LIFE SAVER ON THE WEB: E-LOYALTY

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Abstract
It is known that customers are the most important people for any organisation in today’s competitive markets. Establishing long term, strong and good relationships with present and potential customers has come to the fore for continuing their existence in the market and also remaining profitable. Establishing customer loyalty is priority for traditional firms which have strategic marketing plans. Therefore, there have been many studies pertaining to customer loyalty in marketing. However, as in all other fields, many changes can be observed in customer loyalty. Now it has been possible to offer goods and services through internet which is one of the most important technological development and which has lots of impacts on people’s lives. As a result of the introduction of internet “electronic loyalty” term has emerged in the marketing agenda. The study has been carried out theoretically by examining national and international literature on definition, importance, features, models of e-loyalty and ways of building it.

Key Words: E-Loyalty, Internet, E-commerce

Jel Classification: M30, M31

1. Introduction
“A long time ago, there was money to be made in selling people a commodity. Making your product or service better and cheaper was a sure path to growth and profitability. Today, of course, the rules are different. Plenty of people can make something cheaper than you can, and offering a product or service that is measurably better for the same money is a hard edge to sustain” (Godin, 2006:8) and technological progress has enabled modern mass production and many factories have seen remarkable increases in their output. The number of the production units has increased rapidly everywhere technology reaches. Meanwhile, there has been increase in the number of transportation vehicles such as cargo planes, ships, trains, trucks and lorries. Additionally, many factors, such as increasing population, adopting free market economy, changing living and working conditions of people have created huge markets.
“Because it’s so easy to outsource the actual manufacturing, suddenly your plant foreman isn’t your most important asset. Southwest does not succeed or fail because of its pilots—pilots are easy to find and hire now. It’s easy to make ball bearings, T-shirts, bottled water and mortgages. Making isn’t hard any more. Ford makes Jaguars, Anheuser-Busch makes Kirin, an anonymous plant in Vietnam makes Nike sneakers. The making is not hard or special or differentiating any longer” (Godin, 2006: 36). Some technological devices such as microchips, notebooks and digital music players can be produced for famous brands such as IBM, Cisco, Asus and HP as needed in countries
such as China, Malaysia, Indonesia, Taiwan and Thailand. Goods and services are produced more than necessary via using advanced technology and put on the market. In order to make customers choose you, you need some different things. The change which started after industrial revolution obliges important changes in markets and marketing. Marketers have understood that it is no longer possible to carry on their business life and activities by producing only one type of product and offering same products to the consumers (even if they have same expectations and necessities). The trend has changed today. Now “top priority is to meet customers’ demand” understanding is the focus of today’s marketing. Business firms those are aware of this situation turn onto the activities aimed to please and build customers’ loyalty by giving priority not only to production but also to their demands since meeting customers’ needs is one of their priority targets. It comes into prominence to determine marketing and customer relations strategies according to the information taken from the customers by keeping in contact with them. For this reason, today’s big companies spend millions of dollars to produce non-temporal, long term loyal relations with their customers by listening their demands with different methods and efforts, and meeting these demands with the most proper and productive way. The changeover from product based marketing strategy to customer based marketing strategy is one of the most important changes of the companies. Many companies invest in the technologies allowing customer based relation marketing strategy. Today customers are more informed and the companies those are aware of this situation focus on the customer, customer demands and customer loyalty (Alhaiou, 2009:1).

2. Customer Loyalty

Today many business firms are no longer local and tend towards international activities. They have increased the number of their customer. Mass production and selling these products in various markets have become prior for companies. However, customer relations and loyalty which used to be built by personal efforts at local and small markets before industrial revolution have gained another dimension. A perfume produced in France or a tropical fruit grown in Costa Rica can be transported to a potential customer at international markets in a few days or sometimes in a few hours. A needed product or service can be purchased in a few minutes via internet. Mostly, there are no face to face encounters between customer and seller.

In addition to increase in number of customer and the distance between the customer and the company, the changing customer patterns make it difficult to follow up and satisfy the customer. Today the major problem of business firms is the decrease of the customer loyalty in time. One of the most important aims of a company is to increase the number of the loyal customer (Sarac, 2006: 71). Nothing can prevent the customer to go for other companies for a better opportunity, unless the managers establish loyalty based relationships (Reichheld, 2003: 4). So, the firm that loses their customers decreases their profitableness and it cannot be possible for it to hold on in the market.

There are many important expressions in the literature about customer loyalty and its importance. According to Gommans (2001: 43) “building brand loyalty, maintaining it, marketing practices for sustainable competition advantage and customer satisfaction are directly related to the profitableness of the company”.

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If your customer is happy, they tend to be loyal. If they are loyal, they not only buy your products again but also they give advice to your potential customers (www.zoomerang.com).

3. The Importance of Customer Loyalty

The descriptions in the literature about the customer loyalty bear a resemblance to each other. “Customer loyalty can be defined as the willing of being continuous customer of the same company” (Çoban, 2005: 297). Another definition is that customer loyalty is the behavior of purchasing the same brand or product again. But this is a superficial description. More deeply it can be described as “in the circumstances where customer has chance to change the product brand or come across with different brands, customer loyalty can be responsible for purchasing the same good or service again” (Peng et al., 2005: 75).

It can easily be seen that the conditions those are expressed in the definitions occur today’s markets. For example, people see many domestic and foreign origin detergents, oil, milk or many other products. Customers suddenly come across with the discounts of different brands, the chance to raffle after the purchase and suchlike marketing services. In this case, customer loyalty comes into prominence. The important point is to make customer loyal.

4. The Advantages of Customer Loyalty

“The quantity of loyal customers determines enterprises’ survival and development. Customer loyalty is the key factor of upgrading enterprises’ competition ability and the footstone for enterprises’ development and main headspring for enterprises’ long-range profit” (Peng et al., 2005: 77). According to Deb and others (2009: 253) “Loyal customer reduces the cost which companies spend to gain new customers and helps the companies increase their profit. Besides, it makes easy to understand their loyal customers’ attitudes, the companies have deeper ideas about their customers’ demand and it becomes easier to meet their needs and please them”. The most important advantages of customer loyalty for companies are (Eskandari, 2009: 20-22):

- **Acquisition Cost:** Getting a new customer is always much costlier. Because, the most important reasons for this situation are commercials, financial discount to new customer, commissions etc.

- **Referrals:** It is an incontrovertible truth that people interact with each other. The customer who has purchased a service or a product may recommend it to others because of satisfaction, trust or something else. The cost of gaining new customers decreases because new customers purchase as a result of the recommendations during the decision period. Today, many establishments such as language courses, holiday tours, hotels, restaurants and many others take this reality into consideration.

- **Price:** Old and loyal customers are braver than the ones who will buy the product or the service for the first time. Because they purchased it before and saw the service or the product, they are less sensitive about the price.

- **Operating Cost:** Free phone calls, e-mail, brochure, introductory meetings, and individual interviews for potential new customers who do not know anything about the service or the product can be free for the customer but it can be really costly for the business firms. These activities are done less for the loyal customers.

- **Revenue Growth:** Loyal customers are more inclined to repetitive purchase and purchase other products of the same they have enough information about the products and services. As a result there can be a significant increase in income.
5. E-Loyalty and Importance

Internet revolution is mentioned as the most important change effecting trade since money replaced barter (Reichheld et al, 2000-1: 173). Internet has changed traditional marketing methods. As a result of this change, the distance between company and customer has grown. The internet customers have become much more powerful. The e-firms which are aware of the customers’ power have understood that the key to is e-loyalty.

With the rapid growth of online consumer shopping practices, establishing and continuing customer loyalty has become the focus of most marketing theories and practices (Gommans et al, 2001: 43). The loyalty of a customer on internet environment is much more important than in traditional marketing. When the speed of internet is taken into account, customer loyalty will be more important for the future cyber marketing firms (Peng et al, 2005: 78). E-loyalty helps customer retention and decreases costs to gain new customers (Reichheld et all, 2000-2:105-106). Loyalty is important for profitableness of electronic services since gaining new customer in electronic marketing is much more expensive than gaining them in traditional marketing (Oliveira, 2006: 2). Customer loyalty is seen as a really important source in electronic trading field and it is the magical weapon of the competition (Peng et al, 2005: 81).

5.1. Definition of E-Loyalty

It is a well-known truth that business to customer (B2C) electronic trading is rapidly growing and it will grow incrementally in the following years. Remarkable potential of online retail purchasing which is the alternative way of traditional shop purchasing is the proof of this fact (Devaraj, 2003: 184). Although customer loyalty has drawn attention for a long time, it has been ignored by many company those are active in cyber marketing. That’s why focusing on establishing and continuing customer loyalty is a new subject in terms of cyber marketing (Peng et al, 2005: 75). In addition to this, online firms are started to understand the importance of customer loyalty and today it has its part as electronic loyalty in marketing literature.

Customer loyalty is important for remaining profitable for the firms serving in electronic environment. Many researchers should understand how to retain customers in electronic environment better (Rui Sousa, 2007: 10). According to a comprehensive research by Bain & Company, 5% increase in the customer loyalty increases the profit of the company 25-95 %. According to the same study, gaining a new customer is seven times expensive than holding existing customer (www.zoomerang.com). E-firms which have realized this situation and potential before have focused on e-loyalty as their target.

Traditional loyalty and electronic loyalty are not totally different. Common definition in the literature is that online loyalty is a consumer’s intention to buy from a website or to visit it again (Cyr, 2006: 8). Another definition is that e-loyalty is to expand traditional brand loyalty concept to online customer behavior. Although the theoretical bases are identical with traditional brand loyalty, e-loyalty is a new concept in the literature. E-loyalty is specific in terms of internet based marketing and purchaser attitude. E-loyalty is related to quality customer support, strong and in time distribution, reasonably priced shipping and handling, clear privacy policies (Gommans, 2001: 44).

5.2. The Features of E-Loyalty

There are some differences between the elements of traditional customer loyalty and electronic loyalty. Before anything else, some physical elements those affect traditional purchasing do not exist in electronic purchasing and some elements are limited. That’s why there are important differences in terms of loyalty between them. These differences
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Internet offers stronger searching engines for less effort and at short notice for products and services for the customer. Thanks to forming electronic database and reaching the data easily techniques, the companies can reach information about customers more easily and have an opinion about online customer value. Electronic trading benefits from many information technology practices both for customers and service.

The most important specialty of electronic transaction is its difference from physical purchasing environment. This physical difference can cause panic and mistrustfulness at the customers. Another problem is the probability to be defrauded on electronic environment. Against these negativities the firms have to gain their customers’ trust.

The way of doing business of the online companies is different than the traditional ones. Traditional companies are face to face with their customers. This brings additional responsibilities and gives more opportunity to the employees those are in interaction with the customer. Frowning and any negative change in tone of voice can make the customer have negative impressions about the firm. Similarly, a smile and excitement may make the customer more interested in the product or the service. Unfortunately, internet environment lacks these opportunities.

Customer chooses what to purchase at cyber environment using their five instinct just like at traditional markets. Choosing a cybershop which has high credit score is the most and supportive choice of the customer to decrease shopping risk.

Customer makes his purchase choice depending upon his own trust and his online information obtained through his previous purchasing. But cyber environment is free environment in terms of the information given. It is difficult to know whether the information is right or wrong. On the other hand, trust that was built as a result of the previous shopping is an effective factor on consumer attitude. The fact that all the information is open to everyone makes it possible for the customer to reach all the products and services. The price changes happen rapidly and the competitors respond these changes immediately. As a result the price based advantage has been reduced to a large extent.

The consumers do not want to spend time and energy to search and compare prices because of fast paced life and busy schedule. That’s why customers want to be loyal to some shops serving online. In this way saving time increases, physical costs reduce and consumption risk reduces. Therefore, internet using customers have instinctive preference for loyalty in the name of making purchasing less risky and making decisions more rationally.

In internet environment companies are able to communicate with customers spontaneously and they can create very active databases thanks to technological opportunities. They can do one-to-one private marketing in order to increase the customer’s satisfaction. That’s why the efforts to have loyal customers should focus on the cyber customers’ shopping experiences.

Word of mouth marketing is an available important marketing method at traditional marketing. In the public surveys carried on by Reichheld and Schefter (2000) it is proved that public praise marketing has much effect on
electronic trading. More than half of the internet using loyal customers is the result of word of mouth marketing. The customers those took recommendations from loyal customers are more valuable than the ones gained by commercials and knocked down price.

E-loyalty happens in internet environment. Internet is a perfect market because information stands at the tips of people’s fingers and they have the opportunity to compare the offers of the salesmen spontaneously. But this specialty may cause the loss of customer loyalty. Unless the companies gain loyalty from their customers, they will not provide repetitive purchase and future (Xiaujuan Ou et al, 2003: 1734). Because of the fact that your customer is only a click away from your competitors, gaining e-loyalty is much more difficult than gaining traditional loyalty (Wolfgang, 2009). For this reason business firms have to be careful about some points for loyalty in internet applications. Although the firms know the difficulties of e-trading, there are some general mistakes, here are the biggest mistakes made on e-trading (Gilpatrick, 2001: 12):

- **Not making the website simple and understandable:** In some sites there are too many links than necessary, information, banners (advertisement bands on the websites) and advertisements, those make the website complicated.
- **Not investing enough in technology:** As a result of not investing enough in technology, there can be some negative effects such as busy servers because of overloading, not using appropriate interfaces and nor using mobile system for security.
- **Not employing staff member for call center or helper:** There should be some staff members, free telephone lines and instant messaging service like MSN to answer urgent questions and needs of the customers.
- **Not answering the customer in time:** Not answering the customers’ questions those they transmit via e-mail or website in a short time is a huge mistake.
- **Not being long-term:** E-trading is a long marathon. The plans and strategies should be at long date and competitive.

5.3. The Factors Affecting E-Loyalty


- **Electronic trust:** Electronic trust has a role to accelerate and consolidate e-loyalty. Electronic trust is the most important factor for decreasing anxiety and panic at the services at which there is no physical appliance such as online banking. Thanks to the trust, e-loyalty can be established. A customer who has e-trust may recommend it to their friends and relatives.
- **Production according to the customer’s demand and interaction:** These two factors contribute to electronic loyalty in terms of customer attitude. Most of the internet user customers prefer the products produced according to the customer’s demand. This clearly shows the importance of meeting customer’s need (customization) in building electronic loyalty. Computer producer Dell gives opportunity to its customers to form their own computer with the help of hardware choosing facility. High participation of the customer on the design of the product forms a strong and effective relationship with the brand. As a result brand loyalty can be gained.
- **Satisfaction:** The continuous satisfaction of a customer is ended up with electronic loyalty. If the customer is satisfied after they purchased a
product or service on virtual environment, they will come to the websites which satisfy before when they need the same or similar product or service.

- **Investment**: The firms who run business in an electronic environment should invest in high quality websites and electronic software in order to raise customer loyalty. This means privacy, security, ease of use, graphic style, endurance, fast answering and information quality in electronic services.

- **Promotions and advertisement tools**: Online firms design their websites, promotions, advertisements and other marketing tools not only to gain customer but also to make them loyal. Electronic loyalty is not a onetime work, it is a continuous work.

- **Keeping track of customer information**: This can be helpful to gain loyalty for online sale companies. For example, it is important for a book firm to keep past shopping information, personal information and liked products after you enter your username and password.

- **Background information with the customer**: This background helps the electronic firm to offer product or service according to the customer’s wish and prevents competitive risks.

- **Competitive price**: It is not possible not to be effected negatively because competitor firms are only a click away and price comparison is available. That’s why offering competitive price is very important in gaining customer loyalty and continuing it for the firms those are in business in electronic environment.

- **Operative security**: In electronic environment operational security and privacy plays an important role in gaining customer loyalty. According to recent researches the main reason why the customers do not extend their online purchasing is the possible online credit card fraud. Privacy anxieties of the customers have caused some failures. There are some techniques and tools those firms can use in order to gain electronic trust which is the most important fact for electronic loyalty. The most common ones are cryptography, approval and authorization.

- **Brand trust**: Trust has a very close relationship with electronic privacy and it is a very important factor in purchasing attitude. Generally, because you cannot look into the sales man’s eyes, you cannot touch the product, you cannot smell or feel it developing trust with these methods is not possible in electronic marketing. Brand trust contributes to reduce suspense. Trust is one of the attitudinal factors forming loyalty at the same time. That’s why brand trust sweeps away some disadvantages caused by some misunderstandings such as internet is not a reliable shopping environment. These misunderstandings still prevent many potential customers from purchasing online.

- **Ease of use website**: Another unique factor in gaining electronic loyalty is an important role which is formed by first impression such as surfing the site with ease, fast loading pages and fast purchasing process.

- **Appropriate content of the website**: A website should be designed to offer appropriate content to its customer group. Global electronic marketers should multiply their language choices as much as they can because they can be reached everywhere and they address to the whole world. It is also recommended that the companies should change the content of their websites appropriate to local circumstances. While designing a website appropriate for local markets, it is necessary to understand the local culture and it is also necessary to design the
website according to the culture. For example, colors have different meanings for communities.

- **The loading speed of the page**: Electronic firms should be aware of the fact that most of their customers’ time is limited. The loading speed of the page should be high. The surf inside the website should be easy and people should be able to find the information in a short time. According to many researches, 58% of the internet users make surfing mistakes and these cause time loss.

- **Server reliability and answering speed**: In addition to website design, the reliability of the servers has an important effect on electronic loyalty. The servers which collapse during transactions, surfing and ordering goods will have some negative effects on gaining customers' loyalty.

- **Order follow-up and fast delivery**: Order and delivery is the other factors that have effects on the development of customer loyalty. The logistic system that guarantees fast delivery plays an important role on development of customer loyalty.

- **Online customer support line**: Sometimes web designers have to design complicated websites because of some reasons and circumstances. On this situation a free telephone line and instant messaging service on the internet should exist.

- **Quality**: Because there are not some senses like touching, smelling, feeling or seeing on internet shopping, one way to overcome this negativity is to sell well-known, high quality and guaranteed products.

- **Electronic mail**: Electronic mail is used by many companies in order to inform customers about innovations, learn their wishes, answer their questions, give technical support and have feedback by sending them questionnaires. Interacting with the customers via electronic mail affects the impression of the customers in a good way. By doing so, firms can focus on how to satisfy their customers.

- **Fast solution**: The wish, demands and complaints of the customers, which are sent via electronic mail, should be answered immediately. This plays a critical role in building loyalty.

6. **E-Loyalty Models**

Online companies have made many researches to develop customer loyalty. For this aim, many e-loyalty models have been formed in literature. The seven elements recommended for applicable and effective electronic loyalty models are (www.thecustomerinstitute.com):

- **Value**: It is important to offer a competitive price because the price of a product or service can easily be compared with only a click of a mouse.

- **Building brand**: Brand names are more important in internet environment. The name of the domain of the website being the same with the brand name is good for its being memorable and good for its image. Rich web content is necessary to improve the image.

- **Trust**: Trust is thought to have an important role in developing loyalty and continuing it. Many customers are afraid of identity fraud and because of this, they avoid giving their identity information to the websites. There are some ways to develop trust to websites. Cryptography and authorized access are some of them. Some firms such as IBM, Apple, Heinz, Proctor and Gamble are famous for being trustworthy.

- **Coziness of the website**: First impression is very important in terms of e-loyalty. Ease of surfing, strength of the server, fast shopping,
fast checking, fast page loading, and personal interface builds e-loyalty.

- **Technology**: According to researches, 58% of the internet users make mistakes while using the websites. Search for information and surfing inside the site should be easy and fast.

- **Safety**: Firms should secure their customers about privacy and supplying safety to their customers.

- **Customer services**: In order to develop e-loyalty a website should have a well customer service system. System should include phone counseling, frequently asked questions link and can evaluate the orders and deliver at the right time to the right place

7. Conclusion

The importance of loyal customers is put into words on all occasions in today’s competitive markets. Many companies those have difficulty in continuing their activities and increasing their profits have understood the importance of the loyalty of the customers and started to work hard for developing customer loyalty. Many companies are trying to get information about their customers and to offer products and service those they could prefer and wish for. Consequently, for online operating companies, developing e-loyalty and having loyal customers are important tools to help the firms in the competition with other companies. As it can be seen with the help of literature scanning in the research, it is a well-known phenomenon that gaining new customer is much more expensive than holding existing customer of a company. In an environment in which the competitors’ products, services and their prices can be learnt and compared in a few seconds, the companies, which will develop e-loyalty and have loyal customers, will decrease their costs and increase their profits. The marketing experts should develop plans and apply them in order to establish strong relationships with their customers for long and trust based relationships. The plans and studies which are done to develop e-loyalty should be supported by technical infrastructure which is especially important in developing customer trust. Because trust is very important in terms of developing loyalty and the companies should have very good technological infrastructure in order to gain the customers’ trust in cyber environment.

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