

# **Impact of E-Service Quality on Customer Loyalty: In Case of Online Shopping Customers in Sri Lankan Retail Industry**

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## **INTRODUCTION**

With the rapid worldwide growth in electronic commerce businesses are attempting to obtain a competitive advantage by using e-commerce to interact with customers. However there are instances where many online stores related to retail industry denouement their businesses since not much effort is put in identifying the crucial factors to create a loyal customer base. There are many factors influencing customer loyalty, amongst e-service quality plays a critical role. Businesses with the most experience and success in using e-commerce are starting to realize that the key determinants of success or failure are not merely web site presence and low price but also include the electronic service quality (e-service quality) (Yang, 2001; Zeithaml, 2002).

Since studies on the level of e-service quality and customer loyalty are only handful, the purpose of this study is to measure both e-service quality and customer loyalty among the online shopping customers in Sri Lankan retail industry. Hence through this study researchers intended to fill the existing knowledge gap through the research problem “How e- service quality affects the customer Loyalty among Online customers in Sri Lankan retail industry?”

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## **AIM/OBJECTIVES**

The objectives which are expected to achieve from the study are as follows.

1. To identify the level of customer loyalty among online customers in Sri Lanka.
2. To identify the level of e- service quality among online customers in Sri Lanka
3. To study the impact of e-service quality on customer loyalty

## **THEORY**

With the rapid growth of technology the concept of e-service quality has caught the attention of a vast number of researchers. Santos (2003) defined e-service quality as the consumers' overall evaluation and judgment of the excellence and quality of e-service offering in the virtual market place.

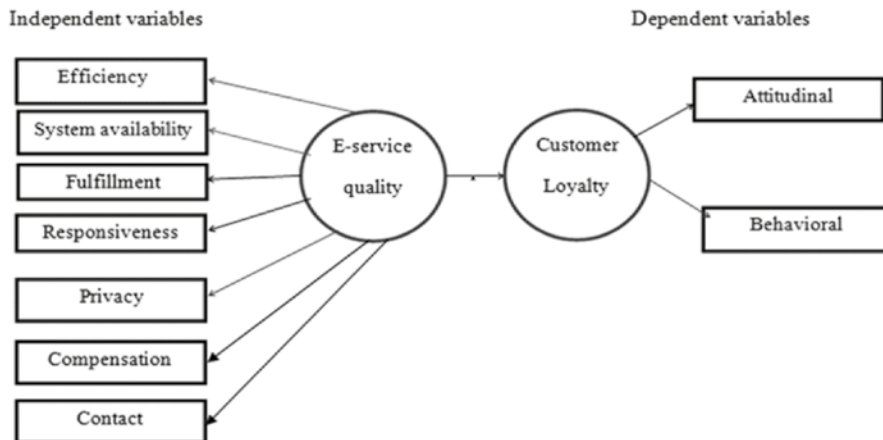
Customer loyalty can be established in many ways such as support towards a certain organization by continue patronizing a certain provider and this leads to increment in the frequency of their purchases (Rowley, 2005; Wilkins, Merrilees, & Herington, 2009).

According to Yen & Lu (2008) e-service quality is related to customer satisfaction, retention and loyalty in the marketing field. Further they state that the seller should promote e-service quality in order to create a high loyalty rate. This was discussed by relating to an online auction maker place

However, the existing literature regarding e-service quality has not fully analysed the impact on customer loyalty with respect to retail industry.

## METHODS

### Conceptual Framework



Above model demonstrate the relationship between independent and dependent variables, where e-service quality is the independent variable (IV) and customer Loyalty is the dependent variable (DV)

In line with the above conceptual model, the following hypotheses were developed.

H1: The level of Customer Loyalty among Sri Lankan online shopping customers is high.

H2: The level of E-service quality among Sri Lankan online shopping customers is high.

H3: There is an impact of E-service quality on Customer Loyalty

The purpose of this research is descriptive and is conclusive in nature. The data was collected at a single point of time thus the study is a single cross-sectional. Customers who are engaging in online shopping in Sri Lanka were the population of the study while a customer who engages in

online shopping in Sri Lanka was taken as the unit of analysis. A sample of 400 customers has been selected, through judgmental sampling, using a filter question as the basis to identify the whether the respondent is an online shopper or not. The survey was administered online through a self-administered questionnaire to obtain customer’s opinions. The survey was conducted from November 2018 to January 2019 and the selected customers were invited to respond by informing the survey site link and the subsequent reminders were sent to them. Mean Analysis, Paired and One Sample T-Tests and Regression Analysis have been used as data analysing techniques.

**RESULTS**

According to Sekaran and Bougie(2010), reliability values less than 0.6 are poor and, those in range of 0.7 are acceptable. All the dimensions meet the minimum standard of Cronbach’s alpha. By conducting factor analysis, researchers established construct validity. If Kaizer-Meyer-Olkin(KMO) measure of sampling adequacy is above 0.05, a factor analysis can be carried out. Under factor analysis Average Variance Extracted (AVE) should be greater than 0.5 and CR exceeds 0.7, convergent validity in the scale of study is assured.

Sample profile of the study demonstrates that the majority of the respondents are females (n=237) of age between 24 to 30 years age category (n=185). Most of the respondents are from the mercantile sector (n=149) and earning an income between 50001 – 100000 (n=147). Clothes and shoes were the most common type of products purchased (n=257) while e.bay.com being the most used online website (n=174). Further it can be seen that respondents engage in online shopping monthly (n=206)

**Hypothesis Testing**

Decision Criteria Model for T-Test Analysis

Mean	Decision Criteria
1 - 2.29	Low
2.3 - 3.59	Moderate
3.6 - 5	High

H1 and H2

Hypothesis	Observed Mean
The level of Customer Loyalty among online Shopping Customers in retail industry of Sri Lanka is high	3.8090
The level of E-Service Quality among online Shopping Customers in retail industry of Sri Lanka is high	4.2244

H3

In this model, the coefficient of determination “R square” = 0.593 which shows that 59% of observed variability in customer loyalty can be explained by the differences in the independent variables taken. The result suggests a positive relationship between E-service quality and Customer loyalty.

When examining the model summary in relation with ANOVA (F-value) indicated that the model explains the most possible combination of predictor variables that could contribute to the relationship with the dependent variable. ANOVA table shows F significance value that F statistic was significant (F=198.202, P<0.005) at more than 95 present confidence interval suggesting the model was useful to determine the variation in the criteria. This implied that the model was significantly valid.

According to the statistical analysis, customer loyalty positively influence on e-service quality since the variable shows a positive value of a 0.514

## **DISCUSSION**

As per the study findings, objective one which was to determine the level of Customer Loyalty among online shopping customers in Sri Lankan retail industry, shows a mean value of 3.8090. This probably indicates that the customer loyalty among online shopping customers in Sri Lanka is high.

Objective two is to determine the level of E-service quality among online shopping customers in Sri Lanka. The mean value for e-service quality is 4.2244. This probably indicates that the E-service quality among online shopping customers in Sri Lanka is high.

Objective three was to determine the impact of E-service quality on Customer Loyalty among online shoppers in Sri Lanka.

At 95% level confidence level the f value indicates a significant association between ESQ and CL (F=198.202, P=0.000).R square value indicates that 59.3% of the variability of CL can be explained using ESQ. Further it indicates a positive relationship between CL and ESQ, which support to the findings of previous studies (Reichheld and Schefter 2000), (Mohammad et al, 2018) which states that in online stores e, service quality has an impact on customer loyalty, which shows e-service quality plays a critical role in creating a loyal customer base

Accordingly the null hypothesis was rejected and the alternative hypothesis was accepted by observing the level of significance. Hence it can be concluded that there is a High impact of E-service quality on Customer Loyalty among online shoppers in Sri Lanka.

## **IMPLICATIONS**

Based on the study findings, there are evidences to indicate that e-service quality has a significant impact on customer loyalty with respect to online shopping customers in retail industry which is less explored in Sri Lankan context. Further studies can focus on selecting a sample based on random sampling technique and provide more definite and accurate results. Nevertheless the findings of this study contribute to the growing body of knowledge in E-services management and Online Business Management. The strength of this research lies in the fact that it provides an actionable focus for the online sellers of Sri Lanka in their pursuit of competitive advantage. The authors conclude that an online organization's long-term success is highly determined by its ability to maintain customer loyalty. As per the recommendations for further researchers, they can focus on other salient factors that influence on customer loyalty. Moreover, further studies are encouraged to replicate the same model by considering another industry in Sri Lanka as well.

## **KEYWORDS**

Online Shopping, E-service Quality, Customer Loyalty

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