CONSUMER SATISFACTION AND LOYALTY MODEL ON THE INTERNET TRADE MARKET

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Abstract. In buying process a consumer uses different customer cards which provide additional discounts, accrue bonuses or allow using special offers. The situation is mostly formed in the traditional market where customer’s satisfaction and loyalty are important to companies. However, the modern consumer wants to use available resources as efficiently as possible, so the use of online stores is becoming more and more popular. Moreover, the Internet is changing consumer satisfaction and loyalty role and model. In online trading there are no possibilities to influence consumers by personal service and there is a necessity to adapt to technological opportunities.

The purpose of this research is to study customer satisfaction and loyalty in the Internet trade market and to develop a conceptual loyalty model.

Research methods are: the study and analysis of scientific literature on the topic, consumer survey and its statistical analysis.

In the process of the research the consumer loyalty model on the Internet trade market was construct, which is based on the study and analysis of theoretical literature and respondents’ answers about using online stores. People from different Latvian cities participated in the survey. The analysis of the results shows the main differences of loyalty model between the traditional and online trading markets. The research results can be used in practice to develop interaction with consumers in Latvian online trading market.

Key words: customer loyalty, customer satisfaction, internet trade market

JEL code: M300 Marketing and Advertising: General

Introduction

In this article, the author analysed and evaluated customer satisfaction and loyalty on the Internet trade market. After its evaluation, the author offered loyalty model transformation, which reflects loyalty on online trading. This topic is becoming more and more popular every year because of the growing number of users of online trading in Latvia.

The author puts forward the following hypotheses:

H1: Consumer loyalty to online stores is affected by such components as trust and satisfaction.

H2: Consumers evaluate product quality lower than delivery quality on the online trade market.

H3: Consumers use mostly foreign online stores.

The aim of this research is to study customer satisfaction and loyalty on the Internet trade market and to develop the conceptual loyalty model.

The main objectives of the research are to compare consumer loyalty model on the traditional trade market and Internet trading by analysing scientific literature and analysing consumer survey.

Research methods are: the study and analysis of scientific literature on the topic, consumer survey and its statistical analysis.

The loyalty model development of online stores is topical and the novelty lies in the fact that consumers buy more in foreign stores but loyalty to online Latvian stores, which can be used by local companies, has not been investigated yet.

Research results and discussion

The number of consumers who use online stores is increasing every year, and 71% of Latvian internet users are involved in online shopping, which is by 4 percentage points more than in 2013. As it is shown in Gemius data, people aged between 25 and 34 are more active in online trading; women do that more often and act as professionals or office workers (KursorsLv, 2014). After analysing the latest statistics of Citadele Bank, it can be concluded that the number of transactions into foreign online shops increased by 42%, and into Latvian shops - by 9 percentage more in 2013 than in 2014 (Haka,
In spite of the fact that in Latvia the popularity of online stores is growing, consumers do most shopping in foreign online stores. Among the Baltic States, Latvia takes the second place in terms of the percentage of people who are aged between 16 and 74 and who get the goods or services on the Internet (Latvian Internet Association, 2014).

By gathering and analysing the available information, the author can conclude that in Latvia it is necessary to promote local online stores and to increase consumer loyalty. However, before that it is important to study how loyalty in the traditional market differs from loyalty in the internet environment.

<table>
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<tr>
<th>People purchasing goods or services online (aged 16-74) %</th>
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<tr>
<td><strong>Country</strong></td>
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<td>Latvia</td>
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<td>Estonia</td>
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<td>Lithuania</td>
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*Source: Latvian Internet Association E-Commerce Statistics, 2014*

1. Consumer satisfaction peculiarities of Internet marketing

Consumer satisfaction is a necessary component in any company where the customer is of great importance. The author underlines that consumer satisfaction is one of the main aims of the company, which means long-term commitment.

Literature gives various definitions of satisfaction. In 1997, Richard L. Oliver (Pires, Stanton, 2005) defined that satisfaction is a psychological set of results when the emotional environment provides hope realization higher than previous experience. By contrast, satisfaction can be described as the most important source of competitive advantage that as a result improves consumer loyalty and promotes the re-purchase (Levin, 2009).

The author accepts both explanations, because one shows formation process of satisfaction, while the second one points to the result. Of course, speaking about satisfaction it is necessary to say about competitive development and long-term work with the consumer because of the importance to work with consumer behaviour in the market not only during the buying process but also afterwards.

In using the online trade market, it is essential to satisfy consumers directly in the online dimension. Having studied several theories in the article (Udo, Bagchi, Kirs, 2010), it can be stated that quality variability can be found in three main dimensions - information quality, system quality and product quality. They have determined that these dimensions affect directly customer satisfaction in online trading. Each dimension can create their own factors, for example, service quality can consist of five dimensions: intangible value, trust, responsibility, guaranty and empathy. The author agrees with such division but considers that such dimension as work speed could be added to service quality, because it is important for a consumer not only to use a nice-looking website that has been used for a long time here there are certain guarantees and a good attitude towards him but also where all the issues are dealt promptly and efficiently. Moreover, discussing the quality, the author points out the idea of adding delivery quality as nowadays there is a wide choice of different shipping methods which may differ by speed, price and locations, that is why delivery quality is an essential quality dimension. In 2014 there was a significant increase in complaints to the Latvian Post due to the rapid growth of Internet trading and the main reasons for complaints were cross-border correspondence delivery (mainly in small packages)- delivery with lack or damaged contents, delivery delays and indication of incorrect (incomplete) address (Haka, 2015[8]). These factors indicate that the quality of delivery
to the consumer is important and it is necessary to be improved.

The author would like to state that the online buying process is different from the traditional one (Cartwright, 2000). It can be divided in three stages – the stage before the purchase, the online purchase stage and the after-sales stage (Subramanian, Gunasekaran, Yu, Cheng, Ning, 2014). These stages are similar to the traditional trading but have their differences and peculiarities. The stage, which is prior to the purchase, directs the consumer to buy goods or services at a particular seller based on the availability of information on the website. The online purchase stage should be easy and understandable to the consumer so the consumer can choose simply the method of payment, be sure that the money from the credit card will go where it is needed to go. Remote payments by using credit cards and the phone have been greatly increased on the Internet (virtual terminals). Such payments have been increased by 69% and the volume - 2.1 times. In 2014, remote card payments accounted for 21.2% of card payments in terms of number and 22.4% - in volume terms (in 2013 - 15.8% and 12.5%), as consumers started to use opportunities offered by e-commerce, including purchases in online stores (Haka, 2015[7]). The after-sales stage associated with delivery in time (as it was informed to the consumer before), the product is the same as it was described and shown in the picture, and if necessary, the product is exchanged and the consumer’s problem is quickly solved. If all these stages are done in time qualitatively, then the consumer will feel satisfaction and will desire to use a particular online store again, which will increase the loyalty level to the Internet trade market or to the specific shop.

2. Loyalty specifics of Internet marketing

Although consumer satisfaction is only explained as repeated purchase (re-purchase) in different definitions, the author wants to underline that it is not like that (Hoffmann, 2013). Loyalty is the unity of interaction and behavioural and attitudinal components, as shown in Figure 1, the model designed by the author from research made in early 2015 which was conducted within the master's thesis (Radionova, 2015). In turn, loyalty influences directly customer satisfaction (Audrain-Pontevia, N’Goala, Poncin, 2013), which may be affected by different values such as functional, social and emotional values and the value of money. The developed model points out that there are also factors that can influence consumer loyalty from outside, such as socio-demographic, usage duration, a variety of marketing activities. The analysis of loyalty models showed that satisfaction is the general impact factor to loyalty (Christodoulides, Michaelidou, 2011). The model can be used in general but each sector has its own characteristics and, of course, the Internet trade market has its own specific features that allow modifying the specific model and applying it to online stores.

Working with consumers on the Internet, there is a necessity to find a special approach and communication that could be integrated into this environment (Kotler, 2014). Three approaches are mentioned in different sources to increase consumer loyalty in the Internet world (Yi, 2103):
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Source: Authors created model based on Radionova, 2015

Fig. 1. Consumer loyalty model

- professional approach - in terms of traditional marketing it means professional services associated with direct service and staff skills. The quality of provided information and service is important to consumer (Chang, Chen, 2008). It is honesty, while selling products on the Internet only best pictures should be displayed and a good description should be provided; the prices should be up to date. If there are any failures and getting the product the consumer sees that the product and the picture are two different things in real life, then there is no doubt that consumer returns it immediately. The same is connected to prices – some online shops do not count the full price with delivery and other options and when consumer start to pay the price increase. In this case, the consumer often refuses from the purchase and is looking for other alternatives. All provided information should be trustable and easy to use (Labrecque, Esche, Mathwick, Novak, Hofacker, 2013);
- interaction with consumers - it is possible to leave feedbacks in the virtual environment - both positive and negative. Without a doubt, even the best online shop cannot get only positive feedbacks. It should not be forgotten that that reviews are written by people and psychological factors also should be taken into account. It is necessary to deal with any review very quickly. It is interaction with the consumer and requires a two-way communication in order to build a sustainable relationship with the consumer, which increase trust and satisfaction as well (McCole, Ramsey, Williams, 2010). Therefore, it is necessary to interact with the consumer kindly and with understanding and respect (Ivanov, 2012); in case of any problems that may be arisen there need to be find a solution to satisfy consumer. There should be a possibility to return the product, refund etc. In any situation it is essential to demonstrate that the consumer is important and that you care about him. Besides there is the necessity to ensure a convenient buying process (Andrews, Bianchi, 2013), delivery and billing processes. In short, the process of purchasing the product should provide the consumer with satisfaction and comfort (Martínez-López, Plaza-García, Gázquez-Abad, Rodríguez-Ardura, 2014);
- stimulation – it is impossible to forget that any internet store wants to make a profit, which means that the consumer is more likely
to be motivated to visit the website and make as many purchases as he can. A variety of promotions and discounts motivate consumers to buy products very well (Sewell, Brown, 2002). Sometimes such actions are coordinated with traditional stores if the company has both stores in traditional and internet environments. Loyalty programmes become topical and stimulate to buy in a particular online store in order to accrue bonus points, to get free delivery, discounts or various gifts etc (Ткачев, 2015). A personal approach to each customer is important too, such as a thank-you letter, holiday greetings, faster delivery etc. After such service the consumer wants to share his positive experience with either his friends or acquaintances, or in social networks and blogs, or elsewhere, thus, creating a positive impression about the company.

After having analysed the theoretical part, the author has modified and adapted consumer loyalty model to the internet environment (Figure 2.) and to the internet trade market (online store) (Figure 3.).

The models developed by the author point out that the loyalty building process on the internet and in particular online stores is more complicated process than it is considered to be, because it is affected by several factors. In this case, it is necessary to mention repeated purchases (re-purchases), which will appear in case of the high level of trust, which affects satisfaction. The author would like to single out that the chosen opportunities are what make the difference in loyalty to the traditional market and to the online market. While on the internet it is much faster to find required products, also to find a product that is not available in a traditional store, so foreign stores are more popular than local ones in Latvia.

![Diagram of Consumer Loyalty Model to the Internet]

Source: Authors created model based on Radionova, 2015

Fig. 2. Consumer loyalty model to the internet
Fig. 3. Consumer loyalty model to the internet store

3. Consumers satisfaction and loyalty measurement of internet trade market

The author discusses the results based upon the questionnaire presented to 319 respondents who answered the questions. The research is still continuing to obtain the data from over several years and to compare the changes that take place over time, so today there are only interim results.

After having analysed the results, it can be concluded that the consumers use internet-trading services at least once a month – 57.37% of respondents. 10.66% and 2.19% of the respondents use the internet stores once a week and a couple times a week. 15.36% of respondents use internet trading only a few times a year, while 14.42% do not use it at all. Most of respondents (43.57%) give preference to foreign stores. 24.76% respondents use both foreign and Latvian internet market services and only 10.66% use only Latvian internet shops. In contrast, 4% of respondents are not interested in what country and in which internet shop to make purchases and 6.58% of respondents do not buy online at all. That situation can be explained by the fact that foreign consumers can buy any product by a low price, with a good and free delivery and from a wider assortment. In online stores such as ebay.com, alibaba.com, aliexpress.com etc. consumers choose products from different sellers, gathering thousands of offers in one place. Respondents (23.08%) answered that the most important factors for repurchase are delivery opportunities and quality; 18.68% stated that it is product variety, 17.22% presented offer price, 16.48% - delivery price, 10.62% - quality of products, 8.06% - offered brand and 5.86% - service quality. The author would like to point out that sometimes foreign online stores do not deliver products to Latvia or delivery cost is high and the delivery duration is too long, so this is becoming an important factor for consumers. The internet trade market service quality as the factor for repeated purchases has been used least of all, this can be explained by the fact that communication with the seller is rare and it is not also popular for customers.
Internet sellers should expand their territorial delivery options and the range of products; that could not only attract new customers but also promote existing consumer satisfaction and loyalty.

**Conclusions, proposals, recommendations**

1) Consumer satisfaction of the Internet trade market affects the quality, which can be divided into four dimensions, such as quality of information, service quality, product quality, delivery quality. Satisfaction causes customer loyalty, so the traders in both markets should focus on the quality in all dimensions, for that purpose different customer research can be made to evaluate not only the satisfaction and loyalty, but also to find reason of results.

2) Online purchase process consists of three stages - pre-purchase stage, the online purchase stage, after-sales stage. On the first stage the consumer is directed to a specific website to a specific seller / shop. The second stage is when the customer is provided with full information and secure purchase via the Internet. The third stage is quick delivery to the buyer and the product should fully coincide with the information provided by the seller, and feedback should be provided to express gratitude or complaints, to evaluate the service, to return a purchase or ask questions. While interacting with consumers, sellers need to specify full and appropriate information that will not confuse consumers, increasing not only satisfaction but also trust to the seller. After that process, it is necessary for sellers to react as quickly as it is possible to increase trust that influences satisfaction and loyalty.

3) Professional skills, interaction with consumers and consumer stimulation can be used to increase consumer loyalty in the Internet environment. The formation of loyalty to the Internet and Internet stores are

4) H1, H2, H3– proved. All hypothesis were proved. H1 – theoretical background - consumer loyalty to online store is affected by trust and satisfaction components. H2 –by the survey results consumers evaluate the quality of products lower (10.62%) than the quality of supply (23.08%) of the Internet trade market. H3 – 43.57% of respondents use only foreign online storesThe results showed that consumers in Latvia are not loyal to the local online stores. To improve the situation the sellers need to analyse what consumers like in foreign stores and improve the communication by make changes in all quality dimensions which will increase the satisfaction and the level of trust.

5) It is recommended to react on different situations as soon as possible and rise the all quality dimensions in case to satisfy consumers and increase the level of efficient communication with customers. That helps to increase the level of loyalty both to product and seller.
Bibliography