Abstract
The objective of this paper is to reveal the factors that determine customers' loyalty intention in the electronic marketplace. Seven hypotheses were postulated based on an extensive literature review in terms of sales behaviour, trust, satisfaction and price fairness. An empirical survey was then designed and conducted. The sample comprised customers who had made purchases from the best-known electronic marketplace in Taiwan. Results indicated that the major determinants of customers' loyalty intention in the electronic marketplace were trust and satisfaction. Practical implications of how to enhance customers' loyalty intention are proposed.

Keywords: satisfaction, trust, price fairness

INTRODUCTION
The development of the e-marketplace (electronic marketplace) and the rapidly growing user base within this market have created a new and attractive commercial environment. Further, the e-marketplace, made up of transactional Websites that provide a virtual platform for numerous buyers and sellers to meet and exchange goods, is becoming more and more popular. E-marketplaces such as the well-known auction website, eBay, are so successful because they not only offer buyers far wider purchase choices, but also create plentiful sales opportunities by connecting sellers to new customers in a straightforward and cost-effective way (Ba and Pavlou 2002). Furthermore, being a virtual market and built using computer-related facilities, the e-marketplace has become more promising than traditional markets due to its comparatively low set-up cost, which results in a more attractive profit (Kaplan and Sawhney 2000). It has thus been asserted that the e-marketplace will dominate e-business expansion in the near future (Kim and Ahn 2006).

Previous studies on the e-marketplace have focused on B2B relationships such as long-term B2B (business to business) e-commerce relationships (e.g. Grey et al. 2005) or B2B exchanges (e.g. Hoffman et al. 2002). More recently, the phenomenon of B2C (business to customer) has emerged in the e-marketplace (Ba and Pavlou 2002). More and more manufacturers, wholesalers and retailers have adopted the e-marketplace as an effective sales channel. However, as Zinkhan and Watson (1998) indicated, ‘as customers adopt new technologies, their behaviour changes': sellers face high levels of uncertainty about customers’ needs and most desired services, and about the best configuration of activities/technologies to deliver what customers want. Thus, it is particularly important for sellers to be able to determine how Internet technology changes customers’ loyalty intention in the e-marketplace, because this will ultimately impact profitability (Danaher et al. 2003). The purpose of this study is therefore to investigate the determinants of loyalty intention in the e-marketplace.

The paper is divided into the following sections: In the next section, we describe key constructs and formulate seven research hypotheses related to our research objective. Thereafter, the hypotheses proposed are tested using empirical data collected from an online survey. Finally, we draw conclusions based on our findings and indicate their implications for practice.
THEORETICAL FRAMEWORK AND RESEARCH HYPOTHESES

Loyalty is a commitment to re-patronize a product or service in the future (Olsen 2007) and has been defined and measured in relation to several marketing aspects in addition to brand, such as product loyalty, service loyalty and chain/store loyalty. In recent years, the importance of customer loyalty has been acknowledged and researchers have enthusiastically extended this concept to the e-marketplace (e.g. Srinivasan et al. 2002). Loyal online customers are found to be rare but highly profitable, and researchers contend that little is known about the nature and drivers of e-loyalty (Harris and Goode 2004); nor has research on the customer side been able to explain why customers become and remain loyal to brands (Schultz and Bailey 2000).

Koufaris (2002) argued that online customers perform the full function of traditional customers and simultaneously possess the characteristics of computer users while interacting in the e-marketplace. Thus, Holland and Baker (2001) suggested that the psychological traits of online customers might also differ from those of customers in the traditional market. Schultz and Bailey (2000) contended that it is necessary to revisit loyalty from the customers’ perspective in the electronic market environment, and a growing need to better understand online customers is recognised (Srinivasan et al. 2002).

This paper was designed to examine the factors influencing customers’ loyalty intention in the e-marketplace via three approaches controlled by sellers: pricing strategies, the product information provided, and responses to customers’ inquiries. Accordingly, seven hypotheses were proposed (see Figure 1) based on the literature discussion below.

DETERMINANTS OF LOYALTY INTENTION

This paper was designed to examine three factors that directly influence customers’ loyalty intention in the e-marketplace, i.e. trust, satisfaction, and price fairness.

Trust

Trust has been widely examined and is regarded as essential for successful relationships (Jones et al. 2000; Ha 2006), providing customers with high expectations of satisfying exchange relationships (Schlosser et al. 2006). However, due to the unique e-marketplace environment and the dual identity of online customers (traditional customer/computer user), the trust issue may play a significant role in the development of the e-marketplace (Milne 2000). For example, transaction security and privacy invasion are inherent in the online environment and are particularly highlighted in online transactions (Bush and Gilbert 2002, Sheehan and Hoy 2000). If customers do not trust sellers when buying online, not only will the purchase frequency drop dramatically, but also a negative attitude will be generated towards the online seller (Anderson and Srinivasan 2003).

McKnight et al. (2002) proposed that trusting beliefs conceptually comprise three dimensions: ability, benevolence and integrity. Crosby et al. (1990) also argued that trust is the customers’ confidence in the honesty and integrity of the other party, such as a salesperson. Flavian et al. (2006) further indicated that trust is one of the key drivers of loyalty. Based on these studies, this paper examines customers’ trust in the e-marketplace by capturing their confidence in the seller’s quality and reliability in the transaction. Accordingly, the following hypothesis is proposed:

Hypothesis 1: Customers’ trust toward sellers in the e-marketplace will positively affect their loyalty intention.

Satisfaction with sellers

Satisfaction is customers’ attitudes towards a product or service in the post-purchase evaluation. More specifically, satisfaction is a customer’s perception towards how well the sellers sustain their promises (Szymanski and Henard 2001). According to Oliver’s (1980) expectation disconfirmation theory, satisfaction results from the difference between customers’ expectations towards products/services prior to the purchase and their perceptions of the actual performance of products/services after they have been purchased. Such satisfaction, as Oliver indicated, will be positively related to customers’ repurchase loyalty.
Past studies have investigated the effect of satisfaction across different objects. For example, Fornell et al. (1996) explored customers’ satisfaction towards tangible products. Rather than products or services, Westbrook (1981) examined customers’ satisfaction and dissatisfaction with the marketing system, i.e. retailing outlets. In fact, customers’ satisfaction with salespersons has long been regarded as a major issue whether in the service or e-marketplace fields (Flavian et al. 2006). Although these studies have reported that the attitudes customers form towards the salesperson and the company are distinct from each other, they provide evidences that satisfaction with salespersons has a strong effect on trust and loyalty intention (Johnson et al. 2006, Martin-Consuegra et al. 2007, Roman 2003, Roman and Ruiz 2005). Accordingly, the following hypotheses are proposed:

Hypothesis 2: Customers’ satisfaction with the seller will positively affect their trust toward the seller.

Hypothesis 3: Customers’ satisfaction with the seller will positively affect their loyalty intention.

Price fairness

Price fairness has attracted considerable research interest, as it has been reported to greatly influence core marketing constructs such as customers’ intentions to interact with a company and their willingness to pay (Campbell 1999, Kahneman et al. 1986). Further, price fairness has also been reported to affect customers’ satisfaction (e.g. Fornell et al. 1996), and this assertion was confirmed by Seiders et al. (2005) in a hotel check-in scenario. Bolton et al. (2003) examined the price-satisfaction link in the entertainment and cellular phone industries, and in both industries, price payment equity (i.e. perceptions of price fairness/unfairness) and actual price were reported to have significant effects on customer satisfaction. Varki and Colgate (2001) and Martin-Consuegra et al. (2007) also demonstrated that price perceptions have a significant influence on overall customer satisfaction and behaviour intentions (i.e. customer intention to switch, likelihood to recommend and likelihood of doing more business with the firm).

In the e-marketplace, payment equity plays a more important role than it does in the traditional marketplace due to the existence of powerful search engines that enable customers to find the lowest price quickly and easily. Most search engines can even help customers to filter or sort their search results according to their requested criteria, such as list price or free shipping. Cao et al. (2004) thus suggested that customers’ price satisfaction would influence their overall satisfaction with a seller in the e-marketplace. Accordingly, the following hypotheses are proposed:

Hypothesis 4: Customers’ perceived price fairness will positively affect their satisfaction with the seller.

Hypothesis 5: Customers’ perceived price fairness will positively affect their loyalty intention.

Sales behaviours

When building and maintaining lasting customer relationships, sales behaviour undoubtedly plays a crucial role (Roman 2003). Sales behaviour is generally defined as communication style. For example, how can salespersons’ behaviours, i.e. communication styles, meet those of customer expectation? In the context of the e-marketplace, such communication may refer to responses to customers’ questions, asked on a Q&A board or via email, through which the seller is able to interact with customers. To further clarify how sales behaviour may impact on customers’ loyalty intention in the e-marketplace, sales expertise and sales attitude have been used to illuminate this scenario.

Sales expertise

Sales expertise indicates a seller’s knowledge level, as perceived by customers in an exchange relationship between the two parties (Belonax et al. 2007). Sales expertise is an important characteristic for a salesperson and can enhance the quality of the seller/customer relationship (Liu and Leach 2001), selling performance and relational development (Boles et al. 2000) and sales effectiveness (Belonax et al. 2007). Crosby et al. (1990) further argued that a customer’s perceived sales expertise reflects the identification of relevant competencies associated with the transaction, usually exhibited in the form of information provided by the salesperson. In support of this, product knowledge is also noted to be one of the most important criteria in determining customers’ satisfaction with sellers (Lee 2004). Accordingly, the following hypothesis is proposed:

Hypothesis 6: Sales expertise will positively affect customers’ satisfaction with the seller.

Sales attitude

Customers’ emotions which greatly influence the decision to buy or not to buy can be elicited by a wide range of seller behaviours (e.g. the service offered by
sellers) and in-store features (e.g. the decoration style, light and music) (Donovan et al. 1994). More specifically, customers’ emotions stirred by the seller behaviours are likely to be influenced positively with communication with a salesperson (Oliver 1997). Menon and Dube (2000) further examined the relationship between the salesperson’s response and type of customer emotion (positive vs. negative). They reported that observed salesperson responses will, in a positive way, alter customers’ original expectations which result in a higher customer satisfaction across positive and negative emotions. That is, by carefully planning and controlling communication with customers, salespersons may contribute positively to customer satisfaction and emotion-oriented consumption. This paper argues that the in-store features such as the light and smell were significantly limited in the context of the e-marketplace therefore the way the salesperson responds to enquires and communicates with customers may play a more crucial role in shaping customers’ satisfaction. Accordingly, the following hypothesis is proposed:

Hypothesis 7: Sales attitude will positively affect customers’ satisfaction with the seller.

RESEARCH METHODOLOGY

Measurements

Six constructs were developed in this study: sales expertise, sales attitude, price fairness, trust, satisfaction with seller and loyalty intention. The constructs were measured using a seven-point Likert scale ranging from ‘strongly disagree’ to ‘strongly agree’, apart from price fairness, which utilized a seven-point semantic scale. Scale items were drawn from previously discussed literature and modified to fit the present study.

Sales expertise implies that sellers are knowledgeable and familiar with their product or service, have an understanding of customer needs and expectations and learn critical information about their customers. For this aspect scale items were adapted from Babkus et al. (1996). Sales attitude indicates customers’ perceptions of positive attitudes in sellers’ responses to customers’ questions. In this case, the scale items were adapted from Saxe and Weitz (1982) and Menon and Dube (2000). Price fairness is defined as a customer’s subjective sense of a price being right, just or legitimate, as opposed to being wrong, unjust or illegitimate. The scale items were adapted from Bolton et al. (2003). Trust refers to confidence in the honesty and integrity of the salesperson. In this case, the scale items were adapted from Suh and Han (2003). Satisfaction with seller refers to a customer’s perception of the retailing experience. Scale items were adapted from Sciders et al. (2005) and Ha (2006). Finally, loyalty intention indicates intentions to make further purchases from the same seller in the future (Johnson et al. 2006). The original scale used in this study was based on that developed by Johnson et al. (2006) and Ha (2006), and was modified to fit the present study.

The initial version of the study instrument was pre-tested for content validity, using three professors as expert judges. The wording of each individual item was examined and unclear items were reworded based on feedback. Table 1 provides the scale items for these constructs.

Subjects

The questionnaire was used to measure customers’ perceptions of specific sellers that comprise the e-marketplace and respondents were asked to indicate their responses based on their experiences with particular sellers in the e-marketplace. The research target of this study was the Yahoo! Taiwan e-marketplace, whose business model is similar to eBay in the USA. That is, Yahoo!, which is simply the provider of the e-marketplace service, is not involved in any real transaction. As the service provider, Yahoo!’s responsibility is to make sure this e-marketplace system is stable and operates smoothly, and to charge all sellers 3% of each transaction they complete through this e-marketplace. Sellers at Yahoo! e-marketplace include individual sellers, manufacturers and retailers. As long as the product or service is legal, sellers can sell anything they want to, with a choice of auctions or fixed prices. Customers may also have the chance to reduce the final price via group buying or bargaining with the seller.

An invitation was posted on the Yahoo! e-marketplace website with a hyperlink inviting customers who had completed transactions in this e-marketplace during the previous six months to participate in a questionnaire survey. The total number of valid questionnaires received at the end of the survey was 1123. Of those who responded, 505 were males and 618 were females. University degrees were held by 93.43% of respondents. More than half of respondents (62.8%) were students, while 36.32% were in employment. Less than 10% (7.92%) were under 20 years of age; 83.25% were in the 21 to 29 age group and 8.82% were over 30 years old. Respondents varied in their degree of experience with online shopping: fewer than 10% (9.79%) has less than one years experience, 86.72% had between 1 and 6 years experience and 3.85% of respondents had 6 to 10 years experience. The average age of respondents was 24.25 years (standard deviation=3.84).
DATA ANALYSIS AND RESULTS

Validation of measures used in this study was carried out in two stages. First, confirmatory factor analysis (CFA) was conducted to test the scale items for reliability and unidimensionality. Then, to further test the research hypotheses, the path model was analysed. The results were used to support or reject the hypotheses depicted in Figure 1.

Confirmatory factor analysis

Scale validation was assessed by analysing the goodness-of-fit of the structural equation model (SEM) using LISREL 8.52. The results show that the observed values of NNFI, NFI, GFI and AGFI (0.99, 0.98, 0.90 and 0.87, respectively) exceeded the recommended thresholds proposed by Bentler (1989), whereas $\chi^2/df$, RMSEA and RMSR (2.68, 0.06 and 0.037, respectively) were within the recommended limits. Hence, the model fitted the observed data reasonably well.

The construct validity for each scale was assessed by evaluating the standardized CFA factor loadings of the hypothesized items. In this study, all $\lambda$-values in the CFA model exceeded 0.7 and were significant at $p < 0.01$ (see the $t$-values in Table 2). The composite reliabilities ranged from 0.90 to 0.94. AVE ranged between 0.72 and 0.87 (see Table 2). Hence, the results satisfied the construct validity assessment criteria proposed by Fornell and Larcker (1981).

Model fit and evaluator assessment

Before testing the seven hypotheses proposed in this study, we examined the fit of the hypothesized research model (Figure 1). In our hypothesized model, the $\chi^2/df$ ratio was estimated as 3.21 ($\chi^2=584.104$, df = 182). NNFI, NFI, and CFI were greater than 0.90 (0.99, 0.99, and 0.99, respectively). GFI and AGFI exceeded 0.8, and RMSEA (0.044) and RMSR (0.049) were within the recommended limits. Therefore, our hypothesized model fitted the observed data reasonably well.

The second step was to assess the path significance of each association in our research model and test the variance explained by each path. Figure 2 shows the standardized path coefficient and path significance. Almost all our hypothesized associations were strongly significant at the $p < 0.01$ level, except for price fairness, which did not have a significant impact on loyalty intention. As postulated in this study, customers’ satisfaction with the seller positively affect their trust toward the seller ($\beta=0.88$). Hence, Hypothesis 2 was supported. Sales attitude was the strongest predictor of satisfaction with the seller ($\beta=0.41$), followed by price
This paper has confirmed that sales expertise, sales attitude, price fairness, satisfaction with the seller and trust are all useful approaches to enhance customers’ loyalty intention in the e-marketplace. More specifically, among the factors presented in the research model, trust and satisfaction were found to have the greatest influence on loyalty intention. Further, sales expertise, sales attitude and price fairness were reported to significantly affect satisfaction with a seller. Notably, the effect of price fairness on loyalty intention was mainly generated indirectly via its influence on satisfaction with the seller, rather than through its direct influence on loyalty intention.

To build customers’ long-term loyalty intention, this paper has helped managers to realize the importance of customers’ trust and satisfaction. Based on this interrelationship, four practical implications are addressed. First, customers are more likely to trust sellers who have good reputations in the e-marketplace. Once this reputation is enhanced, the seller’s credibility will also be strengthened. Second, customers are more likely to be satisfied with sellers who possess expertise and show good attitudes when responding to their enquiries. It is thus crucial for sellers to pay close attention to their interaction with customers via online Q&As or email services. Evidence indicates that when sellers are knowledgeable about the products they provide and always communicate with customers in a friendly and polite way, customers are more likely to regard the transaction as highly satisfactory. Third, if a seller can set prices fairly, they are more likely to be perceived as satisfactory. However, the magnificent power of the super search engines that is available in the e-marketplace not only enables customers to quickly and easily find the lowest price, but also to filter or sort the search results according to their requested criteria. All these dynamic aspects of the e-marketplace have put sellers in endless competition in terms of monitoring price distributions in the e-marketplace. Fourth, a highly-trusted seller who is also perceived as satisfactory is likely to earn greater loyalty intention from customers, which is the key to securing their repurchase behaviour. In sum, it is worthwhile for sellers to pay great attention to developing and showing product expertise, being friendly whenever they communicate with customers, strengthening their online reputation and setting their product prices fairly so as to enhance customers’ loyalty intention in the e-marketplace via improved trust and satisfaction.

Like any other research, this study is not without its limitations. First, in line with many prior studies on loyalty, we used loyalty intention as a proxy for actual behaviour. Prior research indicates that intention may be an acceptable proxy for behaviour, with a correlation of approximately 0.5 (Sheppard et al. 1988). Second, to avoid common method variance, this research employed
the methods suggested by past studies (e.g. Podsakoff et al. 2003), i.e. purpose nondisclosure, confidentiality of respondents’ information and randomising the order of questions. Future research could focus on actual repurchase behaviour rather than intentions or collect dependent variables and predictor variables using different measurement instruments. Third, this study may be limited by its use of regional data from Taiwan. Although the e-marketplace may be argued to have no boundaries, it is suggested that future studies should examine loyalty intention issues with different regional or country data.

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