times more expensive than the cost incurred on existing customers (Bapat, 2016). This explains the essence for firms to pursue effective strategies that should constantly improve the level of retention and loyalty among customers. However, despite the extensive research done on customer loyalty, an agreement on the key drivers of customer loyalty are deemed to be widely varied across contexts.

Loyalty can mainly be deemed to be features of consumers exhibited towards the products or services of an organization. Despite the dominating behavioral aspects of customer loyalty, the relational thrill which signifies the affective and emotional aspects of customer consumption cannot be overlooked. (Maggioni, 2016). As such, mental associations are critical in influencing the quest for behavioral and emotional connections by consumers of a company's product, hence, necessary in attracting and retaining customers of businesses.

As earlier identified, the business environments have been profoundly influenced by a high level of technological advancement of late. Consequently, these technological

changes have the potency to create new forms of customer relationships. As such, it will be equitable to assume that the antecedents that mainly influenced customer loyalty are likely to be affected when compared to previous times. Unfortunately, the business communities are to some extent, deprived of clear and concise guidelines for effectively building customer loyalty in this digital age. To this effect, this research seeks to answer the question;

WHAT ARE THE ANTECEDENTS OF CUSTOMER LOYALTY IN A DIGITAL BUSINESS ENVIRONMENT?

PURPOSE OF STUDY AND THEORIES

This research seeks to get answers to this question by conducting a review of the current literature on customer loyalty and digitalization. Some theoretical concepts related to technology and customer loyalty will be integrated and analyzed with efforts to come out with a model that addresses these disparities and consequently recommend future research to be conducted in relevant areas identified. As a result, the research will also seek to identify areas, where further study will be beneficial to business communities, can be conducted.

The study will use the Technological Acceptance Model (TAM) and some aspects of the Value Creation Business (VCB) model in its analysis which will help in the derivation of a new model in addressing the challenges identified.

II. LITERATURE REVIEW

CUSTOMER LOYALTY IN A NON-DIGITAL ENVIRONMENT

Yang & Liu (2014), sought to identify some factors which could be considered essential for improving customer loyalty in the cosmetic industry. It was discovered that brand image influenced both the product and service quality positively. Consequently, relationship quality was identified to be significantly influenced by both product and service quality which in effect acted as a mediator between quality perceptions and customer loyalty. It can be established from these relationships that both product and service quality were indirectly related to customer loyalty. In effect, for the cosmetic industry to improve their level of customer loyalty it was important for these critical factors to be improved. These included brand image, product quality, service quality, and relationship quality. Additionally, trust, commitment, and customer satisfaction were also deemed to be relevant in improving the quality of relationships firms established with customers.

Maggioni (2016) sought to identify critical factors and dimensions that mainly influences how customer loyalty could be developed in a retail setting. The study revealed some basic and prerequisites retail shops must have to establish a relationship with their customers. These basic attributes were identified as the main drivers of customer loyalty in retail shops. They included tidings, organization and store layout, value for money and assortment. Another equally important aspect known to also play a key role in influencing customer

loyalty in this sector was retail branding. Conspicuously identified to be absent or deemed to be less relevant in influencing customer loyalty was the running of loyalty programs by these retail shops.

Pan et al (2012) opted to establish an overview of the relationships between customer loyalty and other important correlates. A metanalysis of the perceived predictors of customer loyalty was done to identify the strengths and weaknesses of these studied relationships. The results revealed that a distinction between attitudinal and behavioral measures of loyalty did not amount to any substantial discrepancy among the relationships examined. Except for quality whose impact on loyalty became relevant over time, all other factors that are essentially linked to product performance were deemed to have the least impact on loyalty when compared to consumer markets. Trust was however identified to have the strongest impact among other determinants.

CUSTOMER LOYALTY IN A DIGITAL ENVIRONMENT

Anderson and Srinivasan (2003) sought to establish if a relationship existed between electronic satisfaction and electronic loyalty. That is satisfaction and loyalty from the use of digital platforms. It turned out that electronic satisfaction was positively related to electronic loyalty. The research posited electronic satisfaction to be a natural antecedent of electronic loyalty. Consequently, it was determined this relationship was moderated by the individuals level variables and company level variables. Individual-level variables included inertia, convenience motivation, and purchase size, whereas the company level variables included trust and perceived value. It was discovered companies could in the short run influence purchase price by offering loyalty discounts, however, they did not have control over the remaining individual-level variables. Moreover, these companies may somewhat have control of the company level variables. In the long run, customers consider the perceived value of maintaining their current business connection with the perceived gains or costs involved in changing to another business. Hence businesses must endeavor to constantly increase the perceived value in other to maintain their customers.

Chang & Chen (2008) also sought to investigate whether by any means the perceptions of customers interface design quality could significantly impact the loyal and if these impacts were mediated by satisfaction and switching cost of customers. It was confirmed that interface quality had a significant role to play in influencing consumer loyalty on electronic platforms. Businesses were consequently entreated to strategize effectively in improving the interface quality of their platforms by seeking to increase the level of friendliness and enhance the ease of navigation. Customization, interactivity, and character were identified to have an indirect impact on the loyalty of consumers. However, they greatly influenced customer satisfaction which in turn triggered the affective reactions of customers to develop their loyalty. Furthermore, the interface quality also directly impacted switching costs in an environment where the internet experiences were deemed to be high. This is where consumers seek to compare the benefits of maintaining their current

relationships to perceived costs, they will incur in switching to another online vendor. Hence the need for businesses to continually increase their perceived benefits to their customers.

Chiou & Pan (2009) also sought to investigate the moderating effects of both heavy and light shoppers on customer satisfaction and loyalty with regards to internet retailing. The results of the study revealed that price, service quality and perceived trust were the main determinants of customer satisfaction which in turn influenced the loyalty of customers with regards to internet retail bookstores. However, among these attributes' prices were identified to have the least impact on customer loyalty. It was subsequently identified that improved customer loyalty tended to cause customers to invest more in the specific assets of businesses. Trust of consumers could be gained if a high service quality was provided. Light shoppers were noticed to care more about price than their heavy shoppers' counterparts, whereas heavy shoppers valued perceived trust more than their colleague light shops. Internet security and privacy were of much concern to the larger shoppers than their colleagues' light shoppers.

Clauss et al (2018) sought to contribute to this debate by examining the perceptions of customers who were on these digital platforms. By this, they sought to find out how these could influence their loyalty to such platforms. It was ascertained that the platform quality had the tiniest impact establishing customer loyalty, closely following the platform quality is the price impacts. It was determined that, pursuing a strategy of price leadership, was not a sustainable way of establishing loyalty among customers. However, the greatest indicator of loyalty in a digital business environment was the emotional value customers derived from participating in such digital platforms. Interactions and positive experiences on such platforms tend to stimulate customers and in effect, boost their level of loyalty to such businesses.

Thakur (2019) with efforts to identify contemporary dimensions of loyalty in these present-day digital environments, sought to review the expectation-confirmatory theory. The result of the study identified engagement experiences had a great impact and tendency to influence the satisfaction-loyalty relationship. Furthermore, it was identified that there was a non-linear relationship between satisfaction and loyalty. In that, once satisfaction reached its optimum level, particularly among high engagement customers, diminishing returns start to set in resulting in a nonlinear form of relationship. As such, online reviews written by customers did not directly vary with their level of satisfaction. Among the key customer experiences which deemed to play vital roles in a satisfaction-loyalty relationship were; intrinsic enjoyment, utilitarian experience, temporal experience and finally social fulfillment. The study further revealed the moderating roles of these stated customer experiences in a satisfaction-loyalty relationship, may not be consistent. Thus, they are likely to have varied effects. Firms were therefore entreated to ascertain specific customer experiences that greatly influenced customer loyalty within their various environments. These could be done by using analytical and capturing digital tools to assess customers' browsing and review patterns.

Bakhtieva, (2017), intended to develop a framework that improves effectiveness in the use of digital tools and consequently yielded loyalty among customers within a Business-to-Business (B2B) context. The results revealed that Ease of use of digital applications and websites, Usefulness and Information Flow acted as the main facilitators of customer loyalty within digital environments in a B2B context. Usefulness was ascertained from the abilities of these digital platforms to meet the goals and expectations of those who used them. Moreover, the Usefulness and Ease of Use constructs were deemed to be mostly used with the acceptance of technology by users. It was discovered until services were digitally conducted on these digital platforms, there was no means customer loyalty could be improved solely on the availability of these platforms. Also, it was not necessarily about promoting entertaining content on the digital platform, however, the usefulness of the information to customers was identified as vital. This was because, these entertaining contents, were deemed to be distractive to businesses.

III. THEORETICAL FRAMEWORK

For this research, the Technology Acceptance Model (TAM) as described by Davis (1989) is chosen. This stems from the fact that ascertaining customer loyalty in a digital environment will involve the interaction of humans and electronic platforms. That is, there is an established connection between the social factor represented by customers and the digital platform developed by the business. The TAM model is also a socio-technical model that seeks to explain the extent to which an information system is accepted by their respective users. Once the behavioral reaction of a user demonstrates an intention to use a system, it can be deemed that the user has accepted the system. This is reflected in the users' attitudes and perceived usefulness of the system. Identifying customers as loyal in the digital environment will in one way or the other translate into their acceptance of digital platform developed or used by a firm. As such, the research will seek to identify antecedents of customer loyalty, based on those that enhance the perceived use of customers and generate a positive attitude of consumers towards businesses.

This research further uses the Value Creation Business (VCB) model developed by Ngo & O'Cass (2008). This concept recognizes the creation of value through three separate stages including value creation architecture, development and articulation of value creation engineering and finally the development and articulation of the value box. For this research, only the development and articulation of the value box will be concentrated on. I further seek to identify answers to two of the four questions asked in the value box by identifying what factors or strategies the company could adopt to increase the value built into its products and services, which in effect increases the perceived value of customers of the company.

III. METHODOLOGY

The nature of the research requires a descriptive meta-analysis of previous researches that is in line with the theme of

this study. As such the process involved in the selection of these previous studies must be explained. The University of Gavle's electronic library which contains manifold of databases provided me with all the researches used for this study. The search for these researches was done based on the following themes: customer loyalty, electronic loyalty, digital environment, and digital marketing. Though several varied volumes of reference appeared, there was the need to delete those that were not with the objectives of this study. This resulted in the selection of 9 articles from various journals and conferences. The journals included, Journal of Retailing and Consumer Services, Psychology, and Marketing, Computers in Human Behavior, Journal of Business and Psychology, Review of Managerial Science, European Journal of Marketing. The conference paper was with regard to the International Conference on Service, Systems & Service Management (ICSSSM) in 2014. Details of how the articles are apportioned between these sources are identified below.

NAME OF JOURNALS & CONFERENCE	NUMBER OF ARTICLES
JOURNAL OF RETAILING AND CONSUMER SERVICES	2
PSYCHOLOGY AND MARKETING	1
COMPUTERS IN HUMAN BEHAVIOR	1
JOURNAL OF BUSINESS AND PSYCHOLOGY	1
REVIEW OF MANAGERIAL SCIENCE	1
OECONOMIA COPERNICANA	1
EUROPEAN JOURNAL OF MARKETING	1
ICSSSM	1

Table 1

IV. ANALYSIS

Conspicuously missing in all the literature reviewed is the non-inclusion of the cultural impacts in determining the antecedents of customer loyalty. Individuals' perceptions, dispositions, behaviors are to a large extent influenced by their cultural backgrounds. These, in turn, influence their selective processes, interpretations, and responses to environmental cues (Eng and Kim, 2006) Further analysis of research by Eng and Kim 2006 revealed that in a Confucian culture, communicating in groups was more effective than one-to-one electronic marketing. This was due to the high level of collectivism associated with such a culture. As such, the antecedent of customer loyalty identified in such cultural backgrounds will be different from a culture that is highly dominated by individualism. Consequently, it is imperative the marketing strategies pursued by firms will largely be in line with the dominant cultural practices in those environments.

Ascertaining determinants of customer loyalty can be deemed to be to involve quiet complex and complicated processes. As expected, the dominant determinant of customer loyalty main was with regards, to the characteristics of the customer. Human nature is quite complex to fully understudy. Being loyal to any company, process, product or any other is takes the decision of customers. Moreover, this decision process involves psychological elements and conditions. There are quite several sociological factors that influence this psychological state and condition, including culture, family, social class, family, lifestyle, gender and many others. As such, the role played by these features of the human personality cannot be forgone when considering the factors of customer loyalty.

The second most important factors identified in this study are relational factors including, satisfaction, trust, engagements, emotional value, and commitment. This brings to bear some concept of relationship management by organizations. A close relationship with a customer will enable the business to identify requirements necessary to promote the reliability and integrity of the cooperate systems, products, and services and in effect promote the trust of consumers have towards the corporate site, brand, and information. Relation with the customer also establishes emotional bonds between both parties. In effect, the emotional value and commitment to the relationship and the firm become higher. All this further affects the overall satisfaction of the customer. This is because necessities required for sustaining the relationship are brought up and efforts made at meeting them, which in effect positively affect customers' satisfaction. Also, equally important is the perceived value consumers are deemed to receive from their engagement with the systems, service, and products of the firm. It is believed that trust in firms tends to mediate the trust customers have in technology based on the perceived value of the firm. As such firms are entreated to take steps to improve the entirety of what they render to customers in order to improve their perceived value.

With regards, to the digital systems, it was imperative for the interface quality, level of friendliness, ease of use of the application and usage of the digital system to be high. These qualities when improved by firms turn to generally improve the overall satisfaction of customers and keep them attracted to the company. Such improvement implies that these systems are more likely to be accepted by customers and in effect, increase their perceived value to be business. Thus, their benefits are perceived to be receiving from their current relationship with the business is deemed to be high, and thus improving their tendency to be loyal to the business.

The final set of antecedents were those in relation to the attributes of the products and services of the firm. These qualities include price, quality, discounts, value for money based on the industry the business is operating in. Though digital environments may downplay these qualities to focus on improving the digital systems, the impacts of these attributes in influencing the loyalty of customers cannot be overlooked. These attributes can be deemed to be highly important at particularly at the initial stages of transactions as rightly supported by Balabanis et al. (2006).

Considering the various perspectives in determining the antecedents of customer loyalty, this research has introduced a model to incorporate all these perspectives. This model incorporates key factors relating to culture. the characteristics of the customer, product and services of business and the features of the digital system. Additionally, this model also

incorporates the impact of cultures and the values that are likely to be generated by the customer and the firm.
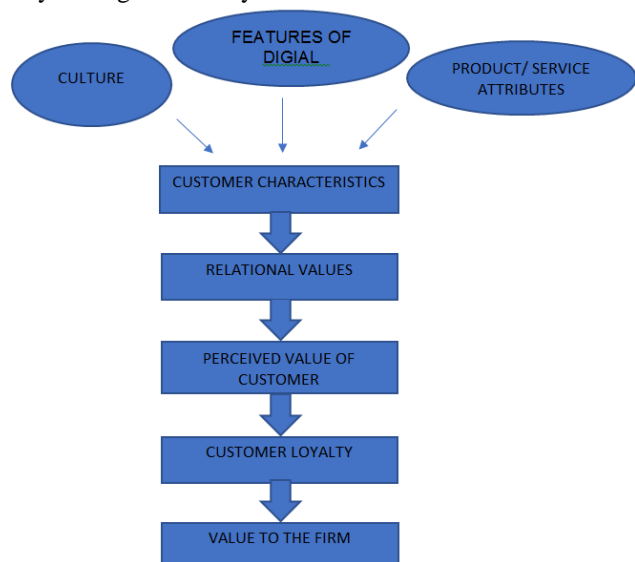

Figure 1

V. CONCLUSION

This study was conducted to ascertain the antecedents of customer loyalty in a digital environment. An in-depth analysis of the literature confirmed that the concept of customer loyalty is still diverse. However, an integrated framework has been proposed to simplify the determination of these antecedents of customer loyalty. It is imperative companies take the initiative to understudy the culture and characteristics of customer whiles with the aim of developing long term relationships with them. By so doing, business turns to identify key expectations of customers that need to be met. In effect, businesses will be required to improve the interface quality, level of friendliness, ease of use, and the usefulness of their digital platforms. Moreover, expectations of customers regarding the quality, price, discounts, and value for money are equally given the relevant attention depending on the industry. As such, these expectations when met improves the relational variables including satisfaction, trust, engagements, emotional value and commitment of customers, which in turn increases their perceived values. Subsequently, the customers turn to be loyal to the company in many diverse ways. Finally, companies can generate diverse forms of value from loyalty and relationship with the customer. The digital environment has a lot of benefits to offer businesses and customers. The digital environment offers customers access to quicker delivery, better quality, better pricing options, among others to products and services that best suits their requirement. Hence the need for businesses to promote the loyalty of customers in this digital environment. However, these factors are likely to vary depending on the geographical, culture and industry of businesses and customers. Subsequently, the nature of products and services is also likely to cause these factors to change. Also critical to note is that these factors are subject to the passage of time, hence the need for such research to be conducted periodically.

VI. LIMITATIONS AND FUTURE RESEARCHES

The study reviews only 9 articles which in effect limits the generalizability of the findings and the model as well. Moreover, the cross-sectional analysis restricts the extent to which the findings of this study can be solely applied to a specific sector and may as well be biased. Future research could seek to determine the mathematical correlation of the factors identified in our proposed model. Future research could also ascertain if the relationship between customer loyalty and profitability of firms is linear, which in effect, will extend the knowledge of managers of businesses in the implementation of strategies.

REFERENCES

[1] Anderson R, E & Srinivasan S. S. (2003) E-Satisfaction and E-Loyalty A Contingency Framework. Psychology & Marketing, Vol. 20(2) (2003) pp.123–138

[2] Bakhtieva E. (2017). B2B Digital Marketing Strategy: A Framework for Assessing Digital Touchpoints and Increasing Customer Loyalty Based on Austrian Companies from Heating, Ventilation and Air Conditioning Industry. Oeconomia Copernicana, Vol. 8(3), pp.463–478

[3] Balabanis, G., Reynolds, N., & Simintiras, A. (2006). Bases of e-store loyalty: Perceived switching barriers and satisfaction. Journal of Business Research, Vol. 59(2), 214-224.

[4] Bapat D. (2016). Exploring the Antecedents of Loyalty in the Context of Multi-Channel Banking., International Journal of Bank Marketing, Volume35 No. 2, 201 pp. 174-186

[5] Chang H.H. & Chen S. W. (2008). The Impact of Customer Interface Quality, Satisfaction and Switching Cost on E-Loyalty: Internet Experience as a Moderator. Computers in Human Behavior. Vol. 24 (2008) pp. 2927–2944

[6] Clauss T. Harengel. P., Hock M., (2018), The Perception of Value of Platform Based Business Models in the Sharing Economy: Determining the Drivers of User Loyalty. perception of value of platform‑based business models. Review of Managerial Science (2019) Vol.13 pp.605–634

[7] Chiou J. S. & Pan L. Y. (2009), Antecedents of Internet Retailing Loyalty: Differences Between Heavy Versus Light Shoppers. J Bus Psychol (2009) Vol. 24 pp.327–339

[8] Davis D. F. (1989). Perceived Usefulness, Perceived Ease of Use, & User Acceptance of Information Technology. MIS Quarterly/September1989

[9] ENG T.Y. & KIM E. J. (2006), An Examination of the Antecedents of E-Customer Loyalty in a Confucian Culture: The Case of South Korea. The Service Industries Journal, Vol.26, (4), 2006, pp.437–458

[10] Larsson A. Viitaoja Y. (2016), Building Customer Loyalty in Digital Banking; A Case Study of Bank Staff's

Perspectives on Challenges of Digital CRM and Loyalty. International Journal of Bank Marketing, Volume 35 (6), 2017 pp. 858-877

[11] Maggioni I. (2016), What Drives Customer Loyalty in Grocery Retail? Exploring Shoppers Perception through Associative Network. Journal of Retailing and Consumer Services, Vol. 33 (2016) pp.120–126

[12] Ngo L. V. & O' Cass (2008), Value Creation Architecture and Engineering. A business Model Encompassing the Firm-Customer Dyad. European Business Review Vol. 22 (5), 2010 pp. 496-514

[13] Nikolaev M. G. (2018), Strategic Company Management in the Digital Business Environment. European Journal of Management Issues, Volume 26(3-4), 2018, pp.82-91

[14] Pan Y. Sheng S., Xie F. (2012). Antecedents of Customer Loyalty; An Empirical Synthesis and Reexamination. Journal of Retailing and Consumer Services Vol.19. (2012), pp.150–158

[15] Thakur R. (2019), The Moderating Role of Customer Engagement Experiences in Customer Satisfaction-Loyalty Relationship. European Journal of Marketing. Vol. 53 (7), (2019) pp. 1278-1310

[16] Yang T. J., Liu C.H. (2014), How to Improve the Customer Loyalty in the Cosmetics Industry. 11th International Conference on Service Systems & Service Management Conference (ICSSSM) 1st – 5th, June 2014.