



How do bidders' organism reactions mediate auction stimuli and bidder loyalty in online auctions? The case of Taobao in China



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ABSTRACT

Currently, it is critical to nurture bidder loyalty in the highly competitive online auction business. This study investigated the mediating effect of consumer perceptions between technological/brand stimuli and bidder loyalty to an online auction website by applying the traditional and evolutionary stimulus–organism–response models. We tested these models using 449 bidders from Taobao, an online auction service provider in China. Based on the results of covariance-based structural equation modelling, we showed that consumer perceptions fully mediate technological stimuli, but only partially mediate brand stimuli, and bidder loyalty. These results can be used to further improve the related research and practice.

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1. Introduction

The last decade has witnessed a significant increase in online auction activity. This activity not only accounts for a large volume of the economic transactions conducted over the Internet but has also led to a revolution in the online and offline retail markets [88]. Moreover, the emergence of the Internet as a market force has helped minimize operating costs, lower entry barriers and diminish physical travel, thus intensifying competition, which is now just a “click” away [108]. Hence, online auction service providers have made a practice of offering loyalty incentives and investing in customer retention programmes in an effort to minimize their attrition rates and to maximize the repurchase intentions of their customers [109]. Online auction service providers use these retention investments to nurture bidder loyalty in their online communities. In today's highly competitive online auction market, the ability to retain the existing customers is fundamentally important, because retention is less expensive and difficult than obtaining new customers and can help establish a sustainable competitive advantage [34].

Building customer loyalty requires critical resources and resource commitment, including developing an effective auction website that will encourage bidders' participation. Hence, auction service operators must be able to refocus their digital resources towards developing a distinctive website to improve bidder loyalty. In other words, an effective auction website may eventually stimulate the bidding motivation of customers, which in turn will sustain their loyalty to the website. However, the effect of a stimulating website is reflected by each customer's perceptions. Consequently, online auction service providers need to evaluate their customers' organism reactions to such website stimuli, before expecting customer loyalty as a response.

Accordingly, this study aims at applying traditional and evolutionary stimuli–organism–response (S–O–R) frameworks to investigate bidder loyalty in online auctions. According to the traditional S–O–R model, environmental stimuli can lead to cognitive and affective reactions that cause certain behaviour to be performed [62]. The model, which has been widely applied and successfully validated in information systems (IS) research, considers the organism to be the mediator between the stimulus and the response [40,45,68,86]. A recent meta-analysis of S–O–R research [98] has also confirmed the validity of the organism as a theoretical construct for empirical investigation. However, the results concerning the mediating role of the organism in the model have been mixed. For example, the emotional state of online

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shoppers has been shown to fully mediate the effect of design on shopping behaviour but to only partially mediate the ambience [64]. By contrast, Thang and Tan [92] identified a direct stimulus–response relationship between store image and consumer retail behaviour. These mixed results suggest that the full mediation of organism between stimulus and response suggested by the traditional S–O–R framework may vary—particularly when psychologically complex, dynamic and recursive phenomena are being modelled [39]. The evolutionary S–O–R framework [39] with varied relationships between stimulus, organism and response, thus may be a better fit.

Online auction websites can have different effectiveness measures in relation to factors such as technological service and branding. Thus, their psychological effects on bidders are likely to be heterogeneous and complex. Although the traditional S–O–R model offers insights into the full mediating effect of the organism, researchers have argued that the idea of a partial mediating effect has heuristic value for theory building because it can uncover other missing mediators and underlying relationships [114]. Accordingly, these researchers have stated that more attention should be paid to partial mediation. We respond to this call by investigating the full and partial mediating effects of bidders' organism reactions on the relationship between making an auction website more stimulating and bidder e-loyalty based on the traditional and evolutionary S–O–R frameworks.

Based on the above arguments, in this study, we focus on the following research questions:

- (1) Which factors influence bidder loyalty to online auction websites?
- (2) Do different factors show the same patterns in terms of their effects?
- (3) Does the fully or the partially mediating S–O–R model better explain e-loyalty to online auction websites?

Although the antecedents of e-loyalty in online auction websites have been investigated in previous studies, most of the technological factors are some general website characteristics and few are specific to online auctions and the brand factors that also need to be investigated. The extant literature has also provided mixed research findings on the mediating effects of utilitarian and hedonic factors. Therefore, this study selected bidders' perceived bidding utility and enjoyment as the organism reactions. The results of this study can contribute to the existing research and practice in several ways. First, our findings can provide insights for online auction service providers to determine whether to place greater emphasis on website branding or technology enhancement. Moreover, the validity confirmation of the evolutionary S–O–R, in relation to bidder loyalty can help reconcile inconsistent S–O–R results. Finally, the discussion on the causal direction of cognitive and affective perceptions in online auction context echoes the need for this research gap [68].

2. Research background

2.1. Studies on E-loyalty to websites

E-loyalty is defined as the “perceived intention to visit or use a website in the future and to consider purchasing from it in the future” [20]. A recent meta-analysis of the e-loyalty literature examined both consequences and antecedents of e-loyalty [93]. In terms of consequences, the findings showed that e-loyalty, measured behaviourally or attitudinally, can increase cross-sales, customer profitability, willingness to pay more and positive word-of-mouth (WOM) behaviour. Moreover, e-loyalty can reduce

customer price sensitivity and alternative search behaviour. The results of the meta-analysis thus established the potentially positive and strategic effects of e-loyalty in online business environments.

In their meta-analysis, Toufaily et al. [93] also classified the antecedents of e-loyalty into five categories of characteristics relating to the website, product/service, company/retailer, customer and environment. Upon further examination, we found that website characteristics mainly refer to the technological nature of the websites and that the product/service and company/retailer can be combined into one category, product or company. Therefore, we reviewed the antecedents of e-loyalty in relation to the following factors: technology, product or company, customer and environment (as summarized in Table 1).

Our literature review clearly indicates that the antecedents of e-loyalty have been widely investigated. However, we believe that three areas require further investigation. First, most of the technological factors relating to websites are highly general and only two studies (i.e. [79,110]) have investigated factors that are specific to the functions of their websites. Salmen and Muir [79], for example, investigated the use of electronic customer care technologies to create customer e-loyalty in the context of Internet banking. By contrast, Yoon et al. [110] investigated the use of general collaborative filtering and random recommendation agents to improve e-customer loyalty on online shopping. However, studies have seldom investigated specific technologies in the auction website context. The investigation of specific technological attributes in auction website is necessary because different websites provide different services to customers. Hence, such research is needed to validate specific information technology (IT) capabilities in specific IT context that enhance e-customer loyalty.

Second, although reputation has been thoroughly studied, branding itself has been largely ignored. We only found one e-loyalty study that addressed branding [63]. Corporate reputation and branding are both important for marketing [7]. Reputation (or brand image) is a “bottom-up” approach from the customer perspective, whereas branding is a newly developed “top-down” approach from the organizational perspective [11]. With the emergence of website brand effects, more emphasis needs to be placed on website branding than on the traditional branding approaches [93,52].

Third, in terms of the customer factors, trust and satisfaction have both been examined as intermediaries in many studies. Some researchers called for further research on hedonic and functional elements [93]. The aim of this study is to address these research gaps by investigating e-loyalty to online auction websites.

2.2. Studies on the S–O–R model

The traditional S–O–R model was derived from the input → output model, which assumes that individuals make rational behavioural decisions [39]. However, decision-making is not a fully rational process, due to people's individual differences and their unique mental states and processes. As people are not entirely rational in their decision-making, the S–O–R model places more emphasis on factors relating to internal organism reactions in explaining individual responses. According to the S–O–R model, environmental stimuli can affect the cognitive and affective reactions that cause individuals to perform certain behaviour [62]. Hence, the S–O–R model solves the ‘rationality assumption’ problem of the original input → output model by emphasizing the internal cognitive and affective processes of individuals, which are referred to as *organism reactions*. Importantly, the S–O–R model considers the organism to be the mediator between the stimulus and the response.

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