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Antecedents of loyalty in an online retailing business

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Abstract

Retailing industry is challenged by empowered customers, scattered markets and intensified competition. Online retailing has a unique opportunity to take a leading role in the global marketplace by providing location free, customer controlled, and information rich retail service. Customer experience with an online retailer includes multiple factors. It is crucial to determine what website functions and features should be emphasized to create a satisfactory experience. Understanding an effective functional feature of website and their combinations can result in superior customer experience, which in turns influences customer loyalty. Accordingly, having loyal customers is a competitive advantage and results in high revenue and returns. In other words, loyalty, in the retail industry, is influenced by multiple shopping experiences over time. Based on this motivation this thesis attempted to identify and test some derivers of atmospheric experimental experience, and explain how they contribute to customer loyalty in an online retailing business. This thesis is an outcome of empirical research. A theoretical model is tested and analyzed. It is based on 150 unique and randomly selected customers in UK. The model tests online experience on loyalty. Particularly, the impact of three theoretical factors i.e., "website design", "customer service" and "privacy/security" on atmospheric experimental experience has been analyzed in the first place. Secondly, this thesis studies the impact of atmospheric experimental experience on customer loyalty in an online retailing business. Results reveal that three factors of atmospheric experimental experience positively contribute to customer experience. Result confirms that experimental experience has a positive impact on customer loyalty in an online retailing business. One conclusion is that online retailers can offer a satisfactory experience to customers if they consider using the three factors previously mentioned. Findings are in congruence with earlier theory and can be helpful to online retailers. This thesis uses terms of online retailing and online business interchangeably.

Key Words: Customer loyalty, experimental experience, Online retailing business and online customers.

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CHAPTER1. Introduction

Recent research conducted by the Center of Retail Research (CRR) heed that online retailing is one of the fastest growing markets in the Europe. The value of this market is estimated to £169.88 billion in 2011. Online retail sales in the UK, in 2011, were £50.34 billion or 12% of UK total retail trade. More than 60% of UK retailers are planned to improve their "online only" sales at least by 10%. Evolvement of e-commerce technologies has increased customer online experiences through the direct engagement and interaction within the website. Furthermore, planned growth of many online retailers and enhancing customer online experience pushes the competitive edge of online retail market more than ever.

Within this competitive marketplace, there are some businesses that offer their services for free, while they generate large sum of revenue. Few examples of these businesses are eBay, YouTube, Flicker and Swedish Hemnet. Their revenues are mostly based on the huge traffic. This thesis specifically concentrates on an online retailing business that offers its service for free across the UK. While many possible ways of offering free services exist in the current literature, one factor seems more powerful than the other, and that is the role of customer loyalty. Customer loyalty is a key concept widely acknowledged by many researchers (Agustin and Singh, 2005; Caruana, 2004; Eggert, 2000; Peter, 1999). Customer loyalty is vital in the success of an online business for mainly two reasons. First, loyalty is an economic necessity because acquiring customers on Internet is expensive. Keeping customers is thus cheaper than finding new ones. The Likelihood of generating revenue decreases unless the customers repeat purchases over the year. Secondly, loyalty is a competitive necessity. Some businesses have figured out how to equip their website to provide exceptional value for customers, by providing targeted services. Those businesses establish a profitable relationship at the expenses of their slow paced rivals. Therefore, even the best designed online business model will collapse without the glue of loyalty (Reichheld and Schefter, 2000).

In order to enjoy the benefits of customer loyalty, an online business needs to know the antecedent drivers of loyalty. Many authors tried to determine the online attributes that have an impact on loyalty. Review on literatures reveals that customer loyalty in an online store depends on the website user experience factors. According to Pentina et al. (2011),

"...to compete successfully in an industry characterized by low entry barriers, high-technology transferability and low customer-switching costs, it is important to emphasize on those web site functions and their combinations, which can truly deliver superior customer experiences...".

Reichheld and Schefter (2000) argued that satisfactory multiple purchasing experience leads to long term loyalty. Therefore, it seems that the success factor of an online business defines on how it can deliver a satisfactory experience to customers. Knowing website features and utilizing them will impact the customer online experience. Positive online experience affects a customer future buying intentions, attitude toward the online business and loyalty.

The above factors motivated me to investigate about the website related factors which can be used as antecedents' drivers of loyalty. This thesis work is mainly inspired by the work of Ha and Stoel (2009). This thesis purpose is to identify the dimensions of online atmospheric experience and then test the effect of those experiences on customers' loyalty.

1.1 Customers that become loyal customers

One traditional definition of a true loyal customer has been given by Oliver (1997, p. 392):

"... deeply held commitment to re-buy 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."

According to Gommans et al. (2001), the concept of loyalty in an online environment or "online loyalty" extends the traditional concept of loyalty to online customer behaviour. Although, the theoretical foundation of both traditional and online loyalty is similar, there exist some differences in an online environment. Schultz (2000) describes online loyalty as evolution of traditional loyalty towards a distribution driven, consumer controlled and technology-facilitated concept. Therefore, a loyal customer does not consider switching to other service/product supplier, and they often recommend the supplier to families and friends (Thatcher and George, 2004; Oliver, 1999)

Neal (2000) defines customer loyalty as an individual behaviour while competing views generalize behaviour based on common characteristic among groups of loyal customers. Another assumption of loyal customer is his inclination to sustain and develop long term stable relationship. A loyal customer is willing to close his eyes to external pressure, like competitors' offers, as well as internal shortcomings like technical problems. The latter is common in personal dependent services such as banking. Stratigos (1999) argues that loyalty is like commitment, and it can be seen as a resistance to change. Stratigos (1999) continues that loyalty is only tangible when pressure in internal or external environment tries to change a customers' behaviour. A loyal customer is more tolerant towards defects and flaws. A loyal customer keeps using the provided services because his personal needs are fulfilled by the business. Thatcher and George, (2004) argued, that staying with a business only because of promotion campaigns is not loyalty. The other characteristic of loyal customers is that they complain if something unpleasant happen in the business instead of leaving. They complain only because they care for the business and they want the business to act in its best way. Such complains provides input towards business management team. Complaining customers considered as feedback likely support business performance. Un-loyal customers usually do not complain even if they experience with some inconvenience; they do not care and simply switch to another rival businesses in the market.

Reichheld and Schefter (2000) argue that loyal customer "expects" the representatives within the business to improve the current condition. A loyal customer expects that a proper step will be taken after his complains to compensate the objections. In fact, an expectation is the key that differentiates loyalty form other concepts like trust and faith. Reichheld and Schefter (2000), continues that there are many things that can have influence on the relationship between customers and the business, such as a technology problem and too long answering time. However, these shortcomings will have less impact on loyal customers than un-loyal customers.

Braum (2002), argue that companies cannot make customers loyal by bribing them. However, there are things a business can do to persuade the customers towards loyalty. One strategy is to engage customers in the business daily activities. Businesses should follow strategies to

make their customers passionate about them. A loyal customer is the one who is passionate not only about the provided services, but also about the whole business.

1.2 Significance of Loyal Customers to Successful Online Business

Cyr (2008) argued that customer loyalty is the key determinant of sustainable growth and profitability. In 2007, number of Internet users reached to one billion worldwide, which is 183 percent increase since the year 2001. Online retail businesses aim to capture this growing international market by creating positive shopping experience that encourages customers to return to the website in the future. According to Reichheld and Schefter (2003), if customer loyalty increases by five percent, the business profit will increase by 25 to 95 percent.

Loyal customers are therefore vital for any business and it has at least two main implications for retail businesses. First, customer loyalty can lead to gradual increase in the business's customer base, which is significant in the period of low sales growth. Secondly, the longer each customer stays loyal to the business, the profit earned from that customer raise exponentially (Sirohi, McLaughlin & Wittink, 1998). In addition, Rose (1990) argue that the existing customers tend to buy more than new customers do, which raise the profit progressively.

It is thus assumed that a business attempts to sustain profitable relationship with its customers. The measurable and concrete result of this attempt is creation of loyalty. Having a loyal customer is therefore important for a business since there is a direct link between customer loyalty and market share, profitability and customer satisfaction (Oliver, 1997; Rust & Zahorik, 1993). Most B2C (business to customer) online business models have relied primarily on an intensive effort to generate a large enough customer base, and subsequently on gaining profitability based on a "lifetime revenue potential" from each loyal customer (Porter, 2001).

However, Dowling and Uncles (1997) explained that customer loyalty to a business is not something eternal and that a business can take for granted. Customer loyalty is significant to a business, because it is a propensity to patronize a particular business for a definite length of time. By considering the time limit, a business should ascertain and manage all the factors that have impact on customer loyalty, in order to generate profit.

Online businesses should thus be more sensitive to the factors that have impact on customer's loyalty to extend the time that the customers spend in their website. Customer loyalty in the online business is important since it is facile for a customer to drop in and check online for any products/services in the Internet. However, on the other side, switching to other alternative competitors is also easy. According to Reicheld and Sasser (1990), customer loyalty has positive impact on generating profit. Loyalty generates profit by increasing revenue, reduced expenditure of acquire new customers and less customers' price sensitivity. In the other word, loyal customers help a business to reach their primary objective, which is generating profit.

1.3 Problem Discussion

While disloyal customers can cost more than they benefit businesses, a loyal customer is an asset for businesses and impacts their economic competitiveness (Dekimpe, Steenkamp,

Mellens & Van den Abeele, 1997). One primary objective of a business is therefore to maximize revenues by converting disloyal customers to loyal ones. Many authors argued that loyal customers are less price-sensitive and less reluctant to switch service provider, which has a positive impact on business revenue (Caruana, 2004; Jones and Farquhar, 2003; Staack, 2004; Reichheld, 1996; Anderson, Fornell and Lehmann, 1994). Customer loyalty is thus a key determinant in predicting a business revenue level (Baldinger & Rubinson, 1996; Jacoby & Chestnut, 1978; Reichheld, 1996).

In an online business, customer loyalty concept plays an important role. The only asset a service provider has to influence customer loyalty is a website. A website with its all attributes is the main element in shaping a customer experience. Having satisfactory experiences continuously will make a customer loyal. However, the problem is to find out what are the website attributes that influence customer loyalty. It is crucial for online businesses to know how a sense of loyalty forms and develops in online customers. Geffen and Straub (2003) argued that the effective website can potentially lead into online customer loyalty and eventually to revenue maximization.

1.4 Problem Formulation and Purpose

The above discussion leads to the following research question:

Research Question: What factors contribute to customer loyalty in an online business?

There are numerous terms and definitions of customer loyalty concept, like customer bonding, commitment or customer retention (Gounaris and Stathakopoulos, 2004). Most of these definitions are agree that a true loyal customer has a positive attitude towards the business and he feels an inner commitment to the business. As develops in the above discussion, a business needs to know how a sense of loyalty creates in customers in order to survive. How a customer becomes loyal to an online business and what are the factors behind the creation of loyalty in the Internet is what this thesis is going to answer. In terms of finding an answer, this thesis looks into those website characteristics suggested by previous studies as determinant factors of customers' loyalty. For instance, Wolfinbarger and Gilly, 2003, suggest four factors of website design, fulfillment/reliability, customer service, and privacy/security as derivers of customer loyalty and attitudes toward the website. However, this study is mainly influenced by the work of Ho and Stoel (2009). The focus of present study is on the relationship of website design, customer service and privacy/security on customer atmospheric experience and its impact on customer loyalty. These derivers of loyalty will be test on a sample of 150 customers of a well know e-retailer business in the UK. The result of this empirical study will show weather these determinants have positive impact on customer's loyalty or not.

The purpose of this study is to explore, first, how drivers like website design, privacy/security and customer service influence customer's atmospheric experience, and second, to determine how atmospheric experience affects the customer's loyalty. This thesis adapted a theoretical model (Ha and Stoel, 2009) and tested the hypothesis in the context of an online retailer in the UK. The framework of this study comprised of five factors (i.e. website design, Customer Service, Privacy, Experience and Loyalty), with 17 observed variables (questions). In fact, each factor has several questions in accordance with (Ha and Stoel, 2009) theoretical model.

1.5 Target Audience

This thesis carried out from a managerial point of view within online businesses. Usage of Internet and new technologies are in verity areas in life and businesses are not excluded. This study has focused on finding the determinant elements in the online business, which brings customer loyalty to that online business.

The findings in this research can be of keen interest to managers and business owners, who have a passion to join online retail industry. To be more specific, the result of this thesis would be interesting for those, who are making profit while offering free services and persuading their customers to interact and collaborate directly within the business. Businesses that provide/offer information and services, consulting, website development, also those who are analyzing the relationship between new technologies and human interaction may be most interested in the results of this thesis. One of the solutions of doing businesses in an innovative and low budget channels is to increase customer interaction, that new online technologies make this possible. Therefore, new entrepreneurs who are looking for less expensive ways of running a business might be benefiting from this study.

1.6 Thesis Outline

According to (Ghauri, 2005),

"…research design provides a plan or a framework for data collection and its analysis, which identifies the research methods and the priorities of the researcher…"

The structure of thesis starts with the introduction chapter. The royal customer definition and importance of loyal customers to the business is discussed as the background of the study. The introduction chapter also contains problem discussion, research purpose and question.

The second chapter concentrates in developing the theoretical framework and hypothesis. This thesis has been influenced by the work of Ha and Stoel (2009). Besides, I have used other scholars' researches and findings to support my present study. In order to provide the logical sense of relationship between variables related to the thesis problem, main part of the thesis is dedicated to this chapter. This chapter aims to make a clear view about the variables and their relationship, which finally leads to the thesis proposed model.

The third chapter focuses on the methodology used in this thesis. The main research approaches chosen for analyzing of the highlighted topic have been explained. This chapter also includes arguments about research strategy, data collection, developing the questionnaire and data reliability and validity.

Chapter four is dedicated to empirical findings and analysis. This chapter includes discussion about the statistical findings and confirmatory factor analysis. Structural design and hypothesis testing are brought in the last part of this chapter.

Chapter five provides the main discussion and implication which is derived from of the analysis of the empirical data. Final conclusion and further suggestions will point out afterwards.

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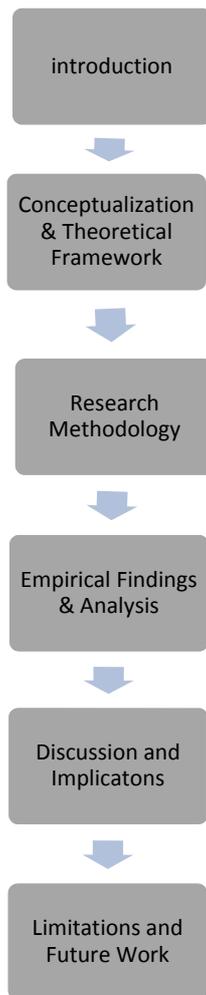
Fig. 1Reseach Process

CHAPTER2. Theoretical Background and Hypothesis

2.1 Loyalty

A guiding principle in marketing is that it is cheaper to keep customers than finding new ones. This principle is the central principle of loyalty. At heart, a loyal customer returns and recommends others to do business with the focal company. According to (Mägi, 1999, p 42), loyalty is definable as a positive evaluation to an object. Loyalty is a felt of commitment or a latent mental state that reflects in the customers behaviour towards an object.

Oliver (1997, p 392) argues that loyalty is a deeply held commitment to re-patronise or re-purchase a preferred service/product continuously in the future. Loyalty causes buying the same brand set consistently while marketing efforts, and situational influences have the potential to make switching behaviour. Braum (2002) explains loyalty as a feeling of passionate support and exclusive allegiance. Reichheld (1996) described loyalty as a feeling of agreement, responsibility and obligation.

According to (Reichheld, 1993), there is a procedure towards loyalty. A person would not become loyal automatically because the offered products/services satisfy him. Loyalty is like a process; it is not possible to buy loyalty from customers or forced them to become loyal. Quality of services/products is one of the factors that might lead to customers' satisfaction. However, customers' satisfaction is not enough for developing a relationship. The requirement for developing a relationship is interaction between the customers and business.

Grönroos (2000) believed that attention to customers' feedback and continual dialogue to customers' complaints and questions will lead to sustainable and strong relationship. Grönroos (2000) stressed, central part of loyalty is the personal relationship, although it is not enough to make customers loyal. When personal relationship among a customer and a business become deeper, both sides will trust each other more, and in time this will lead to commitment. A customer will develop a positive attitude towards a business when she feels satisfied by her experience with the business. The positive attitude about the business might go one step further to intentions of re-using of products/services offered by the business. Hirschman (1970) argues in his treatise that customer of a business has two possible response when she receives services. She may "exit" (withdraw from being a customer); or she may "voice", which means to improve her relationship with the company through communication. Hirschman explains that loyalty is the main element in interaction between exit and voice. In fact, loyalty can postpone the exit option and make the voice more effective. Loyal customers rarely change their supplier instead they try to voice complaints. Stratigos (1999) measures loyalty as customers' likelihood to reuse services/products and recommend the business and its services to others. Loyal customers are less likely to change their spending behaviour than none-loyal customers if the quality of the product/service does not meet their expectations.

There is a distinction between psychological and behavioural loyalty. Most authors have written about behavioural loyalty. Behavioural loyalty means purchasing from the same business repeatedly. However, Bhatty, Skinkle and Spalding (2001) argue that repeatedly purchasing is not necessarily a reliable indicator for loyalty. They explain that a customer can constantly purchase services form the business while she is waiting for a better services offered by other businesses. Jones and Sasser (1995) also use term "false loyalty" for reusing services/products repeatedly. Trust and strong relationship among customers and the business shape a real customer loyalty (Bhatty, Skinkle and Spalding, 2001).

As explained above, definition of loyalty can differ due to the way of looking at it. Some authors see it as repeat buying behaviour, some as an obligation, and other authors see it as the likelihood of giving recommendations or as a mental state. Attitudinal and behavioural loyalty will not fully cover all aspect of loyalty individually. Attitudinal loyalty hides in mind if it is not accompany with any behavioural action, and behavioural loyalty can be false as it needs attitudes to prove its authenticity. Mägi (1999), provides a comprehensive definition of loyalty; loyalty is a mental state showed in the customer behaviour.

Based on the above discussion, this thesis defines loyal customers as following:

Loyal customer is the one who possesses a positive attitude towards a business. A loyal customer considers using the business's product for a long time, and whenever a need for this product arises. A loyal customer shows a repeated purchasing behaviour not because he is waiting for other competitors to proved better services, but because the way the business offers its products satisfies him.

2.2 Behavioural and Attitudinal Loyalty

According to (Pritchard, Havitz and Howard, 1999), loyalty is definable in a mixture of both concepts of behaviour and attitude. Attitudinal loyalty comes from commitment. Attitudinal loyalty is motivated by unlimited dedication to a brand or in this study, Gumtree.com. The behavioural loyalty, on the other hand, is in direct relation with repeat purchase. However, Bhatty, Skinkle and Spalding (2001) believed that repeat purchase is not a suitable indicator for loyalty. For example in this study, a customer may visit and purchase form gumtree.com repeatedly until another competitor in the market provides a better service. In fact, behavioural loyalty depends on the current situation.

A clear example of false loyalty is about government regulations. State regulation limits the competition or causes high switching cost that exceeds the advantage of switching to another company. This imitative loyalty can also gets another term; "convenience loyalists" (Neal, 2000). Pragmatic reasons are the main cause for customers to keep using the offered services from the company. Although, customer is ready to switch to another company as soon as one single flaw occurs in the services. According to Bhatty, Skinkle and Spalding, (2001), strong and trustworthy relationship among the online business and the customers drives genuine customer loyalty. However, customers who are attitudinal loyal shape a relatively small fraction of total customers. Mägi (1999, p. 140) demonstrates four types of loyalty by the following figure:

Type of Loyalty		Attitude	
		low	high
Repeated Behavior	Low	Not Loyal	Latent Loyal
	High	Spuriously Loyal	Loyal

Fig 2: Types of Loyalty

A customer can fall into any of the four quadrants. By considering the loyalty as a combination of two dimensions of behaviour and attitude, then the loyal customer is the one with the high level of repeat behaviour and high level of positive attitude towards the business. In fact, both dimensions strengthen each other. Customer positive attitudes towards the business influence him to re-visit and re-purchase from the business. Each time a customer gain a satisfactory experience from his repeated purchasing behaviour, his positive attitudes toward the business strengths. Spuriously loyal is a customer who has low positive attitude towards the company, but he has a high level of repeat behaviour. In fact, a customer become spuriously loyal due to the impulses or advertisement in the society; thus he is not a truly loyal customer. A latent customer is the one with the potential to become a loyal customer. Latent loyal has high positive attitude toward a company with a low repeating behaviour. The last quadrant is for not loyal customer, or the person with low attitude and low repeating behaviour (Mägi, 1999).

2.3 Customer Loyalty in the Online Environment

For decades, there was a well defined support and marketing relationship between a business and its customers. Traditionally, businesses made channels of interaction that helped customers' communication with support, marketing and development. In this traditional method of relationship, customers played the passive role, and the business was the source of expertise about its products. There were also limits for interaction between customers (Pavlou, 2002)

The role of customers began to change fundamentally form passive to active by the Internet evolution. Prompt expansion of new technologies, like social media, impacts customers' mentality about the business. Customers consider the business as one of the many players in the process of production, as well as a community who also produces contents, reviews and comments. However, businesses often stay as a dominant player in the system. Businesses need to understand the customers dynamically to be able to serve them best, and also build loyalty. The formal and traditional channel of customer engagement still exist, and many businesses still following them. However, new online technologies have brought a new and more conversational engagement channel than the formal ones.

Interactive Technology Definition: Tools and software that responds to user actions and it cause the user to respond further.

One of these online interactive channels is community technology. Community technology enables customers to interact with each other directly. (Lytras, Damiani and Pablos, 2009)

Evolution of technology in the Internet creates a platform for customers to engage with the business and other customers. In fact, technology impacts customers and change their traditional role (Shoham and Pesämaa, 2013). Loyalty derives from the customer's engagement with the business. A business that embraces the new technologies and focuses on customers' interaction in its strategies will make its customers loyal. On the other hand, customers expect a high level of transparency from the business upon which they rely. Businesses that meet the customers' transparency expectations are able to achieve their customers' loyalty.

According to Breslin and Decker (2007), Interactive technologies can even make a higher level of loyalty by increasing the customers' involvement in many vital aspects of the business. Customers are involved in customer support, marketing and product management. In fact, interactive technologies enable the business to understand that engaging in the online environment requires more than communication channels. A successful online business considers every relevant interaction beneficial, and it aims to provide genuine feedback to all of its customers.

For example, traditionally customer support service has been a communication channel between customer and the business. In this traditional model, customers had to call/mail, or business calls customers for feedback. This means of communication are quite expensive comparing to the platform offered by interactive technologies. Within the new online technologies writing a review on a service/product or rating on a service/product is few clicks away at a leisure time. Therefore, customer support can modify and present a better quality services based on customers rating and reviews. Moreover, customers also tend to trust independent reviews and comments by other customers more than those of a service provider, or a business who has an interest on selling its product/service.

Customer in the interactive environment plays as an active participant by sharing his experiences and ideas directly with other customers and business. Business customer support cost tends to decrease, when customers become active participants. Businesses can effectively extend their customer support structure without increasing the cost, since in the online interactive environment customers take part in providing services to each other. Each customer is a source of knowledge, experience and ideas, and the online business has access to this pool of knowledge and experience. This pool of information, that the business achieves it for free, is a key to new market creation and new production. Besides, level of transparency among the business and its customers will increase, when everyone is free to write a review and comments. Transparency with customers is the background for getting the customers' trust (Benkler, 2006).

Loyalty is born by the feeling of maintaining and trust. Satisfaction is a critical factor in the creation of loyalty; however, it is not the only factor in loyalty creation. Loyal customers may experience dissatisfaction at any time, but their loyalty has been generated by participation in a large community. Interactive technology is the key stone in building this community and it has become the central player in developing the long term customer loyalty. Interactive platform provides greater information sharing through robust communities of practice and also with the powerful support feedback mechanisms. With the power of information sharing,

businesses are able to generate a higher level of trust and understanding with their customers, which consequently leads to loyalty (Lytras, Damiani and Pablos, 2009).

As a conclusion and according to (Yen and Lu, 2008; Gefen, 2002), those online businesses that integrated new technologies should consider these rules to generate customer loyalty.

- Community Of Participation

People usually gathered around the common interests or passions. Interacting with other customers, who have a common experience and feel in the same way gives strong bonds. Yen and Lu (2008) argued, that trying to influence customers directly is not as momentous as providing them support in their interaction with each other through their activity in their online community. This supportive behavior form company increase the level of customer engagement and hence loyalty.

- Listening To Customers

The one-way conversation will no longer engage customers. Talking, sharing and most influential listening are the elements of effective dialogue. The result of developing dialogue with customers shows in building trust and earning loyalty. Being able to contribute ideas and opinion connects the customers to the business. This connection gets stronger, when the business accepts the customer as a counterpart in the dialogue, and truly listens to what the customer says and acts.

- Meet Customers Expectation With Honesty

According to marketing and customer management research by Accenture, delivering promises consistently to customers has a considerable impact on creating loyal customers. In fact, for all businesses in the research, regardless of the industry or business model (i.e., B2B or B2C), developing and delivering the customer's expectations includes 33 percent of a business ability to gain customer loyalty. The research defined three factors that should be followed by business. First, honesty of relationship which means, that an employee should tell the truth about his position and responsibility to the customers. Secondly, Honesty of Opinion which means that an employee should say what he believes in a conversation with a customer. Thirdly, Honesty of Identity means that an employee should never obscure his identity.

- Reward The Best Customers

Businesses always should bear in mind how customers want information, and when do they want information. By supporting the community members and their customers with what they are looking for, a business can build loyalty and increase its market value. One easy way to generate a relationship based on trust is to deliver appropriated and valuable information. In order to deliver information, online businesses should optimize their website's content discovery and delivery. Customers can easily find and get access to related information and share it with other users, when the website design is optimized. In fact, businesses should try to give relevant links and feeds to customers to support them with what they are looking for.

2.4 Antecedents to loyalty

This section aims to analyze four dimensions of loyalty including Website design, customer service, privacy/security and atmospheric experimental experience.

Numerous studies have investigated the relationship between behavioral consequences of service quality and customer satisfaction, trust and loyalty. These studies came to the conclusion that customer's satisfactory experience has significant influence on the customer's loyalty or intention of long term relationship (Lam et al., 2004; Mittal and Kamakura, 2001;

Ganesan, 1994; Mittal et al., 1998). Zeithaml et al. (1996) conducted a research on behavioral consequences of e-shopping quality, and found out that after having a satisfactory experience by using a service; customers may gain different behavioral intentions. Intention to recommend the product/service provider to others or return to the product/service provider in the future can be explained as customer loyalty. Some scholars expect that Customer's satisfactory experience is positively correlated to customer loyalty (Liljander and Strandvik, 1995; Zeithaml et al., 1996).

To understand the benefits of consumer loyalty, understanding the antecedents' drivers of loyalty is necessary. Figure 3 describes the types of antecedents that researchers have identified in their studies.

Fig. 3 list of articles about the loyalty antecedents

Article	Dependent variable(s)	Independent variable(s)
Alpar (2001)	Satisfaction with website	Ease of use; info content; entertainment; Interactivity
Chen and Wells (1999)	Attitude toward the site	Entertainment; informativeness; organization
Childers et al. (2001)	Online shopping attitudes	Navigation; convenience; substitutability of personal examination
Dabholkar (1996)	Intention to use	Speed of delivery; ease of use; reliability; enjoyment; control
Eroglu, Machleit, and Davis (2001)	Approach/avoidance	High task relevant info; low task relevant info
Koufaris, Kambil, and LaBarbera (2001–2002)	Unplanned purchases	intention to return Perceived control; shopping enjoyment
Loiacono et al. (2002)	Intention to purchase	intention to revisit Ease of understanding; intuitive operation; information quality; interactivity; trust; response time; visual appeal; innovativeness; flow
Muylle, Moenaert, and Despontin (1999)	Satisfaction	info relevancy; info accuracy; info comprehensibility; info comprehensiveness; ease of use; layout; entry guidance; website structure; hyperlink connotation; website speed; language customization; marketplace anchorage
Rice (2002)	Intent to return	Design/technical evaluation; emotional experience
Srinivasan et al. (2002)	Customer loyalty	Customization; contact interactivity; care; community; cultivation; choice; character
Szymanski and Hise (2000)	Satisfaction	Convenience; merchandising; site design; financial security

In this respect, Ha and Stoel (2009) proposed a model about the factors influencing customer acceptance of online shopping. They argued that e-shopping quality is one of the factors which have positive impacts on the customer's intention to use e-shopping. As e-shopping take place at a website, hence they considered four dimensions for e-shopping or website

quality. The first dimension is a website design, which includes all elements a customer experiences at the website like information search, order processing, personalization, and product selection. The second dimension is customer service, which can be described as ready and supportive service that response customer inquiry quickly. The third dimension is privacy/security, which is security of payments and privacy of given information. The last dimension is atmospheric/experiential experience, which is about the feelings a customer gained through the website atmosphere. They conducted an online survey with collage students (n=298) and reveled that e-shopping quality influence customers' attitudes towards e-shopping. Finally, they proved the positive relationship of customer's attitudes towards e-shopping on customers' intention to shop online

Ha and Stoel (2009) research have broad relevance with my study of antecedents to loyalty in online retail/service provider. Based on the model developed in Ha and Stoel study, this thesis aims to adopt the model test whether this also hold true or not for the case study of this thesis.

2.4.1 Website Design and Atmospheric Experimental Experience

Budman (1998) argued that creative website design will help a retailer to establish characterization and build a reputation in the mind of his customers. In fact, the website is like a medium that has potential to be more comprehensive and effective than newspaper and television. Szymanski and Hise (2000) suggest four items, which are essential, in customers' online shopping experience. The four items are a website design, financial security, perceptions of convenience and merchandising. Customers are more eager to visit; purchase and repurchase form an online store, which has better design website. Considering the critical role of a website in attracting customers, it is vital for an online business to understand the characteristic of a website design that has influence on the customer's behavior and customer loyalty (*Singh, Zhao and Hu,* 2003; Chau and Massey, 2002; McKinney *Yoon and Zahedi,* 2002; Yoon, 2002; Rousseau et al. 1998).

According to the research done by Garrett (2003) there are three attributes of website design that impacts on customer' satisfaction with their online shopping experience. These attributes are information design (ID), visual design (VD) and navigation design (ND). ID implies to the website elements that provide accurate or inaccurate information about the service/product to the customers (Garret, 2003). According to (Flavián, Guinalin and Gurrea, 2006; Wang and Emurian, 2005), One of the main prerequisite to trust is information. As McKinney et al. argued, "*Customers dissatisfied with the website information contents will leave the site without making a purchase.*" VD deals with the website overall graphical look that includes shapes, fonts, colors and photographs (Garret, 2003). According to (Tarasewich, 2003: p. 12), website aesthetics relate to the "overall enjoyable customers' experience". ND points to the navigation scheme use to hinder or help customers while they access to a different part of a website (DeWulf et al. 2006; Garret, 2003).

According to (McKinney *Yoon and Zahedi,* 2002: p. 308), "*No matter how thorough the information content of a site is a customer who has difficulty in searching and getting the needed information is likely to leave the site*". Yoon (2002) argued that there is a relationship between ND and customer's trust. Ha and Stoel (2009), believed that shopping enjoyment and trust play strong role in customers e-purchasing behavior.

Web quality instrument or WebQualTM is one of the most empirical grounded of the scale that concentrates specifically on the website interface (Loiacono et al., 2002). For developing the WebQualTM, Loiacono et al. interviewed both customers and website designers and they recognize twelve dimensions of website quality. The twelve dimensions are informational fit-to-task, interactivity, trust, response time, ease of understanding, intuitive operations, visual appeal, innovativeness, flow/emotional appeal, consistent image, online completeness and better than alternative channels. The WebQualTM provides measures that correlate significantly with the customer's intention to revisit and repurchase form the website. Although the model explains the role of website design in producing quality experience, but it cannot investigate the impact of customer service in the creation of experimental experience.

Yoo and Donthu's (2001) introduced another scale, SITEQUAL, for measuring the website interface. . Authors considered four attributes in designing the SITEQUAL: ease of use, aesthetic design which includes site creativity with multimedia and colour graphics, processing speed which considered with the pace of online processing and interactive respond to consumer requests, and security of financial and personal information

Wolfinbarger and Gilly (2003) argued that quality relates to customer retention and loyalty. Wolfinbarger and Gilly conclude that quality is the success factor in online retailer. Authors established a framework of the e-tail experience, and they provide a valid scale for the measurement of the e-tail quality. Wolfinbarger and Gilly (2003) conceptual framework called "eTailQ", and it suggests that the website design and reliability are the dimensions that significantly related to the quality of online sites. Authors argued that their eTailQ scale is comparable with SERVQUAL scale that introduced by Zeithaml, Parasuraman and Berry in 1996. However, the difference between two scales is that customer' perception of employees is a cornerstone in SERVQUAL while eTailQ considered the business as an entity. The eTailQ explains that when the customers interact with an e-retailer, they get a feeling that they are interacting directly with the business via technical interface, but not an employee.

According to the above mentioned scales and also based on the work of Ha and Stoel (2009), four questions have chosen to scale the relationship of website design and customer experimental experience. The questions I used are similar to Ha and Stoel questionnaire.

To be able to test how website design can influence a customer's experimental experience, the following hypothesis is proposed:

H1: Web site design has a positive relationship to the ability to gain an atmospheric experimental experience.

2.4.2 Customer Service and Atmospheric Experimental Experience

According to Wolfinbarger and Gilly (2003), a customer's online purchasing experience includes of many factors form information search, product evaluation, decision making, making the transaction, delivery, returns and customer service.

There is a wide range of definitions for the concept of customer service; they are varying from the primary output of physical distribution system to the allied activities of logistics and marketing (DeWulf et al. 2006; Cyr, 2005). According to Schlosser and Kanfer (2001), customer service in the Internet environment refers to the attention that a business pays to the

pre and post purchase customer to facilitate the transaction and long term relationship with the customer. Therefore, customer service focuses on both preventing any breakdowns in offering the services, and resolving the breakdowns that occur immediately. According to La Londe, Cooper and Noordewier (1988), the definition of Customer service is a *"pervasive, boundary-spanning activity that takes place from within and beyond the firm*." Cooper, Noordewier and Wagenheim (1989), viewed the customer service as a procedure that take place among seller, buyer and the third party.

As Poleretzky (1999: p. 76) argued, *"In the physical world, if I make a customer unhappy, he will tell five friends, on the Internet he will tell 5,000."* Huge numbers of articles argued about the importance of customer services, and many researchers have investigated about the impact of customer service on Trust, intention to buy, quality, satisfaction and dissatisfaction (Francis and White, 2002; Zeithaml et al. 2002; Yang et al. 2000; Schlosser and Kanfer, 2001). The fact is that the online customers have prompt access to competitors, magnifies the importance of customer service in supporting customers in any stage of purchasing. Moreover, switching to the other online competing sellers is easy and cheap, therefore, a proper level of customer service needed to keep customers satisfied (e.g., Rust & Lemon, 2001; Boulding et al. 1993; Kelley et al. 1993; Bitner, et al. 1990). Online purchasers' perceptions of service quality, is likely to play a role in customers online loyalty, market share and profitability (Porter, 2001; Reichheld & Schefter, 2000; Srinivasan et al. 2002). Chen and Tan (2004) pointed out that the quality of customer service has a direct influence on attitude toward using online e-tail stores.

Novak et al. (2000) developed a model to measure the customers experience in the Internet environment. They aimed to provide a model to understand what online attributes engaged in forming online customer experience. They formed a group of online buyers and gave them a checklist of features to rate. Customer support (customer service) was one of the factors in their checklist. Wolfinbarger and Gilly (2003), proposed a conceptual framework for measuring online e-tail quality (eTailQ) that includes eight factors that contribute to customers having a satisfying, high quality online shopping experience. One of these eight factors is customer service.

The case study that this thesis aims to study is an online retailer, which provides services to customers on the Internet. In this case customers are not only web users who need information and security. Customers are shoppers with online customer service need; hence the business's forthwith service to customers in the Internet environment will lead to customer retention and repurchase experience. Customer service in the Internet includes to the extent to which the information becomes available to customers about their desired products, minimising the service failure and tracking order facility. In fact, the businesses should provide the expected level of service to their customers in order to keep them. Customer service, like any other dimensions introduced by (Ha and Stoel. 2009) leads to some level atmospheric experimental experience.

Based on the above mentioned facts the following hypothesis proposed:

H2: Customer service has a positive relationship to the ability to gain an atmospheric experimental experience.

2.4.3 Security/Privacy and Atmospheric Experimental Experience Hypothesis

According to (Galanxhi-Janaqi and Fui-Hoon Nah, 2004; Westin, 1967), privacy is an individuals' ability to control the conditions by which her personal information is acquired and used. The concept of privacy is not new by in itself, but taking Internet into consideration, privacy impresses aspects like collecting, distribution or none authorized use of personal information (Wang et al., 2004). Privacy becomes a serious issue due to the growing capacity of information processing of new technologies and its complexity (Kelly and Erickson, 2004, 2005). Therefore, online retailer customers become sensitive on how a website gathers and processes their personal information. Many customers do not feel safe to do activities on a website because they think that the website would not respect their privacy/security. Privacy is a key element of a customer's experimental experience (Kruck et al., 2002; Gavish and Gerdes, 1998).

Customers distrust may increase if they feel the lack of privacy protection within the website. Udo (2001) shows the quantitative importance of privacy and security; he stressed out that the privacy/security protection is the first concern of the Internet purchasers. According to Flavián and Guinalíu (2006), privacy connects to a set of legal requirement and practices due to operating with personal information. For instance, in many websites there is a "terms and conditions" check box to inform customers at the time of accepting the contract about the data that is going to be collected and used.

Besides the problem of privacy, the lack of security as perceived by online customers is another barrier in building loyalty (Furnell and Karweni, 1999; Chou et al., 1999; Dong-Her et al., 2004). Security can be defined as the subjective probability that a customer believes that his personal information, both monetary and private will not be viewed, stored or manipulated while storage and transit. In fact, the website will fail to meet its customer's confident expectations if inappropriate parties get access to personal information.Therefore, the technical features of the website has to ensure the confidentiality, integrity, authentication and non-recognition of transactions. According to Flavián and Guinalíu (2006), Security refers to the technical assurance. In other words, providing the legal requirements and practices of privacy is called security. For instance, the business's website may promise that the information will not be given to third party without the customer's authorization. However, it is likely that hackers get hold of the information and hand them over to malefactors. There is always a possibility that financial and personal data be intercepted and used in the fraudulent ways, and this attack on privacy is only preventable by applying suitable security measures (Jones et al., 2000).

There is a close relationship between the concepts of privacy and security. In fact, even in the mind of customers these two concepts are closed to each other. All customers want is that their privacy be respected through the secure system, laws, good practice or a combination of the three. According to Lyman (2003), most of the businesses regard two concepts jointly since they believe that the protection of privacy not only depends on the set of behavior guidelines and laws, but also on the reliability of information system. According to Flavián and Guinalíu (2006), not only customers and businesses view both concepts running side by side, but also legislator perceives that two concepts have a close relationship, and privacy/

security plays a decisive role in the experiment a customer achieved when decide to do e-shopping.

Many scholars argued that there is a correlation between the quality of service/product offered by an online business and the level of satisfactory experience a customer had. In an attempt to measure the quality of offered product/service, Many authors recognized privacy/security as one of the primary components (Bauer et al., 2006; Parasuraman et al., 2005; Wolfinbarger and Gilly, 2003; Lee and Turban, 2001). Yen and Lu (2008) believed that the quality of the e-service is a function of four factors of privacy, protection, efficiency and fulfillment. They showed in their research that e-service quality statistically has a positive impact on the degree of satisfaction a customer experienced by visiting a website. Hernon and Whitman (2001) explained that satisfaction is an emotional reaction to the acervate experience a customer gained when starts using product/service.

Therefore, this connection between the concepts of experience and customer's privacy/security is likely and worthy of examination in more detail. Thus, this paper proposes that perceived privacy/security is one of the antecedents of loyalty developed due to the nature of the internet.

With the aim of testing the possible connection between the concepts, the following hypothesis is formed:

H3: Privacy and security have a positive relationship to the ability to gain an atmospheric experimental experience.

2.4.4. Atmospheric Experiential Experience and Loyalty

Phil Kotler (1973) introduced the view that the retail environment creates an atmosphere that influences shopping behavior. Mehrabian and Russell's (1974) developed a model with three-dimensional of Pleasure, Arousal, and Dominance (PAD), and they uttered that a customer might decide either to approach or avoid as responses to the atmosphere. Donovan and Rossiter (1982) later adapted the Mehrabian and Russell (1974) framework into the retailing context, and conclude that retail atmosphere has an impact on customers' approach or avoidance behavior towards the store. Donovan and Rossiter (1982) argued that the PAD framework could be effectively used in research store environments and to capture different emotional experience by customers (e.g., Machleit et al., 2001; Szymanski and Henard, 2000).

According to O'Cass and Fenech (2003), certain atmospheric elements of the online retailer have an impact on the customer's online shopping experience and will cause the approach or avoidance responses. They explained that an atmospheric element of the online retailer is what a customer views at the online retailer website. In the context of online retailing, website is the medium through which customers select a product or use the services.

Atmospheric qualities in the online environment are similar to the physical environment in a traditional retail store. When a customer enters to a store, the physical environment of the store causes psychological and behavioral shopping results. In the online environment, the atmospheric qualities of the online store (website) persuade the customers to try online shopping. Atmospheric qualities also affect the result of the online shopping like satisfaction, patronage, purchased amount, and time spent online in the website (Donovan and Rossiter, 1982; Bitner, 1992; Sherman et al., 1997).

Shopping experience has multi dimensional nature, and focusing on one element can result to overestimate or underestimate the importance of that element in compare to other determinant elements (Terblanche & Boshoff, 2002). According to the work of Ha and Stoel (2009), the key reference of this thesis, I chose three dimensions of website design, customer service and privacy/security to analyze their influence on atmospheric experience. Finally, this thesis will analyze the impacts of atmospheric experience on loyalty.

Various authors believed that customer experience strongly influences satisfaction. Satisfaction with a shopping experience is the determinant in customer view towards the retailer and the amount of money he intends to spend in the future. Finally, Cumulative satisfaction will influence loyalty. One of the widely used scales of loyalty intention is intent to continue purchasing, intent to increase future purchases, intent to recommend a store to others, and proportion of total category purchase at the focal store (Enis & Paul, 1970; Sirohi *et al.*, 1998; Knox & Denison, 2000; East *et al.*, 2000). It is essential to consider customer repetitive behaviour form the basis of store loyalty and retention. In other words, customer repetitive behaviour is due to the psychological predilection and conditions by environmental and personal factors like atmosphere and service quality (Sirohi *et al.*, 1998; Zeithaml *et al.*, 1996; Boulding *et al.*, 1993).

In order to understand what keeps retail customers loyal to the online store, understanding the retail shopping experience is necessary. In other words, service quality and merchandise value are not the only elements that generate loyalty. A combination of various items, which influence each other and combine into one concept, will determine the customer loyalty to online retailer. Customer experience and perception are the prerequisites in the creation of loyalty. There is no doubt that a loyal customer is a competitive asset to any businesses (Dekimpe et al., 1997). A review of literature shows that various studies reported a positive relationship between a customer's experiences, which ends to, satisfaction repurchase intentions, trust and loyalty (Fornell, 1992; Boulding *et al.*, 1993; Anderson *et al.*, 1994; Bloemer & De Ruyter, 1998; Jones *et al.*, 2000; Cronin and Hult, 2000; Ha and Stoel 2009). According to Reichheld and Schefter (2000), online retailers conduct their businesses at a distance and risk; hence it is more vital than before to provide the customer with satisfactory experience in order to win their loyalty.

Considering the relevance of the atmospheric experimental experience and loyalty that suggested by numerous literatures and particularly the work of Ha and Stoel (2009) the following hypothesis proposed:

H4: The ability to gain an atmospheric experimental experience has a positive relationship on loyalty.

2.5 The proposal model

The presented theoretical framework above proffered the following model. I adapted the model from the work of Ha and Stoel (2009) in their research of antecedents to e-shopping quality. Ha and Stoel (2009) model reveal that e-shopping quality influences the customers' attitudes towards online shopping and intention to shop online. The relevance of their model with my thesis purpose motivated me to analyze whether this model holds true in the case of customer's loyalty.
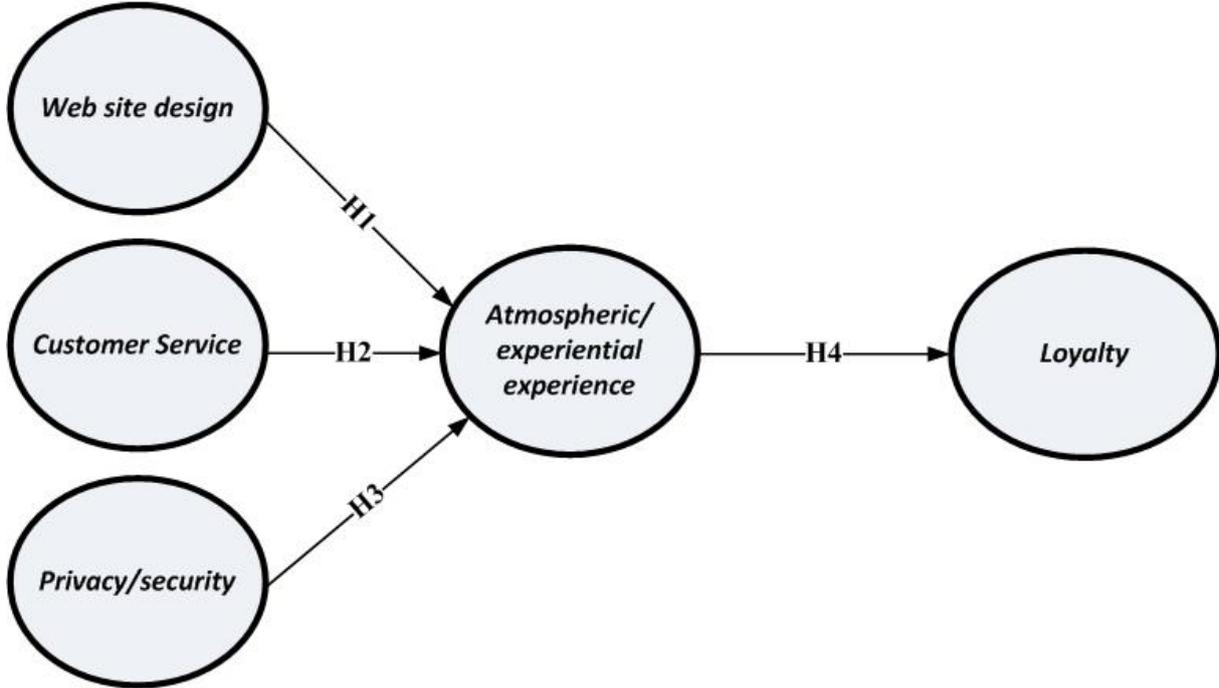
Fig .4

Loyalty as a dependent explaining factor together with experience on a website with three independents web site design, customer service and privacy/security (Developed from Ha and Stoel, 2009 published in Journal of Business Research).

Chapter3. Method

Research method briefly tells how and on what grounds this thesis reach conclusions. In social science method can be divided into two categories: qualitative research method and quantitative research method. Qualitative research collections of findings enable new unique non-quantifiable insights about opinions, behaviors, events, social environment and relationships (Ghauri and Grönhaug, 2005). On the other side, researcher in the quantitative method, collects data and findings from statistical methods and other quantification procedures (Ghauri and Grönhaug, 2005). Quantitative method enables studies to explain phenomena by collecting numerical data. Researcher applies mathematical based methods to analyze the data (Aliaga and Gunderson, 2003). Creswell (1997) defined a quantitative research as:

"…an inquiry into social or human problems, based on testing a theory contains variables, measured with numbers and analyzed with statistical procedures in order to determine whether the predictive generalizations of the theory hold true…"

The purpose of empirical or quantitative research is to develop hypothesis, theories and apply the statistical measures to assess the phenomena. Quantitative methods are deductive, and the hypotheses are shaped by the data and information. In this method, hypotheses are usable in terms of the instrument, for example questionnaire. Conclusions in deductive research draw from logic reasoning. Hypothesis will check empirically, and it might be accepted or rejected. Deductive research usually aligns with quantitative research (Ghauri and Grönhaug, 2005).

The other common method in social and behavioral science is qualitative research method, which typically uses words. This method is suitable for studying organizations, individuals and groups (Strauss and Corbin, 1990). Qualitative method tries to understand the phenomena in the context of economics, politics and sociology. Avery common example of qualitative research is a case study, which typically focuses to understand only one case. In fact, focusing on a few subject or individual is the main disadvantages of this method. Qualitative researcher applies different approaches to gather data like ground theory practice, storytelling, group discussion, observation and interviews. Inductive research is most of the time associated with the qualitative research. According to (Bryman and Bell, 2003), in inductive approach conclusions deduce from empirical observation. In this research, observations provide background for the findings, and the outcome of research is theory. Figure below is showing the difference between qualitative and quantitative methods:

Fig.5 The difference between qualitative and quantitative methods

Qualitative Method	Quantitative method
Importance is given to understanding i.e. theory is developed	Importance is given to testing and verification i.e. Theory testing is done.
Typical researches questions involve are what, why?	Typical research questions involve how many?
Dependant on the context	Context free.
Uses a rational and integration based approach	Uses a logical and critical approach
Observations and measurements are made using natural settings.	Usually a controlled environment is followed

Researcher is part of the process	Researcher is separate
Orientation is exploring	Mainly focus is on hypothesis based testing
Process oriented approach is used	Result oriented approach is used

3.1 Research methodology in the present study

The purpose of this paper is to determine the relationship between independent variable(s) and dependent variable. Hence, the quantitative research method is the well suited method for this study. This study aims to develop hypothesis and theoretical framework, which can only be examined by quantitative measures. The other reason for selecting this method is the support of numerous literatures on the relevant studies, where they employ quantitative methods to investigate their research problems and verify their hypothesis.

For example, Ha and Stoel (2009) applied quantitative method in their study about the antecedent of customer online shopping quality. They conducted their study by developing the theoretical framework and hypothesis. They designed a questionnaire base on their hypothesis, which was conducted with 298 participants in order to obtain the result.

Wolfinbarger and Gilly's (2003), design a conceptual framework and they named it "eTailQ". They argued about the antecedents that have an impact on customer judgments of quality, satisfaction and loyalty toward the website. They also applied quantitative methods to verify their hypothesis.
The nature of the present study and strong support of literature leads me to choose quantitative method in my thesis.

3.2 Data collection

According to (Ghauri and Grönhaug, 2005), "*research design provides a plan or a framework for data collection and its analysis, which contains the research method and the priorities of the researcher*".

I have used different data collection techniques during my research. First of all, I have consulted existing literature, related to my research topic to frame the problem and be more familiar with relevant concepts and facts. Second, I conducted a questionnaire to **150** randomly individuals to assess their loyalty preferences towards gumtree.com. The gumtree.com financial statement, and my own observation and experience from the website were also helpful in gathering and analyzing data.

This section attempts to set out the methods that I used to gather data, and the reasoning that led me to decide on those methods.

3.2.1 Use of Primary and Secondary Data

As (Ghauri and Grönhaug, 2005) stressed, primary data source should be used whenever it is possible. Primary data should be collected by the researcher; therefore they are consistent with the research problem, research objectives and questions. Primary data is reliable, objective and authentic. Primary data has not been altered or changed by human; hence its

validity is greater than secondary data. However, collecting primary data takes time and the quality of data are highly relates to the respondents' expertise and willingness.

The primary data used in this thesis is the questionnaire, which I adapted based on the Ha and Stoel (2009) theoretical model. Since the importance of primary data should not be neglected, the next sector focuses on explaining the questionnaire development.

According to Ghauri and Grönhaug (2005), secondary data are extremely helpful in understanding and formulating research question. It provides historical data, saves time and resources, and it can be useful in the division and sampling the target group. One fundamental issue about the secondary data is the reliability of the secondary information. The authenticity and accuracy of secondary data should be checked before applying it in any researches. Researchers should hold the credibility and responsibility of the secondary information used in their papers. The secondary data is applicable as the complementary set of information for primary data. Secondary data sources are truly general, and they are usable for many researches with similar topics but with different purposes.

Financial statement of the gumtree.com and literature review were the main sources of my secondary data. The gumtree.com financial statement provides reliable evidence that it is possible to generate revenue by selling services for free. However, a research will carry on without the secondary dare, and the financial statement supports my primary data results.
The other source of secondary data is a literature review. The main purposes of the literature review explained by (Ghauri and Grönhaug, 2005) are as following:

- To frame the research problem
- To identify relevant facts and concepts
- To position the study; find the gap in the existing knowledge and concentrate on it.

In my literature review, I have tried to use up to date literature as well as older literature connected to my topic. I have used a wide range of literature sources like scientific and commercial articles, books, information from blogs, conferences reports, videos and journals. Except books, most of the literature resources collected via the Internet using University database and Google Scholar.

3.3 Questionnaire Development and Case Study

- Questionnair development

One of the common forms of research method for collection of primary data is questionnaire survey. The collected data from the questionnaire survey is helpful in determining the relationship among the variables. A questionnaire is a means of gathering data about the phenomena from the sample of participants.

I adapted the questionnaire due to its suitability for collecting the data from the work of Ha and Stoel (2009). The questionnaire contains seventeen questions, and each Question is a variable in testable theoretical model.

The proposed model in this thesis consists of five factors; therefore there are five separate sections in the questionnaire as following:

- Website design
- Customer service
- Privacy/security
- Experimental experience
- Loyalty

I applied five point Likert scale ranging from 1(Strongly disagree) to 5 (strongly agree) to measure the constructs. The questionnaire also includes additional items like gender, age, average spending time and tendency to visit the website.

The completed questionnaire is present in the appendix by the end of the thesis.

- Case Study

Yin (1984, P.23) defines the case study method *"as an empirical inquiry that explores a contemporary phenomenon within its real-life context"*. Case study is immensely helpful when a phenomenon is difficult to investigate outside its natural settings (Yin, 2003). Yin (1994) argued that a case study method is preferable first, when researcher has little control over events, and second researcher focuses on a current phenomenon in real life context.

To be able to analyze the theoretical model introduced in this thesis, I choose a successful online retail business in the UK called Gumtree.com as a case study of this thesis. The primary data collected through the questionnaire are from participants who at least visited gumtree.com for once.

Gumtree.com was established in March 2000 as a local London online community and classified advertisement website. Gumtree.com designed to connect people who needed help finding accommodation, employment, buying furnisher and meeting new people. All the services offered by gumtree.com are free while the business generates acceptable amount of revenue. In May 2005, the eBay's internal classified group acquired Gumtree.com. Gumtree.com is the largest UK website for the local community and classified advertisement, and it was one of the top twenty website in the UK. The website has real easy to use interactive applications that let users put their advertisement, videos and texts on it.

The reasons for choosing gumtree.com as a case study are first of all, gumtree.com is a perfect example of online retail business in the UK. Seller and buyers meet each other in the gumtree.com website and there are no physical offices available. As mentioned above, gumtree.com is among the best website in the UK; therefore, there should be some website characteristics that attract customers and also make the gumtree.com stands among the best. Second, Gumtree.com vastly applies interactive application within its website, and it is highly active in social networks like Facebook.com and twitter. People centric are the common features of interactive technologies, and the only reason makes people contribute with the business is their positive attitudes toward the business. Therefore, these characteristics of gumtree.com make it suitable to examine my theoretical model on it.

Balance sheet and profit and loss account of gumtree.com is attached in the appendix of this thesis.

Chapter4. Empirical Findings and Analysis

This chapter aims to present the result achieved from the analysis of the collected data. The data has been collected randomly from **150** individuals in the format of a questionnaire. The questionnaire model comprised of five factors (including website design, customer service, privacy protection, experience and loyalty) with seventeen observed variables (questions). The Structural Equation Modelling (SME) and AMOS (analysis of moment structure) were used to analyze the data and describe the relationship between variables.

4.1 Unit of Analysis

According to Nuri Yurdusev (1993), unit of analysis is "what" or "who" that is going to study, and it should be the main entity in the thesis to be analyzed. Unit of analysis can be determined by an interest in exploring phenomena, and this thesis interested mainly in the individuals or potential customers who are visiting the website called gumtree.com. Therefore, the unit of analysis in this study is 150 individuals.

4.2 Statistical Findings

- Description of Sample

The first four questions in the survey aimed to describe the main features of the participants, and provide a simple summary about the survey. The questions are about gender, age, visiting regularity and time spending. Table 1 shows the result.

Table 1: Description of sample

	N	Min	Max	Mean
Gender	150	1	2	1,41
Age	150	1	4	2,37
How often do you visit the website?	150	1	5	3,45
How much time on average do you spend on this website?	150	1	5	2,47

In my survey of 150 respondents, 61% were women and 39% were men. Most of the participants are students, and the age average of respondents is 2.37, which is quite young. The reason behind this is that the website is full of second hand advertisement, which is economically suitable for the age range. Among 150, respondents 78% answered they are visiting the website whenever they are looking for something. According to alexa.com estimated daily timespend on gumtree.com website is 8:38, but 44% of respondents answered they spent between ten to twenty minutes on the website.

- Mean, standard deviation and correlation

One of the primary measures normally applies in an empirical research to check the reliability of data set is mean and standard deviation. Mean gives a measure of the center of the data set while the standard deviation shows how much variation of data exists from the mean. Correlation coefficient reflects the relationship of two variables. Positive value of the correlation coefficient shows that two variables correlate positively. Therefore, it is crucial to assure that all variables are valid, and they measure what they suppose to measure. To do this, the collected data transferred into SPSS and AMOS from Excel sheet. Table 2 shows the results.

Table 2: Descriptive Spearman Correlation (N=150)

		Mean	S.D	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	The site doesn't waste my time:	3.24	.887	1.000															
2	I can go to exactly what I want quickly:	3.31	.928	**.683****	1.000														
3	The organization and layout of the web site facilities searching for products:	3.41	.868	**.639****	**.524****	1.000													
4	The site gives me enough information so that I can identify the item to the same degree as if I am in the store:	3.35	.860	**.608****	**.522****	**.496****	1.000												
5	Customer service personnel are always willing to help you:	3.41	.667	.136	.089	.026	.175*	1.000											
6	Inquiries are answered promptly:	3.43	.727	.234**	.128	.210*	.253**	**.676****	1.000										
7	When you have a problem. the web site shows a sincere interest in solving it:	3.43	.699	.214**	.144	.252**	.253**	**.572****	**.811****	1.000									
8	I feel like my privacy is protected at this site:	3.57	.839	.317**	.164*	.431**	.266**	.370**	.368**	.441**	1.000								
9	I feel safe in my transactions with this web site:	3.81	.800	.245**	.125	.308**	.241**	.280**	.338**	.412**	**.649****	1.000							
10	I feel I can trust this web site:	3.51	.865	.407**	.185*	.396**	.356**	.349**	.354**	.446**	**.764****	**.724****	1.000						
11	It is really fun to shop at this web site:	3.47	.902	.466**	.339**	.331**	.481**	.311**	.372**	.351**	.260**	.341**	.344**	1.000					
12	The site almost says. "Come in and shop":	3.25	.978	.435**	.388**	.305**	.415**	.223**	.190*	.205*	.216**	.302**	.305**	**.707****	1.000				
13	Buying at this web site is exciting for me:	3.23	.963	.452**	.295**	.433**	.409**	.271**	.360**	.374**	.377**	.370**	.408**	.771**	**.732****	1.000			
14	Likely to use this website for long:	3.32	.805	.412**	.354**	.278**	.380**	.206*	.207*	.222**	.216**	.220**	.218**	.640**	.616**	.618**	1.000		
15	Likely to tell my friends about this website:	3.79	.799	.469**	.286**	.418**	.390**	.240**	.285**	.263**	.339**	.377**	.425**	.594**	.583**	.639**	**.625****	1.000	
16	Likely to spend money on this website also in future:	3.55	.791	.273**	.244**	.150	.275**	.213**	.172*	.143	.139	.280**	.179*	.609**	.638**	.545**	**.747****	**.535****	1.000

Two tailed test of significance **p<.01; *p<.05; Correlations in bold show correlations within each factor.

4.3 Confirmatory Factor Analysis (CFA)

According to Pesämaa et al. (2013), structural equation modeling (SEM) is usable to perform a confirmatory factor analysis on the proposed model. In this thesis, SEM consisted of a first-order five factor structure. Factors here are represented as multi-item measures in which all factors have several questions. Each factor could also be seen as a dimension. The model comprised five factors (i.e. website design, Customer Service, Privacy, Experience and Loyalty), with 17 observed variables (questions). SEM program (AMOS) was assigned that each variable should load respectively to its latent construct in accordance with the theoretical model (Ha and Stoel, 2009).

It is necessary to find out how close are the observed data to those which would be expected under the fitted model. There are many different tests to establish whether a SEM model fits the observed data or not. One statistical test that addresses this matter is chi-square (χ^2). The chi-square statistic measures how well the distribution of the observed data fits with the expected distribution if the variables are independent. Goodness-of-fit for a model can also be studied by several different other indicators. I report Standardized Root Mean Residual (SRMR) and Root Mean Square Error of Approximation (RMSEA). These are similar to χ^2 and rules of thumb typically tell that these should be lower than .08. I also report Comparative Fit Index (CFI), which is typically recommended exceeding .90 in order to be considered acceptable (Hair et al. 2010).

The results for the five factor structural model generate a significant χ^2 165.028 (DF= 94. p-value=.000) SRMR =.056. RMSEA=.071 and CFI=.954, on the basis of or proposed criteria (Hair et al. 2010). The five factor model establishes an acceptable fit and thus confirms the underlying structure.

- Psychometric Properties of Gumtree.com

Reliability and validity of gumtree.com customers were further examined. Specifically, by assessing composite reliability and variance extracted scores (Hair et al., 2010). Bagozzi and Yi (1988) recommend that variance extracted score to exceed.50 and composite reliability statistic >.7. I calculated each of the scores by using a formula assigned by (Fornell and Larcker. 1981; Bagozzi and Yi. 1988). Findings are reported in Table 3 and notation of these formulas below that same table.

- Validity

Validity is an essential part of SEM ensure that a measure what it is purported to measure (Bagozzi and Yi. 1988). Two most common subcategories of validity are convergent validity and discriminant validity. Both convergent and discriminant validity are necessary for establishing the validity, and neither one alone is enough for establishing validity.

Average variance extracted (AVE) is a fundamental aspect for both of these validity indicators. AVE is here calculated for every latent construct (Table 3). One rule of thumb is if shared variance accounts for 0.50 or more of the total variance we can claim convergent validity. Evidence of discriminant validity also depends on its shared variance. If AVE/squared inter-correlation exceed .1 we can claim discriminant validity (Fornell and Larcker, 1981). Finally, loadings of each construct should exceed .5 to ensure convergent validity. Table3 and 4a-report that these criteria that recommended by Hair (2010) are met.

Common measure for estimating the reliability of psychometric test is Cronbach's alpha. Theoretically, alpha varies from zero to one, and empirically it can take any value less than one including negative value. However, negative value does not make sense. Higher value of alpha is more acceptable, and some scholars argue that the required level for reliability is 0.70 or higher (Ritter, 2010; Hair et al., 2010; Nunnally, 1987).

Table 3: Loading. Estimates of reliability and validity

	CFA				
	Loading	AVE	C.R	Cronbach's alpha	AVE/ (Corr)^2
Factor 1: Web site design					
The site doesn't waste my time	.896				
I can go to exactly what I want quickly	.784				
The organization and layout of the web site facilities searching for products	.749	.63	.81	.87	1.74
The site gives me enough information so that I can identify the item to the same degree as if I am in the store.	.723				
Factor 2: Customer service					
Customer service personnel are always willing to help you.	.712				
Inquiries are answered promptly.	.92	.71	.84	.87	3.08
When you have a problem. the web site shows a sincere interest in solving it.	.877				
Factor 3: Privacy/security					
I feel like my privacy is protected at this site.	.801				
I feel safe in my transactions with this web site.	.809	.71	.84	.88	2.76
I feel I can trust this web site.	.912				
Factor 4: Atmospheric/experiential.					
It is really fun to shop at this web site.	.885				
The site almost says. "Come in and shop".	.823	.75	.87	.90	.97
Buying at this web site is exciting for me.	.882				
Factor 5: Loyalty					
Likely to use this website for long:	.877				
Likely to tell my friends about this website:	.793	.64	.77	.83	.83
Likely to spend money on this website also in future:	.723				

- CR = composite reliability= (Σ of standardized loadings)^2/(Σ of standardized
- loadings)^2 +Σ of ε$_j$.
- AVE = average variance extracted = Σ of (standardized loadings)^2/ Σ of
- (standardized loadings)^2 + Σ of ε$_j$
- CV= convergent validity (AVE >.50).
- DV= discriminant validity =AVE/(Corr)^2>.1. (Inter-correlations see Table 4a-b)
- (Corr)^2 = highest (Corr)^2 between factors of interest and remaining factors.

Table 4a: Inter-correlations between constructs

	1	2	3	4	5
1. Design	1.000				
2. Service	.273	1.000			
3. Privacy	.460	.48	1.000		
4. Experience	.601	.412	.507	1.000	
5. Loyalty	.573	.283	.442	.877	1.000

All coefficients p<.05

Table 4b: Squared inter-correlations between constructs

	1	2	3	4	5
1. Design	1.000				
2. Service	.075	1.000			
3. Privacy	.212	.230	1.000		
4. Experience	.361	.170	.257	1.000	
5. Loyalty	.328	.080	.195	.769	1.000

4.4 Structural Model and Hypotheses Testing

In an attempt to determine the impact of three dimensions of website design, customer service and privacy/security on experience and then the impact of experience on loyalty, four hypotheses were proposed. Each hypothesis tested to see if it holds true or not. Table 5 report results of this test. The same software was used to test the hypotheses.

Table 5: Test of hypothesis

Hypotheses	t-value	Standardized Beta	p-value	Support/non support
H1: Design --> Experience	5,388	.468	***	Supported
H2: Service --> Experience	1,977	.166	.048	Supported
H3: Privacy --> Experience	2,276	.212	.023	Supported
H4: Exprience --> Loyalty	11,711	.880	***	Supported
R^2 Experience			45.8	
R^2 Loyalty			77.4	

Now when reliability is reported, and we know how well each theoretical measure works we examine the structural model shown in Fig 4. The model was analyzed using AMOS 4.0. To interpret the model or assess the significance of model it must ensure that the model has an adequate fit. In this regard, several statistics are cited in the above section indicating an acceptable fit for the model to the data. Based on these statistics and evaluating model using AMOS we have followed findings.

The first hypothesis proposed that website design has a positive effect on the experience (H1). This hypothesis is supported as standardized beta is strongly significant (Beta=.47; p-value<.000). The second hypothesis proposed that customer service will have a positive impact on experience (H2). This hypothesis is also supported as standardized beta is significant (Beta=.17; p-value<.05). The third hypothesis suggested that privacy/security has a

positive effect on experience (H3). This hypothesis is supported since standardized beta is significant (Beta=.21; p-value<.05). The last hypothesis expects that experience will have a positive effect on loyalty (H4). This hypothesis is supported as standardized beta is strongly significant (Beta=.88; p-value<.000).
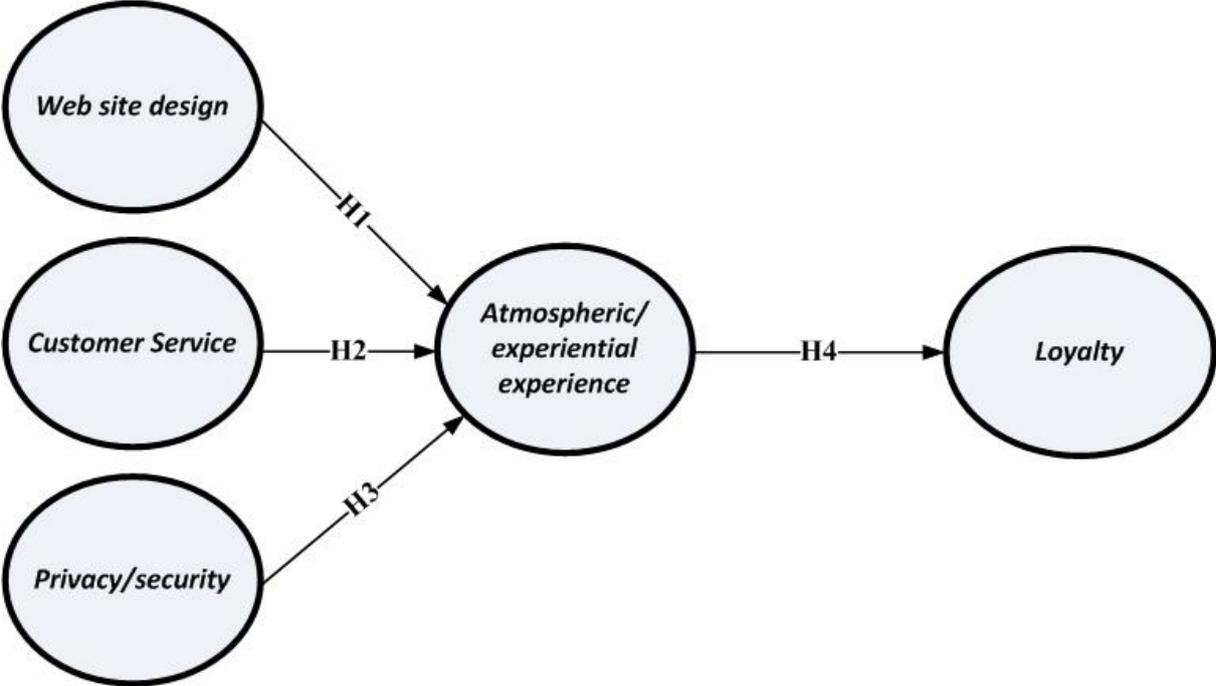
Loyalty as a dependent explaining factor together with experience on a website with three independents web site design, customer service and privacy/security (Developed from Ho and Stoel, 2009 published in Journal of Business Research).

Chapter5. Discussion and Implications

This thesis aims to investigate the impact of three antecedents Website design, Customer service and Privacy/Security on atmospheric experience, and then the impact of atmospheric experience on customer loyalty.

The sample data in this thesis supports that the three first antecedents' Website design, Customer service and Privacy/security have a positive effect on atmospheric experience. The positive effect of atmospheric experience, the last antecedent, on customer loyalty was also supported within the proposed model. All the findings are consistent with the model found in the work of (Ha and Stoel, 2009) and all hypotheses were supported one by one.

The first hypothesis *"Web site design has a positive relationship to the ability to gain an atmospheric experimental experience"* is supported in this study. Analysis of primary data revealed the Standardized Beta (β) =0.47 and ρ-value<.000, which is strongly significant. This result is consistent with the previous literature. For example, Dadzie et al. (2005) argued that an online customer's experience primarily affected by the website design features. They found out that the tendency of an online customer to repurchase form the same website will increase if he were satisfied with his previous experience from the website. Mithas et al. (2006) stressed out that a website design features refers to its overall layout, functionality and organization. They collected data from more than 12,000 customers across 43 website, and concluded that the website features influence a customer's experience and finally lead to loyalty. Moreover, Szymanski and Hise (2000) suggest that one of the important factors in shaping customer's online purchasing experience is website design.

The second hypothesis *"Customer service has a positive relationship to the ability to gain an atmospheric experimental experience"* is also supported in my findings. Primary data analysis show Standardized Beta (β) =0.17 and ρ-value<.05, which is significant. This finding is also consistent with previous literature and of course with the work of Ha and stoel in 2009. Novak et al. (2000) investigated about the online attributes that are associated with customer online experience and customer service is among the attributes that has a positive correlation with the customer experience. Besides, Wolfinbarger and Gilly (2003) found that a customer online experience consists of various things, and customer service is one of them. An online retailer can affect a customer online experience through the combination of its website atmosphere, product, price and customer service (Baker et al., 2002; Neslin et al., 2006).

The third antecedent *"Privacy and security has a positive relationship to the ability to gain an atmospheric experimental experience"* was supported as standardized beta is significant (Beta=.21; p-value<.05). This result means privacy/security has considerable impact on the customer's experience, and again it is consistent with the literature. According to Chellappa and Pavlou (2001), perceived security/privacy is another aspect that can contribute to customer online purchasing experience. According to various authors, such as Parasuraman et al.'s (2005)E-S-QUAL, Wolfinbarger and Gilly's (2003) eTailQ, and Bauer et al.'s (2006) eTransQual, security and privacy protection is one of the main dimension in measuring the e-service quality, and quality of online service is the determinant in shaping a satisfactory experience in customers.

According to the result, and the so called squared multiple correlation (R^2), 45.8 % of customer experimental experience can be explained by three indicators website design, customer

service and privacy protection. The last hypothesis is about the positive relationship between the customer experimental experience and loyalty. This hypothesis is supported as standardized beta is strongly significant (Beta=.88; p-value<.000). Various studies reported a positive relationship between customer experiences and customer loyalty, satisfaction and intention to repurchase (Cronin & Taylor, 1992; Fornell, 1992; Boulding *et al.*, 1993; Anderson *et al.*, 1994; Bloemer & De Ruyter, 1998; Jones *et al.*, 2000, Ha and Stoel 2009). The squared multiple correlations (R^2) in this thesis show that 77.4 % of loyalty can be explained by the same indicators. The implication of this thesis is that loyalty cannot be developed only by its antecedents; it needs atmospheric experience to strengthen these effects on loyalty. That is why atmospheric experience factor is centered in the theoretical model of this thesis.

The role of loyalty is specifically relevant since the hypotheses are tested on an online business which sells its service for free. According to the profit and loss account and balance sheet account of gumtree.com the revenue in 2010 was 23,687,183 GBP. This amount of revenue was 3,025,981 GBP more than the previous year. Gumtree.com could not have earned revenue without its loyal customers, and the analyses of data approved the gumtree.com success in making its customers loyal.

Conclusions

The purpose of this thesis and supporting research is to analyze the factors that contribute to customer loyalty in a specific online business which was the subject of this study. The thesis theoretical framework was found in the work of Ha and Stoel (2009), and it was tested on data from 150 customers of the studied online business. Customer loyalty is distinguishing factor for online businesses, which gives them competitive edge. Loyalty is the product of customer experience defined by website design, customer service and privacy/security. This study analyses the relationships between these factors. My findings reveal that website design, customer service, privacy/security has a direct positive relationship to atmospheric experience, which in turn affects loyalty. In fact, Results first of all show that 45.8 % of experience can be explained by the three indicators design, service and privacy. Furthermore, results show that 77.4 % of loyalty can be explained by same indicators.

The result of this thesis can be used in two ways. First, online retailers can improve their website by knowing which website attributes impacts on customers' experience of visiting the website, and make them loyal by providing a satisfactory experience. Second, having a thorough understanding of the influence of customers experience form online shopping on attitudes and intention to repurchase will help the online retailers to build loyalty. Online retailers can learn how to entice customers to shop more often, if they know what the factors to provide satisfactory experience are.

Limitation and Future Research

This empirical study like any research studies has some limitations. Limitations in generalizing the result of this study include: firstly, this study surveys young and mostly university students in London. Only eight percent of participants' age lies with an age range of 35 to 50, which impedes the generalization of findings to older online customers. Secondly, the sample size is limited to 150 participants. Bearing in mind that Gumtree.com provides services across the United Kingdom the scope of survey supporting this research could have been wider. Thirdly, this research focused on the online retail industry, which is only one of many industries operating online. There is a room to analyze the subject of this research on other industries operating online. In addition, other factors, than what has been studied in this research, can be analyzed for the impact on customer loyalty. For instance, ease of understanding the website, speed of delivery, easy return and easy cancellation in the theoretical framework may be explored.

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Appendix 1

Questionnaire

Gender
Age
1. How often do you visit the website?
2. How much time on average do you spend on this website?

Questions used as variables in testable theoretical model
Factor 1: Web site design
3. The site doesn't waste my time
4. I can go to exactly what I want quickly
5. The organization and layout of the web site facilities searching for products
6. The site gives me enough information so that I can identify the item to the same degree as if I am in the store.
7.
Factor 2: Customer service
8. The company is ready and willing to respond to customer needs. [1]
9. Customer service personnel are always willing to help you.
10. Inquiries are answered promptly.
11. When you have a problem. the web site shows a sincere interest in solving it.
12.
Factor 3: Privacy/security
13. I feel like my privacy is protected at this site.
14. I feel safe in my transactions with this web site.
15. I feel I can trust this web site.
16. The web site has adequate security features. [1]
17. The company behind the site is reputable. [1]

Factor 4: Atmospheric/experiential.
18. It is really fun to shop at this web site.
19. The site almost says. "come in and shop".
20. Buying at this web site is exciting for me.

Factor 5: Loyalty
21. Likely to use this website for long:
22. Likely to tell my friends about this website:
23. Likely to spend a lot of time on this website also in future:[1]
24. Likely to spend money on this website also in future

[1] Questions deleted from model based on modification indices

Appendix 2

GUMTREE COM LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £	2009 £
Turnover		23,687,183	20,661,202
Cost of sales		(2,863,371)	(2,188,653)
Gross profit		20,823,812	18,472,549
Administrative expenses		(13,201,470)	(10,776,196)
Operating profit	2	7,622,342	7,696,353
Interest receivable		18,209	45,658
Profit on ordinary activities before taxation		7,640,551	7,742,011
Tax on profit on ordinary activities	4	(2,103,655)	(2,104,770)
Profit for the financial year	10	5,536,896	5,637,241

Appendix 3

BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	£	2010 £	£	2009 £
Fixed assets					
Tangible fixed assets	5		55,154		54,908
			55,154		54,908
Current assets					
Debtors	6	14,594,419		3,062,081	
Debtors amounts falling due after more than one year	8	92,636		72,665	
Cash at bank		6,387,550		10,695,841	
		21,074,605		13,830,587	
Creditors amounts falling due within one year	7	(5,422,184)		(3,827,657)	
Net current assets			15,652,421		10,002,930
Total assets less current liabilities			15,707,575		10,057,838
Net assets			15,707,575		10,057,838
Capital and Reserves					
Called up share capital	9		1,000		1,000
Capital contribution	10		582,555		469,714
Profit and loss account	10		15,124,020		9,587,124
Total shareholders' funds			15,707,575		10,057,838

Company registered number 03934849

The financial statements on pages 7 to 17 were approved and authorised for issue by the board and were signed on its behalf by