

IMPACT OF CUSTOMER REVIEWS ON KEY EXPERIENCE VARIABLES OF SATISFACTION AND LOYALTY IN THE CONTEXT OF ONLINE SHOPPING

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INTRODUCTION

As customers continuously migrate towards online shopping, there is an increasingly urgent need for businesses to adapt, by first understanding how key experiences shape the satisfaction and loyalty of online shoppers. We forward that customer reviews would significantly moderate the relationship between these key customer experience variables and customers' satisfaction and loyalty. Evidence from a survey of 300 online shoppers in New Zealand revealed that customer reviews moderated all customer experience variables except merchandise variety. This paper thus enriches the understanding of customer experience in the context of online shopping.

LITERATURE REVIEW

In this study, key customer experiences were operationalized as merchandise variety, security and privacy, payment, and delivery. These elements are especially relevant to the context of online shopping, as they are key steps of the online shopping experience, but largely out of the customers' control. Therefore, the customers perceive themselves to be most vulnerable and deal with a lot of anxiety during these steps. Several investigations have separately confirmed that these variables significantly influenced the customers' satisfaction of their online shopping experience, and ultimately the formation of their loyalty towards the online vendors (Liu, et al, 2008; Bhatt and Bhatt, 2012). However, prior research has yet to consider the role of customer reviews in moderating the relationship between these key experiences and the formation of satisfaction and loyalty.

Customer reviews are a subset of electronic word-of-mouth (eWOM). Evidence shows that electronic word of mouth or e-WOM has higher credibility, empathy and relevance to the customers than the information provided by the online retailers for marketing purposes (Christodoulides, Michaelidou & Argyriou, 2012). Li and Hitt (2010) state that eWOM reduces feelings of uncertainty towards a particular product or service. Considering that customers cannot inspect online products when purchasing via a website, the act of reading customer reviews will give them more unbiased information specifically on the reliability and functionality of the products. Thus, positive customer reviews should bolster customers' experience and increases satisfaction, and it would also positively influence the formation of loyalty

METHODOLOGY

Data collection used an online survey with respondents in New Zealand who have had previous online shopping experience. Of the 400 distributed links, 305 were returned, and five were eliminated due to incompleteness, resulting in 300 usable data points. A little over half of the sample were female (52%), and 52% of the sample were between 23-28 years old. Approximately 77% of respondents earned below \$50,000 annually. Exploratory Factor Analysis was first conducted on the data to test the discriminant and convergent validity of the measures. Hypotheses testing were done through multiple regression, and the bootstrap procedure using the PROCESS macro developed by Hayes (2013) to test for mediation and moderation.

RESULTS

Testing revealed the significant correlations between merchandise variety ($\beta = 0.13, p = 0.005$), security and privacy ($\beta = 0.32, p = 0.000$), payment experience ($\beta = 0.19, p = 0.001$), and delivery experience ($\beta = 0.30, p = 0.000$) towards customer satisfaction. Satisfaction also had a direct correlation towards loyalty ($\beta = 0.95, p = 0.000$). Satisfaction mediates the relationship between all the key experience variables towards loyalty: merchandise variety ($\beta = 0.13(.05), Z = 2.83, p = .005$), security and privacy ($\beta = 0.30(.06), Z = 6.06, p = .000$), payment experience ($\beta = 0.18(.06), Z = 3.34, p = .001$), and delivery experience ($\beta = 0.30(.05), Z = 6.14, p = .000$).

Perception of positive customer review moderates three of the four key experience variable. A conditional indirect effect of delivery on loyalty via satisfaction was found to be significant at every value of customer review ($\beta = 0.20, p = 0.001$). Same goes for payment experience ($\beta = 0.28, p = 0.000$), and security and privacy of the online shop ($\beta = 0.21, p = 0.005$). However customer review perception did not moderate merchandise variety towards satisfaction ($\beta = 0.07, p = 0.244$). Lastly, at every level of satisfaction, customer reviews are moderating the mediation effect of customer satisfaction between key online purchase experiences (delivery, payment, security and privacy, merchandise attributes) and loyalty ($\beta = 0.11, p = 0.005$).

DISCUSSION AND IMPLICATIONS

Our primary contribution to the literature rests on the comprehensive findings which unpack the processes underlying the influence of customer experience on the formation of satisfaction and loyalty in the context of online shopping. We established that the key customer experiences of merchandise variety, security and privacy, payment, and delivery positively contributed to loyalty through the mediating effects of customer satisfaction. More comprehensively, we also established the importance of having positive customer review perceptions as an enhancer of the roles of key customer experience to the formation of satisfaction and loyalty. We suspect that the non-significant finding of customer reviews on the relationship between merchandise variety and loyalty could be explained by how the experience of browsing and choosing items are a personal experience. The perceived quality of the products may be influenced by reviews, but the breadth of selection a site has may not be. The results provide excellent direction for practitioners who wish to adapt their business to harness the growing trend of online shopping.

REFERENCES

References available upon request