UNIVERSITY OF TURKU

ABSTRACT

	Bachelor's thesis
X	Master's thesis
	Licentiate's thesis
	Doctoral dissertation

Abstract

Mid-market fashion is a growing industry that is primarily focused on offering high-quality apparel with reasonable prices to niche audiences. Simultaneously, fashion e-commerce has seen phenomenal growth during the past decade as more businesses and consumers have moved online. To stay afloat in today's competitive market, the importance of customer loyalty has become more crucial than ever. By understanding how loyalty is formed, businesses can create long-lasting customer relationships and increase their profitability.

This study discusses how customer loyalty is formed in the industry of mid-market fashion e-commerce. The purpose of this study is to understand the above by investigating different e-loyalty drivers and explore how consumers' values reflect on their loyalty.

The theoretical background of the study consists of literature related to customer loyalty, especially in an online context. This study adopts qualitative research methods, and the empirical research is based on seven consumer interviews. The interview data was collected in the spring of 2020, and all representatives were young professionals living in London, who frequently shop for mid-market fashion online.

This study finds that e-loyalty in the context of mid-market fashion is primarily driven by hedonic values, which is the basis for the entire purchasing process. E-loyalty has been found to be a product of trust, perceived value, and satisfaction, which are driven by multiple factors. Ultimately, satisfaction, which is the key to repeat purchasing and hence e-loyalty, can be achieved by fulfilling the customers' expectations.

Loyalty in mid-market fashion e-commerce has so far been an unresearched topic. This research provides an overarching framework on how e-loyalty is formed in mid-market fashion e-commerce. In addition to the theoretical contribution, the results of this study are valuable for online retailers who operate in the mid-market fashion sector.

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TIIVISTELMÄ

TURUN YLIOPISTO

Tiivistelmä

Keskitason muoti on kasvava muodin ala, joka tarjoaa laadukkaita tuotteita kohtuulliseen hintaan, keskittyen rajattuihin asiakasryhmiin. Samanaikaisesti nettikauppa on kasvattanut suosiotaan räjähdysmäisesti viimeisen vuosikymmenen aikana. Jotta yritykset selviäisivät nykypäivän kovasta kilpailusta, uskolliset asiakkaat ovat tärkeämpiä kuin koskaan. Ymmärtämällä kuinka asiasuskollisuus muodostuu, yritykset voivat luoda pitkäaikaisia asiakassuhteita ja kasvattaa kannattavuuttaan.

Tämä tutkimus tutkii asiakasuskollisuuden muodostumista keskitason muodin nettikaupan alalla. Tutkimuksen tarkoituksena on ymmärtää mikä johtaa asiakasuskollisuuteen. Niinpä tutkimus tutkii seikkoja, jotka johtavat uskollisuuteen. Samalla tutkimus pyrkii ymmärtämään, miten asiakkaiden arvot vaikuttavat uskollisuuteen.

Tutkimuksen tavoitteen saavuttamiseksi tutkittiin olemassaolevaa akateemista kirjallisuutta asiakasuskollisuuteen liittyen, eriyisesti nettiuskollisuuteen keskittyen. Tämän lisäksi tutkimus käytti kvalitatiivisia tutkimusmenetelmiä, ja empiirinen tutkimus perustuu seitsemään kuluttajahaastatteluun. Haastatteluaineisto kerättiin keväällä 2020, ja kaikki haastateltavat olivat nuoria ammattilaisia, jotka asuvat Lontoossa ja ostavat keksitason muotia netistä toistuvasti.

Tämä tutkimus osoittaa, että nettiuskollisuus keskitason muodin parissa pohjautuu pääasiassa hedoistisiin arvoihin, jotka ovat edellytys koko ostoprosessille. Nettiuskollisuuden todettiin olevan luottamuksen, oletetun arvon sekä tyytyväisyyden tuotos, jotka puolestaan johtuvat useista eri tekijöistä. Tyytyväisyys, joka on tärkein ehto nettiuskollisuudelle, pohjautuu ennen kaikkea asiakkaiden odotusten täyttämiseen.

Nettiuskollisuus keskitason muodin parissa oli toistaiseksi tutkimaton aihe. Tämä tutkimus laati teoreettisen viitekehyksen sille, miten nettiuskollisuus kehittyy keskitason muodin parissa. Teoreettisen kontribuution lisäksi tutkimuksen tulokset ovat hyödyllisiä keskitason muodin vähittäismyyjille.

Avainsanat	Asiakasuskollisuus, verkkokaupankäynti, keskitason muoti

CUSTOMER LOYALTY IN MID-MARKET FASHION E-COMMERCE

Master's Thesis in International Business

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1   INTRODUCTION

1.1   Increased competition highlights the urgency of e-loyalty

The global apparel and footwear industry is strongly impacted by digitalisation, which has led to the rapid growth of fashion e-commerce. E-commerce has become a global phenomenon, and growth has been rapid during recent years. The global e-commerce sales grew from 1,336 billion U.S dollars in 2014 to 3,535 billion US dollars in 2019 and are expected to reach 6,542 billion U.S dollars' worth of sales in 2023. The global apparel market is expected to be valued at about 1.5 trillion dollars by the end of 2020. However, this estimate does not take the impact of the global COVID-19 pandemic into account. The pandemic has closed shops around the world, which has sped up digital adoption: 58% of UK consumers are shopping online more than before the pandemic. (Statista 2020; Bazaarvoice 2020.)

The largest apparel markets are the European Union countries, as well as Great Britain, the United States, and China, descending in this order. In the United Kingdom, the past three years saw consistent growth in the share of online shopping versus in-store shopping, online total sales increasing from 12% in 2011 to 19% in 2019. The growth has been particularly significant in the retail sales of clothing and footwear, and in December 2019 18.5% of all clothing and footwear purchases were made online. It has been forecasted that in the next few years, the revenue of fashion e-commerce retailers will keep increasing, and the forecasted value of fashion e-commerce revenue is expected to grow to 30.4 billion US dollars by 2024 in the United Kingdom alone. (Statista 2020.)

The key assumption as to why the industry is still expected to grow is that people who are already online will start to adopt online shopping (Statista 2020). Mobile shopping is becoming more popular, and easy return processes make fashion e-commerce hassle-free and help to increase customer satisfaction (Bohnhoff 2016). Simultaneously, the COVID-19 pandemic is accelerating the growth of online sales (Bazaarvoice 2020; Melton 2020; Columbus 2020; Deloitte 2020).

As the industry grows and more retailers adopt online trading, consumers have more options to choose from, while vendors have more competitors. Hence, building long-term relationships with customers is more challenging. Thanks to the Internet, comparing brands has become considerably easier. When shopping at brick and mortars, the competitors may not always be close, and product comparison may not be possible. In an

online environment, all competitors are only a click away, and comparing products, brands, and prices is very easy. (Mithas, Ramasubbu, Krishnan & Fornell 2006, 4; Amed, Berg, Kappelmark, Hendrich, Andersson, Drageset & Young 2018).

Consumers' purchasing decisions are impacted by several factors. To satisfy millennial customers, businesses should deliver convenience, quality, values orientation, newness, as well as great prices (Amed et al. 2018). This is not always easy to achieve. To be able to establish long-lasting customer relationships, it is crucial for businesses to understand what drives loyalty for their target audiences.

1.2   The importance of customer loyalty

Loyalty can be defined as *"A deeply held commitment to rebuy or re-patronize 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"* (Oliver 1999, 34).

Loyal customers buy and spend more, are easier to reach, and function as free promoters of firms (Harris & Goode 2004, 139; Payne 1994, 30). Existing customers generate more profit every year as they stay with a company (Payne 1994, 30): customers' spending increases over time as they become more familiar with a retailer's product range, A customer who buys your shirts may find out that you also sell shoes and decides to start purchasing your shoes as well (Reichheld 1996, 43). This is summarised by Reichheld (1996, 3): *"Creating value is the foundation of every successful business. Creating value for customers builds loyalty, and loyalty in turn builds growth, profit, and more value"*. As the Italian economist, Vilfredo Pareto found, a small number of people are often responsible for a large fraction of the total income of a business. This is often referred to as the 20/80 rule, or Pareto principle, and helps to understand the importance of loyal customers who spend a lot. (Bender 1981.)

Additionally, loyal customers are easier to serve than newly acquired customers (Payne 1994, 30). Loyal customers are more forgiving in terms of service failures; customers who have positive, several month-long relationships with a business and face an inconvenience, are more forgiving than those only recently acquired. (Bolton 1998, 62.) This is particularly important to online retailers as there is no human contact during the online purchasing process. Additionally, there is more room for error, particularly when

it comes to delivery and payment. Not being able to try the products on or to see the quality of the product before purchasing increases uncertainty. (Kawaf & Tagg, 2012.)

Loyalty is the product of value, trust, and satisfaction (Luarn & Lin 2003). Online trust is the combination of a consumer's trust towards the brand and the online platform used, and trust is a requirement for an online purchase (Kim & Peterson 2017, 52). Brand awareness, perceived quality, as well as perceived value are also loyalty drivers. This means that loyalty occurs when a consumer is familiar with a brand, perceives it to be of satisfactory quality, or to provide value. Brand awareness occurs when the brand is strongly present in a consumer's mind. Brand awareness is vital when the consumer is making a choice about which brand to purchase from. (Su 2016.)

However, what factors lead to trust, perceived value, and satisfaction depends on the industry. Loyalty in the fashion industry differs from other industries. In banking, payback guarantees and quality certificates are important determinants of customer retention (Floch & Treiblmaier 2006). As these do not exist when it comes to fashion retail, the loyalty generators are different. Therefore, a single framework on how customer loyalty is formed would be difficult to adjust across industries.

1.3   Research gap

Customer loyalty is a widely researched topic, but a significant amount of the literature related to e-loyalty has been written a decade or more ago, (Anderson & Srnivasan 2003; Srinivasan, Anderson & Ponnavolu 2002; Luarn & Lin 2003), and it must be considered that the field of e-commerce has changed and grown significantly since then. Even though the fashion e-commerce industry has started to settle, and growth has previously been expected to settle towards 2022 (Orendorf 2018), the pandemic is likely to have changed the outlook. This research begun before the pandemic started, but the challenges and opportunities brought by it only deepen the research gap on how customer loyalty is formed in 2020 and beyond.

There is some existing literature about loyalty in luxury fashion and fast fashion, more so towards the luxury end of the field (Choi, Ko & Kim 2016; Su & Chang 2018). What is in between has been completely ignored: mid-market fashion. Mid-market fashion brands are not quite fast fashion, but not very far from designer. This is illustrated in Figure 1. These brands aim to offer quality at reasonable prices. The products are higher

quality than fast fashion brands, and more expensive. However, the prices are not extortionate, and the quality may not be comparable to some luxury items. Examples of some mid-market fashion brands mentioned by the interviewees in this research include Rag N Bone, Sandro, J. Crew, All Saints, Ted Baker and Paloma Wool.
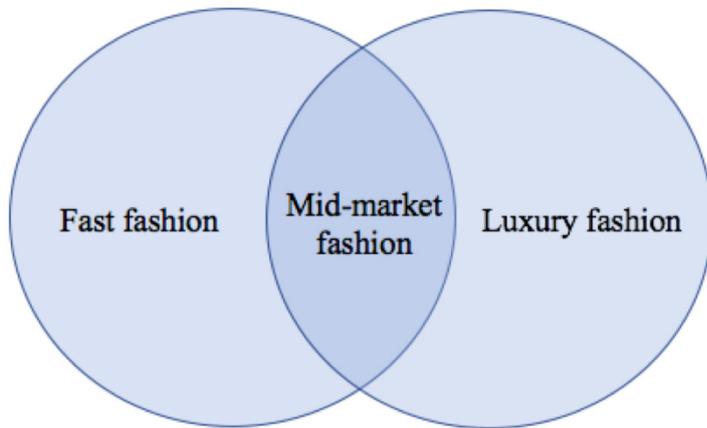
Figure 1. Mid-market fashion is a mix between fast fashion and luxury fashion

Mid-market fashion is a combination of elements from fast fashion as well as luxury (high-end) fashion. Mid-market fashion typically has a well-defined style, similarly to luxury fashion, and offers high-quality garments with reasonable price tags.

Mid-market fashion brands usually have a well-defined style. Their aim is not to cater to everyone and instead they tend to focus on one or two different types of trends or occasions (Create a Fashion Brand 2018). The brands are typically either independent or developed by luxury brands, where the objective is to increase market share and profitability by reaching more customer segments. (Michon, Yu, Smith & Chebat 2008, 469.)

As the fashion retail industry can be divided into luxury fashion, mid-market fashion, and fast fashion, the motivations to buy from each category are also expected to vary. As mid-market fashion loyalty, especially in an online context, remains an unresearched topic, the loyalty drivers are also likely to be different than what has been found in previous research.

1.4 Purpose of the research

The objective of this research is to identify how e-loyalty is formed in mid-market fashion e-commerce. As a result, this research will suggest a framework that can be applied across mid-market fashion brands. The sub-objectives of this research are to understand:

- What factors drive e-loyalty in mid-market fashion?

- How do consumer values reflect on e-loyalty?

- How does e-loyalty evolve through different levels of loyalty?

- How does the formation of e-loyalty link to the purchasing process?

The first sub-objective has been set to ease creating the framework, and to support the objective of the study. The second sub-objective deals with how customer values impact the development of e-loyalty. The third sub-objective focuses on understanding the different levels of loyalty, and to uncover which stages are the most crucial in terms of creating e-loyalty. The fourth sub-objective focuses on understanding what the most crucial stages of the purchasing process are when it comes to generating e-loyalty.

By understanding how e-loyalty is formed, online mid-market fashion retailers can identify what to focus on when aiming to build long-lasting customer relationships. As long-term customer relationships are a key to a business's success, the results of this study can be beneficial to the mid-market fashion industry and help the segment to grow further. The research is anticipated to be particularly useful for those new to the market or small players, who may not have the resources to conduct their own research.

The chosen example market is the United Kingdom, and London more specifically. This is because the capital has been identified as a hotspot for growth in mid-market fashion (Remy, Schmidt & Werner 2013). Additionally, there are other advantages in using the United Kingdom and London as the geographical focus area, as it is the country where the research project is undertaken. It is a logical assumption that people living in the UK have a better understanding of the local mid-market fashion landscape, even if the e-commerce industry is global. Shopping habits vary across cultures, so it is logical to choose a specific country, where the research focuses on. However, not all interviewees are British, which represents the diversity of the nation.

As mid-market fashion is pricey in comparison to fast fashion, instead of focusing on students this study concentrates on young professionals working in corporate jobs as its target group. The expectation is that this group of people value quality over quantity and are willing to invest in their wardrobe. Therefore, the empirical research is based on seven interviews of young professionals living in London.

2 E-LOYALTY IN THE CONTEXT OF ONLINE FASHION RETAIL

2.1 Core features of e-commerce

E-business is a large umbrella term that can include both internal and external business activities, as well as after-sales service activities, and collaborating with business partners. E-commerce (also referred to as online retailing or e-tailing) is a more specific term than e-business (Jelassi, Enders & Martínez-López 2014, 4), and is defined as follows:

"Electronic commerce involves the undertaking of normal commercial, government, or personal activities by means of computers and telecommunications networks; and includes a wide variety of activities involving the exchange of information, data or value-based exchanges between two or more parties" (Chan & Swantman 1999, 8).

E-commerce is one of those industries where, at first thought, it might be unclear whether the value consists of the product that the customer receives, or of the service that a customer gets from the retailer. According to Service-dominant logic, also referred to as S-D logic, all economies are service economies. Based on the S-D logic, customers are co-creators of value, and businesses cannot deliver value. Instead, they offer value propositions, and value is always determined by the customer. Service-dominant logic challenges the goods-dominant logic, and instead of the assumption that the goods or products are the fundamental units of exchange, it is services that are exchanged. According to the S-D logic, goods are only tools that are used as alternatives to direct service provision. (Vargo & Lusch 2007, 7; Vargo & Lusch 2006.)

From this, it can be concluded that even if online fashion retailers are initially selling products, fundamentally they are selling a service; a platform that provides consumers with information of the products, delivery, and eventually the product itself. Therefore, when researching the drivers of e-loyalty, all aspects of the business must be considered – not only the product.

As this research is focused on fashion e-commerce, it can be defined as: Electronic commerce is the undertaking of fashion retailing activities by means of computers and telecommunications networks. It includes a wide variety of activities involving the exchange of information, data, and value-based exchanges between the company and the consumer (Chan & Swantman 1999, 8).

As a result of the emergence of social media, e-commerce has started to change into social commerce. Social commerce is a business model that makes use of social media to support its business-to-customer (B2C) transactions (Wu & Li 2018, 74). Therefore, it is important to understand the new type of consumers, also called social customers. Social customers are active members of social networks. They shop online and share their opinion of products or services on social media and online. They also understand their rights. These consumers utilise the knowledge and power of social communities to their own benefit. They expect better service and actively give feedback. They connect with their peers and can be seen both as customers and as influencers, as individuals are often influenced by their peers. (Turban, Outland, King, Lee, Liang & Turban 2018, 25.)

Another new feature of e-commerce is mobile commerce, also referred to as m-commerce. It is an extension of e-commerce, where business is done through wireless telecommunication networks and devices, primarily via mobile phones (Yadav, Sharma & Tarhini 2016, 223; Zhanf, Zhu & Liu 2012, 1902). During the past decade, mobile phones have become lifestyle devices and are now used for much more than just sending text messages or calls. The close relationship between humans and mobile phones has brought vast opportunities for businesses. M-commerce offers increased convenience over e-commerce due to opportunities for personalisation and its ubiquitousness; it is easily accessible to consumers anywhere and anytime. Smartphones are now the primary device used to connect to the internet, which is why it is essential for businesses to adopt m-commerce in their strategy. (Yadav et al. 2016, 223.)

In this chapter, the current state of e-commerce has been laid out. Today, the Internet is an omnipresent aspect of our lives, and e-commerce is a crucial part of it. Mobile and social commerce provide additional convenience to consumers, but present challenges to businesses as they need to keep up with the development of the industry. Consumers are becoming increasingly demanding, and hence harder to please. To compete, businesses must understand how to keep their customers coming back for more.

2.2 Defining loyalty

The term *loyalty* is usually associated with repeat purchase, preference, commitment, retention, and allegiance. In addition, the term is used in various contexts, such as brand

loyalty, service loyalty, attitudinal loyalty, and behavioural loyalty. As markets and situations vary depending on fields, measuring loyalty should not be universal. (Bennett & Rundle-Thiele 2002, 195.)

There are two ways to define brand loyalty. It can be defined strictly from the perspective of behavioural loyalty, assuming repeat purchasing can capture the loyalty of a consumer towards a brand. The other school of thought suggests that attitude should be included in the definition of loyalty together with behavioural loyalty. Therefore, the concept of loyalty is therefore two-dimensional and consists of both behavioural and attitudinal components. A favourable attitude in addition to repeat purchase is required so that a consumer's behaviour can be defined as loyalty (Bandyopadhyay & Martell 2007, 2; Day 1969; Jacoby 1969; Jacoby & Kyner 1973; Dick & Basu 1994.)

Attitudinal loyalty is defined as *"The consumer's predisposition towards a brand as a function of psychological processes. This includes attitudinal preference and commitment towards the brand"* (Bennett & Rundle-Thiele 2002, 196[1]). Behavioural loyalty is an observable outcome of attitudinal loyalty. It can be measured by looking at, for instance, sales, while attitudinal loyalty is much harder to measure by numbers. However, attitudinal loyalty has been found to have a significant relationship with behavioural loyalty, and by measuring both, purchasing behaviour can be explained. (Bennett & Runde-Thiele 2002, 196.)

Additionally, loyalty should be classified into market types, such as consumable goods, durable goods, and services. This is because the consumable good markets are often stable with traits of high rates of brand switching and low involvement. For durable goods markets, consumers do not switch back and forth between different brands, which is why consumers in markets like this are usually sole-loyal or dual-loyal. (Bennett & Rundle-Thiele 2002.)

Newman and Werbel (1973, 404) define loyal customers as those who make repeat purchases, do not consider other brands, and perform little brand-related information seeking. Another typical way of defining loyalty is to describe repeat purchasing, but these definitions do not dig into the psychological meaning of loyalty or satisfaction, which is a factor that leads to loyalty. Oliver (1999, 34) defines loyalty as *"A deeply held commitment to rebuy or re-patronise a preferred product/service consistently in the fu-*

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[1] Original source: Jacoby and Chestnut 1978

ture, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour". This definition is the definition of loyalty used in this thesis as it is the most comprehensive definition of loyalty and fits the objective of this research. Additionally, several other scientific research has adopted Oliver's (1999) definition (Li, Green, Farazmand & Grodzki 2012; TaghiPourian & Bakhsh 2015). More definitions for loyalty can be found in Table 1.

Table 1. Definitions of loyalty

Author	Term	Definition
Oliver (1999)	Loyalty	A deeply held commitment to rebuy or re-patronise 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 (Oliver 1999, 34).
Jacoby and Kyner (1973)	Loyalty	Brand loyalty is the biased behavioral response, expressed over time, by some decision-making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (decision making, evaluative) processes (Jacoby and Kyner, 1973, 2).
Cambridge dictionary (2019)	Customer loyalty	The fact of a customer buying products or services from the same company over a long period of time (Cambridge Dictionary 2019).
Collins (2020)	Loyalty	Loyalty is the quality of staying firm in your friendship or support for someone or something (Collins 2020).

Table 1 lists a few common definitions of loyalty. Though the wording is different, the key messaging is that loyalty is a deep commitment to support a business or a brand by repeatedly purchasing their good or services. However, these definitions are still restrictive, and suggest that changing circumstances would not impact loyalty. Loyalty is described as a monogamous relationship, which is rare. Most of the previous research has

focused on businesses, and businesses and consumers view loyalty differently. As consumers have various reasons to shop, a single definition of loyalty may not be applicable across consumers in different industries. Hence, loyalty is more complicated than definitions let believe. (Fournier & Yao 1997; Collin-Lachaud & Kjeldgaard 2013.) The next chapters explore the factors that contribute towards loyalty. In these chapters, the more complicated reasons behind repurchasing and loyalty are uncovered from a theoretical point of view.

2.3 E-loyalty contributors

2.3.1 Consumer values and online purchasing

Previous research underlines that different consumers value different things (Pitta, Franzak & Fowler 2006, 422-423). Consumer value consists of two aspects: utilitarian and hedonic values. Utilitarian values are more important when a consumer is evaluating the instrumental value of the function of their purchase (Batra & Ahtola 1990, 161), and reasons for purchasing are practical and rational; a customer is buying something because they need it. Utilitarian value is often measured by cost of benefit, and *price* is an important factor. When shopping is more like work, such as Christmas shopping, it results in utilitarian value. (Holbrook & Hirschman 1982, 136; Babin, Darden & Griffin 1994, 644-646.)

Hedonic values however have more to do with emotions. They are more subjective and personal than utilitarian values and are often connected to entertainment and the emotional worth of purchasing. Hedonic values are more important when the consumer is assessing how much pleasure they are getting from the purchase. Even the pure joy and pure excitement of the shopping experience can be a reason for shopping. (Holbrook & Hirschman 1982, 136; Babin et al. 1994, 644-646.)

In addition to utilitarian and hedonic consumer values, there is a third value dimension; symbolic values. Where utilitarian values relate to cost savings, convenience, and gifts, hedonic value relates to receiving personalised treatment, exploration of new products, and entertainment gained from the shopping experience. Symbolic value has to do with recognition, social status, and a sense of belonging. (Dorotic, Bijmolt & Verhoef 2001; Holbrook & Hirschman 1982.) This research adopts the more traditional value distinction, focusing on utilitarian and hedonic values. Symbolic values are considered as part of hedonic values.

Previous research is not in complete agreement about whether utilitarian or hedonic values are more important when it comes to online shopping. Chiu, Wang, Fang and Huang (2012, 107) found that online retailers primarily provide utilitarian value, but for frequent online buyers, utilitarian values may be inherent rather than dominant reasons for shopping online. Contradictorily, utilitarian values have also been found to be more crucial to frequent online shoppers, while hedonic values have been discovered to be more important for infrequent buyers. This may be because the more frequently a consumer shops online, the less they pay attention to the visual appeal of a website. In other words, online shoppers become more task-oriented as they become more experienced on a re-tailer's website. As utilitarian values are driven by the sense of accomplishment, a cus-tomer will remember their success and consider the retailer when they next have a similar shopping need. Hence, utilitarian value is a requirement, but not sufficient on its own, when creating customer loyalty (Jones, Reynolds & Arnold 2006, 979). Utilitarian values have been found to have more impact on search and purchase intention than hedonic val-ues. When online, consumers tend to be more practical, and are hence motivated by util-itarian values. As online shopping is limited by its virtual environment and technology, it is unable to provide diverse stimulation and physical or social interaction. In comparison to a physical shopping environment, online shopping may provide mild enjoyment. Therefore, hedonic values may trigger less search intention and less purchase intention when shopping online. Despite this, interesting online shopping experiences can still trig-ger impulse purchasing. This would mean that shopping enjoyment, which is classified as a hedonic value, does indeed trigger purchase intention. (To, Liao & Lin 2007.)

Based on the above, people shop online both because of utilitarian and hedonic mo-tivations. Some people shop online because of utilitarian values, including cost savings, convenience, wider selection, and information availability. In the meantime, those who shop online due to hedonic values search for adventure, authority, and status. Therefore, utilitarian and hedonic values are not mutually exclusive, and a single retailer can provide both utilitarian and hedonic value during one shopping experience (Carpenter & Fairhurst 2005). Additionally, both utilitarian and hedonic values have been found to have a con-nection to repeat purchase intention, even though utilitarian values have been found to have a stronger impact. (Chiu et al. 2012, 104; Jones et al. 2006, 979; Overby & Lee 2006, 1164; To et al. 2007, 784.)

The previous discussion focuses on e-commerce in general, but it is likely that the driving consumer values depend on the industry; buying for example groceries or home

necessities or clothing is a very different experience. Thus, the values that motivate consumers to buy are also likely to vary depending on the industry. Even the values derived for the customer in different fashion sectors (fast fashion, mid-market fashion, and luxury fashion) are very different. In luxury fashion, hedonic and symbolic values are more important. Luxury customers seek special treatment, unique experiences, and social recognition in addition to the functional utility of the product. Due to this, it makes sense that luxury retailers direct their marketing actions into providing preferential customer experiences and avoid price promotions and discounts. These strategies are more popular among non-luxury retailers who try to win customers by giving discounts. Non-luxury retailers are more associated with utilitarian values, such as saving money. (Stathopoulou & Balabanis 2016.) As explained in chapter 1.3, mid-market is a separate segment of fashion, which combines elements of both fast fashion and luxury fashion. There is little research about whether hedonic or utilitarian values drive e-loyalty in this sector. Hence, one of the sub-objectives of this research is to understand how consumer values reflect on e-loyalty.

2.3.2 Driving factors for e-loyalty

Loyalty is the product of value, trust, and satisfaction (Luarn & Lin 2003; Wang 2008, 552; Lopéz-Miguens & Vázques 2017, 405; Anderson & Srinivasan 2003). However, there is some research that does not agree with this statement. Chen, Yen, Pornpriphet & Widjaja (2015, 1294-1295) state that customer satisfaction has a positive effect on e-loyalty, but trust does not. This study takes the approach to agree with most of the research and sees perceived value, trust, and satisfaction as the prerequisites for loyalty. In addition to that, this study also aims to understand the factors that lead to perceived value, trust, and satisfaction. There are multiple theories about what the more specific drivers of loyalty are, and hence it is important to understand how perceived value, trust, and satisfaction are constructed. This chapter focuses on understanding what previous research have found loyalty-driving factors to be.

E-loyalty can also be seen as the outcome of e-satisfaction, e-trust, and multidimensional aspects of online retail quality, and multiple research has been conducted to investigate the contribution of different e-loyalty-drivers. Several drivers have been identified, and many researchers have also defined their own e-loyalty drivers. These factors were found to be fulfillment and reliability, which both drive e-trust as well as e-satisfaction.

These factors are important to consumers as in an online context it is crucial that the customer feels reassured that they will receive their products as expected. Positive assessment of a retailer's website was also linked to e-satisfaction. This suggests that a well-designed website decreases the cost of searching for products within the site, and the time required to find the desired item is shorter, making the shopping experience more pleasant. Additionally, *security* and *privacy* were found to have a contribution to e-trust, which further leads to e-satisfaction. (Kim, Jin & Swinney 2009, 239.)

Srinivasan, Anderson and Ponnavolu (2002, 47) identified 8 Cs of e-loyalty antecedents; *customisation, contact interactivity, cultivation, care, community, choice, convenience*, and *character*. In addition to the 8 Cs (Srinivasan et al. 2002), there are also other theories to assess e-service quality. Zeithaml, Parasuraman and Malhotra (2000) identified 11 e-service dimensions:

1. Reliability: the correct technical functionality of the website and the accuracy of service promises (such as having items in stock, delivering as promised), billing, and product information

2. Responsiveness: Quick responsiveness and the ability to for customers get help if there is a problem or a question.

3. Access: Ability to get on the site quickly and to reach the company when required.

4. Flexibility: Choice on ways to pay, delivery options, buying, search for items, and returning items.

5. Ease of navigation: The website contains functions that help customers find what they need without difficulties, has good search functionality, and allows the customer to go back and forth on the pages effortlessly and quickly.

6. Efficiency: The site is simple to use, well structured, and requires a minimum of information input from the customer.

7. Assurance/trust: Customer feels confident when dealing with the site, which is due to the reputation of the site and the products or services it sells, as well as clear and truthful information available.

8. Security/privacy: The degree to which the customer believes that the site is safe to use, and personal information is protected.

9. Price knowledge: The extent to which the customer can determine shipping price, total price, and comparative prices during the shopping process.

10. Site aesthetics: The appearance of the website.

11. Customisation/personalisation: The extent to how much and how easily the site can be tailored to individual customers' preferences, histories, and ways of shopping. (Zeithaml et al. 2000.)

Other research has found *ease of navigation, security, privacy, real-time marketing offers*, and *reduced shipping costs* to have a connection with repeat purchasing (DeLone & McLean 2004, 36-42), as well as *information quality, system quality*, and *service quality* (Wang 2008, 552). According to Parasuraman, Zeithaml and Malhotra's (2005) E-S-QUAL theory, there are four dimensions to measure service quality on a website; *efficiency, fulfillment, system availability,* and *privacy,* which are linked to loyalty intentions. However, not all research agrees when it comes to defining what derivers contribute towards e-loyalty. Research has later found that out of the four E-S-QUAL dimensions, only *fulfillment* and *privacy* have an impact on loyalty (Sheng & Liu 2010). This is interesting as the original research found *privacy* as the least important dimension (Parasuraman et al. 2005), which may be an indication of how consumers' needs and priorities change over time.

This research takes advantage of the above-mentioned theories and based on those; Figure 2 has been built to explain what e-loyalty consists of. Figure 2 has been based on the 8 Cs (*customisation, contact interactivity, cultivation, care, community, choice, convenience,* and *character*), which lead to both perceived value and trust. The 8 Cs had been chosen as the primary basis to research e-loyalty drivers because it seems to cover many of the other theories discussed in this chapter. Additionally, previous research has used the 8 Cs as a basis, too (Jiang, Jun & Yang 2015). The 8 Cs result in perceived value and trust, which, if fulfilled, result in satisfaction. Satisfaction is considered to have a direct relationship with e-loyalty.
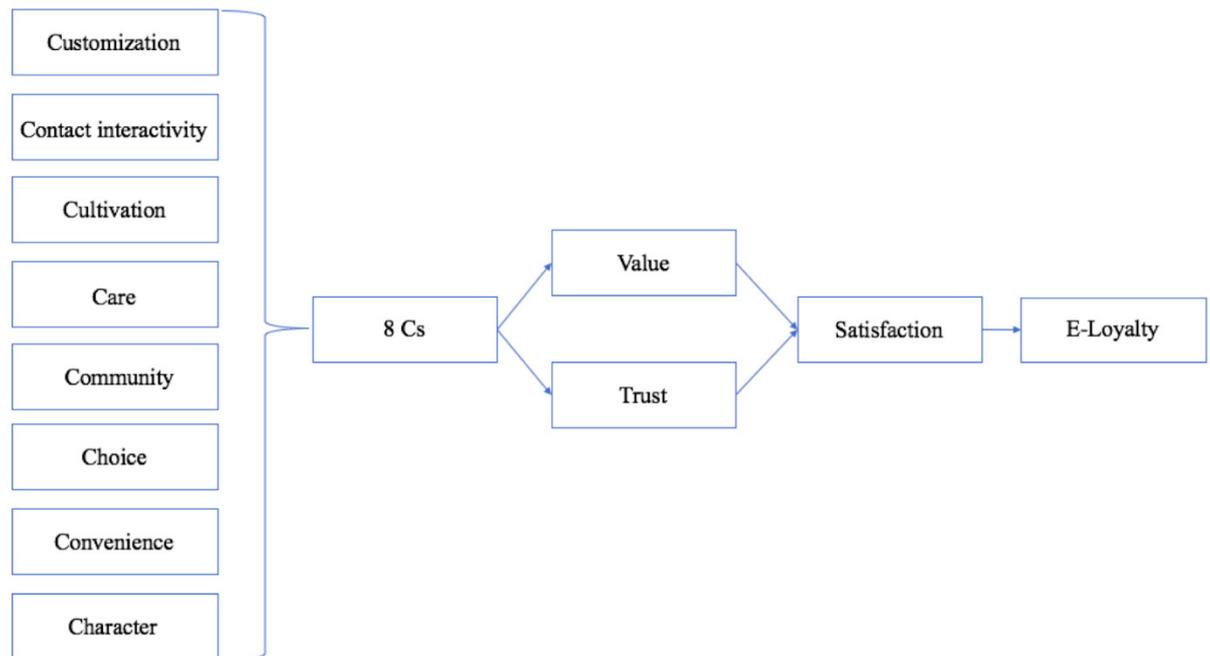
Figure 2. Drivers for e-loyalty (adapted from Anderson & Srinivasan 2003, 130; Luarn & Lin 2003, 162)

Customisation refers to an online retailer's ability to tailor products, services, and the website to individual consumers. Customisation increases the likelihood to which consumers find something that they would like to buy and reduce frustration as efficiency is increased. (Srinivasan et al. 2002, 42.) Customers are less likely to switch the firm whose services they are using after they have received customised products, services, or information about their needs (Amit, Hitt, Lucier & Nixon 2002, 32-33).

Contact interactivity describes the dynamic nature of engagement between an online retailer and its customers through the website. Srinivasan et al. (2002, 42) define contact interactivity as *"the availability and effectiveness of customer support tools on a website, and the degree to which two-way communication with customers is facilitated."*

Cultivation refers to the extent to which an online retailer offers relevant information and incentives for consumers to enhance the breadth and depth of their purchases over time. This includes for example tailored email newsletters and cross-selling, through which consumers can find more information about the available product options. Cultivation enables a business to offer its customers information that they otherwise would not necessarily find. In addition, cultivation helps to increase switching barriers and reduce the customers' searching costs. (Srinivasan et al. 2002, 43.)

Care is the attention that an online retailer pays to all pre-and post-purchase customer interface activities regarding both long-term customer relationships as well as immediate transactions. Care is therefore the extent to which a retailer is paying attention to customer service detail. The retailer should ensure that there are no service breakdowns, that customers are informed about the availability of their preferred products, and about the status of their orders. The higher the level of care, the better the influence towards e-loyalty. (Srinivasan et al. 2002, 43.)

Community is an online social community that consists of existing and potential customers. These communities are organised and maintained by the online retailer to allow the exchange of information and opinions of the products and services they are offering. Additionally, communities may remain loyal to brands because they appreciate the input of the rest of the community, or they enjoy the process of participating in community activities, such as giving reviews. Thereafter, communities have a positive impact to trust. (Srinivasan et al. 2002, 43-44.) Most online stores ask their customers to review their products. They, therefore, encourage their customers to spread Electronic Word of Mouth (eWOM), as consumer-produced information gives potential customers a sense of trust (Woo Yoo, Danders & Moon 2013; Gauri, Bhatangar & Rao 2008). eWOM is defined as the action of messaging others online, forwarding emails, or other online communication that is of high addressability (Tran 2014, 1[2]). In other words, eWOM is like traditional Word of Mouth (WOM), just in an electronic context. Emails, social network posts, and, in this study, customer reviews, are considered as eWOM. (Tran 2014.)

Choice - Online retailers are typically able to offer larger product ranges than offline retailers. This is due to smaller costs regarding for example floor space costs and the fact that online retailers can form alliances with other online retailers to broaden their selection. As many consumers enjoy getting everything from one place at once, an online retailer with a large selection can create a competitive advantage based on offering a greater choice of options. (Srinivasan et al. 2002, 44)

Convenience refers to the extent to which a consumer sees a website as user-friendly, simple, and intuitive. According to Srinivasan's (2002, 46) research, *convenience* turned out to be an insignificant factor in building e-loyalty. However, other research (Cristobal, Flavian & Guinaliu 2007, 331; Kim, Jin & Swinney 2009, 245;

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[2] Original source: Ho & Dempsey 2010, 1000

Toufaily, Ricard & Perrien 2013, 1444) has stated that the quality and usability of a website increases customer perceived value. Simultaneously, a well-designed website reduces customers' cost of searching time, therefore increasing convenience, which then leads to a higher level of satisfaction. For those customers that enjoy the shopping experience itself, it is particularly important that a website offers a pleasant shopping experience (Bilgihan 2016, 104).

Character - Creative website design can help an online retailer to enhance a positive reputation and characterisation in consumers' minds. Characterisation of websites also helps consumers to recognise the website easier and differentiate a brand from competitors. (Srinivasan et al. 2002, 44-45.)

The online environment factors that exist during the service delivery can be summarised as *e-servicescape*. The concept of e-servicescape is three-dimensional and consists of *aesthetic appeal*, *layout and functionality*, and *financial security*. These factors have been concluded as imperative in the development of consumers' trust towards a website, which is further linked to purchase intentions. E-servicescape positively impacts trust, which in turn produces positive eWOM, and customer loyalty. (Tran 2014.)

As there are multiple pre-existing frameworks investigating the drivers of loyalty, this research takes advantage of combining some of them. Therefore, in this study, customisation, contact interactivity, cultivation, care, choice, convenience, and character are counted as part of the e-servicescape. Community is seen as part of eWOM.

2.3.3 Perceived value as a contributor to e-loyalty

Perceived value is defined as *'customers' net valuation of the perceived benefits accrued from an offering that is based on the costs they are willing to give up for the needs they are seeking to satisfy'* (Kumar & Reinartz 2016, 37). Net perceived value is the perceived overall value of the service, and it may even be the foundation of satisfaction. Value is created when a company lowers its customers' costs or raises its customers' performance; but the value is perceived by the customer (Porter 1985, 53). Overall, customer value is about the perceptions or evaluations of what a consumer gets from purchasing a product or a service (Chang, Chen & Tseng 2009). Perceived value has been found to have a positive impact on purchase decisions (Hanaysha 2018; Astuti, Silalahi & Wijaya 2015; Bakırtaş 2013; Nochai & Nochai 2011) and customer loyalty (Jiang et al. 2015). Hence, it is important to discuss what perceived value consists of.

Hanaysha (2018) researched how social media marketing, corporate social responsibility, sales promotions, and store environments impact perceived value in the retail sector. The research confirmed that perceived value has a positive impact on customer retention. It was found that social media marketing does not have a significant impact on perceived value, but that it does influence customer retention. Social media can be used to shape consumers' perceptions, but the perceived value is created when consumers receive the literal benefit of their purchase, rather than from seeing advertisements. Corporate social responsibility was also found to have a positive impact on perceived value as well as customer retention. (Hanaysha 2018.) This is because corporate social responsibility enhances a sense of well-being and enhances the reactions of consumers towards a brand's offering (Hanaysha 2018; Bhattacharya & Sen, 2004; Brown & Dacin 1997). Additionally, sales promotions have been found to have a positive impact on perceived value, but a negative influence when it comes to customer retention (Andreti, Zhafira, Akmal & Kumar 2013; Hanaysha 2018, 15). It was found that regular use of sales promotions causes customers to perceive product quality and the brand in a negative light. This is because instead of evaluating the brand, consumers start evaluating the price. (Yoo, Donthu & Lee 2000). It has also been found that the store environment has a positive impact on both customer perceived value as well as customer retention (Hanaysha 2018, 15). This study considers perceived value and loyalty in the online context, so the store environment is not fully applicable.

It is reasonable to review research that has focused on perceived value in an online context. Perceived value has been found to be connected to the ease of website use, care, product offering, reliability, and finally, on customer loyalty (Jiang et al. 2015). Jian et al. (2015) present a conceptual model according to which perceived value and customer loyalty are the products of care, reliability, product portfolio, ease of use, and security. The most important dimension was found to be *care*, which was based on Srinivasan's (2002) 8 Cs. In terms of significance to perceived value and loyalty, care was found to be followed by reliability, ease of use, and product portfolio. Each of the Key e-Service Quality Dimensions (care, reliability, product portfolio, ease of use, and security) were found to have a direct impact on customer perceived value, and customer perceived value was found to be directly linked to customer loyalty. The Key e-Service Quality Dimensions were not found to have a direct impact on customer loyalty (Jiang et al. 2015). Therefore, this study treats perceived value, which results from the Key e-Service Quality

Dimensions, as a prerequisite of customer loyalty. Figure 5 shows the attributed relationship between the Key e-Service Quality Dimensions, perceived value, and customer loyalty.

Key e-Service
Quality Dimensions

Care

Reliability

Product
Portfolio

Ease of Use

Security

Perceived
Value

Customer
Loyalty
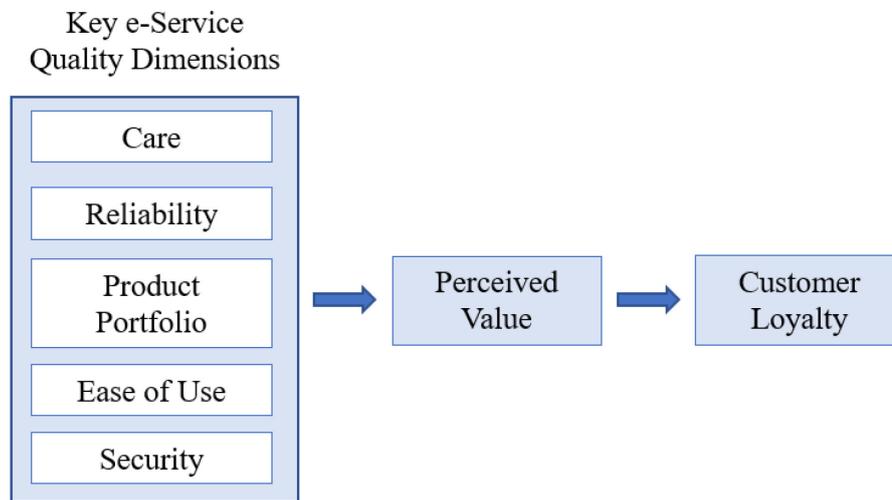
Figure 3. Conceptual model on formation of perceived value (adapted from Jiang et al. 2015, 303)

Figure 5 illustrates the Key e-Service Quality dimensions (Care, Reliability, Product Portfolio, Ease of Use and Security) (Zeithaml et al. 2000) and their relationship to perceived value, and further to customer loyalty. The Key e-Service Quality Dimensions, therefore, are directly related to perceived value, which in turn is a requirement for customer loyalty.

Perceived value, which is also a driver for customer loyalty, is ultimately derived from utilitarian and hedonic benefits. By understanding where perceived value stems from, it will be easier for fashion marketers to fulfill the customers' needs and hence meet their expectations. This is crucial in the pursuit of building long-lasting and profitable customer relationships. (Carpenter & Fairhurst 2005, 257.)

As previously stated, perceived value is not the only requirement for creating e-loyalty. To reach satisfaction, and eventually e-loyalty, the customer must trust the retailer to provide the perceived value that the consumer expects. Hence, the next chapter explores the role of trust in forming e-loyalty.

2.3.4   Trust as a contributor to e-loyalty

Trust is defined as the *"customer confidence in the quality and reliability of the service offered"* (Gabarino & Johnson 1999, 71). Trust is a cornerstone when it comes to relationships between a business or a brand and its customers. Research shows a strong link

between trust and loyalty, which is why it is important to examine what factors contribute towards building trust. Interpersonal contact, which often generates trust, is missing in an online context. Online retailers need to earn consumers' trust in different means. Risk is an essential prerequisite moderator of trust, as the trustor may lose money if the trustee fails to deliver as perceived by the trustor. Trust is essential, as it reduces complexity, uncertainty, and transaction costs. At the same time, it helps to increase flexibility, scope, and transaction benefits. (Gefen & Straub 2004, 416-417; Reichheld & Schefter 2000, 176; Blomqvist 2002, 154.)

Consumers' trust in an online retailer designates the willingness of taking risks to use the online retailer's channel. The three main drivers for e-trust are *familiarity, online services, and third-party certification*. Consumers build their knowledge of a brand subconsciously as they recognize the brand name, logo, and design. Research has shown that familiarity with a brand ultimately leads to trust. *Online services* are another crucial e-trust driver. The factors that influence the quality of an online service are for example feedback systems and credit card guarantees. (Ke, Chen & Su 2016.) In this research, the 8 Cs (introduced in chapter 2.3.2) are regarded as part of online services.

Multiple research underpins the importance of security and privacy as a significant driver for trust (Cristobal et al. 2009, 331; Kim, Ferring and Rao 2009, 245). Additionally, secure payment methods, providing information about security levels, and delivering promises, are crucial for businesses in order to gain consumers' trust (Reichheld & Schefter 2000, 176).

Additionally, *third-party certification* is an important factor in building consumer e-trust. Because the risk of making online purchases is often considered high, due to for example payment uncertainties, having trusted third parties can help in building e-trust and better customer relationships. Perceived security, the feel of social presence and interactivity are also proven to be positive factors in building e-trust. (Ke et al. 2016 195-196.)

In this study, people are considered as third-party certification. As consumers spend more time on the internet, the impact of social media on purchasing decisions is evident: peer reviews and influencer marketing being essential in the decision-making phase. (Amed, Berg, Kappelmark, Hendrich, Andersson, Drageset & Young, 2018.) Social media influencers, or digital influencers, are people who have many people following them on social media networks or run popular blogs (De Vreiman, Cauberghe & Hudders 2017). Digital influencers help to generate engagement and increase expected value

among consumers. In other words, digital influencers have an impact on consumers' behaviour. Consumers are more likely to expect better value from the influencer-recommended brands and are more likely to purchase from these brands. Influencers have been found to have an impact on consumer decision-making and increase their followers' purchase intention. An influencer's recommendations are therefore seen as credible eWOM. Even though there is a tendency for consumers to find influencers and the products they recommend untrustworthy; people still follow influencers and buy the influencer-recommended products. (Jiménez-Castillo & Sánchez-Fernandéz, 2019; Leparoux, Minier & Anand 2019; De Vreiman et al. 2017.) In this research, *community*, which is part of the 8 Cs (Srinivasan et al. 2002), is also seen as part of eWOM.

In contrast, previous research (Kim et al. 2008, 556) has found that third-party certification did not impact trust, but instead reduced the consumer perceived risk. Familiarity, privacy protection, and security protection have found to have an impact on the development of e-trust (Kim et al. 2008, 556). Additional drivers for e-trust are website design, the quality of service, authentic branded products, payment security are also crucial factors of building e-trust (Ke et al. 2016, 191).

Hedonic and utilitarian consumer values have also been found to have an impact on brand trust. Consumer values are further discussed in chapter 2.3.1. Gender, involvement, price-consciousness, and brand consciousness are crucial moderators of product value, brand trust, and loyalty. Hedonic value was found to be significantly less determinant for women than for men when formulating trust. For women, product knowledge and interaction with sales staff was a more important factor when generating trust and winning over women's trust in an online context may be more challenging. Higher involvement with a brand was found to have a positive impact on trust, as this triggers more emotions and therefore supports hedonic values. Price-consciousness was found to have a significant impact on the hedonic value - brand trust link. Consumers with high price-consciousness are less likely to develop brand trust as they focus more on the affordability of their purchases. Despite this, a highly price0conscious individual will eventually build trust in a specific brand, and in this instance, the brand trust and loyalty may become stronger than for those who are less price-conscious. Utilitarian value then again was found to have a much weaker impact on trust for consumers who are highly brand-conscious. Highly brand conscious consumers develop trust easier than consumers with low brand consciousness, but it may result in a weaker sense of trust and less strong loyalty. (Matzler, Garbner-Kräuter & Bidmon 2006, 85.)

Based on the discussion above, trust is always subjective and perceived by an individual. Every consumer has their own value system, which sets the basis for their experience of trust. The impact of values to trust must also be taken into consideration as they are somewhat permanent and set the experience for trust. Trust is therefore dependent on the individual, as they decide who to trust and how much. (Blomqvist 2002.)

Trust may also be temporary and fragile, as it evolves due to past experiences and current interactions. At the beginning of a relationship, even minor signals, such as signs of incompetence or unresponsiveness, may freeze the interest of the trustor. Trust in general evolves slowly through interaction, incremental investments, and experiences. (Deutsch 1973; Blomqvist 2002, 158.) Once trust reaches the unconditional stage, disintegration of trust is more complicated, and hence less likely (Jones & George 1998).

2.3.5 Satisfaction as a contributor to e-loyalty

Satisfaction is defined as "*the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with a consumer's prior feelings about the consumer experience.*" Srinivasan and Anderson (2003, 125)[3]. Several studies have confirmed that satisfaction is connected to customer loyalty (Zeithaml, Bitner & Gremler 2006; Oliver 1999; Sheng & Liu 2010). Price and product quality are some of the most significant factors when it comes to creating e-satisfaction (Zeithaml et al. 2006). Additionally, service quality, product innovation, customer expectation, the perceived value related to price, and product quality have an impact on customer satisfaction. (Nisar & Prabhakar 2017, 143.) Thus, there seems to be a direct link from perceived value to e-satisfaction, where the product and service should meet the expectations, or in other words, perceived value. E-satisfaction has also been found to directly correlate with consumer spending: the higher e-satisfaction the customer is experiencing, the more they are spending. (Nisar & Prabhakar 2017, 143)

E-service quality refers to the effectiveness and efficiency of online browsing, making online purchases, and the delivery of goods and services (Parasuraman et al. 2005). Additionally, e-service quality, along with efficiency and fulfillment, has been found to have a positive impact on customer satisfaction in an e-service context (Sheng & Liu 2010, 281).

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[3] Original source: Oliver (1997)

The Kano Model (figure 6) divides attributes as 'one-dimensional,' 'must-be,' 'attractive' or 'neutral' (Tontini, da Silva, Beduschi, Zanin & Marcon 2015[4]). 'Must-be' attributes are the essential functions of service. For customers, the presence of these attributes is usually not noticeable, but their absence or poor performance will cause significant dissatisfaction. 'Attractive' attributes increase satisfaction and recognition from customers if they are available, but do not cause dissatisfaction if they do not perform well or are missing. 'Neutral' attributes do not have an impact on customer satisfaction, regardless of whether they are present. 'One-dimensional' attributes have a direct correlation to satisfaction. (Tontini, et al. 2015, 3).

There is nonlinearity between the quality dimensions of the service, customer satisfaction, and loyalty. 'Service accessibility/speed' turned out to have a one-dimensional impact on customer satisfaction. 'Fault recovery' (meaning fixing any issues that may occur as part of the purchasing process) is a must-be dimension and is therefore expected by customers. 'Buying reliability' (referred to as 'trust' in this study) and 'service flexibility' were classified as attractive. 'Site interaction/feedback' was also found to be one-dimensional. Regarding the drivers for customer loyalty, the dimension 'service accessibility/speed' also had a direct impact on loyalty if performance is above average, therefore reinforcing the impact of general customer satisfaction. (Tontini et al. 2015, 16.)

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[4] Original source:, Seraku, Takahashi & Tsuji (1984)
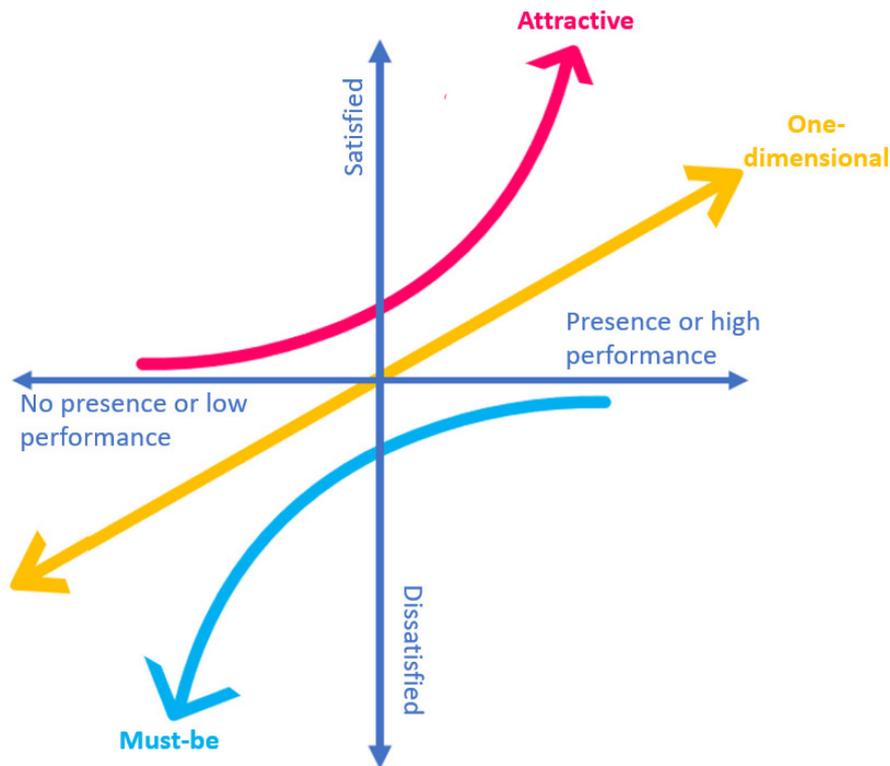
Figure 4. The Kano Model (adapted from Tontini et al. 2015, 8)

Figure 6 portrays three different types of attributes ('attractive', one-dimensional' and 'must-be), and their presence's impact on a customer's satisfaction.

To conclude chapter 2.3, which has discussed the various e-loyalty contributors, drivers like 8 Cs (Srinivasan et al. 2002) and the Key e-Service Quality Dimension (Zeithaml et al. 2000), lead to trust and perceived value. These further result in satisfaction, which in time may result in e-loyalty (Luarn & Lin 2003; Wang 2008, 552; Lopéz-Miguens & Vázques 2017, 405; Anderson & Srinivasan 2003). The next chapter explains how loyalty develops over time as a result of satisfying shopping experiences.

2.4   Levels of loyalty portray the development of loyalty

As stated earlier, satisfaction is a key requirement for e-loyalty formation. However, just because a consumer is satisfied once, does not mean that they are yet a loyal customer. This is strongly supported by previous research (Bennett & Rundle-Thiele 2002, 195; Bandyopadhyay & Martell 2007, 2; Day 1969; Jacoby 1969; Jacoby & Kyner 1973; Dick & Basu 1994.) Therefore, it is important to understand how e-loyalty develops over time.

The Relationship Marketing Ladder (figure 3) shows the evolution of customer loyalty. According to that, there are two main objectives: attracting new customers and retaining the existing ones (Payne 1994, 30). However, The Relationship Marketing Ladder is from the 1990s and is therefore not fully applicable to B2C e-commerce in the early 2020s. Thus, it has been adapted from its original form to fit the objective of this study.
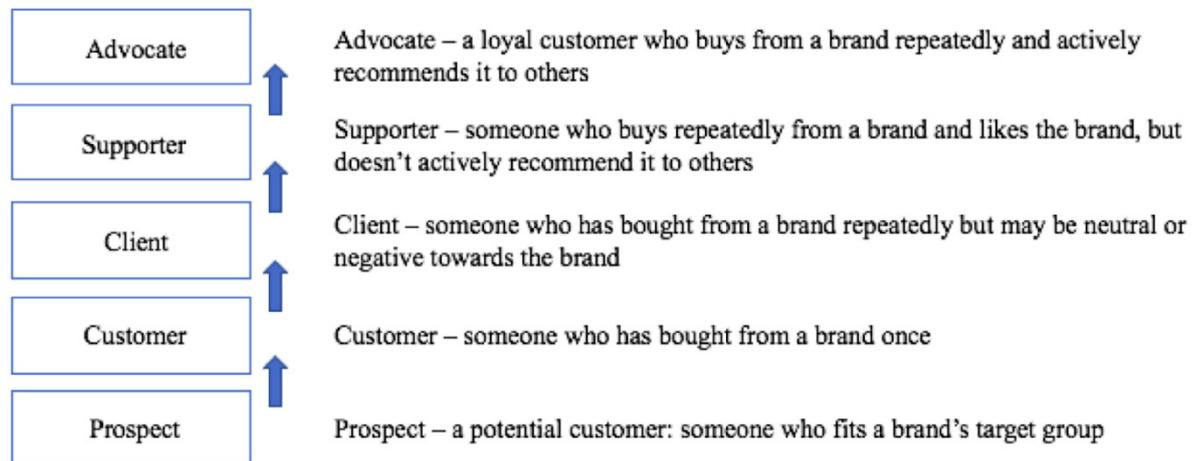
Figure 5. The Relationship Marketing Ladder (adapted from Payne 1994, 30)

Payne's (1994, 30) Relationship Marketing Ladder describes a customer's journey from a potential customer (prospect) to a loyal customer (advocate).

The ladder consists of five steps: *prospect, customer, client, supporter,* and *advocate.* The aim is to move consumers from lower steps to higher steps by using different market activities. One must remember that different market segments require different kinds of attention, and the business should concentrate on the most profitable customer segment, keeping the 20/80 rule in mind - meaning that 20 percent of a business' customers generate 80 percent of profit. The first task is to turn prospects into customers, and then generate repeat business with that customer. At this point, the consumer has become a client which refers to someone who has done repeat business with the retailer but is neutral or even negative towards the business or brand. The difference between a client and a supporter is that a supporter has positive feelings towards the business. Nevertheless, a supporter is still typically passive and does not speak of the business's performance. Advocates are so happy with the service they have received that they actively recommend it to others. (Payne 1994.)

In this study, a prospect is seen as a potential customer, meaning someone who fits a mid-market fashion brand's target group. A customer is seen as a person who has bought

something from a brand only once. A client is defined to be someone who has bought from a brand repeatedly but may be neutral or even negative towards the brand. A supporter is someone who purchases from a brand repeatedly, likes the brand, but is not actively recommending it to others. Advocates are people who buy from a brand repeatedly, are happy with the service, and actively recommend the brand to others. Advocates are therefore loyal customers who help a brand with their marketing out of their own initiative by actively recommending the brand to others. Figure 3 covers all the areas from when a consumer is not yet buying from a mid-market fashion e-commerce brand (prospect) to becoming a loyal customer (advocate or supporter). The stages in between are required to be able to build loyal customer relationships.

The customers – and the target group of an online fashion retailer – may be at any stage of The Relationship Marketing Ladder (figure 3). In this research, the interviewees were identified to be at supporter or advocate levels for their favourite brands, around which brands the interviews mainly focused on. As it is normal for people to shop with multiple brands and retailers simultaneously, the interviews also covered the experiences and feelings that they had in relation to brands that they did not yet shop with at all or they were not loyal to. Therefore, the interviews cover all the stages of the Relationship Market Ladder, even if the research is not focused on researching a single brand.

Zeithaml, Rust and Lemon (2001, 118) have recognised a similar model, which divides customers into four different segments based on how valuable they are to a company (figure 4). They suggest that the lowest category, *lead*, should be rather got rid of than aimed to retain, but emphasize that it should be a company's strategic decision if those *lead tier* customers should be aimed to retain or move to a higher category (Zeithaml et al. 2001, 132).
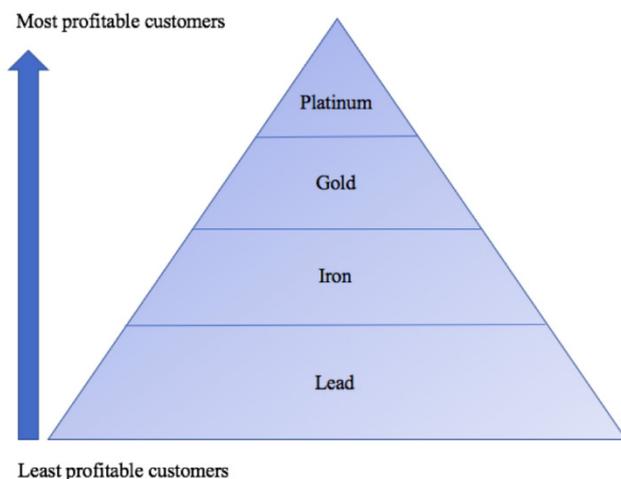
Figure 6. The Customer Pyramid (Zeithaml, Rust & Lemon 2001, 125)

The Customer Pyramid (Zeithaml, Rust & Lemon 2001, 125) is another example of different types of customers. Customers in the *lead* tier provide little value to the business, while *platinum* customers are highly profitable

However, The Relationship Marketing Ladder (Payne 1994) is seen as a more suitable model for the purpose of this research. This is because it covers all the stages from prospects to advocates, or in other words, potential customers to loyal customers. However, it is important to also understand how prospects become customers, which is why the next chapter will discuss the purchasing process.

2.5 The purchasing process of loyal customers

In research focusing on the factors that influence the decisions that customers make at each stage of their customer journey, it is reasonable to discuss the purchasing process in an online retail environment. The customer purchasing process consists of five stages: 1. Need recognition, 2. Information Search, 3. Evaluation, 4. Purchase and 5. Post-purchase. Several factors impact consumers' decision-making, including their goals, information processing, memory, involvement, and attitudes. Consumers assign reasons for their purchase, which can influence their buying experience and intention to repurchase. Consumers have various reasons to shop, which may not always require a clear need for a product or service. (Tauber 1972, 46; Puccinelli, Goodstein, Gerwal, Price, Raghubir & Stewart 2009.)

Despite the consumers' goals, their perception of the retail environment and experience will impact their satisfaction. Consumers establish the progression of the experience, the consumer's perception of the retail environment, and their satisfaction with the experience (Puccinelli et al. 2009, 16). The purchasing process begins with need recognition, where the consumer identifies a need that triggers the entire buying decision process of individual consumers (MSG Management Study Guide 2017). In the need recognition phase, customers will also make the decision whether they will use an online or offline shopping channel (Wen, Prybutok, Blankson & Fang 2014, 1512). After having identified the need, a consumer starts looking for information on the possible purchasing opportunities. This stage is called the information search. Many of the purchases that consumers make are so routine that they require little to no thought at all. From time to time, consumers still face purchasing decisions that are more complex; for example, if there are

multiple different options available or if the product is expensive. (Huneke, Cole & Levin 2004, 67.)

Having found enough information about the available options, it is time for the customer to compare the options: in other words, the *evaluation* stage takes place. During the information search and evaluation stages, a consumer is assessing the quality of the website regarding their needs. (Wen et al. 2014, 1512.) At the *purchase decision* stage, a consumer has already chosen an item based on the information that they have gathered during the earlier stages of the process. The decision can be based on logic, but also on emotions, and purchasing decisions can be influenced by marketing campaigns. (Puccinelli et al. 2009, 22; Professional Academy 2018.)

When the order has been fulfilled and the customer receives the product, it is time to evaluate whether it meets the customer's expectations; are they satisfied. This is the *post-purchase* stage. The desired outcome of the post-purchase behaviour is for the customer to return; to generate repeat purchasing and eventually loyal customers. Customised information, attitude towards the website, perceived interactivity influence customer perceived value. Thus, research suggests that customer satisfaction leads to a positive attitude, which then leads to repurchase. (MSG Management Study Guide 2018; Ha, Muthaly & Akamavi 2010.)

Focusing especially on an electronic market set-up, Schubert and Selz (1997) identified a four-pronged transaction phase model: 1. Information, 2. Agreement, 3. Settlement, and finally, 4. Communication. The information phase is where consumers collect the information on products or services that they may wish to purchase. The information phase is therefore comparable to the information search stage (Puccinelli et al. 2009). The agreement phase is the negotiation between the buyer and seller, which leads to for example writing a contract or fixing details like payment and delivery. The settlement phase refers to the physical or virtual delivery of the product that a customer has ordered. The final phase, communication, is closely related to the concept of community, which is also discussed in this research in chapter 2.3.2. The communication phase is where consumers communicate amongst themselves regarding the product, such as part of product reviews. The communication phase is believed to bind the consumers closer to the product. The Continuous Transaction Phase Model, as these four stages are referred to, is presented as a cycle indicating the continuity of the model. (Schubert & Selz 1997.)

Figure 7 is based on the previous discussion of purchasing models (Schubert & Selz 1997; Puccinelli et al. 2009). The following model portraying the purchasing process is

the most sufficient for this research because when it comes to repeat purchasing, the purchasing process is expected to be repetitive. Therefore, figure 7 is presented as a cycle rather than as a funnel.
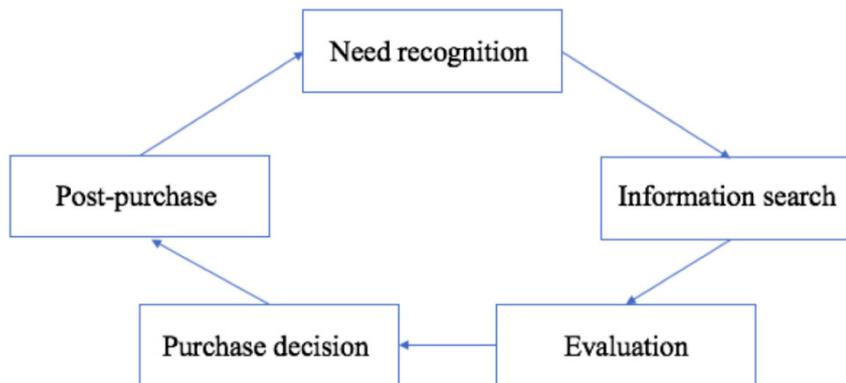
Figure 7. Customer purchasing process (adapted from Schubert & Selz 1997,49; Puccinelli et al. 2009)

Because loyalty is strongly linked to re-purchasing, this research sees purchasing process as a cycle rather than as a linear process. Figure 7 illustrates the stages of the purchasing process (need recognition, information search, evaluation, purchase decision, and post-purchase).

When it comes to loyalty, the purchasing process can be somewhat different. All stages are presented in figure 7, but when referring to a loyal customer, the information search stage would ideally not include researching different retailers. Instead, the information stage focuses on researching the options that a brand is offering. Instead of presenting figure 7 in the form of a funnel, it is presented in the form of a cycle, as that illustrates the continuity of a loyal customer's purchasing process.

2.6 Theoretical synthesis

Satisfaction, perceived value, and trust lead to loyalty either directly or indirectly (Harris & Goode 2004, 152). The significance of each factor may vary depending on the consumer or the good that is being purchased, but these are some of the main factors to consider when analysing consumers' loyalty to online services. Based on the discussion in chapter 2, in this research, loyalty is seen as the result of perceived value, trust, and satisfaction.

E-loyalty is seen as the outcome of customer satisfaction, which is seen as the result of perceived value and trust. Trust and perceived value can be impacted by numerous

aspects. In this study, the 8 Cs (Srinivasan et al. 2002), are the main pillars that contribute towards trust and perceived value, and therefore to satisfaction.

The purchasing process is also seen as a crucial part when driving customer loyalty. Without the purchasing process, there would not be the outcome of loyalty in the first place. As suggested by Chiu et al. (2012), this research sees utilitarian and hedonic consumer values as factors that have an impact on reasons to shopping, and how the shopping experience is perceived. Therefore, consumer values are predicted to be the driving force for the entire purchasing process. Additionally, consumer values have an impact on the development of trust, perceived value, and satisfaction. Overall, customer values have a significant impact on how people perceive brands and to whom they are loyal.

Some customers are more loyal and profitable than others (Payne 1994; Zeithaml et al. 2001). The main theory about customer segments employed in this study is the Relationship Marketing Ladder (Payne 1994), which suggests that consumers should be aimed to move from one step to the next. However, based on Zeithaml et al. (2001), this study also recognises that not every customer can become a part of the top-tier customers. Figure 8 summarises and combines all the main theories used in this study.
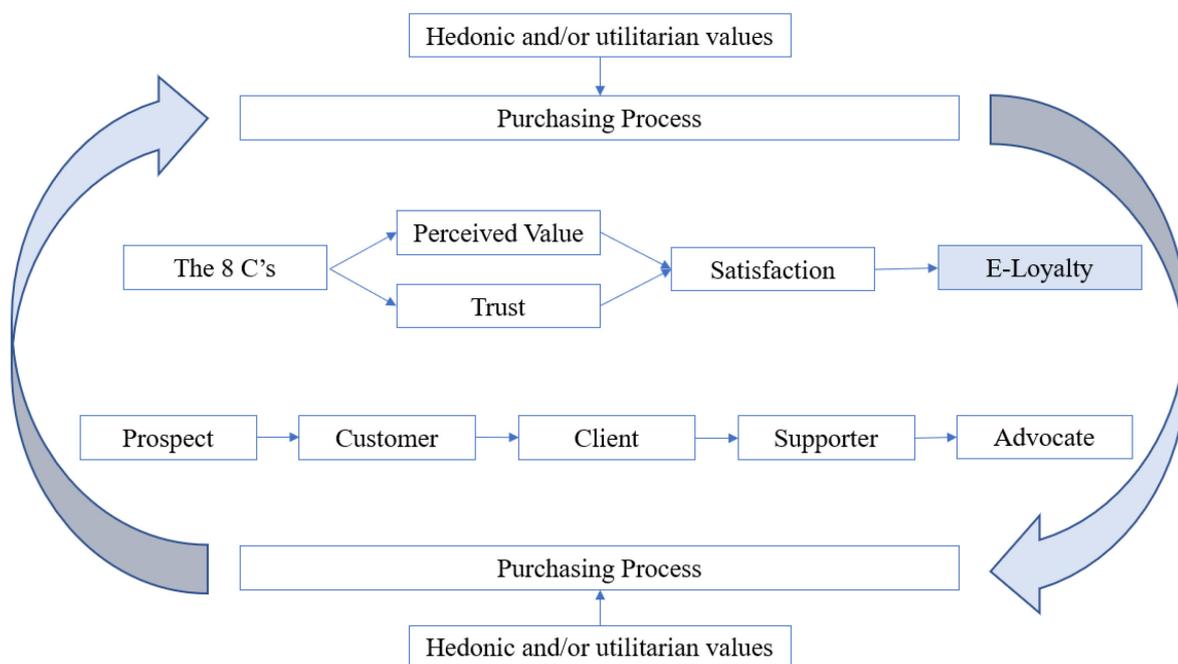
Figure 8. Theoretical synthesis

The theoretical synthesis consists of the key theories that will contribute to the results of this research. The 8 Cs (*customisation, contact interactivity, cultivation, care, community, choice, convenience,* and *character*) (Srinivasan et al. 2002) produce perceived value and trust. When a customer trusts a brand or a retailer, and their expectations set as part of the perceived value are fulfilled, the customer is satisfied (Srinivasan

and Anderson (2003, 125[5]). Satisfied customers are more likely to repurchase, and hence satisfaction leads to e-loyalty (Zeithaml et al. 2006; Oliver 1999; Sheng & Liu 2010). This is all driven by the purchasing process, because without a need, whether it be driven by hedonic or utilitarian value, the customer will not take the steps required for them to eventually be satisfied with their shopping experience. Should the customer be satisfied at the end of their purchasing process, they may decide to repurchase. By making their first purchase, a prospect becomes a customer, and if they decide to repurchase, they start moving towards becoming an advocate (Payne 1994).

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[5] Original source: Oliver (1997)

3 RESEARCH DESIGN

3.1 Research approach

The empirical research method of an academic study should be chosen based on its ability to help the researcher to answer the research problem (Eskola & Suoranta 1998, 14). A qualitative method is relevant when the research objective is related to understanding a new phenomenon or discovering behavioural experiences (Ghauri & Grønhaug 2010, 105). Qualitative research is defined as *"a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem"* (Creswell 2009, 4).

Qualitative research is *holistic and attempts to gather data in natural settings.* (Hirsjärvi, Remes & Sajavaara 1997, 165). This study attempts to take a holistic view on all centric theoretical concepts discussed in chapter 2, which are summarised in chapter 2.6. Qualitative research *advocates human beings as a means of data collection,* and instead of measuring, makes observations (Hirsjärvi et al. 1997, 165). Hence, a qualitative method is applicable to this study, where the research objective is to identify how e-loyalty is formed in mid-market fashion e-commerce. The objective of the interviews is to find answers to the research objective by answering the sub-objectives. This research approaches the research objective from the consumers' point of view, which requires a deep understanding of how consumers choose the brands they buy from, and why they become loyal to these brands. Therefore, a qualitative method, and more specifically interviews, was chosen as the most suitable research method.

There are two general approaches to reasoning that can be used to acquire new knowledge: inductive and deductive. Inductive reasoning generalizes assumptions and seeks to find out whether these generalisations apply to specific instances. Deductive reasoning is a theory-testing process, most often used in quantitative research, as it seeks to find out whether a pre-existing theory or generalisation applies to a specific instance. Deductive reasoning aims to test theories and hypotheses to validate or contradict the theory (Hyde 2000, 82-83; Ghauri & Grønhaug 2002, 13-14.) Qualitative research usually follows an inductive process, but both inductive and deductive processes can be utilized in qualitative research: *"As evaluation fieldwork begins, the evaluator may be open to whatever emerges from the data, a discovery of inductive approach. Then, as the enquiry reveals patterns and major dimensions of interest, the evaluator will begin to focus on*

verifying and elucidating what appears to be emerging, a more deductive approach to data collection and analysis" (Patton 1990, 194).

Qualitative researchers usually employ an inductive process and quantitative researchers to deductive, but Hyde (2000, 85) states that both fields of research employ both inductive and deductive approaches in their research, at least on an informal basis. In addition, deductive processes can also be used formally in qualitative research, and this research applies both inductive and deductive methods. This research presents a model (figure 8), which is to be adapted, depending on the outcome of the qualitative research. This research seeks to enrich the existing theoretical knowledge, and therefore takes advantage of both inductive and deductive research approaches.

3.2   Data collection

Qualitative data collection methods produce data that is presented in the form of text as opposed to numbers. The researcher might be involved in the creation of the text, and their involvement may produce text in the form of interview transcriptions or notes of their observations. A qualitative study usually chooses to do in-depth research on a limited number of subjects rather than many subjects on top-level. Instead of quantity, the quality of scientific integrity is determined by its quality. To conduct this type of research, the researcher is required to be able to identify suitable participants that suit the theoretical background. Fieldwork allows the researcher to encounter the research participants. (Eskola & Suoranta, 1998, 15-16.) When interviews are used as the data collection method, it is important that the interview process is described in detail (Eriksson & Koisitnen 2014, 310-31). By using qualitative methods, this study intends to understand the views of the participants in a detailed manner and aspires to gain deep insight into the subject matter by interviewing a few participants thoroughly.

There are several methods available for qualitative data collection, the most popular methods being interviews, surveys, observations, focus groups, written documents, as well as databases (Fisher 2010, 71). Interviews can be classified as open, structured, or semi-structured (Eskola & Suoranta 1998, 60-40). Semi-structured interviews are conversations where the interviewer knows what they want to find out about: in a semi-structured interview, the interviewer asks the interviewee questions to elicit information. The

tone of a semi-structured interview is informal and conversational and typically lasts between one and two hours. When carrying out a semi-structured interview, the interviewer should prepare a list of questions, but as the conversation is free to vary, the questions may change and be slightly different in each interview. (Miles & Gilbert 2005, 65-67; Clifford, French & Valentine, 2010, 105-106.)

The empirical part of this research is based on semi-structured interviews, where a list of predetermined questions was prepared, but each interview was conducted in a conversational manner, where the order and wording of the questions varied. This study utilises semi-structured interviews as it allows the collection of broad answers by asking open-ended questions. Semi-structured interviews are often recommended when the interview takes place only once, just like in this research. As semi-structured interviews consist of mainly open-ended questions, the answers are expected to be broad and may cover various aspects of interest of the study. To be able to facilitate a thorough data analysis process, the interviews were recorded and transcribed. (Cohen & Crabtree 2006, 1.)

Table 2. Operationalisation table, based on the theoretical framework

The Research Objective	The sub-objectives	The operational equivalents	The main themes of the interviews	
How is e-loyalty formed in mid-market fashion e-commerce?	What factors drive e-loyalty in mid-market fashion?	How do the 8 Cs impact the development of e-loyalty?	E-servicescape	Customisation
				Contact interactivity
				Cultivation
				Care
				Character
				Choice
				Convenience
			eWOM	Community
		How do trust, value, and satisfaction impact the development of e-loyalty?	Trust	
			Value	
			Satisfaction	

			Need recognition
	How does the formation of e-loyalty link to the purchasing process?	Which stage of the purchasing process is the most critical in the formation of e-loyalty?	Information search
			Evaluation
			Purchase decision
			Post-purchase
	How do customer values reflect on e-loyalty?	How do hedonic and utilitarian values impact the development of e-loyalty?	Hedonic
			Utilitarian
	How does e-loyalty evolve through different levels of loyalty	How does a prospect turn into a loyal customer?	Utilitarian
			Prospect
			Customer
			Client
			Supporter
			Advocate

Instead of choosing interviewees by random and engaging them in a structureless discussion, a good interview strategy takes the theoretical background and the research objective into consideration when choosing the interviewees. The suitable interviewees should fit the description of a loyal customer to a mid-market fashion business, shop online, and fit the description of a 'young professional'. By planning the interviews carefully, the management of the data will be easier at the analysis stage. However, some room should still be left for surprising results. (Gerson & Horowitz, 2002, 204.)

The data used in this study consists of semi-structured interviews of young professionals living in London. As mid-market fashion is expected to grow in London (Remy et al. 2013), the interviewees involved in this study are all based in London. The study, therefore, focuses on the loyalty of young professionals who shop for mid-market fashion online in the United Kingdom. Young professionals are people aged 20-30 who are employed in white-collar jobs (Fischerová & Půbalová 2018). White-collar jobs refer to jobs that are based in an office setting and are typically managerial or administrative positions. The interviewees taking part in this study are employed in marketing, advertising, and in

finance sector. This group of people is considered to have disposable income, which allows them to be able to shop for mid-market fashion online.

The interviewees were selected by asking 'young professionals' directly to participate by reaching out to possibly suitable candidates via email or text message. For this research, seven young professionals, who live in London, were interviewed. Gender of the interviewees was not a selection criterion; however, all the interviewees were women. The interviewees' ideal age group was between 20 and 30 years to fit the definition of a "young professional". The interviewees were between the age of 23 and 26 at the time of the interviews. Additionally, all the interviewees were confirmed to be frequently purchasing mid-market fashion online prior to the interview.

Table 3. List of young professionals interviewed for this study

Pseudonym	Age	Profession	Interview date	Interview duration
Stephanie	24	Account Executive	18.3.2020	1h 22min
Selina	26	Account Manager	16.4.2020	1h 13min
Sinead	25	Analyst	30.4.2020	1h 8min
Savannah	24	Project Manager	23.4.2020	1h 12min
Danielle	23	Senior Analyst	30.4.2020	1h 24min
Tessa	24	Analyst	21.4.2020	1h 17min
Malia	24	Senior Analyst	20.4.2020	1h 5min

As this study is based on interviews, and different interviewees are loyal to different brands, this study is focusing on the field in general rather than a single brand or retailer. The interviewees were asked to name their favourite mid-market fashion brands, which included for example Rag N Bone, Sandro, J. Crew, Ted Baker, Kooples, Paloma Wool, & Other Stories, COS, Aries, and Tommy Hilfiger. Additionally, online retailers that sell multiple mid-market brands were mentioned, which included for example Zalando, Selfridge's, John Lewis, Farfetch, The Outnet, GoodHood, and Net-A-Porter. These brands are all considered to fit the description of mid-market fashion, which generally offers a limited selection of clothing, tends to be of higher quality than fast fashion but is not as exclusive or expensive as luxury fashion.

3.3   Data analysis

After determining the research strategy, research approach, and the data collection method, semi-structured interviews were conducted. Then, the interviews were transcribed, and the data analysis part of the research began. As a result of the interviews, the qualitative dataset was large. Hence, it was vital to employ a clear structure in analysing the results, and all the answers were categories in an Excel sheet to make identifying patterns easier.

The chosen method for analysing the research data followed was thematic analysis, which is a way of processing and analysing qualitative data. Thematic analysis is based on identifying themes or patterns in the given data. These themes are descriptive and categorising, and in some instances, may reach an interpretive level. Themes may arise inductively from the data but can additionally be formed deductively based on pre-existing theory. (Boyatzis 1998, 4-5.) This study has identified multiple themes, which are specified in the operationalisation table (table 2). Additionally, thematic analysis helps the researcher to handle large amounts of qualitative data, and thematic analysis has been chosen as the analysis method due to the flexibility it offers in terms of categorising and interpreting the data, as the data acquired during the interview process was rather large.

As the interviews were conducted in a semi-structured manner, there was a lot of flexibility within the interviews. Hence, some of the answers did not fit under any of the predetermined interview questions. Those answers were labelled based on the themes provided in the operationalisation table (table 2).

3.4   Trustworthiness

This chapter evaluates the trustworthiness of this study. When carrying out qualitative research, it is important that the researcher clearly defines the measures undertaken in the evaluation of the research to show that the research qualifies as scientific research with trustworthy information. It is important to ensure that the research is transparent as research quality is associated with the evaluation of the trustworthiness of the study (Eriksson & Kovalainen 2008, 290.) The first chapters of this study explore numerous theories and arguments that guide the research toward its objectives. Therefore, the researcher does carry pre-existing knowledge and certain assumptions, based on the literature discussed in chapter 2. However, this research seeks to be objective in the data collection

and in the data-analysis processes to the best possible extent. This means that where information contradicts the existing literature or assumptions, it will not be excluded from the study.

The objectivity of a study can be looked at from two points of view; reliability and validity. *Reliability* refers to the degree to which a similar study will produce the same results, whereas *validity* refers to how truthful the results are. Reliability deals with the independence of the results from coincidental circumstances, whereas validity examines the truthfulness of the interpretation of the results (Kirk & Miller 1986, 19-20.)

The reliability and validity of a qualitative study encounter four different types of challenges. These include *observer-caused effects*, *observer bias*, *data access limitations*, and *complexities and limitations of the human mind* (McKinnon 1988, 37). *Observer-caused effects* relate to the impact of the presence of the researcher in the data collection phase, as the interviewer is required to be present during the interview. This may cause subjects to alter their behaviour, which may have an impact on the reliability of the data. *Observer bias* deals with the possibility where selectiveness may take place in the observation or interpretation: the researcher may be biased in the way she hears, sees, or interprets information. Even though this bias can never be completely ruled out, it can be consciously managed. *Data access limitations* arise from limitations in either time-periods or openness: the issue with limited time-periods is that it is difficult for the researcher to know what happens before or after the interviews have taken place, and it may be challenging to pinpoint the data in the correct historical perspective. Additionally, it may be that the limited amount of time that the researcher spends with the subjects may happen to be an untypical time in the subject's behaviour. Another challenge is that the subject may not be willing to answer all the questions or share information with the researcher. *The complexities and limitations of the human mind* refer to the possibility where a subject may intentionally or unintentionally falsify reality. This may occur for instance when a subject decides to present themselves in a certain light, when they have forgotten something, or have not paid attention. (McKinnon 1988, 37-39.)

When conducting the interviews for this study, the relationship between the researcher and the interviewees was friendly. The researcher knew most of the interviewees personally, and the interviewees were at a similar hierarchical level as the researcher. Therefore, it is unlikely that *observer-caused effects* would have occurred, even though this cannot fully be ruled out. The interviewees' eagerness to take part in the study was perceived as high, which is why it seems unlikely that the interviewees would have

twisted the truth deliberately, even though it is possible. As many of the interview questions related to things that people do often not think about, the interviewees may have not been able to provide the singular truth as it may sometimes be challenging to evaluate one's own behaviour and the reasons behind the behaviour. In the end, seven interviews were conducted. Seven interviews were found to be enough as this already provided saturation, which allows justifying or contradicting research findings.

4   FINDINGS AND DISCUSSION

4.1   Elements required for e-loyalty in mid-market fashion

4.1.1   Driving factors for e-loyalty in mid-market fashion

The 8 Cs, *customisation, contact interactivity, cultivation, care, community, choice, convenience,* and *character*, are the fundamental building blocks of loyalty (Srinivasan et al. 2002, 42). As loyalty is believed to be the product of perceived value, trust, and satisfaction, the 8 Cs are also considered to be building blocks for these. This chapter showcases the empirical findings related to the 8 Cs and other e-loyalty drivers.

Customisation refers to an online retailer's ability to tailor products, services, and websites to individual consumers. *Contact interactivity* describes the dynamic nature of engagement between an online retailer and its customers through the website. (Srinivasan et al. 2002, 42.) Most of the informants said that they have noticed websites changing according to their needs, particularly when it comes to recommended products. However, four out of seven people said that customisations on websites would not have an impact on their intentions to return to the website. Simultaneously, it came out that most of them found the recommended product section useful and helpful when navigating the website. The recommended products section was also found to be helpful in finding new items from the website. The recommended products section was compared to a friend you go shopping with and who pulls up options you might like but did not yet see. However, some of the informants did not have a positive association with recommended products. This was primarily due to them finding that the recommendations were not relevant, which was found annoying. Whether the informants would ever go back to a website because they saw something that they liked in the recommended products section, produced mixed data: some said that they would, while some would not. It could also be that the informants did not recognise the impact of customisation and contact interactivity. Additionally, the data revealed that the informants had noticed other typical changing website features, such as pop-up chat boxes and pop-ups and notifications. These were considered annoying and distracting.

In conclusion, *customisation* and *contact interactivity* can benefit some consumers, and may sometimes be an indirect reason to return to a specific online shop. However, based on this research, *customisation* and *contact interactivity* are not direct requirements for e-loyalty.

Cultivation refers to the extent to which an online retailer offers relevant information and incentives to consumers, such as email newsletters and cross-selling (Srinivasan et al. 2002, 43). The informants' feelings towards email newsletters and advertisements varied, similarly to how they felt about recommended product features. Recommended products, in this research, are classified as cross-selling. According to the data, recommended product features on a website would have either a positive or neutral impact on intentions to return to the website, as concluded above. Some of the informants said that they find email marketing annoying but subscribe to some brands' email newsletters to find out about new clothing lines, and more importantly, to stay up to date with when the sales are on. The informants had a mixed response as to what they think of advertisements, particularly social media advertisements. Some described themselves as "suckers" for Instagram ads, while others reported that they felt almost frightened by some targeted advertisements or found advertisements annoying, especially when they received the same targeted advertisement repeatedly when they were not interested in buying the item. Despite the mixed attitude among the informants, most admitted to shopping because of emails or advertisements frequently. Two informants stated that they shop due to emails or ads rarely, others had a more positive relationship with email advertisements. Additionally, many of the informants pointed out that they might visit the brand's website due to an email or advertisement quite often, but not buy anything at least right away.

To conclude *cultivation*, or in other words, emails, social media advertisements, or recommended products were not seen as a direct reason to return to a website. The data revealed that many would often visit a website due to an email or an advertisement, and not buy anything right away. Therefore, *cultivation* may not be a direct prerequisite for loyalty but may have an indirect impact on loyalty because they are a way for consumers to discover new products that they might purchase later.

Care describes an online retailer's ability to pay attention to detail to ensure that there are no service breakdowns, to keep the customer informed about product availability, and the status of their order (Srinivasan et al. 2002, 43). All informants highlighted that they have previously left a website due to bad user experience, such as running into broken pages or images that load too slowly. Many expressed that bad online user experience, including difficulties to navigate the website or slowness, might put them off visiting a retailer's website in the future. The data revealed that the informants had all subscribed to notifications that let them know once a sold-out product is back in stock. The informants found these notifications useful, however, whether they had a habit of purchasing the

items based on these notifications, varied. Savannah mentioned that she loves the notifications but finds it annoying when she gets the notification, and the item is instantly out of stock again. Malia explained that she feels that she becomes more likely to want an item because it is out of stock, as it means that it must be good as everyone seems to want it. Many s also talked about the importance of quality and speed of customer service. Most of the informants highlighted that fast delivery was an important factor to them, and they would be impressed if the item were delivered faster than expected. Danielle explained that good service is the most important factor to her when shopping online, and she would be willing to forgive mistakes, such as delayed delivery if the service was good and the retailer kept her up to date with what is going on. All in all, it can be concluded that all the informants appreciate a well-functioning website, extra service features such as email notifications about their desired items being back in stock, and smooth delivery service. This suggests that young professionals who shop for mid-market fashion online generally appreciate good web design and website functionality, which is in line with previous research findings (Bilgihan 2016, 104).

Based on the data, *care* is an important requirement for loyalty, which is unsurprising, considering numerous previous research have found *care* as an important factor when it comes to forming e-loyalty (Srinivasan et al. 2002; Jiang et al. 2015; Zeithaml et al. 2002). All the informants highlighted that they would not even consider shopping on a website that does not work as expected. Additionally, it was found that consumers appreciate things like notifications from the shop when their desired item is back in stock. Some also mentioned that it is important that the items that are shown to be available, really are in stock, particularly if they have received a notification about it being available again. It was also found that consumers appreciate being able to follow the status of their delivery. The *care* dimension is in fact similar to Parasuraman et al.'s (2005) definition of their *fulfillment* dimension, which describes the extent to which a site is able to keep its promises about delivery and item availability.

Community refers to the social entity that consists of existing and potential customers (Srinivasan et al. 2002, 43-44). In this research, eWOM is also a part of *community*. Therefore, *community* refers to online recommendations from friends, family, influencers as well as product and brand reviews. Most informants stated that they read product reviews whenever they are available. Tessa mentioned that reviews are particularly important if she is looking to buy from a new brand. Most of the informants highlighted that if the reviews were about the quality of the product, it would have more impact than if it

were about the fit of the product. Danielle gave the example of if someone has left a review that a dress is see-through, it is most likely not a subjective opinion, but rather an objective fact, and it is then for an individual to decide whether they would be comfortable buying a see-through product. Most of the informants said that the reviews have some level of an impact on their purchasing decisions, depending on what the reviews say, and if they contain subjective or objective information about the quality or fit of the product. Even though reviews were found useful, most informants admitted to never reviewing anything themselves. Most of the informants said that they tend to shop based on what they have seen online influencers wear but would also make purchases based on recommendations given by friends. Family's recommendations were less credible; however, the primary reason was that most informants did not receive many recommendations from family members. The data reveals that reviews have a level of impact on consumers' purchasing decisions and that people trust recommendations given by friends or influencers. Hence, it can be concluded that *community* is a factor in the formation of e-loyalty.

Choice refers to an online retailers' ability to offer larger product ranges, which according to Srinivasan et al. (2002, 44) is attractive to many consumers as they enjoy getting everything from one place. However, the data collected for this research is not unanimous on this. Two of the informants stated that they prefer online stores with a wide product range. The primary reason was stated to be being able to see all the options in one go, and that it is easier to find a specific item from a site that offers a wider range of choice, rather than visit multiple smaller websites to find the item that one is looking for. However, most of the informants said that they prefer online shops with small or medium selection. Their main reason as to why they prefer online stores with smaller selections was that they find websites with a very large selection overwhelming. Despite that, many stated that they would start looking for an item from the brand website, or an online shop with a more limited section. If they could not find what they were after, they would visit an online retailer with a large product offering.

Based on the data, it cannot be confirmed that a large selection is a factor in the formation of e-loyalty in mid-market fashion e-commerce. However, it is not an irrelevant factor either: customers simply have different preferences, and where some prefer a small to medium selection, others like to have all the options on a single website. Therefore, *choice* is still a factor for creating loyalty. However, it is more about being able to cater to the correct target audience rather than offering as much choice as possible.

Convenience refers to the extent to which consumers see the website is user-friendly, simple, and intuitive Srinivasan et al. (2002, 44). All seven informants said that they see user-friendliness as an important factor regarding how likely they would be to return to a website. At the same time, all the informants said that they have either left or could imagine a scenario where they would leave a website due to a bad user experience. They explained that they find online shopping a relaxing and pleasant pastime, and so a malfunctioning website does not support one of the primary motivations of online shopping. Hence, they would leave a website that has user experience errors and be less likely to return in the future. Hence, *convenience* is a critical factor in creating e-loyalty, even if Srinivasan et al. (2002) showed otherwise.

Character refers to the creativity of website design, which can help an online retailer to enhance a positive reputation and characterisation in the consumers' minds, as well as make it more recognisable (Srinivasan et al. 2002, 44-45). Interestingly, none of the informants said that a very specific website design or branding would have an impact on their loyalty. Even though many informants stated that they appreciate good website design, they are there to look at the clothes, not at the website. Selina brought up that the design of a website might have a subconscious impact on her trust towards a brand or a website, and most informants said that they notice if the website design is particularly good or bad, which is well summarised by Malia's and Stephanie's comments below. Hence, it is more important that websites offer a good user experience and functionality that is merely supported by beautiful web design.

Question: **Do you pay attention to website design?**

"Yeah, probably if it's a nice website, I think it's you know, it's a nice user experience. That will tell me more about, you know, they care about their brand, or they care about what they look like to consumers. I definitely take that into account." – Malia

Question: **Have you noticed that some of your favourite online retailers may have a very specific design and branding on their website?**

"I think what all of my favourite retailers have in common is that their website is super, super plain. So, they're all white, like, as clean as possible. And all of the logos are just relatively small, small and black. Which I think is quite a big difference from if you look

at Boohoo, for example, which I think have like a pink bar at the top, and like a big logo, and like loads of images. And that, to me is a little bit like, irritating, and that's why I think shopping on sort of like, mid-range clothing sides is just a lot more relaxing cause your mind doesn't have so many different things to look at. So, it's more about the products themselves. " – Stephanie

Hence, *character* is not seen as a direct requirement for e-loyalty, as usability overrides the creativity of the website design in consumers' minds. Overall, only *care, convenience, community*, and *choice* have a significant impact on the formation of e-loyalty. *Customisation*, *cultivation*, and *contact interactivity* may have an indirect impact, however not necessarily for all consumers. However, the functionality of a website is directly linked to the likelihood of a customer returning, which was also discovered by several previous researchers (DeLone & McLean 2004, 36-42; Parasuraman et al. 2005; Wang 2008). Therefore, it can be useful for brands to invest in web design and add customisations such as recommended products as these features may improve user experience. However, it is important that these features or web design should not be employed at the expense of usability, as, for instance, pop-ups were single-mindedly declared as annoying by the informants. As typical mid-market fashion consumers tend to enjoy shopping online, it is important that a website offers a pleasant shopping experience. This supports Bilgihan's (2016, 104) argument.

Out of the 8 Cs, *character* shows the least importance towards the formation of e-loyalty. Therefore, it seems that the research Srinivasan et al. (2002) does not quite fit the results of this research. Instead, the Key e-Service Quality Dimensions (Zeithaml et al. 2000) is a better fit to describe what the determinants of customer e-loyalty are today in mid-market fashion e-commerce. These factors are *care, reliability, product portfolio, ease of use,* and *security. Care* is the same dimension as described previously by Srinivasan et al. (2002), and as previously explained, it was found to be a particularly significant e-loyalty driver. *Product portfolio* describes *choice* better because, in the context of mid-market fashion, consumers value quality over quantity, and the results showed that it is more important for consumers that an online retailer has a relevant, even curated, product offering as opposed to a large selection of items. Additionally, *convenience* cultivates in the *ease-of-use* dimension. The ease-of-use dimension describes the extent to how easy consumers find it to use a website. Therefore, this dimension combines multiple other dimensions, that have been defined by other researchers over time. These include ease of

navigation (DeLone & McLean 2004, 36-42), system quality (Wang 2008), efficiency, and system availability (Parasuraman et al. 2005) *Community* also contributes towards *reliability*, as it refers to online recommendations.

As previously discussed, *care* was found to be a particularly important factor. All the informants appreciated a website that functions well, as well as special consideration from the online retailer, for example in the sense of notifications and updates that the retailer sends related to order status.

Reliability, which in this research is considered to relate primarily to perceived value (Jiang et al. 2015), but also trust. Reliability was found to be a significant driver for e-loaylty as the informants highlighted that they would not buy from a website that they do not trust. Additionally, brand awareness is a significant requirement for loyalty (Su 2016), as the informants stated that they would not shop with a brand they are not previously familiar with. *Choice* could not be confirmed to be an important factor as many of the informants preferred small selection to large selection. *Product portfolio* is a more descriptive term, referring to the ability to identify what type of product offering the target market prefers: this is related to both the types of products for sale, as well as the size of the selection (Zeithaml et al. 2000). Hence, the description of *product portfolio* offers more flexibility, and in terms of mid-market fashion, there are customers who prefer large product offerings as well as those who prefer a smaller product offering. Hence, there is no clear implication as to which one is better, but instead, both have their own audiences.

Ease of use was also seen as an important factor in terms of creating perceived value and hence, e-loyalty (Jiang et al. 2015). All the informants mentioned that it is more important for them to have a well-functioning site rather than a site that simply looks attractive. Along with previous research findings (Kim et al. 2009, 239; DeLone & McLean 2004, 36-42), this study agrees that *security* is a contributor towards trust. It is an important factor to consumers as the data showed that if a website works with familiar third-party service providers, the informants would be more likely to trust the brand as they would believe that their money and delivery package are in safe hands. Therefore, *security* is one of the key contributors to trust, which is discussed in the next chapter.

4.1.2 Trust as a prerequisite for online purchasing

Trust and familiarity are both concepts that the informants pointed out to be important when they shop for mid-market fashion online. The data revealed that the informants almost exclusively shop on websites that they have previously heard of and are unlikely to venture out to buy from new retailers. Many of them stated that buying from familiar brands and retailers feels more secure as they already know what kind of quality, value for money, and service they can expect. As concluded in the previous chapter, security has been identified as one of the key contributors towards trust, as well as e-loyalty (Kim et al. 2009, 239; DeLone & McLean 2004, 36-42). The data showed that the informants acknowledge that their loyalty to brands stems from a deep level of trust, so trust is not a subconscious loyalty contributor.

However, to understand how brands can establish trust for their customers, it was important to learn why consumers trust some brands and retailers more than others. The three main drivers of e-trust in this research are *familiarity, online services,* and *third-party certification* (Ke, Chen & Su 2016). *Online services* are reflected as part of the 8 Cs, which is why online services have already been covered in the previous chapter and will hence not be discussed again.

Most informants mentioned that they discover new brands and items through social media. However, many of them mentioned that they have been shopping with their favourite brands for several years, even a decade. Sinead stated that if she finds a new brand that she likes, rather than buying from them straight away, she would follow the brand on social media for a couple of months to get a feel of the brand, which would help her get a better understanding of the image and value of the brand. Savannah and Tessa mentioned that they have been exposed to some of their favourite brands since their early teens. They said that they used to have a sentimental or a particularly good item from a brand when they were younger, or their mother used to buy them clothes from a specific brand, which would have been a big deal at the time. As they have grown up and are now earning their own salary, they choose to stay loyal to these brands and spend their money on something that they have an emotional connection with, and that they know is of good quality.

Third-party certification is an important factor in building consumer e-trust because the risk of making online purchases is usually considered to be higher than in brick-and-mortar stores. Working with widely trusted third parties can therefore help an online

retailer to build e-trust and better customer relationships. (Ke et al. 2016, 195-196.) All seven informants said that if a brand works with third parties, such as payment or delivery providers, that they are previously familiar with and have dealt with before, they would be more likely to trust the website. Using well-established third-party service providers helps the online retailer itself seem more legitimate, which was also recognised by the informants. This aligns with Ke et al.'s (2016, 195-196) findings.

In this study, *community* is a part of third-party certification. Recommendations from friends, family members, or online influencers, are also third-party certifications. The informants agreed that they would be more likely to trust a brand or an online retailer if it were recommended by a friend or family member. Most informants stated that they would trust friends and family more than influencers, however, this was not the case for everyone. Savannah explained that she would be more likely to trust influencers' recommendations, especially because she does not agree with the taste of her friends and family as much as she does with the influencers that she follows. Therefore, digital influencers do indeed play a role in shaping consumers' perceptions of a brand. Even if consumers do not necessarily trust the influencers blindly, they still have a role in impacting their perceptions of a brand: is the brand trustworthy and what the brand stands for (Jiménex-Castillo & Sánchez-Fernandéz 2019; Leparoux, Minier & Anand 2019; De Vreiman et al. 2017). Most of the informants also agreed that reviews would have a level of impact on their purchasing decisions, especially if a significant number of the reviews would agree on a subjective matter, especially when it comes to the quality of the products.

It also came out that some of the informants do not tend to get many recommendations from friends or family, but if they did, they would trust the recommendation and be more likely to buy from that brand. None of the informants would buy from an entirely new brand or website if they had never heard of it before. Thus, it can be concluded that, according to this research, *trust* is indeed a requirement for customer loyalty. Consequently, it is even a requirement for the first purchase.

Based on the above, all the predicted main drivers or e-trust; *familiarity, online services,* and *third-party certification* (Ke et al. 2016), are significant. Additionally, security, which is a part of Zeithaml et al.'s (2000) Key e-Service Quality Dimensions, has a significant connection to loyalty. This comes as consumers are willing to buy from a brand or a retailer that they perceive to be secure and trustworthy, that respects their privacy (Sheng & Liu 2010).

4.1.3   Customer perceived value as the motivation to buy

Customer perceived value is the perceived overall value of the service and product, which is also a foundation for satisfaction. (Pitta, Franzak & Fowler 2006, 422-423). Perceived value has previously been found to influence purchase decisions (Hanaysha 2018; Astuti, Silalahi & Wijaya 2015; Bakırtaş 2013; Nochai & Nochai 2011) as well as loyalty (Jiang et al. 2015), which can also be concluded from this research. Based on the data, it is evident that the informants would not be willing to buy a brand that they do not trust and would be more inclined to repurchase from brands and retailers that they are previously happy and familiar with. As discussed in chapter 4.1.2, this research reveals that consumers prefer to familiarise themselves with brands by following them on social media before purchasing. Therefore, trust and perceived value are linked closely, and social media marketing has an impact on both perceived value and customer retention, which was also discovered by Hanaysha (2018).

All informants highlighted the quality of the product and the service as primary reasons to re-purchase from a brand or retailer. However, consumers still value different things, and so Porter's (1985, 53) argument about how value is always perceived by the customer, holds true: for some, the brand is of high importance, while some see environmental values as a high priority for considering buying from a brand, which aligns with Hanaysha's (2018) findings. Additionally, the informants pointed out that freebies would improve their perception of a brand. This is summarised by a quote from Sinead below. However, the informants also mentioned website design and user experience as important factors as to how likely they would be to purchase or re-purchase from a brand: any distractions or dysfunctionalities would defer them from returning to the site. Therefore, perceived value is connected to the ease of website use, reliability, and customer loyalty (Jiang et al. 2015). Simultaneously, perceived value is interlinked with trust and satisfaction.

Question: **What would you say would be your main motivators to buy from a specific brand or retailer again?**

"Um, good service, maybe. Like, when it's seamless, like you buy it online, it comes within two days, and the delivery was like 2.99, like, reasonable price. And then you get it, it's

packaged nicely. There's nothing wrong with it. And I love it when they send you little treats as well in the box. That's like the best part of it." – Sinead

To conclude, perceived value is the consumer's perception of how well their expectations are met when it comes to the quality of the product and service. The Key e-Service Quality Dimensions (Zeithaml et al. 2000), especially *care, reliability, ease of use,* and *security*, play a significant role in whether the perceived value is higher than the cost. Perceived value is, therefore, a requirement for purchase because no consumer would purchase a product that they see as not worthy of their money and effort. As perceived value is a requirement for purchasing, it is also a requirement for e-loyalty: without the first purchase, there would not be satisfaction, without which the customer would not buy the product again.

4.1.4   Satisfaction: the fulfillment of trust and perceived value

Satisfaction is a requirement for building loyalty, and this research uses the following definition of satisfaction: "*the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with a consumer's prior feelings about the consumer experience."* (Srinivasan & Anderson 2003, 125[6]). As discussed in chapter 2.3.5, there are many contributors to customer satisfaction. These include price, service and product quality, customer expectation, the perceived value related to price, and perceived quality. Additionally, efficiency, fulfillment, and e-service quality are requirements for formulating satisfaction. (Zeithaml et al. 2006; Nisar & Prabhakar 2017, 143; Sheng & Liu 2010, 281.)

The informants were split into those who said that price is an important factor when it comes to buying mid-market fashion online, and those who said that it is not. However, they all had the same message in the end: as mid-market fashion is more expensive than fast fashion, they are prepared to spend more money on mid-market fashion clothes. The informants would rather buy fewer more expensive, high-quality clothes than a lot of cheap, poor-quality clothes. From this, it can be concluded that consumers in this segment are happy to spend more money on mid-market fashion, as the product is perceived to be worth more money, and satisfaction with the product is almost guaranteed in the consumer's mind. Mid-market fashion apparel is therefore seen as an investment that will

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[6] Original source: Oliver 1997

last longer as consumers trust the quality of the product and the service. Hence, they expect their perceived value to be fulfilled, which means that the customer is satisfied (Sheng & Liu 2010). Therefore, it seems that loyal customers are indeed willing to pay more, as also suggested by Srinivasan et al. (2002).

E-service quality, which, in the context of this study, refers to the effectiveness and efficiency of online browsing, making online purchases, and to the efficiency of the delivery of goods. All the informants said that a slow website would have a negative impact on their online shopping experience, which goes hand in hand with the results discussed in chapter 4.1.1. Therefore, efficiency can be concluded to be an important factor in the formation of satisfaction, and hence, e-loyalty. As discussed earlier, the data showed that consumers find the user-friendliness of a website important. All the informants said that they would leave a website if it was difficult to use. Problems with for example navigating the website and other usability problems were highlighted as annoying. Five out of the seven informants stated that a fast delivery would have a positive impact on how satisfied they are with their shopping experience, one of the main reasons being instant gratification. Malia and Danielle said that it would not make them more satisfied, although Malia pointed out that she may refrain from purchasing from sites that had a particularly long delivery time. From all this, it can be concluded that *e-service quality* is directly related to satisfaction, and so it is a building block for e-loyalty.

The informants said that if they encountered a problem as part of their shopping experience, such as they never received the item they had ordered, they got the wrong item, or the delivery was late, they would not be likely to buy from the brand or website again as they would be dissatisfied. However, if it were their favourite brand or store that made the mistake, they would be more willing to forgive them, if they got compensated. This proves the point of Bolton (1998, 62) and Jones and George (1998): loyal customers are more forgiving. This is one of the primary reasons why loyal customers are so important to businesses.

Based on the data gathered for this research, good user experience, smooth delivery and the product meeting the expectations in terms of quality are 'one-dimensional' attributes, which means that the presence of these will have a direct impact on customer satisfaction. "Must-be" attributes are those that customers will expect but not notice the presence, and so for example 'fault recovery' is one of these: as discussed in the previous paragraphs, customers who face a major inconvenience as part of their shopping experi-

ence and do not bet compensated, will be highly dissatisfied and not be likely to re-purchase from the brand or retailer. "Attractive" attributes are those that surprise the customer in a positive manner and grasp their attention to be extra satisfied. Based on the data, freebies, such as stickers, or a faster than expected delivery is an "attractive" quality. This is all aligned with Tontini et al.'s (2015) research findings.

Overall, however, customer satisfaction comes from the product and the service meeting the consumers expectations (Srinivasan and Anderson (2003, 125[7]). This includes the quality of the product, service, website, as well as delivery. This is supported by the research findings as well as previous research (Srinivasan & Anderson 2003, 125). However, each customers' expectations and hence their standards for what will fulfill their expectations and bring them satisfaction, is dependent on their values.

4.2   Consumer values as the basis of e-loyalty

Consumer value has two aspects: utilitarian and hedonic values. Utilitarian value is based on practicality and is often measured by cost of benefit, where the price is an important factor. Utilitarian values are important when a customer is evaluating the instrumental value of their purchase. (Batra & Ahtola 1990, 161; Holbrook & Hirschman, 1982, 136; Babin, Darden & Griffin 1994, 644-646.)

On the other hand, hedonic values are more connected with emotions. They are more personal and subjective than utilitarian values and are connected to entertainment and the emotional worth of shopping. (Holbrook & Hirschman, 1982, 136; Babin, Darden & Griffin 1994, 644-646.) It is possible for retailers to provide for both utilitarian and hedonic value at the same time (Carpenter & Fairhurst 2005). Previous research suggests that consumers assign reasons and goals for their purchases (Tauber 1972, 46; Puccinelli et al. 2009). Based on the data, both hedonic and utilitarian values are present when consumers shop for mid-market fashion online, and shopping reasons and goals can be based on both values. However, hedonic values seem to be the driving force when consumers make mid-market fashion purchases. In contrary to Overby and Lee (2006, 1164) and To et al.'s (2007, 784) findings, this research found that utilitarian values do not prove as more important to frequent shoppers. However, like previous research (Overby & Lee 2006, 1164; To et al. 2007, 784), the results of this research show that consumers do shop online due to both hedonic and utilitarian motivations.

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[7] Original source: Oliver (1997)

The informants stated that one of their primary reasons for shopping online is convenience in comparison to shopping in brick-and-mortars. Convenience can be seen almost as a utilitarian reason, but when asked how shopping online makes them feel, hints of more hedonic values started to unfold. Most informants stated that online shopping is a pleasant pastime that helps them unwind. It is also an activity they use as a distraction during work or as pure entertainment for when they are bored. For many, online shopping brings joy, and is considered a hobby.

The main reason why the informants like to buy clothes is that it makes them happy and that clothes are a part of their identity. The reasons as to why the informants purchase mid-market fashion, revolved primarily around the better quality of the garments. Quality is linked to utilitarian value, while the brand is linked with hedonic values. Quality was found to be important for two main reasons: the product is likely to last longer, and it feels better. In addition, the brand was an important factor. Sinead stated that she would be more inclined to purchase a product that is branded and more expensive than a product that is not of a particular brand and cheaper. Savannah pointed out that as mid-market brands are often niche, they help you to stand out from the ground in comparison to high-end luxury products. Stephanie pointed out that mid-market clothing maintains resale value, and so it is easier to make money out of once you are done wearing it. Most of the informants said that they usually shop clothes to extend their existing collection, rather than to replace old clothes that are no longer wearable, which also is a strong indication of shopping for fun rather than for a genuine need. Overall, the data suggest that consumers shop for mid-market fashion online for both utilitarian and hedonic values, however, hedonic values are more dominant. Online shopping mid-market fashion combines the benefits of convenience, long-lasting quality, as well as luxury feel. The quotes below provide further context to the informant's thoughts around why they shop online.

Question: **How does shopping online make you feel?**

"So good. Hahah! I love it. You just get that hit of endorphins. And I don't know what it is, but it's definitely like a little quiet moment. And all pretty shiny special things. Also, you don't have to, like, fit it into your schedule, whereas if you're gonna go for a shop, it's like a whole thing. You can just online shop, like, between meetings, which is… yeah, you shouldn't, but like, we do! " – Savannah

Question: **What would you say is your main reason for buying fashion?**

"As shallow as it sounds, I just like waking up and being excited to wear something new. It's definitely more of a feeling. It's like a confidence booster. It's just nice to sort of also get that gratification from friends and colleagues, when they point out that they like something. I would say it's definitely more of a personal interest and a hobby. Being in London, which is such a big city for fashion... It's just, it just makes you feel…. just good, just really good about yourself." – Stephanie

As stated in chapter 2.3.1, customers are motivated to buy products based on their values, which are driven by *wants* and *needs*, or in other words, by hedonic and utilitarian values. If the customer does not have a reason to buy something, they will not do so. As the primary motivations to shop for mid-market fashion online were found to be hedonic, it can be concluded that hedonic values drive the purchasing process by triggering the *need recognition* stage.

4.3 A consumer's journey from a prospect to a loyal customer is driven by loyalty contributors

In chapter 2.4 the Relationship Marketing Ladder (Payne 994), which is a model illustrating different levels of loyalty, was introduced. It explains the various types of customers in the journey of becoming a loyal customer (*advocate* and *supporter*). In this research, *prospects* are consumers who are considering buying from a brand or retailer for the first time. The data collected for this research revealed that many consumers feel uncomfortable buying from a new brand straight away. Before purchasing, the informants prefer to familiarise themselves with the brand first by following the brand on social media, or by reading reviews. This is the stage when the consumer is in the *prospect* stage of the ladder. Once the customer has gained trust towards the brand or website, they would consider buying. (Payne 1994.)

If the consumer ends up buying something from a website, they become a *customer*. If they are fully satisfied with their shopping experience, including the quality of the product and service, and their trust has not been broken, they may consider buying from the same retailer again. According to the Relationship Marketing Ladder (Payne

1994) presented in chapter 2.4, a *client* is someone who has bought from a brand repeatedly but may be neutral or negative towards the brand. This research considers satisfaction as a crucial element in terms of e-loyalty formation, so the client stage is not desired, but it is still possible. Customers may not always feel completely satisfied after their shopping experience: they may feel like it was 'alright', or they could be disappointed. The research data revealed that if the customer is disappointed in their post-purchase phase, they are unlikely to move on to the next stage - supporter or advocate - which fit the definition of a loyal customer. On the contrary, based on the data, a satisfied customer is likely to start re-purchasing and move on to the supporter and advocate stages. Therefore, to fit the purpose of this study, the Relationship Marketing Ladder (Payne 1994) has been adapted to include client as a possible, yet not required, stage (figure 9). The next stage after *customer* or *client* is *supporter*. This is where loyalty is born. *Supporter* is someone who buys repeatedly from a brand and likes the brand but does not actively recommend it to others, while advocates are loyal customers that actively recommend the brand to others.
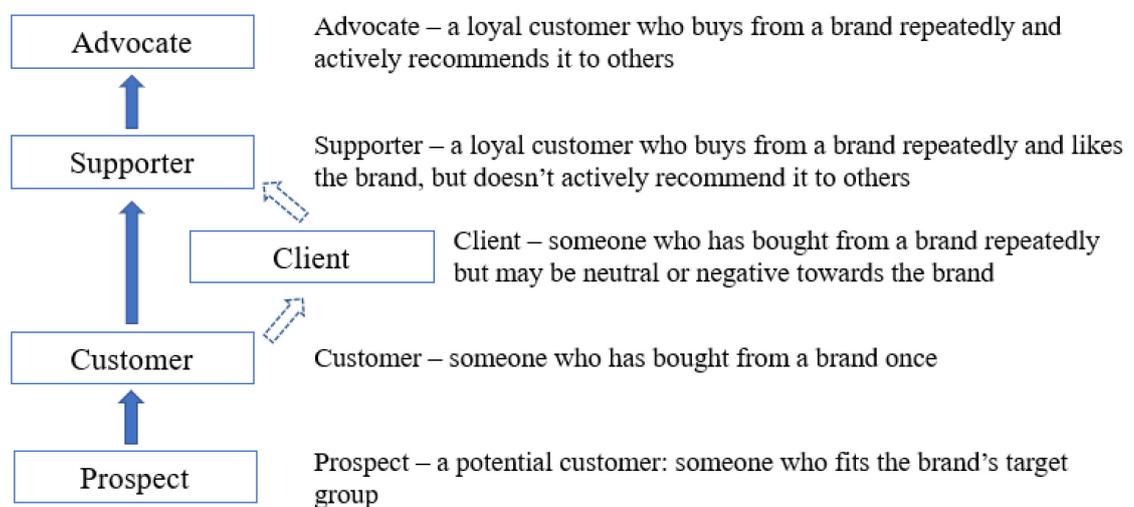
Figure 9. Relationship Marketing Ladder in the context of mid-market fashion e-commerce (adapted from Payne 1994, 30)

Figure 9 presents the modified version of the Relationship Marketing Ladder (Payne 1994), adjusted to describe the customer journey of mid-market fashion e-commerce. A *prospect* is a potential customer. If the prospect decides to buy from a brand, they become a *customer*. If the customer is neutral or even negative towards the brand, they are considered to be a *client*. Dissatisfied clients are unlikely to continue their journey towards *supporter* and *advocate*, but it is also possible for brands to win the *clients* over and offer them satisfaction. In the latter case, the client may continue their journey towards a supporter and advocate. However, some customers may be satisfied since their first shopping experience and can continue their journey towards supporter and advocate without ever becoming a *client*. If a loyal customer does not actively recommend the brand to others, they are a *supporter*. Those who actively recommend the brand to others are defined as *advocates*. *Advocates* are the most valuable customers to a brand as they are effectively

free promoters for the brand, and that is why brands should aim to create purchasing experiences that help people fall into the *advocate* category.

As several contributors have an impact on whether a consumer is happy with their shopping experience, the entire purchasing process will have an impact on the development of customer loyalty and the journey towards a *supporter* and an *advocate*. These factors have previously been introduced, but most importantly they are to do with how much the customer trusts the brand, how good the perceived value is, and what their experience of the website and delivery service is like. Essentially, if the customer in their *information search* phase decides to shop with a brand for the first time, they go from *prospect* to *client*. If the consumer is satisfied, they may shop with the chosen brand again. If they do so repeatedly, they become a *supporter* or an *advocate*, depending on whether they actively recommend the brand or retailer to others. The purchasing process is further discussed in the following chapter.

4.4   No purchasing process, no loyalty

In this research, the purchasing process is a cycle, which consists of five stages: *need recognition, information search, evaluation, purchase decision,* and *post-purchase* (Puccinelli et al 2009). This study assumes that the purchasing process would not necessarily include all the stages every time as, ideally, the *information search* stage would not always include researching different retailers, but instead the products that a brand is offering. Based on this research, this is somewhat true. The data shows that if a customer is looking for a specific type of piece of clothing, such as light-coloured boyfriend jeans, they would start their information search stage by visiting their favourite brand or retailer's site. However, if they cannot find a suitable match for what they have in mind, they would do research into what other brands or retailers may have to offer. Hence, the *information search* in terms of finding a suitable retailer is missing in the ideal scenario where the customer is loyal to a brand. However, this is dependent on whether the consumer finds their desired item from the selection of their favourite retailer or brand.

Most informants stated that they find inspiration for new items that they would like to buy primarily from Instagram. Additionally, YouTube, magazines, publications, and email newsletters were mentioned as sources for inspiration. Additionally, recommendations from friends, family, and influencers were revealed to be sources for need

recognition. Some of the informants pointed out that if they identify a gap in their closet, they might start looking for new clothes. This is when the need is sparked by the gap identified. However, the motivation to identify the gap would still come from one of these above-mentioned channels.

Based on the data, there are two ways of how consumers decide which retailer they shop with: either they would start by visiting their favourite online shops, or they Google their desired item to find out where it is sold. Some informants specified that they would go straight to the brand website if they knew exactly what they were looking for, but Google the item if they were not sure who might sell the kind of item that they are after.

Price and availability were found to be the two key considerations when deciding which brand or retailer to shop with, but all the informants still highlighted that they would above all prefer to shop with retailers and brands that they were previously familiar with. Some stated that familiarity and the brand would sometimes be more important factors even if the price were higher. Some of the informants also mentioned that they might visit a website just to see if they can find something that pleases their eye, even if they have not identified a need to buy anything. This behaviour is linked to shopping for fun (Holbrook & Hirschman 1982, 136; Babin, Darden & Griffin 1994, 644-646). Stephanie and Selina mentioned that the website, as well as payment and delivery options, play a role in terms of what website they will buy their clothes from.

The research data also shows that consumers have more than one clothing brand that they are loyal to. Therefore, it cannot be confirmed that customers are necessarily sole-loyal, or even dual-loyal (Bennett & Rundle-Thiele 2002). When it comes to durable clothing where fit is important and the price is high, the research data showed that consumers may be primarily sole- or dual-loyal, meaning that they are primarily loyal to one or two brands. However, if the customers' favourite brands or retailers cannot satisfy their needs, they will be willing to investigate other options. For example, some of the informants mentioned that they have an ultimate favourite denim brand, whose selection they always check first when they are looking for jeans. If their favourite brand is not offering the type of jeans they were looking for, they would still be willing to browse through other brands' selections. Hence, it cannot be confirmed that if a customer is loyal to a brand they would never not buy from another brand. Instead, if the customer has identified a need, they may still be willing to evaluate options beyond the brand they are primarily loyal to.

When it comes to the *evaluation* stage (Puccinelli et al. 2009), the data showed that several factors play a role in the customer's evaluation criteria. Price, brand, reviews, as well as how well the customer thinks that the item would fit their body type, the information available about the product, as well as how much the design of the item pleases the customer are factors that consumers consider when choosing which out of many products they should purchase. This is referred to as the *purchase decision* stage (Puccinelli et al. 2009). As previously stated, price is an important consideration, but when it comes to mid-market fashion, the value for money is more important than the affordability of an item.

The *post-purchase* stage is seen as one of the key stages of the purchasing process for loyalty to take place. The data reveals that the main motivations for customers to repurchase from a brand or retailer again would be the fulfillment of the perceived value, or in other words, satisfaction. This is in alignment with previous research (Sheng & Liu 2010). The informants stated that they would be motivated to shop again with a brand or retailer if the quality of the product and the service has met their expectations, in other words, if they are satisfied.

To conclude, for loyalty to take place, it is crucial that a consumer goes through the entire purchasing process and is satisfied in the end. Without the initial purchase, there is no chance of building loyalty. Therefore, without the purchasing process, there is no loyalty either.

5   CONCLUSIONS

5.1   The bridge between empirical findings and theory

The purpose of this study has been to identify how e-loyalty is formed in mid-market fashion e-commerce. This chapter discusses the connection between the findings of this study and existing literature. While there already is plenty of research about customer loyalty and even e-loyalty, there is little to no research that focuses on how e-loyalty is formed in mid-market fashion. Additionally, most of the existing literature focuses on a single aspect's impact on loyalty, and there was little research on how the various factors influence each other and contribute towards e-loyalty as a whole. Chapter 2.6 presented an initial framework (figure 8) on how e-loyalty is formed in mid-market fashion e-commerce, and it was based on the literature review. This chapter presents a modification of figure 8, which has been further adapted based on the empirical findings of this study. Figure 10 is the final framework that aims to illustrate how loyalty is formed in mid-market fashion e-commerce. This framework can be applied across mid-market fashion online retailers to understand how e-loyalty is formed in the industry.
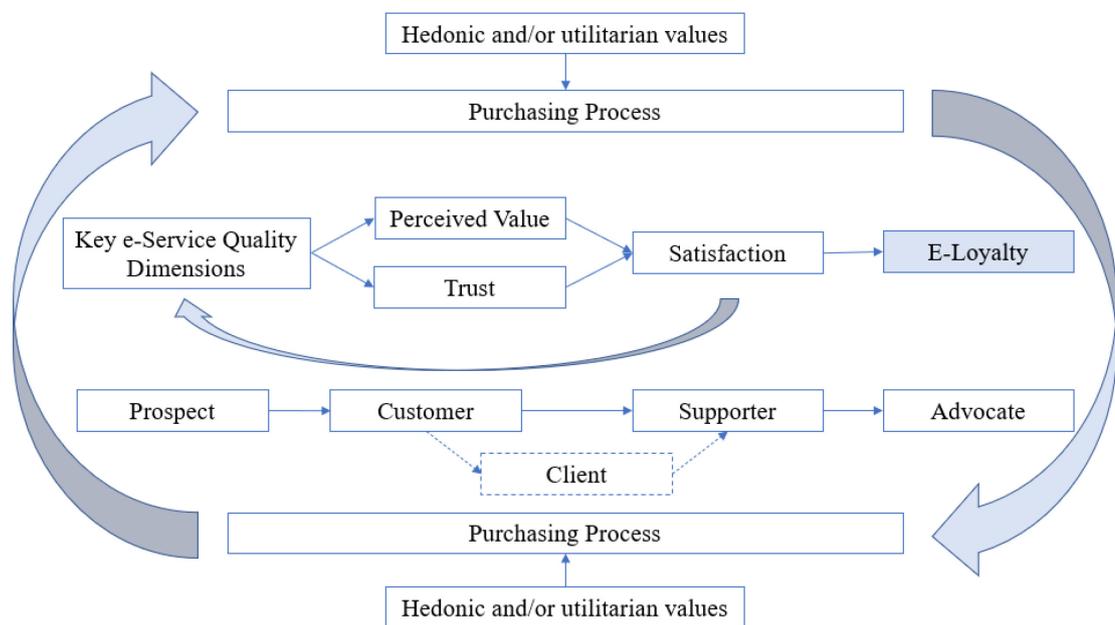
Figure 10. Formation of e-loyalty in the context of mid-market fashion e-commerce

This research, along with existing research (Luarn & Lin 2003; Wang 2008, 552; Lopéz-Miguens & Vázques 2017, 405; Anderson & Srinivasan 2003), found loyalty to be the product of *trust, perceived value*, and *satisfaction*. In other words, if these do not

take place, the customer will not re-purchase and hence there will be no loyalty. This has been illustrated in figure 10. As discussed in chapter 2.2, there are two schools of thought when it comes to defining loyalty: behavioural and attitudinal loyalty (Bandyopadhyay & Martell 2007, 2; Day, 1969; Jacoby 1969; Jacoby & Kyner 1973; Dick & Basu 1994). This study found that young professionals who shop for mid-market fashion see clothing as a means of self-expression, and the phrase 'quality over quantity' describes their shopping behaviour well. As young professionals are still at the beginning of their careers and have limited disposable income, they may not purchase often and a lot, but instead, tend to save money to purchase a special item occasionally. Therefore, traits of both behavioural and attitudinal loyalty were detected to occur within this target audience.

To understand the formation of e-loyalty, it is important to understand what factors drive e-loyalty. The 8 Cs (Srinivasan et al. 2002) was considered as a strong theory that results in these outcomes. However, many of the contributors suggested in this theory were found to not have a contribution in forming e-loyalty in mid-market fashion e-commerce. Instead, the Key e-Service Quality Dimensions (Zeithaml et al. 2000) (*care, reliability, product portfolio, ease of use,* and *security*) were found to be more directly relevant to the formation of e-loyalty in mid-market fashion. Therefore, instead of the 8 Cs, figure 10 presents the Key e-Service Quality Dimensions as the root drivers for e-loyalty. In other words, the Key e-Service Quality Dimensions result to trust, perceived value, and if fulfilled, to satisfaction. This is aligned with the results of previous research (Sheng & Liu 2010).

The data collected for this study showed that *familiarity, online services,* and *third-party certification* (Ke et al. 2016) are all important in terms of establishing trust, along with *security* and *reliability* (Zeithaml et al. 2000). This research showed that consumers are reluctant to purchase from an unfamiliar online retailer. This is an important link to both loyalty and purchasing process: without the consumer's trust, there will be no purchase and hence no loyalty.

Perceived value is the consumer's perception of how well the product and service will meet their expectations. It is also impacted by the Key e-Service Quality Dimensions (Zeithaml et al. 2000). Similarly to trust, perceived value also has a determining influence on whether the consumer will purchase from a brand or a retailer: if they see no value in what they are buying, they will not follow through with the purchasing process.

The research data showed that the primary reason for consumers to re-purchase would be if they are satisfied with the quality of the product and the service. Therefore,

the entire shopping experience must meet expectations, and hence, provide value for money and satisfaction to the consumer. If the product quality and service are poor and do not meet expectations, or the consumers' trust is broken, the customer is unsatisfied and unlikely to re-purchase and trust the brand again. If the Key e-Service Quality Dimensions meet the customers' expectations, or in other words, the trust and perceived value are fulfilled as expected, the customer will be satisfied at the end of the purchasing process. The results of this research agree that if the customer is satisfied, they will be more likely to repurchase and eventually become a loyal customer (Sheng and Liu 2010). This is illustrated in figure 10 by adding an arrow that points from satisfaction back to the Key e-Service Quality Dimensions.

However, for a customer to meet the definition of loyalty (Oliver 1999, 34), the customer must go through the purchasing process more than once, because loyalty is closely connected to repeat purchasing. This research took Puccinelli et al.'s (2009) purchasing process as an example, which consists of six stages: *need recognition, evaluation, information search, evaluation, purchase decision*, and *post-purchase*. Because loyalty requires the purchasing process to take place several times, it was presented in a cycle rather than as a linear process. Schubert & Selz 1997 also see the purchasing process as a cycle, and therefore, this study combined Puccinelli et al.'s (2009) and Schubert & Selz's (1997) theories on the purchasing process. To illustrate the fact that loyalty is dependent on the purchasing process, figure 10 illustrates the purchasing process that revolves around the entire process in which loyalty is formed.

However, to really understand how e-loyalty is formed in mid-market fashion e-commerce, it was also important to understand what motivates consumers to shop for mid-market fashion online in the first place, and how the *need recognition* stage is triggered. Consumer values can be divided into two categories: utilitarian and hedonic (Batra & Ahtola 1990), but both can be delivered as part of a single purchase (Carpenter & Fairhurst 2005). Both hedonic and utilitarian values were identified as underlying motivations to shop for mid-market fashion. As also discovered by Chiu et al. (2012, 107), this study found that utilitarian values are inherent rather than dominant reasons for frequent shoppers. However, unlike previous research (Overby & Lee 2006, 1164; Jones et al. 2006, 979; To et al. 2007), this research found that hedonic values were found to be more dominant in terms of forming e-loyalty in mid-market fashion e-commerce. Customer values were found to be the initial motivations to shop (Holbrook & Hirschman 1982, 136; Babin et al. 1994, 644-646). Therefore, this research also found that consumer values are also

linked to the need recognition stage of the purchasing process, where the consumer first discovers that they would like to make a purchase (Puccinelli et al. 2009). This is also illustrated as part of figure 10. This can be concluded from the fact that the primary reason to shop among the informants was the pure enjoyment of shopping. Therefore, the *need recognition* stage is largely driven by the fact that consumers purely enjoy online shopping, and it is their preferred way of spending time, and as a result, they end up buying clothes and accessories.

Just because a consumer is satisfied or has completed the purchasing process once or even a few times, does not necessarily mean that they are yet a loyal customer. Therefore, this study also investigated different levels of loyalty and utilised Payne's (1994) theory of the Relationship Marketing Ladder as a basis. It consists of five stages: *prospect, customer, client, supporter,* and *advocate* (Payne 1994). This study considers both supporters and advocates as loyal customers, the difference between them being that advocates actively recommend This study found these stages applicable, however, the *client* stage is not seen as a requirement: clients are those who have neutral or even negative feelings towards a brand but have bought from the brand several times (Payne 1994). These *clients* certainly exist in mid-market fashion, but they are likely to fall off the Relationship Marketing Ladder and not continue towards becoming loyal customers: *supporters* and *advocates*. On the other hand, customers who are satisfied since their first purchasing experience may never fit the definition of a *client*. Hence, Payne's (1994) Relationship Marketing Ladder has been adjusted in figure 10 so that the *client* stage has been included as a sidestep, which is taken by some but not all loyal customers.

As discussed above, several factors play a role in the formation of e-loyalty in mid-market fashion, and it is not a simple process that can be put in one conclusive sentence. While this research utilised various pre-existing theories in understanding how e-loyalty is formed in this very specific context, it has achieved to link these theories together and put together an overarching framework. This framework (figure 10) is a theory that can be helpful for those looking to create long-term customer relationships in mid-market fashion e-commerce.

5.2   Managerial implications

Besides theoretical implications discussed in the previous chapter, this study also has practical implications that provide valuable insights and advice to online mid-market

fashion retailers. This study shows that e-loyalty, which has a high impact on revenue, is a product of trust, perceived value, and satisfaction. These factors stem from various loyalty-driving contributors, but the research showed that especially *care, reliability, product portfolio, ease of use,* and *security*. In other words, it is crucial that mid-market fashion online retailers focus on the quality of their customer service, especially in the case of any delays or sudden changes to the customer's order. It is vital that the website is easy to use and navigate, it does not have service breakdowns, and it offers customers a sizeable amount of information about the products. It is also crucial that the retailer is committed to delivering the product in a timely manner. It is also important that the retailers come across as reliable, which consists of several factors. The website should be built so that it works and comes across as professional, does not have flashy ads, and uses trusted payment and delivery partners. As this study found that customers will only consider repurchasing from a retailer if they are happy with the outcome of their shopping experience, in addition to the shopping experience itself, it is crucial that the quality of the product itself matches the customer's expectation.

This study also found that consumers are reluctant to purchase from online retailers they are not previously familiar with. It was found that trust can be enhanced by marketing efforts, as customers often find out about new brands via social media and magazines. They also tend to listen to influencers' opinions, so a strong focus on social media marketing is advantageous for mid-market fashion brands, especially if they are not yet well known to the public.

5.3   Limitations and suggestions for further research

As this research was a qualitative study with a limited number of interviewees, all based in a similar setting, it is possible that the results would be different if the interviewees would have been from a different age group, financial background, or in a different geographical location or culture. Thus, the results of this research cannot necessarily be applied universally. Conducting more interviews with people from different backgrounds and different geographical locations could yield interesting and varying results.

There is plenty of research about customer loyalty, and even e-loyalty, but the topic of mid-market fashion e-commerce was yet to be covered. Hence, the results of this study are very specific to this niche, and the results would be likely to be different if one were to research e-loyalty in for example fast fashion. This is because the target group, as well

as the values behind purchasing, would likely be different, which would lead to different research results.

This study aimed to cover all the aspects that result in customer loyalty in mid-market fashion e-commerce. Loyalty consists of multiple factors and drivers, and further research could be conducted to uncover even more detailed information about how each of them contributes towards e-loyalty.

6   SUMMARY

The purpose of this research was to identify how customer loyalty is formed in mid-market fashion e-commerce. This study intended to put together a framework on how e-loyalty is formed in mid-market fashion. The assumption was that e-loyalty is a product of trust, perceived value, and satisfaction. To fulfill the purpose of the study, four different sub-objectives were set: one to find out what factors drive e-loyalty in mid-market fashion, another to understand how customer values reflect on e-loyalty, another to uncover how e-loyalty evolves through different levels of loyalty, and finally, another to expose how the formation of e-loyalty is linked to the purchasing process.

The initial framework was constructed from existing literature, which was the basis for the empirical research. The empirical part of this study took a qualitative research approach. This research set out to understand e-loyalty in mid-market fashion e-commerce especially in London among young professionals. Hence, seven London-based young professionals who frequently shop for mid-market fashion online were selected to take part in the interview process. The interviews were conducted in a semi-structured manner, which allowed open conversation as well as asking pre-selected questions. To help analyse the empirical findings, all the interviews were recorded and transcribed.

The results revealed that e-loyalty is a product of trust, perceived value, and satisfaction. A satisfied customer is likely to re-purchase, which allows them to re-start the purchasing process. The purchasing process is driven by customer values, which can be divided into hedonic and utilitarian values. Once a customer has had multiple satisfactory shopping experiences with a certain brand or retailer and starts seeing the brand or retailer as their preferred option over others, e-loyalty has been created.

This research has been the first to investigate how different factors contribute to the formation of e-loyalty in the specific context of mid-market fashion e-commerce, and especially among consumers who identify as young professionals. The results of this research also present opportunities for future research. The formation of e-loyalty in mid-market fashion could be further researched from the point of view of a different target group, or the impact of a specific loyalty-driving factor could be researched in more detail.

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APPENDIX

Appendix 1. Interview questions for semi-structured interviews

Background questions

1. Please introduce yourself: name, age, profession, what city do you live in
2. What mid-market fashion online shops do you mostly shop at? Why?

Value

1. Why do you shop online?
2. How does shopping online make you feel?
3. Why do you shop for mid-market fashion in particular?
4. To what extent do you consider price an important factor when you shop for mid-market fashion online?

Trust, Familiarity

1. To what extent do you purchase from sites or brands that you have previously heard of?
2. Would you say that you are loyal to brands that you have been familiar with for a long time, or are they new finds?

Need recognition

1. What would you say is your main reason for buying fashion?
2. Do you mainly buy items to replace old ones that are no longer wearable, or do you shop to add items to your existing collection?
3. In each case how do you decide to start looking for something new to buy?
4. How do you find out about new items that you would like to buy?

Information search

1. How do you decide which retailer you would shop with?
2. How do you go about searching for different options?

Evaluation

1. What factors do you look at when comparing the different options that you have found?

Purchase decision

2. How do you decide which option do you go for? Quality? Brand? Price? The retailer's website?

3. Which of these would you name as the most important factor and why?

4. Post-purchase

5. What would you say would be your main motivators to buy from a specific brand or retailer again?

Online services

1. How much does the way an e-commerce site looks like impact on how much you trust the website?

2. How much do you think seeing advertisements or receiving marketing emails increases your trust towards a brand?

3. Third-party certification

4. To what extent do you think you would be more likely trust a brand or a website if they use third-party services that are already familiar to you? This would include e.g. delivery partners such as DHL or Royal Mail, or payment operators such as Mastercard, PayPal, or American Express?

5. Which one out of these do you think would have the most impact in terms of you trusting you the brand more?

Satisfaction

1. Do you think a slow website has an impact your satisfaction with your online shopping experience?

2. Do you think a fast delivery will have an impact on how satisfied you are on the shopping experience?

3. If an error occurs as part of your shopping experience (e.g., a wrong item is delivered, the item is late or you never receive), and you are never compensated, would ever shop with that retailer again? What if you get compensated?

4. If a brand or retailer that you are very familiar with (e.g., the shop that they named as their favourite) makes a mistake (e.g., bad quality product, late delivery, charges you extra), would you ever shop with them again? What if you get compensated?

8 Cs, E-servicescape

Customisation, contact interactivity

1. When shopping for apparel online, have you ever noticed websites changing according to your needs? E.g., recommended products based on what you have already looked at, or chat boxes offering to help you what you find?
2. To what extent do you look at recommendations, i.e. similar products, whilst on the shopping platform?
3. Have these recommendations had an impact on your attitude towards the brand/website?
4. Have these recommendations and customisation on the website made you return to the website again?
5. To what extent do you think do e.g., recommendations like this impact on your loyalty?
6. How do you navigate the website to find items that match your preference?

Cultivation

1. How does email marketing or social media marketing make you feel? (useful, annoying?)
2. How often do you shop on a website due to an ad or an email?
3. Care
1. Have you received emails or notifications when an item you were interested is back in stock?
2. Have you bought an item after receiving a notification like this? Was it from a website you had previously shopped on?

Choice

1. Do your favourite online shops have a large product offering or a more specific, boutique style online offering?
2. Do your favourite online shops sell multiple brands, or are they brand-specific?

Convenience, character

3. Do you pay attention to website design?

4. Have you noticed that some of your favourite online retailers may have a very specific design and branding on their website?

5. How important do you think it is that brands have a website design that stands out from the crowd?

6. To what extent do you think the branding of the website impacts on your likelihood of returning to the online shop?

7. How would you rate the user-friendliness of the website in regards to how likely you are to purchase from the retailer again?

8. Have you ever left a website because of bad user experience? (if needed, specify e.g. running into errors on pages (e.g. images not showing), or because of distracting colours of graphics, or pop-up ads?)

9. How much does the user-friendliness impact on how likely you are to return to that online shop?

eWOM, Community

1. Do you read product reviews on mid-market fashion?

2. How much do reviews impact your purchasing decisions?

3. Do you ever review any items you may have purchased?

4. How often do you shop items that you saw an influencer wear or recommend in social media? If so, why?

5. To what extent would you be more likely to trust a new brand or website if it has been recommended by a friend, a family member, or by an influencer?

6. How often do you shop based on what your friends have recommended online e.g. post something on their own social media? Why is that?

7. How often do you shop based on a friends or family members recommendation that was made offline, e.g. as part of a conversation? Why?

Bonus:

1. If you found something you like online, would you ever go to a shop to try it on? If you liked it, would you just buy it in the shop or would you go and buy it online?