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Antecedents of Customer Loyalty in the Online Shopping Environment

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ABSTRACT

Literature has stressed the importance of customer retention (loyalty) as it is considered to be a vital source in attaining not only competitive advantage but also improved business performance. A number of studies on online shopping behavior have indirectly related customer satisfaction to repurchase intention. But very few studies have explicitly studied the relationship between customer satisfaction and customer loyalty in the online environment. However, recently researchers have argued that customer satisfaction may not be a good indicator of customer loyalty and suggested that perceived value may be a better predictor. In other words, “distinct value propositions” could be used to develop customer loyalty.

Therefore, in this paper, we study the relationship between perceived value (developed via web technologies) and customer loyalty. We propose that relational benefits factors formulate the “distinct value propositions” (perceived value) needed to generate customer loyalty in the online environment.

Keywords:

Online customer loyalty, e-commerce, perceived value, relational benefits

INTRODUCTION

The advent of e-commerce in the late 1990's introduced a novel-shopping alternative to consumers, which has recently shown signs of revival after the dot-com burst. According to the US Census Bureau Reports the retail e-commerce sales in US have been gradually increasing since 1999. The 2004 fourth quarter e-commerce sales were 22.1 percent above the year-ago level and the total e-commerce sales for 2004 were estimated at \$69.2 billion, an increase of 23.5 percent from 2003 (US Census Bureau Report, 2005). In short, in 2004 e-commerce sales displayed resurgence in growth compared to 2003.

In 2003, 79% of all online retailers were profitable; this is a big difference from just a few years back. Analysts have credited online-retailers profits and good performances to repeat purchase (shop.org). From the period 2002 to 2003, online retailers halved their marketing costs from \$8 to \$4 but their customer service costs rose from \$1.90 to \$2.30 per order, and order fulfillment costs jumped from \$6.30 to \$9.80 per order. This is an indicator that online stores are in a state of flux and are trying to reorganize their customer-related expenditures in order to offer better shopping experiences (shop.org).

According to Kuttner (1998, p. 20), “The Internet is a nearly perfect market because information is instantaneous and buyers can compare the offerings of sellers worldwide. The result is fierce price competition and vanishing brand loyalty.” Grewal, Gopalkrishnan, Iyer and Sharma (2003) states that the online environment reduces both the transaction cost and information asymmetry, thereby changing the dynamics of retailing. Although much research has been done on factors influencing online shopping (Bakos, 1997; Bhatnagar et al., 2000; Brynjolfsson and Smith, 2000; Jarvenpaa and Todd, 1997; Jarvenpaa, Tractinsky and Vitale, 2000; Keeney, 1999; Koufaris, Kambil and Labarbera, 2002) relatively few studies have focused on consumer loyalty in online shopping (e.g. Khalifa, Limayem, and Liu, 2002; Chen and Hitt, 2002). Therefore, this interesting area is under researched and we seek to fill this gap by investigating how customer loyalty develops in the “evolved era” (i.e. after the dot-com burst) of online environment.

As competition and the cost of attracting new customers increase, companies increasingly focus their strategic efforts on customer retention (Berry, 1983; Fornell, 1992; Fornell and Wernerfelt, 1987). Research indicates that it is five to six times less expensive to retain customers than to attract new ones (Parthasarathy and Bhattacharjee, 1998; Rosenberg and Czepial, 1984). Crego and Schiffrin (1995) stated that a 5% increase in customer retention in the insurance industry typically translates to an 18% savings in operating costs. At the same time, the recent Nielsen/NetRatings report (2004) found increase in usage of comparison shopping sites (e.g. MySimon, Froogle), which indicates the possible lack of

loyalty in the online shopping environment. Although online stores compared to traditional stores have their share of shortcomings (e.g. lack of face-2-face interaction), they also have some significant advantages (e.g. using web technology for one-2-one marketing), which may influence customer loyalty and satisfaction differently in the online environment compared to the offline environment (Wind and Rangaswamy, 2000).

Customer Loyalty

The importance of loyalty stems from its positive consequences in terms of customer retention, repurchase, long-term customer relationships and profitability (Reichheld and Sasser, 1990). Much of the initial research was about brand loyalty and emphasized the behavioral dimension of loyalty (Cunningham, 1956; Day, 1969; Jacoby, 1971; Tucker, 1964). Utilizing this explanation, Newman and Werbel (1973) defined customer loyalty as “those who re-bought a brand, considered only that brand, and did no brand-related information seeking”. Some researchers (e.g., Day, 1969; Jacoby and Chestnut, 1978) have suggested that a behavioral definition is insufficient because it does not distinguish between true loyalty and spurious loyalty that may result, for example, from a lack of available alternatives for the consumer. Day (1969) was among the first to highlight the role of a positive attitude in the purchase decision. The behavioral and attitudinal aspects of loyalty are reflected in the conceptual definition of brand loyalty offered by Jacoby and Chestnut (1978). Much of the work on loyalty in the 1970s and early 1980s has used this conceptualization.

According to Assael (1992, p. 87), brand loyalty is “a favorable attitude toward a brand resulting in consistent purchase of the brand over time.” This view was also supported by Keller (1993), who suggested that loyalty is present when favorable attitudes for a brand are manifested in repeat buying behavior. Oliver (1996) defines customer loyalty as a “deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior”. For the purpose of our study, we define loyalty as the commitment to re-patronize a website for future purchases.

Customer Satisfaction

The significance of customer satisfaction has been widely discussed in the literature (Bloemer and deRuyter, 1995; Grönroos, 1984; 1988; Gummesson, 1993; Parasuraman, Zeithaml and Berry, 1985, 1988; Patterson and Johnson, 1993). Correspondingly in the last few years, there are a growing number of studies on satisfaction in the online shopping environment (e.g. Khalifa and Liu, 2003; McKinney, Yoon and Zahedi, 2002; Szymanski and Hise, 2000) because customer satisfaction is critical for establishing long-term client relationships (Patterson, Johnson and Spreng, 1997).

Although many of the previous studies have successfully measured various factors that contribute to online consumer satisfaction (e.g. information quality, systems quality, convenience, merchandising), they however fail to corroborate their findings to loyalty. For instance, Khalifa et al. (2002) are among the few who found strong support for the importance of satisfaction in explaining stickiness. Research has shown that under certain conditions, it may be better to focus directly on loyalty-building initiatives, rather than work on satisfaction-enhancing efforts in order to increase repurchase intention (Rust, Zeithaml and Lemon, 2000). A number of academic studies have also found that satisfaction explains a relatively small portion of the variance (less than 8%) in repurchasing behavior (Bolton, 1998; LaBarbera and Mazursky, 1983; Newman and Werbel, 1973). Existing literature also indicates that 65% to 85% of defecting customers do so despite being “satisfied” or “highly satisfied” (Reichheld, 1996). Anderson and Srinivasan (2003) suggest that even satisfied customers are unlikely to patronize an online retailer if they feel that they are not getting good value. We argue that perceived value is a better indicator of customer loyalty and explore the mediating role of perceived value and its antecedents. We rely on the theory of “relational benefits” in marketing to identify antecedents of perceived value. We also study how the intensity of relational benefits factors influencing perceived value vary according to the different product categories. To the best of our knowledge, few, if any, studies have looked at the antecedents of “perceived value” from a relational benefits perspective. This paper could provide a new perspective in studying customer loyalty in the online environment.

THEORY AND HYPOTHESES

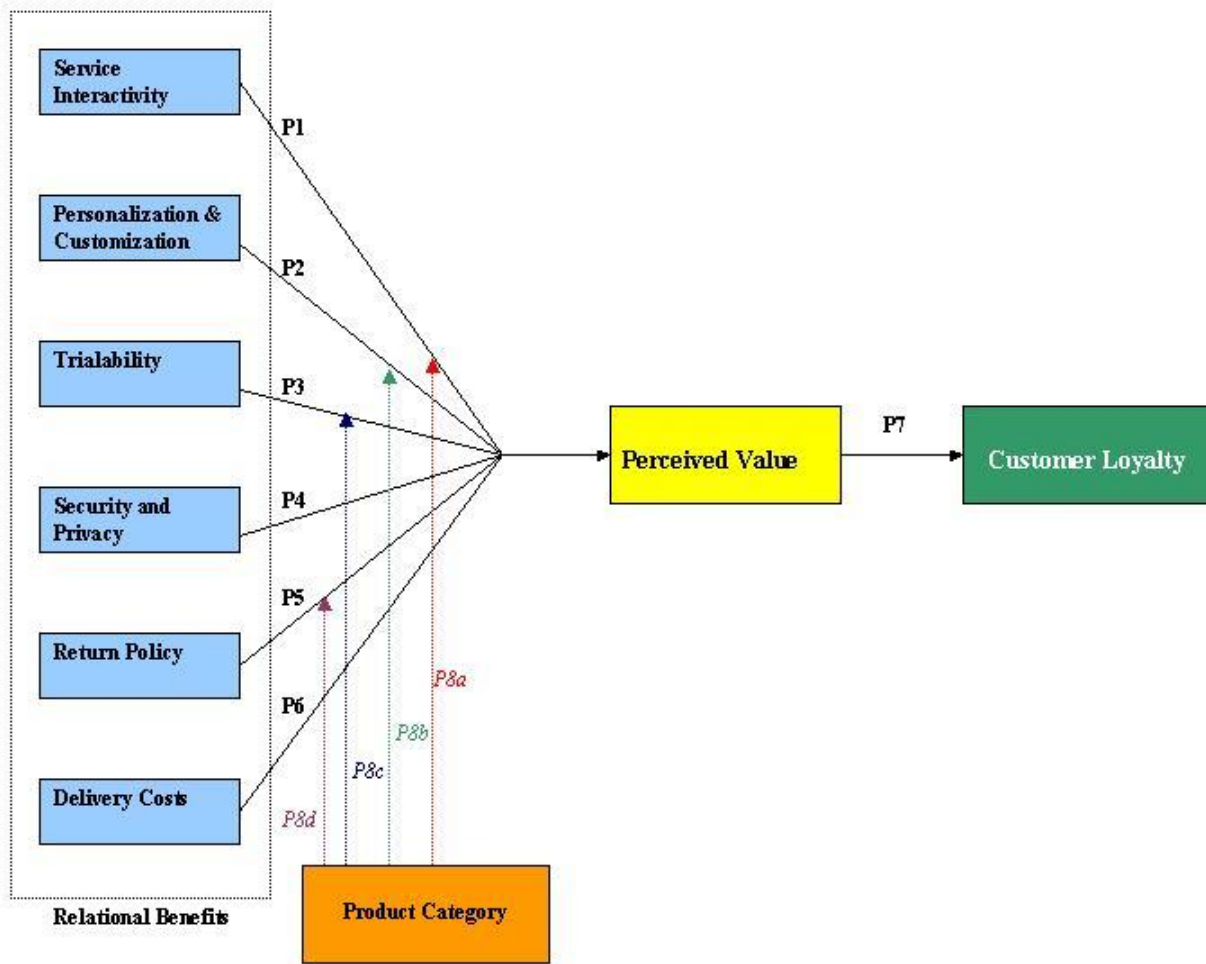


Figure 1. Relational Benefits – Perceived Value – Customer Loyalty Chain

Perceived Value

Perceived value construct has been identified as one of the most important measures for gaining competitive edge (Parasuraman, 1997) and has been argued to be the most important indicator of loyalty (Parasuraman and Grewal 2000). It is conceptualized as the ratio of perceived benefits and perceived costs (Liljander and Strandvik, 1992; Monroe, 1990; Zeithaml, 1988). “Perceived value is the customer’s overall assessment of the utility of a product based on perceptions of what is received and what is given.” (Zeithaml 1988, p.14) Woodruff (1997) expands the concept of perceived value as “a customer perceived preference for and evaluation of those product attributes, attribute performance, and consequences arising from use that facilitates (or blocks) achieving the customer’s goal and purposes in use situations” (1997, p.142). Researchers assert that this broader definition of perceived value provides conceptual richness (e.g. Parasuraman 1997).

Discussions about value-adding strategies focus on how to add more value to the core product. Providing more benefits to the customer’s means adding something to the core product that the customer perceives as useful and of unique value, such as personalization, after-purchase service, (Grewal et al., 2003). However, when purchasing, there are several incidents that can increase the total costs for the customer, of which the buyer was not aware when making the decision to buy (e.g. return policy). These incidents involve an unexpected increase in costs to the customer. Grönroos (1992) labels these as indirect costs (e.g. costs arising from delayed delivery) and psychological supplier relationship costs (e.g. worrying about whether the order will be fulfilled as promised).

Perceptions of value are not limited to functional aspects but may include social, emotional and even epistemic value components (Sheth, Newman and Gross, 1991). Further, existing research indicates that value consists of a number of

benefit components (Bishop, 1984; Doyle, 1984; Sweeney and Soutar, 2001). Therefore, in order to identify the antecedents of “perceived value,” we rely on the research and theories in “relational benefits”, as such benefits form the underlying basis for a consumer to remain loyal to an online retailer.

Relational Benefits

Prior research has shown that relational benefit is an antecedent to building a long-term relationship (Ravald and Gronroos, 1996; Gwinner, Gremmler and Bitner, 1998; Patterson and Smith, 2001). Relational benefits can be conceptualized as antecedents of relationship quality (Hennig-Thurau, Gwinner and Gremmler, 2002) and have been defined as “the benefit customers receive from long-term relationships above and beyond the core service performance” (Gwinner et al., 1998). This is similar in concept to perceived value discussed above. Gwinner et al. (1998) developed and empirically examined a typology of relational benefits. They suggest that customers in long-term relationships experience three primary types of benefits beyond the core service:

- a) *Confidence benefits* which they describe as the reduction of uncertainty in transactions and the increase in realistic expectations for the service encounter.
- b) *Social benefits* which they describe as the emotional aspects of relationships and focus on personal recognition of customers by employees and the development of a bond between customers and employees.
- c) *Special treatment benefits*, which they suggest includes both economic and customization advantages for the consumer. This benefit gets at the notion that the customer gets special value and treatment by being in a relationship with the retailer.

It has been shown that these three types of relational benefits are associated with customer loyalty (Gwinner et al., 1998; Hennig-Thurau et al., 2002). Recently researchers have begun to examine the enhanced means by which companies may engage in relationship building online (e.g., Bauer, Grether, and Leach 2002; Yen and Gwinner, 2003).

Hence taking the approach described by the “relational benefits” literature, we predict customers “perceived value” in the online environment in terms of customer service, personalization and customization, trialability, security and privacy, return policy, and delivery cost (more details are given below). We have excluded factors such as price, information quality and systems quality in “perceived value” criteria since these factors (e.g. fair pricing, good product information, reliable links etc.) are fundamental for survival in e-commerce and hence are shared by most e-tailers. While not discounting the importance of fundamental factors, we argue that attaining customer loyalty in the online environment requires going beyond the fundamentals. Further, we argue that consumers who are only concerned about price rarely become loyal customers; this does not mean that price is an inconsequential factor when purchase decisions are made. Also we did not take rebates, bonuses, and giveaways into consideration; although these incentives may serve to attract customers, they are less successful in retaining them (cf. Anderson and Narus, 1995; 1998). Finally, we have not included product consumption experience as it is outside the scope of our research objective.

Service Interactivity

Successful businesses offer superior products, but when products are of commodity type and virtually indistinguishable, customer service is one of the decisive factor (Bitner, 2001; Zeithaml and Bitner, 2000). Research has shown that customer service has a strong link to customer loyalty (Zeithaml and Bitner, 2000; Szymanski and Henard, 2001). Customer service encompasses different phases of purchase (i.e. pre and post purchase experience). One integral part of customer service is the interpersonal aspects of a relationship, which are at times found to be more important to consumers than occasional price breaks or special services (Gwinner et al., 1998). Good online customer service might also affect a business' offline operations. For example, a study by Jupiter found that 70 % of online buyers would spend less money at the “bricks and mortar” store if they suffered poor customer service at the merchant's website (Jupiter Media Metrix, 2001).

Despite the advantages brought about by Internet-based self-service, there are potential downsides to replacing personal contact with technology-based interaction. Bitner, Brown and Meuter (2000) discuss how Internet technology is altering service relationships and service encounters that customers are experiencing. They suggest that the latest advances in Internet technology, including greater access to customer data and speed of service, are providing firms with the ability to resolve specific problems more quickly and thoroughly and, thus, with better service recovery. We define service interactivity in terms of availability of various options to consumers for contacting customer-service employees. With the extensive progress in technology much of the earlier concerns associated with lack of “human-contact” have subsided. Forrester Research Inc. projects steady growth in consumer use of live chat in customer service, and reports that in 2003, 30% of online buyers turned to live chat for customer service, up from 19% in 2001. Forrester predicts that acceptance of live chat will grow “as online chatting teens grow up,” to 59% of online buyers in 2007. For example, K-Swiss.com offers self-service customer service options as well as easy access to customer service by phone. It also offers live chat as a way of filling the gap between the two. With lower operating costs compared to using call-center agents, live chat enables K-Swiss to provide personalized service around the clock. There has been positive feedback

about these strategies (Demery, 2003). Companies are now beginning to offer multiple means (e.g. toll free numbers, live chat, emails) through which a customer can contact customer service. The provision of such no cost or low-cost after-sales support greatly enhances the value of products for consumers. These are examples of both *confidence benefits* and *social benefits* that customers could experience with an online retailer. They are predicted to have a positive effect on perceived value, which in turn enhances customer's loyalty towards the online retailer. Hence we propose that:

P1: Providing quality service interactivity positively impacts consumers' perceived value of shopping with the online retailer.

Personalization and Customization

The basic goal of personalization systems is to provide users with what they want or need without requiring them to ask for it explicitly. Personalization is the provision to the individual of tailored products, services, information or information relating to products or service. It is a broad area that covers recommending systems, customization, and adaptive Web sites (Hui and Chau, 2002).

In the online environment companies that offer highly personalized services, incentive-based programs and multi-channel options designed to make the purchase experience easier and more valuable for consumers are proving that first-time buyers can be converted to frequent purchasers. A good example is clothing retailer Lands' End, whose site offers a feature called "My Virtual Model", a mannequin that users can set to their own measurements to see how clothing items fit. Visitors can store their virtual model on the site and then access it during future visits. It is logical that the more a company works to give customers exactly what suits them, the higher the chance that they will return to buy again. Lands' End also creates a sense of community that keeps customers coming back. For instance, the company regularly puts out an e-mail newsletter geared toward rural lifestyle issues. Amazon has long been a leader in terms of features that encourage repeat business. For example, Amazon's features, such as "smart" recommendation engines encourage repeat purchase behavior. Firms such as Garden.com regularly send their customers alerts pertaining to their plants (e.g. fertilizing). Such enhanced services are likely to result in greater value and ultimately, in greater customer retention and loyalty. The Internet provides an ideal environment for mass customization; such innovations are likely to have positive impacts on customer loyalty (Grewal et al., 2003).

The practice of web mining to analyze consumers' shopping behaviors allows online retailers the opportunity to provide customized service offerings to their customers. This information can also be utilized by the online retailer to make recommendations that suits the customer's interests. These are all examples of *special treatment benefits* and *social benefits* that customers could experience with an online retailer. They are predicted to have a positive effect on perceived value, which in turn enhances customer's loyalty towards the online retailer. Hence we propose that:

P2: Providing quality personalization and customization positively impacts consumers' perceived value of shopping with the online retailer.

Trialability

Trialability is the degree to which a product or service may be experimented with on a limited basis. The online environment facilitates some degree of trial, especially for information goods, such as software, news and retrieval services. For such products, the Internet provides a strong source of free and trial (or limited) versions (Shapiro and Varian, 1998). Consumers using such trial versions can evaluate the performance of the software and decide on its purchase, thereby reducing pre-purchase perceived risks. This option of trial or sampling could be possible even in various other product categories, such as books and music. While some digital products may allow customers to preview a subset of the full product or use the product for a limited trial period, others may not. Offering trialability offsets the problem of lack of knowledge of the product (e.g. quality) and offers consumer's a first hand experience of the product. This is an example of *confidence benefits* that customers could experience with an online retailer. It is predicted to have a positive effect on perceived value, which in turn enhances customer's loyalty towards the online retailer. Hence we propose that:

P3: Providing the capability to try a product positively impacts consumers' perceived value of shopping with the online retailer.

Security and Privacy

Security and privacy are vital components of effective commercial Web sites (Head and Yuan, 2001; Reichheld and Scheffer, 2000; Wang, Head and Archer 2000). Security and privacy are directly related to trust, which provides a vital competitive advantage in the online environment (Spar and Bussgang, 1996; Wang et al., 2000). Privacy and security are key evaluative criteria in online services (Culnan 1999; Culnan and Armstrong 1999; Hoffman, Novak, and Peralta 1999; Quelch and Klein 1996). Researchers have distinguished between these two related criteria: *Privacy* involves the protection of personal information – that is, not sharing or selling the customer's personal information with others, protecting anonymity, and providing informed consent (Friedman, Kahn, and Howe 2000); whereas, *security* involves

protecting users from the risk of fraud and financial loss from the use of their credit card or other financial information. Security risk perceptions have been shown to have a strong impact on attitude toward use of online financial services (Clayton 2000; Miyazaki and Fernandez 2001).

Concerns about privacy and/or security greatly affect the perceived value of the Internet site's offerings, as a consumer's willingness to buy is greatly affected by their perceptions of privacy and security (Zeithaml, Parasuraman and Malhotra, 2000). Some sites already provide full disclosure on their privacy policies, use the latest secure technologies for personal and high-risk information (e.g. credit card information, social security etc.), and also solicit customer approval/disapproval on the ways that such data is to be used (Business Week, 2000). Given that security and privacy issues in online transactions are a primary concern for consumers (Zeithaml et al., 2000); the perception of confidence benefits in online transactions is predicted to have a positive effect on one's intent to continue the relationship. This is another example of *confidence benefits* that customers could experience with an online retailer. It is predicted to have a positive effect on perceived value, which in turn enhances customers' loyalty towards the online retailer. Hence we propose that:

P4: Providing prominently-displayed, detailed privacy and security policies positively impacts consumers' perceived value of shopping with an online retailer.

Return Policy

Consumers may be hesitant to purchase goods that they need to experience or try prior to purchase and as noted earlier, not all products are trialable over the Internet. For tangible goods, the value is greatly enhanced by the Internet retailer's return and refund policies. Although several retailers do offer such policies, the "hassle" factor is greater with retailers requiring return merchandise authorization and/or detailed explanations (cf. Hart, 1988). Spiteri (2000) stated that return policies are one of the factors on which the success of e-commerce sites that cater to online shopping is dependent upon. It is quite intuitive that Internet retailers allowing unconditional and no-cost return and refund (within specific parameters, such as return in original packaging) will be perceived as offering greater value as compared to those who accept such returns and provide refunds/exchanges only with prior approval, return merchandise authorization (RMA) codes, and/or customer payment of return shipping charges. This is also another example of *confidence benefits* that customers could experience with an online retailer. It is predicted to have a positive effect on perceived value, which in turn enhances customer's loyalty towards the online retailer. Hence we propose that:

P5: Offering prominently-displayed, unconditional/detailed return policy positively impacts consumers' perceived value of shopping with the online retailer.

Delivery Costs

Wolfenbarger and Gilly (2002) found that fulfillment (reliability) ratings were the strongest predictor of customer satisfaction and quality and the second strongest predictor of loyalty to a site. In the offline context, reliability is defined as the "ability to perform the promised service dependably and accurately" (Parasuraman et al. 1988, p.23). Online shopping episodes may contain incidents that could involve unexpected cost increases to the customer. Grönroos (1992) labels these as indirect costs (e.g. costs arising from delayed delivery) and psychological supplier relationship costs (e.g. worrying about whether the order will be fulfilled as promised).

In order to enhance consumer value and reduce unexpected costs, an online retailer should clearly articulate shipping costs and associated timelines on their websites and provide tracking functionality so that consumers can keep track of their shipments. Notification via email when the product is shipped will also be viewed positively by the consumer. Overstock.com is a good example as they provide clear information regarding shipping costs on their site, including expected timelines for the shipment to reach the consumer, and will e-mail the consumer both at the time of purchase and shipment of the product. The site also has a tracking functionality so that consumers can keep track of their purchase. These low cost services will help reduce both the indirect costs and the psychological supplier relationship costs. This is yet another example of *confidence benefits* that customers could experience with an online retailer. It is predicted to have a positive effect on perceived value, which in turn enhances customer's loyalty towards the online retailer. Hence we propose that:

P6: Providing prominently-displayed, detailed shipping cost and time with tracking functionality positively impacts consumers' perceived value of shopping with the online retailer.

Perceived value and consumer loyalty

Given the relative ease with which consumers can switch retailers in the online environment, it could be argued that the Internet does not support the development of a loyal customer base. However, when considered in the relational benefits-value-loyalty framework, the preceding discussion and propositions offer support for building loyalty through the enhancement of perceived value. Grewal, Monroe and Krishnan (1998) suggests that as the online competitive market becomes stable, companies can generate customer loyalty only through "distinct value propositions". Researchers

have also found a positive relationship between perceived value and intention to repurchase (Dodds, Monroe and Grewal, 1991; Parasuraman and Grewal, 2000). Furthermore, it is observed that in looking at the effects of benefits on consumer purchase behavior, perceived value is a mediating construct (Dodds and Monroe, 1985; Zeithaml, 1988). This illustrates that perceived value is a significant antecedent in building customer loyalty. Therefore we propose that:

P 7: There is a positive relationship between the consumer's perceived value and their intention for a long-term relationship (loyalty).

Product Category

Heterogeneous products such as wine, and to some extent airline tickets exhibit remarkable quality uncertainty and disparity. Hence, consumers of heterogeneous products in all likelihood may have doubts and require assistance in reducing their product uncertainty. Most consumers require human interaction to deal with non-standard and unique cases (Peppers et al., 2001; Bonn, 1998). Therefore, the impact of service interactivity on perceived value is moderated by the product type in that service interactivity could have a higher influence on perceived value for heterogeneous products. Similarly, triability and return policy also act as an insurance to reduce consumers' product uncertainty. Therefore, the impact of these services could also be moderated by product type in that their influence is more prominent for heterogeneous products. Furthermore, since heterogeneous products are more often the subject of customization and personalization, product category could also moderate the relationship between personalization/customization and perceived value. Therefore, we propose that:

P8a: The impact of service interactivity on perceived value is positively moderated by heterogeneous product category.

P8b: The impact of personalization and customization on perceived value is positively moderated by heterogeneous product category.

P8c: The impact of trialability on perceived value is positively moderated by heterogeneous product category.

P8d: The impact of return policy on perceived value is positively moderated by heterogeneous product category.

DISCUSSION

Due to severe competition and increasing customer expectations, the top priority of online retailers today is to identify, understand and develop customer loyalty. Many researchers have implied that there is a positive relationship between customer satisfaction and loyalty but not many conclusive findings have been reported. On the other hand, there is growing literature suggesting that perceived value might be a better indicator to customer loyalty. This study proposes the relational benefits-perceived value-customer loyalty chain as a means to understand how to retain customers and develop a long-term relationship with them. The Internet and recent technologies, especially those that enhance security and privacy for the consumer, as well as those that can offer customized information, are providing customers greater control over their service encounters. Coupled with trials and real-time interactions with employees, consumer pre-purchase risks could be vastly reduced (Greatorex and Mitchell, 1994). These value-added services (relational benefits) have greater potential to increase retention when compared with rebates, bonuses, and giveaways that may serve to attract, but are less successful in retaining customers (Anderson and Narus, 1995; 1998). Therefore, we suggest that perceived value may be a more important than customer satisfaction in developing customer loyalty.

The insight gained by this research can help online retailers allocate resources accordingly. It will also assist them in customizing their services according to the product categories, thereby reducing expenditure from low-value services, and investing them in high-value services depending upon the product being sold. Most importantly this paper seeks to provide crucial insights to online retailers regarding consumer-shopping behaviors (and loyalty influencing factors) in the evolved era of online shopping. Our next step will be to test the discussed propositions by utilizing both the qualitative and quantitative techniques. The identification of salient factors contributing to perceived value could be used in developing models for resource allocation to various services.

In this research, our unit of analysis is individual. We will use consumer perception in identifying the heterogeneity of products. The testing of the model will take place in three phases. The first phase involves individual case studies where a number of individuals (at least 50) are followed for a period of time to observe their behaviors in selecting online vendors, and will be interviewed at depth. This set of case studies will be used to experimentally validate the saliency of factors contributing to perceived value. The model will be modified and extended based on the results obtained from the first phase. In the second phase, an instrument will be developed to measure the model constructs, and will be pilot tested using subjects in different population groups. A controlled lab experiment will be devised to test the model in which the factors extraneous to the model are controlled for. The SEM and PLS will be used for analyzing the data. In a third phase, the predictive power of the model will be tested in the real-world setting. We will collect data in real-world settings and observe consumers' behaviors over a period of time to investigate whether the model could predict the extent of their loyalty.

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