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**SERVICE QUALITY IN ONLINE
MARKETING: CUSTOMERS
CENTRIC ANALYSIS**

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JEL Classifications: M31

Key words: Online marketing, customer satisfaction, service quality.

Abstract: In this ICT age, we have witnessed a substantial growth of internet based services. One of the key challenges of the online as a service delivery channel is how they manage service quality, which holds a significant importance to customer satisfaction. The purpose of this study was to gain a better understanding of the service quality dimensions that affect customer satisfaction in online marketing from a customer perspective. The data were collected through a questionnaire with 127 online shoppers. Exploratory factor analysis was conducted to narrate the important service quality factors in online marketing. This study identifies seven service quality dimensions having a strong impact on customer satisfaction.

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Introduction

Worldwide online retail sales continue to grow at a good pace. The fast increase of internet users has led to dramatic shifts in the methodology of operating business. Electronic commerce presents enormous opportunities for business, consumers and employers (May et al., 2002).

Consumers purchase decisions are a very complex and robust subject. It is directly associating with obtaining, consuming and disposing of products and services (Engel et al., 1993). Consumers purchase decisions are greatly influenced by their attitudes, behavioral intention and local environmental security perception (George, 2000).

The service quality of the online marketer plays an important role for the success of their retailing (Van et al., 2001). The perception on service quality in online marketing among customers depends upon their level of expectation from the services providers (Furrer et al., 2000). Customers of different origins differ in the perception on some quality factors of online marketing which rest on their perceived social values, security concern, personal trust, disposition attitude and overall culture (Barnes et al., 2003).

Related literature review

Customer satisfaction in online marketing

Customer satisfaction is a well researched area in traditional retailing and market but only few conceptual and empirical studies related to online marketing or e-retailing.

Szymanski and Hise (2000) assessed the importance of convenience, product offering, product information, site design and financial security in e-satisfaction. Burke (2002) investigated 128 different aspects of shopping experience through a survey method to evaluate e-retail technologies. Long and Mc. Mellon (2004) explored the determinants of e-retailing service quality.

Antecedents of service quality in online marketing

Research on antecedents of service quality in online marketing is still in its early stages (Van Riel et al., 2001). Zeithaml et al. (2000) conducted a study of e-service quality with the traditional service quality factors. It was extended to 11 dimensions of e-service quality (Yang and Jun, 2002). Chen and Wells (1999) developed a scale to measure "attitude towards the web site". Yoo and Donthu (2001) developed SITE-QUAL to measure the perceived quality of online marketing which consists of nine-item scale. Parasuraman et al. (2005) included 22 items scale of four dimensions (efficiency, fulfillment, system availability, and privacy) to measure E-S QUAL. In the present study, the antecedents are measured with the help of 38 items which are listed in Table 1 (see Appendix).

The consumers are asked rate these 38 variables at five point scale according to the level of existence at their service providers in their online marketing.

Consequences of e-satisfaction

The different conceptualizations of customerisation have evolved over the past decade (Johnson et al., 2001). Particularly, they include customer's transaction-specific satisfaction (Oliva, 1997; Yi, 1997) and cumulative customer satisfaction (Johnson et al., 2001). In the present study, the consumer satisfaction is measured by the level of satisfaction on prices of product services available at the site, overall convenience of using this site, feeling of being in control and overall value get from the site.

Satisfied customers show more willingness to pay premium over the competitor for similar products (Srinivasan et al., 2002). Customer loyalty is manifested in terms of spreading positive word-of-mouth and re purchase intention (Shankar et al., 2003). Loyal customers have lower price elasticity than non-loyal customers and they are willing to pay a premium to continue doing business with their preferred vehicles

rather than incur additional search costs (Richeld and Sasser, 1990). The customer loyalty and their intention to pay premium among the customers have been measured with the help of each statements.

Proposed research model and the research hypotheses

The proposed research model of the present study is given in Figure 1 (see Appendix).

Based on the proposed research model, the following hypotheses are framed:

- H₁: Greater tangibility leads to higher customer satisfaction in online marketing
- H₂: Higher responsiveness creates higher customer satisfaction in online marketing
- H₃: Higher trust and confidence leads to higher customer's satisfaction in online marketing
- H₄: Better communication results in higher customer's satisfaction in online marketing
- H₅: Higher reliability leads to higher customer's satisfaction in online marketing
- H₆: Higher ordering generates higher customer satisfaction in online marketing
- H₇: Higher empathy results in higher customer satisfaction in online marketing
- H₈: Higher customer satisfaction leads to higher customer loyalty in online marketing
- H₉: Higher customer satisfaction result in higher intention to pay premium in online marketing
- H₁₀: Higher customer loyalty results in higher intention to pay premium in online marketing.

Measures and data collection

The sample consists of 250 online shoppers from five major cities of Tamilnadu; Chennai, Madurai, Coimbatore, Trichy, and Tirunelveli. Respondents are asked to rate the statements in antecedents of service quality, customer satisfaction, customer loyalty and intention to pay premium at five point scale. Scales were pre-tested among 20 online shoppers at Madurai. Purification and validation of measure was done based on guidelines of Churchill (1979) and Anderson and Gerbing (1988). Out of 250 online shoppers only 178 responded the questionnaire. But, out of the 178 responded questionnaires, only 127 questionnaires are reusable that 127 have been taken as the sample of the present study.

Methodology

The exploratory factor analysis was conducted to narrate the important service quality factors in online marketing. The confirmatory factor analysis has been executed to test the reliability and validity of variables in each construct. The hypothesized model has been tested and refined by using structural equation modeling (SEM). It is useful if one dependent variable becomes an independent variable in subsequent dependence relationships (Hair et al., 2000). A two step model building (Joreskog and Sorbom, 1993) has been used. SEM provides researchers with comprehensive

means for assessing and modifying theoretical models (Anderson and Gerbing, 1988; Bentler, 1990). LISREL 8.30 version has been used to test the measurement and structural model.

Analysis and results Exploratory factor analysis (EFA)

The EFA has been executed to identify the important service quality factors in online marketing. The score of the 38 variables have been included for the analysis. In order to test the reliability and validity of data for factor analysis, the Kaiser-Meyer-Ohlin (KMO) measure of sampling adequacy and Bartlett's test of sphericity have been administered. Since the KMO measure of sampling adequacy is greater than 0.5 and the chi-square is significant at zero percent level, the validity of data for EFA have been confirmed. After that, the EFA have been executed. It results in seven important service quality factors namely tangibility, responsiveness, trust and confidence, communication, reliability, ordering and empathy. The variables included in each service quality factors, their eigen values, percent of variation explained are summarized in Table 2 (see Appendix).

The narrated seven service quality factors (SQFs) explain the 38 variables together to the extent of 93.11%. The most important SQF is "Tangibility" since its eigen value and the percent of variance explained by it are 4.8786 and 18.19% respectively. The second and third SQF's identified by the EFA responsiveness and "Trust and confidence" since their eigen values are 4.0334 and 3.9129 respectively. The percent of variation explained by the above two SQF's are 15.02 and 14.41% respectively.

The fourth and fifth SQF's noticed by EFA are communication and reliability which consists of six and five variables respectively. The eigen value of the above said two SQF's are 3.8446 and 3.0145 respectively; whereas the percent of variation explained by these two factors are 13.32 and 12.19% respectively. The last two SQF's narrated by the EFA are ordering and empathy since their eigen values are 2.8646 and 2.1452 respectively. The percent of variation explained by these two factors are 10.02 and 9.96% respectively. Hence, the seven SQF's and the corresponding variables in it have been included for further analysis.

Confirmatory Factor Analysis

In the first stage, CFA was administered with 38 SQFs under seven service quality factors. The standardized factor loading of the variables in each SQF and its t-statistics have been computed to reveal the content and convergent validity. The composite reliability and average variance extracted by each construct have been examined to test its reliability and validity. The CFA have also been applied to test the reliability and validity of variables in consumer satisfaction, consumer loyalty and intention to pay premium. The Cronbach's alpha has been computed for each construct in order to test its reliability. The results are presented in Table 3.

The standardized factor loading of the variables in each construct is greater than 0.6 which reveals the content validity of the construct. The t-statistics of the standardized factor loading of the variables in each

construct are significant at five percent which indicates its convergent validity. The composite validity of the constructs is greater than its minimum threshold of 0.6 whereas the average variance extracted by each construct is also greater than the minimum expected level of 50%. It indicates its convergent validity. Hence, the analysis concludes that the included variables in each SQF explain it to a reliable extent.

Mean score and correlation among the constructs

The mean of each construct (tangibility, responsiveness, trust and confidence, communication, reliability, ordering, empathy, customer satisfaction, customer loyalty and intention to pay premium among the consumers) have been computed by the mean score of the variables in each construct. The standard deviation in each construct has been computed to show the level of consistency of the consumers' view on each construct. The relationships between the constructs have been analyzed with the help of intercorrelation coefficients. The results are shown in Table 4.

The consumer perception on SQF is identified as higher in the case of trust and confidence and tangibility since its mean scores are 3.7811 and 3.6842 respectively; whereas the lesser perception is noticed in the case of empathy since its mean score is 3.2449. The lesser standard deviation is identified in the case of ordering, whereas the higher standard deviation is noticed in the case of intention to pay premium. The relationships between the SQFs are positive but the significant relationship is identified in the case of 16 paired SQFs out of 24 paired SQFs. All seven SQFs have a significant positive relationship with customer satisfaction since their respective correlation coefficients are significant at five percent level. At the same time, only reliability and empathy are having significant positive relationship with customer loyalty, whereas only customer satisfaction and customer loyalty are having a significant positive relationship with intention to pay premium.

Testing the structural relationship

In the second stage, a structural model specifying the relationship between different constructs has been tested. The conceptual model provides high fitness across different goodness-of-fit measures. There is no single recommended fit measure for the structural equation model. Different authors (Chan, 1997; Segans et al., 1993) suggested different measures in literature. Recommended values in these literatures and findings of the study are shown in Table 5 (see Appendix).

A chi-square statistic indicates that our model does not fit the data accurately. But chi-square is not a very good fit index in practice under many situations because it is affected by the following factors (1) sample size: large samples produce larger chi-squares that are more likely to be significant (type I error). Small samples may be too likely to accept poor models (type II error). Therefore, it is difficult to get a non-significant chi-square when samples are much over 200 or so (Maruyama, 1998). The root mean error of approximation (RMSEA) for the model is quite good (0.080) (Browne et al., 1993). Other fit measures (like CFI, GFI, AGFI, RMR, NFI, NNFI, IFI

and RFI) indicate that the model fit compares reasonably with literature (Churchill, 1979; Chan, 1997). Path coefficients for different hypothesis are shown in Table 6.

The path coefficients for SEM indicate that the customer satisfaction is significantly influenced by perceived tangibility, trust and confidence, communication and ordering: their respective path coefficients are significant at five percent level. However, the responsiveness, reliability and empathy are not significantly influencing the customer satisfaction in on-line marketing. Even though the customer satisfaction has a significant influence on customer loyalty, the influence of customer satisfaction on intention to pay premium is not statistically significant. However, the customer loyalty has significant influence on the intention to pay premium in online marketing. The conceptual model is given Figure 2.

Research implications

The present study applied the SEM to find out the relationship between antecedents and consequences of customer satisfaction in online marketing which replicates the findings of Gounaers et al. (2001); Spreng et al. (1996); and Keim et al. (2001). The relationships between antecedents are having significant impact on consumer satisfaction. But the major service quality factors like responsiveness, reliability and empathy are not having significant impact on consumer satisfaction which is highly contradictory to the previous findings (Woodsite et al., 1989; Anderson and Sullivan, 1993). The result of the relationship between consumer satisfactions and consumer loyalty retains the findings of Gefen (2002). The insignificant impact of customer satisfaction on intention to pay premium by the consumers in online marketing is an interesting and new one. At the same time, the significant impact of customer loyalty on intention to pay premium replicates the findings of Olsen and Johnson (2003) and Mittal et al. (2001).

Managerial implications

The result of the study can help the online marketers to understand the link between antecedent and consequences of service quality in online marketing as per the consumers view. The study gives insight how the service quality factors especially tangibility, trust and confidence, communication and ordering influence the consumer satisfaction which ultimately drives the behavioral outcomes of customer loyalty and intention to pay premium. This study aims to exhibit the relationships between different service quality variables in online marketing context.

The relationship between the customers satisfaction, customer loyalty with the intention to pay premium reveals the linkage especially direct and indirect effect among them with the help of path coefficients. The marketer can be benefited by identifying variables which can be directly and indirectly influence the online marketing. The marketers can frame suitable marketing strategies on the basis of the requirements at the required situation.

A marketer can continuously measure and monitor online shopping experience by using the SEM developed in the study. The marketer can succeed with the help of

implementation of suitable marketing strategy according to the requirements of the consumers in different market segment. Subsequently, marketer can avoid the defection rate among their customers from the online marketing.

Directions for future research

The present study has identified the linkage between the various service quality factors of online marketing and its direct and indirect effects on customer loyalty and intention to pay premium. This study provides a base for future researchers who will carry on their research work in e-retailing, e-shopping behaviour, e-satisfaction, e-commerce and online marketing. The future study can focus on the perception of marketers on the online marketing. A comparative study on customers and marketers' perception on online marketing may be focused in near future. The service quality gap analysis may be done in future. The impact of various constructs in service quality of online marketing on the performance of the markets can also be examined. The behavioral response and service quality in online marketing can be evaluated in future studies.

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Appendix

TABLE 1. SERVICE QUALITY VARIABLES IN ONLINE MARKETING

Sl.No.	Variables	Sl.No.	Variables
1	Usually appealing internet site	20	Internet sites keep their records accurately
2	Individual attention by retail internet site	21	Retail internet sites have a variety of shipping options
3	Trust on retail internet sites	22	Answer the questions immediately
4	Internet site tells customers exactly what to perform	23	Retail internet sites have an acceptable return policy
5	Retail internet sites should oblige my request	24	Prompt service to customers
6	Customers feel safe in their transactions	25	Retail internet sites allow for case of purchase
7	Retail sites have clear instruction	26	Customers personal attention by retail internet site
8	No traffic problems in internet site	27	Retail internet sites should have up to date equipment
9	Retail internet sites have customer chat rooms	28	Retail internet sites pride service without the contact of the firm
10	Customers feel welcome lot retail internet site	29	Retail internet site has a signed e-mail response
11	Higher technical support to online	30	Retail internet site provides information of the product
12	Retail internet site promises do something by certain time	31	Retail internet sites allow for ease of cancellation
13	Forward and backward navigation in internet sites	32	Independent service by retail internet site
14	Retail internet sites have best interest in customers	33	Retail internet gives an assurance of privacy
15	Retail internet sites is operating at all time	34	Internet site provides easy access and understanding of billing
16	Retail internet sites have some transaction	35	Retail internet sites ship merchandise in good packaging
17	Easy to find products in internet sites	36	Retail internet sites are willing to help customers
18	Retail internet sites send a follow-up confirming an order	37	Retail internet sites should be easy to navigate
19	Retail internet sites do not have much information	38	Retail internet sites send a welcome letter to new customer

FIGURE 1. PROPOSED RESEARCH MODEL

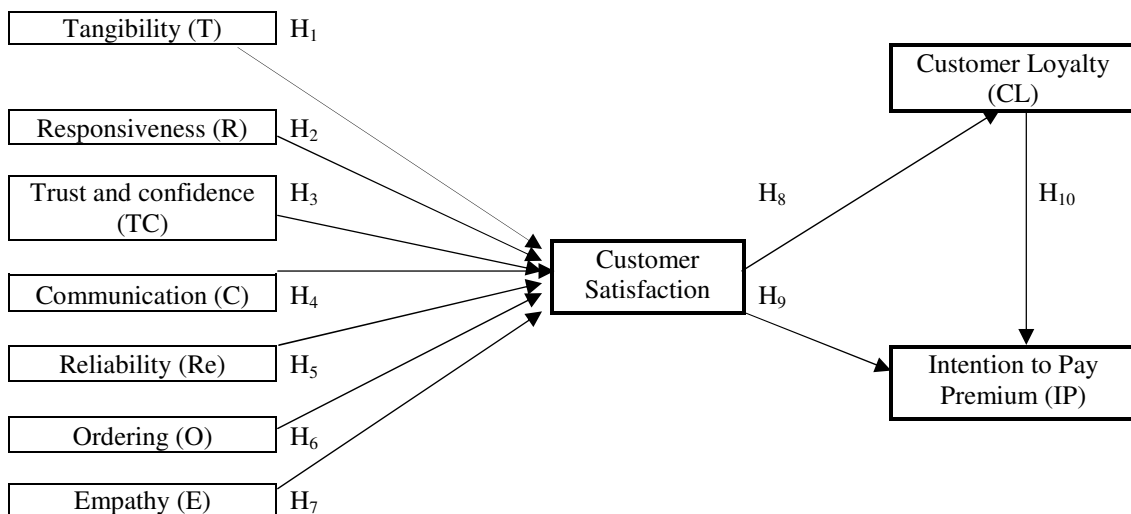


TABLE 2. IMPORTANT SERVICE QUALITY FACTORS IN ONLINE MARKETING (SQFOM)

Sl. No.	Service quality factors	No. of variables	Eigen value	Percent of variation explained	Cumulative percent of variation explained
1	Tangibility	8	4.8786	18.19	18.19
2	Responsiveness	5	4.0334	15.02	33.21
3	Trust and confidence	6	3.9129	14.41	47.62
4	Communication	6	3.8446	13.32	60.94
5	Reliability	5	3.0145	12.19	73.13
6	Ordering	5	2.8646	10.02	83.15
7	Empathy	3	2.1452	9.96	93.11

KMO measure of sampling Adequacy: 0.9142. Chi - square value: 186.09*

Note: * Significant at zero percent level

TABLE 3. RELIABILITY AND VALIDITY OF PROPOSED CONSTRUCTS

Sl. No.	Factors	Range of standardized factor loading	Range of t-statistics	Cronbach alpha	Composite reliability	Arrange variance extracted (AVE)
1	Tangibility	0.9145 - 0.6082	5.4543* - 2.4446*	0.8919	0.8508	58.04
2	Responsiveness	0.8496 - 0.6291	4.0941* - 2.6581*	0.7108	0.6962	50.01
3	Trust and confidence	0.9073 - 0.5968	5.0233* - 2.3961*	0.8162	0.8029	55.19
4	Communication	0.9239 - 0.6334	5.8684* - 2.7089*	0.8334	0.7862	53.65
5	Reliability	0.9144 - 0.5965	5.4042* - 2.0817*	0.8602	0.8241	57.38
6	Ordering	0.8708 - 0.6564	4.1886* - 2.9192*	0.7806	0.7514	52.24
7	Empathy	0.9345 - 0.5958	5.8684* - 2.3886*	0.8776	0.8528	59.11
8	Customer satisfaction	0.8519 - 0.6249	4.1802* - 2.7039*	0.7317	0.7062	50.06
9	Customer loyalty	0.8734 - 0.5961	4.0965* - 2.1486*	0.7902	0.7814	53.02
10	Intention to pay premium	0.8665 - 0.5992	4.2447* - 2.2846*	0.7664	0.7411	51.19

Note: * Significant at five percent level.

TABLE 4. CORRELATION AMONG THE CONSTRUCTS

Sl. No.	Construct	Mean	Standard deviation	Correlation coefficients									
				1	2	3	4	5	6	7	8	9	10
1.	Tangibility	3.6842	0.2819	0.2791*	0.3085*	0.1088	0.2144	0.0664	0.2496	0.1997	0.0961	0.0241	
2.	Responsiveness	3.4089	0.3664		0.2865*	0.1711*	0.2445*	0.1969*	0.0845	0.2456	0.0451	0.1001	
3.	Trust and confidence	3.7811	0.4148			0.2562*	0.2786*	0.3245*	0.1446*	0.2149	0.1454	0.1219	
4.	Communication	3.5909	0.3962				0.1904*	0.2146*	0.2216*	0.2776*	0.1091	0.1441	
5.	Reliability	3.6086	0.2896					0.1881*	0.1664*	0.2146*	0.1711*	0.1246	
6.	Ordering	3.4417	0.2773						0.2141	0.2642*	0.1089	0.1442	
7.	Empathy	3.2449	0.2962							0.2861*	0.1881*	0.0144	
8.	Customer satisfaction	3.4508	0.3142								0.1732*	0.1884*	
9.	Customer loyalty	3.3385	0.4142									0.2664*	
10.	Intention to pay premium	3.2509	0.4862										

Note: * Significant at five percent level.

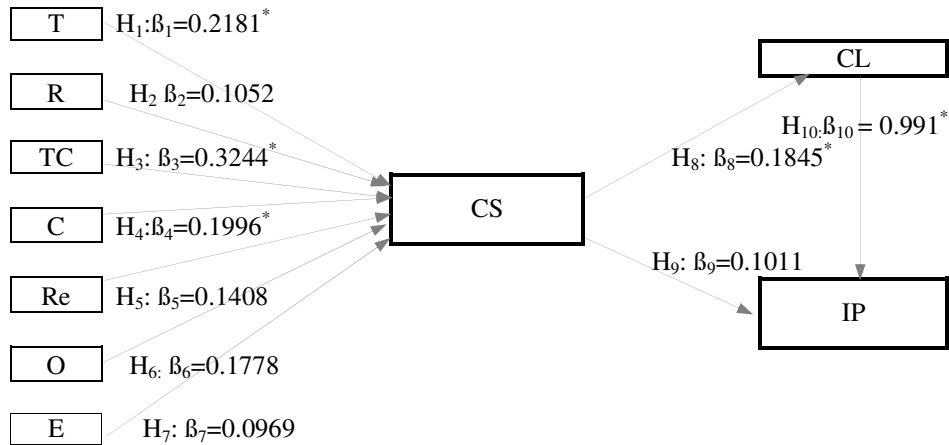
TABLE 5. SUMMARY STATISTICS OF STRUCTURAL MODEL FIT

Sl.No.	Fit measures	Recommended values	Present models values
1.	Chi-square	$P \leq 0.05$	306.18 (p=.00)
2.	Root mean square residual (RMR)	$P \leq 0.05$	0.024
3.	Comparative fit index (CFI)	$P \geq 0.90$	0.9172
4.	Goodness of fix index (GFI)	$P \geq 0.90$	0.9091
5.	Adjusted goodness of fit index (AGFI)	$P \geq 0.80$	0.8684
6.	Normed fit index (NFI)	$P \geq 0.90$	0.9017
7.	Non-normed fit index (NNFI)	$P \geq 0.90$	0.9114
8.	Incremental fit index (IFI)	$P \geq 0.90$	0.9202
9.	Relative fit index (RFI)	$P \geq 0.80$	0.9006

TABLE 6. PATH COEFFICIENTS FOR SEM

Sl. No.	Hypothesized relationship	Path coefficients	P-value	Conclusion
1.	$H_1 : T \rightarrow CS$	0.2181	0.0341	Acceptable
2.	$H_2 : R \rightarrow CS$	0.1052	0.2447	Not acceptable
3.	$H_3 : TC \rightarrow CS$	0.3244	0.0015	Acceptable
4.	$H_4 : C \rightarrow CS$	0.1996	0.0248	Acceptable
5.	$H_5 : Re \rightarrow CS$	0.1408	0.1889	Not acceptable
6.	$H_6 : O \rightarrow CS$	0.1778	0.0508	Acceptable
7.	$H_7 : E \rightarrow CS$	0.0969	0.2449	Not acceptable
8.	$H_8 : CS \rightarrow CL$	0.1845	0.0108	Acceptable
9.	$H_9 : CS \rightarrow IP$	-0.1011	0.1743	Not acceptable
10.	$H_{10} : CL \rightarrow IP$	0.1991	0.0342	Acceptable

FIGURE 1. QUANTITATIVE RELATIONSHIP BETWEEN THE CONSTRUCTS IN THE PROPOSED RESEARCH MODEL



Note: * Significant at zero percent level