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An Integrative Framework of Service Convenience, Service Consumption Experience, and Relational Exchange in Electronic Mediated Environment (EME)

Completed Research Paper

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Abstract

The purpose of this study is to provide insights into consumers' perception of service convenience and services consumption experience (conceptualized as two second-order formative constructs) and their potential influence on the development of long-term exchange relationship among consumers and service providers in the context of E-Services or broadly Services in the Electronic Mediated Environment (EME). A comprehensive research framework is developed. Analyses of data from 1,250 U.S. consumers, with at least six months or more experience in consuming services in EME, reveal that service convenience and service consumption experience significantly influence consumers' long term relationship development with service providers in EME. Suggestions for future research and implications are discussed.

Keywords: IT services, Service consumption experience, Relational Exchange, Service Convenience

Introduction

E-Services or Services in Electronic Mediated Environment (EME) have revolutionized the interaction among service providers and consumers, paving the path for the development of relationship among the parties on a long-term basis (Rust and Miu, 2006). While most services, in the traditional mode, are delivered through the mediation and assistance of knowledgeable human agents, in the context of services in emerging EME, human agents are absent and are therefore not available to assist consumers. Since services in the traditional brick-and-mortar environment are mediated through human agents, past studies carried out in the traditional environment fail to provide insights into service convenience, service consumption experience and relational exchange in the context of services in EME. This is reflected by the increasing concern in the academic research that the traditional knowledge on services management is not readily adaptable to the services strategies in EME (Lovelock and Gummesson, 2004; Vargo and Akaka, 2009). This is because *“the ability to obtain and consume services without interacting with a human provider challenges much of our existing knowledge”* (Brown, 2000, pg.62).

EME provides consumers with more options to choose among different modes of service—traditional employee service or self-service (Berry et al., 2002). This choice and flexibility improve consumers’ convenience perceptions of using or buying services. In conceptualizing the use of technology or online services, the Technology Acceptance Model (TAM) has been widely adopted in the IS literature (Dwivedi et al., 2010; Kim and Garrison, 2009; Venkatesh et al., 2003; Tan et al., 2007). Although these studies provide significant insights into online services and their value to consumers, they do not address the role of service convenience in the context of developing a long term exchange relationship between the consumers and the service providers in the context of eServices or Services in the EME. Service convenience has been identified in the literature as one of the most important patronage determinants (Seiders et al. 2007), a direct and intuitive measure for consumers to evaluate service providers’ performance. Service convenience is one of the most critical considerations for most consumers when making purchase decisions (Seiders et al. 2007; Berry et al., 2002). By extending previous definitions of E-Service (Lee, et al., 2009; Rust and Lemon, 2001; Fassnacht and Koese, 2006), this research defines, the services in EME *as any kind of services that incorporate service convenience via electronic devices where the consumer interacts with an appropriate user interface for service consumption in an EME such as Web site, mobile phone, PDA, iPod Virtual World Environment, etc. in order to gain a consumption experience and pursue desired benefits preferably on a long term basis.* Most e-Service research has not considered the role of service convenience and service consumption experience explicitly as part of the e-Service conceptualization, thereby largely missing the very reason consumers opt for E-Services, where available, rather than traditional brick-and-mortar services. The primary reason being that it is far more convenient for consumers to consume a service if available as E-Service. Additionally, past research in E-Services tended to focus on specific technologies such as wireless service or mobile services. We broaden the conceptual space of E-Services to include varieties of technologies that consumers are currently using to access E-Services- thus the above definition of services in the EME.

Services are essentially *“value jointly created through the interaction of providers and clients”* (IBM, 2008). Consumers are considered as co-producers in the service consumption process and intimately involved in defining, shaping, and integrating the service; therefore, such interactions, between consumers and service providers, are conceptualized to be built around episodic experiences (Blazevic, V. and Lievens, 2008; Chesbrough and Spohrer, 2006). In this experiential economy, the next competitive battleground lies in staging experience and *“business success will be bestowed upon companies who are able to embrace and deliver compelling and emotionally engaging customer experience—everyday, for all customer, every time”* (Pine and Gilmore, 1998, p.5). However, the transition from selling the service to selling the experience is not easy. The experiences have to meet consumers’ needs and eventually have to work and be deliverable (Pine and Gilmore, 1998). Therefore, understanding the unique characteristics of the service consumption experience in EME should help companies design, stage and provide better online service consumption experience to the consumers; ultimately help both services providers and customers achieve the desired benefits and build long terms exchange relationship in EME. However, little or no research in the extant information systems (IS) literature has been directed at understanding the underlying logic inter-connecting service convenience, service consumption experience, and long term exchange relationship between consumers and service providers in EME. Garbarino and Johnson (1999) suggest that the development of long term exchange relationship with consumers provides service providers with a loyal and committed customer base which generates revenue streams that are more dependable in the long run. Therefore, it is in the interest of the service providers to seek and develop long term exchange relationships with consumers by providing convenient

services and enjoyable consumption experience in e-services (Turel, O., Yuan, Y., and Connelly, C, 2008). Therefore, the purpose of this research is to investigate the service convenience and service consumption experience and their role in developing long term exchange relationships between the consumers and service providers in EME.

This paper is organized as follow: we present a review of the current research on service convenience and service consumption experience in EME from the literature on information systems, marketing, consumer behavior, and service research in next section. An analytical research framework is then proposed to provide interrelationships among service convenience, service consumption experience, and relational exchange in EME. We then present our hypotheses, research methodology, analysis of results and implications. We finally discuss our findings, limitations and directions for further research.

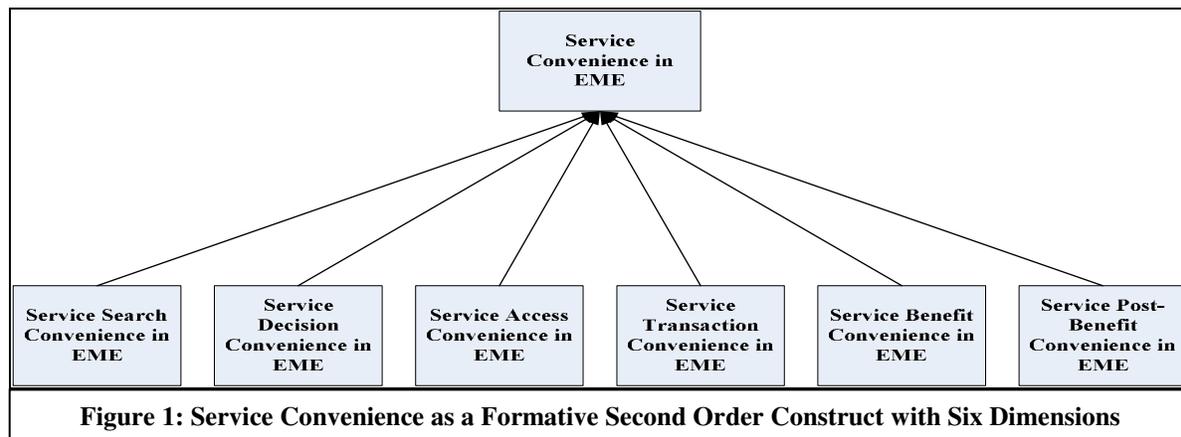
Service Convenience in EME

Berry et al. (2002) define service convenience as “*the nonmonetary costs or expenditures experienced when consumers spend time and effort buying and consuming goods or services*” (Pg.5). Service convenience has been acknowledged as a multidimensional construct in the marketing and consumer research literature (Seiders et al. 2000; Berry et al. 2002; Seiders et al. 2007). In the shopping context, Seiders et al. (2000) indicated retail convenience means the ease and speed of shopping, and suggested four main ways to improve convenience in consumers’ entire shopping experience: access, search, procession, and transaction. Based upon prior theories and research on time and efforts expenditure and consumer psychological cost, Berry et al. (2002) proposed five dimension of service convenience: decision convenience, access convenience, transaction convenience, benefit convenience, and post-benefit convenience. Later, Seiders (2007) developed the SERVCON scale and empirically validated the service convenience construct in the context of traditional service consumption. From these studies, we observe that convenience has been defined as a construct that refers to the consumers’ expenditure of minimal time and effort in service consumption.

Service convenience in EME is evidently an unexplored area in IS research. The service convenience construct has been generally treated as a concept with the same meaning as easiness. According Davis *et al.* (1989), consumer perceived easiness refers to “*the degree to which the prospective user expects the target system to be free of effort*” (pg.985).The easiness has been reflected as a main indicator of the consumer’s intention to use a certain type of service: online education, telemedicine service, online broker service, electronic marketplace, etc (Davis *et al.*, 1989; Subramanian, 1994; Venkatesh and Davis. 1996; Pavlou and Gefen, 2004). IS research has mixed service convenience with other concepts such as service speed (Compaine and Weinraub, 1997; Aladwani, 2001), customer comfort (Chen and Hitt, 2002; Bhattacharjee, 2001), customer effort (Shim *et al.* 2002; Saeed *et al.*, 2005; Parasuraman, 2000), and service accessibility (Rust and Kannan, 2003; Wixom, and Todd, 2005). There is no published study that has either given the clear definition or sufficient attention to service convenience. Furthermore, there is a lack of research in the IS literature to provide an integrated view at a higher level of abstraction of service convenience for building a more parsimonious theory of service incorporating service convenience as part of consumption process in terms of developing long-term mutual relationships in EME.

Dimensions of Service Convenience in EME

Service convenience in EME is defined in this study as “*consumers’ perceptions of time and effort in relation to buying or consuming a service in EME*”. Typically, time and effort are nonmonetary types of costs that consumers must incur in the process of using or receiving services EME. In EME, the traditional brick and mortar concerns about service convenience may not all be relevant. For example, the location convenience or staff support become irrelevant. However, IT-based support such as reputation systems or one-stop payment functions provides appealing convenience to consumers. Drawn from the extant literature and the technology-based service innovation, this study identify six dimensions of service convenience (based upon Seiders *et al.*, 2000, Berry *et al.* 2002, and Seiders *et al.*, 2007) in EME (see Figure 1) as having (1) service decision convenience in EME, (2) service access convenience in EME, (3) service search convenience in EME, (4) service transaction convenience in EME, (5) service benefit convenience in EME, and (6) service post-benefit convenience in EME.



Service Decision Convenience in EME relates to the time and effort expenditure required to decide how to obtain or purchase an electronic mediated service (Berry *et al.* 2002, and Seiders *et al.*, 2007). For example, online reputation systems provide reviews of online products or sellers that would reduce consumers' time and effort to compare different options before the purchase decision is made. **Service Access Convenience in EME** relates to consumers' perceived time and effort expenditures to initiate service delivery (Berry *et al.* 2002, and Seiders *et al.*, 2007; Cenfetelli, et al., 2008). This type of convenience could be seen in online banking systems where consumers would highly depend on the information availability and accessibility since there is minimal assistance from employees. **Service Search Convenience EME** refers to the speed and ease with which consumers could identify and select the products or services in EME (Seiders et al, 2000). For example, online classification systems (e.g., craigslist, angie's list) shortens the consumer search depth which may involve certain time and effort expenditure. **Service Transaction Convenience in EME** primarily involves expenditures of time and effort as it relates to the execution or fulfillment of a transaction (Seiders et al, 2000, Berry et al, 2002). For instance, online one-stop payment functions reduced consumers' time and effort in filling in numbers on online forms repetitively. **Service Benefit Convenience in EME** relates to consumers' time and effort expenditures to experience the services' core benefits (Berry *et al.* 2002, and Seiders *et al.*, 2007). Typically, it means the favorable return on consumer's investment (e.g., time, effort, and other resources). **Service Post-Benefit Convenience in EME** involves the consumers' perceived time and effort expenditures as a post-purchase experience when reinitiating contact with a firm after the benefit stage of the services (Berry *et al.* 2002, and Seiders *et al.*, 2007). Generally, this convenience is difficult to achieve in EME since it is generally not easy to contact a 'live person' in the context of online service providers on a real time basis. Some service providers have begun to provide 24*7 customer support with instant messenger in order to improve consumers' post-purchase experiences.

Research in academic literature has repeatedly identified service convenience as a multi-dimensional construct and some have alluded to an emergent second order factor model to parsimoniously capture this important construct (Brown, 1990; Seiders *et al.*, 2000; Berry *et al.*, 2002; Yale and Vekatesh, 1986). This research proposes an emergent second order factor model for service convenience in EME (see Figure 1) where the first-order factors are latent formative factors. This allows authors to model the six latent dimensions under a unitary representation. This study conceptualizes that this second order service convenience construct plays a significant role in developing long-term exchange relationship between the consumers and service providers in EME.

Service Consumption Experience in EME

Hirschman and Holbrook (1982) introduced the Hedonic Consumption concept which designates "those facets of consumer behavior that relate to the multisensory, fantasy and emotive aspects of one's experience with products" (pg. 34). Based upon the literature review, service consumption experience has been confirmed as a multidimensional construct; however, the majority of existing studies focus solely on the emotion aspect. In addition, most of prior studies only consider consumption experience in traditional physical environment. There is a need to develop a more holistic and multidimensional model of the consumer's perception of consumption

experience (Thompson, 2000; Caru and Cova, 2006). This research defines service consumption experience in EME as *consumer's perceptions related to the facets of emotions, sensation, immersion, participation, and playfulness arising from interaction with service providers during the consumption process of the service in EME*. Here, this research adopts a conceptualization based on Hirschman and Holbrook (1982), Hirschman (1984), Pine and Gilmore (1998), Van der Heijden (2004), and Caru and Cova (2006) to define of the consumption experience in EME and propose five dimensions of service consumption experience in EME. This approach incorporates extensive integration of past research, and is built upon a robust and solid theoretical foundation.

Dimensions of Service Consumption Experience in EME

Drawn from the extant literature on consumer behavior, marketing, and the technology-based service innovation (Hirschman and Holbrook 1982; Hirschman 1984; Pine and Gilmore, 1998; Van der Heijden, 2004; Caru and Cova, 2006), we identify five dimensions of service consumption experience in EME (see Figure 2) as consisting of (1) service emotion, (2) service sensation, (3) service immersion, (4) service participation, and (5) service playfulness.

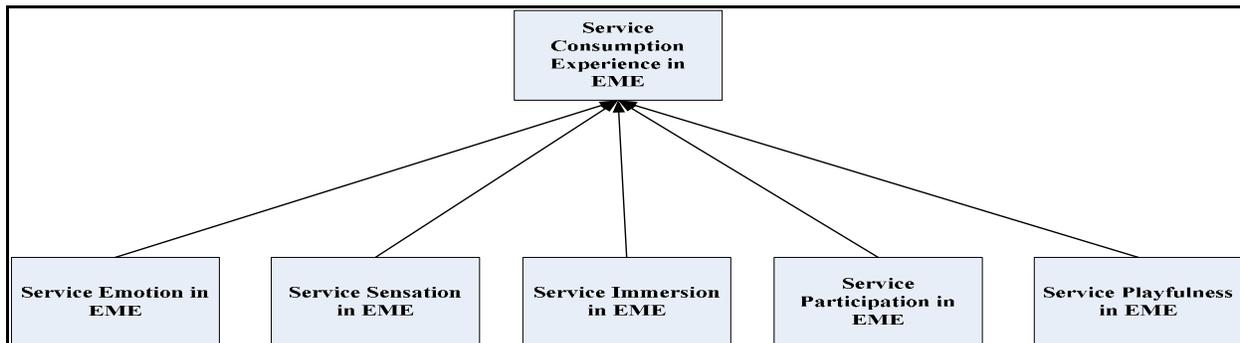


Figure 2: Service Consumption Experience as a Formative Second Order Construct with Five Dimensions

Service Emotion in EME has been considered as a very significant dimension of the consumption experience. In EME, Dabholkar (1996) found a strong positive effect of enjoyment of using self service technology on perceived overall service quality. For example, the consumer who is buying and using the online entertainment service would feel happy when consuming this service. ***Service Sensation in EME***: Hirschman(1984) indicated that human beings apply all of their perceptual senses when engaging with their immediate environment. With the advances in technology, companies are providing real life experience and sensation in EME, such as the Second Life online virtual world. ***Service Immersion in EME***: Caru and Cova (2006) have indicated that “...immersion concept literally implies becoming one with the experience and therefore conveys the idea of a total elimination of the distance between consumers and the situation, the former being plunges in a thematised and secure spatial enclave where they can let themselves go” (pg. 127). Consumers’ immersion becomes physically or virtually a part of experience itself. For example, when consumers participate in the mobile game services, they are connected with a network and gaining real time experience when playing against opponents on the other side of the world. ***Service Participation in EME***: This dimension demonstrates the level of consumers’ participation where on one end of the experience lies passive participation such as reading news and advertisement in the online environment; on the other end the experiences are actively gained which means that consumers personally affect the performance or event that yields the experience(Pine and Gilmore, 1998; 1999). ***Service Playfulness in EME***: The service playfulness is defined as the degree to which the consumer perceives the online provider’s website to be enjoyable (Wulf *et al.*, 2006). Previous literature did not differentiate emotion from playfulness. In this research, the emotion dimension relates to consumers’ valenced affective reaction to perceptions of service in EME, while the playfulness reflects intrinsic enjoyment that comes from engaging in activities in which consumers participate or immerse themselves (Mathwick *et al.*, 2001).

Past research points to service consumption experience as being a multi-dimensional construct and some studies have alluded to an emergent second order factor model to parsimoniously capture this important construct (Havlena and Holbrook, 1986; Schmitt, 1999; Firat, 1987; Pine and Gilmore, 1998; Mathwick *et al.*, 2001; Hirschman, 1984). Following this line of reasoning, this research proposes a second order factor model for service consumption experience in EME (see Figure 2) where the first-order factors such as service emotion, service sensation, service

immersion, service participation, and service playfulness are all latent formative factors underlying service consumption experience. The formative second order model provides a coherent and parsimonious representation of this multi-dimensional phenomenon in explaining exchange relationship development between consumers and service providers in EME (Pavlou *et al.*, 2008)

Theoretical Development and Research Framework

Service Relational Exchange in EME

Building a strong customer relationship has been suggested as a means for companies to gain a competitive advantage in both the marketing and IS literature. Marketing and consumer behavior research have identified perceived value, satisfaction, commitment, customer loyalty, and word-of-mouth communications as essential ingredients for developing a successful long-term exchange relationship (Ganesan, 1994; Morgan and Hunt, 1994; Oliver, 1999a. Dwyer *et al.* (1987) indicated that “*consumer marketers benefit from attention to conditions that foster relational bonds leading to reliable repeat business*” (pg.12). These conditions could be created with tools and techniques in order to get customer retention and growth (Dwyer *et al.*, 1987). Today, IT and electronic devices have largely improved the conditions for relationship development.

In EME, the exchange relationship is yielded through the process of repeated interaction between consumers and online service providers over time when consumers spend their time and effort in online service consumption (Rust and Kannan, 2003). Such relationships are guided by high order mental constructs such as customer perceived value, satisfaction, and commitment. These global evaluations are believed to summarize consumer knowledge and experiences with particular service providers and guide subsequent actions such as loyalty (retention) (Garbarino and Johnson, 2006) and word-of-mouth communications (growth). The time and effort expenditures in the service convenience dimensions all engage experiential consumption when consumers interact with the service in EME. Thus, it is important to understand consumers’ perception of service convenience and consumption experience in EME in order to improve consumers’ evaluation of the service with the above relational exchange components. This study provides an analytical research framework (Figure 3) to identify interrelationships among service convenience, service consumption experience, and relational exchange between consumers and service providers in EME.

Service Convenience and Service Consumption Experience

The underlying logic between service convenience and consumption experience is implied in prior research. The conceptualization of service convenience with its six sub dimensions reflects a multistage, experiential consumption process (Seriders *et al.*, 2007; Katz, 1999; Maister 1985; Taylor 1994). Development of a long term exchange relationship by providing services convenience and consumption experience through the EME is vital for any business to compete in the service-based economy. So it is important to provide an integrative view of service convenience and service consumption and identify their roles in developing long term mutual relationship between consumers and service providers. We hypothesize that

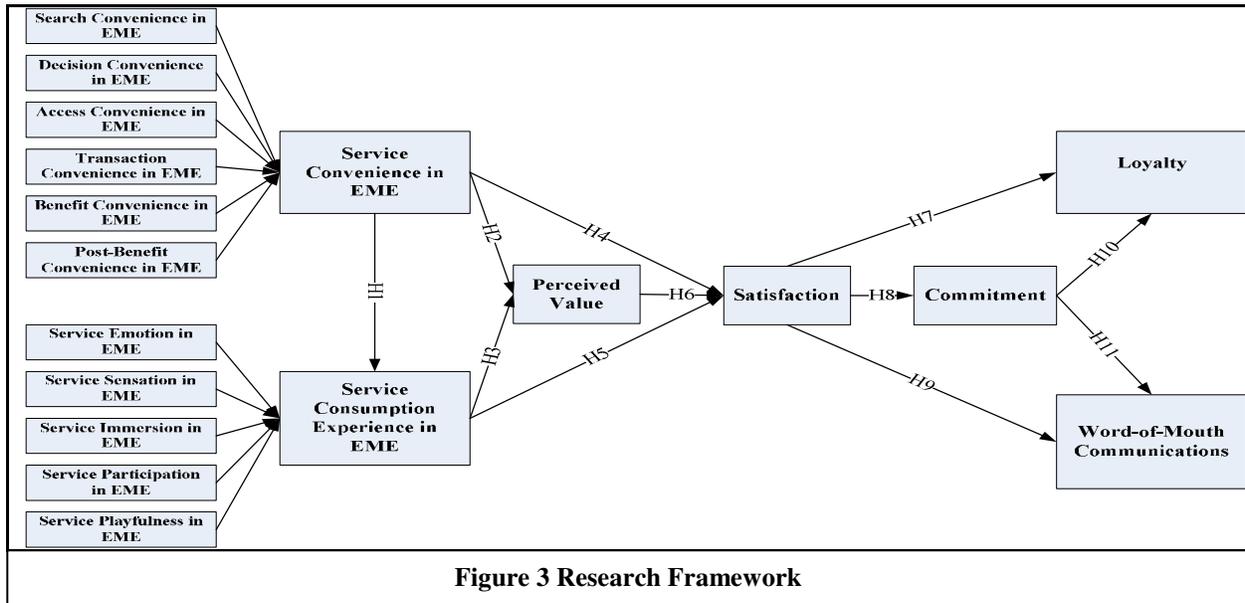
Hypothesis 1: Service convenience influences service consumption experience in EME.

Service Convenience, Service Consumption Experience, and Perceived Value

Customer value serves as the foundation for all effective marketing activity. Consumer perceived value is often involved in consumers’ consumption experience of the service with the assessment of the ratio of perceived benefits to perceived costs (Zeithaml, 1988). Prior research has also confirmed that consumers’ convenience perceptions and service evaluations are influenced by high time and energy cost (Bitner, 1990; Berry *et al.* 2002). Consumer waiting time research suggests that there is tight relationship between consumers’ evaluation of the service and their waiting time in EME; for example, download delay is closely related to consumers’ evaluation of the electronic service retailer (Rose and Straub, 2001; Rose *et al.*, 2005). As two major components of service evaluation, the authors believe that.

Hypothesis 2: Service convenience influences consumers' perceived value of service in EME

Hypothesis 3: Service consumption experience influences consumers' perceived value of service in EME



Service Convenience, Service Consumption Experience, and Satisfaction

Oliver (1992) defines service satisfaction as the consumer's post-purchase evaluation and effective response to the overall consumption experience. Researchers have identified that consumers' satisfaction is highly correlated with the overall convenience which would exert a positive influence on consumers' future purchase behavior. Szmanski and Hise (2000) addressed that online shopping has been promoted widely as a convenient avenue for shopping since buying online could economize on time and effort in locating merchants, finding items, and procuring offerings (Balasubramanian, 1997). Therefore, time and browsing benefits of buying and using online services are likely to be manifested in more positive perceptions of convenience and e-satisfaction. On the other hand, Philips and Baumgartner (2002) clarified the role of consumption emotion in the satisfaction response and discovered that both positive and negative emotions influence satisfaction. Thus, this study presents the following hypothesis:

Hypothesis 4: Service convenience influences consumers' service satisfaction in EME

Hypothesis 5: Service consumption experience influences consumers' service satisfaction in EME.

Hallowell (1996) indicated that consumer satisfaction is the result of the consumer's perception of received value. Adapted from Bagozzi (1992) research on appraisal and emotion response, Lin and Wang (2006) suggests that more cognitively-oriented value appraisal precede affectively oriented satisfaction. Therefore, this study proposes following hypothesis:

Hypothesis 6: Perceived value influences consumers' service satisfaction in EME

Commitment, Loyalty, and Word-of-mouth Communications

Perceived value and satisfaction involved in service evaluations are believed to summarize consumers' knowledge and judgment with respect to a particular service provider and guide subsequent actions such as commitment, loyalty and word-of-mouth on the part of the consumer (Garbarino and Johnson, 2006). Prior literature confirmed that satisfaction is the important determinant of the customer loyalty in the online environment (Lin and Wang, 2006; Gefen, 2002). Accordingly, in order to develop long-term mutual relationships, managers must make great efforts to improve the convenience and consumption experience of their services in EME in order to improve consumer

perceived value and satisfaction, as this can influence service retention (customer loyalty), and service growth (word-of-mouth communications) (Bolton et al., 2000).

Hypothesis 7: Consumers' service satisfaction in EME influences their loyalty to the service in EME

Kanter (1972) indicated that commitment is the attachment an individual feels to a collective entity, such as relation, group, or organizations. Relationship commitment has been defined as an exchange partner believing that an ongoing relationship is worth working on to ensure that it endures indefinitely. Sharma and Patterson (2000) indicated that the link between relationship commitment and its antecedents may be affected by a satisfactory experience. Therefore, we believe consumer's service satisfaction will influence consumers' commitment on the specific service in EME:

Hypothesis 8: Consumers' service satisfaction in EME influences consumers' service commitment.

Word-of-mouth communications has been recognized as an essential ingredient for successful long-term relationships of growth and points to the value of existing customers who spread good words about the company and its products and services (Anderson, 1998; Richins, 1983). In service literature, word-of-mouth communications has been found to be an important outcome of the exchange relationship between service providers and consumers (Richins, 1983; Srinivasan et al., 2002; Kumar et al., 2007). Today, with applications of blog, face book, MySpace, twitter, mobile phone, etc., consumers have got more effective ways to spread word-of-mouth (Park and Kim, 2008). Therefore, this study has included word-of-mouth communications as an outcome of the relational exchange between the consumers and service providers in EME.

Hypothesis 9: Consumers' service satisfaction in EME influences consumers' word-of-mouth communications.

Commitment has been identified as an essential ingredient for successful long-term relationships (Dwyer et al., 1987). Morgan and Hunt (1994) defined relationship commitment as "an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it" (pg. 23). Mutual relationship and consumer loyalty are built on the foundation of commitment (Berry and Parasuraman, 1991). Dick and Basu (1994) suggested that word-of-mouth communications should be included as one of potential consequences of commitment. Later, Harrison-Walker (2001) confirmed significant association between commitment and word-of-mouth communications in a service marketing context. Therefore, we believe

Hypothesis 10: Consumers' service commitment influences their loyalty to the service in EME.

Hypothesis 11: Consumers' service commitment influences consumers' word-of-mouth communications.

Research Design

Measurement Instrument Development

This study applied a survey methodology in testing and assessing the proposed comprehensive research model (see Figure 3). The development of the survey instrument followed Moore and Benbasat (1991) and Straub (1989). Most measurement items for the principal constructs were adapted from existing literature and modified to fit the context of this research (see Table 3). The measures for the service convenience dimensions were adopted from prior service convenience studies in marketing literature with some modifications (Seiders et al., 2000, Berry et al. 2002; Seiders et al., 2007). The measures for each of the service consumption dimensions were adopted from prior consumption experience and experiential marketing research in IS, Consumer Behavior, Retailing, and Marketing literature with some modifications to fit this research context (Cyr et al., 2006; Wulf et al., 2006; Arnold et al., 2005; Chaudhuri, 1997). The measurement of relational exchange constructs were generated from existing marketing literature to capture consumer's evaluation of service (perceived value and satisfaction) and their orientations for a long-term relationship development (loyalty and word-of-mouth communication (Oliver, 1992; Anderson, 1998; Gefen, 2002). All items were measured with a five-point Likert-type scale (1 = Strongly Disagree to 5 = Strongly agree).

Data Collection

All measurements followed a refinement procedure with several pretests. We first interviewed 27 business school students to get their understandings of service and service consumption experience in EME. The subjects were also asked to provide a list of five services they used most frequently in EME for at least six months. This step helped us to capture consumers' comprehension and assessment of long term service consumption in EME. Further, the results for this procedure are incorporated in our survey development in which the respondents were asked to identify one online service provider they used most frequently for at least six months. Based on their experiences of using such a service from this specific service provider, the subjects are asked to indicate their perceptions of each item provided in the survey. The services included electronic banking, mortgage provider service, online music buying service, and online car insurance provider service. We found no statistical difference between these different types of services (Pavlou and Fygenson, 2006). The survey instrument was first administered to two business school professor (experts in IS research related to ecommerce and e-services) and three IS PhD students. The aim of this pre-test was to examine the feasibility of the instrument and gain qualitative feedback from the respondents. Based on the recommendations received from these five individuals the instrument was refined for wordings and a major change was the use 5-point Likert Scale instead of 7-point scale to assess the responses.

Table 1: Descriptive Statistics of Respondents Characteristics (n=1250)

Measure	Value	Frequency	Percentage
Gender	Male	457	36.6%
	Female	793	63.6%
Age	18-25	948	75.8%
	26-35	205	16.4%
	36-55	87	7.0%
	>55	10	0.8%
Education	High school	77	6.2%
	Some college	846	67.8%
	Bachelor	219	17.4%
	Master	100	8.0%
	Ph.D.	8	0.6%
Income Level	<\$12,000	829	66.4%
	\$12,000--\$36,000	270	21.6%
	\$36,000--\$60,000	62	5.0%
	\$6,0000--\$96,000	35	2.7%
	>\$96,000	54	4.3%

A larger scale pilot study was conducted using 90 business school students on the refined instrument. SmartPLS software was adopted to test reliability of this instrument. The results of pilot tests are displayed in Table3. Reliability was assessed by using PLS internal consistency score (Werts et al, 1974; Straub, 1989, Moore and Benbasat, 1991, Chin et al, 2003). Typically 0.70 is considered as the threshold of internal consistencies for all variables (Nunnally and Bernstein, 1994; Pavlou and Fygenson, 2006). We removed the item if they failed in the reliability test threshold and highly cross-loaded on other construct. Respondents were asked to make notes on the surveys of items that were unclear. Based on this feedback, changes were made to improve the layout of the survey form and the phrasing of some survey questions.

A total of 1250 valid and usable responses were collected in a large scale data collection effort using both paper based survey (36.6%) and online survey (63.4%) approach in the US. Respondents of the paper based survey consist of undergraduate students and MBA students from a business school in the southeast who are also the service consumers in EME. The respondents of online survey are from a more diversified sample which includes student and non-student consumers of services in EME. The t-test of the means of each construct in the study for paper-based and online samples did not show any significant differences. The findings are in accordance to Ahuja et al. (2003), students and non-students demonstrated identical patterns. Therefore, the results reported here are based on the statistical analysis of the combined data from both student and non-student samples collected from paper-based and online surveys. All of our respondents have the experience of using a service in EME for at least 6 months or

more to ensure that they had time to develop long-term relationship with the online service providers. Table 1 presents the details of descriptive statistics of respondents' characteristics.

Data Analysis and Assessment of Proposed Research Model

Data Analysis Method

The structural equation modeling (SEM) approach is used to analyze the data for both the measurement model and structural model in this study since SEM based procedure provide powerful ways to address key IS research questions (Chin and Todd, 1995). The software used is SmartPLS 2.0 (Ringle et al, 2005). Partial Least Squares (PLS) is chosen because PLS uses a component based approach to estimation and places minimal restrictions on measurement scales, sample size, and residual distributions (Chin et al. 2003).

Measurement Model

The descriptive statistics is reported in Table 2 and Table 3 respectively. Reported statistics include Mean, Standard Deviation and Inter-construct correlation matrix. Prior studies indicated that internal consistency for the constructs is further validated through composite reliability (*Cronbach's Alpha*) and Average Variance Extracted (AVE) (Fornell and Larcker, 1981; Tan et al, 2007). Typically 0.70 is considered as acceptable threshold of internal consistencies for all variables (Nunnally and Bernstein, 1994; Pavlou and Fygenon, 2006). After refinement of survey instrument utilized in pilot study, all constructs have high reliability (*Cronbach's alpha* > 0.8, AVE > 0.7) in our study. Thus, the measurements fulfill the requirements of convergent validity. To verify discriminant validity, Chin (2003) identified two general rules "1) Loadings are much higher on their hypothesized factor than on other factors (own-loadings are higher than cross-loadings), and 2) when the square root of each construct's AVE is larger than its correlations with other constructs" (Pavlou and Fygenon, 2006, pg.129; Chin, 2003).

Table 2: Inter-Construct Correlation Matrix and Average Variance Extracted for Principal Construct

	Service Convenience in EME	Service Consumption Experience in EME	Perceived Value	Satisfaction	Commitment	Loyalty	Word-of-mouth Communications
Service Convenience in EME	0.88						
Service consumption Experience in EME	0.60	0.78					
Perceived value	0.81	0.60	0.85				
Satisfaction	0.79	0.50	0.79	0.95			
Commitment	0.45	0.56	0.47	0.41	0.87		
Loyalty	0.60	0.54	0.60	0.55	0.39	0.71	
Word-of-mouth communications	0.60	0.69	0.59	0.53	0.60	0.55	0.90

As shown in Table 2, the square roots of all AVEs are above 0.7 which are much larger than all the cross-correlations. In addition, all items loaded well on their respective factors (Table 3) compared to the cross-loadings on other construct. Above tests demonstrated that all measures in this study have adequate convergent and discriminant validity. The reliabilities of each constructs in our study exhibit acceptable levels (Nunnally, 1978; Nunnally and Bernstein, 1994) (See Table 3). The reliabilities range from 0.81 to 0.95 which are considerably higher than typical cutoff value of 0.70 (Nunnally, 1978; Nunnally and Bernstein, 1994; Doll and Torkzadeh 1988; Straub and Carlson 1989). The loadings of each item on their respective constructs are also very high when the items were allowed to simultaneously cross-load on other constructs in the study. Four items were dropped due to poor loading or due to higher cross-loading with other constructs (see Table 3). But the remaining items exhibited very high loading on their respective constructs.

Table 3: Factor Loadings for the Measurement Model and Reliability for Principal Component Constructs

Items Used For First Order Constructs and Second Order Construct	Mean	Std. Deviation	Loading
Service Decision Convenience (Reliability = 0.87)			
It took minimal time to get the information needed to choose this online ESP.	4.03	0.94	0.83
Making up my mind about what I wanted to buy from this online ESP was easy.	3.77	0.97	0.81
It was easy to get the information I needed to decide which online ESP to use.	3.97	0.90	0.86
It was convenient to decide if I by service from this online ESP	3.89	0.92	0.86
Service Access Convenience (Reliability = 0.90)			
It was easy to contact the online ESP	3.88	0.97	0.87
It did not take much time to reach the online ESP.	3.90	0.97	0.88
I was able to get to the online ESP's website quickly	4.09	0.97	0.91
It was convenient to access this online ESP's website	4.08	0.96	0.88
Service Search Convenience (Reliability = 0.87)			
I could find the product/service I wish to buy from this online ESP very quickly.	3.96	0.97	0.90
It was easy to identify the product/service I wish to buy from this online ESP	3.97	0.95	0.92
It is convenient to search on this online ESP's site	3.97	1.02	0.86
Service Transaction Convenience (Reliability = 0.89)			
I did not have to make much of an effort to pay for the service.	3.95	0.97	0.82
This online ESP made it easy for me to conclude my purchase.	3.97	0.93	0.90
It was convenient to transact with this online ESP	4.05	0.94	0.88
I was able to complete my purchase quickly.	3.97	0.95	0.88
Service Benefit Convenience (Reliability = 0.91)			
I was able to get the benefits of the service with minimal effort.	4.08	0.95	0.91
This online service was easy to use.	4.17	0.95	0.93
The time required to receive the benefits of the service was appropriate.	4.07	0.95	0.92
Service Post-Benefit Convenience (Reliability = 0.88)			
This online ESP resolved my problem quickly.	3.88	0.93	0.91
It took little effort to arrange follow-up service.	3.81	0.92	0.88
This online ESP made it easy for me to resolve my problem	3.86	0.95	0.91
Service Emotion in EME(Reliability=0.91)			
Using the service is exciting	3.50	1.12	0.86
The process of using this service was pleasant	3.92	0.96	0.78
This service makes me happy	3.72	1.06	0.86
I have fun in using this service	3.54	1.11	0.89
I found using this service to be enjoyable	3.72	1.06	0.89
Service Immersion in EME(Reliability=0.95)			
I forget about my immediate surroundings when I use this service	2.87	1.24	0.84
Using this service often makes me forget where I am	2.58	1.31	0.90
After using this service, I feel like I come back to the "real world"	2.69	1.31	0.90
When I use this service, I feel I am in a world created by the Service provider's site I visited	2.68	1.32	0.92
When I use this service, my body in the room, but my mind is inside the world created by the websites visit	2.59	1.33	0.92
When I use this service, the world generated by the sites I visit is more real for me than the "real world"	2.43	1.33	0.87
Service Sensation in EME (Reliability=0.81)			

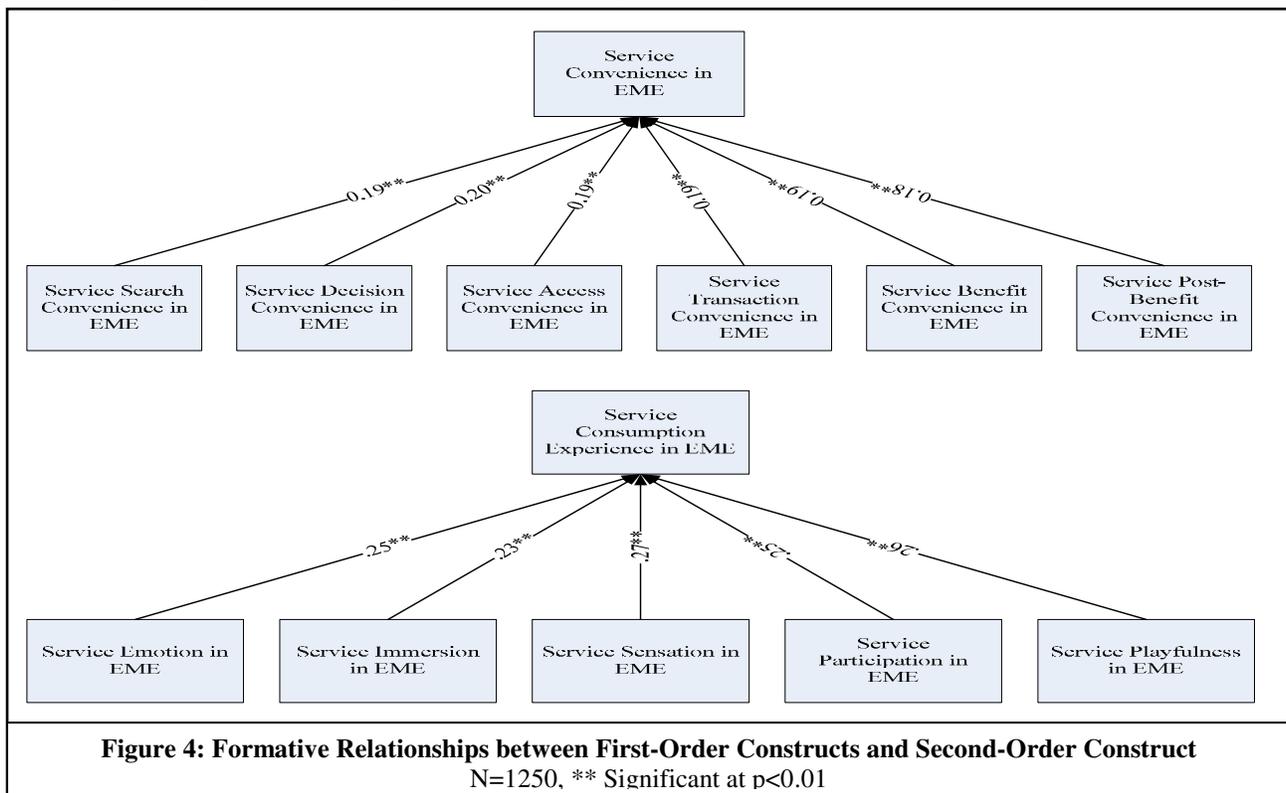
Items Used For First Order Constructs and Second Order Construct	Mean	Std. Deviation	Loading
This service provider provide picture that allow me to view a product/service from multiple angles (i.e. front view, side view, rear view)	3.10	1.20	0.78
This service provider makes it possible for me to contact someone who has already bought/used this product/service to obtain a testimonial	3.11	1.19	0.84
This service provider has the website that makes you feel like you are part of community	3.36	1.14	0.82
This service provider provides online chat function for potential customer-salesperson interaction.	3.11	1.20	0.73
Service Participation in EME (Reliability=0.84)			
I actively search information from this service provider	3.41	1.16	0.90
I actively purchase the service from this service provider	3.43	1.11	0.92
I go to this service provider's website directly to search information	3.58	1.14	0.92
I go to this service provider's website directly to purchase service	3.49	1.15	0.88
Service Playfulness in EME (Reliability=0.92)			
I feel creative when I use this service provider's website	3.08	1.15	0.81
I feel playful when I use this service provider's website	3.33	1.20	0.73
I feel unimaginative when I use this service provider's website(R)	3.23	1.11	0.05
I found that this service provider's website motivates customers to feel participation	3.58	0.99	0.70
I found that this service provider's website is fun	3.36	1.15	0.90
I found this service provider's website is entertaining	3.35	1.20	0.87
Items Used For Principal Constructs	Mean	Std. Deviation	Loading (Refined)
Perceived Value (Reliability = 0.91)			
The prices I pay for service from this online ESP represent a very good deal.	3.45	1.17	Dropped
The time I spend in order to use this service from this ESP's site is highly reasonable.	3.77	0.98	0.85
The effort involved in using this service at this ESP's site is worthwhile.	3.84	0.97	0.86
The service consumption experience at this ESP's site is excellent.	3.74	0.95	0.84
I found significant value by using service from this provider.	3.81	0.96	0.82
Satisfaction (Reliability = 0.89)			
Overall, I am satisfied with this ESP	3.99	0.99	0.93
I did the right thing when I decided to use this ESP	3.90	0.99	0.91
I regret doing business with this ESP (R).	2.78	1.48	Dropped
Commitment (Reliability=0.88)			
My relationship to this specific service provider is something that I am very committed to.	3.53	1.09	0.88
My relationship to this specific service provider is very important to me.	3.46	1.08	0.93
My relationship to this specific service provider is something I really care about.	3.36	1.08	0.92
My relationship to this specific service provider deserves my maximum effort to maintain.	3.03	1.21	0.76
Loyalty (Reliability = 0.87)			
I have a strong relationship with this ESP	3.14	1.41	Dropped
I am likely to switch to another ESP in the near future. (R)	2.70	1.28	Dropped
I will choose this ESP next time when I purchase same service	3.55	1.07	1.00
Word-of-Mouth Communications (Reliability = 0.81)			
I often recommend this ESP to others	3.53	1.14	0.89
I tell my friends about this ESP	3.47	1.08	0.89
I want my friends to buy from this ESP	3.30	1.09	0.84

Validation of Formative Second-Order Construct

To estimate the formative second-order constructs: Service Convenience in EME and Service Consumption Experience in EME, this study modeled the coefficients (γ_i) of each first-order factor to the latent second-order factor following Chin (1998; 2003), Diamantopoulos et al. (2008), and Pavlou and Sawy (2006). The second-order formative constructs were formed by calculating the weights of the first-order constructs to the second-order

construct (Edwards 2001; Pavlou and Sawy, 2006) using a principal components factor analysis (Diamantopoulos and Winklhofer 2001; Diamantopoulos *et al.*, 2008).

As shown in Figure 4 below, the impact of all first-order constructs that capture the various dimensions of Service Convenience in EME is significant ($p < .01$); similarly, all first-order constructs of service consumption experience are significantly associated with second-order construct of service consumption experience in EME ($p < .01$). This study examined the correlations among the first-order factors and they were all significant ($p < 0.01$). Significant correlations among the first-order constructs suggest that the first-order constructs may belong to the same set, even though formative constructs need not be correlated (Chin, 1998). Authors also tested whether the second order construct fully mediates the impact of the first-order constructs. This step ensures that the second-order construct is a more parsimonious representation of the first-order constructs and is able to fully capture their predictive power on dependent variables (Chin 1998). In short, these tests support the proposed second-order formative model of Service Consumption Experience and verify its construct validity.



Testing the Structural Model

PLS path coefficients are shown in Figure 5. Item loadings of each construct are omitted for a clear exposition. The results reflected that service convenience has significant influence on service consumption experience ($B=0.60$, $p < 0.01$). The service convenience itself could explain 35.7% of variance of service consumption experience. In another words, service consumption experience is highly correlated with service convenience in EME. This result strongly supports hypothesis 1.

Regarding the relationship between service convenience and relational exchange dimension, service convenience shows strong impact on consumer perceived value ($b=0.71$, $p < 0.01$) and satisfaction ($b=0.46$, $p < 0.01$), thereby supporting H5.6 and H5.7. Service consumption experience also significantly influences consumer perceived value ($b=0.17$, $p < 0.05$). But the result didn't find any support between service consumption experience and consumer satisfaction ($b=0.03$, $p > 0.1$). These results validated Hypothesis 2, 3, and 4, but not Hypothesis 5.

All hypotheses in relational exchange are supported in this research. There is a strong association between perceived value and satisfaction ($b=0.44$, $p<0.01$). Satisfaction has demonstrated significant impacts on customer loyalty ($b=0.47$, $p<0.01$), commitment ($b=0.41$, $p<0.01$), and word-of-mouth communications ($b=0.34$, $p<0.01$). In consistent with existing relational exchange literature, commitment significantly influences consumer loyalty ($b=0.22$, $p<0.01$) and word-of-mouth communications ($b=0.46$, $p<0.01$). The results also show that service convenience and service consumption experience together are able to explain 67.9% variance of consumer perceived value of service in EME. In the meantime, 69.4% of variance of consumer satisfaction could be explained by its determinants: service convenience, service consumption experience, and perceived value. Consumer satisfaction itself is able to explain 17% variance of consumer commitment. As the relational outcome, 33.1% of variance has been explained to customer loyalty and 45.1% of variance of word-of-mouth communications respectively. These results validate hypothesis 6, 7, 8, 9, 10, and 11.

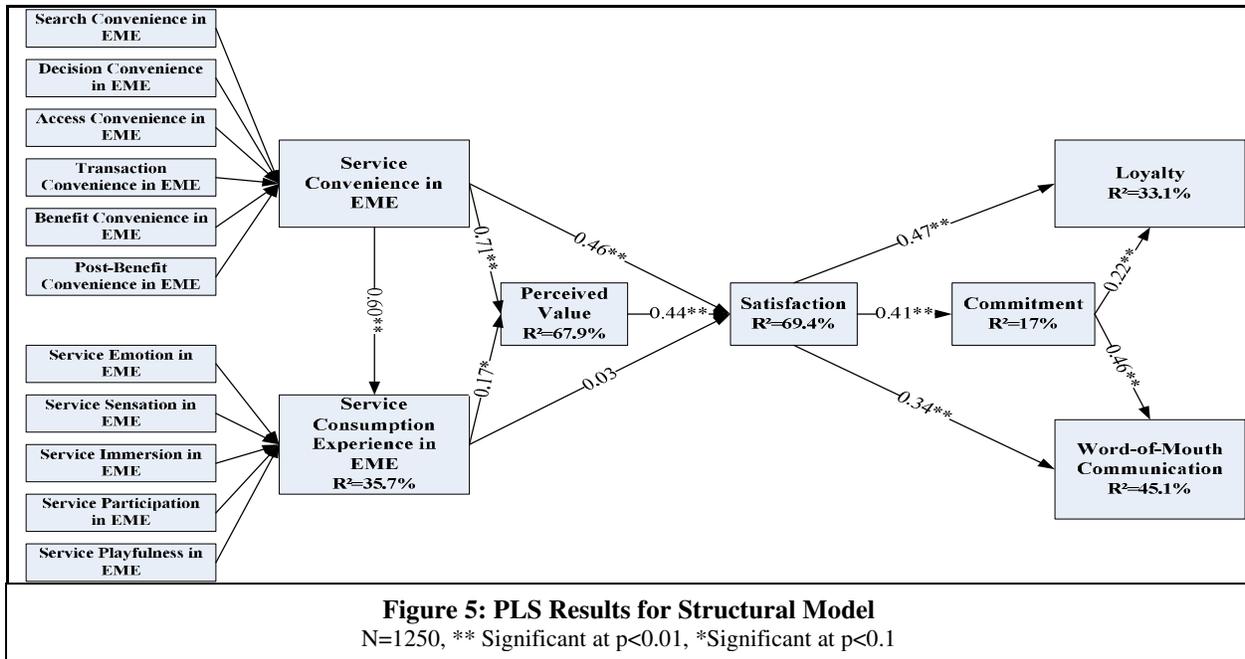


Table 4: Summary of Hypotheses Tests and Results

Hypothesis	Path Descriptions	Hypothesized direction	Path coefficients	T-statistic	Support
Hypothesis 1	Service convenience in EME → Service consumption experience in EME	(+)	0.60	11.22	Yes
Hypothesis 2	Service convenience in EME → Perceived value	(+)	0.71	8.98	Yes
Hypothesis 3	Service consumption experience in EME → Perceived value	(+)	0.17	1.93	Yes
Hypothesis 4	Service convenience in EME → Satisfaction	(+)	0.46	3.02	Yes
Hypothesis 5	Service consumption experience in EME → Satisfaction	(+)	0.03	0.69	No
Hypothesis 6	Perceived value → Satisfaction	(+)	0.44	2.70	Yes
Hypothesis 7	Satisfaction → loyalty	(+)	0.45	4.11	Yes
Hypothesis 8	Satisfaction → Commitment	(+)	0.41	5.19	Yes
Hypothesis 9	Satisfaction → word-of-mouth communications	(+)	0.34	3.19	Yes
Hypothesis 10	Commitment → loyalty	(+)	0.22	2.34	Yes
Hypothesis 11	Commitment → word-of-mouth communications	(+)	0.46	4.86	Yes

Discussion and Conclusion

It is well accepted that we live in a service economy increasingly driven by information technology. Most, if not all, services and corresponding service consumptions can be enhanced and made economically beneficial, for both the consumers and service providers, through the application and use of IT. In this context, our study is the first to introduce service convenience and service consumption experience construct, as part of conceptualizing services in EME, to IS research and to present validated instrument for future research. We have presented both convergent and discriminant validities to facilitate evaluation of the latent structure of the service convenience and service consumption experience as a second order factor as well as the overall nomological net as suggested by Chin (1998). Our research confirms that service convenience and service consumption experience serves as indispensable factors for successful long-term relationship development in EME. In this research, authors have found that service convenience and service consumption experience in EME explained respectively 67.9% variance of perceived value of service in EME which will lead consumer satisfaction of certain service in EME. This finding clearly demonstrates the value of service convenience and consumption experience in developing long term exchange relationships between consumers and service providers. Marketing and consumer research literature as well as ecommerce and IS literature have long identified value and satisfaction to be critical in determining the exchange relationship (Yen and Lu, 2008; Oliver 1992; Rose and Straub, 2001; Rose et al., 2005). Additionally, the analyses demonstrate that satisfaction and commitment account for respectively 33.1% and 45.1% of the variance of loyalty and word-of-mouth communications related to services in EME. This result further confirms that we were able to properly conceptualize service convenience and service consumption experience as significant determinants of for long term relationship development in the our integrative framework. This provides further proof of the validity of the second order factor model for service convenience and service consumption experience in the context of a relevant nomological net (Chin, 1998).

This research contributes to the current literature and IT service practitioners in the following significant ways. First, this study attempts to fill a void by introducing two important concepts: service convenience in EME and service consumption experience in EME to IS research. Since service convenience and service consumption experience are intuitively and logically critical success factors to engender online consumers' value perception and satisfaction, a rigorous development and validation of these two constructs should prove beneficial. Second, this research also attempts to establish and test the impacts of service convenience in EME and service consumption experience in EME in developing long term relationship with service provider from consumer's perspective (Kim et al., 2008). The integrative framework provides a complete nomological network for future research to investigate service convenience and service consumption experience in different settings so that systematic knowledge can be accumulated. Third, there is an evident lack of research in the area of exchange relationship in EME. This research makes significant methodological contributions in IS literature by laying the foundation for future research. Fourth, the focus from the consumers' perspective adopted in this study can be translated for management in crafting an integrated service strategy in EME. Specifically, convenience strategy and experiential strategy can be fueled by information technologies and their application to service consumption. Furthermore, this study highlights the significant correlation between service convenience and service consumption experience in EME. The finding underscores the need for service providers and managers to effectively engineer the service convenience strategy to improve the convenience and consumption experience of service in EME and ultimately maximize the consumer's perceived value and satisfaction for long-term relationship development.

There are some limitations that need to be noted. The validity of the results strongly depends on the sampling of the surveyed subjects. There is the possibility of lack of generalizability as the surveyed sample is a large group of young people (75.6%). In addition, more than ninety percent of respondents in the sample of this study have at least some college experience. The subjects in the current sample—young generation and educated people—are very familiar with online shopping and have a high technology readiness (Parasuraman, 2000). Prior studies have also indicated that students are more open to the kind of innovations found in electronic services and are the first to adopt such innovations (Kim et al., 2007). This study can be enhanced in the future by including more demographic variables to see if there is clear segmentation in terms of the consumer's perception of service convenience, service consumption experience, and relational exchange. There could be other factors that contribute to consumers' perceived value and their satisfaction of service in EME; for example, service quality, service delivery, consumer trust are proposed as significant determinants of relational exchange in marketing literature (Seider s et al., 2007). Therefore, future research direction is to replicate the theoretical framework to extend our finding in this research using other constructs as identified above.

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