‘Online Shopping’ Customer Satisfaction and Loyalty in Norway

Master's Thesis in Business Administration, MBA programme

Authors

Pervaiz Ali pervaiz_17@hotmail.com
Sudha Sankaran susanks_s@yahoo.com

University Supervisor
Peter Stevrin pst@bth.se

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ABSTRACT

The primary goal of this research is to analyze the customer satisfaction and loyalty of the online customers in Norway. The theoretical framework discusses in brief about the effects of customer loyalty and retention on customer satisfaction. The study on customer satisfaction and loyalty has been done from the perspective of a firm performing online business. To understand the customer satisfaction and loyalty level of online Norwegian shoppers, we pursued with the collection of quantitative data with the help of online survey. For survey purposes, a questionnaire was prepared and made available in www.nisaa.dk/survey. This study has no limits regarding different product categories. From marketing and strategic point of view we will point out those factors that might affect the customers, while purchasing goods online. To measure the customer satisfaction and loyalty of online shoppers in Norway, the survey results are calculated with the help of Simple Random Sampling method and Net Promoter Score (NPS) model.

The results of the survey reveal that while a good percentage of Norwegians are satisfied with online shopping only less than half of them stay loyal to their online sellers. However, on the long run, these customers will be loyal and can be retained only when online businesses constantly satisfy them by providing detailed product information on websites, superior customer service, quality and timely delivery of goods and importantly effective website designs.

Thesis key words: Online shopping, Customer satisfaction, Loyalty, E-commerce, Norway.
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Pervaiz Ali

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Sudha Sankaran.
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Chapter 1 - Introduction

In the past decade, there has been a dramatic change in the way consumers have altered their way of shopping. Although consumers continue to purchase from a physical store, consumers feel very convenient to shop online since it frees the customer from personally visiting the store. Internet shopping has its own advantages and it reduces the effort of travelling to a physical store. Decisions can be made from home at ease looking at various choices and prices can be easily compared with the competitor’s products to arrive at a decision.

Online shopping offers the customer a wide range of products and services wherein he is able to compare the price quoted by different suppliers and choose the best deal from it. Internet marketing is conceptually different from other marketing channels and internet promotes a one to one communication between the seller and the end user with round the clock customer service. Today, business internet marketing is the fastest growing segment of online commerce. The major difference between traditional and online selling is the extent of interaction between the consumer and the seller. There is much more electronic interactivity with the consumer in the form of emails and FAQs. Through FAQs, the consumer’s questions on shipment, payment, product, policies and other customer concerns can be addressed effectively.

It is very important for businesses to understand the customer satisfaction and loyalty because some the customer satisfaction and loyalty are two required things for the well being, prophet and long term growth of the firms. In other words we could say that to measure how successful the businesses are it is considered in terms of how satisfied and loyal their customers are. (Source: www.esurveyspro.com)

With respect to Norway, e-commerce has grown tremendously in the recent years. This is one of the reasons that motivated us to specifically choose Norway for our research. According to OECD Science, technology and industry scoreboard, 2007, Norway has recorded 47% of adults using internet for online shopping. According to the survey results conducted in our thesis study, effective website design, detailed product information and quality and timely
delivery of goods play a significant role in satisfying customers and retaining them with loyalty in the long run.

1.1 Defining the Problem

One can find numerous statistical and economic studies on customer satisfaction and loyalty with regards to physical store shopping. But this research on measuring the customer satisfaction and loyalty of online shoppers in Norway is rare of its kind. This increases the importance of our research work and the need to study the online shopping in Norway. This study has enabled us to gather the views of online customers in Norway with respect to what they expect and what has made them remain loyal or satisfied to the product or service.

The objective of this research work is to measure customer satisfaction and loyalty with online shopping in Norway. Moreover it explains the relationship between customer satisfaction and customer loyalty and how it relates to retention. Here it is very important to describe, what the difference between the customer satisfaction and loyalty is in order to get better understanding of how customer satisfaction changes into customer loyalty.

We will add many other supporting materials specifically for the literature review a model will be used with which we try to link adjustment to its antecedents and consequences. For qualitative data collection, we have used the web survey method as this is the most quick and inexpensive method compared to other survey methods.

1.2 Research questions

In this research, through our literature study and survey method, we will try to get answers for the following questions:

- Which factors have good or bad influences and impacts on online shopping?
- What impacts do these factors have on online shopping in Norway?
- How much satisfied and loyal are customers in Norway towards online shopping?
The results of this thesis will help the online sellers to not only identify the key improvement areas in their online business but also focus on them in order to enhance the customer satisfaction and loyalty towards online shopping in Norway.

The findings of this research will help the online sellers of Norway in the following way:

1. Identify the key areas for improving their online business in Norway.

2. Address the downsides and customer expectations towards online shopping in Norway.

3. Recognize their strength and further focus on increasing customer satisfaction and loyalty of online Norwegian shoppers.

The following section discusses the advantages and disadvantages of online shopping in general.

### 1.3 Advantages of online shopping

While the conventional shopping method has its own advantages, online shopping can be attributed to handy, hassle free, all time convenience. The various advantages of online shopping are:

- Reduces travel necessity, time and energy consumption
- Internet marketers comparatively offer products / services at a cheaper price and soft service as well.
- Customers can window shop a variety of products with utmost comfort from home
- The price and benefits offered by various product / service providers can be easily compared.
- The product quality can be analyzed in detail with the help of customer recommendation, ratings etc.
- Product information can be easily obtained from online catalogues, product description etc.
- Accessible any time of year or day.
1.4 Disadvantages of online shopping

- Waiting time involved in receiving the product as compared to purchasing it immediately from a physical store.
- Customer will have to bear the delivery charges with some of the sellers but not all.
- Customers are not satisfied with the product received. For example, the product received is in bad condition, broken or some of the parts are missing.
- Security measures regarding online payments.

1.5 Objectives

This study regarding "Online shopping customer satisfaction and loyalty" will be accomplished by the following objectives

- To study and analyze academic and empirical research in the area of online customer satisfaction in Norway.
- To develop a questionnaire and conduct qualitative online survey in order to understand the expectations of Norwegian customers from online shopping.
- Utilization of Likert scaling, simple random sampling tools and NPS (Net Promoter Score) model to analyze the obtained data from questionnaire
- Finally we will come up with some conclusions and recommendations for the online sellers on the basis of the quantitative and qualitative data analysis and results of our thesis work.

1.6 Extent of study

This study does not check the percentage across product categories but is about overall online shopping experience. This study is not specifically limited to particular product categories and therefore focuses on the overall online shopping domain. Further, online services like online banking are not included as part of this research. This study also does not bring into account the differences of tangible and intangible products for analysis. Furthermore, in the study all people living in Norway are considered homogeneous segment
of online marketing so it does not matter if they originally belong to any other nationality. The study covers the different aspects of online shopping (for example selling goods online to final consumers) and does not include other type of online marketing. It is assumed that one model would govern all the cities and other demographic variables. Also the study of customer satisfaction in Norway has been made from a firm’s perspective. The analysis of results has also been restricted only to Norway and no comparison of it has been made with other countries.

To conclude, the results will be analyzed and presented in a detailed way for better understanding of the research. The analysis of validity and reliability of the research will be limited to the measures that are relevant to the model, e.g. Likert format, statistical simple random sampling and Net Promoter Score (NPS) model.

The results from this research work will help the firms and organizations in Norway to perform better by measuring the customer satisfaction and loyalty of their online shoppers. It will also help them identify the customer’s expectations towards online business in Norway and take corrective measures on the areas of improvement. Also the perception of the customer towards online product/service can be analyzed with the help of the survey results. The results of this survey will also serve as a reference for new firms that are looking forward to enter into online business in Norway.
1.7 Overview

Figure 1. The structure of this thesis is as follows:
Chapter 2 - Theoretical Framework

2.1 Business performance measurement

One of the primary goals of every business organization in general is to earn profit and to enhance their business financial profile. Also, improving its non-financial performance like creating stakeholders value i.e. customers, employees and society is also equally important for a business organization. A business has to improve their performance by constantly doing a self-assessment. The combination of financial and non-financial indicator is called BE (business excellence) or (OE) organizational excellence. The commonly used business excellence (BE) model in Europe is the EFQM (The European Foundation for Quality management) excellence model, while the Malcolm Baldrige model is mostly used in the United States. The principal and methodologies are similar in both these models. The Baldrige model is normally used for internal performance measurement and for the management of stakeholder assets. According to Kristensen & Westlund 2009, accountable business performance measurement for sustainable business excellence needs reliability and relevance of information.

With the support of the European commission, in the year 1988, EFQM was set up by 14 large European companies. EFQM model promotes TQM (Total Quality Management) and helps in determining the maturity of a business. The model focuses at excelling customer satisfaction and performance results (Van Haren Publishing 2007). The organizations are evaluated on the basis of nine criteria that are grouped under 2 categories. The first five are called “enablers” which explain what an organization does, and remaining four called “results” measures the achievements of an organization. The model below shows the relationship between “enablers” and “results”.
In brief this excellence model describes the following:

a. Among the enablers, the element ‘Leadership’ is an important criterion for self-assessment. It should demonstrate how a leader develops the mission and personally involves in the development, implementation and constant improvement of the organization’s management system.

b. Also the criterion ‘Processes” in enablers evaluates how an organization designs, manages and improves its processes. It is mandatory that Processes in the organization are designed in such manner that they support organization's vision, strategy and goals. The processes should generate an increasing value to the organization’s customers and stakeholders.

c. In the second group of results, ‘customer results’ assesses the performance and relationship of an organization to its external customers. This measures the customer’s satisfaction with the organization’s product/services and also whether their needs and expectations are satisfied.
To summarize, based on the EFQM Excellence Model, customer satisfaction is the most important factor that drives the organization towards performance excellence and increasing financial results (Williams, Bertsch, Wiele, Iwaarden & Dale 2006).

However, it still remains a question whether scoring high points on these models will actually result in excellent performance in the stakeholder marketplace. Hence, these models might serve as a useful guide to improvement for businesses with poor conformance quality. Businesses that are advanced should rather use their own business models and strategies.

2.2 The evolution of Customer Satisfaction Index

Cumulative customer satisfaction helps to predict the subsequent behavior and the future economic performance of the business. While making a repurchase, customers evaluate and arrive at a decision not only based on one particular transaction but based on the past experience of the previous purchase and consumption (Johnson, Gustafson, Andreasson, Lervik & Cha 2001).

The evolution of CSI (Customer Satisfaction Index) can be tracked down since 1989 by the Swedish Customer Satisfaction Barometer (SCB). This was the first national CSI established for domestic products and services and initially begun with 32 largest industries in Sweden. ACSI (American Customer Satisfaction Index) was introduced in the year 1994 that included 200 companies from 34 different industries. The year 1996 noted the evolution of Norwegian Customer Satisfaction Barometer and as a recent development, the European Customer Satisfaction Index (ECSI) was introduced which is a pilot test that includes 11 European countries from 4 different industries (Johnson, Gustafsson, Andreasson, Lervik & Cha 2001).

2.3 The EPSI rating framework

EPSI (European Performance Satisfaction Index) developed in 1999 is an integrated system that collects, analyzes and disseminates information about what customers expect in terms of quality, value etc from the product/services they buy. EPSI rating provides unique information about a business’s customers and its competitors. Based on the information
provided by EPSI rating, one can understand the causes of customer satisfaction and its effects on loyalty and customer retention. By partnering with EFQM (European Foundation for Quality Management), EOQ (European Organization for Quality) and academic network IFCF (International Foundation for Customer Focus), EPSI developed a common standard across Europe for measuring customer satisfaction and loyalty (Jonker & Eskildsen 2009).

EPSI rating is a structural equation model to stipulate the seven latent variables – customer expectation, customer satisfaction, perceived value, perceived quality, customer loyalty, Image, product/service quality (Eskildsen & Kristensen 2007).

Figure 3. *The seven latent variables of EPSI rating framework*

Source: Cassel & Eklöf (2001)

EPSI was developed based on the model specification of ACSI (American Customer Satisfaction Index). Although, the first five latent variables mentioned above have been modeled exactly as per ACSI, the product and service quality unlike that of ACSI is standard in EPSI. There are some subtle differences between ACSI and EPSI. Corporate image is one of the latent variables in ECSI and is considered to drive customer loyalty, customer satisfaction and expectation. Also while comparing EPSI with ACSI, there is difference in the
way the customer loyalty is being measured. Loyalty is measured as a probability of retention and customer recommendation of the brand and increase in customer repurchase. Also, EPSI does not take consider customer complaints as a consequence of customer dissatisfaction (Johnson, Gustafsson, Andreasson, Lervik & Cha 2001).

2.4 Customer Satisfaction

![Diagram showing the relationship between customer-focused organization, customer satisfaction and business profitability](image)

Figure 4. Source: Best (2005)

Customer service is the key difference between businesses in the virtual world and physical present business. In an online business, there are instances when companies accept orders for items that are not in stock. On such occasions, the customer will only get dissatisfied as he places the order and later comes to know that the item is out of stock (Carroll & Broadhead 2001).

The following are some of the examples that lead to customer dissatisfaction online:

- Hackers who steal the personal information of the customers. Customers are concerned about internet security when they give their credit card details.
Design: when the website is designed badly in such a way that the customer faces difficulty in finding the product that he is interested in.

When the company sends emails, newsletters to the customers without their permission can irritate the customers.

Speed - The poor performance of the website where the customer is trying to purchase.

When the customer queries are not answered or does not reach the right person.

When the customer does not get the item shopped on time or does not have the quality or performance as expected.

### 2.5 Satisfaction Profit chain

Customer satisfaction and customer retention are directly linked with the profitability of a business (Best 2005). Exceptional customer service results in customer retention which in turn leads to increased profitability. When the customer stays committed to the product/brand longer, they are less likely to switch to the competitor’s brand as he is convinced with the benefits of the product (Hill & Alexander 2003).

As emphasized by Best (2005), it is important for a growing business to measure the customer satisfaction as it is the forward looking indicator of success. Only measuring the financial results will not indicate the success of the business as dissatisfied customers do not exit from the purchase immediately. It takes a while for the dissatisfied customer to switch over and hence tracking customer satisfaction is of utmost importance to the business. Dissatisfied customers are dangerous to the business as they vent their dissatisfaction by spreading their views to others (Best 2005). This is all the more dangerous in online shopping as many customers purchase a product only based on the reviews of the product/service. Customers prefer to purchase ‘high rated’ products as many customers have already been satisfied with the overall quality and performance of the product.

Both ACSI (American Customer Satisfaction Index) and ESCI (European Customer Satisfaction Index) have tracked strong linkage between customer satisfaction and profit performance. This holds true to businesses in different industries such as airline, telecom, banking etc (Buttle 2000).
In case of new customer acquisition, business’s profit will be negative initially due to upfront acquisition expenditure. As the business focuses on increased customer service, existing customers are more likely to buy more frequently and also try the other products offered by the firm. Retained customers are an asset and produce revenue over the long time. Firms concentrating only on new customer acquisition neglecting customer retention will not only lose the sales from repeated purchases but will also have to spend hugely on acquiring more customers who may or may not stay committed to the firm’s products (Anderson & Mittal 2004).

To maintain business reputation and popularity of the business brand so that keeping the old customers than the new customers costs more cheaply. This connection was described by Hill and Alexander in the year 2000 and is made clearer by the following diagram.

Figure 5.

Customer satisfaction and loyalty are important drivers of business performance. An increase in customer satisfaction will have the following benefits to the firm:

- Decrease in future transaction cost, price elasticity with an expectation in increase of future revenue due to repeated purchases of the existing customers.
- Satisfied customers are powerful motivators and indirectly help in lowering the cost associated with new customer acquisition (Anderson & Mittal 2000).

### 2.6 Customer Retention

In less competitive markets, it is quite easy to retain customers. Customers are easily retained even in markets where there are few substitutes or when the switching costs are high (Best 2005). But this is not the case in online shopping. In an online business, choices are wide with no switching costs. Here, customers quickly switch to competitors in case of dissatisfaction. Hence, customer retention is a challenge in online business and requires higher levels of customer satisfaction.

Customer retention is as important as new customer acquisition. Online customer relationship is difficult and that makes customer retention scary. An analysis of e-customers is vital since customer satisfaction results in loyalty and customer loyalty is the basis of successful customer relationship (Hill & Alexander 2006).

The company has to take efforts to retain customers who are of greatest value to them. The company has to assess the costs linked with retaining customers. The company need not spend on customers who are highly committed and believes that no other competitor can replace the brand he is committed to. The company will have to invest only on customers who are significant to the business and are not committed. A long term relationship can be built with the customer only when the needs and expectation of the customer are well understood and met. When the fundamental expectations of the customer are well understood then accordingly the company can strategize to delight the customer and exceed his expectations. A customer recommending a product or service shows his commitment and loyalty to the brand or company. This is due to the confidence in the value created and delivered by the company or brand (Best 2005).
2.7 Customer loyalty

According to Best (2005), customer loyalty is a psychological commitment that a customer has towards a specific brand or company. Customer loyalty can be measured through customer Loyalty Index (CLI) which is explained by Best (2005) as follows:

\[
\text{CLI} = (\text{Customer Satisfaction}) \times (\text{Customer Retention}) \times (\text{Customer Recommendation})
\]

As mentioned earlier, a customer recommends a brand only when he is completely satisfied and trusts the quality and value of the product or service. In fact, customer satisfaction, customer recommendation and customer retention are seen as components of customer loyalty (Best 2005).

Customer loyalty is a psychological predisposition that influences the customer to make repeat purchases from a specific product or service provider. Decreased customer complaints and increased customer loyalty are the important drivers of increased customer satisfaction (Johnson, Gustafsson, Andreasson, Lervik & Cha 2001).

A customer has many choices and the fact is that a customer of one company is likely to be the customer of its competitor as well. Loyalty exists based on the service or support provided by the company rather than the product it.

Building credibility is of utmost importance in an online business. The customer is hesitant in sharing his personal information or credit card details especially for startup companies (Carroll & Broadhead 2001).

Customer loyalty can be built when the online business focuses on providing exceptional customer service and exceeding the expectations of the customer. Such an excellent customer service will help in retaining customers. For example, online businesses offer special discounts, promotional offer and exclusive service for customers who have a personal shopping account with them. This is one of kind of marketing for site registration wherein the customer gets the feeling that he receives extra benefits when he registers as a preferred customer (Carroll & Broadhead 2001).
By enhancing customer service, the online business can increase their customer’s loyalty. Some websites offer gift reminder service to their registered customers wherein the customer is reminded of important events and occasions that has been stored by him in his account along with promotional offers. This is one way for the business to promote their brand, market their products and at the same time offer exclusive service to its customers (Carroll & Broadhead 2001).

Figure 6. Source: Windows clip organizer graphic files. Self added only arrows and texts at bottom.

To improve customer loyalty, some websites offer discussion groups in their websites and promote common interest to pull targeted customers. When the website contains valuable information about the product then the customer would be motivated to visit the website again. Just like any other medium of business, internet business should also focus on making their customers feel ‘special’. Grahame R. Dowling Australian Graduate School of Management University of New South Wales Sydney, Australia says, ‘In any business, customer loyalty is a result of exceptional personal services and exceeding customer expectations. The same thing holds good for an online business as well. Customers are ‘brand
loyal’ if they are offered convenience, ease of use and choice coupled with high quality, good price and service.’

More than mere promotional offers, email marketing will have a positive impact on the customer brand loyalty. Also, permission based marketing is also important as email marketing without the permission of the customer will only irritate and dissatisfy the customer.

At the same time it has to be understood that in a commercial market, if there is lack of loyalty then the seller has to take the constant initiative of convincing the customer to stay committed to his brand. Also a customer’s loyalty is dependent on his self-interest. With the high levels of satisfaction a customer intends to be loyal to the brand.

2.8 Relationship between customer satisfaction and loyalty

2.8.1 Effect of customer satisfaction on loyalty and business performance.

According to Barnes (2006), customer satisfaction and loyalty are closely linked with each other and both have an effect on a firm’s performance. Though customer satisfaction and loyalty are related with each other in many ways, it has to be borne in mind that customer satisfaction does not always result in loyalty. A satisfied customer need not necessarily be loyal. Customer satisfaction by itself will not result in developing solid customer relationships. When there is an absence of emotional bond, the customer will leave in spite of increased satisfaction. But on the other hand, loyalty is the end result of customer satisfaction. It is therefore necessary to not only merely meet the expectation of the customer but also exceed in the areas not expected by him. A surprised customer is impressed and this will begin to create an emotional bondage (Barnes 2006).

Szwarc (2005) states that there is a strong link between loyal customers and a firm’s financial performance. According to the author, customer satisfaction plus loyalty equals increased profits of an organization.

Interestingly, according to Hill, Roche & Allen (2007), satisfaction is an attitude and loyalty is behaviour. The authors describe how satisfaction translates to profit as follows:
Kevin Stirtz (2010), the meaning of loyalty consists of different components. Firms want to construct and increase their customer loyalty, need to develop consistence that means reliability and quality. The more firms show consistency the more customers will feel they can trust a firm and show loyalty. Therefore, as antecedent of firm performance both customer satisfaction and customer loyalty is required.

Schlesinger and Heskett (1991) the loyalty business model is a business model that is mostly used in strategic management. The main objective of this model is to define how the company could employ its resources in order to increase the loyalty of customers. Good quality of products and services creates customer satisfaction that would results in customer loyalty, which leads to profitability. They developed the concept of business cycle both in terms of success and failure. In the cycle of success the main emphasis was on employees’ ability to provide better service to customers. The motivating factor was weighted high because when the businesses would do effort in their employees’ selection and training then it would be creating a corporate culture in which employees would be empowered. Thus the employees’ empowerment leads to employee satisfaction and employee competence. The result would be a superior service delivery and customer satisfaction. This in turn will create more loyal customers and higher profit margins for the businesses.
According to Vance Christensen (2006), to make the model clearer it is very important to understand the difference between the customer satisfaction and customer loyalty. In more simple terms, firm is a requirement to do business; the customer is the basis for sustained profitability and growth. The concepts, the customer satisfaction and customer loyalty are driven from customer experiences. Customer satisfaction measures the expectation of customer and how it exceeds the set objectives.

Customer satisfaction is one of the most important reactions in Internet shopping, and its importance is reflected in the ability to help firms build up customer loyalty (Anderson and Srinivasan (2003).

Satisfaction is the leading indicator that is followed by loyalty, sales and other measures of organizational performance. According to the disconfirmation-of-expectation paradigm of Oliver, customers have some expectations about a product or service before a purchase. And during the actual purchase, the customer compares this previous expectation with their real service/product performance. On comparison, if the expectation is equal or has exceeded, then it results in customer satisfaction and in case of a negative disconfirmation it causes customer dissatisfaction. Oliver formulates customer satisfaction as a difference between expected and perceived product/service performance. (Kuballa 2006).
Customer satisfaction does not obviously result in loyalty but it definitely encourages customer loyalty. However, there is a strong relationship between customer loyalty and sales growth as loyal customers buy a wider range and value added products of a company. Moreover, they also refer other prospective customers to the company. Consequently, there is a positive relationship between loyalty and company performance. Of course, loyalty does not guarantee profits implicitly. Maintaining loyalty requires huge efforts and costs. The company should continue to adopt customer loyalty measures only when profits exceed costs. (Kuballa 2006).

2.8.2 loyalty: attitude or behavior

The term ‘loyalty’ is sometimes defined as ‘behaviour’ and sometimes as an ‘attitude’. The ‘behavioural’ definition of loyalty is about description of the actual conduct of the customer while the ‘attitudinal’ definition of loyalty is all about liking and preference. The value of a customer is generally described according to whether the enterprise will make a profit on him in the future. Compared to attitudinal loyalty, it is necessary for an organization to study the behavioural loyalty as it helps to understand the techniques and mechanics of managing customer relationships. The management of customer relationships influences the future actions of the customer which in turn has an impact on the firm’s performance. (Peppers & Rogers, 2004).

Barnes (2006) classifies loyalty into two categories: “functionally loyal” and “emotionally loyal”. Functionally loyal customers are those who are attached to the firm or brand for the reason that they are functionally attractive. For example, convenient location of the store, open 24 hours a day etc can be the drivers for this kind of loyalty. On the other hand, emotionally loyal customers are those who are not only attracted to these kind of convenience factors but also feel comfortable with the store because of reasons like ‘greeted personally by name’ or ‘liked the experience of shopping’. Consequently, these customers develop an emotional attachment to the brand or firm. ‘Functionally loyal’ customers are likely to switch over to the competitor’s brand when offered a more functionally attractive
option but ‘emotionally loyal’ customers unlike the ‘functionally loyal’ customers are likely to last in spite of a more functionally attractive alternative.

Derek et al. (2000), customer loyalty may involve an attitudinal state and it is not exclusively a behaviour. Dick and Basu (1994), defines customer loyalty as the combination of both behaviours and attitudes. In other words a loyal customer is one who purchases repeatedly and has a favourable attitude for the brand.

2.9 Direct marketing

Direct marketing found its way since late 1800s in national magazines of United States. Direct marketing includes direct mail, money back guarantee, cut out coupons etc. toll free number is one type of marketing that has attracted the prospective buyer to contact the company for enquiry. Mail order success with the toll free number is a great business success that has reached mass acceptance (Jones 2009).

Direct marketing has its own advantages and the online marketers can deploy it to the full extent. The product reaches the consumer fully since direct marketing targets the consumer of specific interest, age group or income level. Though internet marketing is an effective and popular way of reaching the mass, it has not replaced direct marketing. Than the traditional direct marketing, internet direct marketing is more cost effective especially since there is nothing to physically produce.

2.10 Online marketing

Online marketing provides the marketer the ability to effectively interact with a massive numbers of customers and potential customers. At the same time, the online marketer has to well understand the perception of the consumer because the profile of an online shopper is very different from that of a traditional retail consumer (Ranganathan & Ganapathy 2002).

The global reach of the internet and its different interactive capabilities have made online marketing a very effective way to reach the customers. The prime advantage of online marketing is that it truly independent of time and space. Online marketing is not only a form
of direct marketing channel but also a new way of communicating. The impact of internet marketing to the product is instant, cheap and effective.

In online marketing, first and foremost the business has to understand the tendency of the online shopper. An online shopper is more information oriented and not only looks for best prices but also for value. The quality of the product can be best conveyed through the content and design of the website. ‘Content is King’ which means a relevant rich, detailed and informative website attracts the customer to visit the website again and again. The online shopper should be able to easily read the information that he is looking for in the website. The website design should be in par with the customer needs (Carroll & Broadhead 2001).

The success of online marketing lies in offering an extensive variety of products for the online shopper and also on the inventory position. The online store should manage ‘out of stock’ or ‘out of season’ customer requests efficiently. The individual needs of the consumer can be addressed if the website is designed with personalization and mass customization content. Personalization and mass customization is done based on the preferences of the customer, the location, particular events and the date or time. Personalization will enable the customer to view a good content based on his interest and the information he is looking for. At the same time, privacy is the key factor for the consumer to make the decision of purchasing online. Websites focusing on personalization will have to be more cautious to protect the personal information of the visitor (Hoskins 2002). A well designed home page is essential for an effective online marketing. The key content must be highlighted for the visitors to search for the information they need quickly and easily.

Identifying potential customers is not an easy job in an online business as it is not only time consuming but also an expensive process. It is good to spend on advertising for a segment of prospective customers and further on the customers who are willing to purchase repeatedly (Carroll & Broadhead 2001).

E-marketing requires new marketing approaches. Traditional marketing focuses on passive audience while online marketing targets active audience who choose the websites they should visit and decide the marketing information of the products that they want to receive.
Gray, Charlesworth & Esen (1997) discuss the various advantages of online marketing as follows:

1. Cost of marketing through the internet is low.
2. It is a fast and flexible channel for marketing
3. No opening, closing hours for business
4. It is a two way channel wherein the views of the customer can be easily gathered.

   This two way communication helps in acquiring new customers as well as customer retention.

Sometimes, online marketing will have to be done similar to direct marketing. Even online customers might respond to limited offers and special discounts just like any other customer. Also, displaying such attractive offers and discounts on the homepage appropriately so that the online customer does not miss to read is also important in online marketing.

One important thing here is that the way a website packages its service will not only differentiate it from its competitors but will also bring about a big change in customer perception (Carroll & Broadhead 2001). Marketing through the internet has to be fast, accustoming to the rapid changes, new tools and new users. Also, considering the fact that some products sell better than others in the internet, online marketing has to be done having this point in mind. Online marketing will take considerable time and effort for a customer to get attracted.

The design and content of the website also motivates the customer to visit the website again. The design has to be in such a way that the customer understands the content of the website easily and quickly. In online marketing, differentiating the product or service from the competitors is extremely important. It is easy for the customer to compare the product or service with its competitors and the information is readily available online.

Online marketing is not only promising but also challenging for the future. Internet is sought after as an important supplement to other marketing efforts of the business. Online marketers have become skillful in gathering and analyzing the detailed information of the internet shopper.
2.11 E-commerce in Europe

There are several reasons why e-commerce has tremendously picked up in Europe. This is because Europe has several strong points for accessing the global markets. Europe being the largest single market in the world and its single currency are reasons for its great incentive for adopting e-commerce (Stajano 2008).

Ken Black (2009) discusses about a survey conducted by EIAA (The European Interactive Advertising Association) in which the behavior of 7000 people across Europe were studied towards online shopping. This study revealed that over a six month period, an average of €750 was spent and 10 items were purchased by the online shoppers in Europe. And out of this, in Norway, an average of about €1406 was spent with a purchase of about 7 items.
A study was conducted by eMarketer in which the European electronic commerce accounted for $980 billion in the year 2004. Among all the European countries, Sweden, United Kingdom, Finland, Netherlands, Germany and Denmark scored well. In fact, some of the best European e-commerce websites showed good performance that could be compared with the http://www.bizaims.com. This is the best e-Commerce website of the USA.

### 2.12 E-commerce in Norway

In the year 2006, Norway was one of the countries that recorded highest adult internet usage with over 83% of the adults using internet at home, work or another location. Norway also recorded largest share of adults (about 47%) using the internet for online shopping (OECD Science, technology and Industry scoreboard, 2007). Though Norway has high internet penetration, due to the absence of numerous large corporations, the country lags behind in exploiting e-commerce. Large organizations can drive the e-commerce market well but Norway has only few large sized companies. In Norway, most companies are small or mid-sized and hence do not have the resources to excel in e-commerce (Roger, Smith & Kidd 1998).
### 2.13 Online marketing domains

The online marketing domains are divided in four parts as follows

**Various electronic business relationships**

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Consumer</th>
<th>Business</th>
<th>Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumer</strong></td>
<td>Consumer to consumer (C2C) E.g.: classified ad on a personal homepage</td>
<td>Consumer to Business (C2B) E.g., web page with personal ability profile</td>
<td>Consumer / Citizen-to Administration (C2A) E.g., citizen evaluates public environment project</td>
</tr>
<tr>
<td><strong>Business</strong></td>
<td>Business to Consumer (B2C) E.g., products and services in one e Shop</td>
<td>Business to Business (B2B) E.g., order with suppliers (supply chain)</td>
<td>Business to Administration (B2A) E.g., electronic services for public administration</td>
</tr>
<tr>
<td><strong>Administration</strong></td>
<td>Administration to Consumer / Citizen (A2C) E.g., possibility of electronic elections</td>
<td>Administration to Business (A2B) E.g., public advertisement of project plans</td>
<td>Administration to administration (A2A) E.g., forms of cooperation in virtual communities</td>
</tr>
</tbody>
</table>

*Table 2.* Source: Meier & Stormer 2009
2.14 B2C online marketing

In a B2C market, customers place more emphasis on the comparison of price. Customers browse for the best price by comparing the price of the product offered by various online marketers.

A B2C website should be designed in such a way that there is not much of an information overload and the information should just be sufficient for the shopper to make a decision. Information search and information evaluation are important in a consumer buying process. The website containing high value information on the product highlighting about its benefits and details will help the visitor make a decision about purchasing the product. Also, the website should offer navigational tools and search engines that ease the search of the consumer (Ranganathan & Ganapathy 2002). The B2C website should serve as a major source of information and provide the following.

- Complete information about the product or service
- Appropriate privacy and security measures
- Allow quick access to information through search engines
- Help in evaluating the alternatives
- Easy navigation and design should appeal consumers

In a B2C market, when the customer knows what he is going to buy, he would put the product or service in the search engine to seek more information on it. Email marketing is commonly used in a B2C market. However, in this form of marketing unsolicited emails may sometimes alienate potential customers. (Barker & Angelopulo 2006)

The following figure represents the various flows that can occur between sellers and buyers.
2.15 C2B online marketing

In C2B market, the customer handles and decides the market dynamics. To cater to his needs, the customer welcomes proposals from the online marketers. The consumers are asked by the sellers to convey their messages and views about the business products and the pattern of business. It is a new strategy from marketing point of view where the business does not wait for some suggestion to come from customers. Instead the customers send their views via some questionnaire requested by the business. This type of invitation is called C2B (consumer to business) online marketing. There are many websites where the purchaser accept or reject the offers by placing their bids. Examples are house rent prices, airline tickets, vacation trips, rent a car etc.

2.16 Summary

This chapter briefly discusses about the theoretical framework on the subject of study. Various theories on customer satisfaction, customer retention and loyalty and relationship between customer satisfaction and loyalty have been discussed in this chapter. The discussion above shows that as and antecedent of firm performance both customer satisfaction and customer loyalty is required. Also, different methods of marketing and electronic business relationships that are relevant to this study have been discussed briefly.
Chapter 3 - Methodology

3.1 Data Collection

This section describes the overall procedure used to collect data for the thesis work. From the Marketing point of view normally we use the combination of qualitative and quantitative research.

3.1.2 Qualitative Research

Qualitative research consists of some technical procedures. These procedures are essential for the survey response. There are many factors involved in the qualitative research. Following is the description for qualitative data collection.

3.1.3 Questionnaire Design

From firms perspective customer satisfaction dimensions such as availability, responsiveness, timeliness, completeness, and convenience need to be measured by questionnaire. Availability should be the degree for which customer could contact the supplier. There where the supplier could react promptly according to the requirement of the customer fulfils the responsiveness dimension of customer satisfaction for example constantly response to the customer feedback receive via website. The time frame for the delivery of goods or services is another dimension of customer satisfaction. Firms have to make sure that the job is finished and customer is satisfied of the completion of his demand or requirement. Firms also need to enhance their professional behavior and manners to keep their customer satisfied and retained, for example offering customized solutions thus making virtual purchase a convenient method of shopping (Hayes 2008).

Derek et al. (2000), Berry and Zeithmal in 1998 published their multi-item SERVQUAL scale considered to be one of the first attempts to measure customer satisfaction. The items used in this scale are still used today as a foundation for ‘customer satisfaction dimensions’. The items in this scale are Tangible Scale, Reliability scale, responsiveness scale, assurance scale and empathy scale.
The survey questions are designed and based on above mentioned customer satisfaction dimensions. This could help firms to measure customer satisfaction in a better way.

Hays (2008) insist that designing the questionnaire is of great importance in a survey. According to him, the survey questions should be concise and unambiguous. Taking all this into consideration, the survey questions have been designed in a simple and easy language. We chose to keep the language very simple as the survey is being performed virtually and there are chances for misinterpretation as there is no face to face interaction. Customers were asked to provide their rating in order to understand their expectations from the online businesses and examine what causes customer satisfaction and loyalty in online shopping.

### 3.1.4 Questionnaire format

The questions have been formatted based on the following steps. Bob E. Hayes ET (2008), to select the format for questions in the questionnaire is also significant step for the survey. There are several response formats or scaling methods. R.A Likert (1932) developed a scaling format. In this format the low end represents a negative/ dissatisfaction answer while the high end represents a positive or highly satisfied response. In this format the customers are allowed to express the degree of their views or opinions about the specific service or product, the survey is conduct for. This format has no restriction to choose between ‘yes’ and ‘no’. The easy and simple way is to start with an introduction or welcome message. In the case of Web survey questionnaires, the introduction message should be in a first page of the questionnaire form itself defining the purpose of the survey. Assurance of data security and a good introduction or welcome message will encourage people to complete your questionnaire. For the same reason, include the numbers if related to the question type for example 1 year, 2 year or 10 year.

The survey results are coded for numerical analysis. In the Likert method of coding higher scores represents higher level of customer satisfaction and lower value indicates the dissatisfaction from the respondents about the particular item or service. In the following figure of Likert method the codes used are: Strongly Agree = 9-10, Agree = 7-8, Neutral= 5-6, Disagree =3-4, strongly Disagree =1-2.
3.1.5 Web survey
Steps involved for launching Web survey for the data collection are discussed in the following section.

3.1.6 Internet/Intranet (Web Page) Survey method
Bob E. Hayes ET (2008), 68% of customer feedback, the professionals indicated that their firms/companies conduct via web based survey for the purpose of data collection. The other type of survey is less popular like telephone (66%), paper pencil (47%), and interviews (47%). Such kind of survey helps the company to use the existing data and reduce the number of questions in the questionnaire. Benefits of web survey data collection and customer feedback is as under:

1. Relatively fast to conduct.
2. No cost of paper pencil, envelop, printing, postage or data entry.
3. Response rates are typically high.
4. Ease of sending reminders to participants.
5. Easy of data processing like spread sheet, database compare to manual entry.

3.1.7 Survey Sample size
Bob E. Hayes et (2008) sometimes for organizations/firms that have tens of thousands of customers, it is not possible to get survey data from all their customers. In fact, for getting the reliable picture of customer’s level of satisfaction and loyalty, it may not be necessary to survey each and every client. The best approach to analyze views of a particular land,
community or large number of people about a specific product or service is to develop a sample. This sample represents the entire population. Results from these samples are used to calculate the customer satisfaction and loyalty for particular product or service.

Bob E. Hayes et al. (2008), Cluster sampling method is an approach in which selection is conducted at group level. The group of customers may represent different locations like offices, universities etc. That is, the individual cases within the population are grouped (clustered) into larger groups. Then these groups in turn, are the level at which random selection is conducted. This random selection process helps to get a small subset of offices, institutions or group of friends and relatives.

For example a firm might have 200,000 customers throughout 100 different locations. These 100 locations would constitute cluster. In cluster sampling, we would think of this 100 would be as a population and then randomly select say, 20 clusters to be included in our sample. We would use the customer satisfaction and loyalty survey from these 12 clusters in our statistical analysis.

The process involved in this research to identify participants for the web survey and measure customer satisfaction and loyalty of people of Norway, has been performed based on the cluster sampling method. In case of Norway the individual cases within the population are grouped or clustered into larger groups/clusters that consist of offices, firms, institutions and group of general public (friends and relatives) who agreed to respond to survey questionnaire.

3.1.8 Number of Respondents

The randomly selected firms/organizations/institutions of Norway for survey are divided in 10 groups (clusters). One cluster out of eleven consists of friends and relatives living in Norway agreed to respond to web survey. A link of online study survey was sent to respondents. Out of these 11 clusters 104 respondents responded to the questionnaire. Following table shows the name of organizations, firms and institutions, the questionnaire link was e-mailed to them.
Table 3

<table>
<thead>
<tr>
<th>No.</th>
<th>Organization/Firm/Institution</th>
<th>Web address</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Mamut Corporation</td>
<td><a href="http://www.mamut.com">www.mamut.com</a></td>
</tr>
<tr>
<td>2.</td>
<td>Software innovation</td>
<td><a href="http://www.software-innovation.com">www.software-innovation.com</a></td>
</tr>
<tr>
<td>3.</td>
<td>24Seven Office</td>
<td><a href="http://www.24sevenoffice.com">www.24sevenoffice.com</a></td>
</tr>
<tr>
<td>4.</td>
<td>Hedmark University</td>
<td><a href="http://www.hihm.no">www.hihm.no</a></td>
</tr>
<tr>
<td>5.</td>
<td>Norwegian School of Information Technology</td>
<td><a href="http://nith.no">http://nith.no</a></td>
</tr>
<tr>
<td>6.</td>
<td>Norwegian School of Veterinary Science</td>
<td><a href="http://www.vetfs.no">www.vetfs.no</a></td>
</tr>
<tr>
<td>7.</td>
<td>Norwegian School Of Economics And Business Administration</td>
<td><a href="http://www.nhh.no">www.nhh.no</a></td>
</tr>
<tr>
<td>8.</td>
<td>Norwegian Academy of Music</td>
<td><a href="http://www.nmh.no">www.nmh.no</a></td>
</tr>
<tr>
<td>9.</td>
<td>University of Oslo</td>
<td><a href="http://www.uio.no">www.uio.no</a></td>
</tr>
<tr>
<td>10.</td>
<td>Friends and relatives in Norway</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Japan Photo Holding AS</td>
<td><a href="http://www.japanphoto.no">http://www.japanphoto.no</a></td>
</tr>
</tbody>
</table>
3.2 Summary

To summarize the processes involved in the methodology have been discussed in this chapter. To start with, we developed our plan to collect data via website survey. For this purpose we framed a questionnaire based on reliable and valid international literature. We chose the R.A Likert scaling method for recording the questionnaire responses. Post the launching of web survey, we requested some institutes, business firms and organizations in Norway to take part in this web survey by answering the questionnaire. In response to our request, 104 respondents took part in the web survey.


Chapter 4 - Analysis & Results

4.1 Data Analysis

According to Hays et (2008), in order to analyze the satisfaction and loyalty levels of the respondents, the statistics (average, mean and standard deviation) has to be calculated for each question in the survey. Following table 4 shows the statistical calculation for each survey question measuring customer satisfaction and loyalty in Norway. Here the introductory questions that are part of the questionnaire, but do not have link to the measurement of customer satisfaction and loyalty in Norway, are not included in this calculation.

Table: 4 Statistical calculation of customer satisfaction and loyalty of Survey respondents

<table>
<thead>
<tr>
<th>Questions for measurement of customer satisfaction and loyalty</th>
<th>Percentage of Respondents Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SA</td>
</tr>
<tr>
<td>1. Do you purchase things very often?</td>
<td>7.8</td>
</tr>
<tr>
<td>2. What is your opinion about the security of the payment?</td>
<td>26.1</td>
</tr>
<tr>
<td>3. Are you satisfied with this kind of shopping if yes how much?</td>
<td>26.9</td>
</tr>
<tr>
<td>4. Do you like to be loyal to online shopping if yes how much?</td>
<td>9.6</td>
</tr>
<tr>
<td>5. Do you think that information provided by the sellers about the goods available for purchase is enough?</td>
<td>1.9</td>
</tr>
<tr>
<td>6. While purchasing goods, how much do you prefer Norwegian web site?</td>
<td>21.1</td>
</tr>
<tr>
<td>Question</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>7. Do you prefer third party mediation for security purposes for example 'SSL-certification' or pin code generator provided by bank?</td>
<td>44.2</td>
</tr>
<tr>
<td>8. In case of inconvenience do you use help service given for customers, if yes how much?</td>
<td>5.7</td>
</tr>
<tr>
<td>9. Have you ever experienced bad sales services for example received a bad quality or different goods than you purchased for if yes how often?</td>
<td>0</td>
</tr>
<tr>
<td>10. Have you ever received broken goods you purchased online if yes how often?</td>
<td>0</td>
</tr>
<tr>
<td>11. Are you satisfied with the in time delivery of goods you paid for?</td>
<td>17.3</td>
</tr>
<tr>
<td>12. Is it a matter of concern for you when you look the design of the web site, if yes how much?</td>
<td>17.3</td>
</tr>
<tr>
<td>13. Do you agree that online shopping websites should have different languages option to help Customer of different nationalities?</td>
<td>44.2</td>
</tr>
<tr>
<td>14. Do you give your comments/ feedback regarding the item if asked by the seller via website?</td>
<td>3.8</td>
</tr>
</tbody>
</table>

SA = Strongly Agree
A = Agree
N = Neutral
D = Disagree
SD = Strongly Disagree
M = Mean
St Dev = Standard Deviation
0 = Customer did not respond for this question

**Figure 11. (Graphs)** To illustrate this further, question 1 to question 14 have been graphically represented below in the form of histograms:
Figure.12 Given below is the graph of Means with respect to each question in table 4.

Figure13, below (Graphs). Following graphs are representing the normal distribution for each question in table 4 (Series 1 in each graph represents the data from the given question). Although the response, as mentioned previously, gives discrete options between 1-10, the response is assumed to be a continuous random variable. It can be seen that only Q1, Q5 and Q8 has distribution very close to be symmetric. Q2,Q3,Q4,Q6,Q7,Q11,Q12 and Q13 has negatively skewed distribution and Q8,Q9 and Q10 has positively skewed distribution. In general, most of the questions have asymmetric distribution.
At the beginning of the survey, the customers have been asked for some introductory questions in order to understand their background and knowledge towards online shopping in Norway. Following tables show the percentage rating for such questions. Table 5 shows percentage of Norwegian and Non Norwegian respondents purchasing products or services online.

<table>
<thead>
<tr>
<th>Question</th>
<th>‘Yes’</th>
<th>‘No’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are you a Norwegian Citizen?</td>
<td>78.84 %</td>
<td>23.07 %</td>
</tr>
</tbody>
</table>

Table.5

The following table describes the percentage rating of goods purchased by online customers based on the condition of goods whether new or used.
Online Shopping, Customer Satisfaction and Loyalty in Norway

<table>
<thead>
<tr>
<th>Question</th>
<th>New</th>
<th>Used</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the condition of items you buy online?</td>
<td>55.76 %</td>
<td>55.76 %</td>
<td>55.76 %</td>
</tr>
</tbody>
</table>

Table 6

The above table shows that there is no link between the satisfaction level of customer and the conditions of items whether it is experienced or search goods. It depends on customer preferences or style of buying products or services.

The table below is the percentage rating for the kind of products purchased online.

<table>
<thead>
<tr>
<th>Question</th>
<th>Electronic</th>
<th>Books</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>What kinds of things you normally prefer to buy online?</td>
<td>34.61 %</td>
<td>25 %</td>
<td>40.38 %</td>
</tr>
</tbody>
</table>

Table 7

According to survey result, 56% of online customers buy both used and new goods, and 34% is electronic items purchased online.

4.2 Measuring customer loyalty

The top businesses of today’s global business market use Net Promoter Score (NPS), a management tool that was developed by Fred Reichfeld, Satmetrix, and Brain & Company. NPS is used for calculating the loyalty of a business’s customer relationships (Hays 2008). According to Reichfeld and his co-developers, NPS is based on the question “would you recommend us?” (Chaffey, Chadwick, Johnston & Mayer 2009). This metric is important for any business or company to grow its business. Based on the rating of this question from ‘strongly disagree’ to ‘strongly agree’, calculation of loyalty is very simple. Customer responses are segmented into three categories (1) Detractors (rating 1-6), (2) Passive (rating of 7-8) and (3) Promoters (rating of 9-10). The formula for calculating NPS is

\[
NPS = \text{prop (Promoters)} - \text{prop (Detractors)}
\]

Incorporating the value from table 4

\[
9.6 - (34.6+13.4+3.8)
\]

For question #4

\[
9.6 - 51.8
\]
NPS for question #4 = – 42.2

Thus, according to NPS calculation less than 43% of the customers stay loyal to online shopping in Norway.

4.3 Rating of questionnaire response

The first question was raised to check the rating of online shopping. The results show that 7.8% of the respondents (population sample) purchase products or services online on a frequent basis, 21.2% people also buy often. While compared to 11.5% who buy via online shopping only few times. But 27% also do not buy often. The middle proportion of 32.7% is the rate of people who use both online shopping and in store shopping. This indicates that people are still not much motivated towards online shopping.

The next question is about the payment security issues while purchasing online. The result of 26.1% rating “strongly agree” and 36.6% rating “agree” is an indication that majority of online shoppers are satisfied and do not face any problem of payment security compared to 13.5% who disagree. Similarly, a higher percentage of online shoppers do not face any problems regarding late delivery of goods they paid for. This indicates that shipping service is very reliable.

It is very important to measure and track customer loyalty for the growth of a business. Question 4 in the survey is to gather the views of respondents regarding the customer loyalty towards online shopping. Results show that almost 50% have a cumulative agreement. A large percentage is still neutral on this topic. The results of NPS (Net Promoter Score) show that about 42.2% of shoppers do not strongly support online customer loyalty.

This high percentage of disloyal shoppers is to be taken into serious consideration by online businesses. Also looking at the overall survey results, it shows that a large portion of people are neutral. Apart from considering customers who are hesitating to respond to certain questions, businesses should also target the category of respondents who support disloyalty and take corrective measures in order to grow their online business in Norway.
The 1.9% of respondents expects more detailed information from the online shopping web sites. When the website provides complete product or service information along with the information that the customer is specifically looking for, then the customer will be more inclined to shop online.

While calculating the percentage rating for customer’s preference towards online Norwegian companies, the results shows that 32.6% (Strongly agree) and 21.1% (Agree) of the population are satisfied with the local online shopping web sites in Norway. This can also be due to the fact that the customer has a complete understanding of the product or service that is available in an online Norwegian company. Also compared to a foreign company, an online shopper might feel convenient to purchase from a Norwegian company for various reasons like language (information is available to him in his local language) and credibility.

Regarding the third party mediation for payment security purposes, despite the large percentage being satisfied with the security measures of online payment (question 2); people still want more secure methods for payment systems. Online payment security has a direct impact on customer satisfaction and loyalty.

As far as the timely delivery of items is concerned, it is good to learn that only 1.9% of population strongly disagree to timely delivery of goods. 17.3 % and 40.3% of the people strongly agree and agree respectively that goods are delivered in time. Similarly, it is surprising to note a percentage of 0 on delivery of broken goods which shows that customers are quite satisfied with the condition of items received through an online purchase. At the same time, the 34% of neutral population also needs to be addressed.

Similar results have been derived for question on website design and this shows that customers are concerned about the design of the website while making a purchase online. It is necessary for online Norwegian companies to focus on its website design and take constructive measure to improve their website in par with the successful international online websites like Amazon or eBay.

A high demand is observed for providing different language selection facility on the web sites. A rating of 44.2% and 28.8% for question#13 of questionnaire indicate that there are
many international customers in Norway who shop online. Sellers have to fulfill the demands of these customers by providing different language options.

The rating for question 14 shows that less people want to give feedback or comments via website. Therefore businesses or firms have to find out easiest and attractive ways to get customer feedback via their web sites.

The 23% rating for question#14 shows that less people want to give feedback or comments via website. Therefore businesses or firms have to find out the easiest and attractive methods to get feedback via their web sites from their customers. It will help them to assess their performance and identify the problems to be addressed in order to improve their business.

4.4 Evaluation of questionnaire Data (Mean and Standard Deviation)

We calculated the mean or average of responses for each question and their standard deviation so as to better scrutinize the overall response for the given question. In addition the plots of normal distribution are also given. The evaluation table.4 shows that average response for Q1 is 5.13. It is therefore clear that trend of purchasing goods or services online is not at high level among Norwegian people. We can say that it is of medium level. Even with addition of positive standard deviation of 2.34 the trend of online shopping is not very high. For Q2 the average response is a bit above the neutral opinion i.e. 6.64 that people have in Norway. A better average level of 7.23 is obtained about the Q3. Comparatively smaller standard deviation indicates that people’s views deviate less about this average conclusion and is very positive for online shopping businesses in Norway. For Q4, regarding checking the loyalty, on average people are not much inclined towards online shopping (mean=6.25). Another medium trend is there for Q5 and Q6 of 5.79 and 6.44 respectively. However, for Q6 the response varies much if compare to Q5.
In case of Q7, average agreement demonstrates people demanding and being much concerned about the tighter security for online shopping. An average number of population sample use help services while doing online shopping (Q8).

In Norway the customers are happy with the on-time delivery of goods by sellers, so an average response of 3.43 and 2.3 for Q9 and Q10 is of high level. The people are happy about the conditions of the goods they receive after payment via online but the in time delivery is still matter of concern. May be it is because of the long distances from the firms, they live. The mean is 6.7 for Q11. The mean for Q12 is a little above average level in Norway for online shopping. The average response to Q13 is high (7.75), showing concern of the population in Norway about option of different the languages in web sites. For question 14 the average response is not satisfactory and requires actions to urge customers give their feedback for improvement of a business’s performance and evaluation.
4.5 Summary In order to sum up, the results are expressed in terms of percentages in table 4 for easy reference and they are as follows:

- Around 65% of Norwegians are satisfied with the internet method of shopping. (Adding values from column SA and A)

- Around 43% people are loyal to the websites where they do their purchases frequently. (According to NPS calculation)

- Around 76% of Norwegians prefer to use third party mediation for online payments. (Adding values from column SA and A)

- Only 30% of the Norwegians make use of customer service facility in case of inconvenience. (Adding values from column SA and A)

- Only 23% of Norwegians provide feedback regarding their purchases on seller websites. (Adding values from column SA and A).

- Only around 53% of the people prefer to use Norwegian websites for their online purchase. (Adding values from column SA and A).

- As much as native Norwegians, immigrants living in Norway also use online shopping frequently. According to the results, around 70% of the people recommend websites to support multiple languages. (Adding values from column SA and A).

- About 65% of the people are happy with the quality of the delivered goods. (Adding values from column D and SD).

- It is surprising to note that only 2% of people have experienced receipt of bad quality goods via online shopping. (Adding values from column SA and A).

- 60% of online shoppers think that website designs will have to be improved. (Adding values from column SA and A).

- Around 34% of the people opine that product information given on websites is not sufficient. (Adding values from column SA and A).
Chapter 5 - Conclusion

The thesis was aimed to study the level of customer satisfaction and loyalty of online shoppers in Norway. The study was done with an overview of current and past research works done on related topics and with the help of qualitative and quantitative data collection. Through the online survey, the factors that assess and affect the customer satisfaction and loyalty were evaluated. Keeping this in mind, we have come up with the following conclusions:

1. According to NPS calculation, less than 43% of customers are loyal to online shopping in Norway. An analysis of the survey results according to table 4 show that around 65% of the customers are satisfied with the online method of shopping. It is alarming to note that despite a good percentage of customer satisfaction there are about 57% of disloyal customers.

2. The online customers of Norway are satisfied with their local websites, security in online payment and the quality and timely delivery of goods. Also, for security purposes, most of the Norwegians prefer third party mediation for their online payments.

3. Norwegians do not effectively make use of the online customer service/support facilities in case of inconvenience. This shows that they are not encouraged by the online sellers to make effective use of service and support provided on online shopping websites.

4. Norwegian online shoppers hesitate to provide feedback about a product or service purchased online. This is very important for both online sellers and buyers. By giving positive feedback, the customer is indirectly recommending the product to prospective buyers. On the other hand, negative feedback helps the online sellers to improve the quality of products/services thus attracting more people towards online shopping. Therefore, online sellers should encourage customers to provide feedback for their entire online purchases.
5. Only half of the Norwegian shoppers prefer to use the local websites of Norway. This is because customers of different nationalities living in Norway also frequently use the internet for shopping. Eventually, this category of shoppers expects the local websites in Norway to support multiple languages.

6. Online shopping websites of Norway lack in providing comprehensive and thorough information on their products/services. Majority of the Norwegians have voted through the survey that online sellers should provide detailed information on the products or services offered. This point of conclusion divulges very interesting element about the nature of the Norwegian online shoppers. This shows that the customer’s expectations have not been addressed competently by online sellers.

7. Norwegian online shoppers are concerned with the look and design of the website. From the survey, it is clear that majority of the customers demand a good design for the online shopping websites.

All the factors that are discussed above directly or indirectly lead to improved customer satisfaction and loyalty of online Norwegian shoppers.

The authors believe that the outcome of this analysis will greatly influence the way online businesses currently function in Norway. Through this research, we infer that the online business in Norway still requires to be improved to a great extent. So there are opportunities for Norwegian and international business firms to further invest in this market and use the expertise and lesson-learns from different successful international experiences in order to improve and increase the volume and performance of online shopping.
Chapter 6 - Recommendations

Based on the detailed analysis of the survey results, we intend to recommend few improvements to online businesses in Norway.

Firstly, as per the survey results, quite a number of people either prefer only in-store shopping or correspondingly prefer both online and in-store shopping. Measures will have to be taken by online businesses in Norway to attract this category of shoppers. New customer acquisition is very important in any kind of business. For this, the firms have to improve customer satisfaction dimensions such as availability, responsiveness, timeliness, completeness, and convenience. Firms have to focus on all dimension of satisfaction without preferring one to other.

So, online Norwegian companies will have to focus on improving their marketing and sales strategies to pull more customers into online shopping. Businesses will have to explore more ways to increase their customers and enhance their branding. This can be done effectively through email, web marketing and search engine marketing.

So, online Norwegian companies will have to focus on improving their marketing and sales strategies to pull more customers into online shopping. Because it is the most effective way to fulfill customer satisfaction dimensions. The firms need to place a clearly defined service policy for the customer on the website that could help save time and effort in the long time. Moreover a complete and approachable way of delivering knowledge to customers will help to make your customer more confident about the given product and service. A proper channel and easy way of services and products could increase customer trust and keeping the existing customer loyal but also create a good thought process that will grab the attention of new customers in long run.

For the customer convenience, it is recommended that online Norwegian businesses offer information in different languages. Moreover, detailed product information should be made available through better methods such as video / audio presentation and elaborated product
catalogues. When all the information that a customer requires is made available to him as expected, then the customer is inclined to purchase a product or service online.

Customer satisfaction has a direct impact on loyalty and hence businesses should focus on satisfying their customers. Customers should be encouraged to make use of the online customer support services in case of any inconvenience. Also, in internet shopping, customers decide to purchase a product or service based on its review. By providing reviews, a customer indirectly recommends the brand or product to others. Since product or service review is increasingly important for its growth, online Norwegian companies should encourage their customers to provide constructive feedback in their websites.

To summarize, online businesses in Norway will have to focus on acquiring new customers through advertisement, publicity and discount packages. These customers will have to be retained and satisfied as both lead to higher levels of customer loyalty. However, it is a big challenge to retain customers and urge them to be loyal in a volatile environment like internet shopping.
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‘Online Shopping’, Customer Satisfaction and Loyalty in Norway


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Appendix (A)

Disclaimer

The current survey is used as a data collection for masters thesis being conducted at *School of Management, Blekinge Institute of Technology (BTH) Sweden* (http://www.bth.se). Responses to this survey are considered confidential and therefore individual responses will not be released, shared, or published. In participating in this survey, the participant recognizes that only statistical analysis of the collective data from all participants will be reported in the thesis. There will be no commercial use of the results from this survey.

1. Are you Norwegian? *
   - Yes
   - No

Continue
1. Where do you belong from? *

- Europe
- Asia
- Africa
- North America
- Australia/New Zealand

[Back] [Continue]
Page 3 of 7

1. For how long do you live in Norway? *
   
2. Do you work if yes please write the type of work? *
   
3. Are you a student if yes please writing your education level? *
   - School
   - Higher School
   - Bachelors
   - Masters
   - Higher

Back  Continue
1. Do you purchase things online, if yes for how long? *
   - Recently
   - 1-2+ Years
   - 3-5+ Years
   - 6+ Years

2. Do you purchase goods very often or some times? *
   - Sometimes
   - Very often
   - 1 2 3 4 5 6 7 8 9 10

3. What is your opinion about the security of the payment method like using visa or credit card? *
   - Low security
   - Highly secure
   - 1 2 3 4 5 6 7 8 9 10

4. What kinds of things you normally prefer to buy online? *
   - Electronics items
   - Books
   - others

Back | Continue
1. What is the condition of items you buy online? *
   - New
   - Used
   - Both

2. Are you satisfied with this kind of shopping if yes how much? *

   Low               Highly satisfied
   1 2 3 4 5 6 7 8 9 10

3. Do you like to be faithful to online shopping if yes how much? *

   Low               Very high
   1 2 3 4 5 6 7 8 9 10

4. Do you think that information provided by the sellers about the goods available for purchase is enough? *

   Not enough         Satisfactory
   1 2 3 4 5 6 7 8 9 10
1. While purchasing goods, how much do you prefer Norwegian web sites?*

<table>
<thead>
<tr>
<th>Low</th>
<th>Highly prefer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2 3 4 5 6 7 8 9 10</td>
</tr>
</tbody>
</table>

2. Do you prefer third party mediation for security purposes for example a dispute check by visa, credit card agencies if yes how much?*

<table>
<thead>
<tr>
<th>Low</th>
<th>Highly prefer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2 3 4 5 6 7 8 9 10</td>
</tr>
</tbody>
</table>

3. In case of inconvenience do you use help service given for customers, if yes how much?*

<table>
<thead>
<tr>
<th>Never use</th>
<th>Very often</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2 3 4 5 6 7 8 9 10</td>
</tr>
</tbody>
</table>

4. Have you ever experienced bad sales services for example received a bad quality or different goods than you purchased for if yes how often?*

<table>
<thead>
<tr>
<th>Never</th>
<th>Very often</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2 3 4 5 6 7 8 9 10</td>
</tr>
</tbody>
</table>
1. Have you ever received broken goods you purchased online if yes how often? *

<table>
<thead>
<tr>
<th>Never</th>
<th>Very often</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7 8 9 10</td>
<td></td>
</tr>
</tbody>
</table>

2. Are you satisfied with the in time delivery of goods you paid for? *

<table>
<thead>
<tr>
<th>Low</th>
<th>Highly satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7 8 9 10</td>
<td></td>
</tr>
</tbody>
</table>

3. Is it a matter of concern for you when you look the design of the web site, if yes how much? *

<table>
<thead>
<tr>
<th>Not concerned</th>
<th>Highly concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7 8 9 10</td>
<td></td>
</tr>
</tbody>
</table>

4. Do you agree that online shopping web sites should have different languages option to help Customer of different nationalities? *

<table>
<thead>
<tr>
<th>Not agree</th>
<th>Fully agreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7 8 9 10</td>
<td></td>
</tr>
</tbody>
</table>

5. Do you give your comments/ feedback regarding the item if asked by the seller via website? *

<table>
<thead>
<tr>
<th>Never</th>
<th>Very often</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7 8 9 10</td>
<td></td>
</tr>
</tbody>
</table>
Appendix (B)

Following is the questionnaire uploaded on website. The questions with **bold text** belong to thesis analysis part.

1. Are you Norwegian, if not what nationality?
2. Where do you belong from?
3. For how long do you live in Norway?
4. Do you work if yes please write the type of work?
5. If you are student write the level of education?
6. **Do you purchase things online if yes for how long?**
7. **What is your opinion about the security of the payment like visa card?**
8. What kind of things do you prefer to buy online?
9. What is the condition of items do you buy online?
10. **Are you satisfied with this kind of shopping if yes how much?**
11. **Do you like to be loyal to online shopping if yes how much?**
12. **Do you think that information given by seller is enough about the thing you purchase?**
13. While purchasing how much do you prefer Norwegian websites?
14. **Do you prefer third party mediation for example double check by visa card agencies?**
15. In case of inconvenience do you use help services?
16. Have you ever experienced bad sales services for example bad quality or different things than you paid for?
17. Have ever experienced broken goods you purchased online?
18. Are you satisfied with the in time delivery of the goods you paid for?
19. Is it a matter of concern when you look at the design of the website?
20. **Do you agree that online shopping websites should have different language options?**
21. **Do you give your feedback regarding the item the seller asked via website?**
Appendix (C)

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
</table>

To better understanding of the calculations used in table 4 an example is given. E.g. Suppose 7 respondents select degree 10, 6 respondents select degree 9 for a question asked. Both 10 and 9 falls in SA (strongly agree). Now let’s say total number of respondents is 86.

\[
\frac{7 + 6}{86} \times 100 = 15.11 \text{ approximately.}
\]

Taking the round figure the average number of respondents strongly agrees for that question is **15 %**

**Mean formula** = \( \frac{\text{total number of respondents selected the degree 1 of the question} + \text{total number of respondents selected the degree 2 of the question} + \text{total number of respondents selected the degree 3 of the question} + \text{total number of respondents selected the degree 4 of the question} + \text{total number of respondents selected the degree 5 of the question} + \text{total number of respondents selected the degree 6 of the question} + \text{total number of respondents selected the degree 7 of the question} + \text{total number of respondents selected the degree 8 of the question} + \text{total number of respondents selected the degree 9 of the question} + \text{total number of respondents selected the degree 10 of the question}}{\text{total number of respondents}} \)

Example: 2 people select degree 10, 2 people degree 9, 4 people select degree 8, 10 people select degree 7, 9 people select degree 6, 19 people select degree 5, 4 people select degree 4, 11 people select degree 3, 14 people select degree 2, 11 people select degree 1.

Now \( \bar{x} = \frac{(2 \times 10) + (2 \times 9) + (4 \times 8) + (10 \times 7) + (9 \times 6) + (19 \times 5) + (4 \times 4) + (11 \times 3) + (14 \times 2) + (11 \times 1)}{86} \)

\[
\bar{x} = \frac{(20 + 18 + 32 + 70 + 54 + 95 + 16 + 33 + 28 + 11)}{86}
\]

\[\bar{x} = 4.3837\]

The data above gives a mean (or average) value of 4.3837.

The standard deviation is then calculated using equation (C.1) :
\[ \sigma = \sqrt{\frac{\sum (x - \bar{x})^2}{n-1}} = 2.3871 \quad (C.1) \]

Where \( \bar{x} \) is the sample mean, \( x \) each individual degree of response, \( n \) is the total number of values and \( \sum \) represents that we make summation across the values of \( (x - \bar{x})^2 \)