

T.C.
ISTANBUL AYDIN UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES



FACTORS AFFECTING CUSTOMER LOYALTY IN ONLINE RETAIL SHOPPING
ENVIRONMENT IN PAKISTAN

MBA THESIS

Muhammad Zain LAKHANI

Department of Business Administration
Masters Program

Thesis Advisor: Assist. Prof. Dr. Muge ORS

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İSTANBUL AYDIN ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜ



YÜKSEK LİSANS TEZ ONAY FORMU

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DECLARATION

I hereby declare that all information in this thesis document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results, which are not original to this thesis.

Muhammad Zain LAKHANI

This thesis is dedicated to:

My parents Muhammad Akhtar and Razia Lakhani

&

My dear wife Tazeen Qureshi

FOREWORD

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TABLE OF CONTENTS

DECLARATION	iv
FOREWORD.....	vi
TABLE OF CONTENTS.....	vii
LIST OF FIGURES.....	x
LIST OF TABLES.....	xi
ABSTRACT	xii
ÖZET.....	xiii
CHAPTER ONE – INTRODUCTION.....	1
1.1. Background of the Study	1
1.2. Problem Statement.....	3
1.3. Purpose of the Study	3
1.4. Research Hypotheses	3
1.5. Research Objectives.....	4
1.6. Significance of the Study	4
1.7. Thesis Structure	5
CHAPTER TWO – LITERATURE REVIEW	7
2.1. The Concept of Online Retail Shopping	7
2.2. Historical Emergence of Online Retail Shopping.....	9
2.3. Attractions of Online Retail Shopping versus Traditional Retail Shopping	12
2.4. Channels of Online Retail Shopping.....	16
2.5. Customer Satisfaction: An Overview	20
2.6. Customer Loyalty: An Overview	21
2.7. The Implication of Customer Loyalty on the Decision Process	25

2.7.1. Searching for Information.....	26
2.7.2. Pre-Purchase Research and Evaluation	26
2.7.3. Purchase Process.....	27
2.7.4. Post-Purchase Evaluation	27
2.8. The relationship between Customer Satisfaction and Customer Loyalty.....	28
2.9. Factors Affecting Customer Loyalty in Online Retail Shopping Environment.....	29
2.9.1. Online Security	30
2.9.2. User Privacy.....	30
CHAPTER THREE – RESEARCH DESIGN AND METHODOLOGY	32
3.1. Introduction	32
3.2. Research Design	32
3.3. Measurement Items	33
3.4. Research Process	34
3.5. Research Hypothesis and conceptual framework.....	34
3.6. Conceptual Framework	35
3.7. Data Collection Instrument	35
3.7.1. Quantitative Surveys.....	35
3.8. Research Population and Sampling.....	36
3.8.1. Sampling Technique and Sample Size.....	37
3.9. Analysis.....	37
3.10. Ethical Considerations	40
CHAPTER FOUR - RESEARCH FINDINGS AND ANALYSIS.....	41
4.1. Demographics Frequency Analysis	41
4.2. Descriptive Analysis of Variables.....	42
4.3. Reliability test.....	44
4.4. Multiple Regression Analysis.....	45
4.5. Independent Sample T-Test	49
4.6. ANOVA Testing.....	50
CHAPTER FIVE – DISCUSSION AND CONCLUSION	52
5.1. Summary of Hypotheses Tests.....	52

5.2. Discussion of Research Findings.....	53
5.3. Limitations and Contribution of the Research	56
5.4. Suggestions for Further Research	57
REFERENCES.....	58
APPENDICES.....	73
RESUME: MUHAMMAD ZAIN LAKHANI	80

LIST OF FIGURES

Figure 1: Research Process for the Study	34
Figure 2: Conceptual Framework for the Study	35
Figure 3: ANOVA Graphic.....	51

LIST OF TABLES

Table 1: Demographic Profile of Respondents	41
Table 2: Descriptive Analysis of Variables.....	42
Table 3: Reliability Test of Variables	45
Table 4: Model Summary.....	46
Table 5: ANOVA.....	46
Table 6: Coefficient	48
Table 7: Hypothesis Summary.....	48
Table 8: Independent T-Test	49
Table 9: Independent T-Test	49
Table 10: ANOVA.....	50

FACTORS AFFECTING CUSTOMER LOYALTY IN ONLINE RETAIL SHOPPING ENVIRONMENT IN PAKISTAN

ABSTRACT

Online retail shopping is a rapidly growing sector within e-commerce. With an increase in convenient technological platforms, online retail shopping has become the preferred method of shopping for millions of customers around the world. This is mainly because of its perceived convenience, time saving ability, and cost effectiveness. At the same time, a number of factors are important in influencing an individual's decision to shop for retail goods online. Factors such as website design, content, product range, ease of delivery, pricing, online security, and user privacy, etc. have all been seen to have positive impact on customer's decision to shop for retail goods online. These factors are also important determinants of customer satisfaction, and loyalty, with online retail stores. However, research on the rise of online retail shopping and factors that influence online retail customers has been absent from Pakistan's e-commerce industry. Furthermore, the underdeveloped state of online security and user privacy in Pakistan and their effect on the development of online retail environment is also understudied. This study aimed to fill this gap by conducted a primary quantitative research with customers of online retail shops in Pakistan. After surveying a sample of 275 online retail customers, this research has analyzed data using multilinear regression test, independent T-test, and ANOVA to find that in Pakistan online security and user privacy have a positive impact on customer loyalty towards online retail stores. It also finds that customer satisfaction from online retail shopping has a positive effect on customer loyalty towards online retailers in Pakistan. Lastly, the research finds that demographic characteristics of the customer such as gender, age, and marital status have a strong statistical relation to their loyalty with online retailers.

Keywords: customer loyalty, customer satisfaction, online shopping, online security, user privacy.

PAKİSTAN'DA ONLINE PERAKENDE ALIŞVERİŞ ORTAMINDA MÜŞTERİ SADAKATİNİ ETKİLEYEN FAKTÖRLER

ÖZET

Online perakende alışveriş, e-ticaret dünyasında hızla büyüyen bir alandır. Uygun teknolojik platformlardaki artışla birlikte, online perakende alışverişi, dünya çapında milyonlarca müşteri için tercih edilen bir alışveriş yöntemi haline gelmiştir. Bu, temel olarak tüketicisine kolaylık sağlaması, zaman kazandırması ve maliyet etkinliği yaratması nedeniyle. Aynı zamanda, bireyin online perakende ürün alışverişi yapma kararını etkileyen bir dizi faktör söz konusudur. Web sitesi tasarımı, web sitesinin içeriği, web sitesinde sunulan ürün yelpazesi, ürünlerin teslimat kolaylığı, fiyatlandırılması, sitenin sağladığı güvenlik ve kullanıcı gizliliği gibi faktörlerin uygunluğunun müşterilerin online perakende ürün alışverişi yapma kararını olumlu yönde etkilediği bilinmektedir. Bu faktörler aynı zamanda online perakende mağazalarında müşteri memnuniyetinin ve sadakatinin de önemli belirleyicileridir. Pakistan'daki çalışmalar incelendiğinde online perakende alışverişi ve online perakende müşterilerin sadakatini etkileyen faktörler üzerine yapılan e-ticaret araştırmalarının kısıtlı olduğu görülmektedir. Ayrıca, Pakistan'da web sitelerinin çevrimiçi güvenlik ve kullanıcı gizliliği durumu ile ilgili gösterdiği az gelişmişlik, e-ticaret faaliyetlerine de negatif yönde etki etmektedir. Bu çalışmada Pakistan'daki online perakende mağazalarının müşterileri üzerinde nicel bir araştırma yapılarak bu boşluğun doldurulması amaçlanmıştır. 275 online perakende müşteriden oluşan bir örneklem grubu seçilmiş ve tüketicilerin sadakatine, çevrimiçi güvenlik, kullanıcı gizliliği ve müşteri sadakatinin ne yönde etki ettiği, çoklu doğrusal regresyon analizi ile ölçülmüştür. Demografik özelliklere göre müşteri sadakatinde bir fark olup olmadığı ise bağımsız T-Testi ve ANOVA testleri kullanılarak analiz edilmiştir. Elde edilen bulgulara göre, online güvenlik, kullanıcı gizliliği ve müşteri memnuniyeti, tüketici sadakatine pozitif yönde etki etmektedir.

Anahtar kelimeler: online alışveriş, online güvenlik, kullanıcı gizliliği, müşteri sadakati.

CHAPTER ONE – INTRODUCTION

1.1. Background of the Study

Since 1995, the advent of the world wide web has transformed the shopping experience not only for people who shop online but even those who shop using conventional methods. In the past two decades, online retail shopping has gained rapid popularity amongst shoppers of all ages. Online retail shopping is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the Internet using a web browser especially in smaller quantities. Using this platform, customers can either search for the products on the company websites from online retailers or search among alternative vendors using a shopping search engine which displays the same product's availability and pricing at different e-retailers. However, there are still numerous customers, mostly in the developing world, who are hesitant towards shopping online due to perceived risks such as online security, user privacy, data protection, transaction frauds, etc. Furthermore, consumers that do shop online are increasingly faced with difficulty in deciding amongst the variety of products and services offered to them online in this day and age. To further add to these complexities, in a fast paced online retail landscape, that is constantly growing and evolving, retaining customers often becomes a problem area for online businesses.

Like any traditional business, many online businesses are realize that ensuring customer satisfaction and improving customers' trust in their e-commerce offerings is not an easy task - but it is essential to growing a business. Therefore, from the online business's perspective, one of the core targets is to satisfy customers and build customer's trust. To meet this objective online business often try to develop an environment where customers feel secure (Thaichon, et al., 2014). Businesses that

are successful in achieving customer satisfaction and trust are able to generate long-term profits through customer retention. Therefore, in online businesses, factors such as ensuring user's privacy, online security, transaction security, etc. can have a significant impact on the customer's buying experience.

Existing literature on the subject establishes customer satisfaction as a primary factor affecting customer loyalty. Customer satisfaction can be viewed as a state of mind or a sentiment that is associated with pleasure and/or disappointment that can affect customer's evaluation of the products offered by a business. Hence, customer satisfaction refers to customer's attitude indicative of their perception based on their consumption experiences (Anderson & Salisbury, 2003). Several studies have found that adequate management of customer satisfaction provides an avenue for increasing business performance.

On the other hand, customer loyalty refers to a behavioral measure of a customer's intentions to repurchase a product/service in the future (Reinartz & Kumar, 2003). Pires, Stanton, and Rita (2006) define customer loyalty as the degree of satisfaction that the customer attains for a period of time after purchasing a product/service from a business. Customer loyalty is a topic that has been extensively studied by marketing researchers. They contend that in order to retain customer loyalty, the business has to first establish dependable mechanisms for delivering products and services of a high quality, in a timely manner at a reasonable price to achieve customer satisfaction (Lin, 2013). Therefore, to ensure customer loyalty businesses need to develop a market strategy and plan their service delivery mechanisms to create an environment where customer satisfaction can be attained (Bart, et al., 2005).

In doing so, customer satisfaction can lead to loyalty which translates into increased sales of a product/services contributing to a business's financial and market performance. This is one of the main reasons why businesses invest large sums towards developing their customer satisfaction standards that can include monitoring systems, designing interactive websites, protecting customer data, and predicting customer attitudes and perceptions (Morgan & Rego, 2006). A study by

Shankar, Smith, and Rangaswamy (2003) also finds that satisfaction with E-commerce websites is a key factor in maintaining customer loyalty.

1.2. Problem Statement

While there is ample of literature studying customer satisfaction and loyalty in traditional businesses, there is relatively less literature on factors that determine customer satisfaction and loyalty in online businesses in Pakistan, namely: online security and user privacy. While, online business do realize the importance of building a loyal customer base, there is often difficulty in highlighting factors that can help in retaining loyal customers. This research aims to fill this gap in literature concerning customer satisfaction and loyalty towards online businesses in Pakistan that has not been extensively explored in the current marketing literature.

1.3. Purpose of the Study

In order to do so, this research will seek to answer research questions concerning whether online security and user privacy has any effect on customer loyalty, if customer satisfaction has a positive effect on customer loyalty, and whether demographic factors such as gender, age, and marital status have any statistical impact on customer loyalty. Therefore, this research focuses on factors of online security and user privacy in online shopping that may affect customer satisfaction, which is a mediating variable affecting customer loyalty. These specific factors are of specific importance for first time online customers. Therefore, this research will gather primary data using online surveys with customers that have used online shopping websites in Pakistan at least once.

1.4. Research Hypotheses

The topic of this research is “Factors affecting customer loyalty in online retail shopping environment in Pakistan”. Based on this topic, this research will test the following hypotheses:

H1: Online Security has a positive effect on Customer Loyalty.

H2: User Privacy has a positive effect on Customer Loyalty.

H3: Customer Satisfaction has a positive effect on Customer Loyalty.

H4: There is a statistical difference on Customer Loyalty in terms of Gender.

H5: There is a statistical difference on Customer Loyalty in terms of Age.

H6: There is a statistical difference on Customer Loyalty in terms of Marital Status.

1.5. Research Objectives

In studying factors affecting customer loyalty in online retail shopping environment in Pakista, this study's core objectives are as follows:

- To examine the impact that online security and user privacy have on user's overall satisfaction with online businesses in Pakistan
- To study the impact customer satisfaction has on customer loyalty in online shopping in Pakistan
- To discern if demographic factors such as gender, age, and marital status have any impact, or not, on customer loyalty in online shopping
- To determine the current status of overall customer satisfaction towards online retail stores in Pakistan – with regards to the overall service quality of online stores in Pakistan
- To generate recommendations for online stores in Pakistan to improve customer satisfaction and loyalty in the long term by focusing on improving overall service quality

1.6. Significance of the Study

Online retail in Pakistan is an emerging industry that has not developed fully yet. Using survey data on online retail shopping from consumers in Karachi (urban city) as a case study will therefore contribute towards further development of this industry in Pakistan. This research is important because not only will it provide an insight into

Pakistan's market, it will also help the advancement of literature on marketing practices in the 21st century and possibly shed light on newer variables that are worth studying in the future.

1.7. Thesis Structure

This thesis is divided into five chapters with the following descriptions:

1. **Chapter 1** presents the topic introduction, including a brief overview of the research area, problem statement, research purpose, research hypotheses, research objectives, significance of the study and the structure of this thesis.
2. **Chapter 2** provides a literature review on the subject based on secondary data from sources such as books, articles, and archival documents. It will first introduce the topic of customer satisfaction and loyalty in online retail shopping, then present an in-depth discussion on channels of online retail shopping and the implication of customer loyalty on the purchase decision process, the relationship between customer satisfaction and loyalty, and lastly, the factors of online security and user privacy and their effect on customer loyalty and satisfaction in online retail shopping environment.
3. **Chapter 3** provides a description of the research design and methodology used to collect primary data of 275 online shoppers in Pakistan. It includes sections detailing the research hypotheses, conceptual framework, quantitative research instruments, data collection techniques, sampling techniques, and analysis methods.
4. **Chapter 4** includes a discussion of primary research findings and analysis of survey data. This chapter includes charts and tables that present statistical summary of research findings including: demographic and frequency analysis, descriptive statistics of dependent and independent variables, normality testing, and hypotheses testing.
5. **Chapter 5** includes concluding discussion and remarks.

CHAPTER TWO – LITERATURE REVIEW

2.1. The Concept of Online Retail Shopping

The field of online retail shopping has recently gained considerable popularity in the literature on marketing, management systems, and information technology (Gupta, 2015). Online retail shopping refers to the process through which customers can buy products and/or services from sellers online using the internet. The most common tools for online retail shopping are computers, laptops, mobiles and smartphone, tablets, etc. Online retail shops allow customers to browse a wide range of products/services, search for product information such as pricing, characteristics, availability, usage, etc., allows customers options to pay using various online and physical methods such as cash, credit card, paypal, etc., and delivers to the customer regardless of their location (Kannan & Hongshuang, 2017). Hausman and Siekpe (2009) argue that e-commerce retailers consist of features that are similar to information system and a marketing channel – and a balanced functioning of both is crucial for success.

In regards to the precedence of online retail shopping over traditional means, Sweeney et al. (1999) argue that online retail customers prefer saving time over saving costs. This coincides with Danaher and Wilson's (2003) finding that when it comes to online shopping big brands with larger market shares tend to outperform smaller brands online. This is contrary to traditional retail shopping where product quality often supercedes brand names. In a similar manner, a study by Tabatabaei (2009) finds that the frequency of online retail shoppers far exceeds traditional retail shoppers. For instance, online retail shoppers were likely to purchase products online more than once a month, whereas traditional retail shoppers purchased products one to five times per year.

In regards to factors that determine customer's purchase decision, Soopramanien and Robertson (2007) argue that a customer's decision to purchase retail products online depends on socio-demographic variables such as income status, age, gender, etc. Similarly, Koo et al. (2008) find that values such as social association and self-actualization are key in influencing customer's purchase decision. And lastly, Hernandez et al.'s (2009) study reports that factors that determine customer's purchase decision are heavily dependent on their experience level, when it comes to online retail shopping.

In terms of determinants of customer's intention to purchase from an online retailer, Li and Zhang's (2002) study finds that consumer attitudes, intention, and purchasing behavior is dependent on the retailer's characteristics such as their product range, service quality, and website quality. Therefore, online retailers often focus on improving their product or service range and quality and improving their website quality to positively influence customer perception and behavior that may lead them to repurchase from the retailers repeatedly. Similarly, Chiang and Dholakia's (2003) study found that when it comes to a customer's intention to shop online, the accessibility of online retailer's website, their range of products, and the pricing can have significant impact on customer's purchase decision. Their study also found that if customers find that shopping from an online retailer is complicated, they may switch to purchasing the product offline through traditional retailers.

Therefore, convenience and website accessibility play a large role in influencing customer's intention to purchase. Especially amongst younger population, Chiang and Dholakia (2003) find that younger customers view traditional retail shopping as inconvenient. Thus, if the online retailer's website is easy to use, it can generate customer satisfaction that may encourage an individual to repurchase from the online shop in the future. However, online retail shopping is more popular amongst older people who are relatively more literate, have a working knowledge of internet and technology, and those who have a positive perception of online shopping (Iyer & Eastman, 2006).

Overall, studies by Lee and Lin (2005), Devaraj et al. (2007), and Guo et al. (2012) find that six factors are very important for customer satisfaction from an online retailer. These are: (i) the range of products being offered, (ii) competitive pricing, (iii) availability of detailed product information, (iv) the design of the retailer's website, (v) website transaction capability and reliability, and (vi) availability of user authentication methods that ensure privacy. These factors help build a customer's trust towards an online retailer which has positive impact on customer satisfaction and loyalty (Hsu, 2008; Hahn & Kim, 2009). Specifically in relation to concerns of online security and user privacy, studies by Szymanski and Hise (2000), Kim and Lim (2001), Cho and Park (2001), Madu and Madu (2002), McKinney et al. (2002), Wolfinbarger and Gilly (2003), Limbu et al. (2011), and Khan et al. (2015) all conclude that security and privacy were major factors influencing customer satisfaction with online shopping.

Lastly, Jarvelainen's (2007) study finds that trust is the main factor why many buyers choose to terminate their purchase before the last payment stage. This is because customers place significant importance on online security and keeping their personal information private (Jiang, et al., 2008). Similarly, Ariff et al.'s (2014) study finds that customer satisfaction with online retail shops is related to issues of security and privacy such as protection of personal information, transaction security, product quality determination, and delivery uncertainty. As a solution, Jiang et al. (2008) suggests that online retailers should develop strategies to earn customer's trust and satisfaction, especially when it comes to security and user privacy. These strategies can include: third party security certifications, using 3d secure payment, and displaying logos that indicate privacy protection.

2.2. Historical Emergence of Online Retail Shopping

Historically, one of the earliest forms of trade conducted online was IBM's online transaction processing (OLTP) developed in the 1960s and it allowed the processing of financial transactions in real time. The computerized ticket reservation system developed for American Airlines called Semi-Automatic business research environment (SABRE) was one of its applications (Lambert, 2005). It quickly moved

on from an advertising medium to e-commerce due to the development of interactive Web pages and secure transmissions (Lambert, 2005).

The first World Wide Web server and browser, created by Tim Berners-Lee in 1989 opened for commercial use in 1991. Since 1991, Ellis Chadwick (2013) presents that the evolution of internet shopping occurred as follows:

1995 Online retail business began to gain popularity in 1995 with the launch of retail giants including Amazon and E-Bay. Whereas Amazon began as straightforward book retail business, E-bay introduced the concept of online auctions to 16 million users at the time (Ellis Chadwick, 2013).



1997 In 1997, the first online communication medium was launched by Microsoft. Hotmail (an email client) enabled online retailers to employ new methods of marketing their goods directly to approximately 36 million prospective buyers at the time.



1998 In 1998, Google launched its first search engine – which eventually became the most used search engine in the world. Google gave approximately 147 million online shoppers at the time a quick and reliable source to gather pre-purchase information without leaving the comforts of their home.



1999 In 1999, Paypal launched the online payment system to a market of 248 million online shoppers. Paypal is now the second most widely used internet payment system in the world.



2000 In 2000, Google redefined retail advertisement market by launching AdWords. Businesses could now advertise their services online to approximately 361 million users without printing a single pamphlet.



2002 In 2002, the emergence of price comparison websites make it easier for approximately 587 million users at the time to decide on their purchases without considerable hassle.



2004 In 2004, Facebook marked the start of a social media storm that redefined word of mouth marketing for almost 817 million online users

- ↓ at the time.
- 2005** In 2005, the launch of Youtube further improved the availability of product information for almost 1,018 million online users. Also, in early December, Cyber Monday became the biggest day for online shopping in 2005 – introducing the idea of flash sales to online retailers.
- ↓
- 2007** With the launch of the iPhone in 2007, mobile devices became major contenders amongst sources of online shopping. Approximately 1,319 million users could now order goods and services using their smartphones.
- ↓
- 2008** In 2008, Groupon took the idea of shopping coupons (group-buying service using discount vouchers) online for 1,574 million users at the time.
- ↓
- 2009** In 2009, the introduction of signage technology made it easier for online retailers to directly send messages to online customers and the launch of Kickstarter introduced the concept of crowdfunded projects online that boost the ability for 1,802 million online use to buy and sell goods and services amongst themselves.
- ↓
- 2011** In 2011, Tesco launched the concept on online grocery shopping to approximately 2,267 million online users.
- ↓
- 2012** In 2012, approximately 2,497 million online users could instantly buy goods features in television programs through the launch of interactive TV.
- ↓
- 2018** Clement (2019) reports that in 2018 approximately 1.8 billion people around the world purchased goods online. In the same year, global e-shopping sales contributed to approximately 2.8 trillion USD and this number is predicted to rise to 4.8 trillion USD in 2021 (Clement, 2019). Global trends also show that shopping using mobile devices is gaining popularity with 11% of online shoppers stating that they shopped using a mobile device at least once a week, and towards the end of 2018 the

volume of online retail conducted through computers was almost the same as mobile devices (Clement, 2019). The most popular online retail categories included clothing, shoes, and consumers electronics.

2.3. Attractions of Online Retail Shopping versus Traditional Retail Shopping

In the early days of online shopping, online retailers discovered that having products that are appropriate for e-commerce was a key indicator of their online success. Generic products that shoppers did not need to touch and feel in order to purchase usually did had better sales online. Rohm & Swaminathan (2004) identify four categories that are: "convenience shoppers, variety seekers, balanced buyers, and store-oriented shoppers". Online retailers focused on motivations of each group, and found that the factors such as product variety and convenience were significant motivators for online shopping. This was different for offline shoppers, who were more motivated by time factor and recreation.

Today, the internet has transformed the shopping experience for people who shop online and even those that still shop using conventional media. An unprecedented number of customers shop online motivated by the "ease of use, usefulness, and enjoyment" of online shopping (Monsuwe, et al., 2004, p. 119). Davis (1993) argues that 'usefulness, ease of use, and enjoyment' are the basic determinants of customers' attitude and intention for online shopping (Davis, 1993). He defines usefulness as an individual's assumption that using a new technology may improve his/her performance (Monsuwe, et al., 2004, p. 107). In regards to online retail, usefulness determines consumer's perception that using online retail stores can improve their shopping experience. This perception influences customer's intention to shop online. In terms of customer's attitude towards online retail stores, usefulness can encourage a buyer to shop online if the online service is easy to use (Venkatesh, 2000). In theory, usefulness is often measures using "consumer return on investment (CROI) and service excellence" (Monsuwe, et al., 2004).

According to Mathwick et al. (2002), CROI calculates the return that a customer gets in exchange for investing in online shopping experience cognitively, behaviorally, and

financially. In conduct online research for a product and spending money to shop online, the customer may expect a return such as finding the best deal on a product. If this deal meets his/her expectations, then the customer is likely to perceive their experience as positively useful. Service excellence impact a customer's perception about service delivery from online retailers. Customers who shop online are likely to have a preconceive idea about the time, cost, and effort required to purchase a product online. If the online retailer surpasses this preconceived idea then the customer is likely to perceive their service experience as excellent. Both of these measures can have a significant impact on customer's perception of the usefulness of their online retail experience (Mathwick, et al., 2002).

Davis (1993) defines 'ease of use' as an individual's perception that online shopping will require lesser effort than traditional shopping. Simply put, ease of use determines how easy it will be for a customer to shop online using new media. According to Monsuwe et al. (2004), ease of use can have a significant impact on a customer's behavior towards online shopping because most customers seek to minimize their effort and receive maximum gain while shopping online. As compared to traditional retail shopping, customers assume that online shopping will require less physical, material, cognitive, and financial effort on their part (Venkatesh, 2000). Therefore, the easier and more user friendly an online retailer's website is – the more likely that a customer's behavioral outcomes are positive when shopping with that retailer. However, with more use customers are likely to get used to an online retailer, this adjusting their behavioral perceptions about the retailer's ease of use. In any case, Zeithaml et al. (2002) argue that 'online retailer's site attributes' such as payment methods, website information, user privacy, etc. all play an important role in determining the 'ease of use' of an online retail shop. Therefore, customers may find one online retailer more easier to buy from than another, which increases competition in customer retention and loyalty in online retail shopping environment.

Lastly, Davis (1993) argues that the 'enjoyment' is an intrinsic factor that differentiates online retail shopping versus traditional retail shopping. The online retail experience should provide 'enjoyment' for the customer that includes

appreciation for the shopping experience by itself, separate from any outcome. Childers et al. (2001) argue that 'enjoyment' can have a strong impact on customer's attitude towards online shopping. If customers enjoy their online shopping experience, they are likely to prefer online shopping over traditional shopping. For example, if the customer is pleased during their online retail experience, they will come back to the retailer for further instances, they are more likely to search for similar retailers, conduct more spontaneous purchases, and explore newer products and services to purchase online (Monsuwe, et al., 2004).

Besides these theoretical factors that determine attractions of online retail shopping versus traditional retail, there are also multiple practical attractions that may encourage customers to shop more online. These attractions can be summarized as follows:

- **Convenience and Accesibility:** Convenience is a key factor that persuades people to shop online. Online stores operate 24 hours a day, 7 days a week and therefore buyers are not limited by store opening times, holidays, or even peak shopping hours. Furthermore, the buyer is not physically restricted to a place or choice of vendor when shopping online, as compared to traditional shopping (Gupta, 2015). Today, internet is easily available inside or outside the home, which opens up a new range of avenues where customers can easily access online retail websites. This is also convenient because it saves the customer costs associated with commuting to a physical retailer.
- **Pricing and Promotion Information:** In traditional retail shopping comparing prices and availability of price promotions is somewhat difficult because gathering information on pricing of various products can be time consuming and require physical effort on the part of the customer (Gupta, 2015). On the other hand, this information is very easily accessible online. One customer can easily browse the internet and acquire pricing and promotional information for the same product from various retailers. There are also price and product comparison tools that allow a customer to make a decision about their purchase. Furthermore, the customer is not restricted by the

pricing trends of their geographical location because online retailers can ship products from anywhere in the world (Gupta, 2015). Majority of online retailers also facilitate the refund, return, and exchange of products (via physical return to a nearby store, post, shipping, or airmail) to ensure that the customer does not have to physically go to a retail store for these services. Some online retailers go as far as not charging product return and exchange shipping cost from the customer. As a result, online retailers provide more product alternatives, more product information, and at the same time they provide almost the same or even better pre-purchase and post-purchase services as compared to traditional retailers (Kumar, 2015). More importantly, many online retailers allow customers to sign up for membership which includes services such as newsletters for new products, promotional information about sales, and user discounts for online purchases. Traditional retailers often have to go through multiple channels to offer such services, whereas online retailers can do so with just a username and password.

- **Pre-Purchase Product Information:** As compared to traditional retailers, online retail websites offer the customer an advantage of reviewing the product before they make a purchase. Product information, reviews, and ratings are instrumental in helping a customer decide whether to buy from a specific online retailer and if better alternative exist. Online reviews and ratings often ensure that retailers deliver quality product consistently to all customers because customer reviews based on shopping experience can affect a retailer's sales and revenues almost instantly (Kiran & Vasantha, 2015). Online reviews where previous buyers can upload the pictures, videos, or other multimedia of their product use help in three ways: (i) prospective buyers know what the authentic product is like, (ii) they can make an estimation about the sizing, color, or other characteristics of the product, and (iii) they can deduce the quality, durability, etc. of the product. And lastly, information concerning the use and storage of products and advice for use is always accessible on online retail websites as opposed to traditional retail

stores. In case of a confusion, the customer can access product information and instructions with a few short clicks. As opposed to marketing in traditional retail shopping, online retailers often pay public figures (on the internet and otherwise) to endorse their products. This results in increased sales because it improves customer's perception and trust for a product and brand. It can also influence customers into buying a product or from a brand (Vinerean, et al., 2013). More recently, online retailers also assist shoppers on where to find the best deals in their vicinity, which is an attraction not offered by traditional retailers. Online search engines, price comparison websites, and delivery tracking ensure that an individual's online retail experience surpasses their traditional retail experience.

2.4. Channels of Online Retail Shopping

There are many different channels for online retail shopping used by online retailers today. There is a general lack of extensive research studying or comparing online retail sales channels. However, Verhoef et al. (2015) have found that in the last decade multi-channel retailing was more popular that has been replaced by omni-channel (or cross-channel) retailing more recently. Multi-channel retailing refers to the adding of new online channels to a business's existing channels (Geyskens, et al., 2002). According to Avery et al. (2012) this can include both traditional retailers adding online channels or online retailers adding traditional channels. Moreover, Neslin et al. (2014) consider such channels to be a contact point or medium through which businesses acquire, retain, and develop relations with the customers.

However, multi-channel retailing brings its own set of issues such as customer management and integration of retail offerings across various channels (Neslin, et al., 2014). As compared to multi-channel retailing, omni-channel retailing involves more channels. Online retail channels can overcome sales problems such as product location, consumer's lack of awareness, etc. This affects an online retailer's competitive strategy in trying to attract and retain customers (Brynjolfsson, et al., 2013). At the same time, Verhoef et al. (2015) argue that customers are likely to use

various online retail channels interchangeably during pre-purchase research and purchase process, which makes it difficult for online retailers to control their use.

While in multi-channel retail researching before shopping was important, in omni-channel retail “showrooming or webrooming” is gaining importance (Verhoef, et al., 2015). Showrooming refers to the practice where customers look for product information in the store and on their mobile device simultaneously to get more information, find competitive prices, etc. and webrooming refers to customers looking for information online before going to a traditional channel to purchase (Rapp, et al., 2015).

To adapt, some traditional retailers include mobile devices in their shops to allow people to webroom and order products through online channels (Verhoef, et al., 2015). For example, Apple stores usually offer customers an option to buy using a tablet or mobile device in the store. Moreover, online retailers are also utilizing omni-channels to participate in one-way and two-way communication with the customer. Li and Kannan (2014) therefore separate online mediums that can assist customers in searching for product and information from medium that display such products and information, emails, referral websites, online communities or affiliate networks, interactive platforms, mobile apps, etc. because they involve different forms of one-way or two-way communication with the customer. In this way omni-channel retail allows for an interaction between various channels to offer the customer with a consistent shopping experience.

In terms of various online retail channels, Miller and Lammas (2010) find in their study that the tools influencing customers purchase decision, in the order of their popularity are: online websites, followed by product reviews, word of mouth, mobile application, television advertisement, and social media networks. According to Randolph (2017), some of the more influential online retail channels also include:

- **General Retail Websites and Apps:** According to Randolph (2017), a general retail website, like Amazon, are large retailers who sell products from various industries in one place. Generally, retail websites stand out from other online channels because they are user-friendly, mobile-friendly, include advanced

search capabilities, allow users to sign up for membership, consist of good quality product photos and videos, consist of user reviews for products, offer special promotions, include options such as wish-lists, allow customers to find products in nearby stores, sell third-party products (sometimes with their own branding), display items similar to or related to a product, include a frequently asked questions page that includes all relevant information for a customer, allow linking social network profiles to the share products with their friends and families, include advanced payment options which are secured using latest security features, include shipping details and tracking services, have a good return or refund policy, and have multiple methods through which customers can contact the retailer.

- **Auction Websites:** Collins (2019) defines auction websites as online platforms where customers can bid on a variety of new and used (rare, vintage, or collectible) products. Buyers can find attractive deals, choose from a wide range of products regardless of their geographical location, and place their bids or buy on the spot through auction websites. One of the most popular auction website is eBay.
- **Social Media Stores:** Social media giants, such as Facebook, are gaining increasing attention for including various types of online shopping channels within the social network's layout (Randolph, 2017). For example, Facebook Stores allow users to set up online stores that can link straight to the retailer's website. Facebook Ads provide cheap marketing for online retailers to a target population. Facebook Marketplace offers classified listings with local products or lets individuals buy or sell used products.
- **On-Demand Product Service:** According to Stevens (2017), online retailers can offer 'on-demand' product services that allows customers the option to receive their purchases on the same day that they order. On-demand services are valuable for online retailers because it caters to the customer at a near-instant speed and it enables online retailers to reach new customers without additional advertising. Amazon has recently introduced same day delivery for various products as a part of its Prime Now service. Randolph (2017) also

points out that on-demand production can include businesses that sell custom made orders for other retailers such as CafePress that sells printed t-shirts, mugs, stickers, etc.

- **Niche Online Markets for Handmade Goods, Unique Items, and Curated Items:** Warnimont (2018) states that niche online markets are different to general retail websites because instead of trying to compete with larger retailers, niche specific retailers focus on selling products that are original, unusual, unique, and that customers are passionate about. For example, ASOS marketplace is an example of a niche online website that allows retailers to sell boutique apparel online. Etsy allows people to create online stores and sell handmade products such as jewellery. TCS Sentiments is another website where customers can place online orders to deliver flowers, cakes, and greeting cards.
- **Subscription Box Services:** According to Sukhraj (2019), the concept of subscription box services is as follows: a customer can sign up for a monthly fee and fill out a form about their preferred products, following that the customer is delivered a subscription box of specially curated products at their doorstep at chosen regular intervals. Online retailers running such services can include their own products with more popular products in the box – to increase their exposure amongst customers. The service focuses on factors such as: value, convenience, targeting, and personalization. One example of subscription box service website is Cratejoy.
- **Classified Listings Websites:** According to Madhuparna (2019), classified listings websites are used by people for buying or selling used goods that they no longer want or need. Many classified websites offer services for free and help people promote their goods. Examples of classified listings websites include OLX and Craigslist.
- **Comparison Shopping Engine and Websites:** For online retailers selling products that are similar or same as other retailers, listing the product through a comparison shopping website makes it easier for customers to easily compare the price, product, and availability from multiple online

retailers (Boyington, 2018). For example, Google's Shopping service is a first stop for many customers when they want to research a product.

- **Daily Deals Websites and Apps:** According to Berger (2018), the four types of daily deal websites are: local deal websites, product deal websites, specialty deals, and daily deal collector websites. Local deal websites offer deals from local retailers. Upon purchasing the deal online, the customer receives a coupon or voucher for the product or service. One example of a local deal website is Groupon. Product deal websites offer daily discounts on selected products on the website. Amazon and eBay are two famous examples of product deal websites. Specialty deal websites offer daily deals in specific industries. Many retail businesses fall under this category. For example, ETS tour websites specifically offer tourism deals. And lastly, daily deal collector websites combine offers from various websites into one place, making it easier for customers to browse through them. One example of a daily deal collector website is 8Coupons.

2.5. Customer Satisfaction: An Overview

According to Giese and Cote (2000), defining customer satisfaction is not as simple as most textbooks offer. In principle, many people understand what customer satisfaction means but when it comes to defining it, there is no universal definition. This is because while there are many studies that measure and test satisfaction or offer ways to achieve and maintain it, there are relatively few studies dedicated to defining the concept. Yang and Peterson (2004) further add that in addition to the absence of a definition, there is a debate whether satisfaction is a process or an outcome. Regardless, most customer satisfaction definitions can be classified as the following:

- a. Definitions that look at customer satisfaction as an (independent or responsive) process for example as presented in studies such as (Oliver, 1981), (Tse & Wilton, 1988), Fornell (1992), and others (Kuo, et al., 2011).

- b. Definitions that look at customer satisfaction as a cognitive or behavioral outcome for example as presented in studies such as (Howard & Sheth, 1969), (Westbrook & Reilly, 1983), (Bolton & Drew, 1991), and others (Kuo, et al., 2011).

In both the above cases, scholars agree that customer satisfaction and the quality of service are associated. Furthermore, according to Kotler and Keller (2014), customer satisfaction is a positive feeling that results from an individual's perception of a product's performance upon comparing it with another product and/or a negative feeling that occurs when an individual's expectations are not met by the quality of service offered by a retailer. If the retailer provides a good product/service it can have a positive impact on customer's satisfaction level (Zeithaml & Bitner, 2003; Andaleeb & Conway, 2006). Therefore, customer's perception and expectation of product and service quality precedes customer's satisfaction with the brand. Furthermore, customer loyalty is also directly impacted by the quality of product and service because it is a critical factor linked to customer satisfaction (Fullerton & Taylor, 2002).

Furthermore, customer satisfaction is perhaps more important for improving customer's likelihood of repurchasing from a retailer. Hill, Roche, and Allen (2007) argue that customer satisfaction is a "barometer that can predict an individual's behaviour in the future". Similarly, Caruana (2002) argues that customer satisfaction is observed post-purchase and use, whereas customer perception and expectation are observed pre-purchase and use. Therefore companies that meet customer perception and expectation via good product and service delivery can multiply the number of satisfied customers (Gilbert, et al., 2004; Gilbert & Veloutsou, 2006). Hormozi and Giles (2004) also argue that it is easier to attract new customers than to retain current customers. However, businesses that generate more customer satisfaction can retain their customers, and gain a competitive advantage (Ryals, 2003). Hence, customer satisfaction can prove critical for a business's success (Olorunniwo, et al., 2006).

2.6. Customer Loyalty: An Overview

Magi (1999) defines loyalty as the positive evaluation of a product or service. Loyalty can also be a feeling that enables customers to commit to a product or positively alters their behavior towards a product or service. In practice, loyalty makes a customer repurchase products from specific retailers and recommend those products and retailers to others. Therefore, Oliver (1999) defines loyalty as a commitment to repurchase a product or patronize with the business at future instances. Similarly, Braum (2002) defines loyalty as a passionate sentiment which makes customers support a product or retailer exclusively. And Reichheld (1996) defines loyalty as customers' feelings towards a product or retailers based on agreement, a sense of responsibility, and a feeling of obligation on the customers' part. Lastly, customer loyalty is measured by a customers' likelihood for repurchasing a product and recommending it to others (Stratigos, 1999).

However, loyalty cannot just stem from products or service offered by the retailer. Various factors are important for a retailer in order to earn a customers' loyalty. These factors include: a consistently good quality of product/service offered by the retailer, customers' satisfaction with the retailer, its products, and service delivery methods, and the trust resulting from a good relationship or interaction between the retailer and customer such as when retailers pay attention to customer feedback, when retailers are easily accessible to answer customers' questions or hear their complaints (Gonroos, 2000). Furthermore, Hirschman (1970) finds that loyalty lies in the area between a customers' 'exit' (termination of relation with a retailer) or 'voice' (communicating with a retailer to improve the relation). Loyal customers, therefore, rarely exit. Instead, they try to use their voice for constructive feedback. Generally, positive experience with a retailer leads to customer satisfaction, which in turn leads to customer loyalty.

At the same time, there is a difference between behavioral loyalty and psychological loyalty (Hashemi, 2013). Behavioral loyalty refers to when a customer repeatedly repurchases a product from the same retailer. But Neal (2000) argue that 'convenient loyalty' can also exist – where customers repurchase product from a retailer until something better comes along. On the other hand, Hashemi (2013)

argues that psychological loyalty is depicted when a customer has a positive attitude and commitment towards a retailer because of the relation they have with the retailer. If any shortcoming arises, psychologically loyal customers try to solve the issue rather than switching to another retailer. Therefore, Bhattya et al. (2001) argue that establishing a strong relationship with the customer is important to ensure that their loyalty is not false or temporary.

As opposed to traditional retailers who are the owner of all the product information and delivery methods, online retail shopping has transformed the concept of loyalty for a variety of reasons. One reason is that retailers are no longer the only authority with product information and delivery methods (Hashemi, 2013). Customers today can browse the internet to find information from the online community that makes new content, reviews products, and comments on the retailer's performance (Bhattya, et al., 2001). Similarly, delivery is now also outsourced by many online retailers which brings in more actors into the purchase chain. Most important, the advent of 'online communities' where customers can interact with each other has shaped customer loyalty significantly – often polarizing people in support of or against retailers and/or products (Lytras, et al., 2009).

However, customer-retailer relations continue to be of utmost important today. Retailers that utilize newer technologies to interact with their customers are more likely to gain their loyalty (Breslin & Decker, 2007). In fact, using newer technologies goes for retailers goes beyond communication today. It also involves product management, customer relations, independent customer feedback and reviews, promotional marketing campaigns, and more (Breslin & Decker, 2007). Customers today actively participate in guiding retailers with ways to improve their business because they bring independent and free knowledge and experience to the retailer, instead of the retailer going to them. Therefore, transparency has become an important factor affecting customer loyalty in the online age (Benkler, 2006). Yen and Lu (2008) argue that online retail shops should consider the following guidelines for ensuring customer loyalty:

- Establishing a 'user community' that increased customer engagement and includes customers with similar interests who can interact with each other about their retail experiences.
- Establishing a two-way communication with customers where customers can provide honest feedback and give constructive feedback to the business. Online retailers should also listen to the customer, which can help build their trust.
- Delivering on customers' expectations by being honest to the customer about their products, employees, policies, etc.
- Provide adequate and easily accessible information to customers such as accurate delivery information, product information, information about product use, etc. This can help retailers build a loyal customer base that is also aware of the retailer's products.

Furthermore, Anderson and Srinivasan (2003) identified eight antecedents that could potentially impact loyalty, including customization, contact interactivity, care, community, convenience, cultivation, choice and character. Results show that all these factors, except for convenience, impact loyalty. The eight factors are represented below:

- Customization: the ability of an e-tailer to tailor products, services and the transactional environment to its individual customers
- Contact interactivity: the availability and effectiveness of customer support tools on a website, and the degree to which two-way interactivity with customers is facilitated
- Cultivation: The extent to which an e-tailer provides relevant information and incentives to its customers in order to extend the breadth and depth of their purchases over time

- Care: the attention that an e-retailer pays to all the pre-purchase and post purchase customer interface activities designed to facilitate both immediate transactions and long-term relationships
- Community : the extent to which customers are provided the opportunity and ability to share opinions among themselves through comment links, buying circles and chat rooms sponsored by the e-tailer
- Choice: The ability of an e-tailer to offer a wide range of product categories and a great variety of products to its customers
- Character: An overall image that the e-tailer projects to consumers through the use of inputs such as text, style, graphics, colors, logos, and the slogans on the website
- Convenience: The extent to which customers feel that the website is simple, intuitive and user friendly

Although some of the factors are typical for the online context (e.g. community), most of these factors are also applicable to the offline context in order to stimulate loyalty. For example, employees can provide customized recommendations to customers stimulating customization and contact interactivity, while direct mailings can enhance care and cultivation. Furthermore, consumers who use the online channel gain greater control over information and choice, leading to higher loyalty online (Gajjar, 2013).

2.7. The Implication of Customer Loyalty on the Decision Process

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions. Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives.

The customer decisions tools are consisted of the many issues of the components in regard to Hsiao (2009) in the web environment that are intended to attain the

highest level of satisfaction for the purposes of meeting needs for customers 2- search for the customer information that meet the needs of the customers, 3 Pre-search determination for the clients in comparison with the state of the business performance and the penalties that are undertaken in the decisions made then also the purchase method for the consumer location determinate based on the evaluation of the manufacturing sector through the respect of the high quality values for the purposes of purchasing management and enhancements in the organisations and development of the aids to those selling the products in both an open and quite upon developed decisions before attaining the products.

2.7.1. Searching for Information

The client then involves on-line getting the information to become aware for the products or services that are exceptional meet the need. Information search additionally entails locating a appropriate on line service provider two that products attained to satisfy the needs. This can involve the series of the assessment that rate for the customer mix from different clients who have had purchase experiences with pertinent on line merchants (Kawai & Tagg, 2017). For the companies for the purpose of the attainment of data offered given in possible clients probability that examines thorough ranking to shape their extremely own opinion.

A consumer's most fundamental goal is the search for the information that limit the cognition of the efforts that determine and influence the process of making choice concerning the human behaviours in the means to reduce and amount the efforts related to the making of choices (Lee, 2013). The particular concern is that the alternative is hard to examine the state of mind since provision of internet online for the customers are on exception of getting the products and services that reduce the effort in information for minimizing the efforts through purchasing online.

2.7.2. Pre-Purchase Research and Evaluation

Before undertaking a focus on buying decision, the consumer does the evaluation of the online information about the products and or services that are provided by doing a comparison of the offers on the many other sellers. The environment that looks

challenging is hence provided that the clients surface on the becoming of the support that is good and effective for the making of decisions on purchasing in the means that determine the aspect and issue of effective processes undertaken (Lin, 2013). The degree of the two stage process enables the reaching of the decisions that are of long term nature while providing a well detailed information and process for the stage. In the shopping for electronic platforms therefore, the stages involved are for information searching and the provision of the information necessary for identifying the subsets for the product as the second stage involve critical before purchase determination for the selected products as they wait making actual buying decisions. The consumer's goals are hence provided to generate efficiency before buying and product evaluations attained from the maximum to minimum for the emotions during the state of decision making and finally maximises the ease for decisions that are made.

2.7.3. Purchase Process

The paying for procedure involve the presence of 2 main decisions with 1 for reducing the negative emotion during completion phases and the other maximizing the ease for the justification of the made decisions (Miller & Lammas, 2010). The general focus for the decisions made for the products in the choice for the address in the decision making for the costs connected to the buying of the products. The costs are provided in the price for the prices for the products connected to delivery. The last version hence provides an analysis on the concerns of the value for money in addressing the decisions for the purchasing.

2.7.4. Post-Purchase Evaluation

Following gaining of the produce, main decision is to attain the goal for the actual consuming the products through maximum values generated for the purchase decisions. The decisions that are made for justifications are for this case taken for the great value of the customer satisfaction. Anderson and Sullivan (1993) contend that satisfactions for the customers are provided in the post buying stage of critical assessment as provided in the purchase requirements. Even Pappas (2016) contends

that the evaluation for satisfaction of the customers are attained through perceptions of discrepancy that occur in expected fashion and the performance hence attained from the products after the consumption of the products on a non ease form to receive the generated values for the sale and after sale of the product categories intended to reduce effectiveness and efficiency of the products that are provided in the analysis formation to generate census on the products that are offered and attained in the purchasing.

2.8. The relationship between Customer Satisfaction and Customer Loyalty

Most frequently customer satisfaction is considered as an important antecedent of customer loyalty. In other words, customer loyalty is calculated as a straight outcome to customer satisfaction. Further Wong (2013) pointed out that customer loyalty is partially improved by satisfaction as one of the most influential factors. Moreover, Wong and Sohal (2003) stated that satisfying more consumer expectations during a service generates a higher repurchase probability for a company. Most of the studies confirmed that contented clients have more possibility to repurchase and communicate positively toward an organization (Maxham & Netemeyer, 2002). Though some of the researchers noted that high customer satisfaction does not always indicate high loyalty, most of the researchers clearly established a positive relationship between customer satisfaction and customer loyalty.

Buyer's overall satisfaction with the buying experience is proposed to have a positive impact on his or her trust of the service provider. Geyskens, Steenkamp, Scheer, and Kumar (1966) found satisfaction to be an antecedent to trust. On the other hand, some of the studies contradicted from this and proposed that trust precedes satisfaction for Gul (2014) in which they argued that the first customers trust the service providers based on some factors which have an effect on satisfaction. Therefore, the literature shows bi-directional relationships between satisfaction and trust.

According to Bela and Gabcoval (2016) buyers who provide repeat business and also hold a positive attitude toward the brand are true loyal buyers; he also defined those

that hold a favourite attitude toward a brand but purchase occasionally as latent buyers and buyers whose high-frequency purchases is not based on favourite attitude, but are led by habits, conveniences or financial incentives, are classified as having spurious loyalty. Finally, buyers who display a low level of repeat purchase and attitudinal attachment are low-loyalty customer.

Clark (2010) in his study identified fifteen business benefits of a loyalty initiative and among the fifteen included the benefit of retaining existing buyers as well as acquiring new buyers and winning back churned buyers, these are buyers that cut ties with a firm. Reinartz (2006) believed that there are three benefits of loyalty programs. He believed that loyalty programs help in building true attitudinal and behavioural trust enables efficiency in profits and enables effective profits. Studies also show that loyal buyers are more likely to purchase more, with a high-margin of supplemental products and services and reduce costs associated with consumer education and marketing loyal buyers are also known to be low price sensitive. According to study done by Raksha and Majidazar (2011) all the loyalty programs are useful and important for building and maintaining customer retention. This means that for organizations to increase retention they should implement loyalty programs strategies.

2.9. Factors Affecting Customer Loyalty in Online Retail Shopping Environment

The importance of loyalty stems from its effective penalties in form of the buyer for re-buying the products from the client relationships and profitability. Much of the preliminary research used to be about company loyalty and emphasized the behavioural dimension of loyalty. Consumer loyalty is hence the form of pre-buying that is intended to generate agreement for the purposes of information seeking. The consolation is based on discovering and removing any behavioural mismatch that exist in the avenues of efficiency and work connectivity attained in an environment suitable for development of work values.

Magnitude of consumer delight has been broadly mentioned in the literature. Correspondingly in the final few years, there are a growing wide variety of research

on satisfaction in the on line shopping environment (Kannan, et al., 2017) due to the fact purchaser pleasure is indispensable for establishing long-term consumer relationships. Although many of the previous studies have efficaciously measured a number of factors that make contributions to on line purchaser satisfaction (e.g. statistics quality, systems quality, convenience, merchandising), they however fail to corroborate their findings to loyalty.

2.9.1. Online Security

Roca et al. (2009) define online security as “a threat that creates a circumstance, condition, or event with the potential to cause economic hardship to data or network resources in the form of destruction, disclosures, modification of data, denial of service, and/or fraud, waste and abuse. It has been noticed that perception of consumers regarding online transaction security includes security of payment methods and also privacy of financial information from unofficial and unlawful access (Horrigan, 2010).

Online consumers are concerned about security issues when they deal with online shopping. The security in terms of privacy, personal details and financial information, are major concerns among consumers. When consumers feel insecure, especially when they have to deal with financial transaction fear of any fraudulent purposes, intention to purchase online becomes distorted (Roca, et al., 2009). The security to use online shopping also depends on how trusted parties create reliable and comfortable situations for consumers dealing with the system (Salo & Karjaluoto, 2007).

2.9.2. User Privacy

Moore (2007) describes privacy in terms of information control. Also privacy is explained as an individual’s power to control the conditions by which his/her personal data is obtained and used (Haque, et al., 2009). Adams (1999) identified three main privacy factors: information sensitivity (Perception regarding the importance and sensitivity of information), information receiver (users’ perceptions of the person or equipment that receives or manipulates the input of information),

information usage (users' perception of how and what their input of information is used in current and future settings) and context (with digitisation, the capture, storage and transmission of information are easier). Prior research established that majority of Internet users are not aware of the possible risks of their usual Web activities like their online purchasing, booking flights/hotels, visiting Websites of social networking and even file transferring. In these activities the user's privacy is at risk. Personal information of users can be continuously changing hands or even in some situations in the servers, without the user's permission or notice. This information may even be given to the other parties for market research or profit (Salo & Karjalainen, 2007). Prior research investigated the relationship between privacy with other factors. For example, Lallmahamood (2007) concluded that security and privacy have significant relationship with the individual's intention in using Internet Banking. Zailani et al. (2008) in their investigation on service quality analysis in online ticketing have found that the factor of privacy have significant impact on the service quality in online ticketing. Morley (2009) in the study of reducing online privacy risk have concluded that reliability and security concerns impact on privacy risk, which in turn, impact on the perceived usefulness of the Website and the intentions of users.

CHAPTER THREE – RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

The following chapter provides a description of the research design and methodology used to collect primary data for the study. It includes sections detailing the research hypotheses, conceptual framework, quantitative research instruments, data collection techniques, sampling techniques, and analysis methods.

3.2. Research Design

This study was a deductive research which sought to test existing concepts related to the association between customer satisfaction and loyalty in online businesses. The research design used for this thesis was 'descriptive causal research design'. According to Bhattacharjee (2012), a descriptive research can examine what, where, and when of a phenomenon by observing and documenting it. These observations should follow a scientific method which ensures their validity, reliability, and replicability at a later date. It can either be cross-sectional or longitudinal study of the subject. A cross-sectional study includes a one-time interaction with the subject of the research using the qualitative or quantitative methods of inquiry. Whereas a longitudinal study includes observing and reporting on a subject over a time period using varied data collection methods. This research was a cross-sectional study of customer satisfaction towards online stores in the retail sector based on a one-time interaction with customers of online shopping in Pakistan using quantitative surveys.

3.3. Measurement Items

Variables	Survey Questions	Source
Online Security	I feel secure giving out credit card information at this website	Guo, Ling, & Liu (2012)
	The website has adequate security and encryption features	
	I have security on this website	Tsai & Yeh (2010)
	I feel safe in my transaction with this website	Guo, Ling, & Liu (2012)
	This website has complete payment options such as post office remittance, online payment, and cash on delivery, etc.	
	I accept the payment options provided by the website	
	This websites security policy makes me feel this business is trustworthy	Liu, Marchewka, Lu, & Yu (2004)
User Privacy	This website will protect my private information	Tsai & Yeh (2010)
	Authorization mechanisms of this website make me feel comfortable	
	This website informs me about what information the company would collect about me	Liu, Marchewka, Lu, & Yu (2004)
	This website makes an effort to keep my personal information and credit card information out of the hands of unauthorized individuals	
	I believe that this website will not release personal information about me without my express permission	
	This website gave me a clear choice before disclosing personal information about me to third parties	
Customer Satisfaction	My choice to purchase from this website was a wise one	Guo, Ling, & Liu (2012)
	If I had to do it over again, I would make my most recent online purchase at this website	
	I am satisfied with my most recent decision to purchase from this website	
	I have truly enjoyed purchasing from this website	
Customer Loyalty	I intend to keep buying the products from this website.	Dehghan & Shahin (2011)

	I would not switch to a competitor, even if I had a problem with the products of the website.	
	I recommend the website to anyone who seeks my advice.	
	I have a positive emotional relation to the website I have chosen and I feel attached to it.	
	I consider myself to be a loyal customer of the website.	

3.4. Research Process

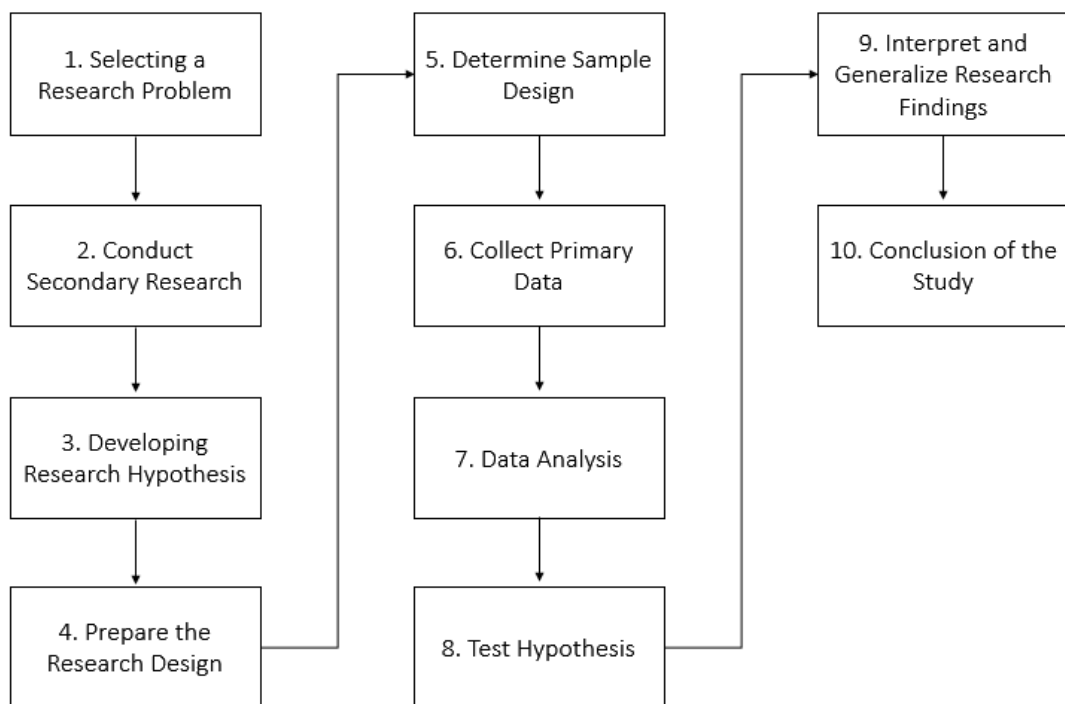


Figure 1: Research Process for the Study

3.5. Research Hypothesis and conceptual framework

H1: Online Security has a positive effect on Customer Loyalty.

H2: User Privacy has a positive effect on Customer Loyalty.

H3: Customer Satisfaction has a positive effect on Customer Loyalty.

H4: There is a statistical difference on Customer Loyalty in terms of Gender.

H5: There is a statistical difference on Customer Loyalty in terms of Age.

H6: There is a statistical difference on Customer Loyalty in terms of Marital Status.

3.6. Conceptual Framework

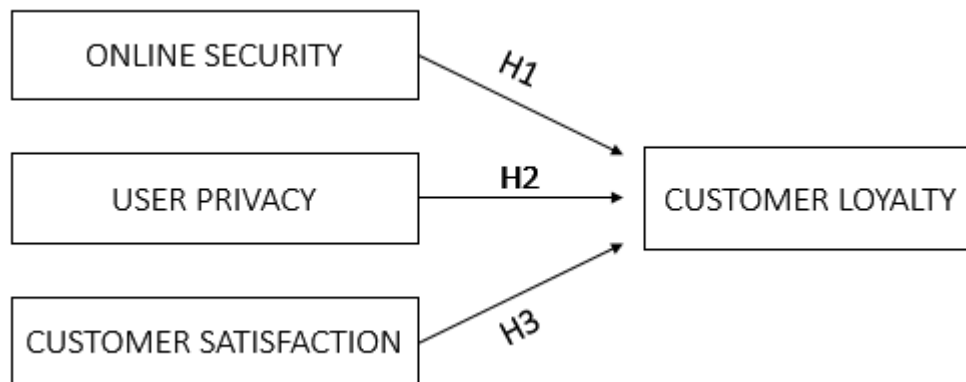


Figure 2: Conceptual Framework for the Study

3.7. Data Collection Instrument

Research instruments employed in this thesis include a combination of primary and secondary data collection methods through desk and field research using a mix-mode design. Secondary research is conducted through a review of existing literature on the subject of customer satisfaction in online/web-based businesses. The literature review was undertaken using sources including books, peer reviewed scholarly articles, and websites. The field research was conducted using primary data collection methods of quantitative surveys with customers who have purchased items from online retail stores in Pakistan at least twice.

3.7.1. Quantitative Surveys

By definition, quantitative research measures the quantity of a variable, using mathematical and statistical values representing responses. According to Bhattacharjee (2012), field surveys are a method of quantitative data collection that

are adequate for collecting a wide range of data consuming relatively less time and expenses.

For this research, the researcher conducted an online survey using Survey Monkey for customers of online retail stores in Pakistan who have purchased products online at least twice. The online survey was conducted between 4th July 2019 and 20th July 2019 using JotForm, which is an online survey website. The survey included a combination of multiple choice and matrix based questions. The first three questions were concerning the respondents' gender, age, and marital status. The next two question were filter questions that questioned the respondent about if they have purchased anything online and the frequency of their online shopping. The remaining matrix questions asked the respondent to determine the website's performance using a likert scale based on their agreement with various performance indicators including online security, user privacy, customer satisfaction, and customer loyalty. The likert scale used for such questions was as follows:

Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
1	2	3	4	5

3.8. Research Population and Sampling

The target population for this study was any customer in Pakistan who had shopped using online retail businesses at least two times because they are the relevant people who could judge the effectiveness of online security and user privacy on customer satisfaction in online retail environment. However, because it was difficult to inquire the total number of online shoppers in Pakistan due to a lack of relevant data, the researcher extracted a sample of the population for the purpose of convenience.

3.8.1. Sampling Technique and Sample Size

Selecting a group of representative respondents from a larger pool of possible respondents is known as sampling. Sampling is crucial for collecting survey responses that are representative of the target population of online retail shoppers in Pakistan. Since the survey was distributed electronically – as a link – the response rate for a randomly distributed survey was quite low. Moreover, because the researcher is not affiliated with any specific institution and does not have access to any customer databases, it was difficult to ensure that the selected sample was random and representative of the entire target population. To circumvent this issue, the researcher used non-randomized convenience sampling in this research with no preference for a certain demographic in order to limit the chance of a bias or homogeneity. The number of sample population was investigated using the following formula from Tabachanick and Fidell (2007) as follows:

$$n = 50 + 8m$$

where, n = sample size

m = the number of independent variables

This research has three independent variables. Therefore, using this formula this research required a sample size of 74 respondents. However, since it was not possible to terminate the online survey after the link had been sent, the researcher collected survey responses from a sample of 275 online shoppers in Pakistan. The research findings and analysis presented in the following chapter is based on the responses of these 275 online shoppers.

3.9. Analysis

The study analyzed primary data using SPSS and its add-in AMOS. Primary data analysis was undertaken in the following stages:

1. **Data Extraction:** In this stage the researcher extracted data from JotForm online and checked it for any mistakes, inconsistencies, and redundancies.

2. **Initial Analysis of Data:** In this stage the researcher analyzed the overall patterns of the responses without specifically looking for answers for research questions. This was a superficial analysis which was different from the later in-depth analysis.
3. **Data Quality Check:** In this stage the researcher checked the quality of the data by analysis ensuring that no false internal inconsistencies existed – meaning that the response was in line with the question asked. The researcher also conducted frequency checks for demographics, frequency checks for descriptive statistics, normality check, and coded the responses assigning each variable an abbreviated code and each response a numerical value.
4. **Measurement Quality Check:** In this stage the researcher ensured that the survey and its responses were in line with the research design and instrument methodology decided earlier. For this the researcher conducted a reliability analysis for each variable. The reliability analysis sought to determine the reliability or consistency of each variable to ensure that the questions are adequate for generating consistent results. For reliability test, the researcher performed the Cronback's Alpha test to prove consistency in data. A Chronbach's coefficient of .70 and above implies that the data is consistent and values above .90 usually mean that the data perfectly measures what it should.
5. **Descriptive Tests:** In this stage the researcher performed calculations for descriptive frequencies for respondent demographics and for key variables of online security, user privacy, customer satisfaction and customer loyalty. The research also performed normality test for skewness and Kurtosis values, including the Shapiro Wilk test for customer loyalty and the Kolmogorov-Smirnov was further performed to test Gaussian distribution within the specific mean and the variances. Normality tests determine whether the data is distributed normally or not displayed as a Q-Q plot. Skewness tells the researcher how far the responses are from a normal distribution. If skewness is > -1 or < 1 , the

responses are highly skewed; if it is between -1 and -0.5 or between 0.5 and 1, the responses are moderately distributed; and if it is between -0.5 and 0.5, the distribution is normal (or symmetric). Kurtosis determines if the responses are peaked or concentrated along the 'tail' of the data. Therefore, Kurtosis value is a measure of combined sizes of the two tails of the data. In general circumstances, kurtosis for a normal distribution is equal to 3.

6. **Multivariate Analysis Tests:** In this stage the researcher performed multiple regression for the conceptual model of the study, independent T-test, and ANOVA test. Multiple linear regression was used to determine the value of dependent variable based on the value of two or more other variables. It does so by fitting a linear equation to available data that assigns a value of dependent variable for every value of the independent variables. In this study, multiple regression tests were conducted to test hypotheses H1, H2, and H3. The result for this test is the R-squared value which is a statistical measure that proves how well the data fits to the regression line (based on the linear equation). If the R-squared value is 0% it means that the data does not fit the model and if it is closer to 100% it means that the data fits the model. A higher R-squared value is better because it is favorable for proving the study's hypotheses. The independent T-test determined whether the means of two groups of data were significantly different or not. The test assumes that any difference in the mean score of dependent variable exists because of the influence of the independent variable that differentiates the two groups of data. In this study, the t-test was conducted to test hypotheses H4 and H6. The result for this test is the p value is a statistical value between 0 and 1 which weighs the strength of the null hypotheses. If the p value is small (≤ 0.05) the null hypotheses being tested are rejected because the evidence against them is strong. If the p value is large (> 0.05) then the null hypotheses is considered to be close to true because the evidence supporting it is strong. Lastly, the ANOVA test (one way analysis of

variance test) was conducted to compare the means of data groups and determined if the means were statistically different from each other by checking the impact of one or more variables. In this study, the ANOVA test was conducted to test hypothesis H5 to test them. The result for this test is the significance level, p value, and f value. Significance level is compared with the p value to test the null hypothesis. If the significance level is equal to or greater than p value then the hypothesis is rejected, but if it higher than the hypothesis is accepted.

3.10. Ethical Considerations

This research followed strict ethical codes of conduct throughout its compilation. The primary data collected maintained respondent's confidentiality and the secondary data was properly cited to avoid plagiarism. The survey questionnaire was approved by the research supervisor prior to data collection. This research does not intend to cause any negative impact on respondents or organizations under study. The research is not meant for commercial purposes but for academic purpose only.

CHAPTER FOUR - RESEARCH FINDINGS AND ANALYSIS

The following chapter aims to presents the results gathered using the questionnaire. The information collected from the questionnaire was coded into SPSS and reliability testing was performed. The mean was computed for each variable in order to perform multiple regression analysis, Independent T-Test, and ANOVA test.

4.1. Demographics Frequency Analysis

Table 1: Demographic Profile of Respondents

Age Structure

Variable	Category	Frequency	Percentage
Age	18 to 25 yrs	104	37.8
	26 to 30 yrs	129	46.9
	31 to 35 yrs	41	14.9
	36 and above	1	.4

Gender Distribution

Variable	Category	Frequency	Percentage
Gender	Male	99	36
	Female	176	64

Marital Status Characteristics

Variable	Category	Frequency	Percentage
Marital Status	Married	112	40.7
	Unmarried	163	59.3

Pre-requisite of Online Purchases

Variable	Category	Frequency	Percentage
Purchases	Yes	275	100
	No	0	0

Frequency of Online Purchases

Variable	Category	Frequency	Percentage
Frequency	More than once a month	94	34.2
	Once a month	124	45.1
	At least once in six month	57	20.7

From the above table, it is illustrated that the total number of respondents contributed in the study were 275. The respondents were both male and female but the majority ratio was of female respondents i.e. 64% who liked to take part in the survey. However, remaining 36% were the male respondents that contributed to the study. The demographic profile in above figure further reveals about the age bracket of participants. From the above table, it is illustrated that 37.8% were from age bracket of 37.8%, 46.9% were from the age bracket of 26 to 30 years, 14.9% were from age bracket of 31 to 35 years and remaining .4% were from the age bracket of 36 and above. Besides this, the table further guides about marital status of participants that contributed to the study. This question was asked to know about specific demographic characteristics in order to evaluate, which respondents are more likely to purchase from online retail brands. The findings highlight that the majority of participants i.e. 59.3% were unmarried; whereas remaining 40.7% were married. This shows that majority participants that like to purchase from online retail are the unmarried respondents. In line with this, the frequency of purchase was asked to know the rate of purchases made by participants. The findings show that 34.2% participants purchase more than once a month, 45.1% participants purchases once a month and remaining 20.7% purchase at least once in six months.

4.2. Descriptive Analysis of Variables

Table 2: Descriptive Analysis of Variables

Variables	Mean	Std. Deviation	Skewness	Kurtosis
Online Security	4.3127	.79727	-1.308	.601
User Privacy	4.3352	.75179	-1.339	.873
Customer Satisfaction	4.3436	.75522	-1.372	.887
Customer Loyalty	4.2967	.80279	-1.297	.558

Table 4.2 highlights about mean score of online security that is 4.3127. According to the rule of thumb, the mean score which is range between 3.5 to 5.0 shows high values; thus, this reveals that the mean for each item in online security was depicting higher values. Similarly, the mean score identified in Table 4.2 for the variable of user privacy was 4.3352 which was also in between the range of 3.5 to 5.0. This shows that the mean scores were high for the variables of user privacy and confirms that respondents consider user privacy as a significant aspect of online retail experiences. The mean score for the variable of customer satisfaction was 4.3436 that was also in the range of 3.5 to 5.0. This justified the higher values and reveals customer satisfaction as the most important component within an online retail shopping environment. Lastly, the variable of customer loyalty scores the mean value of 4.2967 which also showed slight differences among the previous variable values. However, the value proved to be in the range of 3.5 to 5.0 which justified that the mean scores of customer loyalty were higher.

Besides mean values the standard deviation for online security was .79727, user privacy was .75179, customer satisfaction was .75522 and customer loyalty was .80279. The standard deviation for all of the variables were least which shows that majority participant marked on the similar responses regarding the items asked in the questionnaire survey. From the mean value and standard deviation it is summed that the responses of the participant are lies between the option of strongly agree and agree which was option 4 and 5. This was further proved through the standard deviation that the majority participants were agreed from the statements and shared similar responses.

The skewness and kurtosis reveal about the measurement of symmetry in the distribution in which the symmetrical data needs to be skewness that is equal to 0. The normal distribution contains skewness of 0; whereas kurtosis measures the amount of probability within the tails that is equal to 3. The data that is above 3 contains heavier tails; whereas data less than 3 contains normal distribution. The skewness measure for the variable of online security was -1.308, user privacy was -1.339, customer satisfaction was -1.372 and for customer loyalty it was -1.297. This

shows that for each variable the skewness was between -1 and -0.5 which proved that the data was moderately skewed for each variable.

Lastly, the Kurtosis for each variable was measured in order to examine tails of the distribution. It measured the peakedness of data and revealed the values of .601 for online security, .873 for user privacy, .887 for customer satisfaction and .558 for customer loyalty. The Kurtosis value for online security was closer to 0 which shows normal distribution. Besides this, for user privacy, customer satisfaction, and customer loyalty the Kurtosis value was closer to 0 which proved normal distribution.

4.3. Reliability test

The reliability test reveals the Cronbach alpha value which needs to be between the range of 0.75 to 0.99 in order to prove the consistency in data. The reliability testing is performed to measure the reliability in data and to justify the results. Based on Table 4.3 it is revealed that to measure the reliability for each variable the separate testing was performed. The results generated by application of reliability test shows that the Cronbach alpha value for the variable of online security was 0.967 and the number of items developed for the variable was 7 which range from I feel secure giving out credit card information at this website, The website has adequate security and encryption features, I have security on this website, I feel safe in my transaction with this website, This website has complete payment options such as post office remittance, online payment, I accept the payment options provided by the website and This websites security policy makes me feel this business is trustworthy.

The Cronbach alpha value for the variable of user privacy was .954 which was above 0.70. The total number of items developed for the variable of user privacy was 6 which included This website will protect my private information, Authorization mechanisms of this website make me feel comfortable, This website informs me about what information the company would collect about me, This website makes an effort to keep my personal information and credit card information, I believe that this website will not release personal information about me without my and This website gave me a clear choice before disclosing personal information about me. The

findings from the reliability test showed that the data was reliable as the data was consistent throughout each item.

The Cronbach Alpha value for the variable of customer satisfaction was .914 which was above 0.75 and it justified that the data was consistent throughout each item developed for the variable. The items included My choice to purchase from this website was a wise one, If I had to do it over again, I would make my most recent online purchase at this website, I am satisfied with my most recent decision to purchase from this website and I have truly enjoyed purchasing from this website. The data for each item was reliable as the value of Cronbach alpha was above 0.75.

Lastly, the variable of customer loyalty holds the value of 0.953 which was above 0.70. This shows that the data was reliable and consistent throughout every item developed for the variable of customer loyalty. The items asked for the variables were I intend to keep buying the products from this website, I would not switch to a competitor, even if I had a problem with the products of the website, I recommend the website to anyone who seeks my advice, I have a positive emotional relation to the website I have chosen and I feel attached to and I consider myself to be a loyal customer of the website. The data was consistent throughout variables and each item was reliable.

Table 3: Reliability Test of Variables

Scale Items	Variable	Cronbach's Alpha
7	Online Security	0.969
6	User Privacy	0.954
4	Customer Satisfaction	0.914
5	Customer Loyalty	0.953

4.4. Multiple Regression Analysis

The objective of this research was to examine the relationship between online security, user privacy, customer satisfaction, and customer loyalty. The research intended to identify the impact of online security, user privacy, customer satisfaction

on customer loyalty within online retail of Pakistan. Therefore, to achieve this, the below hypothesis was developed in order to research the research model:

H1: Online Security has a positive effect on Customer Loyalty

H2: User Privacy has a positive effect on Customer Loyalty

H3: Customer Satisfaction has a positive effect on Customer Loyalty

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.987 ^a	.975	.975	.12742	1.218
a. Predictors: (Constant), Customer_Satisfaction, Online_Security, User_Privacy					
b. Dependent Variable: Customer_Loyalty					

The above table of model summary revealed about the adjusted R square value which was .975. The mean model proposed for this study that contains variables of (online security, user privacy, customer satisfaction) revealed 97% variance on customer loyalty. This proved that there was a 97% variance between the dependent and independent variables.

Table 5: ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	172.187	3	57.396	3535.349	.000 ^b
	Residual	4.400	271	.016		
	Total	176.587	274			
a. Dependent Variable: Customer_Loyalty						
b. Predictors: (Constant), Customer_Satisfaction, Online_Security, User_Privacy						

The above ANOVA table generated by performing multiple regression analysis reveals about the model fit. The test was applied in order to know the impact of independent variables on the dependent variables. From the findings, it is revealed that the sig value was 0.000 which was less than 0.05. This justifies that the model developed to examine the customer loyalty within online retail was significant and there is a significant impact of the predictors (online security, user privacy, customer

satisfaction) on customer loyalty. Hence, the regression model run for the research proved to be significant.

Table 6: Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.137	.047		2.953	.003		
	Online_Security	.505	.055	.501	9.246	.000	.031	31.986
	User_Privacy	.739	.092	.692	8.053	.000	.012	80.306
	Customer_Satisfaction	.218	.068	.205	3.217	.001	.023	44.166

a. Dependent Variable: Customer_Loyalty

The coefficient table was further generated by the application of multiple regression analysis. Based on the above table it is illustrated that the coefficient of β revealed the positive impact of online security (.501), user privacy (.692) and customer satisfaction (.205). The values of online security and user privacy were positive that justified the positive impact among the variables. However, the higher beta value represented the significant impact of independent variables on the dependent variables. Besides this, the sig value of online security was (.000), user privacy (.000) and customer satisfaction (.001). These values were below 0.05 which showed that the hypothesis H1, H2, and H3 were accepted.

Hence, in summing up the MLR testing it is concluded that the variables of online security, user privacy, and customer satisfaction create a significant impact on customer loyalty. Based on this, below is the hypothesis summary:

Table 7: Hypothesis Summary

Hypotheses	Empirical Conclusion	Sig Value
H1: Online Security has a positive effect on Customer Loyalty	Accepted	0.000
H2: User Privacy has a positive effect on Customer Loyalty	Accepted	0.000
H3: Customer Satisfaction has a positive effect on Customer Loyalty	Accepted	0.001

4.5. Independent Sample T-Test

The independent t-test was conducted in order to determine the statistical significance among the mean in two unrelated groups. This test was conducted in order to test H4 and H4 which includes:

H4: There is a statistical difference on Customer Loyalty in terms of Gender

H6: There is a statistical difference on Customer Loyalty in terms of Marital Status

Table 8: Independent T-Test

	gender	N	Mean	Std. Deviation	Std. Error Mean	Sig
Customer_Loyalty	Male	99	4.3818	.72342	.07271	0.000
	Female	176	4.2489	.84238	.06350	0.000

The above table shows independent sample t-test performed to know the statistical differences among customer loyalty and the two groups i.e. Male and Female. The findings from the above test show that the mean value for the male group was 4.3818 and for female the mean was 4.2489. The number of male respondents was 99; whereas female respondents were 176. The standard deviation for male group was .72342 and for female group it was .84238. The sig value was 0.000 which shows that the research hypothesis was accepted.

Table 9: Independent T-Test

	marital	N	Mean	Std. Deviation	Std. Error Mean	Sig
Customer_Loyalty	Unmarried	112	4.7304	.31504	.02977	.000
	Married	163	3.9988	.89594	.07018	.000

The above table shows independent sample t-test performed to know the statistical differences among customer loyalty and the two groups that are unmarried and married. The findings from the above test show that the mean value for the unmarried group was 4.7304 and for married the mean was 3.9988. The number of unmarried respondents was 112; whereas married respondents were 163. The standard deviation for the unmarried group was .31504 and for married group it was

.89594. Besides this, the sig value was 0.000 which proved that the hypothesis was accepted.

4.6. ANOVA Testing

The analysis of variance ANOVA test was performed in order to measure the means of two or more groups which are different from one another. The test was conducted in order to know the impact of factors by comparing the means of multiple samples. This test was conducted in order to test H5, which is:

H5: There is a statistical difference on Customer Loyalty in terms of Age

Table 10: ANOVA

	N	X Mean	Std. Deviation	Std. Error	F	p
18 to 25	104	4.8096	.23046	.02260	30.175	.000
26 to 30	129	4.0016	.86440	.07611		
31 to 35	41	3.9268	.88403	.13806		
36 and above	1	4.2000	.86459	.07511		
Total	275	4.2967	.80279	.04841		

The above test shows that the sig value was 0.000 which was below 0.005 that justified the acceptance of the hypothesis. Besides this, the mean square for between-group was 14.739 and for within-group, the mean square was .488. not appropriate explanation. The total number of respondents belong from the age of 18 to 25 were 104, 129 belong from the age of 26 to 30, 41 belong from age of 31 to 35 and 1 respondents marked on 36 and above. The mean value of 18 to 25 was 4.8096, 26 to 30 was 4.0016, 31 to 35 was 3.9268 and for 36 and above the mean value was 4.2967. Besides this, the standard deviation was .23046, .86440, .88403 and .07511 respectively.

The graphical representation reveals that the respondents belong from the age of 18 to 25 were having more mean as compared to respondents that belong from 26 to 30, 31 to 35. However, the respondents belong from 36 and above were also having higher mean.

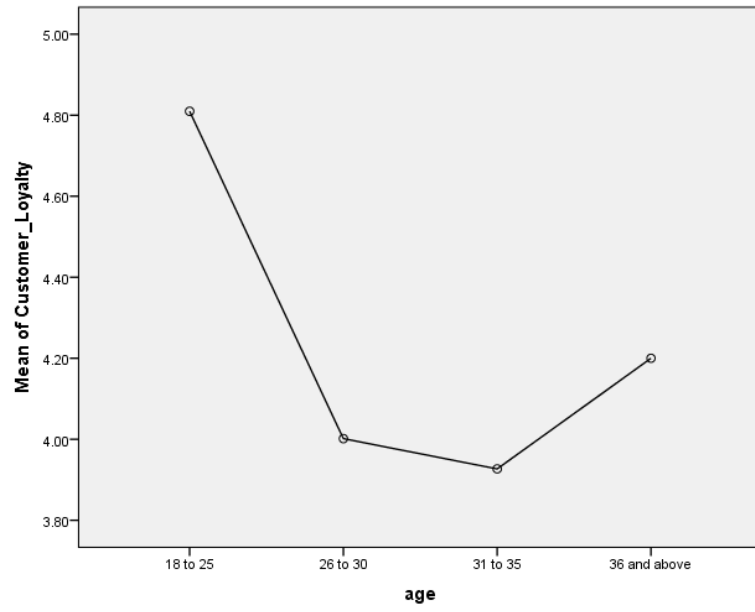


Figure 3: ANOVA Graphic

CHAPTER FIVE – DISCUSSION AND CONCLUSION

5.1. Summary of Hypotheses Tests

This research aimed at studying factors influencing customer loyalty in online retail shopping environment in Pakistan. Using a case study of Daraz.pk, this research hypothesized the following:

H1: Online Security has a positive effect on Customer Loyalty.

H2: User Privacy has a positive effect on Customer Loyalty.

H3: Customer Satisfaction has a positive effect on Customer Loyalty.

H4: There is a statistical difference on Customer Loyalty in terms of Gender.

H5: There is a statistical difference on Customer Loyalty in terms of Age.

H6: There is a statistical difference on Customer Loyalty in terms of Marital Status.

To test these hypotheses, the research analyzed responses from a sample population of 275 customers who had shopped online at least twice. For the hypotheses H1, H2, and H3 a multiple linear regression test (including ANOVA, coefficient, and multicollinearity test) was conducted to examine the relationship between dependent and independent variables and the impact of online security, user privacy, and customer satisfaction on customer loyalty. The results found that online security, user privacy, and customer satisfaction had a significant impact on customer loyalty. Amongst these three variables, user privacy had the most significant impact on customer loyalty followed by online security and customer satisfaction. Furthermore, the test showed that online security and user privacy were

correlated to customer loyalty – meaning that a positive change in online security/user privacy would lead to a positive change in customer loyalty or a negative change in online security/user privacy would lead to a negative change in customer loyalty. To this end, H1, H2, and H3 were accepted.

For H4 and H6, independent T-test was conducted to determine the statistical significance among the means of the two groups to customer loyalty. From a sample of 176 female customers and 99 male customers, the test found that there is a statistical difference of 0.1329 between male and female customers in terms of customer loyalty. Even though this difference is not very significant but it proves H4 to be true. Similarly, from a sample of 112 unmarried and 163 married customers, the test found that there is a statistical difference of 0.7316 between unmarried and married customers in terms of customer loyalty. As compared to gender, marital status has a more significant statistical impact on customer loyalty. This proves H6 to be true.

Lastly, to test H5 the researcher analysed variance using ANOVA test to measure the statistical difference of different age groups on customer loyalty. From a sample of 104 customers between the age of 18 and 25, 129 customers between the age of 26 and 30, 41 customers between the age of 31 and 35, and 1 customer above the age of 36, the test found that customers between the age of 18 and 25 had the most statistical impact on customer loyalty followed by customers between the age of 36 and customers between the age of 26 and 30. Overall, customers between the age of 31 and 35 had the lowest statistical impact on customer loyalty. Thus, H6 was also proven to be true.

5.2. Discussion of Research Findings

Online retail shopping is the fastest growing practice that is transforming the way retail businesses market and sell their products to customers. As compared to traditional retail shopping, online channels aim to make shopping a more convenient and secure activity for customers (Ghani & Sidek, 2009). However, while the quality of online retail businesses is improving rapidly, security and privacy risks associated

with online retail shopping continue to be a cause of concern for many prospective online customers. Especially in Pakistan, where security and privacy in online retail field has lagged behind due to various technological shortcomings. Nevertheless, online retailers in Pakistan have to pay special attention to developing practices that ensure online security and user privacy help improve customer satisfaction and loyalty in the online retail shopping environment. This is because, as presented in the previous chapters, online security and user privacy are critical factors that determine a customer's intention to purchase online or to repurchase from an online retailer.

In terms of online security, factors such as secure payment methods, limitation of transaction fraud, and use of third party payment mechanisms can have significant impacts on customer acquisition and retention. The research findings show that online security with online retail shopping in Pakistan is not a significant concern because more than half of the customers said that they currently felt secure while using online retail shopping. Also according to the research findings, more than half of customers of online retail shops in Pakistan said they felt secure on the website because it offered secure payment options such as post office remittance, online payment, and cash on delivery. After payment options, the most number of customers thought that the online retailer was secure because it had adequate security and encryption features and because of those features the customers thought that the online retailer was trustworthy. More than half of the customers also said that they felt secure giving their credit card information to the online retailers and that they felt safe in their transactions with the online website. However, fewer customers were accepting of the payment options provided by the online retail website.

In terms of user privacy, awareness about information collected, awareness of online retailer's data sharing policies with third parties, and unauthorized use of personal customer data can impact customer's intention to purchase from a specific online retailer. As per our findings, an overwhelming number of customers thought their user privacy was protected because an online retailer gave them clear choice before disclosing their personal information to third parties. A majority of the customers

also trusted the online retailer because they were comfortable with the websites authorization mechanism and believed that the online retailer made an effort to keep their personal information and credit card information out of the hands of unauthorized individuals. A large number of customers also thought that their privacy was ensured because the online retailer informed them about the information the business would collect about them and that the online retailer would not release their personal information without their express permission. However, relatively fewer customers thought that the website will protect their private information.

As a result of the above, a majority of customers were satisfied with their recent online purchases and indicated that they would return to make an online purchase at the website again. A large number of customers were also satisfied with their online retail shopping experience because they enjoyed their purchasing experience and considered their decision to purchase from the online retailer to be a wise choice. More importantly, as an indication of loyalty, a majority of customers said that they would recommend the online retailer to others seeking advice. A large number of satisfied customers also said that they considered themselves as loyal customers of the online retailer and that they would not switch to a competitor's website even if they had problem with the products on the website. Lastly, a significant number of customers reported that they intended to keep buying from the online retail website, partly because they had a positive emotional relation to the specific website and felt attached to it.

The implications of these findings are two fold. One, for online retailers, this research provides evidence that investing in improving the online security and user privacy can generate customer satisfaction and loyalty amongst existing and new customers. In an industry that is increasingly focusing on technology, factors such as online security and user privacy tell the customers how much retailers care about earning their trust, protecting them, and providing them with the best shopping experience possible. Secondly, for customers of online retailers, shopping from a website that provides clear information on its security and privacy policy tells them that the online business is trustworthy and can be their go-to for reliable shopping experience. In

many cases, online shoppers are willing to incur some extra costs in exchange for reduced risks while shopping online.

5.3. Limitations and Contribution of the Research

The core limitations faced by the researcher during this study were the availability of prior research. Majority of the online retail shopping websites in Pakistan have become popular in the past 5 years or so. Because of this, there is unfortunately a lack of literature and studies that conduct empirical research in Pakistan. This lack of prior empirical and theoretical research led to a significant gap in the literature review. Furthermore, because online retail websites are a relatively recent phenomenon in Pakistan these websites often do not include information on their history/background, logistics, marketing plan, annual sales statistics, and customer relationship management on the website or in any reports. This made primary research difficult for two reasons: (i) the lack of information of how the website functions or its clear customer relationship strategy made it difficult to compare customer responses across different online retailers and (ii) it made it difficult to gather data about the potential target population for primary data collection. This is partly why this research is so wide in its scope.

As mentioned above, there is a general lack of theoretical and empirical research studying online retail shopping environment in Pakistan. Therefore, the main contribution of this research is to provide an empirical study using case studies of online retailers in Pakistan to make up for the lack of relevant research. This research can support existing literature on customer satisfaction and loyalty in online retail environment in Pakistan. This research can be of use for various small to medium online retailers in Pakistan to better align their customer relationship and marketing strategies to ensure customer loyalty. And lastly, this research contributes towards guiding future researchers that may want to study this topic in determining their research topics and/or literature.

5.4. Suggestions for Further Research

In terms of suggestions for future research on this topic, a comparative exploration of customer loyalty management practices amongst various local and international online retailers in Pakistan can be of value. Future researcher can compare practices that have been successful and those that have not to provide a set of criteria for struggling online retailers in Pakistan. They can also map the overall trend of Pakistani online retail industry in comparison to other developing countries. Future researcher may also select a larger sample for primary research, to make their findings more generalizable. They can also include a qualitative or quantitative data collections from employees of the online retailer, in addition to customer responses which can help enrich the findings from the retailer's and customer's perspective. Lastly, future researcher can also expand the number of dependent variables and independent variables to study other factors such as website design, content, etc. to conduct a more intensive empirical research on the topic of customer loyalty in online retail environment. This may also help in conducting theoretical research, in addition to empirical research on this topic.

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T.C.
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Sayın MUHAMMAD ZAIN LAKHANI

Tez çalışmanızda kullanmak üzere yapmayı talep ettiğiniz anketiniz İstanbul Aydın Üniversitesi Etik Komisyonu'nun 08.10.2019 tarihli ve 2019/15 sayılı kararıyla uygun bulunmuştur.

Bilgilerinize rica ederim.

e-İmzalıdır

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APPENDICES

APPENDIX A: Survey Questionnaire

APPENDIX B: Survey Questions Sources

APPENDIX A: Survey Questionnaire

Introduction

The purpose of this research is to find factors that affect consumer satisfaction and loyalty in Business to Consumer (B2C) markets in online shopping environment. Your participation in this survey is completely voluntary and all of your responses are anonymous. The collected data will only be used for the academic purpose and it will not be shared with other 3rd parties. It will take between 2-3 minutes to fill the survey.

Thanks in advance!

If you require any further information about this survey please send email to this address:

mr.zainlakhani@gmail.com

*Demographic Details

Q1. Gender

- Male
- Female

Q2. Age

- 18 - 25
- 26 - 33
- 34 – 41
- 42 - 49
- 50 and above

Q3. Marital Status

- Single
- Married

Q4. Have you purchased anything online (from www.daraz.pk)?

- Yes
- No

Q5. How frequently do you purchase things online? (Please select one answer)

- More than once a month
- Once a month
- At least once in six months

At least once a year

Q7. Please answer the following questions about online websites that you shop from regularly:

Online Security	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
I feel secure giving out credit card information at this website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The website has adequate security and encryption features	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have security on this website					
I feel safe in my transaction with this website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
This website has complete payment options such as post office remittance, online payment, and cash on delivery, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I accept the payment options provided by the website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
This websites security policy makes me feel this business is trustworthy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

User Privacy	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
This website will protect my private information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Authorization mechanisms of this website make me feel comfortable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

This website informs me about what information the company would collect about me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
This website makes an effort to keep my personal information and credit card information out of the hands of unauthorized individuals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I believe that this website will not release personal information about me without my express permission	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
This website gave me a clear choice before disclosing personal information about me to third parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Customer Satisfaction	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
My choice to purchase from this website was a wise one	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If I had to do it over again, I would make my most recent online purchase at this website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am satisfied with my most recent decision to purchase from this website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have truly enjoyed purchasing from this website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Customer Loyalty	Strongly	Disagree	Neither	Agree	Strongly
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	Disagree		Agree or Disagree		Agree
I intend to keep buying the products from this website.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I would not switch to a competitor, even if I had a problem with the products of the website.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I recommend the website to anyone who seeks my advice.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have a positive emotional relation to the website I have chosen and I feel attached to it.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I consider myself to be a loyal customer of the website.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

APPENDIX B: Survey Questions Sources

Variables	Survey Questions	Source
Online Security	I feel secure giving out credit card information at this website	Guo, Ling, & Liu (2012)
	The website has adequate security and encryption features	
	I have security on this website	Tsai & Yeh (2010)
	I feel safe in my transaction with this website	Guo, Ling, & Liu (2012)
	This website has complete payment options such as post office remittance, online payment, and cash on delivery, etc.	
	I accept the payment options provided by the website	
	This websites security policy makes me feel this business is trustworthy	Liu, Marchewka, Lu, & Yu (2004)
User Privacy	This website will protect my private information	Tsai & Yeh (2010)
	Authorization mechanisms of this website make me feel comfortable	
	This website informs me about what information the company would collect about me	Liu, Marchewka, Lu, & Yu (2004)
	This website makes an effort to keep my personal information and credit card information out of the hands of unauthorized individuals	
	I believe that this website will not release personal information about me without my express permission	
	This website gave me a clear choice before disclosing personal information about me to third parties	
Customer Satisfaction	My choice to purchase from this website was a wise one	Guo, Ling, & Liu (2012)
	If I had to do it over again, I would make my most recent online purchase at this website	
	I am satisfied with my most recent decision to purchase from this website	
	I have truly enjoyed purchasing from this website	
Customer Loyalty	I intend to keep buying the products from this website.	Dehghan & Shahin (2011)

	I would not switch to a competitor, even if I had a problem with the products of the website.	
	I recommend the website to anyone who seeks my advice.	
	I have a positive emotional relation to the website I have chosen and I feel attached to it.	
	I consider myself to be a loyal customer of the website.	

RESUME: MUHAMMAD ZAIN LAKHANI

Personal Information

Marital Status: Married
Date of Birth: 27 November 1987
Email: mr.zainlakhani@gmail.com
Phone: +90 (553) 860 1663

Objective

To develop skills and attain practical knowledge by working in the corporate sector and to analyze the application of theory to practical work situations thus reaching a better understanding of what has been learnt so far.

Experience

Sphiro, Karachi, Pakistan
Executive Project Manager (Design and Development)
2016 – Present
www.sphiro.tech

Aventle (Pvt.) Ltd., Karachi, Pakistan
Senior Web and Graphic Designer
2012 – 2016
www.aventle.com

Independent Projects, Karachi, Pakistan
Websites (Designing)

Internship

Client Coordinator and Photographer
HOMEXPRESS – KARACHI, PAKISTAN
June 2011 – August 2011

Junior Graphic Designer and Flash Animator
RIYSOFT – KARACHI, PAKISTAN
June 2010 – August 2010

Education **Masters in Business Administration**
ISTANBUL AYDIN UNIVERSITY – TURKEY
2016 – 2019

Bachelors in Media Sciences (Advertising)
IQRA UNIVERSITY – PAKISTAN
2007 – 2011

GCE Advanced Level
FOUNDATION PUBLIC SCHOOL
2004 – 2006

GCE Ordinary Level
KN ACADEMY
2001 – 2004

Skills **Professional Skills:** Web designing, Photography, Video editing, Graphic designing, Visualization, Photo editing, Event management.
IT Skills: Microsoft Office, Adobe Photoshop, Adobe Illustrator, Adobe After Effects, Adobe Flash, Adobe Premier Pro, Capture One, Adobe Dream Weaver.
Personal Skills: Communication skills, Attentive, Time management, Interpersonal skills, Analytical, Dependable, Team player, People oriented, Resourceful, Adaptable.

Languages URDU (Native), ENGLISH (Fluent), TURKISH (Level A1)

Reference AVAILABLE UPON REQUEST
