Enhancing consumer engagement in online shopping platforms through economic incentives

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Enhancing consumer engagement in online shopping platforms through economic incentives

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ABSTRACT

Online shopping is becoming part of people’s everyday life experience. Recognizing the tremendous growth of online shopping, it is important to investigate how to achieve success in the competitive environment. The purpose of this paper is to understand the development of consumer engagement process on online shopping platform. We propose a more complete framework to examine consumer engagement process by adding economic incentives. In our framework, economic incentives, considered as both cognitive and emotive basis for purchase, moderates the process of consumer engagement. We believe that our study will provide a deeper understanding of consumer engagement process.

Keywords  
Online shopping platform, economic incentives, repurchases intention, consumer engagement

INTRODUCTION

With the advent of Internet, traditional marketplace has changed its way of competition by the arrival of the e-commerce era. Unlike traditional bricks-and-mortar stores, how to build customers’ trust is essential for the success of transaction in online environment because of the uncertainty of the transaction and the quality of the products. In addition, it is difficult to build customer loyalty in electronic commerce transaction mainly due to the low switching costs when competition and information search is only a click away in online environment. Nonetheless, it has been reinforced that companies and organizations in online context not only need to attract new customers, but also must retain devoted customers to ensure repeat business to make profits (Anderson & Srinivasan, 2003).

Prior research have laid much emphasis on consumers purchase process in online environment, which is a significant aspect for managers and retailers to make profit. There are numerous existing writing focused on the relationship between consumer satisfaction and loyalty in online shopping environment (Anderson and Srinivasan, 2003; Shankar, et al., 2003; Ha, et al., 2010). The antecedents and elements affecting consumer’s first adopting and long-time loyalty to a website have been investigated in many studies. In recent years, many online shopping platforms have emerged in China, such as eBay (China), TaoBao and PaiPai. Nonetheless, with the decision of eBay to quit the C2C market in China and merge its China operations with TOM Online in 2006, TaoBao, a C2C electronic commerce established in 2003, has achieved its success. What is more, TaoBao stays its dominant position in China with a C2C market share of more than 80% in recent days (Ou and Davision, 2009). Therefore, most online retailers choose TaoBao as their transactions online platform and negotiate product, financial and logistical details with consumers there. The significance of the competitive issues of online sellers then attracts researchers to conduct deeper investigation. Especially, the elements and determinants that influence consumers repurchase behavior and maintain their loyalty to online retail store still need more investigation on a mature online shopping platform.

Many researchers in diverse fields have stated that consumer satisfaction is a key construct affecting consumer behaviors for decades. Not surprisingly, consumer satisfaction plays an important role in determining whether to keep or drop the
relationship with a store or a brand. Thus, researchers have written many articles related to consumer satisfaction and loyalty link in both theoretical and practical ways (Mittal, et al., 1998; Torres-Moraga, et al., 2008; Walsh, et al., 2008; Chang, et al., 2009). Although those satisfaction models have provided a framework to analyze and understand consumer behaviors, they limit the consumers within in consumer base that are to be treated same in the pursuit of high levels of satisfaction. Jones and Sasser (1995) pointed that even satisfied consumers were likely to defect. According to Bowden (2009), segment consumer-brand relationships are segmented based on the extent to which consumers are either new or repeat purchase consumers of a specific service brand. This process of engagement of repeat purchase consumers does not take calculative commitment into account. However, calculative commitment is building over time as retailers engage in a long-term relationship (Davis-Sramek, et al.2009). In fact, for repeat purchase consumers, calculative commitment will enhance its effect on the relationship between satisfaction and loyalty when economic incentives exist. They may need to maintain their long-term relationships with the particular store for rational and economic reasons. Therefore, our study attempt to depict a more complete framework of consumer engagement process for repeat purchase consumers by adding calculative commitment and economic incentives. Furthermore, we also extend this engagement process to the context of online shopping platforms, while Bowden’s (2009) model is applying in the context of the hospitality industry.

In this study, we focus on the process of consumer engagement in online shopping environment. We conduct a systematic literature review on satisfaction and loyalty link. We propose a conceptual framework to enhance the understanding of the consumer engagement on online shopping platform. The paper is structured as follows. First, we summarize the previous literature. Second, we propose the research model and address the hypotheses.

LITERATURE REVIEW

Satisfaction

Many researchers in diverse fields have investigated consumer satisfaction as a key construct affecting consumer behaviors for decades both in the perspectives of traditional marketplace and electronic marketing. Not surprisingly, consumer satisfaction plays an important role in determining whether to keep or drop the relationship with a store or a brand, which is the behavior or intention to continue or terminate. Thus, much has been written about the models of consumer satisfaction and repurchase intention link in both theoretical and practical ways. Furthermore, there has been much recent discussion in the importance of establishing consumer loyalty of online marketing area, in which satisfaction is always seen as an antecedent to loyalty.

According to Oliver (1997), satisfaction is “the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with a consumer’s prior feelings about the consumer experience.” Most previous research, based on Oliver’s work on consumer satisfaction (Oliver, 1980, 1997), has investigated the antecedents and consequences of consumer satisfaction. Such as expectations, product performance, consumer word-of-mouth, e-word-of-mouth, brand loyalty and repurchase intention. Many researchers have reported a positive impact of satisfaction on repurchase intention, positive word-of-mouth, repeat visit and purchase, and customer retention (Olsen, 2002; Yi and La, 2004; Torres-Moraga, et al., 2008; Walsh et al., 2008).

In line with disconfirmation paradigm, satisfaction is believed to occur through a matching of expectations and perceived performance (Oliver, 1980). As one consumer describes this process, he or she elaborates on the evaluation of a store (Bloemer & de Ruyter, 1998). Moreover, online customer satisfaction refers to “the perceived degree of contentment with regard to a customer’s prior purchase experience with a given electronic commerce firm” (Anderson and Srinivasan, 2003). And this definition is now accepted by most researchers (e.g., Ha, Janda, & Muthaly, 2010). Therefore, satisfaction can be measured as the whole evaluation of degree of contentment as well as the evaluation of fulfillment of transaction experience. In current study, we defined transaction satisfaction as “the degree of fulfillment of some need, desire, goal, or other pleasurable end state that results from a specific exchange transaction between the consumer and a firm” (Agustin & Singh, 2005).

Satisfaction and Repurchase intention

Seiders et al (2005) pointed out that repurchase intention represented the consumer’s self–reported engagement possibility in future repurchase behavior, while repurchase behavior is the objectively observed level of repurchase activity. Several researchers have confirmed that there is a strong relationship between consumer satisfaction and repurchase intention, whereas other studies have questioned this relationship (e.g., Mittal & Kamakura, 2001; Seiders et al., 2005; Yi & La, 2004).

In order to obtain a better understanding of the relationship between consumer satisfaction and repurchase intention, a considerable number of researchers have investigated several potential mediators and moderators. Seiders et al. (2005)
investigated convenience, competitive intensity, customer involvement, household income and some demographic characteristics, while Bloemer and de Ruyter (1998) looked at elaboration process as the way of understanding the linkage between post-purchase satisfaction and loyalty. The elaboration process also involves cognitive, affective, and behavioral states, which impacts on human intentions. Furthermore, the elaboration process accounts for the differences in influence produced by arguments which contain considerable information and reasons relaying on associations of negative and positive attributes to some object, action or situation.

The Process of Consumer Engagement—trust, affective and calculative commitment

Consumer engagement is an important term in marketing research, although its definition is still very vague and unsystematic. According to (Cheung, et al., 2011), three key ways to conceptualize “customer engagement” are identified as: behavioral manifestation (Van Doorn, et al., 2010), psychological state (Patterson, et al., 2006), and a process (Bowden, 2009). Van Doorn et al. (2010) focus on “customer engagement behaviors,” by defining engagement as “behavioral manifestation from a customer toward a brand or a firm which goes beyond purchase behavior (p.254)”. Patterson et al. (2006) defines customer engagement as a psychological state that is characterized by a degree of vigor, dedication, absorption, and interaction. By contrast, Bowden (2009) views “customer engagement” as a “psychological process” comprising cognitive and emotional views. Bowden's (2009) conceptual model explains engagement as an iterative process commencing with customer satisfaction, and culminating in customer loyalty. Based on Bowden (2009), consumer engagement is a process includes:

1. The formation of a state of calculative commitment considered to be a largely cognitive basis for purchase for new consumers,

2. Increased levels of involvement concomitantly supported by increased levels of trust for repeat purchase customers, and

3. The development of affective commitment considered to be a more emotive basis for purchase and ultimately eventuating in a state of enduring loyalty.

RESEARCH MODEL AND PROPOSITIONS

We propose our research model and identify the relationships among the key constructs based on prior literature. Particularly, we attempt to explore the process of consumer engagement on online shopping platforms which ultimately lead to consumer repurchase intention. Figure 1 depicts the research model used in this study.

![Figure 1: Research Model](image_url)

Trust and repurchase intention

Trust is a key issue in Internet shopping, which is impeding the proliferation of online retailing vendors. Trust is defined as the confidence in the exchange partner’s reliability and integrity by Morgan & Hunt (1994). According to Singh and Sirdeshmukh (2000), trust plays a significant role in determining outcomes at different points in the process and serves as
glue that holds the relationship together. In line with previous literature, trust has been linked to a variety of outcomes. Trust, in a broad speaking, is a psychological state reflecting the confidence a person has in his/her favorable expectations of what others will do, based on previous experiences (Gefen, 2000).

According to Hennig-Thurau and Klee (1997), trust is theorized to play an important role in repurchasing decision. These arguments are also empirically supported by the findings of a strong relationship between online trust and behavioral intention by Bart et al. (2005). Behavioral intention may include willingness to conduct further activities, such as revisiting to the same website, engaging in interactivity with the website, and purchasing or repurchasing from the site. Thus, we have the following proposition:

**Proposition 1:** Trust will have a positive impact on repurchase intention.

**Affective commitment, calculative commitment, and repurchase intention**

Commitment is defined as “an enduring desire to maintain a valued relationship” based on the research of Moorman et al. (1992). According to Geyskens et al. (1996), we identified two types of commitment arising from different motivations:

1. Affective commitment: consumers may like to maintain the relationship with the online stores; or
2. Calculative commitment: consumers may need to maintain it for rational and economic reasons.

Many researchers have argued that affective commitment best describes the emotional aspect of loyalty. If the individual’s affect is high, it should motivate his/her continued purchasing. Wetzels et al. (1998) demonstrated that affective commitment strongly influences the intention to continue the relationship. De Ruyter et al. (2001) also found this impact. Verhoef et al. (2002) established a link between affective commitment and customer referrals, and Johnson et al. (2001) also argued that affective commitment has a large positive effect on behavioral intentions. Thus, the increase in consumer's affective commitment should lead to increases in behavioral intention and ultimately behavior. Therefore, we have the following proposition:

**Proposition 2:** Affective commitment will have a positive impact on repurchase intention.

Based on Chiou and Droge’s argument (2006), calculative commitment also directly motivates continued purchasing. Though this motivation is different from affective commitment, consumers still conduct repeat purchases to maintain the relationship, arising from economic incentives (e.g., Geyskens, et al. 1996; Wetzels et al. 1998; Davis-Sramek et al. 2009). Thus, if a consumer’s calculative commitment is high, it should motivate continued purchase intention and encourage sustaining loyalty to the store. Consumers might not enjoy the relationship, but still continue to do maintain business relationship with the online store because of rational, economic reasons and the difficulty in switching. Thus, we have the following proposition:

**Proposition 3:** Calculative commitment will have a positive impact on repurchase intention.

**Trust, affective commitment and calculative commitment**

Regardless of the nature of relationship, affective commitment in a relationship cannot be development in the absence of trust (Hrebiniak, 1974). Based on Morgan and Hunt (1994), trust is central to the development of the effective consumer organizational relationship in the marketing context. Many scholars have provided ample theoretical and conceptual support for the theory that trust is a direct antecedent of affective-type commitment in marketing relationships (Moorman, et al., 1992; Morgan and Hunt, 1994; Bansal et al., 2004). Thus, we have the following proposition:

**Proposition 4:** Trust will have a positive impact on affective commitment.

Calculative commitment, to some extent, reflects the dependency on the store, building overtime as the consumers engaging in a long term relationship. Chiou and Droge (2006) argued that mutual investment in the relationship and mutual dependency increase affect and stability and ultimately influence attitudinal loyalty. In an established relationship, exchange efficiencies will be appealing for consumers; for example, familiarity could reduce the learning costs before the transaction and some economical benefits specifically for regular ones may motivate them to sustain their loyalty. In addition, if the stores could invest in knowledge of the consumer’s preferences, buying habits, it would simplify the buying process and increase the attachment (Davis-Sramek, et al., 2009). Thus, we have the following proposition:

**Proposition 5:** Calculative commitment will have a positive impact on affective commitment.
**Satisfaction, trust, and commitment**

Researchers and managers value customer satisfaction of high attention because it acts as an antecedent of loyalty (Anderson and Sullivan, 1993; Brunner et al., 2008; Chang and Chen, 2009). It is advocated by Anderson and Srinivasan (2003) that e-satisfaction is closely correlated to e-loyalty on the web. Ha (2006) also reports that customer satisfaction and customer loyalty is positively related in e-service context.

Satisfied party will be willing to reciprocate with same or greater value during the exchange, thus establish a closer and friendlier relationship during the time (Jancic and Zabkar, 2002). More satisfied customer will build stronger connected relationship with online vendors like an emotional commitment. Following the framework of cognitive-affective-conative model (Chiou and Droge, 2006), online retailers’ satisfying exchange experience result in a feeling of emotional commitment of consumers. In the same way, the high level of satisfaction with the online store will increase the switching cost to find another equitable or preferable shop, taking much time and energy for searching into consideration (Davis-Sramek et al., 2009). Based on these observations, consumer satisfaction will influence both affective commitment and calculative commitment.

The consumers’ overall satisfaction with the purchasing experience is proposed to have a positive impact on his/her trust of the product provider. Prior literature has outlined that constructs of trust and satisfaction are positively correlated, while the causal ordering of the two has not been clearly evaluated. However, evidence showed by Kennedy et al. (2001) pointed that customer satisfaction is an antecedent of trust in provider.

Thus, we have the following propositions:

*Proposition 6: Satisfaction will have a positive impact on trust.*

*Proposition 7: Satisfaction will have a positive impact on affective commitment.*

*Proposition 8: Satisfaction will have a positive impact on calculative commitment.*

**Economic incentives-moderator**

According to Dagger and O’Brien (2010), special treatment benefits pertain to price breaks, faster service or individual service for those customers with an established relationship. Gwinner et al. (1998) also mentioned that economic benefits related to discounts and price breaks for those customers who have develop a relationship with an organization. Accordingly, we define economic incentive in current study as the economic benefits related to discounts, coupons and other price reduced ways for those consumers within an established relationship with the particular store.

When customers become dissatisfied with a product/service or store, they face a utility trade-off: take their transaction elsewhere (i.e. lower their repurchasing intentions, or switch to an alternative) and give up the economic benefits or continue repurchasing but accept lower levels of satisfaction. Without the economic incentives, consumers do not have to face such an optimization problem and are therefore less likely to maintain their loyalty or engage in the repurchasing behavior when they are not satisfied. In addition, if the store increases the level of economic incentives, except for the transaction utility, the feeling of attachment to the store will also be enhanced.

Thus, we have the following propositions:

*Proposition 9: Economic incentive moderates the relationship between satisfaction and calculative commitment; specifically, the relationship is stronger in more economic incentives provided stores than less ones.*

*Proposition 10: Economic incentive moderates the relationship between calculative commitment and affective commitment; specifically, the relationship is stronger in more economic incentives provided stores than less ones.*

**RESEARCH METHODOLOGY**

**Measurement**

The constructs in this study include consumers' repurchase intention, trust, affective commitment, calculative commitment, satisfaction and economic incentives. We use established measures from prior literature (See Table 1). All constructs are measured using multi-item scales and were carried out by a seven-point Likert scale, anchored from strongly disagree (1) to strongly disagree (7).
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<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Source</th>
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| Satisfaction     | SAT1. I am happy with my decision to choose this online store in Taobao.  
                    SAT2. I believe I did the right thing when I purchase from this online store in Taobao.  
                    SAT3. Overall, I am satisfied with the decision to purchase from this online store in Taobao | Chiou and Droge (2006)      |
| Trust            | In your relationship with this online store, the vendor  
                    1. Can be counted on to do what is right.  
                    2. Has my confidence.  
| Affective Commitment | 1. I take pleasure in being a customer of this online store.  
                         2. There is a presence of reciprocity in my relationship with this store.  
                         3. I am emotionally attached to this store.  
                         4. I have a close relationship with this store. | Gustafsson, et al. (2005)   |
| Calculative Commitment | 1. It pays off economically to be a customer of this store.  
                               2. I would suffer economically if the relationship with this store were broken.  
                               3. Some aspects of my life would be affected if I stop purchasing in this online store.  
                               4. I am afraid something will be lost if I stop purchasing from this store now. | Gustafsson, et al. (2005)   |
| Repurchase Intention | 1. If I were to buy products of this category again, I would consider buying from this store.  
                              2. The likelihood of my purchasing a product again from this store is high.  
                              3. My willingness to buy a product again from this store is high.  
                              4. The probability that I would consider buying a product again from this store is high. | Gupta and Kim (2007)       |
| Economic Incentives | 1. In this store, I always get discounts or other special deals which only can be used in further purchase.  
                               2. I always can get better prices in further purchase in this store. | Gwinner (1998)              |

Table 1 Measurement

Data collection
This study focuses on the process of customer engagement in online shopping platforms. We will test our research model in an existing online C2C platform, www.TaoBao.com, which is the most popular shopping websites in China.

CONCLUSION
This study seeks to explore consumer engagement process on online shopping platforms through consumer satisfactions and repurchase intention. Furthermore, this research attempt to explore how economic incentives moderate the relationships between satisfaction and calculative commitment and affective commitment, which is a potential reason for consumers engaging in an online store and ultimately lead to repeat purchase behaviors.

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