

# **Customer loyalty in an online retailing environment in the Netherlands**

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## **Abstract**

In the ever-growing online retail marketplace competition is merciless. And to generate sales and be more profitable, companies need to make customers loyal towards its business. The loyal customer should not only be regarded as a money machine and to be tolerated for repeated purchases, the loyal customer will also be a voice through which the e-retailer can spread its message. This ensures positive word of mouth for attracting other consumers. This is especially important in the online community and the online environment in which it is imperative to create customer loyalty, because consumers can switch with a single click on their mouse. One of the aspects that an e-retailer can influence is to invest in the relationship between the company and the consumer how this investment is perceived by the consumer. The purpose of this study is to investigate how perceived relationship investment influences online customer loyalty and how certain consumer characteristics influence this relationship in an online context across two product categories. Furthermore, to research the impact these characteristics may have on each other and the aforementioned constructs. Chosen consumer characteristics are price consciousness and product involvement and the two product categories on which this study focuses are airline tickets and clothing. The findings of this study revealed that in both product categories online perceived relationship investment had a positive influence on online loyalty and that this relationship is being moderated by the chosen consumer characteristics.

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# **1. Introduction**

## **1.1 Introduction**

Internet retailing (or e-retailing) is growing very rapidly and is among one of the fast growing markets. It still has a double digits growth (Euromonitor, 2013).

This rapid growth of e-retailing reflects the compelling advantages that it offers over conventional brick-and-mortar stores. This includes greater flexibility, enhanced market outreach, lower cost structures, faster transactions, broader product lines, greater convenience and customisation (Srinivasan et al., 2002). But how much advantages the e-environment can provide, e-businesses need to generate sales. In order to do so, an e-business needs customers. However, acquiring new customers online is expensive (Hoffman and Novak, 2000). Therefore, it is necessary (and easier) to retain the customer and to make sure the customer makes repeat purchases. A 5% increase in customer retention can increase profits by 25 to 95% (Reichheld and Schefter, 2000). This retention is of great importance to the retailer in the online environment (Balabanis et al., 2006). In order to achieve long-term retention in the online environment, customer loyalty is key (Wang et al., 2000). The high importance of online customer loyalty (or e-loyalty) is because of the competitive nature and the ever-increasing online market in which it is easy and less costly for consumers to search for alternatives and to compare e-retailers. Customer loyalty has a positive influence on profitability by reducing marketing costs in acquiring new customers and by increasing sales per customer. It makes it therefore important to build and maintain customer loyalty online (Rafiq et al., 2013).

In order to profit from the benefits of a loyal customer, an understanding of customer online loyalty and what influences this is needed. Extensive research is done in the offline environment regarding customer loyalty (Palmatier et al., 2006). Many measurements or so-called scales and relations with e-loyalty are based on measures and findings from research that originated in an offline context (Toufaily et al., 2013). Therefore, to help managers in the online environment it is imperative to understand the concept of e-loyalty and its possible antecedents (Srinivasan et al., 2002).

## **1.2 Purpose and objectives**

When investigating which variables were subject to research in relation to e-loyalty (e.g. Toufaily et al. (2013), some variables were more investigated than others. It is therefore the purpose of this thesis to study some lesser known possible variables that could influence e-loyalty. Chosen variables for this research are online perceived relationship investment and consumer characteristics price consciousness and product involvement. Whilst these variables were subject to research in



some extent, research in the online environment regarding these variables is scarce. Especially the variables product involvement and online perceived relationship investment were not extensively researched as antecedents of online customer loyalty. Furthermore these variables and their effects on online customer loyalty have never been researched in one study in the Netherlands. This thesis will try to address this gap in the research on online customer loyalty.

The purpose of this thesis will be to identify the effects and the linkage of the variables online perceived relationship investment, product involvement and price consciousness on online customer loyalty and between each other.

In order to do so, the main research question is: what are the effects of product involvement, price consciousness and perceived relationship investment on online customer loyalty in an online business-to-consumer retailing environment in the Netherlands?

To answer the main research question, the following objectives and sub-research questions will be addressed:

- To construct a conceptual model based on theoretical background to be tested empirically;
- What is the linkage between the (online) variables product involvement, price consciousness and perceived relationship investment?
- How do these variables influence online customer loyalty?
- To investigate and extend the definitions and the understandings of the variables, especially perceived relationship investment.

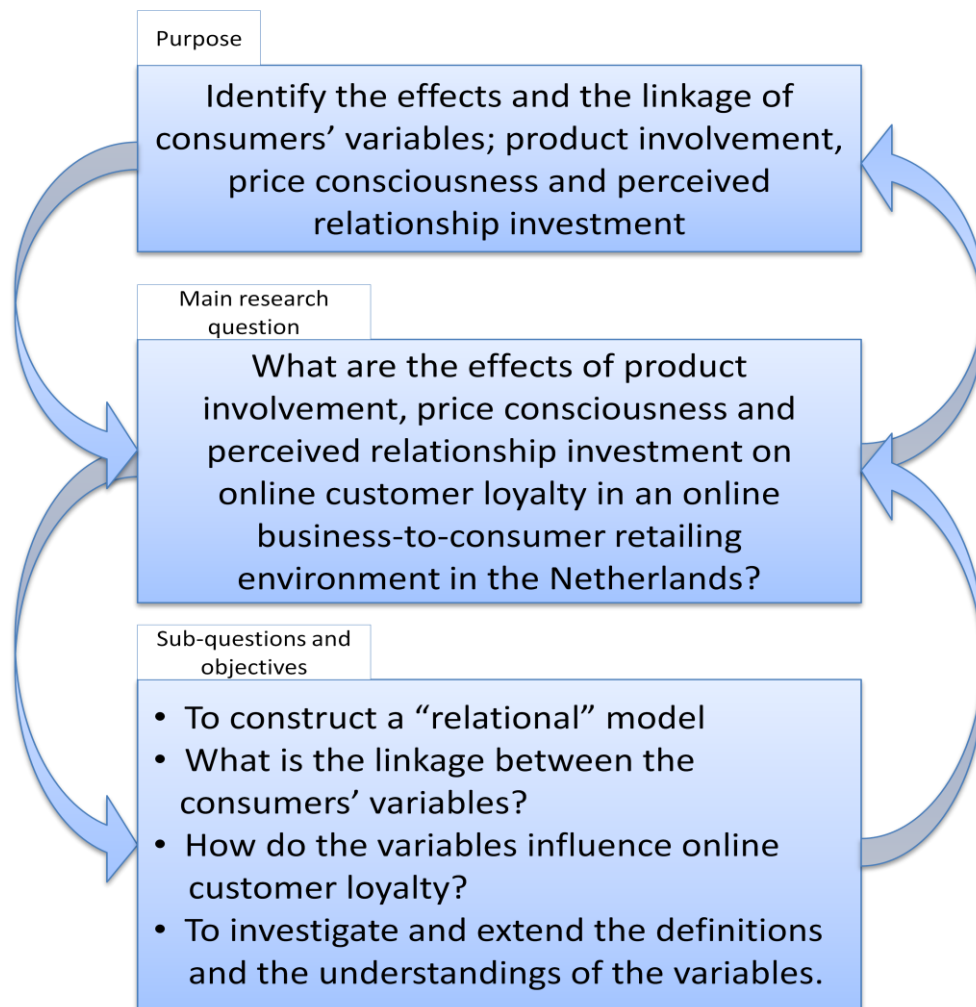


Figure 1: Purpose, main research question and sub-questions and objectives

### 1.3 Relevance and justification

The research on customer loyalty is diverse. In the literature there are several proposed conceptual models of online customer loyalty, taking into account different factors of the characteristics of the company, customer, environment and/or product/service attributes (Verona and Prandelli, 2002). Toufaily et al. (2013) note that the literature shows that the studies do not highlight a clear definition and a precise measurement of online customer loyalty and that some variables of online loyalty are neglected or insufficiently studied. Other indications were that the different researches were limited geographically (Chen et al., 2010). This study focuses on variables only related to the customer and examines the variables all together in order to contribute to the further development and investigation of online customer loyalty. By doing the study on customers of an online business-to-consumer retailer in the Netherlands, this thesis will contribute to the research on customer loyalty in the Netherlands.

## **2 Literature background and hypotheses**

### **2.1 Customer loyalty**

E-commerce success, especially in the business-to-consumer area, is determined in part by whether consumers show loyalty to a particular e-retailer and its products they cannot touch (Luarn and Lin, 2003). In increasingly competitive markets (such as the internet) one of the most important factors to win market share is by being able to build consumer loyalty (Jarvis and Mayo, 1986). Building this loyalty will develop a sustainable competitive advantage (Kotler and Singh, 1981). Retaining customers is important for companies in the online environment, especially as attracting new customers is considerably more expensive than for comparable, traditional, bricks-and-mortar stores (Reichheld and Schefter, 2000). But what is this customer loyalty?

#### **2.1.1 Offline environment**

Loyalty has a long history in academic literature (Homburg and Giering, 2001). Brand loyalty has been introduced as far back as the early 1920's. Studying and managing brand loyalty should start with a clear definition of the construct involved and with the development of valid measures. Unfortunately, no unified perspective to measure it has yet emerged. Still, a valid measure is essential for a better understanding of the concept by marketing researchers and marketing managers (Mellens et al., 1996).

When reviewing the literature, loyalty can be measured in behavioural or in attitudinal constructs (East et al., 2000) or as a composite of the two constructs mentioned (Bowen and Chen, 2001; Toufaily et al., 2013).

In many researches, the behavioural construct has been given much attention, especially in earlier research, as the only construct of brand loyalty (e.g. Tucker 1964). According to Mellens et al. (1996) behavioural measures define brand loyalty in terms of the actual purchases observed over a certain time period. Loyalty, when measured behaviourally, consists of repeated purchases of the brand (Chaudhuri and Holbrook, 2001). Whereas Gommans et al. (2001) state that, traditionally, brand loyalty has been defined in terms of repeat buying behaviour. Behavioural loyalty is considered as an action of (repeated) purchase.

Advantages of measuring brand loyalty through behaviour are that (i) it is based on actual purchases, which are directly related to the performance and existence of the company, (ii) it is not likely to be incidental as they are based upon behaviour over a period of time; and (iii) that it is easier to collect than attitudinal data (Mellens et al., 1996).

There are also disadvantages to purely use behaviour as a construct to measure loyalty. According to Day (1969) it does not distinguish between true or "intentional" loyalty and repeated purchasing or "spurious" loyalty. The latter can also occur because there are no other brands readily available. Furthermore, no information is collected about the underlying reasons of the behaviour (Mellens et al., 1996). Accordingly, it does not make an attempt to understand the factors that are of influence to repeated purchase (Dick and Basu, 1994). Repeated purchase alone is insufficient, the purchasing practise should be intentional (Tepeci, 1999). These "spuriously" loyal buyers lack any attachment to brand attributes and they can be immediately captured by another brand that offers a better deal (Day, 1969).

It is therefore that researchers were investigating attitude as the construct to measure brand loyalty. This is because attitudinal data reflects emotional and psychological attachments inherent in loyalty (Bowen and Chen, 2001). Attitudinal loyalty is based on stated preferences, commitment or purchase intentions of the consumer (Mellens et al., 1996). Zeithaml (2000) defines attitudinal loyalty as a sense of belonging or commitment towards the product. Jacoby and Kyner (1973) state that there needs to be a degree of commitment towards the brand. The notion of commitment results in an essential basis for distinguishing between brand loyalty and repeat purchasing behaviour and therefore attitudinal loyalty distinguishes between brand loyalty and repeated purchases (Wallace et al., 2004). From this perspective, customer loyalty is viewed as a specific desire to continue a relationship (Yang and Peterson, 2004).

Gommans et al. (2001) say that the traditional conceptualisation of attitudinal brand loyalty includes cognitive, affective and behavioural intent (so-called conative) categories (see also Oliver, 1999). The traditional cognitive category is associated with informational determinants such as brand beliefs and preference of one brand over another brand. The affective category is associated with feeling states involving the brand such as an favourable or unfavourable attitude. Whereas the conative category is related to behavioural dispositions toward the brand and captures the commitment to repurchase the brand.

Mellens et al. (1996) state that using attitudinal measures for loyalty enables the researcher to gather information about the decision maker (i.e. the individual that decides which brand is purchased) from the actual purchaser and gives insight into the consumer's behaviour that leads to the choice of the brand.

The main disadvantage when only using attitudinal measures is that it does not represent reality since it is not based on actual purchases and that the attitudinal data is mostly gathered at a single point in time (Mellens et al., 1996).

Because of these shortcomings of the separate constructs researchers started to combine the two measurements. Day (1969) states that loyalty should be evaluated by both attitudinal and behavioural criteria. He also states that appraisal of the target, as an individual's dispositional basis for repeated purchase, is seen as inseparable from the notion of loyalty. Although there have been some attempts to explore and elaborate on the different categories/phases of loyalty (e.g. Dick and Basu, 1994), it is the work of Oliver (1997) that has the most comprehensive evaluation of it (Harris and Goode, 2004). Oliver (1997) contributed by presenting loyalty comprised of four distinctive and consecutive stages. The first stage is cognitive and refers to the preferability of a brand over other brands. The second stage is affective and consists of a favouritism or liking of the brand based upon satisfied usage. The third stage is conative and regards the development of the behavioural intention which expresses itself by a stronger commitment. (Hennig-Thurau et al., 2002; Zeithaml et al., 1996). The fourth and last stage is acting or action stage and is the conversion of the intentions into action joined by the willingness to overcome obstacles to such action (Oliver 1997; Harris and Goode, 2004).

### **2.1.2 Online environment**

As seen in the previous section, conceptualisation and empirical validation of a loyalty model has been assessed in the offline environment, but as Toufaily et al. (2013) notice: Do current brand loyalty measurements also apply in an online environment?

When looking at the measurements of loyalty that were researched in an online context it is noticeable that the same approach was chosen as in the offline environment. It has been measured behaviourally (Yun and Good, 2007; Lee and Overby, 2004), attitudinally (Yang and Peterson, 2004; Chiou, 2004; Floh and Treiblmaier, 2006; Bhattacharjee, 2001) and as a composite construct (Harris and Goode, 2004).

Gommans et al. (2001) state that the concept of e-loyalty extends the traditional brand loyalty concept to online consumer behaviour and although the underlying theoretical foundations of offline brand loyalty and of online loyalty are generally similar, there are unique aspects of it in the online environment. When looking at the behavioural aspect of loyalty, it can be more complex in the online world than in the offline environment. It is in the online world where the consumer often has to decide with limited information. Reichheld and Schefter (2000) state that when it comes to customer loyalty, the old rules are as vital as ever, but behaviour online is shown to be less stable over time (Sénécal et al., 2005). Factors such as repeat site visits without purchases being made have to be considered (Gommans et al., 2001). When looking at the behavioural construct of loyalty it therefore seems that offline loyalty can be transferred to the online environment although other factors have to be taken into account as well.

### **Definition**

Many different definitions are used for loyalty. Jacoby and Chestnut (1978) cited 53 definitions.

In the offline environment, Oliver (1999) states brand loyalty as a deeply held commitment to rebuy or repatronise a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour.

However, since this applies to brand loyalty and grasps several dimensions, it is been attempted to apply a broad definition of loyalty to e-commerce. On the next page is an overview of the current definitions of online customer loyalty found in the literature.

In this thesis, online customer loyalty will be defined as: Online customer loyalty is the customer's favourable attitude toward an electronic business resulting in repeated purchases from the same electronic business in the future. This is based on the research of Anderson and Srinivasan (2003); Soltani and Gharbi (2008) and Srinivasan et al. (2002) completed with addition of the intention to repurchase the product from the same distributor (Johnson et al, 1997). This definition is used in order to encompass all constructs of online loyalty.

<b>Authors</b>	<b>Definition</b>
Anderson and Srinivasan (2003); Soltani and Gharbi (2008); Srinivasan et al. (2002)	Online customer loyalty is the customer's favourable attitude toward an electronic business resulting in repeat (buying) behaviour
Cyr et al. (2005)	Online customer loyalty is the intention to revisit a website or to consider purchasing from it in the future
Doong et al. (2008); Luarn and Lin (2003)	Online customer loyalty is the intention to make further purchases from the same online seller in the future
Liang et al. (2008)	Online customer loyalty is a consumer's psychological attachment and attitudinal advocacy toward the online service provider – accompanied with the consumer's willingness to make an effort in maintaining the customer-firm relationship
Toufaily et al. (2013)	Online customer loyalty is the customer's willingness to maintain a stable relationship in the future and to engage in a repeat behaviour of visits and/or purchases of online products/service, using the company's website as the first choice among alternatives, supported by favourable beliefs and positive emotions toward the online company, despite situational influences and marketing efforts that lead to transfer behaviour
Wallace et al. (2004)	Customer loyalty to an online retailer is an attitudinal and behavioural preference to alternatives offered by other suppliers

Table 1: Definitions of online loyalty

## 2.2 Product involvement

The concept of involvement has received widespread attention in the marketing domain for more than 30 years (Olsen, 2007). Researchers have been focusing on product involvement which influences purchase decisions (e.g. Beatty et al., 1988; Homburg and Giering, 2001; Zaichkowsky, 1995). Dholakia (2001) found that consumers, because of their involvement, are likely to behave differently before making a purchase decision. For instance, a more involved consumer will pay more attention to specific product information in advertising (Celsi and Olson, 1988).

Andrews et al. (1990) proposed the domain of involvement as an individual, internal state of arousal with intensity, direction and persistence properties and they further note that the focus of involvement is hereby on the individual consumer that is involved. The intensity property can be seen as the intensity of involvement or arousal (Gutiérrez et al. (2009). This is measured in a continuum (Zaichkowsky, 1985) or in a high/low setting (Vaugh, 1980). The direction property refers to the object of involvement (Andrews et al. 1990). Involvement cannot exist without an object.

It is a concept that relates to something with which the individual is involved such as a product or a brand (Mitchell, 1981). The persistence property of involvement refers to the duration of the intensity (Andrews et al. 1990).

Antecedents of involvement were derived by Laurent and Kapferer (1985). The four variables found for involvement were: (1) product importance and perceived importance of the consequences of a mis-purchase, (2) the subjective probability of a mis-purchase, (3) the hedonic value of the product class, and (4) the symbolic or sign value of the product class.

Generally, two kinds of involvement exist (Beatty et al., 1988; Richins and Bloch, 1986). These are product or enduring involvement and purchase or situational involvement.

Product involvement is lasting and may be describe as the importance of the product to the individual and to the individual's self-concept, values, and ego (Beatty et al., 1988). It reflects the level of ongoing interest in a product class and this may vary among individuals (Bloch and Richens, 1983; Zaichkowsky, 1985; Bloch et al., 2003).

Purchase involvement is the interest in or level of concern for purchase process (Beatty et al, 1988). For instance a consumer may be highly involved with a product category or a brand but be very low involved with the purchase process because of brand loyalty. On the other hand, a consumer may be very low involved with a product category or brand but may be highly involved with the purchase process in order to save money or to impress a friend (Quester and Lim, 2003). It also can be that consumers are highly involved due to the high risks associated with poor choices, but they do not possess any general interest in the product class Liechtenstein et al. (1988). For the purpose of this study only product or ego or enduring involvement will be used.

## **Definition**

Definitions regarding product involvement vary. Zaichkowsky (1985) defined involvement as a person's perceived relevance of the object (or service) based inherent needs, values and interests. On the following page several other definitions as found in the literature of product or enduring involvement are presented:



Authors	Definition
Bloch (1981)	Product involvement is a construct which affects consumer behaviour on an ongoing basis
Celsi and Olsen (1988)	Enduring involvement reflects a person's subjective experience, feeling or personal relevance towards a product
Gutiérrez et al. (2009)	Online product involvement is a stable and durable status which expresses a personal relevance or interest toward the product or service acquired through the Internet
Houston and Rothschild (1978)	Enduring involvement reflects the strength of the pre-existing relationship between an individual and the situation in which the behaviour will occur
Olsen (2007)	Involvement is a state of motivation arousal or interest toward consumption (activity) of a product category (object)
Quester and Lim (2003)	Product involvement as the intensity with which a product is embedded in and driven by the consumers' value system

Table 2: Definitions of product involvement

In this thesis e-involvement is defined as a consumer's stable and durable status expressing personal relevance or interest toward the product (i.e. airline tickets or clothing). Hereby following Celsi and Olsen (1988), Zaichowsky (1985) and Gutiérrez et al. (2009).

### 2.2.1 Product involvement and online loyalty

Product involvement has been subject to extensive research. When researched as an antecedent in a web based survey for pass-along information, it was found that customers who are highly involved with the product will influence other people's behaviour by word of mouth (Norman and Russell 2006). It is therefore that such consumers are sought-after purchase advisors for the product class of interest (Bloch and Richens, 1983; Thorne and Bruner, 2006). Potential customers consult highly involved friends as to collect needed product information instead of searching the required information on their own (Bloch et al., 2009). Price and Feick (1984) found that 80% of the respondents would likely to use a highly involvement other for assistance in identifying purchasing criteria of the products.

Xue and Zhou (2010), when researching product involvement in relation to consumer's response toward online word of mouth messages, found a positive relationship between product involvement and the response of Chinese consumers on word of mouth messages.

Product involvement further results in extended time and other resources spend to the product or product class (Bloch et al., 2009). Bloch et al. (1986), when doing research for ongoing search in

several domains (i.e. retailing setting and mass media), stated that product involvement is the central motivator of ongoing search for product information. It is thereby that highly involved individuals search for special interest media related to their favoured product and this search occurs without a purchase intention.

Product involvement has also been researched in relation to some sort of loyalty. However, product involvement was mainly considered a moderator instead of an antecedent and these researches were conducted in an offline environment.

Some researchers (Beatty et al., 1988) suggests that product involvement and brand commitment are different but related constructs, whereby brand commitment is seen as a construct of attitudinal loyalty in the conative stage. Brand commitment has also been used in the same sense as brand loyalty in several studies according to Olsen (2007). Beatty et al. (1988) found, when investigating soft drink brand commitment, that product involvement with soft drinks had a positive influence on the brand commitment. This was however an indirect relationship due to the fact that it had to go through purchase involvement. Coulter et al. (2003) performed a study of product involvement in relation to brand commitment of cosmetics in Central Eastern Europe. They found that product involvement with cosmetics had a positive related to brand commitment as well as brand experimentation.

Pritchard et al. (1999) and Iwasaki and Havitz (1998) proposed a positive influence of involvement on service loyalty with the former researchers in relation to airline companies and the latter in investigating work-leisure balance to behavioural service loyalty. Other researchers (e.g. Gainer, 1983; Mittal and Lee, 1989) did research on product involvement and frequent purchasing/buying behaviour.

Bloemer and Kasper (1995), in their research on audio cassettes and the link between satisfaction and brand loyalty, found that involvement with audio cassettes functioned as an indicator for motivation, had a strong positive effect on true brand loyalty. Olsen (2007), when investigating the relationship of satisfaction and product involvement on repurchase (behavioural) loyalty of seafood, found a strong and positive relationship between involvement with the product and repurchase loyalty toward the product category.

Quester and Lim (2003) found a relationship between product involvement and brand loyalty. It remained unclear however which construct preceded which construct.

The reviewed literature showed positive relations of product involvement with the attitudinal component (through commitment) and the behavioural component. The position taken in this study is therefore, that when a consumer is more involved with or towards a product the more loyal this consumer will be towards the electronic business where the product is sold and this will result in repeated purchases from that electronic business in the future. Product involvement in general is to be expected to increase online loyalty. Therefore the following is proposed:

**H1:** Product involvement will have a **positive** effect on online loyalty.

### **2.3 Price consciousness**

As price consciousness is researched quite extensively as a consumer characteristic that influences purchases behaviour (Palazón and Delgado, 2009), it seems only natural to include this variable as a possible predictor for online customer loyalty.

Gauzente and Roy (2012) suggest that price consciousness implies that price is integrated as a criterion in the decision making of consumers and that consumers construct an idea about which price is acceptable to pay within their limits. Therefore, price consciousness varies across consumers (Lichtenstein et al., 1993; Tai and Tam, 1997). Different consumer segments can be distinguished when price consciousness is viewed as an attitude-like enduring predisposition that varies in intensity across individuals. I.e. some individuals are simply more conscious of the prices they pay than others (Sinha and Batra, 1999). This variation in attitudinal tendency or predisposition can be explained by differences in upbringing or socialisation (Batra and Sinha, 2000) and/or budget constraints.

Also, a variation for price consciousness exists between products and categories. A consumer can have different price consciousness levels per product and/or product category (Batra and Sinha, 2000). This variation between products and categories is an outcome of personal importance or perceived risk by the consumer (Jin and Suh, 2005).

## Definition

In the literature the following definitions of price consciousness were found:

Authors	Definition
Ailawadi et al. (2001)	Price consciousness is the degree to which a consumer engages in comparative shopping and that he or she intends to get the best price
Batra and Sinha (2000)	Price consciousness is a consumer's reluctance to pay for the distinguishing features of a product if the price difference for these features is too large
Lichtenstein et al. (1993)	Price consciousness is the degree to which the consumer focuses exclusively on paying a low price.
Monroe and Petroschius (1981)	Price consciousness is the degree a buyer is unwilling to pay a higher price for a product, and if the price is greater than what is acceptable to pay, the buyer may refrain from buying.

Table 3:Definitions of price consciousness

In this study, the definition of Lichtenstein et al. (1993) will be adopted. Price consciousness is the degree to which the consumer focuses exclusively on paying a low (total) price for the products in the product category. In this research it is the decree to which the consumer focuses exclusively on paying a low price for airline tickets or clothing.

### 2.3.1 Price consciousness and online loyalty

Gabor and Granger (1961) studied the price consciousness of British women regarding groceries. They found that social status is inversely correlated with price consciousness and, hence, that when family income rises, price consciousness falls. Price consciousness is positively related to extensive and deep information processing about price (Kukar-Kinney et al., 2007), because low price conscious consumers are not involved with prices, whilst high price conscious consumers are cognitively very involved (Lichtenstein et al., 1988).

High price conscious consumers are found to be more devoted to shopping to the extent a better price exists elsewhere (Babin et al., 2007). This is because price consciousness is inversely related to search costs. High price conscious consumers have lower search costs than low price conscious consumers (Lichtenstein et al., 1993). The purpose of a (ongoing) price search is to verify if the deal is attractive or to obtain a better price for the product (Alford and Biswas, 2002). This implies that the more price conscious a consumer is, he or she will search more for better prices. In an online environment this certainly will be the case since other suppliers are a click away. Therefore it is to

be suspected that the more price conscious a consumer is, the more he or she will switch or keeps searching and thus less loyal the consumer will be towards the e-retailer.

Price consciousness is extensively researched in the private label market (e.g. Burger and Schott, 1972; Burton et al., 1998; Sinha and Batra, 1999; Batra and Sinha, 2000). Jin and Suk (2005) for instance, found that the higher the level of price consciousness of a consumer, the higher their attitude towards private label brands and the greater their buying intentions is regarding private label brands. Batra and Sinha (2000) found a direct positive effect of price consciousness towards the buying of private labels. In another research, Sinha and Batra (1999) found that price consciousness is the most important factor in buying behaviour towards private label brands.

Based on these findings, one could expect that this would also be the case when researching price consciousness and online loyalty. In so far, that when consumers are more price conscious with for example clothing, that they are more loyal towards the e-retailer than they are to the offline retailer. This is because as Goldsmith and Bridges (2000) state that lower prices on the internet are an indicator for more online purchasing.

However, in this study online loyalty is defined as the customer's favourable attitude toward an electronic business resulting in repeated purchases from the same electronic business in the future". Therefore, loyalty exists when it results in repeated purchases from the same e-retailer in the future. When a consumer is highly price conscious, he or she may indeed choose the website instead of the offline retailer. This is therefore loyalty towards the internet; so-called channel loyalty.

However, due to the low search costs and the drive for lower prices (Kukar-Kinney et al., 2007), it is expected that this will not result in loyalty towards the e-retailer at hand, but simply one channel over another at a certain moment. That is one of the reasons that price consciousness has been indicated to have negative implications for the buying decision in an online environment (Gauzente and Roy, 2012). Seock and Bailey (2007) found that price consciousness was inversely related to the purchase of apparel online. It is therefore expected that the more price conscious consumers are with the products (i.e. airline tickets and clothing), the less loyal they are toward the e-retailer.

Another reason for this negative relation could be the shipping and/or handling fees that are typical for the online environment. Other examples of extra payments on top of the base price that can be an important factor for price conscious consumers are costs of shipment when returning items that are not satisfactory. Furthermore, (hidden) fees could include taxes etc. These paymentst become surcharges to the base price of the product. Price conscious consumers will therefore not only be

price conscious towards the base price of the product, but most likely also to the these surcharges (Xia and Monroe, 2004). The total price to be paid for the product is therefore higher than the advertised price to which the consumer responded at first. The total price is partitioned.

Lewis (2006) found that the higher shipping fees were and therefore the higher the price to be paid for the product, the less consumers visited the online website and that order size incentives such as discounts or lower shipping fees resulted in more purchasing and vica versa. Ellison and Ellison (2008) found that consumers were less price conscious to changes in taxes than changes in the listed base price of the product and therefore stating that there is a difference between price consciousness with respect to shipping fees etc. and the base prices of the product. Morowitz et al. (1998) suggested that to extent the more a price is partitioned, the more intention there is for purchasing and that this is due to consumers' low motivation for processing price information.

However, as mentioned earlier price conscious consumers have a high motivation for prices and information related to prices and although there is certainly a difference in intensity in price consciousness ultimately it is the total price to be paid for the product that matters. It is therefore expected that price partition, surcharges or hidden costs will only influence the consumer to search more thorough for a lower price for the product. These costs could, therefore, be an important reason for the absence or lower of e-loyalty when shopping online at a website if the consumer is highly or more price conscious towards the product or product categorie in question.

In this study it is therefore expected that the more price conscious the consumer is with airline tickets or clothing, the less loyal he or she will be towards an online retailer.

Based on the stated above the following hypothesis is formed:

**H2:** Price consciousness will have a **negative** effect on online loyalty.

### **2.3.2 Product involvement and price consciousness**

In her research on 99-ending prices, Gaston-Breton (2011) mentioned that price consciousness may be affected by individual factors, such as involvement or demographics. In her study it is proposed and found that price consciousness is negatively affected by involvement (i.e. the more a consumer is involved with a product the less price conscious he or she is towards the product). As the ratio of product involvement to price consciousness increases, consumers are willing to give up price advantages for product benefits and vice versa. I.e. product involvement has a negative effect on price consciousness (Lichtenstein et al., 1988). In their research on consumer buying behaviour for

groceries, they found that high product involvement consumers are less price conscious with that product than low involvement consumers.

With the above stated and the literature about product involvement, it is proposed:

**H3:** Product involvement will have a **negative** effect on price consciousness.

## 2.4 Perceived relationship investment

Perceived relationship investment is subject to the principle of reciprocity (De Wulf et al., 2001). Reciprocity is identified as a key feature to explain exchange relationships (Larson, 1992). Bagozzi (1995) regards reciprocity as an essential feature of self-regulation and the problem of coordinating mutual actions for parties in a marketing relationship. It can be seen in everyday exchanges; consumers that reward a seller with loyalty because of the perceived 'extra' in previous exchanges (Bagozzi, 1995).

Actions taken by one party will be reciprocated in kind by the other party in an exchange relationship because each party anticipates feelings of guilt when violating the norm of reciprocity (Li and Dant, 1997). Smith and Barclay (1997) state, that among selling partner relationships, in general, reciprocity will create a positive atmosphere, it lowers risk and enables relations to move forward.

When investing time, effort and other irrecoverable resources in a relationship, emotional ties are created that will motivate parties to maintain that relationship and it will set expectations of reciprocation (Smith and Barclay, 1997). Hart and Johnson (1999) proposed that a customer should be impressed if a seller makes an investment in their relationship. Kang and Ridgway (1996) speak of an obligation of the consumer to repay the 'friendliness' of the retailer. This suggests that relational efforts made by a retailer towards its customers would be reciprocated in one way or another by its customers (Rafiq et al., 2013).

In their research, set in a consumer context and from one supplier to many consumers, De Wulf et al. (2001) constructed the variable perceived relationship investment to reflect the irrecoverable resources mentioned above. Customer loyalty is the reciprocation variables to the extent consumers want to maintain the relation. This is thus similar to Bagozzi's theoretical concept (1995).

## Definition

In the literature most follow the definition as mentioned by De Wulf et al (2001). However, other definitions of perceived relationship investment were found:

Authors	Definition
Rafiq et al. (2013)	Perceived relationship investment represents how a company's relationship marketing efforts are perceived by its customers.
Smit (1998); De Wulf et al. (2001)	A consumer's perception of the extent to which a retailer devotes resources, efforts and attention aimed at maintaining or enhancing relationships with regular customers that do not have outside value and cannot be recovered if these relationships are terminated.
Wang and Ha (2011)	Perceived relationship investment concerns how much a store is perceived to dedicate resources, effort, and attention to maintain or enhance relationships with customers.

Table 4: Definitions of perceived relationship investment

In this study, the definition of Rafiq et al. (2013) will be followed. Online perceived relationship investment is how an e-retailer's relationship marketing efforts are perceived by its customers.

### 2.4.1 Online perceived relationship investment and online loyalty

When looking at the perceived relationship investment relation with loyalty, not much research has been done. It was Bennet (1996) who states that the customer's perception of the seller's effort made will positively influence the customer's commitment. As mentioned earlier, in this study commitment is seen as a part of customer loyalty. De Wulf et al. (2001) found an indirect effect of perceived relationship investment on behavioural loyalty. Following this, one may suspect therefore a relationship between perceived relationship investment and online customer loyalty which consists of both behavioural and attitudinal (including commitment) constructs.

Wang and Ha (2011), when researching store attributes and their influence on perceived relationship investment, found a positive effect of perceived relationship effect on loyalty intentions.

In the online environment, Schlosser et al., (2006), in their research on website investment, found that a higher perceived investment in a website increases purchase intention of the consumers that visited the website. When researching the online financial services market in Taiwan, Liang et al. (2008) found that perceived relationship investment increased customer retention.



In their study on online loyalty Rafiq et al., (2013) found evidence that perceived relationship investment has a positive impact on affective commitment and subsequently on e-loyalty.

Yoon et al. (2008) state that Web users increase their loyalty to the online retail brands in return for the online brand's investment in relationship building. Therefore investments made by the e-retailer should have a positive effect on online loyalty.

Based on the stated above it is proposed:

**H4:** Online perceived relationship investment will have a **positive** effect on online loyalty.

## **2.4.2 Online perceived relationship investment and product involvement**

As mentioned earlier, Dick and Basu (1994) proposed that the more a consumer is involved in a product category to which the brand belongs, the more brand loyal the consumer will be. Following, a relationship between the seller and buyer can only add value when consumers are involved (De Wulf et al., 2001). An individual customer approach applied by a retailer when customers are low involved with the product will probably not be very successful, whereby an individual approach is desired when customers are highly involved with the product (Salomon et al., 1985). According to Gordon et al. (1998), the more involved a consumer is, the more he or she will participate in and derive value from marketing relationships with the retailer. It also has been found that higher involvement towards the product will lead to more responsiveness to messages or claims made in product advertisements (Gill et al., 1988). Therefore, it should follow that the more involved a consumer is with the product, the more he or she responds to efforts made by the retailer and will perceive a higher relationship investment. In contrast, when a consumer displays a low level of product involvement, efforts made by the retailer can be perceived as troublesome or annoying. It could even be undesirable for low involvement consumers (Christy et al., 1996). Therefore, it is to be expected that the higher involved consumers are with the product (category), a higher relationship investment by the e-retailer will be perceived. Thus:

**H5:** Product involvement will have a **positive** effect on online perceived relationship investment.

### 2.4.3 Online perceived relationship investment and price consciousness

Shoham and Brenčič (2004) state that it is to be expected that a price conscious consumer searches for price information, he or she shops for specials and responds to specials. As stated earlier, a price conscious consumer is on the lookout for the lowest price. It can therefore be argued that when an e-retailer makes relational efforts (e.g. direct mailing with offers, discounts and prominent price placings on the website) that are focused on price, this is more appreciated by a price conscious consumer. This could very well be the case with the online airline ticket market, due to the homogeneity of the product. Therefore, the emphasises will be more on the price to be paid for the product.

On the other hand, Alford and Biswas (2002) argue that because price consciousness is exclusively concerned with consumers' focus on paying a low price, that this focus is at the expense of other consumer judgments. It seems therefore that if the efforts and resources of the e-retailer are not related to price, they are perceived less by the price conscious consumer. Price conscious consumers spend more time thinking about prices and pricing policies and the retailer's reasons for that than other consumers (Kukar-Kinney et al., 2007). It is thereby expected that price conscious consumers perceive less relational investment as a response on inadequate pricing policies relating to the products. If the relational investment is completely lacking price information, they will perceive almost no relational investment made by the retailer. Further, with respect to price partition, surcharges fees and/or hidden costs as mentioned earlier; when these would appear within the purchase process, a high price conscious consumer would perceive a less or lower relational investment by the e-retailer than a low price conscious consumer.

Thus, it is expected that price consciousness will have a negative effect on online perceived relationship investment, although this effect will probably be stronger for the product class airline tickets. Therefore, the following is proposed:

**H6:** Price consciousness will have a **negative** effect on online perceived relationship investment

## 2.5 Moderating effects

A moderator variable is a qualitative or quantitative variable that effects the direction and/or the strength of the relationship between the independent variable and the dependent or criterion variable (Baron and Kenny, 1986). A pure moderator can be of influence on the degree or direction of the relationship between two variables, but is it does not cause this relationship (Olsen, 2007). If there is an interaction with both the independent as well as the dependent variable, the variable is often called a quasi-moderator (Sharma et al., 1981).

### 2.5.1 Product Involvement as a moderator

Product involvement is mostly researched in the form of a moderator variable (e.g. Beatty & Kahle, 1988; Andrews et al., 1990). LeClerc and Little (1997) for instance, found that product involvement influenced the relation between coupon effectiveness placed in advertisements and brand loyalty.

Homburg and Giering (2001) found that product involvement weakened the relationship between satisfaction with the purchase process and repeated purchasing of the product. This was because highly involved consumers do already have extensive knowledge of the product and therefore put less emphasis on the advising and consulting in the purchase process.

Product involvement has also proven to cause no moderation influences. Bloemer and Kasper (1996, as cited in Homburg and Giering, 2001) for instance, when investigating the relation between satisfaction and brand loyalty, found no evidence for any influence of product involvement on the aforementioned relation.

For the relationship between online perceived relational investment and online loyalty, however, it can be argued that when a consumer is more involved, the more the consumer derives value from marketing relationships with the retailer (Gordon et al., 1998). For instance personal treatment or privileges towards the customer should be more appreciated by more involved consumers. De Wulf et al. (2001) suggested that the higher involved a consumer is the more it will strengthen the relationship that perceived relational investment has on relationship quality, which is a determinant of customer loyalty. It were Yi and Jeon (2003) that found a moderating effect of involvement on the relationship between direct loyalty programs and customer loyalty. Therefore in this research it is proposed that product involvement will have a positive influence on the relationship between perceived relationship investment and customer loyalty.

**H7:** Product involvement will **strengthen** the relation between online perceived relationship investment and online loyalty.

## 2.5.2 Price Consciousness as a moderator

As mentioned earlier the more price conscious a consumer is, the more he or she is only concerned with paying a low or the lowest price. As Babin et al. (2007) were saying; high price conscious consumers are found to be more devoted to shopping to the extent a better price exists elsewhere. In contrast with the mention of Gordon et al. (1998) regarding product involved consumers, one could say that a more price conscious consumer does not want to participate and derive value form relationships with the retailer. They just want (to search for) a good price. So price consciousness can possible have an influence on the relation between online perceived relationship investment in such that it will weaken this as long as the efforts aren't related to prices or information on this. Therefore:

**H8:** Price consciousness will **weaken** the relation between online perceived relationship investment and online loyalty.

## 2.6 Hypotheses summary and proposed model

Hypotheses
<p><b>Product Involvement:</b></p> <p><b>H1:</b> Product involvement will have a <b>positive</b> effect on online loyalty.</p> <p><b>H3:</b> Product involvement will have a <b>negative</b> effect on price consciousness.</p> <p><b>H5:</b> Product involvement will have a <b>positive</b> effect on online perceived relationship investment</p>
<p><b>Price Consciousness:</b></p> <p><b>H2:</b> Price consciousness will have a <b>negative</b> effect on online loyalty.</p> <p><b>H6:</b> Price consciousness will have a <b>negative</b> effect on online perceived relationship investment.</p>
<p><b>Online Perceived Relationship Investment:</b></p> <p><b>H4:</b> Online perceived relationship investment will have a <b>positive</b> effect on online loyalty.</p>
<p><b>Moderating effects:</b></p> <p><b>H7:</b> Product involvement will <b>strengthen</b> the relation between online perceived relationship investment and online loyalty.</p> <p><b>H8:</b> Price consciousness will <b>weaken</b> the relation between online perceived relationship investment and online loyalty.</p>

Table 5: Overview proposed hypotheses

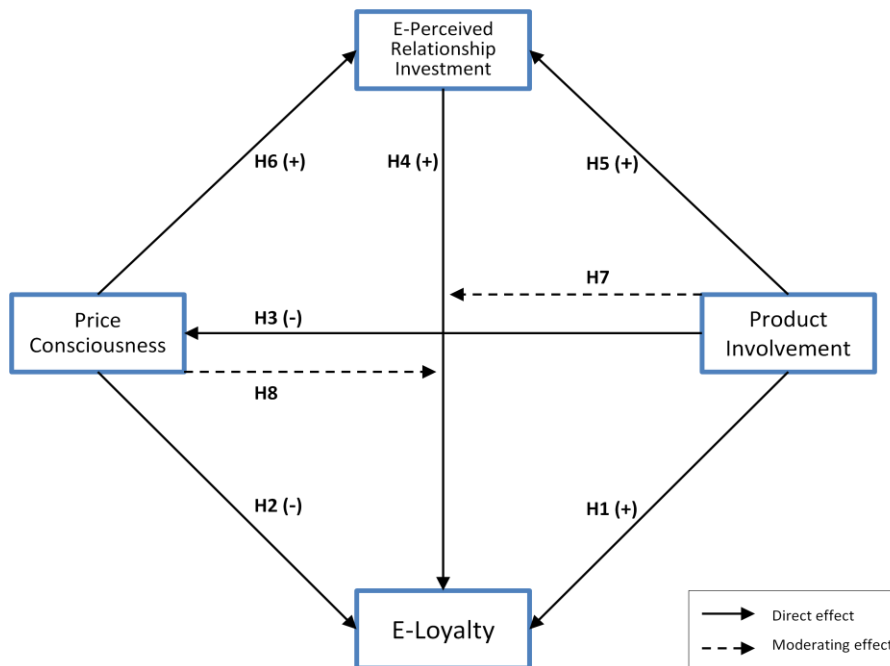


Figure 2: Proposed model

### **3. Methodology**

To answer the research question a literature study was performed first. The literature was acquired using the online search engine provided by the Erasmus University library. After the theoretical part, an online survey was conducted. Considering the time constraint it was aimed to collect data from around 100 respondents.

#### **3.1 Data collection and survey design**

This study used airline tickets and clothing as the product categories of reference because these are quite popular business-to-consumer retailing products on the internet. The data to test the proposed model was gathered from 132 Dutch online consumers. The survey was designed using web based software (<http://qualtrics.com>), which specialises in conducting surveys online and distributed through direct e-mail and Facebook with a personal invitation. The survey was open for four weeks. The reason for this tool is that it is straightforward to access the data and is directly available in excel in order to use it in statistical programs such as SPSS.

A questionnaire was designed to capture online loyalty, product involvement, price consciousness and perceived relationship investment (for the questions, please see appendix I).

The survey was self-administered and consisted of three parts. The first part of the survey was about airline tickets and began with the question how often the respondent had purchased an airline ticket online in the last two years. The second part was about clothing and also began with a question how often the respondent purchased clothing online in the last year. This first questions served to select consumers that purchased the products in question online.

Questions about demographics consisted of gender, age, education, household size and household net income per month were stated at the end of the survey and made up the third part of the survey.

The parts of the survey that concerned airline tickets and clothing and measuring these variables both consisted of 16 items. Consumers were asked to answer statements about the two products categories based on the experience they had with a freely chosen website for the respective products. They were asked to indicate the level of agreement with these statements using a seven-point Likert-type (1= strongly disagree to 7= strongly agree).

## **3.2 Measures overview**

The selected items must represent the concept about which generalisations are to be made to ensure the content validity of the scales (Luarn and Lin, 2003). Therefore, existing measures for the constructs in the model were used given their proven reliability (Rafiq et al., 2013).

Online loyalty consists of 5 items and these are adopted from Horppu et al.(2008) and Ribbink et al. (2004), hereby measuring both the behavioural components as well as the attitudinal ones (Horppu et al., 2008). The item for measuring the component of the intention to stay loyal to seller/company was adopted from Johnson et al. (1997).

Online involvement is constructed with a 4 item scale to capture this concept. The items are based on Gutiérrez et al. (2010); Olsen (2007); Keaveney and Parthasarathy (2001).

Price consciousness consists of 4 items and these are adopted from Lichtenstein et al. (1998); Seock and Bailey (2008) and Gauzente and Roy (2012). It measures to which extent customers consider price when purchasing the product.

Online perceived relationship investment is adopted from De Wulf et al. (2001) and will be a 3 item scale. This measures how well perceived investments in the relationship made by the e-retailer are by the consumer.

## **4. Results and Analysis**

### **4.1 Characteristics of respondents**

A total of 196 people started with the survey, but only 132 completed the survey. This was probably due to the inability to complete the survey, after starting, on a smart phone and some “none” answers on the selection questions for airline tickets respectively clothing. Of the respondents that completed the survey, 57.6% was male and 42.4% was female. Most of the respondents (60.6%) were between 26-30 years old. Even 84.8% was not even 36 years old. More than half of the respondents (54.5%) had a master’s degree from university and nearly 20% had a bachelor’s degree from a higher vocational education. The internet consumers that participated were therefore young and highly educated. The household size of the respondents were, in general, not larger than 4 persons, although 77.3% belonged to a household of 1-2 persons. Almost half of the respondents had a net monthly income between €2,000 and €3,000 and 1 in 4 had a net monthly income of €1,000 and €2,000. For more detail on the sample please see appendix II.

### **4.2 Measurement assessment**

Reliability was calculated by judging the internal consistency of the items that represent each variable. For this Cronbach’s alpha was used. The alphas for (all) the constructs of airline tickets and clothing are above .7, which, according to Nunnally (1978) shows that the constructs are reliable.

For the construct validity principal components analyses were performed on the 16 items with oblique rotation. This was done because the component correlation matrices were not identity matrices. Therefore no independency between the constructs was assumed.

For airline tickets the Kaiser-Meyer-Olkin measure showed that the sampling was adequate for factor analysis. KMO = .76 and the individual items were all above .54. This is above the minimum limits and the overall KMO can be described as good (Field, 2009). Bartlett’s test of sphericity ( $\chi^2$  (120) = 1421.18,  $p < 0.01$ ) indicated that correlations between the items were sufficiently large for principal component analysis.



Four components had eigenvalues over the criterion of Kaiser of 1 and together explained 74.1% of the variance. The scree plot showed inflexion for extracting 4 components. Factor loadings after rotation reflected the variables. All factor loadings were above 0.5 indicating convergent validity. All components emerged with no cross-construct loadings above 0.5, which is an indication for discriminant validity (Luarn and Lin, 2003). The items that cluster together are shown to be unidimensional and all items used to measure a particular construct are loaded on a single component.

For clothing the Kaiser-Meyer-Olkin measure showed that the sampling was adequate for factor analysis. KMO = .78 and the values for the individual items were all above .58. This is above the minimum limits and the overall KMO can also be described as good (Field, 2009). Bartlett's test of sphericity ( $\chi^2 (120) = 1928.01, p < 0.01$ ) indicated that correlations between the items were sufficiently large for principal component analysis.

Four components had eigenvalues over the criterion of Kaiser of 1 and together explained 78.44% of the variance. The scree plot showed inflexions whereby it could be argued to retain 1 or 4 components. Based on Kaiser criterion with eigenvalues of over 1, it was decided to retain 4 components. However, when observing the factor loadings, items of perceived relationship investment loaded onto the same factor as e-loyalty. Therefore, e-loyalty and online perceived relationship investment for clothing are not factorial distinct and are possible to strongly correlated. For more information and tables about measurement assessment, please see appendix III.

## 4.3 Regression

When running the regression analyses, per model a test for outliers was performed as well. An outlier is a case that differs substantially from the main trend of the data. Cook's distance measures the overall influence of a single case on the model and a value greater than 1 may be cause for concern (Field, 2009). When reviewing the distances of the cases, no cases were found with values over 1. Therefore it was assumed that no outliers were present.

### 4.3.1 Regression Airline Tickets

The first regression analysis tested the hypothesised relationships H1, H2 and H4 for airline tickets and tested the influence of the independent constructs product involvement, price consciousness and online perceived relationship investment on the dependent construct online loyalty.

	Sample ( <i>n</i> = 132)			
	<i>B</i>	Std. error	$\beta$	<i>P</i> -value
<b>Independent variables</b>				
Product involvement	-.055	.099	-.047	.583
Price consciousness	-.068	.096	-.058	.478
Perceived relationship investment	.688	.141	.412	.000

Table 6: Results of multiple regression analysis of PI, PC and PRI on e-loyalty for airline tickets

From table 6 it is clear that only online perceived relationship investment is significant and has a positive influence on e-loyalty ( $\beta = .412$ ,  $t$ -value = 4.870,  $p < 0.001$ ). Therefore only H4 was supported.

The proposed model explained 16.2 of the variance in e-loyalty ( $R^2 = .162$ ,  $F = 8.22$ ,  $p < 0.001$ ) see appendix IV).

	Sample ( <i>n</i> = 132)			
	<i>B</i>	Std. error	$\beta$	<i>P</i> -value
<b>Independent variables</b>				
Product involvement	.137	.086	.137	.117

Table 7: Results of linear regression analysis of PI on PC for airline tickets

The second regression analysis tested H3 and that was the influence of product involvement on price consciousness. Since no significance results were found, no support was found for H3.

	Sample (n = 132)			
	<i>B</i>	Std. error	$\beta$	<i>P</i> -value
<b>Independent variables</b>				
Product involvement	.201	.059	.287	.001
Price consciousness	.024	.060	.034	.692

Table 8: Results of multiple regression analysis of PI and PC on PRI for airline tickets

investment ( $\beta = .287$ ,  $t$ -value = 3.382,  $p < 0.01$ ). Therefore H5 was supported. No support was found for H6.

The proposed model explained 8.6% of the variance in e-loyalty ( $R^2 = .086$ ,  $F = 6.1$ ,  $p < 0.005$ ) (see appendix IV).

### 4.3.2 Regression Clothing

For clothing the same regression analysis were ran. The first regression analysis tested the hypothesised relationships H1, H2 and H4 and tested the influence of the independent constructs product involvement, price consciousness and online perceived relationship investment on the dependent construct online loyalty.

	Sample (n = 132)			
	<i>B</i>	Std. error	$\beta$	<i>P</i> -value
<b>Independent variables</b>				
Product involvement	.085	.084	.066	.310
Price consciousness	.172	.073	.146	.020
Perceived relationship investment	1.130	.106	.676	.000

Table 9: Results of multiple regression analysis of PI, PC and PRI on e-loyalty for clothing

The proposed model explained 57.6% of the variance in e-loyalty ( $R^2 = .576$ ,  $F = 57.92$ ,  $p < 0.001$ ) (see appendix IV).

The third regression analysis tested H5 and H6 and that was the influence of product involvement and price consciousness on perceived relationship investment. Table 8 shows that support was found that product involvement had a significance positive influence on online perceived relationship

Table 9 shows that both price consciousness and online perceived relationship investment are significant and have a positive influence on e-loyalty ( $\beta = .146$ ,  $t$ -value = 2.356,  $p < 0.05$ ) and ( $\beta = .676$ ,  $t$ -value = 10.705,  $p < 0.001$ ). Therefore H4 was supported.

	Sample (n = 132)			
	<i>B</i>	Std. error	$\beta$	<i>P</i> -value
<b>Independent variables</b>				
Product involvement	.369	.091	.336	.000

Table 10: Results of linear regression analysis of PI on PC for clothing

The second regression analysis tested H3; the influence of product involvement on price consciousness. From table 10, it shows that product involvement has a positive influence on price consciousness ( $\beta = .336$ , t-value = 4.069,  $p < 0.001$ ).

The proposed model explained 11.3% of the variance in e-loyalty ( $R^2 = .113$ ,  $F = 16.55$ ,  $p < 0.001$ ) (see appendix IV).

	Sample (n = 132)			
	<i>B</i>	Std. error	$\beta$	<i>P</i> -value
<b>Independent variables</b>				
Product involvement	.259	.066	.335	.000
Price consciousness	.107	.060	.152	.077

Table 11: Results of multiple regression analysis of PI and PC on PRI for clothing

The third regression analysis tested H5 and H6 for the influence of product involvement and price consciousness on perceived relationship investment. Table 11 shows that support was found that product involvement had a significance positive influence on e-perceived relationship investment ( $\beta = .335$ ,

t-value = 3.928,  $p < 0.001$ ). Therefore H5 was supported. However, no support was found for H6.

The proposed model explained 16.9% of the variance in e-loyalty ( $R^2 = .169$ ,  $F = 13.150$ ,  $p < 0.001$ ) (see appendix IV).

### 4.3.3 Moderation Airline Tickets

This regression analysis tested the hypothesised moderating effects of H7 and H8. With these hypotheses it is proposed that product involvement strengthens the relationship between online perceived relationship and online loyalty for airline tickets and that price consciousness this relationship weakens.

	Sample (n = 132)			
	B	Std. error	$\beta$	P-value
<b>Independent variables</b>				
1) Perceived relationship investment	.688	.141	.412	.000
Product involvement	-.055	.099	-.047	.583
Price consciousness	-.068	.096	-.058	.478
2) Perceived relationship investment	.713	.139	.428	.000
Product involvement	-.201	.103	-.173	.054
Price consciousness	-.081	.092	-.069	.377
Perceived relationship investment * Product involvement (Int.)	.120	.033	.311	.000
Perceived relationship investment * Price consciousness (Int.)	-.003	.032	-.007	.931

Table 12 shows that the interaction effect of product involvement is significantly positive. ( $\beta = .311$ , t-value = 3.643,  $p < 0.001$ ). Support was thus found for H7.

The interaction effect of price consciousness is, however not significant and no support was found for H8.

The proposed model explained 21.3% of the variance ( $R^2 = .213$ ,  $F = 8.108$ ,  $p < 0.001$ ) (see appendix V).

Table 12: Results of multiple regression analysis of PRI, PI, PC and (PRI\*PI) and (PRI\* PC) on e-loyalty for airline tickets

### 4.3.4 Moderation Clothing

This regression analysis tested the hypothesised moderating effects of as stated in H7 and H8, only then for clothing. With this hypothesis it was proposed that product involvement strengthens and price consciousness weakens the relationship between online perceived relationship and online loyalty.

	Sample (n = 132)			
	B	Std. error	$\beta$	P-value
<b>Independent variables</b>				
1) Perceived relationship investment	1.130	.106	.676	.000
Product involvement	.085	.084	.066	.310
Price consciousness	.172	.073	.146	.020
2) Perceived relationship investment	.1.000	.139	.428	.000
Product involvement	.125	.111	.599	.000
Price consciousness	.200	.082	.097	.131
Perceived relationship investment * Product involvement (Int.)	-.057	.028	-.124	.042
Perceived relationship investment * Price consciousness (Int.)	-.024	.014	-.109	.083

Table 13 shows that the interaction effect of product involvement is significant negative ( $\beta = -.124$ , t-value = -2.054,  $p < 0.05$ ).

The interaction effect of price consciousness is, however not significant and no support was found for H8.

The proposed model explained 59.2% of the variance ( $R^2 = .592$ ,  $F = 38.974$ ,  $p < 0.001$ ) (see appendix V).

Table 13: Results of multiple regression analysis of PRI, PI, PC and (PRI\*PI) and (PRI\* PC) on e-loyalty for clothing

### 4.3.5 Summary

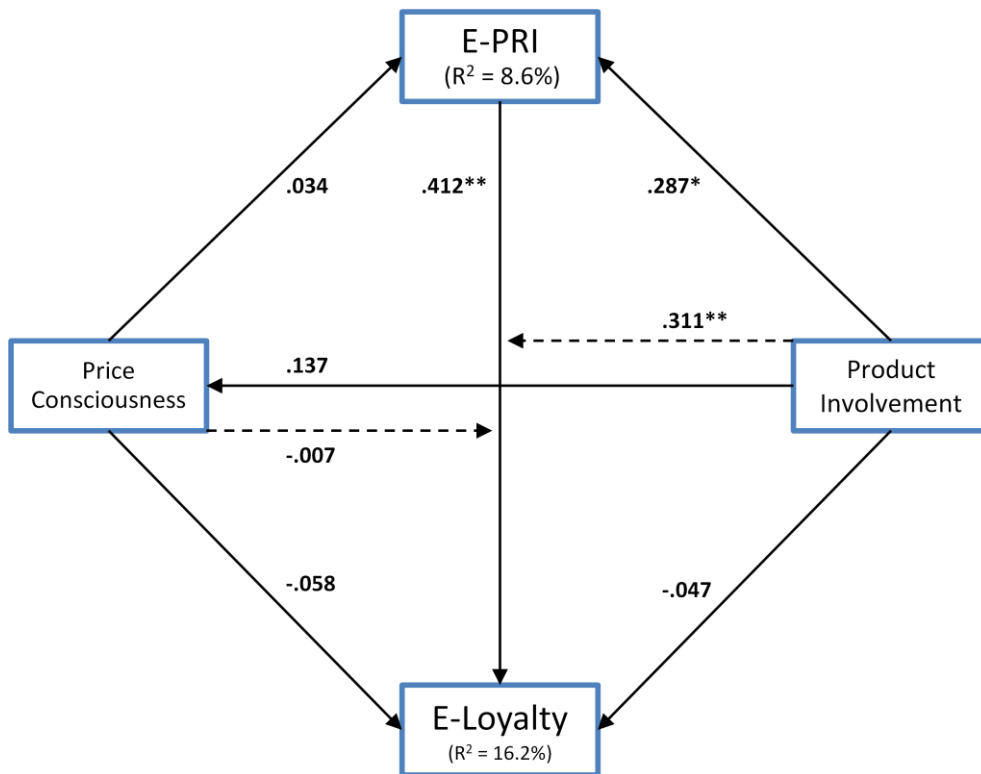


Figure 3: Tested Model – Airline Tickets  
 \*p<0.01 \*\*p<0.001 \*\*\*p<0.05

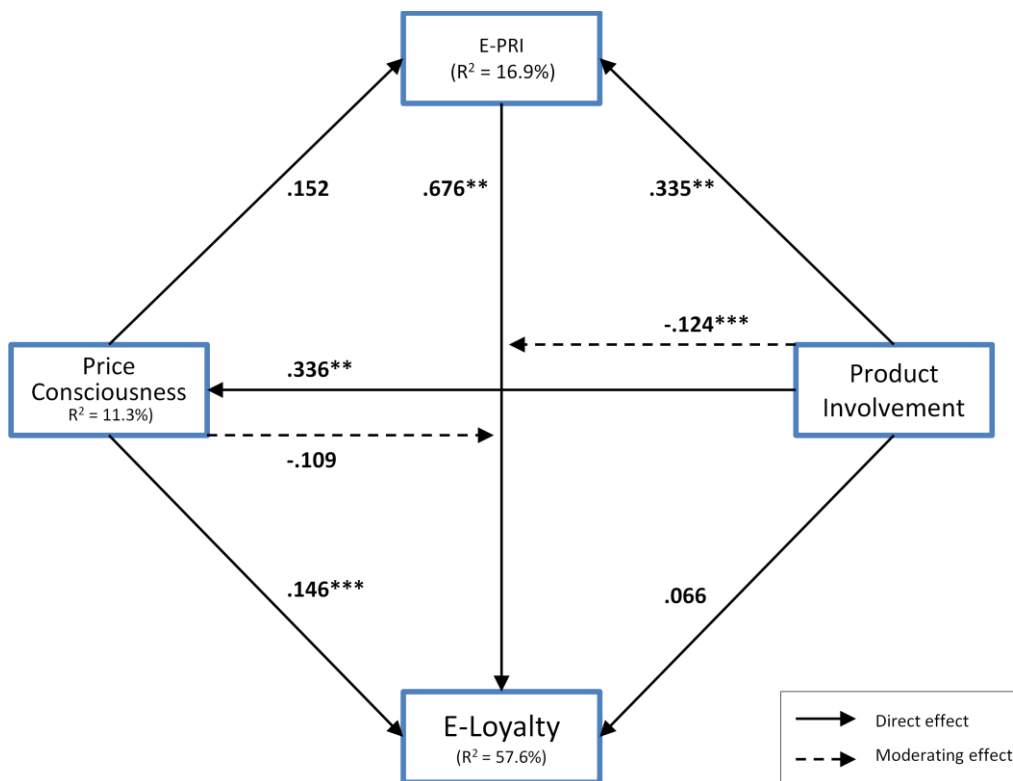


Figure 4: Tested Model – Clothing  
 \*p<0.01 \*\*p<0.001 \*\*\*p<0.05

## 5 Conclusions

### 5.1 Discussion

The purpose of this study was to identify the effects and linkage of the variables product involvement, price consciousness and online perceived relationship investment between each other and on online customer loyalty. Since there has not been extensive research on online perceived relationship a better insight in this variable was of great interest. In this study, the focus was on two product categories: airline tickets and clothing. Several hypotheses were tested, which gave interesting and somewhat surprising results.

One of the key results was that for both product categories product involvement doesn't have a (direct) significance influence on online loyalty. This is in contradiction with findings in the literature such as Coulter et al. (2003) and others (e.g. Olsen, 2007; Gainer, 1983; Mittal and Lee, 1989). These studies showed a positive influence of product involvement on loyalty. Although the former researchers investigated brand commitment and thereby focusing on attitude and the latter investigated purchasing behaviour. A possible explanation for lacking a direct effect could be that product involvement acts as a moderator. Olsen (2007) mentioned that product involvement is hard to specify in loyalty studies. According to him it is possible to be involved in a category, but still be uninvolved in many or different brands within the same category. This could also be the case in this underlying study. Consumers can be involved with the product, but not with the specific online retailer they had in mind due to lack of commitment and hence would not be loyal.

Only for clothing a significant effect of price consciousness on e-loyalty was found, however, the direction was the opposite from the proposed hypothesis. This is thus in line with the research concerning the role of price consciousness on the purchase of private label brands (e.g. Burton et al, 1998 and Sinha and Batra, 1999). Evidently, the prices with that particular e-retailer were satisfying enough to enhance e-loyalty. It could also be that the e-retailers in question did not have shipping fees, handling fees and/or other surcharges which led to more online loyalty.

Also a significant effect was found product involvement with clothing on price consciousness. Again in contrast with the hypothesis, an opposite effect was found. Instead of a proposed negative effect, a positive effect was found. Apparently, consumers that are high involved with clothing are also more price consciousness. This is in contradiction with the current literature (e.g. Gaston-Breton, 2011 and Lichtenstein, 1988). It could be that highly involved consumers, and therefore frequently purchasing clothing, tend to wait for more for sales and/or bargain deals. Another



explanation is that as Bloch et al. (1986) mentioned that product involvement is the central motivator in ongoing search for product information. This combined with the findings of Kukar-Kinney et al. (2007) that price conscious consumers have extensive and deep information processing, could be that product involvement has a positive effect on price consciousness.

For both product categories, the proposed hypotheses of online perceived relationship on online loyalty were confirmed. In line with the limited research on this topic, it can be stated that the more effort an seller makes towards its customer, the more loyal he or she will be. As Schlosser et al. (2006) and Rafiq et al. (2013) stated acts of reciprocity are registered and being repaid by the consumer in an online environment. It shows that online perceived relationship by the consumer is a factor that positively influences online loyalty.

Furthermore, product involvement has a significant positive influence on perceived relationship investment. In line with Gill et al. (1988) and as proposed by Dick and Basu (1994), the more involved a consumer is with a product or a product category, the more open and responsiveness a consumer is towards efforts made by a seller. Subsequently, a low involved person will perceive efforts made by an e-retailer less or even undesirable (Christy et al., 1996).

No support was found for hypothesis 6, that price consciousness will have a negative effect on online perceived relationship. A reason for this could possibly be that price conscious consumers are so occupied by their search for low prices, they do not even respond or notice efforts made by the e-retailer. They could be so consumed with their search for low prices that they do not even find it troublesome. Another reason for the lack of a direct effect could be that price consciousness acts only as a moderator in respect to perceived relationship investment.

Product involvement as a moderator did result in a significance influence on the relationship between online perceived relationship investment and online loyalty. However, differences in the effect were found when comparing the two product categories.

The scatterplot in appendix V shows that the more involved a consumer is with airline tickets the stronger the effect (i.e. higher correlation) of perceived relationship on e-loyalty is. This was suspected and is in line with previous offline research (e.g. Yi and Jeon, 2003; De Wulf et al., 2001) Consumers highly involved with airline tickets derive value from their relationship with the e-retailer. As Gordon et al. (1998) stated, efforts made by the retailer are more appreciated by high involved consumers.

A significant effect of product involvement was also found with clothing. However, this effect was the opposite as proposed. The scatterplot in appendix V shows that the higher involved a consumer is with clothing, the weaker the effect of online perceived relationship investment is on online loyalty. This be seen as in line with Olsen (2007, who found a weakening effect on the satisfaction – loyalty relation. This could be explained by the knowledge and searches a consumers has and undertakes because he or she is very involved. Therefore, all the efforts made by the e-retailer are not being perceived very well. Other reasons for this could be that for clothing, consumers who are more involved did not appreciate the efforts made by that particularly e-retailer because they had other preferences or there is substantial difference between the offline and online environment. It could be that the hypothesised effect only goes for products that are almost exclusively being sold through the internet.

No support was found for price consciousness as a moderator. It did not have a significance affect on the relationship between online perceived relationship investment and on online loyalty. Since also no direct affect was found of price consciousness on online perceived relationship in both categories, it seems that price consciousness does not influence online perceived relationship and the relation between it and online loyalty. This could be explained by (as well for the direct effect) that the consumer is concerned with their focus on paying a low price, that this focus is at the expense of other judgements (Alford and Biswas, 2002).

The proposed model did not find support for all the hypothesised relations and gave further significant results that were not suspected. However it did support that perceived relationship investment is a factor that influences online loyalty positively.

## **5.2 Managerial implications**

As De Wulf et al. stated in 2001; the development and sustainability of loyalty is increasingly difficult to achieve and is still surrounded with ambiguity regarding its underlying determinants, this still applies today. Therefore, this study makes a contribution to the research on this important aspect in marketing. This study examined variables together that were not investigated previously. This study shows that e-retailers can benefit from investments made in consumer relations by analysing the impact that relationship investment has on e-loyalty and what factors could play a role in these relationships.

The main implication of this research is that it is worth it for e-retailers to make effort towards the consumer. Investing in the relationship will be perceived positive by the customer and will result in higher e-loyalty.

Consumer characteristics, through interaction effects, showed their impact on the relationship as perceived by the customer. This probably also will be the case for other characteristics. Consumer characteristics should not be neglected by managers in their investments in the relationships. Those efforts made and the effects of it can be substantially influenced by the level of product involvement. Therefore, this research helps managers to target their relationship investments towards consumers in the online environment. If consumers are more receptive, the efforts and investments are more effective and result in higher loyalty and, hence, in profitability.

A particular result for clothing occurred; price consciousness positively affected online loyalty. Managers in the online clothing industry should therefore keep focusing on offering consumers a low price. Next to perceived relationship investments, price stays an important aspect to which consumers become more loyal.

### **5.3 Limitations and future research**

The biggest limitation in this research is that the constructs for perceived relationship investment and e-loyalty for clothing were not factorial distinct and could be too highly correlated. These constructs could measure the same and this could affect the analyses. For future research, it can be advised to further specify the items in the questionnaire that measure these constructs.

Furthermore, the focus on the consumer characteristics used in this study were on price consciousness and product involvement and the (moderating) effect of these characteristics. This could give a somewhat limited spectrum. A suggestion for future research is to include more consumer characteristics that could affect the relationship between perceived investments and e-loyalty.

Also, this study focused only on two product categories. It could be considered to examine more and other categories. Moreover, to zoom in on specific products sold exclusively online.

Another limitation was that the respondents were asked to respond to the statements with the experience they had with e-retailer of choice. The choice of freedom for a website could have biased the collected data. Future research should focus on certain e-retailers to measure more consistently.

As this research gives insights into consumer behaviour and attitudes in the Netherlands and although this is a contribution in marketing research, findings cannot be generalised and applied in respect to other countries. Therefore research incorporating other countries is suggested.

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(2013)











## 7.2 Appendix II

### Descriptive statistics

	<b>Frequency</b>	<b>Percent</b>
<b>Male</b>	76	57.6
<b>Female</b>	56	42.4
<b>Total</b>	<b>132</b>	<b>100</b>

**Table: Gender**

	<b>Frequency</b>	<b>Percent</b>
<b>18-25</b>	18	13.6
<b>26-30</b>	80	60.6
<b>31-35</b>	14	10.6
<b>36-40</b>	4	3.0
<b>41-50</b>	4	3.0
<b>&gt; 50</b>	12	9.1
<b>Total</b>	<b>132</b>	<b>100.0</b>

**Table: Age**

	<b>Frequency</b>	<b>Percent</b>
Some high school, no degree	2	1.5
High school	6	4.5
Trade school (mbo)	20	15.2
Bachelor (4 jaar hbo)	26	19.7
Bachelor (3 jaar universiteit)	6	4.5
Master (4 jaar universiteit)	72	54.5
<b>Total</b>	<b>132</b>	<b>100.0</b>

**Table: Level of education**

	<b>Frequency</b>	<b>Percent</b>
1-2	102	77.3
3-4	26	19.7
5-6	4	3.0
<b>Total</b>	<b>132</b>	<b>100.0</b>

**Table: Household size**

	<b>Frequency</b>	<b>Percent</b>
0-999	8	6.1
1000-1999	34	25.8
2000-2999	64	48.5
3000-3999	12	9.1
4000-4999	6	4.5
> 4999	8	6.1
<b>Total</b>	<b>132</b>	<b>100.0</b>

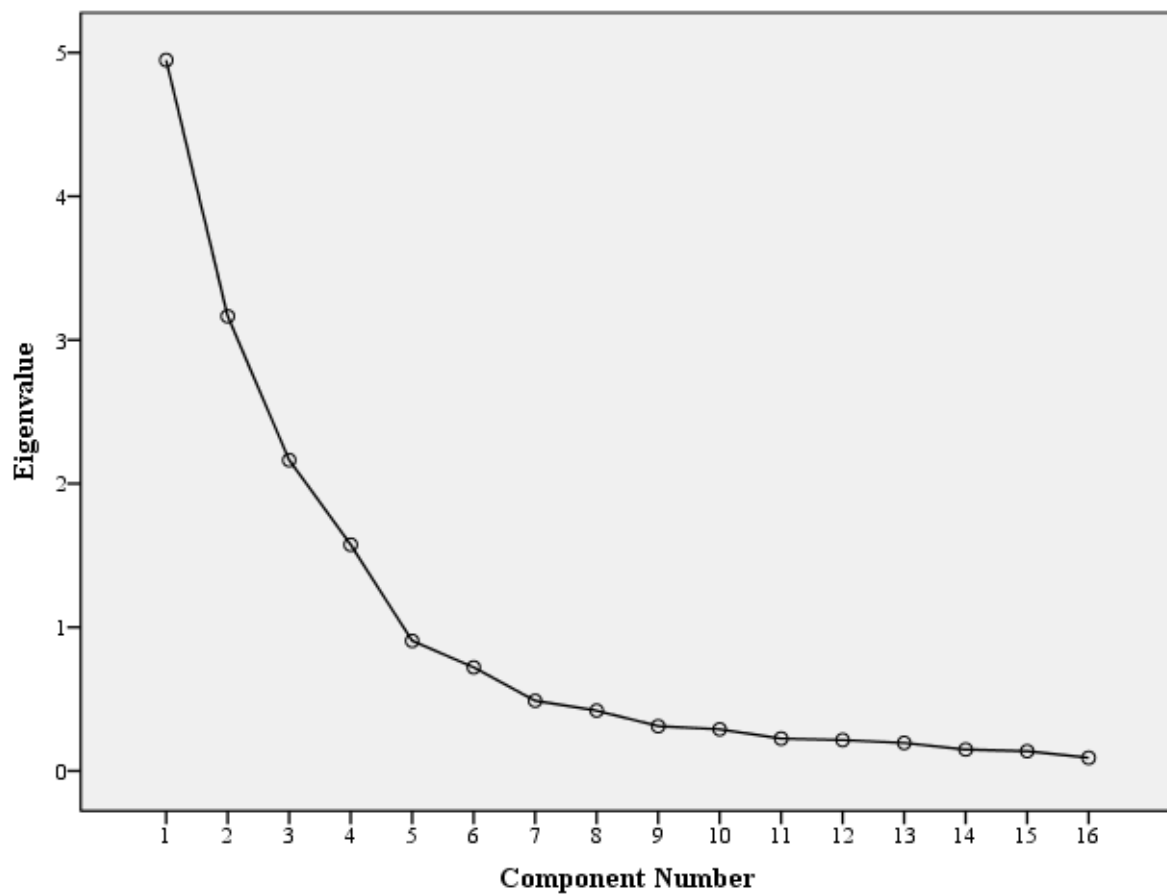
**Table: Net income per month in €**

### 7.3 Appendix III

#### Reliability and validity – Airline Tickets

<b>KMO measure</b>	.755
<b>Bartlett's Test Chi-Square</b>	1421.184
df	120
significance	.000

KMO and Bartlett's test - Airline Tickets



Scree Plot - Airline Tickets

Scale Items	E-Loyalty	Product Involvement	Price Consciousness	Perceived Relationship Investment
Loyalty Item 1	<b>.933</b>			
Loyalty Item 2	<b>.911</b>			
Loyalty Item 3	<b>.867</b>			
Loyalty Item 4	<b>.823</b>			
Loyalty Item 5	<b>.809</b>			
PI Item 1		<b>.907</b>		
PI Item 2		<b>.862</b>		
PI Item 3		<b>.834</b>		
PI Item 4		<b>.715</b>		
PC Item 1			<b>.872</b>	
PC Item 2			<b>.800</b>	
PC Item 3			<b>.686</b>	
PC Item 4			<b>.662</b>	
PRI Item 1				<b>-.974</b>
PRI Item 2				<b>-.877</b>
PRI Item 3				<b>-.816</b>
Eigenvalues	4.948	3.165	2.164	1.575
% of variance	30.93	19.78	13.52	9.84
Cronbach's alpha	.92	.85	.76	.90

**Factor analysis results: Principal component analysis – Airline Tickets**

**Eigen values, percentage of variance and alphas**

**Note: Absolute values for factor loadings < .5 were suppressed**

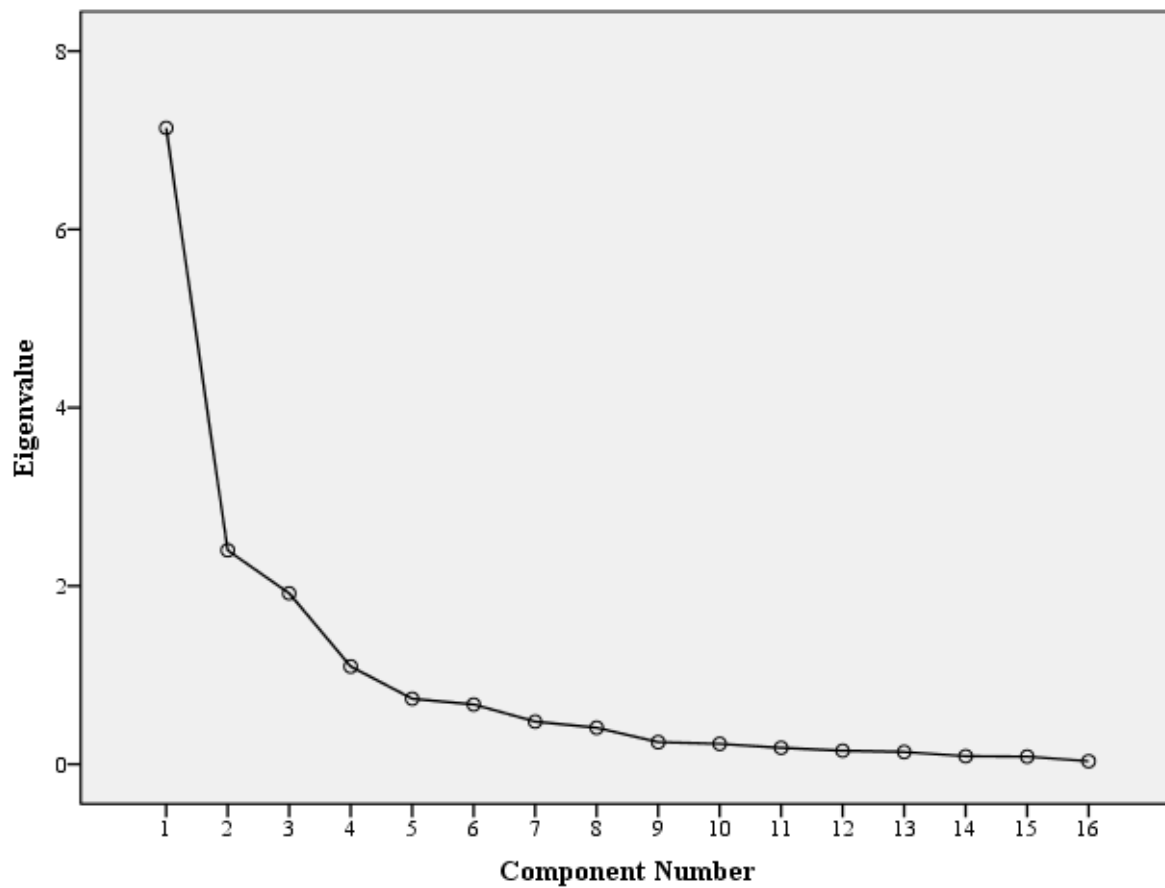
Component	1	2	3	4
1	1.000	.063	-.033	-.349
2	.063	1.000	.108	-.257
3	-.033	.108	1.000	-.043
4	-.349	-.257	-.043	1.000

**Component correlation matrix - Airline Tickets**

## Reliability and validity – Clothing

<b>KMO measure</b>	.776
<b>Bartlett's Test Chi-Square</b>	1928.014
df	120
significance	.000

KMO and Bartlett's test - Clothing



Scree Plot – Clothing

Scale Items	E-Loyalty	Product Involvement	Price Consciousness	Perceived Relationship Investment
Loyalty Item 1	<b>.736</b>			
Loyalty Item 2	<b>.733</b>			
Loyalty Item 3	<b>.837</b>			
Loyalty Item 4	<b>.741</b>			
Loyalty Item 5	<b>.860</b>			
PI Item 1		<b>-.786</b>		
PI Item 2		<b>-.903</b>		
PI Item 3		<b>-.929</b>		
PI Item 4		<b>-.562</b>		
PC Item 1			<b>.874</b>	
PC Item 2			<b>.613</b>	
PC Item 3			<b>.852</b>	
PC Item 4			<b>.849</b>	
PRI Item 1	<b>.896</b>			
PRI Item 2	<b>.896</b>			
PRI Item 3	<b>.882</b>			
Eigenvalues	7.138	2.400	1.917	1.096
% of variance	44.61	15.00	11.98	6.85
Cronbach's alpha	.93	.82	.83	.96

**Factor analysis results: Principal component analysis - Clothing**  
**Eigen values, percentage of variance and alphas**

**Note: Absolute values for factor loadings < .5 were suppressed**

Component	1	2	3	4
1	1.000	.256	-.322	-.075
2	.256	1.000	-.255	-.024
3	-.322	-.255	1.000	-.059
4	-.075	-.024	-.059	1.000

**Component correlation matrix - Clothing**

## 7.4 Appendix IV

### Regression – Clothing

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of estimate</b>	<b>R Square Change</b>	<b>F Change</b>	<b>Sig. F Change</b>
.759	.576	.566	3.71669	.576	57.922	.000

Model summary: Predictors: (Constant ), PI, PC, PRI

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	2400.351	3	800.117	57.922	.000
	Residual	1768.164	128	13.814		
	Total	4168.515	131			

ANOVA: Dependent variable: e-loyalty  
Predictors: (Constant ), PI, PC, PRI

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of estimate</b>	<b>R Square Change</b>	<b>F Change</b>	<b>Sig. F Change</b>
.336	.113	.106	4.52634	.113	16.553	.000

Model summary: Predictors: (Constant ), PI

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	339.138	1	339.138	16.553	.000
	Residual	2663.408	130	20.488		
	Total	3002.545	131			

ANOVA: Dependent variable: PC  
Predictors: (Constant ), PI



<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of estimate</b>	<b>R Square Change</b>	<b>F Change</b>	<b>Sig. F Change</b>
.412	.169	.156	3.10031	.169	13.150	.000

Model summary: Predictors: (Constant ), PI, PC

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	252.787	2	126.393	13.150	.000
	Residual	1239.940	129	9.612		
	Total	1492.727	131			

ANOVA: Dependent variable: PRI  
Predictors: (Constant ), PI, PC

## 7.5 Appendix V

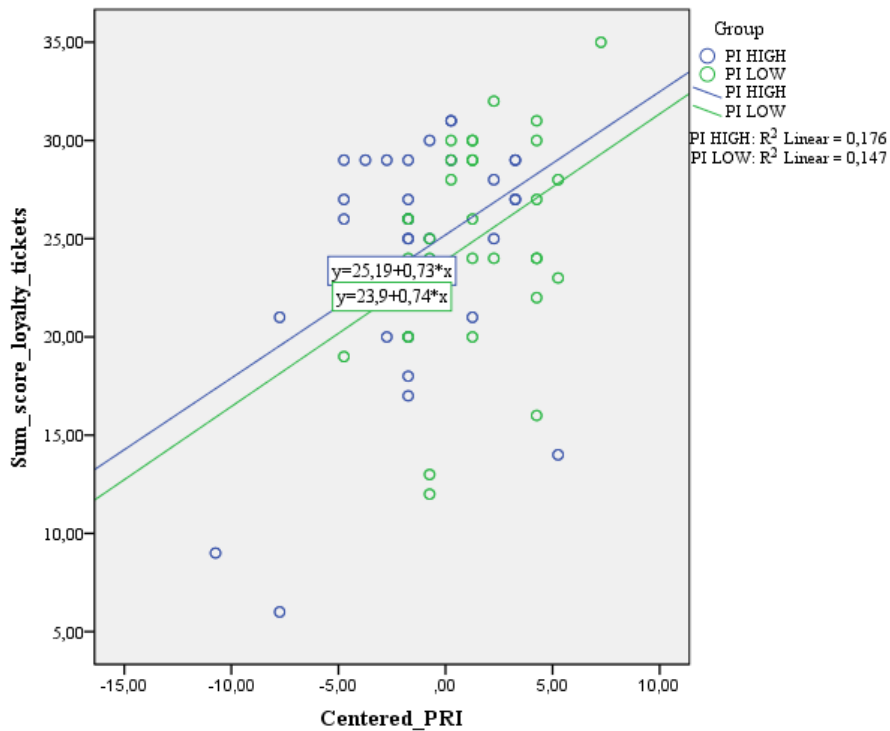
### Moderation effect of PI – Airline Tickets

Model	R	R Square	Adjusted R Square	Std. Error of estimate	R Square Change	F Change	Sig. F Change
1	.402	.162	.142	5.20287	.162	8.220	.000
2	.493	.243	.213	4.98136	.082	6.818	.002

Model summary: (1) Predictors: (Constant ), PI, PRI  
 (2) Predictors: (Constant ), PI, PRI, PRI\*PI (Interaction)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	667.573	3	222.524	8.220	.000
	Residual	3478.635	129	27.070		
	Total	4132.515	131			
2	Regression	1005.957	5	201.191	8.108	.000
	Residual	3126.558	126	24.814		
	Total	4132.515	131			

ANOVA: Dependent variable: E-Loyalty Clothing  
 (1) Predictors: (Constant ), PI, PRI  
 (2) Predictors: (Constant ), PI, PRI, PRI\*PI (Interaction)



Scatter plot - High/Low PI

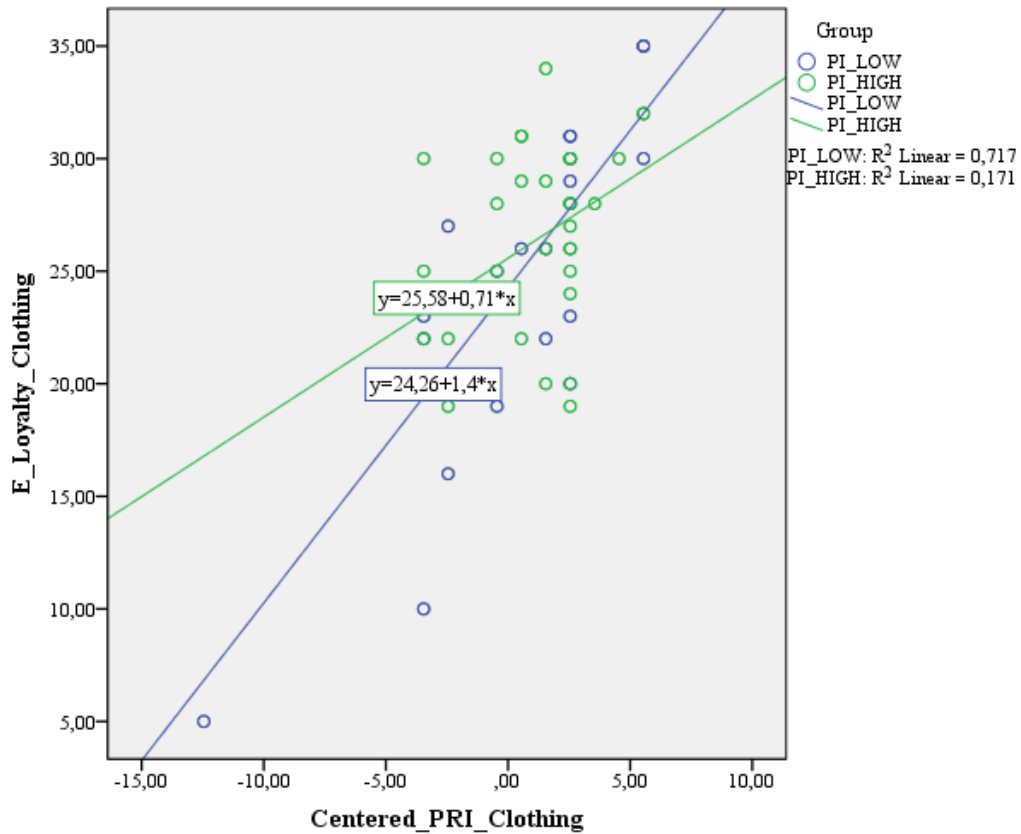
### Moderation effect of PI – Clothing

Model	R	R Square	Adjusted R Square	Std. Error of estimate	R Square Change	F Change	Sig. F Change
1	.759	.576	.566	3.71669	.576	57.922	.000
2	.779	.607	.592	3.60434	.031	5.052	.008

Model summary: (1) Predictors: (Constant ), PI, PRI  
 (2) Predictors: (Constant ), PI, PRI, PRI\*PI (Interaction)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2400.351	3	800.117	57.992	.000
	Residual	1768.164	128	13.814		
	Total	4168.515	131			
2	Regression	2531.611	5	506.322	38.974	.000
	Residual	1636.904	126	12.991		
	Total	4168.515	131			

ANOVA: Dependent variable: E-Loyalty Clothing  
 (1) Predictors: (Constant ), PI, PRI  
 (2) Predictors: (Constant ), PI, PRI, PRI\*PI (Interaction)



Scatter plot – High/Low PI