E-TAILING IN KOSOVO: THE EFFECT OF TRUST, SATISFACTION, AND SERVICE QUALITY IN ACHIEVING CONSUMER E-LOYALTY

E-TAILING NA KOSOVU: UČINAK POVJERENJA, ZADOVOLJSTVA I KVALITETA USLUGA ZA POSTIZANJE POTROŠAČKE E-LOJALNOSTI

Abstract

The global e-tailing industry growth in numbers of online consumers has been impressive in recent years. Because of the low entry barriers, this trend is equally evident in the number of providers. Online consumer behaviour has attracted the attention of researchers to investigate this phenomenon, and researchers have identified e-loyalty as the most important source of business stability and profitability. Among various perspectives, the elements of trust, satisfaction, and service quality have been proposed as originators of e-loyalty. However, previous efforts fail to consider the combined effect of these factors and largely ignore the occurrence of this phenomenon in developing countries. This research deducts the extant theories to develop and empirically test the hypotheses by employing a closed-ended online questionnaire. The findings show a significant positive correlation between the proposed relationships from the perspective of Kosovan
online consumers towards Kosovan e-tailers. The conclusions are drawn, and future research directions are identified.

Keywords: Trust, Satisfaction, Service Quality, Website Customisation, E-loyalty, E-tailing, E-Commerce.

1. INTRODUCTION

Today’s online consumers have become more demanding than ever because they have access to sufficient information, they have lower switching costs and greater number of alternatives, and they are constantly one click away from making a purchase decision. This situation indicates that predicting and controlling consumer behaviour has become difficult (Amani, 2015). It has been recently reported that the number of online consumers is increasing at extensive rates, with an average growth of around 20% on a global basis (Subramanian et al., 2014). Indeed, this growth is being noticed on all levels of e-tail categories, ranging from virtual bookstores to online groceries, apparel, electronics, and many more (Chen et al., 2012).

In contrast with traditional brick-and-mortar stores, the Internet environment is significantly complex, particularly in terms of alternative and competing offers. Low entry barriers of the online retailing industry and the sophistication of digital marketing technologies are placing e-tailers under great pressure (Wu and Tseng, 2015). Researchers have noted that online businesses have been rather naïve in the early stages of conducting business online. E-tailers have been wrongly focusing only on acquiring new consumers whilst struggling to recognise the advantages attached to satisfying and retaining the existing ones. To make matters worse, online consumers have indicated different attitudes and shown signs of dissimilar behaviour compared with the traditional expectations. This situation has caused confusion among the e-tailers; thus, it has attracted the attention of scholars to explore this phenomenon. To this effect, commercial
transactions between consumers and e-tailers are no longer approached with the traditional focus on acquisition. Conversely, greater emphasis is currently placed on retaining existing consumers (Ozuem et al., 2015).

Increasing the efforts to retain existing online consumers is a logical resolution, considering the probability of greater benefits that e-tailers have to achieve stability and profitability (Rafiq et al., 2013). Moreover, recent findings assert that e-tailers have the chance to increase their profits up to 125% by employing strategies that focus on retaining their online consumers (Srivastava and Rai, 2014).

Various investigations have been conducted in this domain and previous researchers have developed theories that suggest several originators of loyalty in an online context. The extant literature is fragmented into several perspectives regarding the development of e-loyalty as the main goal of relationship marketing. Kim et al. (2009) suggest that both satisfaction and trust are vital inducers of e-loyalty. Kwon and Lennon (2009) note that online consumers’ perceived risk towards an Internet transaction with the e-tailer affects the development of e-loyalty, Fang et al. (2014) propose a positive effect of previous purchase experience in developing e-loyalty, and Zhang et al. (2011) identify website quality and website customisation as a strong component in influencing online consumers’ trust in an e-tailer and online consumers’ repurchase intention.

However, only few descriptive studies have been conducted in this topic (Pizzutti and Fernandes, 2010), and previous studies fail to provide satisfactory outcomes regarding the role of these elements and their effect in an e-tail environment in developing countries, and to the researchers’ knowledge, there have been no prior investigations conducted in small developing countries, such as Kosovo.

The World Trade Organization reports that developing countries are in a favourable situation to benefit from technological advancements introduced in today’s global economy, whilst emphasising the opportunities that have arisen in particular industries, such as e-commerce and e-tail (World Trade Organization, 2013). Pizzutti and Fernandes (2010) suggest that there is a correlation between high levels of Internet access and Internet penetration on one side and the development of online retailing on the other side.

Kosovo is a Southeast European country with a population of around 1.8 million people (Kosovo Agency of Statistics, 2013). Statistical figures reveal Internet penetration of 76.6% based on users and 84.8% based on households (Kosovo Ministry of Foreign Affairs, 2015). These figures are very similar to the data of UK Internet penetration statistics; UK is the leading country of online shoppers, where 87% of adults have used Internet in the first quarter of 2014 (Office for National Statistics, 2014). The online retail market accounts for 15.2% of the retail industry, and an average UK consumer is expected to spend £1,174 online in 2015 (Moth, 2015). Regrettably, to the researchers’ knowledge, there are no available data that unveil the online shopping statistics in Kosovo.

However, based on a research conducted by STIKK (2013), when the respondents were asked about their confidence to shop online, 27.78% responded ‘Yes, without doubt’; 7.683% responded ‘Yes, if shopping on international well-known websites’; 8.511% responded ‘Yes, if there were truthful websites in Kosovo’; 41.37% responded ‘Would not believe in online shopping’; and 14.66% responded ‘Do not know, never heard of such option’. These figures provide a clear indication of the requisite to explore
this phenomenon in depth.

Consequently, the objective of this research is to understand why e-loyalty is relevant for Kosovan e-tailers’ business success and what is the effect of trust, satisfaction, and service quality to e-loyalty, from the perspective of Kosovan online consumers.

2. THEORETICAL BACKGROUND

The growth of Internet penetration on a global scale has reshaped the way in which companies conduct business. Business-to-consumer firms have established their online presence as an attempt to acquire new consumers and retain the existing ones for long-term profitability. E-loyalty is a relatively new concept that broadens the definition of traditional loyalty to adapt consumer behaviour in an online environment (Carter et al., 2014). In the absence of physical human interactivity revolving around this environment, the traditional loyalty literature has adjusted its definitions accordingly. Yao et al. (2015) define e-loyalty as the consumer’s intention to use a website and to consider placing an order from that website in the future. Other definitions portray e-loyalty as a consequence of a positive intention of a consumer that manifests commitment towards an online business that results in repeated purchase behaviour (Asgari, 2014). For the purpose of this study, the researchers have chosen to identify the measures of loyalty in order to conceptualise this phenomenon in an online context. Therefore, three major approaches were identified in consumer loyalty measures that were proposed by scholars, and these approaches are attitudinal, behavioural, and cognitive measures.

An attitudinal point of view reflects consumer loyalty as a deep commitment to repurchase a favourite product or service in the future, without being affected by competitive efforts that generate switching behaviour (Moreira and Silva, 2015). However, applying only an attitudinal construct to measure the consumers’ psychological and emotional bond towards the provider has been criticised in the literature (Al-hawari, 2015). Moreover, the researchers suggest that emotional attachment fails to always materialise into action.

The cognitive approach, as suggested by Lopez-Mosquera and Sanchez (2014), portrays the creation of judgements and beliefs, where consumer satisfaction is regarded as an outcome of the consumer’s perceived results and their expectations. This implies an attitudinal construct; therefore, the researchers consider that cognitive loyalty can be categorised as attitudinal loyalty together with emotional and psychological loyalty.

Conversely, a measurement that focuses exclusively on behavioural characteristics limits the definition of loyalty as repeated transactions or returning consumers, which is measured by simple observations (Jumaev, 2012). However, behavioural loyalty can be considered as crucial from the managerial perspective because it is translated into actual sales and revenues for the e-tailer. However, it is suggested that behavioural loyalty bears higher costs for the e-tailer and requires considerable commitment by the consumer (Liao et al., 2014).

There is no universal agreement between scholars regarding the dimensions of consumer loyalty and their measurement, yet the combination of behavioural and attitudinal loyalty is supported as a consensus between contemporary social scientists (Han and Woods, 2014). Based on this construct, the researchers propose to include
consumer trust and previous purchase satisfaction the same as composite measurement of e-loyalty for the purpose of this research.

However, there is another perspective of conceptualising consumer loyalty in regard to service quality (Zeithaml et al., 2013). This view holds that service quality is an important antecedent of consumer loyalty, and its mediating effect has been explored and empirically tested by previous researchers. However, the case differs in an online environment and virtual stores. Various exploratory and empirical studies have been conducted in this aspect; however, the research conducted by Hsieh and Tsao (2014) stands out because it focuses on the perspective of website quality.

The literature considers website quality based on various components, such as an information systems approach, a marketing-oriented approach, or a combination of both (Elkhani et al., 2014). In that context, Hsieh and Tsao (2014) establish a conceptual model based on the suggestions of an e-commerce success model proposed by DeLone and McLean (2004). Their empirical test findings reveal that website quality reduces the online consumers’ perceived risk which results in e-loyalty. However, this study fails to recognise two main elements: the combined role of website quality, trust, and satisfaction and their combined effect on e-loyalty and the cultural factors that might affect this relationship. The latter is particularly significant for the e-tailers operating in developing countries where this research is conducted because these business environments are in fact largely influenced by local cultural traditions.

Thus, for the purpose of this study, only website customisation is considered as an originator of e-loyalty, based on local cultural preferences, such as language and layout.

2.1. Why Is Consumer E-loyalty Important for the E-tailer?

Most of the previous researchers argue, based on a study conducted by Harris and Goode (2004), that online consumer loyalty is much more difficult to be achieved, yet it has greater value than traditional loyalty (Rafiq et al., 2013). This suggestion is rather disputable when alternative findings are considered. As illustrated by a Harvard Business Review research conducted by Reichheld and Schefter (2000) who set out to examine the strategies of the leading e-tailers by interrogating thousands of their online consumers, they arrive at variant conclusions. They note that online consumers are predominantly willing to become loyal towards the e-tailers.

However, there are strong justifications to support the claim that consumer loyalty has greater value for online retailers than traditional offline stores. Recent studies reinforce this suggestion (Fuentes-Blasco et al., 2010) by implying that online consumer acquisition cost is higher. Moreover, e-tailers need to establish a loyal clientele to become profitable, and the profit volume expands further with time, which gives the e-tailers the prospect to build upon this opportunity by extending their offering range, that is, to increase their profits even further.

As a factor worth considering, by returning to the starting point, the findings of Reichheld and Schefter (2000) illustrate that the e-tailers’ profit value per consumer increases in a considerable amount in a life cycle of three years, where specific sectors of online stores (i.e., apparel and groceries) almost double within this period.
Online shopping involves risk-taking actions from a consumer; therefore, trust is needed to build confidence so that Internet transactions can be accomplished. The literature defines trust from various perspectives over several disciplines, such as sociology, economics, and social psychology. Furthermore, trust interpretation has been refined in other fields of study, such as management, IT systems, and marketing. Pertaining to the marketing domain, trust was approached from a relationship marketing perspective associated with buyer-seller trade or consumer-company exchange (Chen et al., 2012).

In that context, scholars suggest that trust at its core is related to an individual’s confidence and the will shown by that individual to become vulnerable in an exchange transaction with the other party (Chen and Saeedi, 2006). Another view describes trust as a belief, which is the assumed probability that the other party will act in accordance to the individual’s benefit (Sapienza et al., 2013). However, it is arguable that beliefs inevitably lead to future intentions; therefore, they are not sufficient to justify the existence of trust in regard to e-loyalty (Schlosser et al., 2006). In a less sophisticated proposition, trust is articulated as a person’s reliance to another, by risking to become exposed to harm (Hurwitz, 2013). These suggestions emphasise risk as a problem on a personal level; thus, trust is further suggested as a resolution to the problem of risk (Vos et al., 2014).

The literature review displays enormous evidence of the positive influence of consumer trust in an e-tailer in developing e-loyalty. However, there is another group of researchers who suggest that the role of trust has been exaggerated, that is, e-loyalty is not about trust; it is also about price. In this fashion, the research findings of Valvi and West (2013) suggest that ‘trust does not play a pivotal role’ (p. 2012) in achieving online consumer loyalty. This claim is in contradiction with several theories supported by other researchers. As noted by Lim (2015), consumer trust is the main booster of favourable future intentions for the e-tailer. The findings of Bart et al. (2005) reveal that consumer trust on an e-tailer’s website has a positive influence on their eagerness to recommend the e-tailer to their friends and family. Moreover, the findings of Moreira and Silva (2015) validate the positive effect of trust in developing e-loyalty.

Based on these arguments, for the purpose of this research, the following hypothesis is proposed:

H1: Consumer trust in a Kosovan e-tailer has a positive effect on e-loyalty for the e-tailer.

2.3. Satisfaction and E-loyalty

Relationship marketing research has been largely focusing on the phenomenon of satisfaction and its outcomes (Gounaris et al., 2010). However, satisfaction has been widely drawn in terms of emotional conditions emerging from the fulfilment of expectations in the possession or consumption experience. However, current studies suggest that this transaction-based conception built only upon a cognitive perspective is not sufficient to understand how satisfaction is generated (Ltifi and Gharbi, 2012). With a similar approach, Flint et al. (2011) imply that relationships between suppliers and consumers reflect deeper connections. Meeting the consumer expectations requires a
better understanding of what consumers value and how their perceptions are developed. Moreover, their survey studies show the benefits that suppliers obtain by recognising their consumers’ perceived value, which results in higher satisfaction and loyalty.

Chen (2012) posits that consumer satisfaction is instrumental in developing e-loyalty. This claim is supported by empirical findings where trust, commitment, involvement, and perceived value are situated as mediators between satisfaction and the formation of e-loyalty. Ludin and Cheng (2014) suggest a view that compares consumer expectations with consumer experience. This view holds that satisfaction is generated when the experience meets or surpasses consumers’ expectations. Moreover, satisfied consumers are expected to develop repurchase intentions if the provider has accomplished or surpassed their expectations. Similarly, previous researchers suggest that satisfaction is not one-dimensional; it is rather a combination of various elements, such as consumer expectations and perceived values (Razavi et al., 2012). However, Deng et al. (2010) argue that the conceptualisation of e-satisfaction should be narrowed to transaction-specific boundaries; otherwise, the conceptual context would become overextensive. Still, the majority of research findings propose that e-satisfaction is a central originator of e-loyalty (Ghane et al., 2011).

Based on these considerations, the researchers hypothesise the following:

H2: Consumer e-satisfaction has a positive influence on developing e-loyalty for the Kosovan e-tailers.

2.4. E-service Quality, Website Customisation, and E-loyalty

The traditional service quality literature indicates a connection between cultural perceptions and consumer behaviour. Cultural factors influence consumer expectations; thus, they affect their purchase decisions (Kueh and Von, 2007).

To further examine this subject, understanding what constitutes culture and cultural factors is significant. Leung et al. (2005) define culture as a set of norms, values, beliefs, and behavioural patterns held by a group of people. Other scholars suggest that culture is a simple shared system of meanings. However, the focus of this research lies in an online exchange relationship environment; hence, the researchers propose to review cultural factors in regard to e-service quality. In that context, Al-Nasser et al. (2015) propose a combined model of traditional service quality dimensions situated within a web-based service quality.

Lu et al. (2013) expand this view in regard to the relationship between website quality and the development of online consumer loyalty. They propose to explore e-loyalty with respect to cultural factors by classifying them as individualism and collectivism. These two concepts that originated from sociology are associated with the interdependence (collectivism) and social independence (individualism) of human beings. Their findings show that cultural factors indeed have an influence on consumer e-loyalty.

Built upon this theoretical foundation, the present study draws a boundary on the view of service quality by considering only the element of website customisation based on local cultural elements, such as language and layout. This approach is further supported by the work of Zhang et al. (2011) and Cyr et al. (2008). The latter propose that online consumers prefer to shop online and exhibit a tendency to become loyal to e-tailers that have customised their websites based on local cultural preferences in
comparison with foreign websites (Cyr et al., 2008). Therefore, the following hypothesis is proposed:

H₃: Kosovan e-tailers’ website customisation based on cultural preferences, such as language and layout, has a positive effect in obtaining consumer e-loyalty.

2.5. Conceptual Framework

The theoretical foundation on which this research is based is deducted into a framework that emphasises the main elements that contribute in resolving the research problem, as illustrated in Figure 1.

![Figure 1. Conceptual Framework](image)

3. METHODOLOGY

To investigate the effect of trust, satisfaction, and service quality on the development of e-loyalty from Kosovan online consumers’ perspective towards Kosovan e-tailers, an online survey was conducted. The researchers adopted a positivist philosophical standing to avoid bias and become objective. The questions were developed
from deducting the identified theories by employing a deductive approach; hence, the hypotheses were transformed into questions to determine the correlation between the variables. The sample was determined using a purposive judgemental sampling method with a preliminary quota to avoid error and to support the validity and reliability of the findings. The questionnaire was pilot tested to warrant the effective performance of the questions and to confirm that the overall research mechanism functions properly.

A purposive sampling technique is a nonprobability sampling method that complies with certain criteria (Babbie, 2015). The researchers designed the questionnaire to determine whether the respondents had previous purchase experience from Kosovan e-tailers. The respondents who negatively answered this question were not considered, and their data were not included in the analysis of the findings. The respondents were targeted through posts on specialised technology groups in social networks. Additionally, the researchers received support from some Kosovan e-tailers who provided a number of e-mail contacts from their databases to construct a sampling frame.

The researchers produced two different collectors to distinguish the origin of respondents, that is, the number of respondents attracted by the social media and the e-mail marketing campaigns. A total of 209 invitations were sent by e-mail using the YMPL e-mail marketing software, which produced 32 respondents, or 15.3%, within one week. This return rate is lower than the average, as suggested by Fisher (2010); a rate of 30% is realistic. The social media campaign produced an additional 83 respondents. However, 8 responses were missing data on some questions of the online survey; thus, the researchers processed only 107 responses. This number was additionally reduced based on the negative answers from the filtering quota, as suggested by Blumberg et al. (2014). Finally, the researchers were left with a total of 84 responses for the data analysis.

4. FINDINGS

Based on the quantitative data collection method, that is, online survey closed-ended questionnaire, which was discussed in the previous section, a descriptive statistics method is used to analyse the demographic characteristics. Moreover, Spearman’s correlation technique is utilised to measure the relationship between independent and dependent variables based on the conceptual framework, which indicates that the hypotheses are tested and the findings are evaluated.

Out of 84 respondents, 49 were male (58.33%) and 35 were female (41.67%). The majority of the respondents were under 25 years old (48.81%), followed by 27 respondents who were between 25 and 34 years old (32.14%). A total of 14 respondents (16.67%) were 35 to 44 years old, and only 2 respondents (2.38%) aged between 45 and 54 years old. No respondents were older than 55 years old. Regarding the education level of participants, the sample predominantly consisted of graduate individuals, whilst only one respondent (1.19%) obtained primary and secondary school certification. Eight respondents (9.52%) had a high school diploma, 63 respondents (75%) held graduate degrees, and 12 respondents (14.29%) held postgraduate degrees. There were no participants with a doctorate degree.

The findings show that there is a significant positive correlation between consumer trust and e-loyalty with a significance scale of .686. These figures coincide with previous research findings, such as Moreira and Silva (2015), Bart et al. (2005), and
Similarly, the results show that there is a strong positive correlation between e-satisfaction and e-loyalty with a significance scale of .680. This means that the online consumers who were satisfied with the Kosovan e-tailers are willing to commit to repurchase intentions towards the e-tailers. These findings correspond with previous researchers’ findings, such as Chen (2012), Ludin and Cheng (2014), and Ghane et al. (2011).

Although at a much lower significance, the correlation test results reveal that there is a slight positive correlation between website customisation based on cultural preferences, such as language and layout, and e-loyalty for the Kosovan e-tailers, with a significance scale of .270. The findings are on par with the suggestions of Cyr et al. (2008) and Zhang et al. (2011), although at a lower level. The respondents’ relatively young age and fairly high level of education might explain the low significance of website customisation to them.

5. CONCLUSIONS AND FUTURE RESEARCH

Retaining online consumers is integral for e-tail business success in Kosovo. Although e-tail marketing managers have been displaying lack of understanding on how to gain advantage and benefit from the extensive proportions of growth displayed recently in e-commerce, this approach has shown signs of change. The literature review indicates that conducting business online is more complex, and the market entry barriers are very low. Online consumers are exposed to innumerable competitive offers, and their switching cost constitutes only one mouse click.

E-loyalty is much more important for e-tailers than traditional retailers mainly because of the nature of the Internet environment. Apart from the fact that online consumers exhibit different behavioural patterns, they have shown indications of willingness to exhibit repurchase intentions. The findings of this research suggest that the majority of satisfied Kosovan online consumers intend to continue shopping from trustworthy Kosovan online stores. The findings show that e-service quality, in the form of website customisation based on local cultural preferences, such as language and layout, plays a significant role in achieving consumer loyalty. However, the level of significance of this relationship is lower than that of trust and satisfaction.

For future research, replication longitudinal studies should be performed to gain better insight into this phenomenon. Additionally, more sophisticated sampling methods should be employed to increase the validity and generalisability of the findings. The logical next step is to conduct future research on how to effectively build trust and satisfaction. The area of study can and should be extended in context to the moderating elements that influence this relationship.
REFERENCES


STIKK. (2013) *Internet Penetration and Usage in Kosovo*.


World Trade Organization. (2013) *E-Commerce in Developing Countries: Opportunities and Challenges for Small and Medium-Sized Enterprises*.

