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Determinants of Mobile Commerce Customer Loyalty in Malaysia

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Abstract

Asia's emerging markets are poised for explosive digital growth. With the rapid adoption of the Internet and the familiarisation of consumers with mobile devices, the mobile commerce market is set to become one of the most promising and lucrative growth markets. In Malaysia, although the mobile commerce market is relatively at its infancy stage, the mobile internet penetration is expected to grow rapidly in years to come. Numerous mobile commerce adoption studies have been investigated. However, little attention has been paid on what factors could be utilised to retain mobile commerce customers, which could in turn improve business performance. Therefore, this paper aims to bridge the gap by investigating the factors that affect mobile commerce customer loyalty in Malaysia by incorporating e-service quality models and relationship quality theories in the context of mobile commerce. Specifically, the objective of this study is to examine the relationships between e-service quality dimensions of efficiency, system availability, fulfilment and privacy, and relationship quality dimensions of satisfaction, trust and commitment with customer loyalty in mobile commerce services. Online survey method was used for data collection. Out of the 300 questionnaires distributed, 214 were completed and returned, yielding a response rate of 71.3 percent. Data were subsequently analysed using the Structural Equation Modelling (SEM) method. The research findings contributed significantly in filling up the knowledge gap regarding the determinants of customer loyalty in mobile commerce services. The study may assist mobile commerce service providers, marketers and managers in their decision making as well as improving their profitability, products and services.

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1. Introduction

Driven by iPhone and other smartphones which can access the Internet easily, mobile phone revolution is on its way. Mobile devices have surpassed being just a utility-based communication tool (Chong et al., 2012). Current technology has enabled downloading of mobile applications to be used as productivity tools, social-networking programs, or just simply for games. Telecommunication companies are hastily building network infrastructure that allows wider coverage and faster connection in order to foster mobile commerce development. The present development of mobile commerce or, more commonly known as m-commerce, offers more pervasive accessibility to users compared to e-commerce (Wei et al., 2009). Eventually, m-commerce migrates and enhances online transaction from wired to wireless (Schwiderski-Grosche & Knospe, 2002). Furthermore, mobile devices are smaller and more convenient to carry (Schwiderski-Grosche & Knospe, 2002). Given these conveniences, m-commerce has further evoked and enhanced e-commerce activities without the restrictions of time and place.

Researchers have adopted some broad definitions of m-commerce since its emergence, for example, Keen et al. (2001) defined m-commerce as an extension of e-commerce from wired (fixed location) to wireless (could be accessed anywhere and anytime). Some researchers have simplified m-commerce as a “wireless electronic form of e-commerce” or just an additional innovative paradigm emerged somewhere within e-commerce (Feng et al., 2006). Tiwari & Buse (2007) commented on the inappropriateness in defining m-commerce as the “transaction of monetary value” as it ignores the natural measurement of commercial or business and after-sales services. For instance, some completion of m-commerce might not be cost-oriented like free downloading software, application, or music sharing. In this study, we follow the discussion and definition of m-commerce synthesized by Wei et al. (2009). M-commerce is defined as “any transaction, involving the transfer of ownership or rights to use goods and services, which is initiated and/or completed by using mobiles access to computer-mediated networks with the help of mobile devices”.

Indeed, m-commerce has become increasingly important in today’s business environment. With the rapid adoption of the Internet and the familiarization of consumers with mobile devices, m-commerce market is set to become one of the most promising and lucrative growth markets (Kim et al., 2007). In Malaysia, although m-commerce is relatively in its infancy stage (Wei et al., 2009), the m-commerce market is expected to grow rapidly by 59.6% in 2015 (Wong, 2014). The increase of the m-commerce market size in Malaysia is driven by the high mobile phone penetration rate in the country. With government support, m-commerce in Malaysia has a very promising future and is set to be the engine of growth worldwide (Goi, 2008).

With the growth in m-commerce, the competitions among m-commerce retailers are also growing intensively. Retaining customers has become an issue for online retailers as it is more expensive for them to attract new customers as compared to the brick-and-mortar stores (Luarn & Lin, 2003). In addition, customer loyalty is important as it would strongly impact the profits and long-term growth of a company (Reichheld & Scheffer, 2000). A little increase in customer loyalty rate can boost up a company’s profit (Eid, 2011). In short, the success of m-commerce depends on customer loyalty to m-commerce retailers (Lin & Wang, 2006). Therefore, it is necessary for m-commerce retailers to maintain long-term relationship with their customers in the m-commerce environment (Kim, 2010).

The importance of customer loyalty has been recognized in marketing literature for many years. However, the empirical validation for m-commerce customer loyalty has not been addressed extensively (Lin & Wang, 2006). Based on the review of past studies, most of the studies have examined the factors that influence the adoption of m-commerce (Lai & Lai, 2014; Chung, 2014, Zhang et al., 2012, Chong et al., 2012; Wei et al., 2009). Although examining the user behavioral intention towards the adoption of a technology is common, it is also important to understand the customer retention in m-commerce context (Chong, 2013). Therefore, this paper aims to bridge the gap by investigating the factors that influence m-commerce customer loyalty in Malaysia by integrating service quality and relationship quality constructs.

2. Literature review

Researchers use different theoretical foundations to study customer loyalty. These include relationship marketing theories such as Morgan and Hunt's (1994) commitment trust theory, Oliver's (1997, 1999) satisfaction and loyalty

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