EXAMINING THE RELATIONSHIPS BETWEEN E-SERVICE QUALITY, PERCEIVED VALUE, AND CUSTOMER LOYALTY

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ABSTRACT

This paper develops a research model to examine the effects of key e-service quality dimensions on perceived value and, consequently, on customer loyalty. Specifically, the present study, drawing on the Parasuraman and Grewal’s (2000) conceptual model, seeks to (1) identify the salient e-service quality dimensions; (2) examine the relationships between the derived e-service quality dimensions and customer perceived value; (3) investigate the relationship between customer perceived value and customer loyalty; and (4) determine whether there are any gaps between low-loyalty and high-loyalty customer groups in terms of their perceived overall e-service quality and its constituting dimensions.

Keywords E-Service Quality, Perceived Value, Customer Loyalty, and Service Quality Dimensions

INTRODUCTION

The relationships between customer loyalty and its antecedents in an offline business environment have been extensively examined by prior research (e.g., Ibanez, Hartmann, and Calvo, 2006; McMullan and Gilmore, 2008; Oliver and DeSarbo, 1988; Parasuraman and Grewal, 2000; Wang, 2010). One issue has assumed a dimension of special importance, in light of today’s ever-increasing numbers of companies and customers embracing e-commerce as a new paradigm for conducting business transactions: How can an organization effectively build online customer loyalty and sharpen its competitive advantage? The literature provides a logical point of departure. In their conceptual study, Parasuraman and Grewal (2000) propose a quality-value-loyalty chain model in a traditional “bricks-and-mortar” business setting, where three factors -- service quality, product quality, and price -- determine customer perceived value. In turn, they note that high perceived value generates customer loyalty. The authors have also raised two important questions for future research directions: “Can this same conceptual model be applied to technology-driven environments?” and “What is the role of key e-service quality dimensions in this chain?”
Relatively modest research effort, however, has been focused on how *key dimensions of e-service quality* affect customer loyalty through the mediation role of perceived value. Most of the prior studies addressing the quality-value-loyalty chain have assessed e-service quality based either on the interaction between a customer and an e-retailer’s Web site, or on a Web site’s design and information quality (e.g., Fuentes-Blasco, 2010; Pearson et al., 2012). Moreover, these studies have paid very little attention to product portfolio quality, which is one of the salient e-service quality ingredients (Anderson and Swaminathan, 2011). Therefore, to fill this research gap, the present study intends to address the two aforementioned research questions by adopting a broadly conceived overview of the e-service quality construct encompassing customer service, online systems, and product portfolio aspects in the context of business-to-consumer (B2C) e-commerce. More specifically, the present study, drawing on the Parasuraman and Grewal’s (2000) conceptual model, seeks to (1) identify the salient e-service quality dimensions; (2) examine the relationships between the derived e-service quality dimensions and customer perceived value; (3) investigate the relationship between customer perceived value and customer loyalty; and (4) determine whether there are any gaps between low-loyalty and high-loyalty customer groups in terms of their perceived overall e-service quality and its constituting dimensions.

**RESEARCH MODEL**

**The Effect of Key E-Service Quality Dimensions on Perceived Value**

Customers judge “perceived product value” by comparing the ratio of their outcome/input to that of their suppliers’ outcome/input. Alternatively, they may compare what they receive from their present company with what competitors provide. Customer perceived overall service quality has been regarded as a major driver of enhanced perceived value. For example, Pearson et al. (2012) empirically find that both e-service quality (equivalent to our study’s customer service quality) and information quality (equivalent to our study’s online systems quality) positively affect customer perceived value and in turn customer loyalty. The remaining issue that has not been specifically addressed is whether or not each salient e-service quality dimension significantly affects customer perceived value.

Chen and Dubinsky (2003) note that three e-service quality attributes, such as ease-of-use of the Web site, relevant information, and customer service, collectively and positively affect customer perceived value and, in turn, customer purchase intention. The first two factors relate to online systems quality and the other refers to customer service quality. They further argue that only relevant information provided by the Web site and quality customer service offered by human Web assistants, whose task is to assist customers in Web shopping, are perceived by consumers to be useful and valuable; whereas, unfriendly online user interfaces may lead them to feel confused and ultimately develop negative feelings about the e-shopping experience. Marimon et al. (2009) have examined the relationships between four dimensions of e-service quality, such as efficiency, system availability, fulfillment, and privacy, and perceived value by employing the E-S-QUAL instrument developed by Parasuraman et al. (2005).
Marimon et al. (2009) find that, of the four, two dimensions, system availability and fulfillment, significantly and positively affect customer perceived quality. Later, Fuentes-Blasco et al. (2010) identify five dimensions of e-service quality, such as efficiency, system availability, fulfillment, security, and responsiveness/contact, and they further reveal that all five dimensions, except fulfillment, positively influence customer perceived value. Therefore,

**H1**: Each key e-service quality dimension has a positive impact on customer perceived value.

**Customer Perceived Value and Customer Loyalty**

Customers are willing to invest their loyalty in firms that deliver superior value relative to their competitors (Reichheld, 1996). In a traditional “bricks-and-mortar” environment, many studies find that perceived value is a significant precursor of customer loyalty (Oliver and DeSarbo, 1988; Parasuraman and Grewal, 2000; Olsen and Johnson, 2003). However, relatively little research effort has focused on examining the relationship between customer perceived value and customer loyalty in the context of B2C e-commerce. Several researchers, such as Fuentes-Blasco et al. (2010), Marimon et al. (2009), Pearson et al. (2012), and Yang and Peterson (2004), have empirically demonstrated that customer perceived value has a positive impact on customer loyalty in the online business setting.

Perceived value is not necessarily directly related to price. A company may assess a premium price for an offering, but if it attaches useful services to the core products, customers may perceive the value of this service or product as superior to competitors’ offerings. According to equity theory, everything else being equal, high perceived value can significantly increase customer loyalty (Oliver and DeSarbo, 1988). Chang et al. (2009) also argue that customer perceived value positively contributes to e-loyalty by reducing an individual’s need to seek alternative service providers. Therefore,

**H2**: Customer perceived value has a positive impact on customer loyalty.

**E-Service Quality Dimensions and Loyalty Groups**

Loyalty includes an individual’s intention to return to a service provider, as well as intention to recommend the provider to others (Bendall-Lyon and Powers, 2003). Loyalty may be influenced by a positive level of satisfaction toward the service provider. In a traditional business setting, many researchers have found a positive relationship between service quality perceptions and customer loyalty (e.g., Cronin et al., 2000; Pollack, 2009; Ranaweera and Neely, 2003; Zeithaml et al., 1996).

Yet, relatively little research has examined this relationship in the context of B2C e-commerce. Heim and Sinha (2001) have investigated the relationship between customer loyalty and the order procurement and order fulfillment processes of e-retailers.
Heim and Sinha (2001) have found that six variables: website navigation, product information, price, product availability, timeliness of delivery, and ease of return, have a significant and positive association with customer loyalty. All six of the variables, except price, relate to e-service quality dimensions. Further, Yen and Gwinner (2003) have found that four factors of e-service quality: perceived control, convenience, efficiency derived from Internet self-service technology, and performance of the technology, have significant and positive effects on customer loyalty through two mediating variables, confidence and special treatment benefits.

Later, Zhang and Prybutok (2004) demonstrated that perceived customer service quality and two online systems quality attributes, Web design and ease of use, have a significant and positive association with customer loyalty. Recently, Pearson et al. (2012) demonstrate that four dimensions of perceived service quality, such as efficiency, system availability fulfillment, and privacy, and five dimensions of perceived information quality, such as relevance, understanding, reliability, adequacy, and usefulness, positively influence loyalty intentions, directly as well as indirectly, through perceived value. However, it should be noted that Cristobal et al. (2007) have failed to support a positive relationship between e-service quality and e-loyalty. It is thus worth examining whether or not loyal customers tend to perceive an online firm’s performance on overall e-service quality, as well as on its underlying key dimensions, to be significantly higher than do occasional customers. Therefore,

H3: There are significant gaps between high-loyalty and low-loyalty customer groups in their assessments of (a) overall e-service quality and (b) each key e-service quality dimension.

RESULTS

This study identifies five salient e-service quality dimensions: care/help, reliability, ease of use, security, and product portfolio. All of the five dimensions identified have significant and positive impacts on perceived value and, in turn, customer loyalty. Further, there are significant differences between occasional and loyal customer groups in their perceptions of overall e-service quality and its key dimensions.

This study suggests that online firms maintain and sharpen the levels of ease of use, care/help, product portfolio, reliability, and security simultaneously to broaden a loyal customer base by the adoption of diverse e-CRM features. Managers may be in a position to benefit by employing the model presented in this study in an effort to improve service performance and, hence, retain substantial numbers of customers.
REFERENCES


