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Gen Y customer loyalty in online shopping: An integrated model of trust, user experience and branding



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ABSTRACT

Generational theory posits that generational cohorts develop similar attitudes and beliefs. Gen Y, Millennials, will become the largest customer segment for hotels worldwide. This group likes to travel and prefers to spend money on experiences rather than materialistic items. Their responses to online marketing is expected to be different as they process website information five times faster than older generations and are the most emotional and least loyal customers compared to all other generations. The aim of this research is to develop and test a comprehensive model that explains how Gen Y develops loyalty to a hotel booking website. To test the research model, an online survey was distributed to a systematic random sample of 2500 Gen Yers. Findings highlight that trust is the most important antecedent of e-loyalty in online shopping for Gen Y customers. Brand equity is also a key precursor of e-loyalty. Finally, a positive online experience (flow), is also a significant precursor of e-loyalty for this cohort.

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1. Introduction

Generational cohorts have different values, preferences and shopping behaviors (Parment, 2011, 2013). It is an important goal for marketers to understand such differences and offer products and services accordingly. Baby Boomers were the largest consumer segment in the U.S., however, Gen Y (millennials) has emerged as a big force with growing spending power which will inevitably rival Baby Boomers' market dominance (Xu, 2007). This cohort is economically robust and spends \$200 billion annually (Djamasbi et al., 2010) and the global travel spending of Gen Y is worth \$136 billion (Petrak, 2011). They constitute more than 25 percent of the world population (Nusair, Bilgihan, Okumus, & Cobanoglu, 2013), are highly sociable, tech-literate, and media/tech savvy (Farris, Chong, & Danning, 2002; Nusair et al., 2013) and more importantly, they grew up with technology (Palmer, 2009b). The Internet has a strong impact on the lives of Gen Y (Nusair et al., 2013). Consumer psychologist Kit Yarrow states that technology represents the "third hand and second brain" of Gen Y (Palmer, 2009a, b). They are also immersed in online activities, including e-commerce (Lester, Forman, & Loyd, 2006) and m-commerce. This tech-savvy cohort processes website information five times faster

than older generations (Kim & Ammeter, 2008; O'Donnell, 2006). Moreover, this group likes to travel and prefers to spend money on experiences rather than materialistic items (Mettler, 2015). Therefore, it is reasonable to assume that Gen Y's preferences and needs, especially regarding their response to online marketing, are different from other generations.

Over the next five to 10 years, Gen Yers will become the largest customer segment for hotels worldwide (Mettler, 2015). Hotel marketers need to revisit their strategies in order to establish a positive and lasting relationship with this new customer segment. This is a challenging task, considering that this segment represents the least loyal, most emotional and least satisfied guests compared to all other generations (Tripadvisor, 2015). Hotel brands need to develop websites that attract customers and encourage online booking and loyalty (Bilgihan, Nusair, Okumus, & Cobanoglu, 2015; Jeong, Oh, & Gregorie, 2005). Gen Y customers put a heavy emphasis on the online user experience while shopping online. Booking websites are hotels' virtual faces that users interact with, therefore a positive experience with the website can create a bond between the user and the hotel brand. Bilgihan et al. (2015) examine the concept of positive "online customer experience" and its mediating role in influencing customers' loyalty to a hotel booking website. They propose and test a theoretical model suggesting that hedonic and utilitarian features affect the online hotel

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booking experience positively, which in return positively influences customer loyalty. Changing market trends along with the unique nature and influence of Gen Yers make it important to understand the market behavior of this important cohort (Drake-Bridges & Burgess, 2010; Noble, Haytko, & Phillips, 2009; Valentine & Powers, 2013). It is critical to investigate the market behaviors of Gen Yers in the context of e-commerce (Lester et al., 2006). Engaging Gen Yers and nurturing their loyalty is a top research priority for hotel marketers (Kandampully, Zhang, & Bilgihan, 2015). Theoretical and empirical research about Gen Y online shopping behaviors is limited (Noble et al., 2009), especially in the context of online services. Having identified this gap, the current study focuses on testing a comprehensive model that explains how Gen Y develops loyalty to a hotel booking website.

Offering a unique shopping experience is the key to winning the hearts and minds of consumers (Pine & Gilmore, 2011). In consequence, experience has become a key element of shopping (Rust & Lemon, 2001). Researchers are now examining the consumer's shopping experience via the web with the "flow" construct, implying that it is possible to measure the extent and intensity of the consumer's experience in online environments (e.g. Novak, Hoffman, & Yung, 2000). Flow is a temporarily unaware experience in which an individual engages in an online shopping activity with total concentration, control, and enjoyment (Liu, Chu, Huang, & Chen, 2016). Many consumers report that they experience flow while shopping online. Forrester Research (2012) forecasts that online shoppers in the US will spend \$327 billion in 2016, accounting for 9% of total retail sales. Similarly, the Internet has become a fundamental distribution channel for the lodging industry, accounting for 16% of all revenues generated in the US lodging industry (Chiang & Jang, 2007). The Nielsen Company (2010) surveyed over 25,000 respondents and reported that 26% of Internet users intend to book hotel rooms online.

Hotel reservations constitute the second most frequently purchased online travel product (Card, Chen, & Cole, 2003). Nevertheless, loyalty levels to hotel websites have been declining. Thus, there is a need for hotels to develop websites that attract customers and encourage online booking, thus increasing consumer loyalty (Jeong et al., 2005). Given the potential importance of the positive online experiences in e-commerce, the significance of Gen Y for the hotel industry, different marketing needs for Gen Y, and the lack of theoretical and empirical insights on the issue, this paper explores the effects of website features on online experiences and behaviors of Gen Y customers. Specifically, we suggest that the characteristics of the website (i.e., hedonic and utilitarian), acting as stimuli in positive online experiences, will influence the Gen Y's loyalty towards the brand, further, it will influence brand equity and trust.

The flow of this paper is as follows: first, it discusses the generational theory, and then introduces research constructs. Later, it develops the conceptual framework and research hypotheses. That section is followed by a description of the study design and data collection. Study results are then presented and discussed. Finally, it concludes with both theoretical and practical implications, and propose the future research directions and limitations.

2. Theoretical background

2.1. Generational theory

Research in generational cohorts and their particular patterns gains interest from different domains from marketing to retailing and from educational studies to those investigating labor and employment (Leask, Fyall, & Barron, 2014). The root of such research, generational theory, posits that generational cohorts share life experiences which cause them to develop similar

attitudes and beliefs (Meriac, Woehr, & Banister, 2010). Shared life experiences and social context trigger each generational cohort to develop different beliefs, expectations and views regarding their lives and consequently different behaviors (Dries, Pepermans, & De Kerpel, 2008) which results in cohorts developing their own distinct characteristics (Kupperschmidt, 2000). Gen Yers have been raised in a time where just about everything is branded and, therefore, they are more comfortable with brands than previous generations and respond to them differently. Consequently, they have a unique attitude towards brands (Lazarevic, 2012). Marketers need to create relationships between their brands and Gen Y consumers through various steps in order to increase brand loyalty of this disloyal segment (Lazarevic, 2012). This cohort process websites faster than older generations and they are moving away from standard text toward images, compelling videos and social websites. Therefore, hotel marketers should understand their responses to online marketing efforts and design their websites accordingly to drive online bookings. Consequently, this next section discusses the design elements for a hotel booking website and develops hypotheses regarding how these design elements might trigger the flow experience while shopping online.

2.2. Utilitarian and hedonic characteristics of online shopping

In e-commerce, customers seek utilitarian benefits, such as comparing prices and similarly, they also seek hedonic benefits, such as visually appealing website designs as they provide enjoyment of the online shopping experience (Bilgihan, Okumus, Nusair, & Bujisic, 2014; Bilgihan & Bujisic, 2015; Loiacono, Watson, & Goodhue, 2002). Accordingly, it is important to understand that there are consumers who are seeking the "full experience" (Loiacono et al., 2002). These consumers are the ones who simply enjoy "strolling down the aisles" and want to be entertained along the way. To satisfy these consumers, the e-commerce websites must establish a pleasant online shopping experience. For these customers, shopping is not merely a process to acquire goods but it is also for enjoyment. For instance, prior booking a vacation online, the customer may daydream while viewing the pictures and videos of a resort, reading the review of other tourists and being immersed in the online activity. Earlier, Blakney and Sekely (1994) find that the level of intrinsic enjoyment of the shopping experience affects consumer behavior. Online shopping enjoyment is correlated with the higher intention of return to a website (Koufaris, 2002). Enhancing the experience and gaining consumer loyalty have been considered noteworthy marketing goals (Verhoef et al., 2009). Gabisch (2011) suggests that the optimal experience on a brand's website is a critical factor in successfully managing loyalty because experiencing online flow significantly leads to enhanced loyalty. Flow is the enjoyable experience that people feel when acting with total involvement (Huang, Backman, & Backman, 2012). It is a valuable construct for the explanation of consumer behavior in computer-mediated environments (Huang et al., 2012; Teng, Lo, & Li, 2012).

Utilitarian and hedonic features of a website are expected to foster flow experience (Bilgihan, Okumus et al., 2014; Sénécal, Gharbi, & Tunis, 2002). While hedonic website features are not usually directly related to purchase, these features do influence customer satisfaction (Cai & Xu, 2011) and create flow (Bridges & Florsheim, 2008). Childers, Carr, Peck, and Carson (2001) highlight the importance of the hedonic characteristics (e.g., exciting designs, entertaining websites features, and gamification) of the websites, which are expected to create flow experience (Sénécal et al., 2002). Therefore, the following hypothesis is proposed:

H1. *The greater the hedonic features of the e-commerce website, the*

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