

THE IMPACT OF E-LOYALTY ON THE BUSINESS SUCCESS OF SMEs

by

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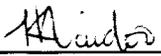
CAPE PENINSULA UNIVERSITY OF TECHNOLOGY

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STATEMENT OF OWN WORK

I declare that "The impact of e-loyalty on the business success of SMEs" is my own work, that it has not been submitted before for any degree or assessment in any other university, and that all the sources I have used or quoted have been indicated and acknowledged by means of complete references.



KRUBEN NAIDOO

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ABSTRACT

This study investigates the impact that e-loyalty has on the business success of SMEs. E-Loyalty is defined as a customer's favourable attitude towards an on-line business which ultimately culminates in repeat purchasing behaviour. Eight factors (the 8Cs – customisation, contact interactivity, care, community, convenience, cultivation, choice, and character) have been identified as having a potential impact upon e-loyalty. Trust and satisfaction play an important role in generating e-loyalty for electronic business, an aspect which will be elaborated upon within the ambit of the study. Although there is no universal definition of an SME, the definition given by the South African National Small Business Act (Act 102 of 1996) was adopted in this research. Furthermore, an in-depth overview of business success was also presented. Business success can be described as more than profit-generation. A myriad of factors investigated influence the success of a business, more particularly; the study focuses on success factors pertaining to 'e-business'.

An online survey was conducted on two SME e-business websites i.e., www.buycomputers.co.za and www.take2.co.za. Data collected from 176 online customers demonstrate that all these factors treated separately impact e-loyalty. However, when these factors are grouped together, only four of these constructs (i.e., 'Customisation', 'Choice', 'Cultivation', and 'Character') have a significant impact on e-loyalty. Furthermore, the data also returned that e-loyalty has an impact on two customer-related outcomes: 'word-of-mouth promotion' and 'willingness to pay more'. More specifically, the 'loyal' customer is 'less willing to pay more'. The high cost of attracting new customers on the Internet and the relative difficulty in retaining them make customer loyalty an essential asset for many online vendors.

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CHAPTER 1: SCOPE OF THE RESEARCH

1.1 INTRODUCTION

Electronic business has introduced opportunities for both consumers and sellers over traditional 'bricks-and-mortar' businesses. However, in spite of the obvious advantages, there are many challenges facing e-business. This study illustrates the importance of customer loyalty and the need for customer retention to achieve a successful e-business. Factors that contribute to customer's making re-purchases are analysed and studied to facilitate improved business success. With the business community taking heed of this, it could positively influence and improve on-line business for both the consumer and seller. "The high cost of attracting new customers on the Internet and the relative difficulty in retaining them make customer loyalty an essential asset for many online vendors." (Gefen, 2002:27)

In this chapter, the following concepts will be discussed:

- The research process.
- The research problem.
- The research question.
- The investigative questions.
- Research design and methodology.
- Key research objectives.
- Limitations of the study.
- A summary of each of the chapters in this dissertation.

1.2 RESEARCH PROCESS

Remenyi, Williams, Money and Swartz (1998:64-69), explains that the research process consists of eight specific phases, namely:

- Reviewing the literature.
- Formalising a research question.
- Establishing the methodology.

- Collecting evidence.
- Analysing the evidence.
- Developing conclusions.
- Understanding the limitations of the research.
- Producing management guidelines or recommendations.

According to Hussey and Hussey (1997:15), there are six fundamental stages in the research process, namely:

- The identification of the research topic.
- Definition of the research problem.
- Determining how the research is going to be conducted.
- Collection of the research data.
- Analysis and interpretation of the research data.
- Writing up of the dissertation or thesis.

More specifically, Watkins (2006:30-31) presents the following practical research process which is recommended to students as a 'generic research process' for academic purposes:

- Determine the 'field of study' for the proposed research.
- Identify a specific complex problem within a researchable application area, which furthermore falls within the ambit of the identified field of study and of the niche area of the faculty in which the research study will be undertaken.
- Conduct a holistic survey of the functional area in which the complex problem exists, to determine the impact of the problem on the specific area of application and the value the proposed research may bring.
- Conduct an abbreviated literature review on the subject matter being investigated. The purpose being to not only provide insight into the complexity of the problem, but also to provide insight into the literature pertaining to the field of study of the proposed research.
- Describe and formulate the research problem.

- Describe and formulate the research question or hypothesis, and associated investigative questions.
- Select an appropriate research design and methodology, which includes the data collection design and methodology.
- Determine the key research objectives for the proposed research.
- Document the research process, which will be followed for the proposed research and formulate an associated workplan.
- Identify the limitations, which may impact on the proposed research.
- Based on the above, formulate a formal research proposal and submit for approval.
- Establish a structured working relationship with the allocated supervisor or promoter.
- Conduct an in-depth literature review on the subject being researched.
- Collect, analyse and interpret the research data.
- Write up the dissertation or thesis.
- Proofread the dissertation/thesis and submit for formal vetting.

This author has adopted the above-mentioned approach in this research study.

1.3 BACKGROUND TO THE RESEARCH PROBLEM

Electronic business has introduced opportunities for both the consumer and the entrepreneur, which positively stimulates business processes. The consumer is empowered with a wider product offering, while the entrepreneur is able to attract a larger, more focussed market segment. This is offset by a number of constraints impacting electronic business to maintain a sustainable advantage. The primary constraint studied being the absence of 'e-loyalty'. E-Loyalty is defined as, 'a customer's favourable attitude toward the on-line business that results in repeat purchasing behaviour'. Many factors both internal and external have been found to impact on small business success which are *inter alia*, industry structure and competition, entrepreneurial decisions, employee relations,

entrepreneurial objectives, organisational culture, education, training and prior experience and various sub-categories within these areas (Simpson, Tuck & Bellamy, 2004:481).

1.3.1 Statement of the Research Problem

Against the background described above, the research problem reads as follows: "The absence of e-loyalty adversely impacting on the business success of SMEs".

1.4 BACKGROUND TO THE RESEARCH QUESTION

Within the context of a business venture, "...success is often viewed in terms of growth or profitability, but this becomes more complicated when trying to determine the factors that lead to it" (Simpson, Tuck & Bellamy, 2004:483). Most businesses spend more money acquiring new customers than they spend on retaining existing customers. Factors that impact e-loyalty could ultimately have an impact on the success of SME e-business.

1.4.1 Statement of the Research Question

Against the background to the research question described above, the research question reads as follows:

"Which factors are imperatives for the establishment of e-loyalty to ensure the business success of SMEs?"

1.4.2 Investigative Questions

Investigative questions to be researched in support of the research question, reads as follows:

- Does e-loyalty influence the customer's willingness to pay more?
- Can e-loyalty be attained through word-of-mouth promotion?

1.5 RESEARCH DESIGN AND METHODOLOGY

Figure 1-1, gleaned from White (2000:27), represents a summary of the features of the research design pertaining to this research.

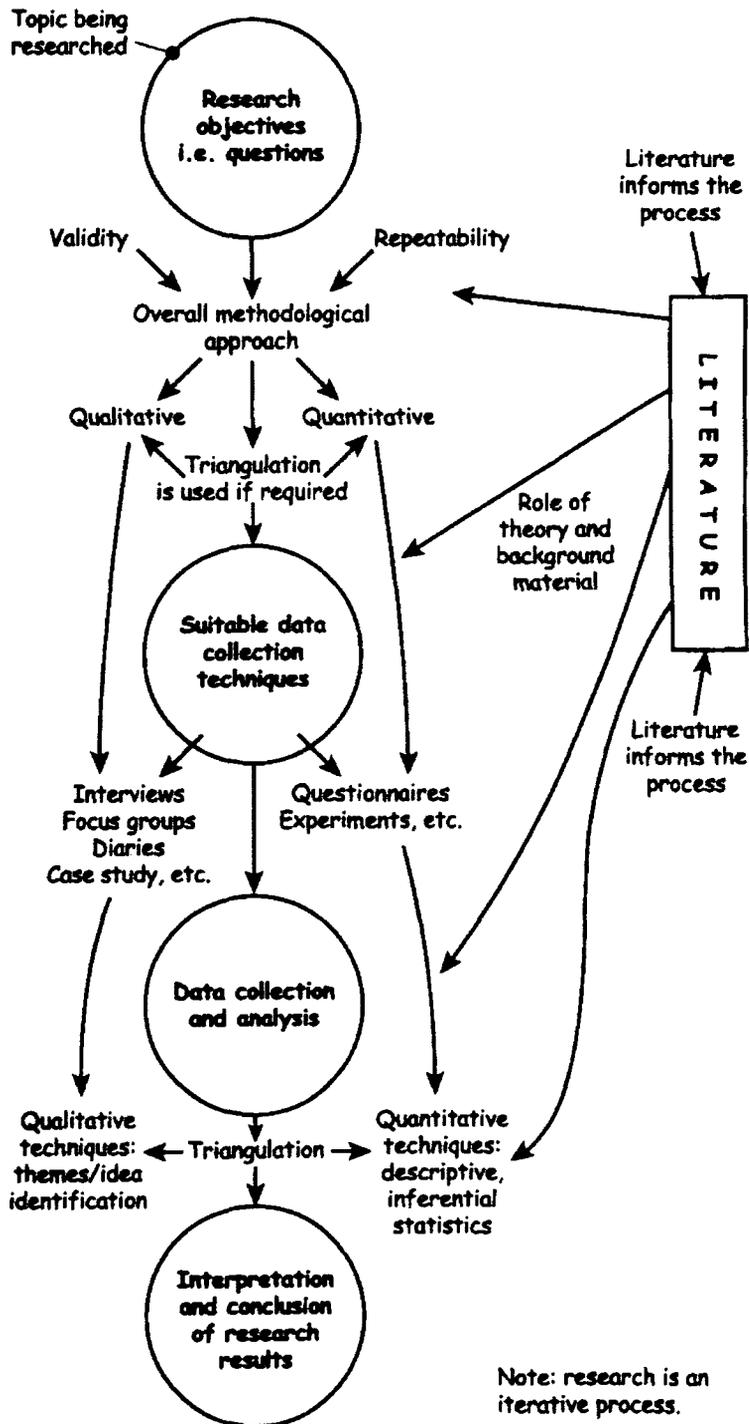


Figure 1-1: A summary of the features of research design (Source: White, 2000:27)

A case study approach will be deployed within the ambit of this research. Tellis (1997) states that case studies are multi-perspective analyses and is known as a triangulated research strategy. "The protocols that are used to ensure accuracy and alternative explanations are called triangulation, which can occur with data, investigators, theories, and even methodologies" (Tellis, 1997 citing Stake, 1995). Some of the more salient aspects of case study research described by Yin (2003b) are listed below:

- A case study is an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.
- Case study research aims not only to explore certain phenomena, but also to understand them in a particular context.
- 'How' and 'why' questions are explanatory, and likely to be used in case study research.
- A case study illuminates a decision or set of decisions – why they were taken, how they were implemented, and with what result.
- The case study as a research strategy comprises an all-encompassing method – with the logic of design incorporating specific approaches to data collection and data analysis. In this sense, the case study is not either a data collection tactic or merely a design feature alone, but 'a comprehensive research strategy'.
- Case study research uses multiple methods for collecting data, which may be both qualitative and quantitative.
- A case study is typically used when contextual conditions are the subject of research.

Hussey and Hussey (1997:20) define qualitative research as 'a subjective approach which includes examining and reflecting on perceptions in order to gain an understanding of social and human activities', while quantitative research is defined as 'an objective approach which includes collecting and analysing numerical data and applying statistical tests'. White (2000:24) concurs that quantitative research involves an objective way of

studying things, whereas a qualitative approach assumes that this is difficult and the research is subjective. The author further explains that:

- **Quantitative research**, often referred to as 'positivistic', is scientific in its approach. It aims to be objective and collects and uses numerical data.
- **Qualitative research** takes the view that it is very difficult for researchers to stand back and be objective, since they are really part of the process being researched. This type of research is often referred to as 'phenomenalistic'.

Furthermore, Yin (2003a:5) explains that case studies may be classified as exploratory, explanatory, or descriptive. An 'exploratory' case study (whether based on single or multiple cases) is aimed at defining the questions and hypotheses of a subsequent study (not necessarily a case study) or at determining the feasibility of the desired research procedures. A 'descriptive' case study presents a complete description of a phenomenon within its context. An 'explanatory' case study presents data bearing on cause-effect relationships – explaining how events happened.

According to White (2000:40), there are different forms of case studies which can be described as:

- **Typical**: Here the organisation is as typical as possible, for example, a large supermarket or general manufacturing company. This type of research is often used to test and examine accepted ideas about a subject.
- **A-typical**: Here the example is unusual and out of the ordinary. The Pilkingtons strike¹ was such a situation; it does not happen every day. Case studies like this add to knowledge and may develop new theories and ideas about a subject.
- **Precursor studies**: With large research projects, case studies are sometimes used at the start and act as 'pilot studies' to identify the issues involved before the research is planned in detail.

¹ 'A well-known example of case study research is the study by Lane and Roberts (1971) on the strike at Pilkingtons in the UK', as cited by White (2000).

- **Multiple case studies:** If time permits, it is a good idea to study two or more similar examples. This allows for comparative treatment, and helps build and validate accepted theories.

Hussey and Hussey (1997:66) state that case studies are often described as exploratory research used in areas where there are few theories or a deficient body of knowledge. In addition, these authors cite Scapens (1990), who states that the following types of case studies can be identified:

- **Descriptive case studies:** Where the objective is restricted to describing current practice.
- **Illustrative case studies:** Where the research attempts to illustrate new and possibly innovative practices adopted by particular companies.
- **Experimental case studies:** Where the research examines the difficulties in implementing new procedures and techniques in an organisation and evaluating the benefits thereof.
- **Explanatory case studies:** Where existing theory is used to understand and explain what is happening.

Yin (2003b:21-28), emphasizes the following five components of a research design, which are especially important for case studies:

- **Study questions:** The case study strategy is most likely to be appropriate for 'how' and 'why' questions, which calls for the initial task being to clarify precisely the nature of the study questions.
- **Study propositions:** A study proposition directs the attention to something that should be examined within the scope of the study. For greater clarity, the proposition points to the, 'reason for the study'.
- **Unit of analysis:** Should the case study involve a specific person being studied, say a person with a rare medical problem, the individual being studied is the primary unit of analysis. The

tentative definition of the unit of analysis is related to the way in which the initial research questions are formulated.

- **Linking data to propositions:** A number of ways are available to link data to propositions. An approach suggested by Yin is that of 'pattern matching', whereby several pieces of information from the same case may be related to some theoretical proposition.
- **Criteria for interpreting findings:** If the different 'patterns' are sufficiently contrasting, the findings can be interpreted in terms of comparing at least two rival propositions.

Within the context of the case study approach, a quantitative and qualitative data analysis was conducted. For this purpose, a survey, adapted from Srinivasan, Anderson, and Ponnnavolu (2002:48-49), was designed using both the 7-point Likert scale and 7-point Semantic scale, with research questions articulated to answer the research question and ultimately to mitigate the research problem. Respondents were made up of more than 176 randomly selected SME e-business customers. A website, <http://www.ros.co.za/>, was used to host the survey written in PHP with a MYSQL database, to offer easy access to potential respondents. Two SME e-businesses hosted links to the survey to gauge its customer's input. The web program was also debugged by several programmers, and thereafter piloted, thereby forming the basis for the data collection and analysis phase which followed. Chapter 4 provides the details of the data collection, design and methodology conducted within the ambit of this research study.

1.6 KEY RESEARCH OBJECTIVES

The objective of this research study is to determine the impact that customer loyalty has on the success of an electronic business. Furthermore, the study explores the research problem, and attempts to determine which factors are imperatives for the establishment of e-loyalty to ensure the business success of SMEs.

1.7 LIMITATIONS OF THE RESEARCH

The study will focus primarily on SME e-businesses (specifically, e-tailers) without pertaining to any particular industry sector. The web implies a borderless information system which leads to interesting legal issues, marketing challenges etc, all of which will be considered within the ambit of the research study. While recognising that the economic, political and social environment will affect the performance of SME e-businesses, the focus of this research study is on the factors influencing e-loyalty, and not on the broader external environment. Furthermore, the attention of the reader is drawn to the fact that the research of Srinivasan *et al.* (2002) was based on a sample population of 1211. Against this background, it is acknowledged that as this research was limited to a sample population of only 176 respondents, the results between the two surveys may differ.

1.8 CHAPTER AND CONTENT ANALYSIS

The chapter and content analysis pertaining to this research study, includes the following:

Chapter 1: Scope of the research

In this chapter the research subject is introduced followed by the research process to be followed in the execution of the research project. A case study approach will be undertaken, containing qualitative and quantitative components. The research problem, research question, and investigative questions are elaborated upon followed by the research design and methodology. The key research objectives and limitations of the research are stated and the chapter concluded with a chapter and content analysis.

Chapter 2: Overview of business success of SMEs

This chapter serves as a prelude to the literature review to follow in

Chapter 3. Although, as there is no universal definition of an SME, the definition as stated in the South African National Small Business Act (Act 102 of 1996), is used within the ambit of the research. Business success can be described as more than profit-generation. A myriad of factors investigated influence the success of a business, more particularly; the study focuses on success factors pertaining to 'e-business'.

Chapter 3: Literature review

This chapter covers a literature study of e-business and related concepts, more specifically pertaining to SME e-businesses. In addition, an e-tailer is defined as an online retailer who leverages the efficiency of the Internet to improve a customer's buying experience. Factors for successful on-line business are also described. Furthermore, the concepts of customer loyalty and e-loyalty are discussed. E-loyalty is defined as the customer's favourable attitude toward an electronic business resulting in repeat purchasing behaviour. Ultimately, several factors that influence e-loyalty are elaborated upon.

Chapter 4: Data collection, design and methodology

Within the ambit of this chapter, an online survey was conducted. The survey was adapted from a similar survey conducted by Srinivasan, Anderson, and Ponnaolu (2002:48-49). The survey was designed to answer the research problem, the research questions, and more specifically, the investigative questions. Two SME e-businesses, www.buycomputers.co.za and www.take2.co.za, were chosen to host the survey and determine their customer's input. There were 176 respondents in total. The data was stored in a MYSQL database, and the results were exported to Microsoft Excel, prior to any analysis conducted.

Chapter 5: Analysis and interpretation of results

In this chapter, a frequency distribution analysis was conducted. Thereafter, the items that were reverse-coded in the questionnaire were taken into account before a confirmatory factor analysis was performed. Furthermore, a correlation analysis was executed to determine how closely each of the constructs related to each other, and Cronbach's alphas were also obtained to test for reliability. Finally, a Stepwise regression analysis was performed. All the analyses were executed using SPSS (Statistical Package for Social Sciences) Version 14.

Chapter 6: Conclusion and recommendations for further research

This chapter provides a summary of the research conducted in this research study against the background of the research problem, research question, and more specifically, the investigative questions. A summary of the results and findings are provided, with an insight into the changes effected and its associated values. Lastly, conclusions are drawn from the research and recommendations for further research are made.

1.9 CONCLUSION

Electronic business has introduced opportunities for both consumers and sellers over traditional 'brick and mortar' businesses. E-loyalty is defined as the customer's favourable attitude toward an electronic business resulting in repeat purchasing behaviour. There are several dimensions of e-loyalty which include; attitudinal loyalty, behavioural intent, and behavioural loyalty. Furthermore, the 8C's which are described as 'customisation', 'contact interactivity', 'care', 'community', 'convenience', 'cultivation', 'choice', and 'character', potentially impact upon e-loyalty.

In this chapter, the following key elements were discussed:

- The research process.

- The research problem.
- The research question.
- The investigative questions.
- An introduction to the research design and methodology.
- Key research objectives.
- Limitations of the study.
- A summary of each of the chapters in this dissertation.

The objective of the research study is to determine to what extent, customer loyalty has an impact on the success of an electronic business. Furthermore, to determine which factors are imperatives for the establishment of e-loyalty to ensure the business success of SMEs. The high cost of attracting new customers on the Internet and relative difficulty in retaining them make customer loyalty an essential asset for many online vendors. The study hopes to illustrate several factors that influence customer loyalty for an SME e-business and examine the behavioural consequences thereof. More importantly, the researcher expects that the (research) findings could motivate the e-business community (more specifically the managers of an e-business) to consider the immense influence customer loyalty has on the success of electronic business. The result could be a more pleasant Internet shopping experience for both the consumer and seller. In the next chapter, the concept of a small business is defined and then further explored. In addition, an overview of business success and factors to measure business success will be discussed.

CHAPTER 2: OVERVIEW OF BUSINESS SUCCESS OF SMEs

2.1 INTRODUCTION

In this chapter, the concept of an SME is discussed. There is no universal definition for an SME, and the definition changes depending on various factors like country and/or industry sectors. Furthermore, business success is perceived to be viewed in terms of growth or profitability, but this becomes more complex when trying to establish factors that determine it. The Balanced Scorecard is also presented as a means of measuring business success. Lastly, the aspect of measuring small business success is explored and elaborated upon.

2.2 SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

There is no universal definition of Small and Medium-sized Enterprises (SMEs) in the literature surveyed. Different perspectives of SMEs have been noted based on country and/or industry sectors. For example, Cronje, Du Toit and Motlatla (2000:490-499) note that in Japan, USA and Europe, an SME is any business with fewer than 500 employees, where 'small' refers to fewer than 200 employees and 'medium' between 200 and 500 employees. The author states that the most commonly used quantitative measure for an SME is determined by the number of employees in the business. However, there does not appear to be any consistency amongst researchers, for the absolute number of employees, between 'large' and 'small' enterprises. Petroni (2002:334-335) concur that SMEs are usually defined as firms with fewer than 500 employees, but adopts the Organization for Economic Co-operation and Development (OECD) countries perspective, as well as that of a number of other countries including those in the European Union, where 300 employees serves as the absolute number of employees for an SME, where the following criterion serves to establish the various categories of SMEs:

- Micro establishments (between one and 19 employees); those firms that are generally family owned and perform an almost artisan type of activity.
- Small establishments (20-99 employees).
- Medium establishments (100-299 employees).

Horner and Shipley (1988:13) postulate that a small business has 200 or fewer employees, or an annual turnover of £2 million, but concede that the definition may not be adequate and is merely a guideline, as sales may vary considerably across industries. "There are many different ways to categorise small businesses, for example firms in the manufacturing industry have traditionally been categorised by number of employees but retail firms by turnover, so it has been very difficult to generalise the results of any research" (Simpson, Tuck & Bellamy, 2004:483).

Cronje *et al.* (2000:490-499) further propose a qualitative perspective for SMEs. In this context, the enterprise is 'small' if it is privately and independently owned, managed and controlled by the owner(s), but may have more than one branch or unit. The differentiating factor for a 'small' enterprise is that the owner manages and controls the enterprise, whereas in a 'large' enterprise, there is distinct segregation of responsibility between owners and management.

In South Africa, the Department of Trade and Industry has developed a comprehensive definition of SMEs when deciding on financial assistance. This is encapsulated in the National Small Business Act (Act 102 of 1996) and is industry specific. Within this context, small business means a separate and distinct business entity, which includes cooperative enterprises and non-governmental organisations, managed by one owner. This could further include branches or subsidiaries predominant in any sector or sub-sector of the economy mentioned in the Schedule² and which can be classified as a micro-, a very small, a small or a medium

² The National Small Business Act listed by industry sector, size of class, number of employees, total turnover, total gross asset value.

enterprise (South Africa, 1996). The National Small Business Act,³ further provides a definition for a small business organisation as, "... any entity, whether or not incorporated or registered under any law, which consists mainly of persons carrying on small business concerns in any economic sector, or which has been established for the purpose of promoting the interests of or representing small business concerns, and includes any federation consisting wholly or partly of such association, and also any branch of such organisation".

The National Small Business Act (Act 102 of 1996), in broad terms, defines an SME as any enterprise with the following characteristics:

- Less than 200 employees.
- Less than R64 million (1996 prices) annual turnover.
- Less than R23 million (1996 prices) asset base (excluding fixed property).
- Owner/s are directly involved in management.

The Act has subsequently been amended by the National Small Business Amendment Act, 2003 (Act 26 of 2003).⁴

2.3 A HOLISTIC VIEW OF BUSINESS SUCCESS

"Success is often viewed in terms of growth or profitability, but this becomes more complicated when trying to determine the factors that lead to it" (Simpson, Tuck & Bellamy, 2004:483). Tarricone and Luca (2002:54) state that, "... business success specifically means profit-generation". The authors are furthermore of the opinion that, 'profit-generation does not just mean employees generating cash flow and contacts for the business, but also includes the ability of employees to create and maintain positive working relationships with colleagues, clients, and super-ordinates'. According to Green (2002), "... the essence of business success is building relationships with clients and prospects. That's why salespeople

³ Also available at <http://www.acts.co.za/>

⁴ National Small Business Amendment Act (Act 26 of 2003) as gazetted in GG 25763 dated 26 November 2003.

exist. And like any good salesperson knows, staying in front of the customer keeps your products and services top of mind. With this same basic premise in mind, our digital and direct marketing team uses database marketing, technology, and management to create effective one-to-one relationship communication programs to help our clients build loyal and profitable lifetime customers.”

Megginson, Byrd, Scott, and Megginson (1997:38-42) list and discuss the following factors which contribute to small business success:

- Servicing an adequate and well-defined market for the product.
- Acquiring sufficient capital.
- Recruiting and using human resources effectively.
- Obtaining and using accurate information.
- Coping with government regulations effectively.
- Having expertise in the field on the part of both the owner and the employees.
- Managing time effectively.

Porter (2000:244) explains that while large corporations can provide their own internal support and development, small businesses need external help at a feasible price. In identifying this opportunity, Porter (2000) developed a (mostly computer-based) programme to give the owner/managers of small businesses expert, practical and cost-effective guidance on strategic and business planning. The programme was developed with very little face-to-face (communication) coaching, as time and money constraints impact adversely on small business to achieve business success. Enz (2002:1) claims that, “... the true components of financial success is – acting ethically, behaving with integrity, and building strong, enabling relationships with employees which are essential to engaging the full measure of worker effort”.

“Corporate success will hinge on the ability of companies to develop deeper relationships with their customers. This will also be true of their relationships with suppliers” (Tapscott, 2001). Tapscott (2001) is of the

opinion that, "... because the Net slashes the cost of sharing knowledge, collaborating and meshing business processes among corporations, companies can now focus on their core competencies and partner or outsource to do the rest. Together, in industry after industry, teams of specialized companies working together are proving more supple, innovative, cost-efficient, and profitable than their traditionally vertically integrated competitors".

Dickinson (2006:81) explains that more than half of all 'businesses of your size', use manual systems for organising their data. The reasons for this could be that:

- Database systems are too hard to use.
- Customer relationship and inventory management systems are too complex, too expensive, and too difficult.
- Owner/Manager would be too involved in running the business to be concerned with anything new and complicated.

Dickinson (2006:81) affirms that good technology, well used, is the easier way to build a successful business.

Laabs (1997) in his interview with Tom Morris⁵, claims that incorporating time-tested ideas such as truth, beauty, goodness and unity into the workplace will engage the worker's hearts and souls, and not just their minds. This will ultimately lead to business success. Tom Morris explains that a philosopher named Francis Bacon said: 'Knowledge is power'. This concept has been misunderstood, as a result there is a tendency to 'hoard knowledge', rather than share and collaborate. Payne and Birchall (2003:148) concur that the 'Knowledge is power' behaviour is an obstacle that needs to be overcome for business success. "Successful knowledge management⁶ depends on finding the right balance between an emphasis on people, process and technology. This balance will depend on your

⁵ Tom Morris is a modern-day business philosopher – former professor of philosophy at Notre Dame for 15 years, and is now the Chairman of the Morris Institute for Human Values in Wilmington, North Carolina.

⁶ Knowledge management, in broad terms, is defined as the successful application of concepts and practices that enable organisations to exploit and develop their knowledge assets to improve competitiveness and profitability.

organisation's values, objectives and strategy" (Payne & Birchall, 2003:148).

Anon (2005) presents three steps to improve business plans to cater for problems of 'overconfidence', 'boldness', 'habits', and 'false assumptions':

- Utilise effective models especially models that recognise the existence of competitors.
- Managers should be aware of the effects of 'possible competition' with the market-space, by using existing personnel to simulate these effects.
- Managing motives and avoiding conflict between the corporate body and individuals or business units will allow creative freedom on both sides, and the removal of the 'culture of fear' that pervades many top floors.

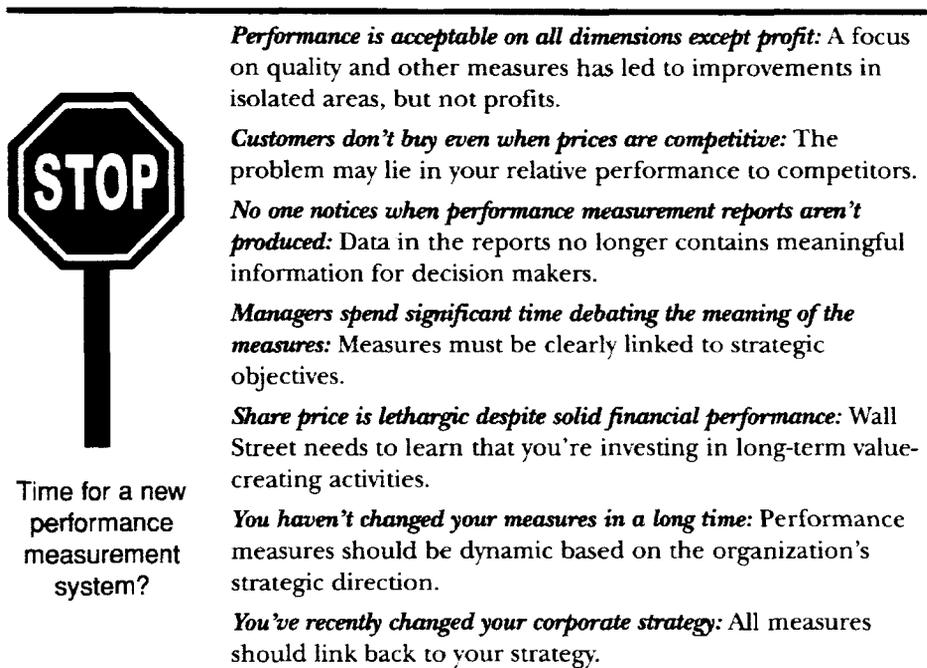
Anon 2 (2005) presents the findings of the American Association of Occupational Health Nurses, who conducted more than 100 one-on-one interviews with executive managers from varied industries. Among the findings returned, it was claimed that 72 percent of these managers indicated that keeping employees healthy is crucial to business success, and felt that it was their duty to keep employees safe and well. Furthermore, the benefits include reduced worker's compensation, a better bottom line due to health and safety programs, reduced absenteeism, and reduced incidence of injuries/fatalities.

Baldwin, Lymer and Johnson (2001:107) cites Certified Accountant (1994), who are of the opinion that successful SMEs of the future must have a number of key characteristics which include:

- Export generation.
- Niche marketing.
- Information technology utilisation.
- Strong partnerships.
- Strategic alliances.

2.4 THE BALANCED SCORECARD

Niven (2002:44) presents seven 'warning signs' that could indicate that a new measurement system is needed for the business. These warning signs are depicted in Figure 2-1 below:

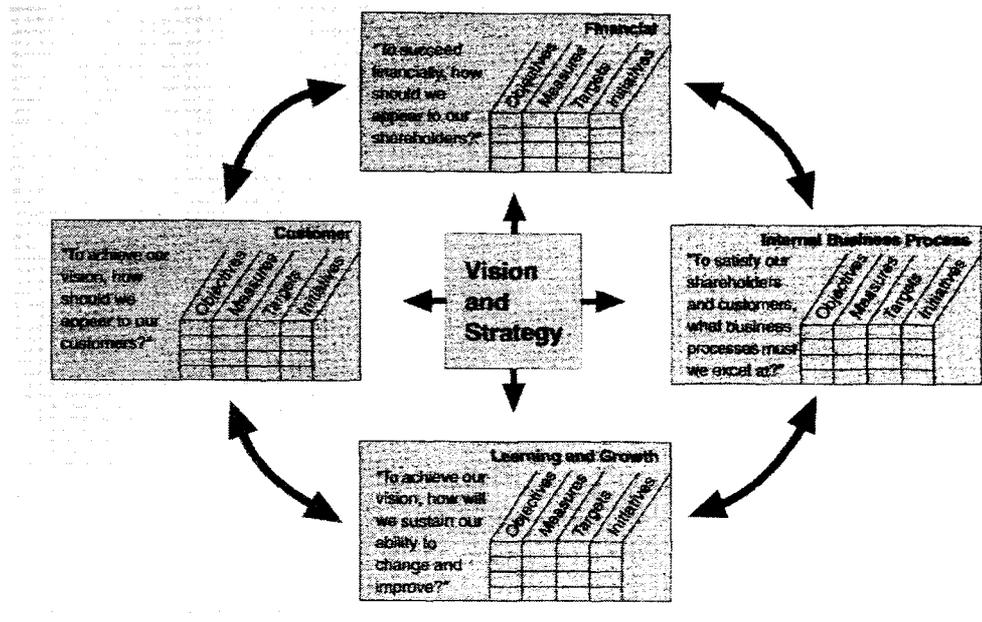


Adapted from Michael R. Vitale and Sarah C. Mavrinac, "How Effective Is Your Performance Measurement System?," *Management Accounting*, August 1995.

Figure 2-1: Signs that you may need a New Performance Management System (Source: Niven, 2002:44)

"The Balanced Scorecard was developed by two men, Robert Kaplan, a professor at Harvard University, and David Norton, a consultant also from the Boston area" (Niven, 2002:11). According to Kaplan and Norton (1996:7-8), financial measures alone only help illustrate past performance and are inadequate for showing the journey that companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation. These authors claim that, the Balanced Scorecard complements financial measures of past performance with measures of the drivers of future performance. Furthermore, the objectives and measures of the scorecard are derived

from an organisation's vision and strategy viewed from four perspectives, namely 'financial', 'customer', 'internal business process', and 'learning and growth'. These four perspectives provide the framework for the Balanced Scorecard graphically depicted in Figure 2-2.



Source: Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard as a Strategic Management System," *Harvard Business Review* (January-February 1996): 76. Reprinted with permission.

Figure 2-2: The Balanced Scorecard provides a framework to translate a strategy into operational terms (Source: Kaplan and Norton, 1996:9)

The Balanced Scorecard is more than a tactical or an operational measurement system – Innovative companies are using the scorecard as a *strategic management system*, to manage their strategy over a long term within the following critical management processes (Kaplan & Norton, 1996:10). The Balanced Scorecard as a strategic framework for action is graphically depicted in Figure 2-3.

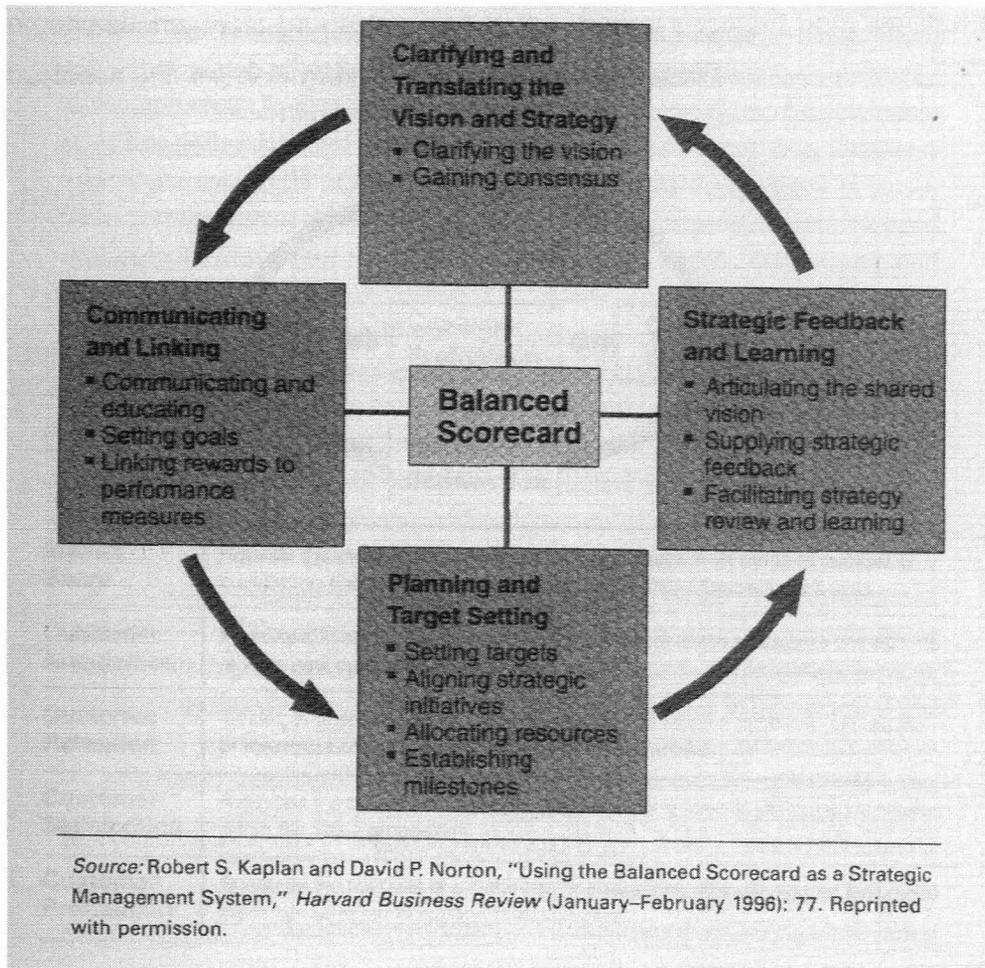


Figure 2-3: The Balanced Scorecard as a strategic framework for action (Source: Kaplan and Norton, 1996:11)

Kaplan and Norton (1996:34) acknowledge that all four perspectives (namely, financial, customer, internal business process, and learning and growth) should be considered as a template measurement tool, although more perspectives may be necessary depending on industry circumstances and a business unit's strategy. For the purpose of this study, the 'customer perspective' is considered the most important.

In the 'customer perspective' of the Balanced Scorecard (graphically depicted in Figure 2-4), companies identify the customer and market segments in which they have chosen to compete. The following five core measures, which can be assumed to be generic across all types of

organisations, must be customised to the market segment from which the business unit expects maximum growth and profitability.

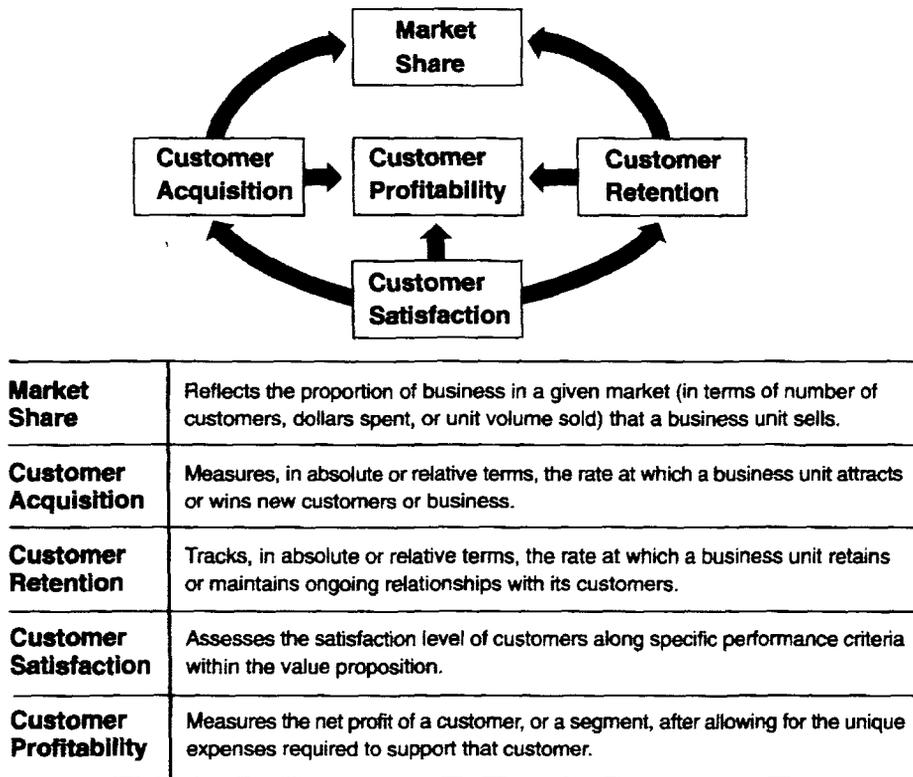


Figure 2-4: The Customer Perspective – Core Measures (Source: Kaplan and Norton, 1996:68)

Beyond these core measures that are listed in Figure 2-4 above, Kaplan and Norton (1996:73-77) present ‘customer value propositions’ that supplying companies provide through their products and services, to create loyalty and satisfaction in targeted customer segments. Furthermore, the value proposition is the key concept for understanding the drivers of the core measurements of satisfaction, acquisition, retention, and market and account share. Kaplan and Norton (1996:73) further state, that while value propositions vary across different market segments within industries, there are a common set of attributes that can be organised into three categories (see Figure 2-5), and indicate:

- Product/service attributes.
- Customer relationship.

- Image and reputation.

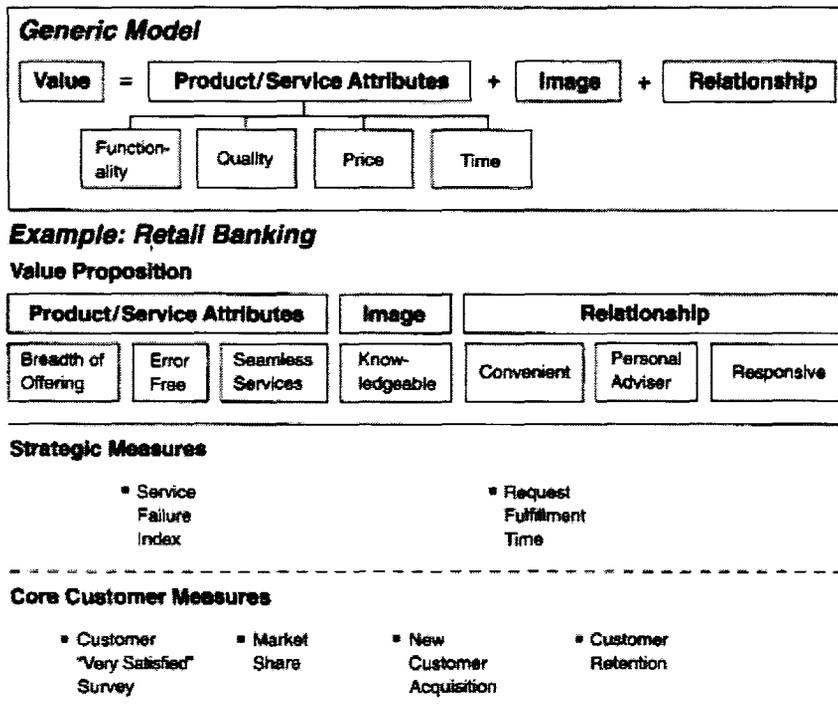


Figure 2-5: The Customer Value Proposition (Source: Kaplan and Norton, 1996:74)

In conclusion, Kaplan and Norton (1996:84) state: "While each organization should develop its own set of value propositions that it wishes to capture in the customer perspective of its Balanced Scorecard, we have found that virtually all value propositions typically incorporate measures related to the response time, quality and price of customer-based processes".

2.5 MEASURING 'SMALL BUSINESS' SUCCESS

Many factors both internal and external have been found to impact on small business success which are *inter alia*, industry structure and competition, entrepreneurial decisions, employee relations, entrepreneurial objectives, organisational culture, education, training and prior experience and various sub-categories within these areas (Simpson, Tuck & Bellamy, 2004:481). Evidence shows that small and medium enterprises hold the

key to job creation, economic vitality, and better distribution of wealth within the APEC (Asia Pacific Economic Co-operation) region (Hall, 2002).

The conclusions reached by Santos-Requejo and González-Benito (2001), returned that the Spanish retail industry is composed of very unequal sectors which must be analysed separately. Furthermore, when a firm embarks on a retail activity, it must take into account that the product it plans to commercialise will determine the sales threshold that will guarantee the minimum efficient scale, profit margins, and the strategic decisions it should heed most. The findings by Hewitt-Dundas and Roper (2001) show that:

- Small firms in the Irish furniture industry predominantly adopt 'simple' business development strategies.
- In terms of profit performance, there is no evidence that simple strategies outperform more complex approaches. Instead, the success of any business strategy is directly related to the firms' resource base.
- System differences were found in the firms' ability or willingness to re-engineer their strategies with respect to their profit performance.

In the findings by Headd (2003), contrary to what is commonly believed, not all business closures are failures. Fifty-percent of the businesses studied survived, while 33% closed and were unsuccessful, however a further 17% closed while successful. Headd (2003:51) states that, it is worth noting that such inborn factors as race and gender play negligible roles in determining survivability and success at closure. A study undertaken by Watson, Hogarth-Scott and Wilson (1998:229) show that the most important reason for small business closure was because 'the business not earning enough money' (65 percent); followed by 'poor trading conditions'; 'cash flow problems' and 'personal reasons' (42 percent); also 'poor long term prospects' (40 percent) and 'obtaining full-time employment' (30 percent). Watson *et al.* (1998:235) further state that, 'push' criteria such as redundancy, unemployment, frustration with

previous employment and the need to earn a reasonable living are important motivators for business start-ups. However, 'pull' criteria such as independence, being ones own boss, using creative skills, doing enjoyable work and making a lot of money are more important motivators and these are more closely associated with survival.

7.8 CONCLUSION

Simpson, Tuck and Bellamy (2004:488-489) propose that there are four substantive categories for small business success as depicted in Table 2-1. However, in this study of small sector businesses, there is no claim to generalise the results to other industry sectors, or even to other small businesses in the service sector. In addition, there are a few companies that do not fit exactly within the ambit of these four categories and some appear to overlap categories to some extent.

Elements of theory	Category			
	Empire Builder	Happiness Seeker	Vision Developer	Challenge Achiever
Properties of the category	Success is a combination of growth, profitability and teamwork	Success is to be happy at work	Success is the collective sense of achievement and recognition and respect from the marketplace Success is a continuum	Success is a personal sense of achievement and recognition Sit back and enjoy the achievements Instinct and vision
Personal characteristics of the owner-manager	Commitment and loyalty to their staff and customers	Emphasises enjoying work, not taking too much out of the business and being honest with everyone	Vision, commitment and enthusiasm	
Hypotheses	Teamwork and motivation will achieve results. Especially if they believe they are the best company in their market. And: Employees are highly valued	Doing your best is more important than a high salary or high profits And: Growth is not an objective. Ensure staff and customers enjoy their experiences	Shared values, vision, creativity and building on strengths will achieve success And: Seek new objectives and challenges Making a difference and adding value	Everyone, including customers, are responsible for the success But: Constant challenges are needed Hard person to work for
Effect of education, training, prior knowledge and experience	Some conflicting evidence that past experience, training and development may be equally important for success	Prior knowledge and experience was more important than training to achieve success	Experience in the business and the market was more important than training, education or prior knowledge for success	Conflicting evidence that training may be a big factor contributing to success in one company but not another

Table 2-1: Summary of the substantive categories (**Source:** Simpson, Tuck and Bellamy, 2004:489)

A further interesting scheme to support the success of a SME is to allow employees to acquire shares in the company (Pendleton, 2003:105-119). This author cites the Financial Secretary to the Treasury, who states that, "... there is a clear link between employees owning shares in the company they work for and increase in productivity ... employee share ownership can bridge the gap between employees, managers and shareholders by aligning more closely the interests of the workforce with the owners of the

company ... Employee owners have an incentive to contribute more actively to the development of the business by raising productivity from which they can benefit directly” (Adjournment Debate on Employee Share Ownership, 14 July 1999).

2.6 CONCLUSION

The chapter presented an overview of the concept of an SME (Small and Medium-sized Enterprise). There is no universal definition for an SME, and the definition changes due to various factors like country and/or industry sectors. Furthermore, business success is perceived to be viewed in terms of growth or profitability, but this becomes more complex when trying to determine factors that lead to it. The Balanced Scorecard was also presented as a means of measuring business success. In addition, the aspect of measuring small business success was described. Many factors both internal and external have been found to impact on small business success which are, *inter alia*, industry structure and competition, entrepreneurial decisions, employee relations, entrepreneurial objectives, organisational culture, education, training and prior experience and various sub-categories within these areas.

In the next chapter, the reader is provided with a deeper insight into the literature surveyed. The concept of an e-business is explored, as well and the benefits thereof. Furthermore the adoption of e-business technologies by SMEs will be discussed, and factors for successful online business will be considered. More significantly, the concept of e-loyalty, factors that impact e-loyalty, and the consequences thereof, are elaborated upon.

CHAPTER 3: LITERATURE REVIEW

3.1 INTRODUCTION

The chapter covers an exploration of e-business and related concepts. Furthermore, the benefits of e-business and also the adoption of e-business technologies by SMEs will be discussed. Factors for successful online business will be presented. More importantly, the concept of e-loyalty, factors that potentially impact e-loyalty, and the consequences thereof, are analysed in detail. In addition, the factors that potentially impact e-loyalty are elaborated upon which include attitudinal and behavioural loyalty, marketing-driven strategies, trust and satisfaction, and the design of the website and its related influence.

3.2 E-BUSINESS DEFINED

Botto (2000:103) defines 'e-business' as a generic term used to describe business processes implemented in electronic or virtual environments like the World Wide Web. Beynon-Davies, Jones and Williams (2002:64) refer to e-business or e-commerce as "... the activities within electronic markets". These authors view e-business as a superset of e-commerce, and e-commerce as a superset of Internet commerce (or i-commerce). I-commerce is the use of Internet technologies to enable e-commerce. Beynon-Davies, Jones and Williams (2002:64) state that business can be viewed either as an entity or as a set of activities related to a commercial organisation. As a result e-business should be regarded as the use of information and communication technology to sustain all business activities.

Controversially, Viehland (2000) affirms that, "... there is no ideal definition for e-business". The author postulates that the initial e-commerce application represented an Electronic Data Interchange (EDI), which is the electronic transmission of commercial information between two trading

partners. EDI, was however technologically primitive, required complex standards to implement and was limited to organizations with pre-existing agreements. Viehland (2000) adopts the 'e-commerce = e-business' perspective and defines e-business as, "... the employment of electronic technologies to improve business performance". In layman's terms, e-business is the use of these technologies to integrate information applications, speed up business processes, increase sales and decrease costs.

McNurlin and Sprague (2002:77) divide e-business into three categories, namely:

- **Business-to-employee:** Intranet-based applications internal to a firm.
- **Business-to-consumer:** Internet- based applications for a firm's customers.
- **Business-to-business:** Extranet-based applications for a firm's business partners.

McNurlin and Sprague (2002:77) noted that the terms 'e-commerce' and 'e-business' has led to some confusion, as e-commerce originally referred to all three of the above listed categories. However as buying and selling of goods over the Internet grew, e-commerce referred only to 'business-to-consumer' applications. As a result, the term e-business took on a more inclusive meaning. For the purpose of this dissertation, an all-inclusive perspective has been adopted, whereby e-commerce is represented as a subset of e-business, and the study will focus particularly on e-retailers (or e-tailers) on the Net. "An e-tailer is [an] online retailer who leverages the efficiency of the Internet to improve a customer's buying experience. Advantages of e-tailing⁷ over traditional retailing include 24/7 availability, searchable product offerings, low overhead, and detailed product

⁷ E-tailing is a word used to describe the process of electronic retailing (or selling goods over the Internet).

descriptions” (Wikipedia, 2004). There are two distinct types of e-tailers: pure e-tailers and mixed e-tailers.

Pure e-tailers operate entirely online, such as amazon.com while mixed e-tailers (also known as ‘click-and-mortar’) retailers who use online and ‘brick and mortar’ channels to increase their customer base. An example of a mixed e-tailer is Barnes & Noble Booksellers.

According to Strauss and Frost (2001:6), the following formula is simply a graphical representation of important e-business components:

$$EB = EC + BI + CRM + SCM + ERP$$

This transposes into, E-Business equals E-Commerce plus Business Intelligence, Customer Relationship Management, Supply Chain Management, and Enterprise Resource Planning.

3.2 THE BENEFITS OF VIRTUAL BUSINESS

Cloete (2002:15) states that the benefits of using e-commerce include:

- Improved business opportunities.
- Better record keeping.
- Reduced process delays.
- Reduced order time.
- More informed decision-making.

Cloete (2002:15) further states that the impact of e-commerce can be seen in the following:

- The virtual store is open 24 hours a day, 7 days a week.
- Commercial decisions are supported/enabled by technology.
- Actions happen in real time, or as fast as possible.
- Costs are cut due to the economy of using network driven systems.
- The customer has more power to drive commercial interaction.
- Easier competitive shopping for customers.
- Paperwork is reduced to a great extent.

- A cyber store can increase its range of products immensely.
- Inventory can be reduced.

Marshall, McKay and Burn (2001:177-179) list the following fundamental interrelated critical success factors for the virtual organisation:

- **Shared Purpose.** Can also be considered as the 'vision' of the business. It is important for the management and organisational members to identify and take ownership of this shared purpose and vision.
- **Trust.** With a shared purpose in mind, and for collaboration amongst the members of the company to take place, there must be extraordinary levels of trust.
- **Shared Risk.** With a trusting relationship in place amongst virtual organisation members, there is also a requirement for the risk(s) associated with the joint initiative to be shared.
- **Mutual Benefit.** If the risk is to be shared and high levels of trust maintained, then clearly the purpose of the virtual organisation must be such that all members benefit from the relationship within the company.

Windrum and de Berranger (2003:180) suggest that the commercial benefits of e-business are encapsulated within the context of the following:

- Significant opportunities exist for SMEs to expand their geographical reach.
- Important cost benefits lie in improved efficiency in procurement, production and logistics processes.
- There is enormous scope for gaining competitive advantage through improved customer communications and management.
- The Internet reduces the barriers to entry for new market entrants and provides an opportunity for small firms to re-orientate their supply chain relationships to forge new strategic partnerships.

- The technology facilitates the development of new types of products and new business models for generating revenues in different ways.
- There is the opportunity to transform SMEs into information-driven businesses. The technology offers, for the first time, an affordable means of capturing and processing the information generated through electronic transactions. Through techniques such as data mining, this information can lead to insight into what the company sells and how the company operates, resulting in an integrated approach to knowledge management.

The potential return from using the Internet technology for electronic commerce, are not just financial (Baldwin, Lymer, & Johnson, 2001:106), but SMEs can possibly create improvements in almost all areas of business, such as:

- Increased sales.
- Easier product returns.
- Easier order tracking.
- Improved communication with customers, vendors and employees.
- Faster response to customer inquiry.

3.3 THE ADOPTION OF E-BUSINESS TECHNOLOGIES BY SMEs

According to Windrum and de Berranger (2003:181), the early adoption of e-business technologies by US enterprises could mean that they are using ICT (Information Communication Technology) more intensively than their Canadian, Japanese and European counterparts. Furthermore, comparing the UK experience with that across the G7⁸, UK SMEs are ahead of their counterparts in Japan, France and Italy but lag behind US, Canadian and German enterprises. The spread of performance between the smallest and largest companies in the UK is greater than for the other reported G7 countries. This is illustrated in Figure 3-1, which reflects the

⁸ The G7 countries include Canada, France, Germany, Italy, Japan, the UK and the United States.

percentage of micro, small, medium and large respondents in the G7 countries that report the establishment of a company website, external email, EDI installations and online selling systems.

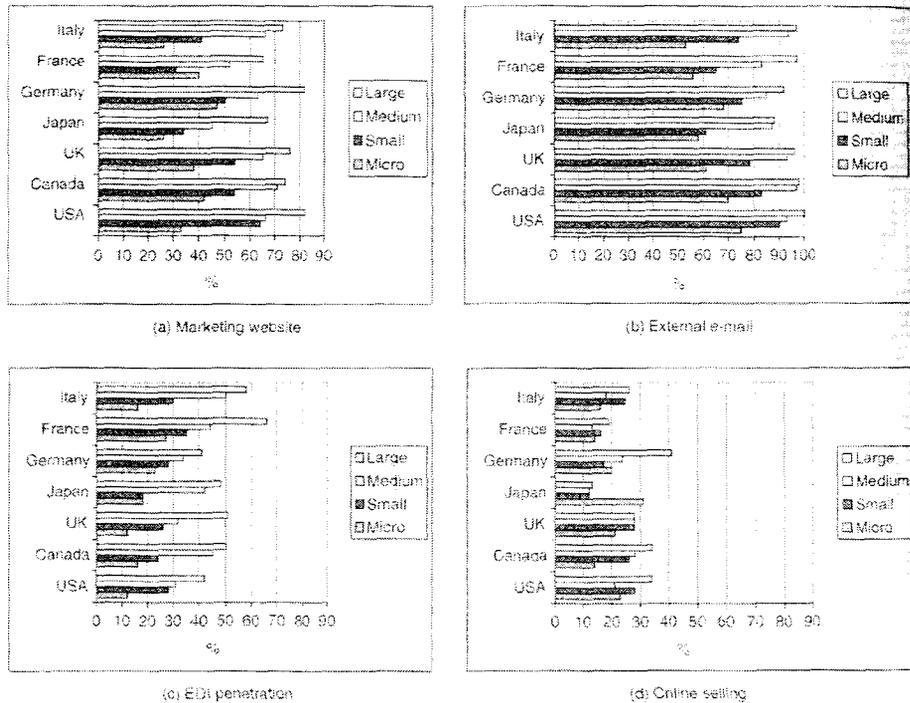


Figure 3-1: G7 comparison of micro, small, medium and large businesses using e-business ICTs (weighted by business size) (Source: Windrum and de Berranger, 2003:182 citing Spectrum/DTI, 2000)

Baldwin, Lymer and Johnson (2001:107-111) propose that there are five categories of business impacts by Internet technologies on SMEs over various levels, which are communication, information retrieval, knowledge management, productivity and environment. This is depicted in a two-dimensional matrix model shown in Table 3-1:

Categories of impact	Levels of impact			
	Contacts	Industry	Organization	Task
<i>Productivity</i>	Quality of service Costs Timeliness	Market size Market share	Costs Performance Management involvement Market Organizational structure Employee impression	Performance Autonomy Change in tasks Inducement of initiative Lateral thinking
<i>Information retrieval</i>	System stability Perception Effectiveness	Property and intellectual rights Best practice advice	Performance Structure Management support	Performance
<i>Communication</i>	Performance Support Timeliness Frequency Security System stability	Wider market Worker unification Timely dissemination of information Effective dissemination of information	Law Performance Truthfulness Worker unity Company image Security System stability Communication frequency	Performance Truthfulness Communication frequency System stability
<i>Knowledge</i>	Efficiency Effectiveness Interactivity Increased interest Costs	Efficiency Effectiveness Co-ordination Feedback	Timeliness Efficiency Effectiveness Costs Expertise Productivity Feedback	Efficiency Effectiveness Timeliness
<i>Environment</i>	Hardware/software Staff usage	Hardware/software Environmental instability	Business resources Office space Office culture Security/ethics Labour market Structure	Business resources Technical orientation Work at home Human interaction

Table 3-1: Matrix model of Internet impacts (Source: Baldwin, Lymer and Johnson, 2001:109)

Windrum and de Berranger (2003:183-188) discuss several organisational factors affecting adoption of ICTs by SMEs. These include:

- Organisational characteristics.
- Organisational action.
- System characteristics.
- Internal expertise.
- External expertise.

Furthermore, the authors state that there are industry-level and macro-level factors affecting e-business adoption, which are:

- Sector and supply chain factors.
- Locational factors.

3.4 FACTORS FOR SUCCESSFUL ONLINE BUSINESS

Goecart (2006) suggests the following ten practical tips for online business success:

- **Target the un-targeted:** Choose an appropriate market segment is an important factor.
- **Strong business planning:** Have complete knowledge of your revenue source, sound business plan, and be able to know the right moment to expand your business, and plan for future sources of revenue.
- **Business friendly e-commerce software:** Choose software that is suitable to your business needs and easy to manage. Furthermore, the software should be scalable, secure, and easy to customise to your business needs.
- **Create a web store with a difference:** Create a user-friendly, visually appealing (brand-like) website with the e-store in tune with the likes and dislikes of your targeted customers.
- **Make your 'Hot Sellers' most visible:** The online storefront should be designed to ensure that when the customers leave the site, they will still remember your (product) offering.
- **Do not let your customers forget you:** Customer Relationship Management is of prime importance. Carefully consider if the software chosen meets the needs of your e-store to stay in contact with your customers.
- **Increase your web presence:** Intelligent marketing alone will get your customers, via affiliations with other sites, perform search engine optimisation (SEO), etc.
- **Build robust backend operations:** Backend operations such as inventory management processing, credit card processing, reporting systems, etc are the backbone of your online storefront. All backend operations are expected to be accurate, scalable, and provide real-time data.

- **Learn faster and better:** Be able to identify short-comings in your business and willing to rectify them as quickly as possible – before your competitors realise and exploit them.
- **Surprise your customers:** Surprise your customers with frequent changes in your business offering, but do not change the brand-image that you have created for your website. This could be done with surprise offers, price discounts, or even slight enhancements to the look and feel of the website.

Strauss and Frost (2001:298-299), cites Seybold (1998), who has identified the following eight critical success factors for building successful e-business relationships with customers:

- **Target the right customers:** Identify the best prospects and customers and learn as much about them as possible.
- **Own the customer's total experience:** This refers to the customer share of mind or share of wallet.
- **Streamline business processes that impact the customer:** This can be accomplished through CRM-SCM⁹ integration and monomaniacal customer focus.
- **Provide a 360-degree view of the customer relationship:** This means that everyone in the firm who touches the customer should understand all aspects of her relationship with the company. For example, customer service reps should know all customer activity over time and understand which products and services may benefit that particular customer.
- **Let customers help themselves:** Provide web sites and other electronic means for customers to find things they need quickly and conveniently, 24/7.
- **Help customers do their jobs:** This refers to the B2B market, and the idea that if a firm provides products and services to help customers perform well in their businesses, they will be loyal and

⁹ CRM-SCM refers to Customer Relationship Management-Supply Chain Management. SCM occurs behind the scenes and involves the coordination of the distribution channel to deliver products effectively and efficiently to customers.

pay a premium for the help. Many supply chain management electronic processes facilitate this factor.

- **Deliver personalised service:** Customer profiling, privacy safekeeping, and marketing mix customizing all aid in delivering personalised services electronically.
- **Foster community:** Enticing customers to join in communities of interest that relate to a firm's products is one important way to build loyalty.

3.5 THE CONCEPTS OF 'CUSTOMER LOYALTY' AND 'E-LOYALTY'

Customer loyalty is defined as, "... a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour" (Oliver, 1999:34). Customer Surveystore.com (2004) defines customer loyalty simply as, "... a customer's feeling or attitude of attachment to the company".

Anderson and Srinivasan (2003:125) define e-loyalty as, "... the customer's favourable attitude toward an electronic business resulting in repeat purchasing behaviour". More specifically, "e-Loyalty is a customer's favorable attitude toward the e-retailer that results in repeat buying behaviour" (Srinivasan, Anderson, & Ponnnavolu, 2002:42).

3.6 WHY DO BUSINESSES NEED E-LOYALTY?

Most businesses spend more money acquiring new customers than they spend on customer retention. Strauss and Frost (2001:293) illustrate that doing this is usually a mistake, as it typically costs a business five times as much to acquire a new customer than to retain a current one, as reflected in Figure 3-2 below:

Acquisition Emphasis		Retention Emphasis	
Gain 6 new customers (\$500 each)	\$3,000	Gain 3 new customers (\$500 each)	\$1,500
Retain 5 current customers (\$100 each)	\$ 500	Retain 20 current customers (\$100 each)	\$2,000
Total cost	\$3,500	Total cost	\$3,500
Total number of customers	11	Total number of customers	23

Exhibit - Maximizing Number of Customers

Source: Adapted from Peppers and Rogers (1996)

Figure 3-2: Maximising the number of customers (Source: Strauss and Frost, 2001:293)

Hoffman and Novak (2000:185-186) describe seven different sources which CDnow¹⁰ utilises to acquire customers:

- Cosmic Music Network – the web’s earliest and arguably most successful affiliate program.
- Radio, Television and Print Advertising.
- On-Line Advertising.
- Strategic Partnerships.
- Word of Mouth – since there are no direct costs involved, it is viewed as most powerful source.
- Free Links.
- PR (or Public Relations).

However, due the immense (marketing) cost involved in acquiring new customers (on average 6 times more to sell a product to a new customer than to an existing one), focus should be placed on customer loyalty or retention through the ‘customer experience’ (Dyché, 2002).

3.7 FACTORS INFLUENCING E-LOYALTY

3.7.1 The 8Cs

Srinivasan, Anderson, and Ponnaveolu (2002:41-50) have identified eight factors (commonly referred to as the 8Cs), namely ‘customisation’, ‘contact interactivity’, ‘care’, ‘community’, ‘convenience’, ‘cultivation’, ‘choice’, and

¹⁰ CDnow is a highly popular online music retailer (or e-tailer)

'character', which potentially impact upon e-loyalty and subsequently developed scales to measure these factors. The analysis conducted returned that all these factors, except convenience, impact e-loyalty. The data furthermore returned that e-loyalty has an impact on two customer-related outcomes, namely word-of-mouth promotion and willingness to pay more.

Srinivasan, Anderson, and Ponnnavolu (2002:42-45) describe the 8Cs as follows:

- **Customisation** is the ability of an e-retailer to tailor products, services, and the transactional environment to individual customers.
- **Contact interactivity** refers to the dynamic nature of the engagement that occurs between an e-retailer and its customers through its web site.
- **Cultivation** is the extent to which an e-retailer provides relevant information and incentives to its customers in order to extend the breath and depth of their purchases over time.
- **Care** refers to the attention that an e-retailer pays to all the pre- and post-purchase customer interface activities designed to facilitate both immediate transactions and long-term customer relationships. Customer care is reflected in both the attention that the e-retailer pays to detail in order to ensure that there is no breakdown in service, and the concern that it shows in promptly resolving any breakdowns that do occur.
- A virtual **community** can be described, as an online social entity comprised of existing and potential customers that are organised and maintained by an e-retailer to facilitate the exchange of opinions and information regarding offered products and services. For example, customers of an online bookstore that support a community can, before buying a particular book, access the opinions of other customers who have purchased it. Moreover, after reading the book themselves, they can add to this collection of opinions.

- Compared with a conventional retailer, an e-retailer is typically able to offer a wider range of product categories and a greater variety of products within any given category. A store in a mall is constrained by the availability and cost of floor space, whereas its online counterpart does not have such limitations. E-retailers can also form alliances with other virtual suppliers to provide customers with greater **choice**.
- **Convenience** refers to the extent to which a customer feels that the web site is simple, intuitive, and user friendly. Accessibility of information and simplicity of the transaction processes are important antecedents to the successful completion of transactions.
- **Character** – Creative website design can help an e-retailer build a positive reputation and characterization for itself in the minds of consumers.

3.7.2 Attitudinal Loyalty, Behavioural Intent and Behavioural Loyalty

The concepts of 'attitudinal loyalty', 'behavioural intent', and 'behavioural loyalty' as explained by Gommans, Krishnan and Scheffold (2001:45-46) requires closer scrutiny:

- **Attitudinal loyalty:** Includes the cognitive, affective, and behavioural intent dimensions. Database technology makes it possible to place more emphasis on the cognitive dimension by offering customised information. As for strengthening the affective dimension in e-loyalty, the roles of trust, privacy, and security come into sharper focus. Baldinger and Rubinson (1996:22-34) have validated that highly loyal buyers tend to stay loyal if their attitude towards a brand is positive. In addition, low-loyal buyers/nonbuyers of a certain brand who have a strongly favourable attitude toward the brand are much more likely to switch to it. Furthermore, a large brand may be guaranteed a commensurate number of highly loyal customers, but this does not guarantee that they will be 'real loyals' (i.e., that they will be loyal both behaviourally and attitudinally).

- **Behavioural Intent:** “Is an intermediary between attitude and behaviour” (Mital and Kamakura (2001) cited by Gommans, Krishnan and Scheffold, 2001), and represents the intention to act in the buying decision process.
- **Behavioural Loyalty:** Traditionally, behavioural loyalty has been defined in terms of repeat buying behaviour. According to Corstjens and Lal (2000:281-291), customers can be loyal to brands, store brands, and/or they can be loyal to stores. “Customers would much prefer to remain loyal to an Internet store that has given them good service than to risk their credit information and bad service somewhere else” (Strauss & Frost, 2001:166). When the concept of behavioural loyalty is extended to the e-marketspace, both the conceptual and measurement issues become more complex and sophisticated. Factors such as repeat site visits without purchases and extent of time spent at the e-commerce site (site stickiness) have to be considered (Smith, 2000:12-13).

Keating and Rugimbana (2001:160) propose that customer loyalty in the online shopping context is comprised of both an attitudinal and behavioural component. These authors further postulate, that the level of attitudinal loyalty is positively associated to the level of behavioural loyalty. Gommans, Krishnan and Scheffold (2001:47-52) have developed a conceptual framework for e-loyalty by analysing brand-loyalty which is graphically depicted in Figure 3-3. These drivers depend on the type of e-business and market situation. Several aspects were considered, namely attitudinal loyalty, behavioural intent, and behavioural loyalty.

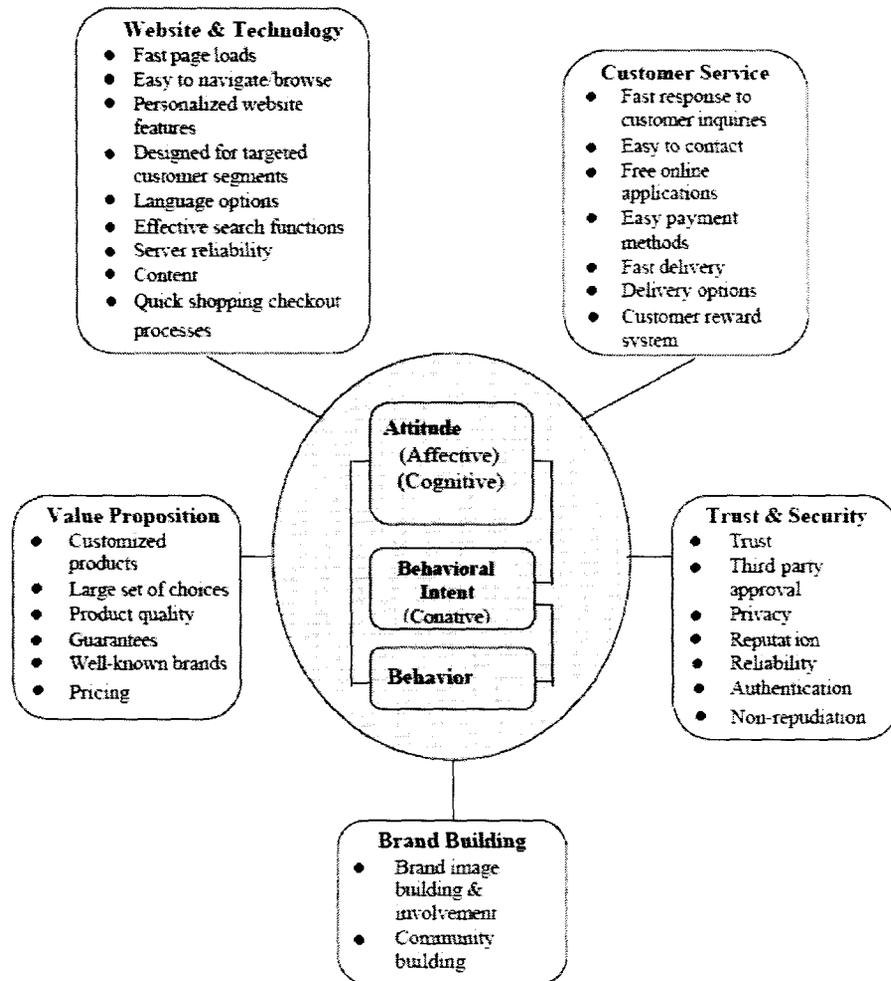


Figure 3-3: The E-Loyalty Framework (Source: Gommans, Krishnan and Scheffold, 2001:48)

3.7.3 Marketing-driven strategies

Gommans, Krishnan and Scheffold (2001:43) states that, "... [w]ith the rapid growth of E-commerce and on-line consumer shopping trends, the importance of building and maintaining customer loyalty in electronic marketplaces has come into sharper focus in marketing theory and practice". According to Schultz and Bailey (2000:42), "... concepts and theories about customer or brand loyalty are rooted in the mass market era of consumer package goods marketing of the 1960s and 1970s and are supplemented primarily by supermarket scanner data from the 1980s and 1990s". Furthermore, the authors claim that with recent changes in

the marketplace, traditional approaches may not be relevant, "... particularly in an interactive marketplace where customers have wide choice and almost unlimited access to product and brands. Rather than the marketer or the channel managing brand or customer loyalty, it is a shared responsibility for both marketer and customer" (Schultz & Bailey, 2000:44).

Gommans *et al.*, (2001:46) state that, "... [b]rand building activities are divided into two major areas, namely brand image building and frequency programs". These authors further explain that frequency programs are mainly a defensive tactic to prevent brand switching, and short term marketing activities such as promotional tools are traditionally used to shape a brand's image. One example of the Internet's ability to perform long-term marketing activities is the appearance of various customized products on the Internet. Hoffman and Novak (2000:188), postulate that results-oriented marketing tends to make managers focus on a long-term marketing strategy rather than short-term tactical investments in advertising. Schultz and Bailey (2000:42-44) describe customer/brand loyalty in an interactive marketplace as an evolution from traditional product driven, marketer controlled scenario towards a distribution driven, consumer controlled, and technology-enhanced era.

Shneiderman (2000:57) discusses moral trust, or the durable optimistic view that strangers are well-intentioned, and strategic trust, or the willingness of two people to participate in a specific exchange, and also explains that trust facilitates cooperative behaviour. This author provides guidelines and principles that would enhance cooperative behaviours and win user/customer loyalty by giving assurances, references, certifications from third parties, and guarantees of privacy and security. Gommans *et al.* (2001) emphasises that trust plays a central role in augmenting both behavioural and attitudinal loyalty which in turn influences marketing outcome related factors like market share maintenance and price elasticity, and that privacy has emerged as a unique and important dimension of e-loyalty. E-loyalty is all about quality customer support, on-

time delivery, compelling product presentations, convenient and reasonably priced shipping and handling, and clear and trustworthy privacy policies (Reichheld & Schefter, 2000:112).

De Figueiredo (2000:46) claims that, "... only site-specific loyalty and reward programs will attract repeat purchasers and engender repeat visits". Controversially, Clayton (2003) challenges the benefit of reward programmes offered by airlines, banks, and medical schemes, to their customers.

Gommans, Krishnan and Scheffold (2001:52-54) also propose an alternative framework for managers to consider which is graphically depicted in Figure 3-4 below, which can be used to derive brand loyalty management strategies for different marketing situations:

	Market Leader	Market Follower
Pure e-Business	Facilitate Repeat Buying by using Technology	Improving Brand Recognition & Trust
Bricks to Clicks	Transform current Brand Loyalty to e-Loyalty	Follow a Niche Strategy

Figure 3-4: Alternative E-Loyalty Strategies (**Source:** Gommans, Krishnan and Scheffold, 2001:53)

Ribbink, Van Riel, Liljander, and Streukens (2004:453) state that trust, satisfaction and assurance play an important role when managers consider acquiring customer loyalty on the Internet. The authors further explain that assurance is a service quality dimension, which can be directly and exclusively controlled by the service provider. Trust can effectively be inspired by providing a safe, reassuring and reliable website, while satisfaction can be increased substantially by providing an attractive user interface that is easy to use.

3.7.4 Trust and Satisfaction

Cram (2001:21-27) has identified eight factors (over and above the product or service sought) which customers want in a relationship with a supplier:

- Reliability – you keep your promises.
- Trust – I have confidence in you.
- Recognition – you remember my needs.
- Accessibility – we can communicate.
- Service/assistance – you manage my time effectively.
- Education – you keep me up to date.
- Preference – I get fair prices and priority.
- Individuality – I like to associate myself with you.

The findings presented by Bonanni and Cyr (2004) returned that although high levels of trust may generate e-loyalty, it may not be the only factor. The authors further explain that satisfaction may also generate e-loyalty. Ribbink, Van Riel, Liljander, and Streukens (2004:446-456) concur that trust and satisfaction directly and positively affects e-loyalty. It is of interest to note that the authors included biographical data in the online survey design, and that all respondents were from a specific geographical location.

Online shoppers will abandon a site if they are bored, frustrated, or dissatisfied with the site's navigation, contents or customer service (Graham, 2005). Cram (2001:12-16) emphasizes that if CRM¹¹ is to be meaningful to customers, it must go beyond 'database modelling' and 'cost-effective customer management', and focus on the behaviours associated with human relationships. Fisher (2001:132) explains that to embark on a CRM strategy to satisfy the needs of the visitor, a website should be designed (like the more successful sites are), so as to focus on the chosen market segment rather than to place a list of products on the

¹¹ CRM is an acronym for Customer Relationship Management.

homepage. Strauss and Frost (2001:295) state that word-of-mouth communication among customers has been called the heart of CRM and the Internet is especially well-suited to word of mouth communication because of email, newsgroups, chat, and personal web pages. Although positive word of mouth can bring many customers to the business, negative word of mouth can just as easily drive them away.

Gefen (2002:27-51) presents the following findings (contained within the ambit of Table 3-2) from research conducted to determine customer loyalty in e-commerce.

Hypotheses	Supported*
H ₁ : Customer trust in an online vendor increases customer loyalty to that vendor	Yes
H ₂ : Perceived risk with an online vendor decreases customer loyalty to that vendor.	Only independently
H ₃ : Customer trust decreases the perceived risk with an online vendor.	Yes
H ₄ : Perceived switching costs to another online vendor will increase customer loyalty	Yes
H ₅ : Service quality increases customer loyalty	Yes
H _{5.1} : Tangibles service quality increases customer loyalty	Only independently
H _{5.2} : Empathy service quality increases customer loyalty	Only independently
H _{5.3} : Reliability, responsiveness, and assurance service quality increases customer loyalty	Yes
H ₆ : Service quality increases customer trust	Only independently
H _{6.1} : Tangibles service quality increases customer trust	Only independently
H _{6.2} : Empathy service quality increases customer trust	Only independently
H _{6.3} : Reliability, responsiveness, and assurance service quality increases customer trust	Yes

*Hypotheses marked "Only independently" are supported only when examined unaccompanied by other hypotheses.

Table 3-2: Hypotheses Test Results (Source: Gefen, 2002:41)

Mittal and Kamakura (2001:131) state that theoretically, satisfaction ratings should be linked to repurchase behaviour, but it is difficult to monitor and correlate since satisfaction ratings vary in a survey because of differences in customer characteristics. As a result, this may lead to managers erroneously concluding that there is no relationship between satisfaction and repurchase behaviour and direct resources away from managing customer satisfaction. Balabanis, Reynolds and Simintaras (2004) focus on two antecedents of e-store loyalty, namely 'perceived switching barriers' and 'satisfaction', and the way in which they interact.

The following observations by the authors pertain to these concepts:

- E-store satisfaction is positively related to e-store loyalty.
- The relationship between e-store satisfaction and e-store loyalty is non-linear.
- Perceived switching barriers are positively associated with e-store loyalty.
- Switching barriers were not more important than satisfaction when satisfaction was low.

3.7.5 Website Design and Influence

Smith (2000:22-25) presents four e-loyalty drivers, namely:

- Product offering.
- Quality.
- Price.
- Image.

Smith (2000) further provides an e-loyalty strategy by following seven steps as outlined below:

- **Step 1:** Clearly establish your goals and objectives.
- **Step 2:** Identify the customers you want to be loyal.
- **Step 3:** Develop your website around an Intelligent Dialogue.
- **Step 4:** Design your website for your most valuable customers, not your average customers.
- **Step 5:** Formalise an e-loyalty program for your most valuable customers.
- **Step 6:** Persuade your customers to want a relationship.
- **Step 7:** Constantly improve e-loyalty by listening and measuring.

According to Smith (2000:26), the four biggest challenges in gaining the support needed to get ones e-loyalty program off the ground, are:

- Integrating e-loyalty and adopting it as a business goal.
- Gaining consensus and garnering support.

- Maintaining a customer lifetime value focus.
- Appropriating the funding and resources required.

Furthermore, Smith (2000) lists the ten most critical e-loyalty design concepts to master as follows:

- **Design Factor #1:** Make your first impression count.
- **Design Factor #2:** Make it simple to solve problems.
- **Design Factor #3:** Design for your best customers.
- **Design Factor #4:** Create value and engender trust.
- **Design Factor #5:** Include features that start and continue the dialogue.
- **Design Factor #6:** Seize every opportunity to build a community.
- **Design Factor #7:** Deliver all parts of the sales cycle or subject covered.
- **Design Factor #8:** Provide the best service you can afford.
- **Design Factor #9:** Make it easy to recommend your site.
- **Design Factor #10:** Create an opportunity cost for defection.

The qualitative study undertaken by Li and Kong (2004) to gain a deeper understanding of online customer service in building e-loyalty returned that:

- All the websites studied, believe that the better, and more secure the online environment (that is described in the study as the 'website'), the better the appeal of the website.
- All the websites are willing to create a good online environment to attract more customers. The better the online environment, the better the relationship between customer and seller, and therefore the service quality will be increased.
- The more convenient (fast, easy, free) the web-interface, the more customers will be attracted and kept.
- The better the web-based customer service, the better the customer's loyalty that is created and kept.

- The more suitable the tools that site owner's use, the better the response to customer inquiry.
- The more fluent and direct, personalised and automated, and cost-effective, the kind of tools that site owner's use, the more easily customer loyalty is attained.

3.8 CONCLUSION

The chapter explored e-business and related concepts. E-business is defined as a generic term used to describe business processes implemented in electronic or virtual environments like the World Wide Web. Furthermore, the benefits of e-business and also the adoption of e-business technologies by SMEs have been presented, and the factors for successful online business discussed. More specifically, the concept of e-loyalty, factors that potentially impact e-loyalty, and the consequences thereof, are described. In addition, the factors that potentially impact e-loyalty are elaborated upon which include attitudinal and behavioural loyalty, marketing-driven strategies, trust and satisfaction, and the design of the website and its related influence. The information gathered in this chapter was used to enhance the survey instrument that will be presented in the next chapter.

CHAPTER 4: DATA COLLECTION, DESIGN AND METHODOLOGY

4.1 INTRODUCTION AND BACKGROUND

The research survey questionnaire used in this study was adapted from Srinivasan *et al.* (2002:48-49). A total number of 176 respondents completed the online survey. The potential respondents would originate from two SME websites chosen to host the survey namely, www.buycomputers.co.za¹² and www.take2.co.za¹³.

More specifically, the survey was conducted against the background of the research problem in this dissertation, which reads as follows:

“The absence of e-loyalty adversely impacting on the business success of SMEs”.

The survey design was primarily constructed in the quest to find an answer to the research question, which reads as follows:

“Which factors are imperatives for the establishment of e-loyalty to ensure the business success of SMEs?”.

Furthermore, the survey served as the basis to glean data to provide answers to the investigative questions which reads as follows:

- *Does e-loyalty influence the customer’s willingness to pay more?*
- *Can e-loyalty be attained through word-of-mouth promotion?*

4.2 ETHICAL CONSIDERATIONS

To ensure that the survey would be conducted in an ethical manner, the owner/manager of each of the above-mentioned websites were given a

¹² Refer to Appendix I for an overview of www.buycomputers.co.za.

¹³ Refer to Appendix J for an overview of www.take2.co.za.

signed copy of a 'Non-Disclosure Agreement' undertaken by the author prior to any investigation or data collection performed (see Appendix G).

4.3 RESEARCH DESIGN

The questionnaire was coded in PHP 5 and the data collected was stored in a MySQL 4.1 database running on a Linux Server. The survey was then uploaded on the www.ros.co.za domain into a 'survey' folder. Two websites were chosen to host the survey namely www.buycomputers.co.za and www.take2.co.za as described in Appendix A and Appendix B. The online medium seemed most appropriate for this type of survey. Moreover, hosting the survey on these SME websites further enhanced the integrity of the data collected, as the survey required 'customer perceptions' of E-loyalty and the impact thereof. Using this approach, the respondents could also gain easy access to complete the online survey.

Only links to the survey were placed on www.buycomputers.co.za and www.take2.co.za, as shown in Appendix A and Appendix B. The actual hosting of the survey was done via the www.ros.co.za/survey/ domain as illustrated in Appendix C. The online survey included some measure of validation (see Appendix D) and error checking (see Appendix F). Appendix E exhibits the 'tailored' last web-page of the online survey via each website visited.

4.4 DATA COLLECTION

The survey was somewhat customised to the 'look and feel' of the chosen websites. For example, potential customers or customers would visit www.take2.co.za, while their attention was drawn to the 'Web survey' on the homepage. This link then directed the (potential) customer to a more detailed description of the online survey (see Appendix B). If the (potential) customer clicked on the link to complete the online survey, the respondent would be redirected to the www.ros.co.za website domain and

more specifically, the www.ros.co.za/survey/page1-1.php webpage. Information is stored as to which originating site the respondent came from. The respondent completes the survey and 'Submits' the data. If all the questions have been answered (or checked), the data would then be stored to the MySQL 4.1 database. The All-or-Nothing database programming principle has been applied; if the respondent quits the survey, or for some reason the web browser is closed, no data will be written to the database. Consequently, data integrity is ensured as only 'completed' survey results are stored. Finally, the respondent is directed to the last page of the survey (see Appendix E).

4.5 THE TARGET POPULATION

The 'online' survey facilitated a large number of responses that were returned (in total 176 respondents) over the short period of time in which the survey was conducted. It was also an appropriate medium for this survey, as the questionnaire required the input based on 'customer perception'. As a result, a more focussed approach was employed to enhance the validity of results, where two SME websites (more specifically, e-tailers) were used to host the survey to gain feedback from their customers. In this way, the target population would serve as the customers of www.buycomputers.co.za and www.take2.co.za, which represent a significantly smaller segment of the total number of Internet users. Two e-tailers were selected specifically so that the results obtained from the respondents could be generalised to some degree.

A Bar Chart (see Figure 4-1) shows the number of respondents relative to each website in percentages. The www.take.co.za had far more respondents whom have completed the surveyed (approx. 80% of the total population of respondents) than the www.buycomputers.co.za website (approx. 20% of the total population of respondents).

Websites Surveyed

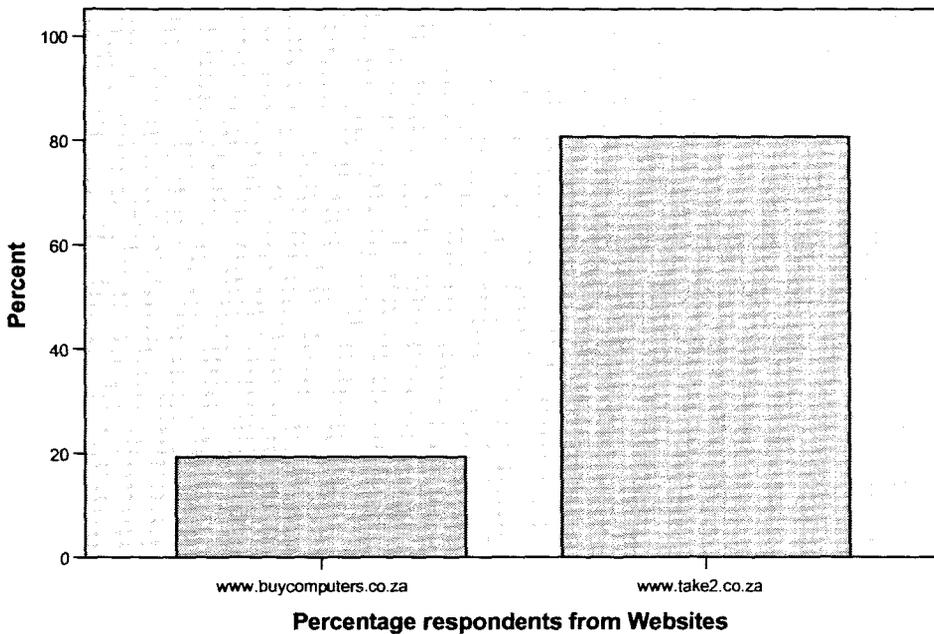


Figure 4-1: Percentage respondents from the two websites surveyed

4.6 MEASUREMENT SCALES

While a plethora of measurement scales are available for academic research, the well-known Likert scale whereby respondents are asked to respond to each of the statements, by choosing one of several agreement choices (Emory & Cooper, 1991:220-222) is commonly used by business research students. Typical agreement choices used in the Likert scale are depicted below:

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
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The advantages of using the popular Likert scale according to Emory and Cooper (1991:221) are:

- Easy and quick to construct.
- Each item needs an empirical test for discriminating ability.

- The Likert scale is probably more reliable than the Thurston scale, and it provides a greater volume of data than the Thurston differential scale.
- The Likert scale is also treated as an interval scale.

The Semantic Differential scale, developed by Osgood and his associates, is an attempt to measure the psychological meaning of an object to an individual (Emory & Cooper, 1991:225). The method consists of a set of bipolar rating scales, usually seven point, by which one or more subjects rate one or more concepts on each scale item. The scale items may appear as follows:

Good	_____ : _____ : _____ : _____ : _____ : _____ : _____	Bad
Passive	_____ : _____ : _____ : _____ : _____ : _____ : _____	Active

Some other measurement scales include, *inter alia*, the nominal scale, the ordinal scale, the interval scale, and the ratio scale. The 7-point Likert scale (from strongly agree to strongly disagree) and the 7-point Semantic scale (with anchors 'not at all likely' and 'very likely') were used in the design of this questionnaire. The most important reason for choosing the Likert scale by this author is the fact that the scale can be used in both 'respondent-centred' (how responses differ between people) and 'stimulus-centred' (how responses differ between various stimuli) studies (Emory & Cooper, 1991:221).

4.7 THE SURVEY INSTRUMENT

The research survey (elaborated upon schematically below) was adapted from Srinivasan *et al.*, (2002:48-49) with the aim to conduct a frequency distribution analysis for the different categories, namely Customisation, Contact Interactivity, Cultivation, Care, Community, Choice, Convenience, Character, E-Loyalty, Search, Word-of-mouth, and Willingness to pay more. The attention of the reader is furthermore drawn to the fact that the research of Srinivasan *et al.* (2002) was based on a sample population of

1211. Against this background, it is acknowledged that as this research was limited to a sample population of only 176 respondents, the results between the two surveys may differ.

Section A: Customisation		Strongly Disagree	Disagree	Somewhat Disagree	Not Applicable	Somewhat agree	Agree	Strongly Agree
1.	This website makes purchase recommendations that match my needs.	<input type="radio"/>						
2.	This website enables me to order products that are tailored-made for me.	<input type="radio"/>						
3.	The advertisements and promotions that this website sends to me are tailored to my situation.	<input type="radio"/>						
4.	This website makes me feel that I am a unique customer.	<input type="radio"/>						
5.	I believe that this website is customised to my needs.	<input type="radio"/>						
Section B : Contact interactivity		Strongly Disagree	Disagree	Somewhat Disagree	Not Applicable	Somewhat agree	Agree	Strongly Agree
1.	This website enables me to view the merchandise from different angles.	<input type="radio"/>						
2.	This website has a search tool that enables me to locate products.	<input type="radio"/>						
3.	This website does not have a search tool that makes comparisons easy.*	<input type="radio"/>						
4.	I feel that this is a very engaging website.	<input type="radio"/>						

Section C: Cultivation

	Strongly Disagree	Disagree	Somewhat Disagree	Not Applicable	Somewhat agree	Agree	Strongly Agree
1. I do not receive notifications when making purchases from this website. *	<input type="radio"/>						
2. This website sends me information that is relevant to my purchases.	<input type="radio"/>						
3. I feel that this website appreciates my business.	<input type="radio"/>						
4. I feel that this website makes an effort to increase its share of my business.	<input type="radio"/>						
5. I feel that the personal information I provide to this website is kept private.	<input type="radio"/>						

Section D: Care

	Strongly Disagree	Disagree	Somewhat Disagree	Not Applicable	Somewhat agree	Agree	Strongly Agree
1. I have experienced problems with billing with respect to earlier purchases at this website. *	<input type="radio"/>						
2. The goods that I purchased in the past from this website have been delivered on time.	<input type="radio"/>						
3. I feel that this website is not responsive to any problems that I encounter. *	<input type="radio"/>						
4. The return policies laid out in the website are customer friendly.	<input type="radio"/>						
5. I believe that this website takes good care of its customers.	<input type="radio"/>						

Section E: Community

	Strongly Disagree	Disagree	Somewhat Disagree	Not Applicable	Somewhat agree	Agree	Strongly Agree
1. Customers share experiences about the website/product online with other customers of the website.	<input type="radio"/>						
2. The customer community support by this website is not useful for gathering product information. *	<input type="radio"/>						
3. Customers of this website benefit from the community sponsored by the website.	<input type="radio"/>						

Section F : Choice

	Strongly Disagree	Disagree	Somewhat Disagree	Not Applicable	Somewhat agree	Agree	Strongly Agree
1. This website provides a "one-stop shop" for my shopping.	<input type="radio"/>						
2. This website does not satisfy a majority of my online shopping needs. *	<input type="radio"/>						
3. The choice of products at this website is limited. *	<input type="radio"/>						

Section G: Convenience

	Strongly Disagree	Disagree	Somewhat Disagree	Not Applicable	Somewhat agree	Agree	Strongly Agree
1. Navigation through this website is not very intuitive. *	<input type="radio"/>						
2. A first-time buyer can make a purchase from this website without much help.	<input type="radio"/>						
3. It takes a long time to shop at this website. *	<input type="radio"/>						
4. The website is a user-friendly site.	<input type="radio"/>						
5. It takes a long time to access web-pages/information on this website. *	<input type="radio"/>						

Section H : Character

	Strongly Disagree	Disagree	Somewhat Disagree	Not Applicable	Somewhat agree	Agree	Strongly Agree
1. The design of this website is attractive to me.	<input type="radio"/>						
2. I feel that the product offering at this website in relation to the price asked, is fair.	<input type="radio"/>						
3. I feel safe to give my personal information to this website	<input type="radio"/>						
4. I feel comfortable shopping at this website.	<input type="radio"/>						

Section I : E-Loyalty

	Strongly Disagree	Disagree	Somewhat Disagree	Not Applicable	Somewhat agree	Agree	Strongly Agree
1. As long as the present service continues, I doubt that I would switch websites.	<input type="radio"/>						
2. I try to use the website whenever I need to make a particular purchase.	<input type="radio"/>						
3. I believe that this is my favorite retail website.	<input type="radio"/>						

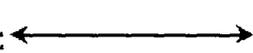
Section J : Search

	Strongly Disagree	Disagree	Somewhat Disagree	Not Applicable	Somewhat agree	Agree	Strongly Agree
1. I regularly read/watch advertisements to compare competing websites.	<input type="radio"/>						
2. I decide on visiting competing websites for shopping on the basis of advertisements.	<input type="radio"/>						
3. I often talk to friends about their experiences with competing websites.	<input type="radio"/>						
4. I conducted an extensive search before making a purchase at this website.	<input type="radio"/>						

Section K: Word-of-mouth

	Strongly disagree	Disagree	Somewhat Disagree	Not Applicable	Somewhat agree	Agree	Strongly Agree
1. I say positive things about this website to other people.	<input type="radio"/>						
2. I recommend this website to anyone who seeks my advice.	<input type="radio"/>						
3. I do not encourage friends to do business with this website. *	<input type="radio"/>						
4. I hesitate to refer my acquaintances to this website. *	<input type="radio"/>						

Section L : Willingness to pay more

	Not at all likely		Very likely
1. Will you take some of your business to a competitor that offers better prices? *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Will you continue to do business with this website if its prices increase somewhat?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Will you pay a higher price at this website relative to the competition for the same benefit?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Will you stop doing business with this website if its competitors' prices decrease somewhat? *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* Items that have been reverse-coded.

Submit

4.8 CONCLUSION

The online survey was conducted using two SME websites i.e., www.buycomputers.co.za and www.take2.co.za. The potential respondents would click on a link on either website and then be re-directed to the survey which was hosted at www.ros.co.za. In this way, the survey appeared to be customised to the design of the website

surveyed. Furthermore, the survey was conducted to determine customer input and explore the impact of e-loyalty. As a result, hosting the survey electronically seemed appropriate, and offered easy access to potential respondents. There were 176 respondents that completed the questionnaire. The survey was designed against the background of the research problem, the research question, and more specifically, the investigative questions. The following outline provides a summary of the topics described in this chapter:

- Ethical considerations.
- Research design.
- Data collection.
- The target population.
- Measurement scales.
- The survey instrument.

The data which was collected was initially exported to Microsoft Excel before any data analysis was conducted. The analysis and interpretation of the data is discussed in the next chapter.

CHAPTER 5: ANALYSIS AND INTERPRETATION OF RESULTS

5.1 INTRODUCTION

There were 176 respondents that completed the online survey described in Chapter 4. In this chapter, a frequency distribution analysis was conducted on the survey results for each category in the questionnaire (i.e., Customisation, Contact Interactivity, Cultivation, Care, Community, Choice, Convenience, Character, E-Loyalty, Search, Word-of-mouth, and Willingness to pay more). The results of these scale items which were reverse-coded were inverted, and in so doing, a factor analysis and correlation analysis was performed. Furthermore, Cronbach's alphas for each construct were obtained. The potential impact that e-loyalty has on customer-related outcomes were also determined. Finally, a Stepwise Regression Analysis was conducted. SPSS (Statistical Package for Social Sciences) version 14 was used to perform the analysis on the data gleaned from the surveys.

5.2 FREQUENCY DISTRIBUTION ANALYSIS

Berenson and Levine (1999:60) define a 'frequency distribution' as a summary table in which the data are arranged into conveniently established, numerically ordered class groupings or categories. The following diagrams in this section depict the 'Frequency Distribution Analysis' conducted for each category in the questionnaire (i.e., Customisation, Contact Interactivity, Cultivation, Care, Community, Choice, Convenience, Character, E-Loyalty, Search, Word-of-mouth, and Willingness to pay more). The data is shown in tabular form. Refer to Appendix H for a graphical representation of this data, however with the scale items changed to a 'positive mode', which reflects the frequency distribution per scale item for each category listed above. The primary advantage of using a summary table is that the major data characteristics

should become immediately clear to the reader (Berenson & Levine, 1999:61).

Customisation		Strongly Agree	Agree	Somewhat Agree	Not Applicable	Somewhat Disagree	Disagree	Strongly Disagree
1.	This website makes purchase recommendations that match my needs.	15.91%	38.07%	22.73%	13.64%	3.41%	5.11%	1.14%
2.	This website enables me to order products that are tailored-made for me.	23.30%	38.07%	21.59%	8.52%	5.11%	2.84%	0.57%
3.	The advertisements and promotions that this website sends to me are tailored to my situation.	14.20%	28.98%	30.68%	13.64%	9.09%	3.41%	0.00%
4.	This website makes me feel that I am a unique customer.	21.02%	21.02%	30.11%	5.11%	11.93%	6.82%	3.98%
5.	I believe that this website is customised to my needs.	15.91%	31.82%	27.84%	6.82%	10.80%	5.68%	1.14%

Table 5-1: Frequency Distribution Analysis of the 'Customisation' Factor

Table 5-1 above shows that most respondents 'Agreed' with each question in the Customisation category of the survey. More than 76% 'Agreed' to question 1; 82% to question 2; 73% to question 3; 72% to question 4; and finally 75% to question 5.

Contact Interactivity		Strongly Agree	Agree	Somewhat Agree	Not Applicable	Somewhat Disagree	Disagree	Strongly Disagree
1.	This website enables me to view the merchandise from different angles.	10.23%	19.32%	27.84%	11.93%	13.07%	11.93%	5.68%
2.	This website has a search tool that enables me to locate products.	37.50%	42.05%	10.80%	2.27%	5.11%	1.14%	1.14%
3.	This website does not have a tool that makes product comparisons easy.	9.09%	27.27%	22.16%	15.34%	7.39%	10.80%	7.95%
4.	I feel that this is a very engaging website.	18.75%	43.18%	25.57%	4.55%	5.68%	1.70%	0.57%

Table 5-2: Frequency Distribution Analysis of the 'Contact Interactivity' Factor

In the Contact Interactivity category (Refer to Table 5-2), it is important to note that question 3 has been reverse-coded, and had more than 58% of the respondents that stated: 'This website does not have a tool that makes product comparisons easy'. For each of the other questions, most responses were in the 'Agree' sector of the scale.

Cultivation		Strongly Agree	Agree	Somewhat Agree	Not Applicable	Somewhat Disagree	Disagree	Strongly Disagree
1.	I do not receive notifications when making purchases from this website.	1.70%	1.70%	0.00%	6.82%	3.41%	20.45%	65.91%
2.	This website sends me information that is relevant to my purchases.	32.95%	38.64%	14.20%	7.39%	2.27%	3.41%	1.14%
3.	I feel that this website appreciates my business.	22.16%	32.39%	23.30%	5.11%	7.95%	3.98%	5.11%
4.	I feel that this website makes an effort to increase its share of my business.	15.91%	28.98%	20.45%	10.23%	13.64%	8.52%	2.27%
5.	I feel that the personal information I provide to this website is kept private.	31.82%	53.98%	9.09%	3.41%	0.57%	0.57%	0.57%

Table 5-3: Frequency Distribution Analysis of the 'Cultivation' Factor

More than 65% of the respondents marked that they ‘Strongly Disagree’ with question 1 (Refer to Table 5-3). This question has also been reverse-coded. Subsequently, all the other responses are in the ‘Agree’ half of the scale.

Care		Strongly Agree	Agree	Somewhat Agree	Not Applicable	Somewhat Disagree	Disagree	Strongly Disagree
1.	I have experienced problems with billing with respect to earlier purchases at this website.	0.57%	5.11%	3.98%	8.52%	2.27%	30.68%	48.86%
2.	The goods that I purchased in the past from this website have been delivered on time.	34.66%	35.80%	9.66%	6.25%	6.25%	5.11%	2.27%
3.	I feel that this website is not responsive to any problems that I encounter.	2.84%	7.39%	7.95%	15.91%	6.82%	30.11%	28.98%
4.	The return policies laid out in this website are customer friendly.	15.34%	45.45%	15.91%	17.05%	4.55%	0.57%	1.14%
5.	I believe that this website takes good care of its customers.	28.98%	38.07%	19.89%	3.98%	6.82%	1.14%	1.14%

Table 5-4: Frequency Distribution Analysis of the ‘Care’ Factor

Questions 1 and 3 have been reverse-coded in Table 5-4 above. A similar pattern of responses follow as with the other categories mentioned thus far. Most respondents ‘Agree’ with the other questions in the Care category. Furthermore, more than 17% of the respondents imply that there is no return policies laid out for the website surveyed.

Community		Strongly Agree	Agree	Somewhat Agree	Not Applicable	Somewhat Disagree	Disagree	Strongly Disagree
1.	Customers share experiences about the website/product online with other customers of the website.	10.80%	31.25%	20.45%	25.00%	3.98%	3.98%	4.55%
2.	The customer community supported by this website is not useful for gathering product information.	2.84%	11.93%	17.05%	36.93%	10.23%	14.20%	6.82%
3.	Customers of this website benefit from the community sponsored by the website.	7.39%	21.02%	14.20%	41.48%	6.25%	9.09%	0.57%

Table 5-5: Frequency Distribution Analysis of the ‘Community’ Factor

Observing the large number of responses reflected in Table 5-5 to the ‘Not applicable’ scale item, it is evident that the Community aspect of the website design has not been met by the websites surveyed. Question 2 has been reverse-coded.

Choice		Strongly Agree	Agree	Somewhat Agree	Not Applicable	Somewhat Disagree	Disagree	Strongly Disagree
1.	This website provides a “one-stop shop” for my shopping.	23.30%	38.07%	22.73%	1.14%	6.25%	7.39%	1.14%
2.	This website does not satisfy a majority of my online shopping needs.	2.27%	6.82%	11.36%	4.55%	22.16%	29.55%	23.30%
3.	The choice of products at this website is limited.	7.95%	8.52%	13.07%	1.14%	17.61%	27.27%	24.43%

Table 5-6: Frequency Distribution Analysis of the ‘Choice’ Factor

Question 2 and Question 3, in Table 5-6, have been reverse-coded. Approximately 84% 'Agree' that the website surveyed provides a one-stop-shop for their shopping requirements. However, nearly 30% of the respondents indicated that the choice of products at the website surveyed was limited.

Convenience								
		Strongly Agree	Agree	Somewhat Agree	Not Applicable	Somewhat Disagree	Disagree	Strongly Disagree
1.	Navigation through this website is not very intuitive.	2.84%	9.66%	9.09%	3.98%	10.23%	41.48%	22.73%
2.	A first-time buyer can make a purchase from this website without much help.	26.70%	56.25%	13.64%	0.00%	1.70%	0.00%	1.70%
3.	It takes a long time to shop at this website.	0.57%	2.27%	5.68%	1.70%	15.34%	50.00%	24.43%
4.	The website is a user-friendly site.	30.68%	47.73%	17.61%	1.14%	2.27%	0.00%	0.57%
5.	It takes a long time to access web-pages /information on this website.	2.27%	1.70%	10.80%	3.98%	14.77%	42.05%	24.43%

Table 5-7: Frequency Distribution Analysis of the 'Convenience' Factor

The responses returned in this section (Refer to Table 5-7) favours the website surveyed. Note that Questions 1, 3, and 5 have been reverse-coded. There is a large number of respondents that 'Agree' with questions 2 and 4. Controversially, a large number of respondents 'Disagree' with Questions 1, 3, and 5.

Character								
		Strongly Agree	Agree	Somewhat Agree	Not Applicable	Somewhat Disagree	Disagree	Strongly Disagree
1.	The design of this website is attractive to me.	17.61%	40.34%	27.84%	2.27%	6.82%	3.41%	1.70%
2.	I feel that the product offering at this website in relation to the price asked, is fair.	29.55%	38.07%	23.30%	0.00%	5.11%	2.27%	1.70%
3.	I feel safe to give my personal information to this website.	27.27%	48.86%	18.18%	1.14%	3.41%	1.14%	0.00%
4.	I feel comfortable shopping at this website.	46.02%	43.18%	9.09%	1.14%	0.57%	0.00%	0.00%

Table 5-8: Frequency Distribution Analysis of the 'Character' Factor

For the 'Character' factor, reflected in Table 5-8, more than 85% of the respondents 'Agreed' with each question posed. More specifically, more than 98% of the respondents expressed that they felt comfortable shopping at the website surveyed.

E-loyalty								
		Strongly Agree	Agree	Somewhat Agree	Not Applicable	Somewhat Disagree	Disagree	Strongly Disagree
1.	As long as the present service continues, I doubt that I would switch websites.	38.07%	34.66%	14.77%	2.27%	7.39%	2.84%	0.00%
2.	I try to use the website whenever I need to make a particular purchase.	40.91%	38.64%	11.93%	0.57%	6.25%	1.70%	0.00%
3.	I believe that this is my favourite retail website.	39.77%	28.98%	18.18%	2.84%	3.98%	3.41%	2.84%

Table 5-9: Frequency Distribution Analysis of the 'E-loyalty' Factor

More than 87% of the respondents 'Agreed' that as long as the present service continued, they would not switch websites. In addition, about 91% of the respondents tried to use the website surveyed whenever they wished to make a particular purchase (Refer to Table 5-9).

Search								
		Strongly Agree	Agree	Somewhat Agree	Not Applicable	Somewhat Disagree	Disagree	Strongly Disagree
1.	I regularly read/watch advertisements to compare competing websites.	26.70%	34.09%	17.61%	7.39%	3.98%	6.25%	3.98%
2.	I decide on visiting competing websites for shopping on the basis of advertisements.	9.09%	18.75%	18.75%	7.39%	16.48%	20.45%	9.09%
3.	I often talk to friends about their experiences with competing websites.	17.05%	35.80%	20.45%	10.23%	6.25%	7.39%	2.84%
4.	I conducted an extensive search before making a purchase at this website.	24.43%	30.68%	23.30%	5.11%	7.39%	6.25%	2.84%

Table 5-10: Frequency Distribution Analysis of the 'Search' Factor

In the 'Search' category, reflected in Table 5-10, most responses tend to 'Agree' with the questions asked except with question 2. Of the respondents, 46% stated that they did not visit competing websites for shopping on the basis of advertisements.

Word-of-mouth								
		Strongly Agree	Agree	Somewhat Agree	Not Applicable	Somewhat Disagree	Disagree	Strongly Disagree
1.	I say positive things about this website to other people.	45.45%	42.61%	6.82%	1.70%	2.84%	0.00%	0.57%
2.	I recommend this website to anyone who seeks my advice.	44.32%	40.34%	7.95%	2.84%	3.41%	0.57%	0.57%
3.	I do not encourage friends to do business with this website.	1.14%	3.41%	1.70%	2.84%	3.98%	31.25%	55.68%
4.	I hesitate to refer my acquaintances to this website.	1.14%	0.57%	1.70%	4.55%	7.39%	30.11%	54.55%

Table 5-11: Frequency Distribution Analysis of the 'Word-of-mouth' Factor

In the Table 5-11 above, the respondents tend to 'strongly agree' with question 1 and question 2, and 'strongly disagree' with question 3 and question 4. The last two questions in the 'Word-of-mouth' category have been reverse-coded.

Willingness to pay more							
		Not At All Likely					Very Likely
1.	Will you take some of your business to a competitor that offers better prices?	4.55%	6.82%	10.80%	9.09%	14.20%	33.52%
2.	Will you continue to do business with this website if its prices increase somewhat?	11.93%	13.07%	14.77%	30.11%	14.20%	6.25%
3.	Will you pay a higher price at this website relative to the competition for the same benefit?	35.23%	19.89%	8.52%	17.61%	9.66%	3.41%
4.	Will you stop doing business with this website if its competitors' prices decrease somewhat?	7.39%	10.23%	14.77%	28.41%	13.64%	12.50%

Table 5-12: Frequency Distribution Analysis of the 'Willingness to pay more' Factor

Finally, question 1 and question 4 have been reverse-coded in the 'Willingness to pay more' category reflected in Table 5-12. A large percentage of the respondents indicated that they will take their business to a competitor with better prices. Most respondents are uncertain if they will continue to do business with the website surveyed, if the prices increase somewhat. Approximately 35% of the respondents 'strongly' feel that they will not pay a higher price relative to the competition for the same benefit. About 12% of the respondents claim that they will stop doing business with the website surveyed if the competitors prices decrease somewhat, while almost 28% are undecided.

The reader is again for ease of reference referred to Appendix H for a graphical representation of the above data (however with the questionnaire in a positive form i.e., the reverse coded questions changed accordingly) illustrating the frequency distribution per scale item for each category.

5.3 FACTOR ANALYSIS

According to Mouton (1996:128), obtaining construct validity is one of the most difficult problems in social sciences research. Social sciences are characterised by highly theoretical concepts or constructs that are derived from scientific theories and cannot be inductively inferred from the observation of human behaviour. Mouton (1996:128) further explains that the methodological problem that arises is the following: How does the researcher really know that the items included in the scale or

questionnaire actually measure the construct that they are suppose to represent?

There are a number of threats to 'construct validity' which Mouton (1996:128-9) lists as:

- The effect of poor conceptualisation on construct validity.
- Mono-operation bias, which refers to problems that surface when single indicators or measurements of a construct are employed. This does not apply to this survey as more than one indicator or measurement was included for each category in the questionnaire. When multiple indicators (or what is known as multiple operationism) are used, various techniques can be used to help determine the construct validity of theoretical concepts. One such technique is 'factor analysis'.
- Mono-method bias refers to the problems arising from the use of the same type of measurement technique for collecting data on the construct that is being investigated.

Factor analysis involves in essence an analysis of the inter-correlations between indicators. The reverse coded items in the questionnaire were taken into consideration. A confirmatory factor analysis was performed on the data results. In this way, the author specified the factors for each category whereby items in each category were reduced to one factor. Kline (1994:10) states that confirmatory factor analysis is used to test hypotheses. In this method, which is based upon previous studies or on relevant theory, factor loadings for the variables are hypothesized. Confirmatory factor analysis then proceeds to fit these loadings in the target matrix as closely as possible. Kline (1994:10) further states that how good the fit is can also be measured.

5.4 CORRELATIONS AND RELIABILITY

According to Dillon, Madden and Firtle (1993:451), measures of correlation quantify the extent to which two variables are associated. Furthermore, to say that two variables correlate implies that there is a symmetric relationship between them. Also, two variables can be 'positively correlated', 'negatively correlated', or 'uncorrelated'. Table 5-13 depicts the correlations between the scale items in the questionnaire. All variables depicted in this Correlation Matrix are positively correlated i.e., $r > 0$. More specifically, all correlations are significant with a p-value < 0.05 .

Correlations

	Customisation	Contact Interactivity	Cultivation	Care	Community	Choice	Convenience	Character	Eloyalty
Customisation	0.839								
Contact Interactivity	0.555	0.612							
Cultivation	0.621	0.514	0.771						
Care	0.558	0.505	0.715	0.686					
Community	0.348	0.357	0.308	0.377	0.821				
Choice	0.481	0.458	0.414	0.460	0.257	0.747			
Convenience	0.426	0.625	0.515	0.533	0.272	0.440	0.677		
Character	0.539	0.463	0.585	0.562	0.276	0.544	0.615	0.686	
Eloyalty	0.528	0.392	0.548	0.536	0.275	0.481	0.413	0.553	0.880

* Cronbach's Alphas for the constructs are given in the diagonal elements

** All correlations are significant at the 0.05 level of significance (p-value < 0.05)

Table 5-13: Correlation Matrix

"Cronbach's α (alpha) has an important use as a measure of the reliability¹⁴ of a psychometric¹⁵ instrument. It indicates the extent to which a set of test items can be treated as measuring a single 'latent variable'¹⁶" (Wikipedia, 2006a).

Answers.com (2006) gives the formula for the 'Standardized Cronbach's α ' as shown below:

$$\alpha = \frac{N \cdot \bar{r}}{(1 + (N - 1) \cdot \bar{r})}$$

¹⁴ See [http://en.wikipedia.org/wiki/Reliability_\(statistics\)](http://en.wikipedia.org/wiki/Reliability_(statistics)) for more details.

¹⁵ See <http://en.wikipedia.org/wiki/Psychometrics> for more details.

¹⁶ See http://en.wikipedia.org/wiki/Latent_variable for more details.

Here N is equal to the number of items and \bar{r} is the average inter-item correlation among the items.

In the Correlation Matrix in Table 5-13, Cronbach's Alphas for the constructs are given in the diagonal elements. "a can take values between minus infinity and 1 (although only positive values make sense). Some professionals as a rule of thumb, require a reliability of 0.70 or higher (obtained on a substantial sample) before they will use an instrument. Obviously, this rule should be applied with caution when a has been computed from items that systematically violate its assumptions. Furthermore, the appropriate degree of reliability depends upon the use of the instrument" (Wikipedia, 2006a). More specifically, for the constructs chosen in this survey, 'Customisation', 'Cultivation', 'Community', 'Choice', and 'E-loyalty' all have a reliability of 0.70 or higher. However, it can also be seen in Table 5-13 that the 'Care', 'Convenience', and 'Character' constructs have a reliability that is nearly 0.70. Only 'Contact Interactivity' has a lower reliability of 0.612.

In addition, a correlation analysis was performed to determine the impact that E-loyalty has on the behavioural outcomes: 'Search', 'Word-of-mouth' and 'Willingness to pay more'. The results are shown in the table below:

Dependent variables	E-loyalty
Search	-0.112*
Word of mouth	0.601**
Willing to Pay More	-0.510**

* Not significant

** Significant at $p < 0.05$

Table 5-14: Impact of E-loyalty on Behavioural Outcomes

Cronbach's alphas for the behavioural items are: (a) search = 0.633, (b) word-of-mouth = 0.825, and (c) willingness to pay more = 0.713. From the results, the conclusion can be drawn that E-loyalty has a significant impact on 'Word-of-mouth' and 'Willingness to pay more'. However, the results also show that, the 'loyal' customer would be 'less willing to pay more'.

5.5 REGRESSION ANALYSIS

Regression analysis represents a model which attempts to understand the dependence of one variable, called the 'dependent or criterion variable', on one or more variables, called the 'explanatory or independent variables' (Dillon, Madden & Firtle, 1993:451). A Stepwise Regression Analysis was performed. "The name Stepwise Regression is often used to mean an algorithm proposed by Efroymson (1960). This is an automatic procedure for statistical 'model selection'¹⁷ in cases where there are a large number of potential explanatory variables, and no underlying theory on which to base the model selection. The procedure is used primarily in 'regression analysis'¹⁸, though the basic approach is applicable in many forms of model selection" (Wikipedia, 2006b). The selection technique used was a backwards selection method. The full model containing all 8 factors were reduced to the four factors listed in Table 5-16. This model is significant since the p-value is less than 0.05 as can be seen in the ANOVA table (Table 5-15) below:

Model	Sum of Squares	d.f.	Mean Square	F	p-value
Regression	67.129	4	16.782	32.341	0.000
Residual	88.735	171	0.519		
Total	155.864	175			

* Predictors: (Constant), Character, Cultivation, Choice, Customisation

** Dependent Variable: E-loyalty

*** d.f. = degrees of freedom

Table 5-15: ANOVA

The coefficients (and the p-value of each coefficient) of the model are given in Table 5-16. The intercept is not significant, but the four factors left in the model all have a p-value < 0.05.

¹⁷ See http://en.wikipedia.org/wiki/Model_selection for more information.

¹⁸ See http://en.wikipedia.org/wiki/Regression_analysis for more information.

Model	Un-standardised Coefficients		Standardised Coefficients	T	p-value
	Beta	Std. Error	Beta		
Intercept	0.000	0.054		0.000	1.000
Character	0.239	0.084	0.225	2.840	0.005
Cultivation	0.239	0.082	0.233	2.932	0.004
Choice	0.187	0.076	0.177	2.473	0.014
Customisation	0.181	0.080	0.177	2.256	0.025

**Dependent Variable: E-loyalty

Table 5-16: Final Regression Model

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.656	0.431	0.417	0.7203

* Predictors: (Constant), Character, Cultivation, Choice, Customisation

** Dependent Variable: E-loyalty

Table 5-17: R-square

R = correlation = a measure of the strength of the relationship between the factor and the dependent variable.

R-square = the percentage change in the dependent variable e-loyalty directly due to changes in the four factors.

5.6 CONCLUSION

Data was collected from 176 respondents who completed the online survey. In this chapter, a frequency distribution analysis was conducted on the survey results for each category in the questionnaire (i.e., Customisation, Contact Interactivity, Cultivation, Care, Community, Choice, Convenience, Character, E-Loyalty, Search, Word-of-mouth, and Willingness to pay more). Thereafter, the results of those scale items that were reverse-coded were inverted, and in so doing, a factor analysis and correlation analysis was performed. SPSS (Statistical Package for Social Sciences) version 14 was used to perform the analysis on the data

acquired. Furthermore, Cronbach's alphas were obtained to determine the reliability of each construct in the survey questionnaire. A Stepwise Regression Analysis was conducted. The analysis returned that although each construct (each of the 8Cs) individually impact e-loyalty, only 'Customisation', 'Choice', 'Cultivation', and 'Character' have a significant impact on e-loyalty when the items are grouped together. In addition, e-loyalty has a significant impact on two customer-related outcomes, namely 'Word-of-mouth' and 'Willingness to pay more', but not 'Search'. The results also returned that, the 'loyal' customer would be 'less willing to pay more'. The results and findings lead to scope for further research which is presented in the next chapter.

CHAPTER 6: CONCLUSION AND RECOMMENDATIONS FOR FURTHER RESEARCH

6.1 INTRODUCTION

The research study has attempted to determine the impact that e-loyalty has on the business success of SMEs. The great expenditure involved in acquiring new customers and retaining them, make e-loyalty an important advantage for the success of an electronic business. Business success is often seen as the growth or profitability of the business, but this becomes more complex when trying to determine factors that lead to it. There are several dimensions of e-loyalty which include, 'attitudinal loyalty', 'behavioural intent', and 'behavioural loyalty' which were expanded upon in Chapter 3. Furthermore, the 8C's which were described as 'customisation', 'contact interactivity', 'care', 'community', 'convenience', 'cultivation', 'choice', and 'character' are constructs examined within the ambit of the study, which potentially impact upon e-loyalty. Other factors such as, trust and satisfaction, were also included in the literature survey.

6.2 THE RESEARCH PROBLEM REVISITED

The survey within the scope of this research study was conducted against the background of the research problem in this dissertation, which reads as follows:

"The absence of e-loyalty adversely impacting on the business success of SMEs".

The literature study contained within the ambit of Chapter 2 and Chapter 3, illustrated the need for e-loyalty. More importantly however that the success of the business could be adversely impacted with the lack or absence of e-loyalty. Consequently, the research findings of the survey conducted, further demonstrate that e-loyalty has a positive impact on the business success of SMEs.

6.3 THE RESEARCH QUESTION REVISITED

The survey design was primarily formulated in the quest to find an answer to the research question, which reads as follows:

“Which factors are imperatives for the establishment of e-loyalty to ensure the business success of SMEs?”.

Factors that potentially impact e-loyalty were expanded upon in Chapter 3, Paragraph 3.7. Furthermore, the survey that was conducted, was adapted from Srinivasan *et al.* (2002:48-49) to determine which factors impact e-loyalty for the business success of SMEs. The research findings that are presented in Chapter 5, show that all of the 8C's (i.e., Customisation, Contact Interactivity, Cultivation, Care, Community, Choice, Convenience, and Character) individually impact e-loyalty, however only 'Customisation', 'Choice', 'Cultivation', and 'Character' have a significant impact on e-loyalty when the items are grouped together.

6.4 THE INVESTIGATIVE QUESTIONS REVISITED

The following two investigative questions were also probed:

- *Does e-loyalty influence the customer's willingness to pay more?*
- *Can e-loyalty be attained through word-of-mouth promotion?*

Although the literature study, more specific Chapter 3, Paragraphs 3.6 and 3.7, provided some insight into the above questions, the results of the survey conducted (see Chapter 5) returned that e-loyalty does influence the customer's willingness to pay more, and also e-loyalty can be attained through word-of-mouth promotion. In addition, the analogy can be drawn that the more loyal the customer, the less willing he or she would be to pay more.

6.5 THE RESEARCH DESIGN AND METHODOLOGY

A case study approach as discussed in Chapter 1 Paragraph 1.3 was used within the ambit of this study, with detail of the concept expanded upon in Chapter 4. The research questionnaire (or survey) used in this study was adapted from Srinivasan *et al.* (2002:48-49). A total number of 176 respondents completed the online survey which was hosted at www.ros.co.za/survey. The potential respondents were from the two SME websites that hosted links to the survey i.e., www.buycomputers.co.za¹⁹ and www.take2.co.za²⁰. The research questionnaire comprised of 49 questions articulated to provide a solution to the research problem, and an answer to the research question and associated investigative questions.

6.6 KEY RESEARCH OBJECTIVES

The objective of this study was to determine the impact that customer loyalty has on the success of an electronic business. A comprehensive literature study was conducted that culminated in an online survey of which the findings demonstrated the potential impact that e-loyalty has on the business success of SMEs.

6.7 RESEARCH FINDINGS

The results from this research study returned that, although each construct individually has an impact on e-loyalty, only 'Customisation', 'Choice', 'Cultivation', and 'Character' have a significant impact on e-loyalty when the constructs are grouped together. Furthermore, e-loyalty can be attained through 'Word-of-mouth promotion'. The results also show that the 'loyal' customer would be 'less willing to pay more'. Implications of the research may be relevant for academics and practitioners who seek empirical understanding of how to better address online shopping to keep

¹⁹ Refer to Appendix I for an overview of www.buycomputers.co.za.

²⁰ Refer to Appendix J for an overview of www.take2.co.za.

customers loyal. This could in turn, impact the success of SME e-business.

6.8 RECOMMENDATIONS

As a result of the research contained within the ambit of this dissertation, the following recommendations:

- The cost of products and/or services should be kept low so as to attract new customers and retain existing ones.
- The products and/or services offered to potential customers should be tailored as far as possible. In this way, customisation creates the perception of increased choice of what the customer really wants.
- The website should be easy-to-use and navigate so that the customer would be enticed into making a purchase and recollect an enjoyable shopping experience.
- The website should regularly interact with its customers, in the form of newsletters, promotions, discounts, etc. so as to attract repeat purchasing behaviour.
- More importantly, good communication should not only occur (in the form of email, etc) with the customer before or during the purchasing of a product and/or service on the Internet, but the communication should continue until the delivery of the product has been made, and beyond.
- The website should provide a virtual community for its customers (and potential customers) to interact which in turn may facilitate and generate loyal customers.
- The website should offer a varied and vast choice of products and/or services to its (potential) customers. This could be an enticing factor to generate e-loyalty.

- The customer should feel that the website is intuitive, simple and user-friendly. This may entice the customer into making a purchase and repurchase behaviour.
- Trust, privacy and security are extremely important aspects to consider in the design of the website as they could influence e-loyalty.

Furthermore, the following recommendations are made for further research:

- If the study is conducted on a much wider scale, where many more SME websites across the Internet host the survey, the result would be a larger, more varied population of respondents, that may lead to a deeper analysis of 'the impact that e-loyalty has on the business success of SMEs' whereby the LISREL statistical technique could then be applied.
- This study may be further extended with the analysis of biographical and geographical data collected. The inclusion of the respondent's characteristics in terms of age, gender, language-spoken, income, and so on, may culminate in a broader understanding of the factors that impact e-loyalty. Furthermore, since the web has been described as a borderless information system, the respondent's place/country of origin and/or *domicilium et citandi*, may give rise to interesting geographical issues that impact e-loyalty.
- Furthermore, the literature surveyed returned that the owner/manager's characteristics do impact on the success of the business. The study could be expanded with an investigation of the impact the owner/manager's characteristics have on the success of an electronic business, and more specifically the impact these characteristics have to elicit e-loyalty.

- The reader is reminded that while recognising that the economic, political and social environment will affect the performance of SME e-businesses, the focus of this research study was on the factors influencing e-loyalty, and not on the broader external environment. These criteria too can be incorporated into a further study.

6.9 CONCLUSION

Several factors that potentially impact e-loyalty have been presented within the ambit of the study. The study has also shown that e-loyalty can be attained through 'Word-of-mouth promotion'. Furthermore, the results also show that the 'loyal' customer would be 'less willing to pay more'. The researcher envisages that the research findings could motivate the e-business community, in particular the managers of an e-business, to understand the significant impact that customer loyalty has on the success of electronic business, and adapt the functioning the business accordingly. This could result in a more pleasant Internet shopping experience for both the consumer and seller.

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APPENDICES

APPENDIX A: THE www.buycomputers.co.za WEBSITE HOMEPAGE

The screenshot shows the BuyComputers website homepage. At the top, the browser title is "BuyComputers - Microsoft Internet Explorer". The address bar shows the URL "http://www.buycomputers.co.za/default.asp?catname=specialsmyselect-all". The website header includes the "buycomputers" logo, a phone number "0861 80 40 40", and navigation links: "HOME", "COMPLETE PC", "REGISTER", "SHOPPING INFO", "ABOUT US", and "CONTACT US". A search bar is also present.

On the left side, there is a "SPECIALS" sidebar with a list of categories: Accessories, Cases, PSU, Complete PC, CPU, Digital Camera, Display Cards, Games, Input Devices, Memory, Monitors, Motherboards, MultiMedia, Net Modems, Optical Drives, Portable, Printers/Scan, Software, Storage, and Webcams. Below this sidebar are logos for "PCFormat" and "best SA E-TAILER".

The main content area features a survey announcement: "Web Site Customer Satisfaction Survey". The text reads: "Please help BuyComputers serve you and others better by completing our Web Site Customer Satisfaction Survey. Answering the questions should only take a few minutes. Your participation is completely voluntary and will help us ensure that our Web site is useful, accurate, and complete. If you have questions about how we will use this information, please review our Privacy Notice. No personal data will be asked or collected during the survey. This survey is been conducted by the Cape Peninsula University of Technology. To enter the Web Site Customer Satisfaction Survey [click here](#)."

To the right of the survey is a product listing for the "Atrix PowerLogic 5000 Chassis". The product is shown with a price of "R 529.00" and a "BUY" button. The product specifications listed are: "400W PowerLogic 5000", "Digital Controller for 2 Fans", "Multiple Frame Display", "Multi-function display for Clock", "120cm Galileo LED", "Side Fan & Bottom Back Fans", "Air Filter System", "4 x 3.25\" 5.25 x 3.0\" Bays", and "1x Bay(s)".

At the bottom of the page, there are additional product listings: "Sparkle Calibre nVidia GeForce 7600GS PCI-E" and "Gigabyte Triton Chassis - 7000".

APPENDIX B: THE www.take2.co.za WEBSITE HOMEPAGE, AND LINK TO THE SURVEY

APPENDIX C: THE SURVEY HOSTED AT www.ros.co.za/survey/

The impact of E-Loyalty on the business success of SME's - Microsoft Internet Explorer

Address: <http://www.ros.co.za/survey/page2-1.php?cbWebsite=www.buycomputers.co.za>

Section A: Customisation

	Strongly Disagree	Disagree	Somewhat Disagree	Not Applicable	Somewhat agree	Agree	Strongly Agree
1. This website makes purchase recommendations that match my needs.	<input type="radio"/>						
2. This website enables me to order products that are tailored-made for me.	<input type="radio"/>						
3. The advertisements and promotions that this website sends to me are tailored to my situation.	<input type="radio"/>						
4. This website makes me feel that I am a unique customer.	<input type="radio"/>						
5. I believe that this website is customised to my needs.	<input type="radio"/>						

Done Internet

The impact of E-Loyalty on the business success of SME's - Microsoft Internet Explorer

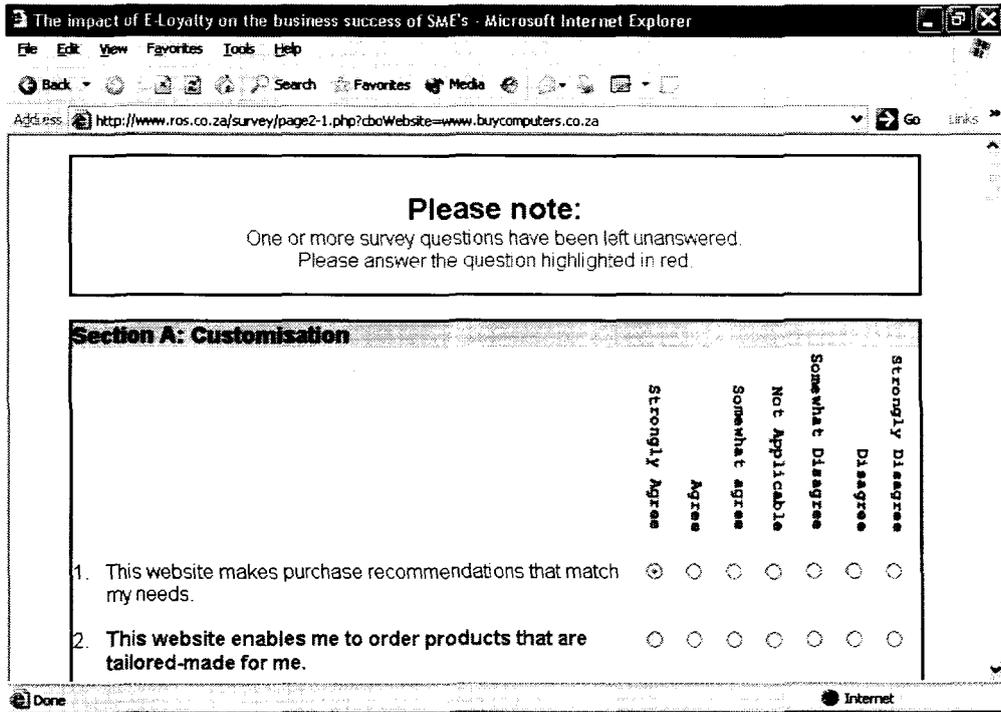
Address: <http://www.ros.co.za/survey/page2-1.php?cbWebsite=www.buycomputers.co.za>

Section L : Willingness to pay more

| | Not at all likely | <input type="radio"/> | Very likely |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 1. Will you take some of your business to a competitor that offers better prices? | <input type="radio"/> |
| 2. Will you continue to do business with this website if its prices increase somewhat? | <input type="radio"/> |
| 3. Will you pay a higher price at this website relative to the competition for the same benefit? | <input type="radio"/> |
| 4. Will you stop doing business with this website if its competitors' prices decrease somewhat? | <input type="radio"/> |

Done Internet

APPENDIX D: VALIDATION OF DATA INPUT FOR THE ONLINE SURVEY HOSTED AT www.ros.co.za/survey/

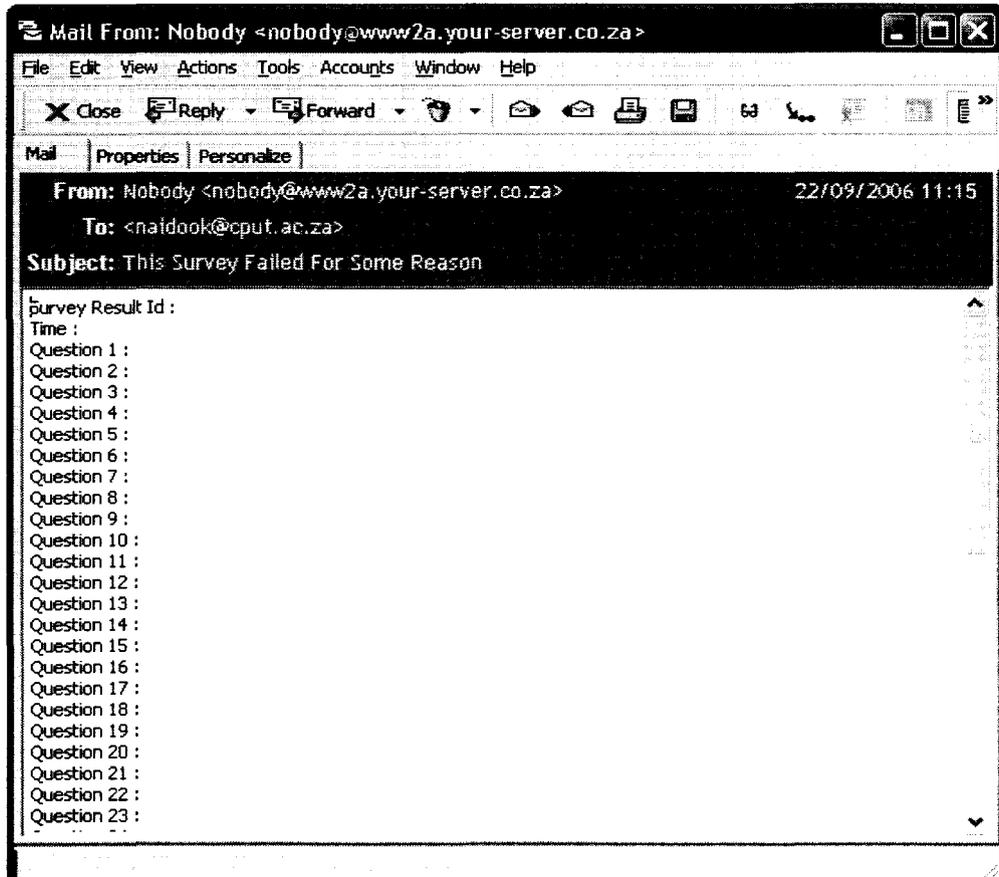
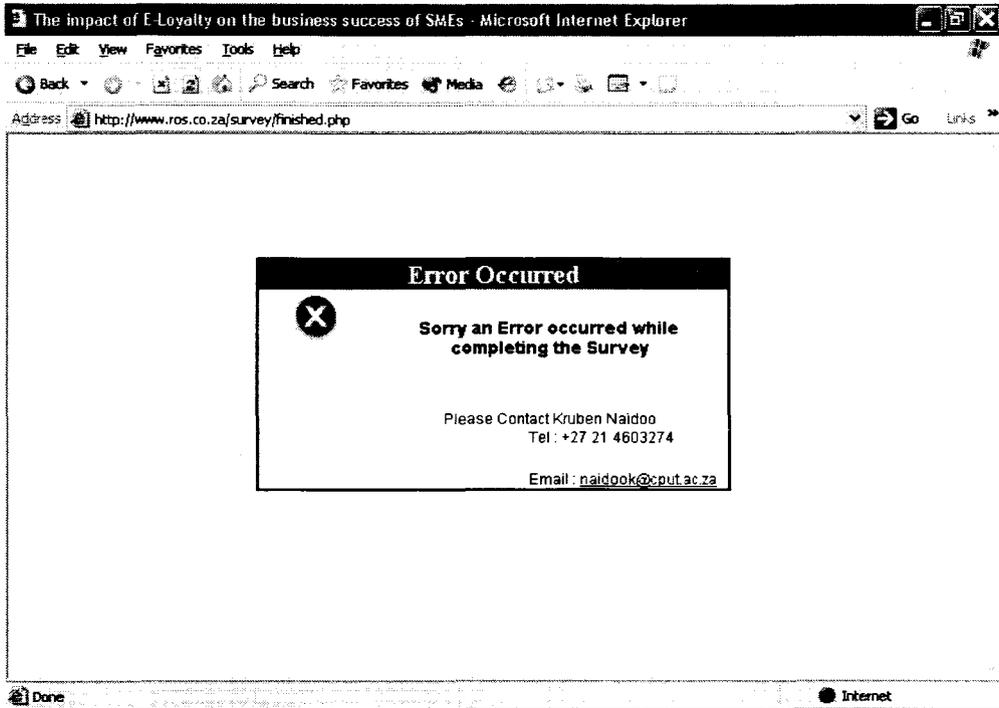


APPENDIX E: SURVEY COMPLETED WITH NO ERRORS

The screenshot shows a Microsoft Internet Explorer browser window. The title bar reads "The impact of E-Loyalty on the business success of SMEs - Microsoft Internet Explorer". The address bar contains the URL "http://www.ros.co.za/survey/lastpage.php?id=c646b76973fe4619a0b04cd16c161394". The main content area features a black box with the text "Survey Complete" at the top. Below this, a white box contains a checkmark icon and the text "Thank you you have successfully completed the survey". At the bottom of the page, the logo for "buycomputers.co.za" is displayed on the left, and "PROUDLY SOUTH AFRICAN" with a checkmark icon is on the right. A link "Click here to return to the Homepage" is centered at the bottom. The status bar at the bottom shows "Done" and "Internet".

The screenshot shows a Microsoft Internet Explorer browser window. The title bar reads "The impact of E-Loyalty on the business success of SMEs - Microsoft Internet Explorer". The address bar contains the URL "http://www.ros.co.za/survey/finished.php?id=3e4f765ee7f32749ba445dbb74dc50f1". The main content area features a black box with the text "Survey Complete" at the top. Below this, a white box contains a checkmark icon and the text "Thank you you have successfully completed the survey". At the bottom of the page, the "TAKE 2" logo is displayed. A link "Click here to return to the Take 2 Homepage" is centered at the bottom. The status bar at the bottom shows "Done" and "Internet".

APPENDIX F: POSSIBLE ERROR GENERATED WHILE COMPLETING THE SURVEY



APPENDIX G: NON-DISCLOSURE AGREEMENTS

NON-DISCLOSURE AGREEMENT

Background

The owner-manager of the www.buycomputers.co.za website is a willing participant in my e-loyalty survey. The survey is to be used as part of my Master's thesis to establish the impact that e-loyalty has on the business success of SMEs. A link is placed on the above-mentioned website to my survey. Potential respondents will click on the link, and be redirected to my survey hosted at www.ros.co.za/survey/startsurvey.php.

Undertaking

I, Kruben Naidoo, hereby undertake that:

1. I will not disclose the information that I have gathered from the survey to the general public, for other than academic purposes.
2. The information will be treated in the strictest confidence, and data captured may be further used in the statistical/analytical part of the study.
3. No information in terms of revenue, profit, or sales will be gathered about the company surveyed.
4. No information shall be extracted from potential respondents without their consent, as respondents are willing participants in the study.
5. I will not use the findings and results obtained to establish a similar online retailer for trade and profit-gain.

Signature

Kruben Naidoo
Monday, 19th August 2006

NON-DISCLOSURE AGREEMENT

Background

The owner-manager of the www.take2.co.za website is a willing participant in my e-loyalty survey. The survey is to be used as part of my Master's thesis to establish the impact that e-loyalty has on the business success of SMEs. A link is placed on the above-mentioned website to my survey. Potential respondents will click on the link, and be redirected to my survey hosted at www.ros.co.za/survey/.

Undertaking

I, Kruben Naidoo, hereby undertake that:

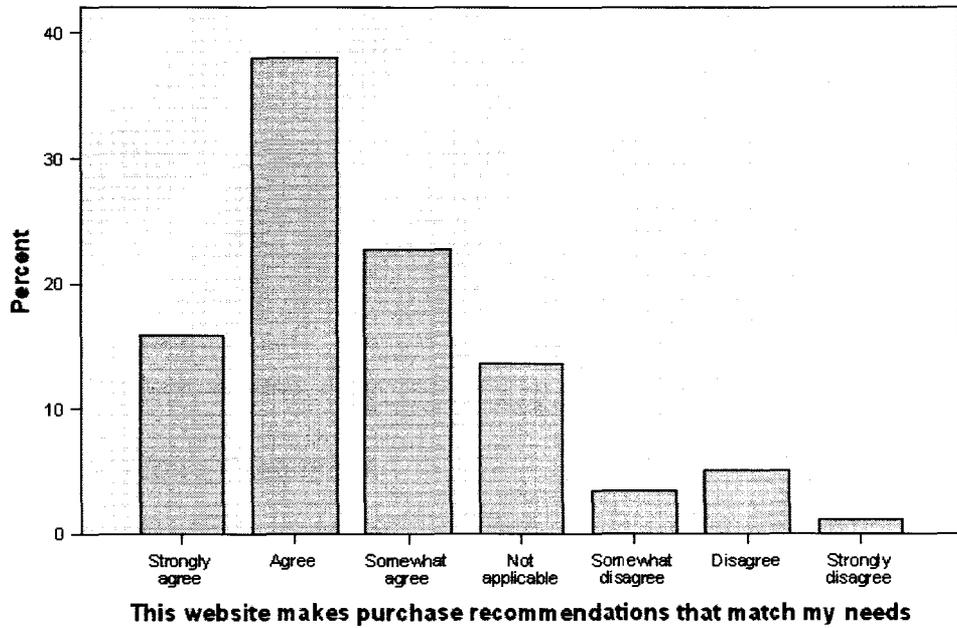
1. I will not disclose the information that I have gathered from the survey to the general public, for other than academic purposes.
2. The information will be treated in the strictest confidence, and data captured may be further used in the statistical/analytical part of the study.
3. No information in terms of revenue, profit, or sales will be gathered about the company surveyed.
4. No information shall be extracted from potential respondents without their consent, as respondents are willing participants in the study.
5. I will not use the findings and results obtained to establish a similar online retailer for trade and profit-gain.

Signature

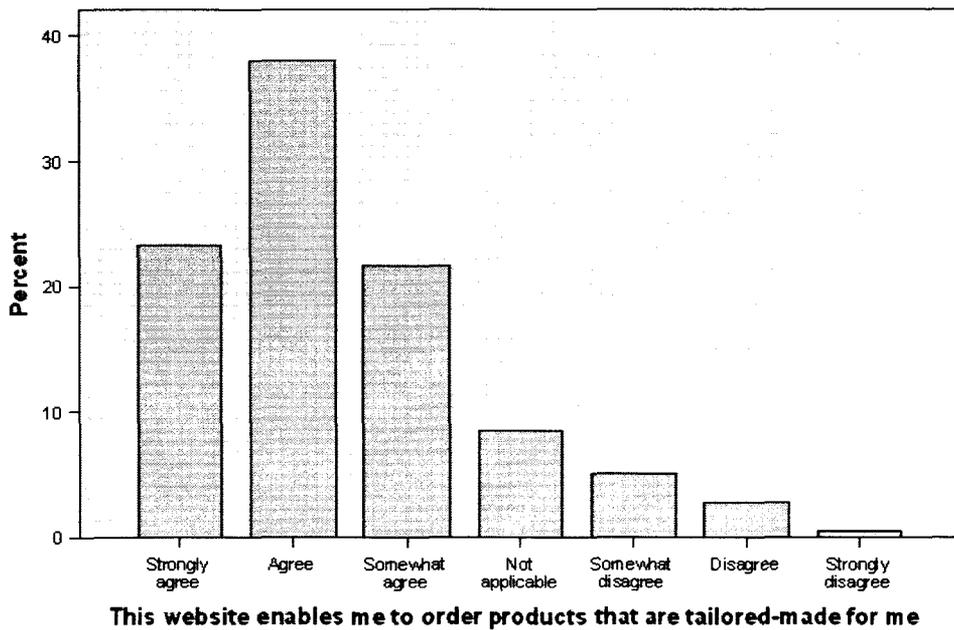
Kruben Naidoo
Monday, 19th August 2006

APPENDIX H: GRAPHICAL REPRESENTATION OF THE FREQUENCY DISTRIBUTION DATA

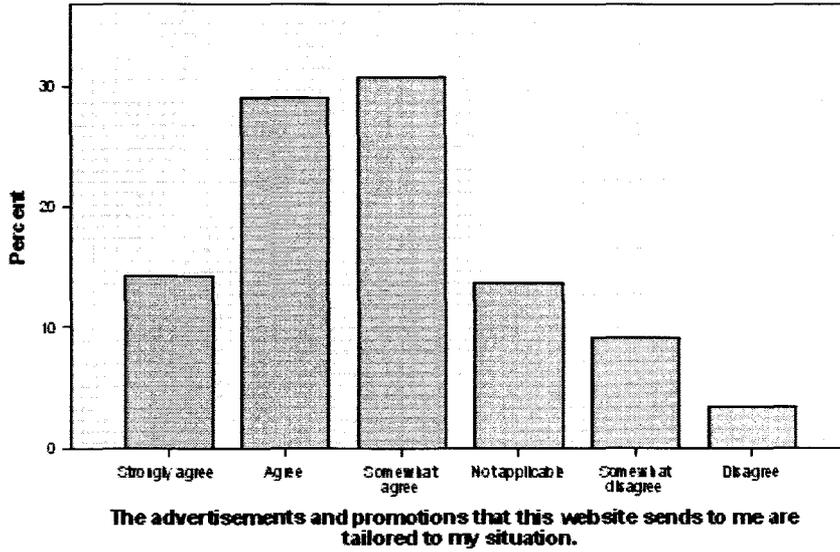
Customisation – Question 1



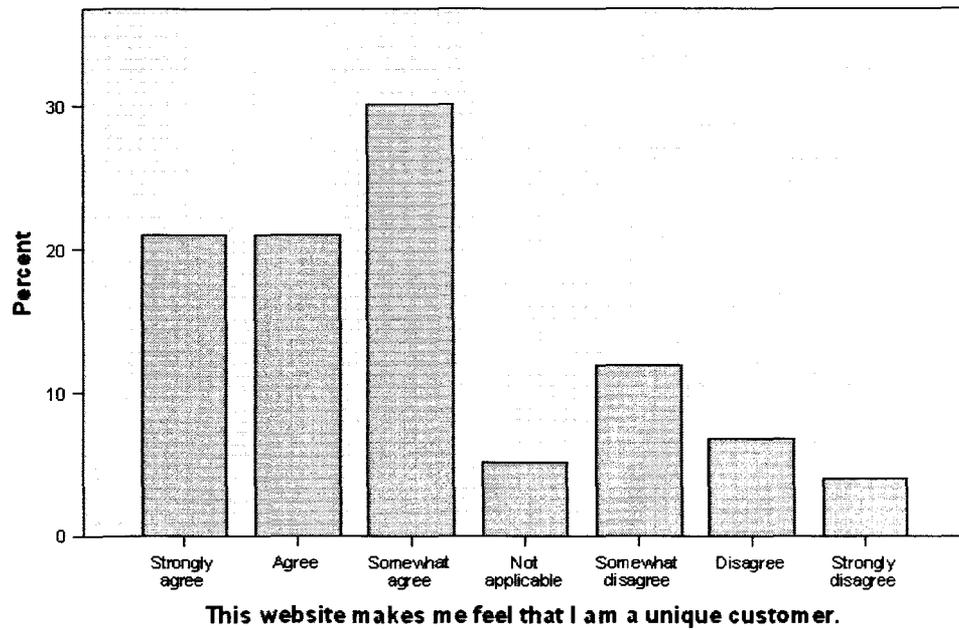
Customisation – Question 2



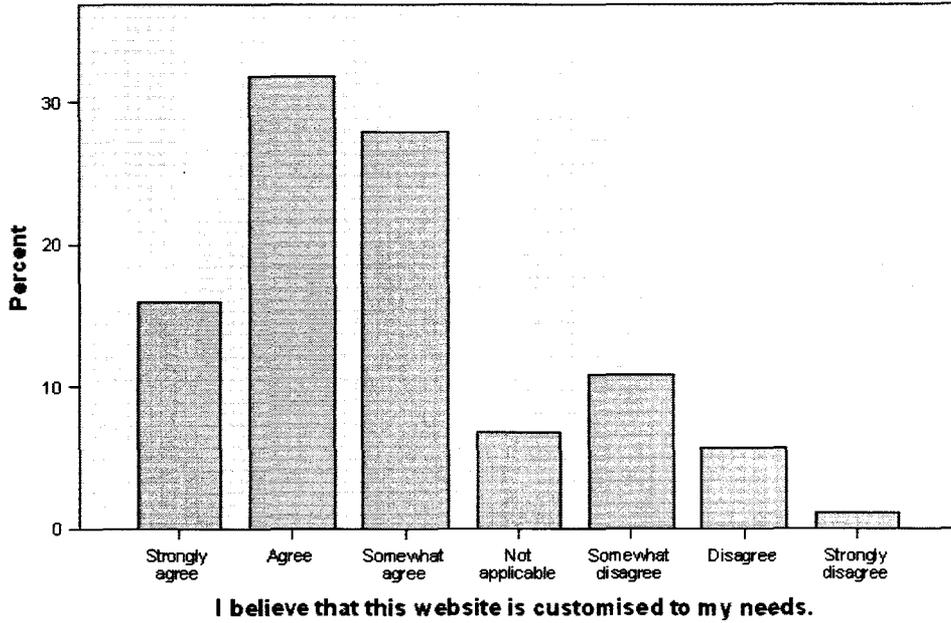
Customisation – Question 3



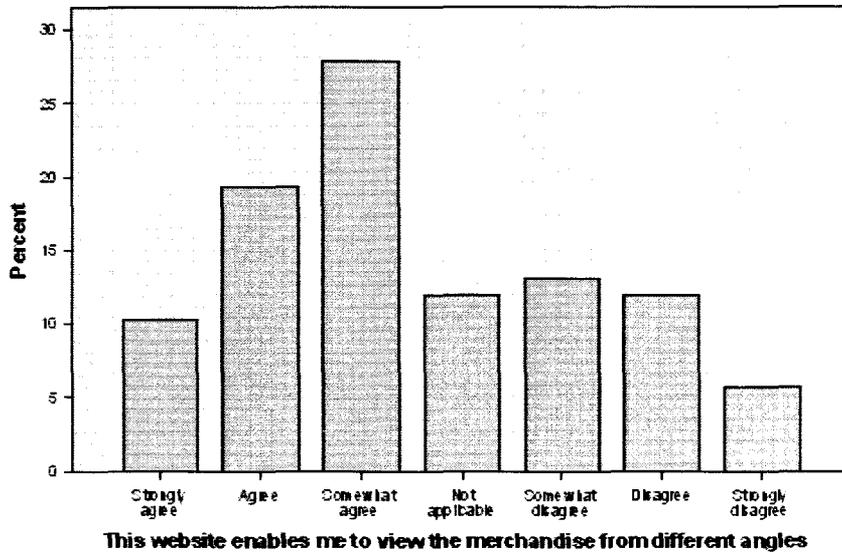
Customisation – Question 4



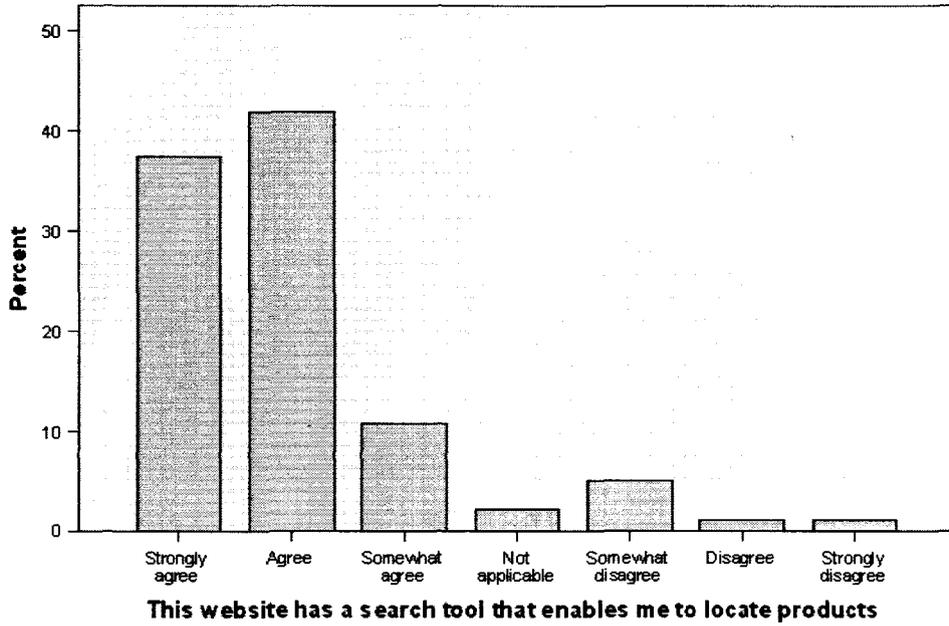
Customisation – Question 5



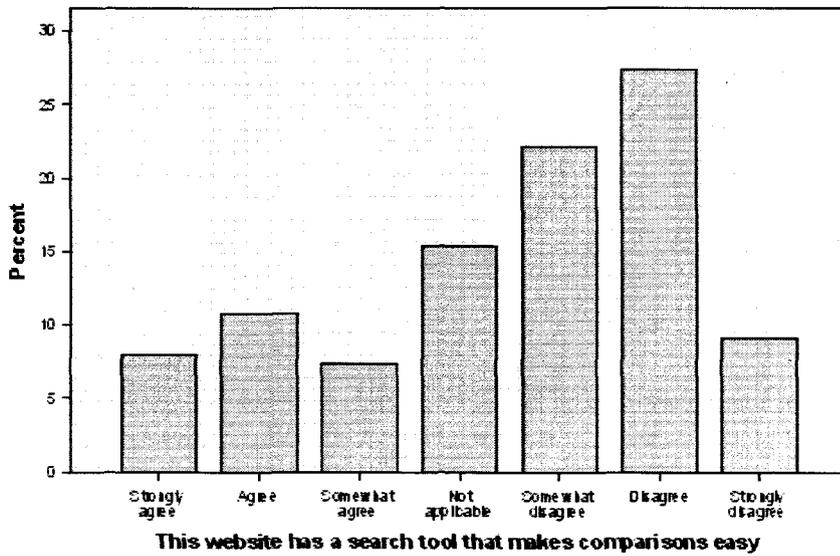
Contact Interactivity – Question 1



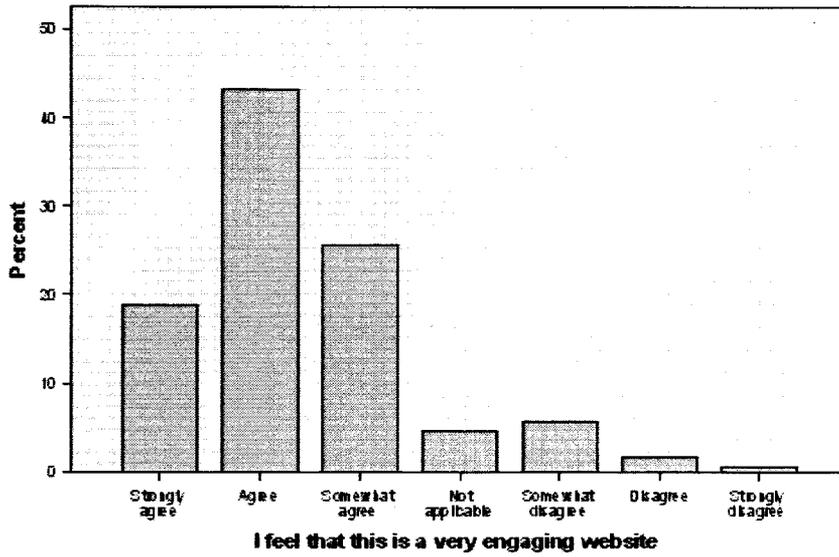
Contact Interactivity – Question 2



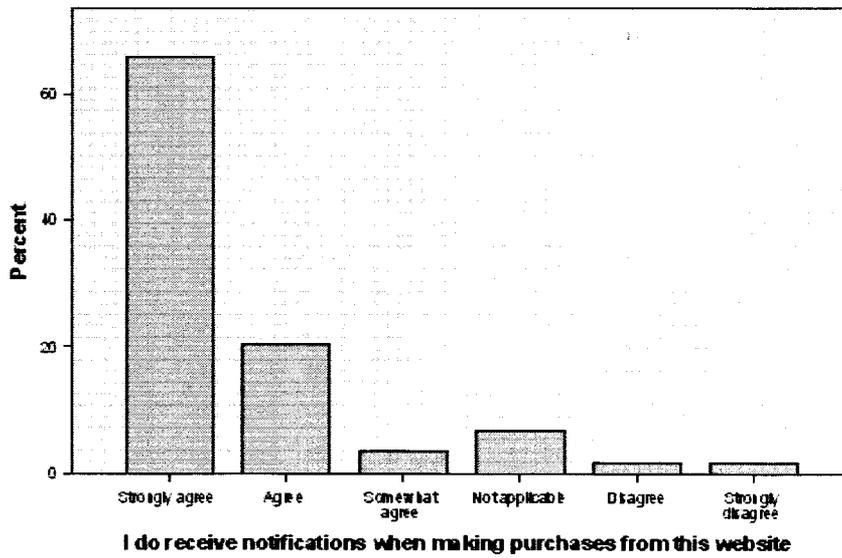
Contact Interactivity – Question 3



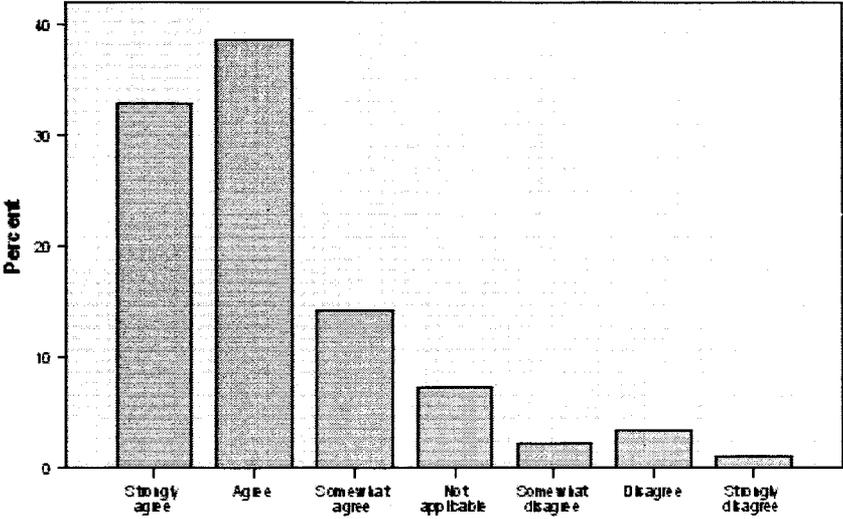
Contact Interactivity – Question 4



Cultivation – Question 1

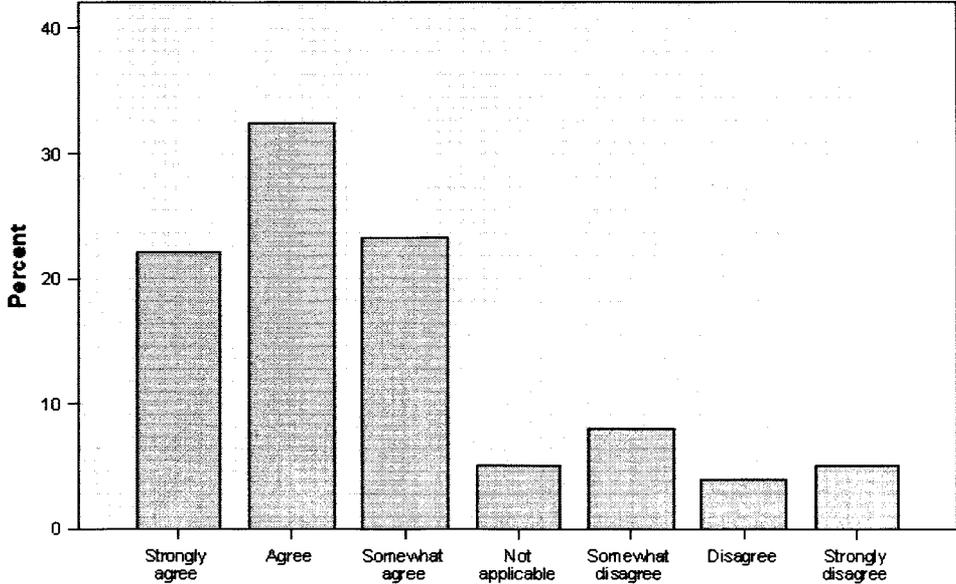


Cultivation – Question 2



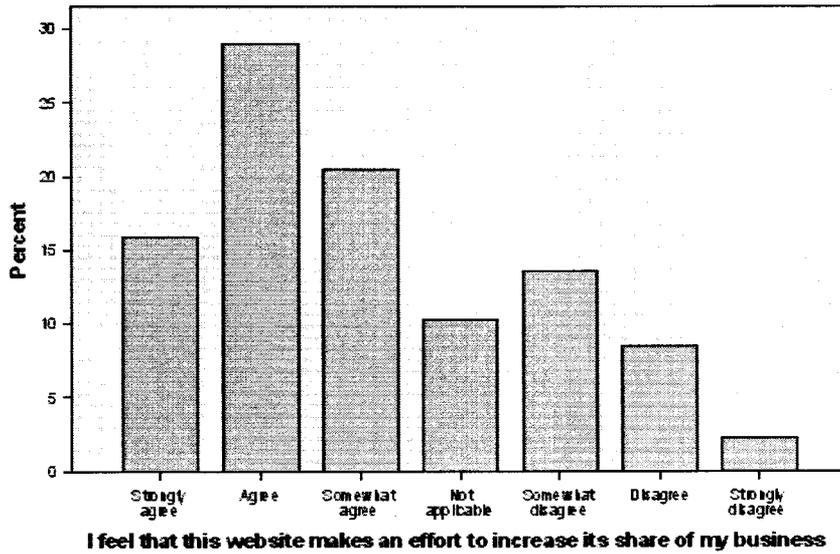
This website sends me information that is relevant to my purchases

Cultivation – Question 3

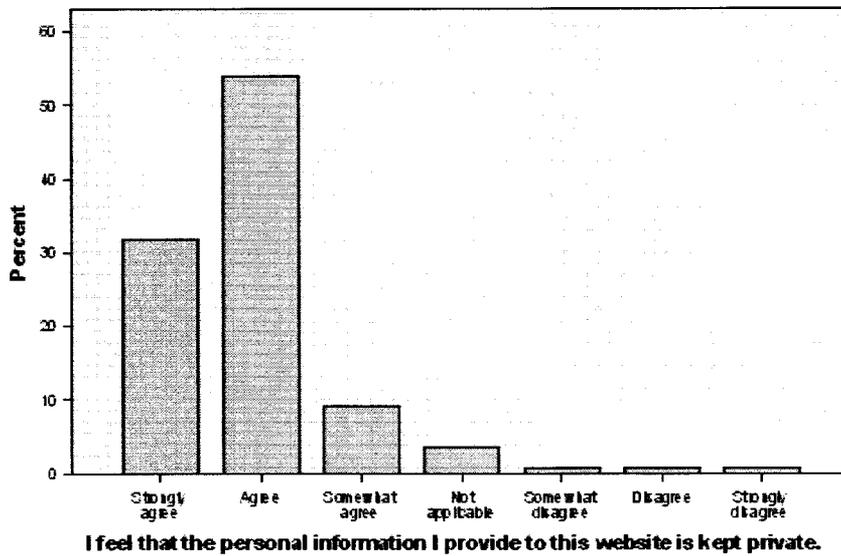


I feel that this website appreciates my business.

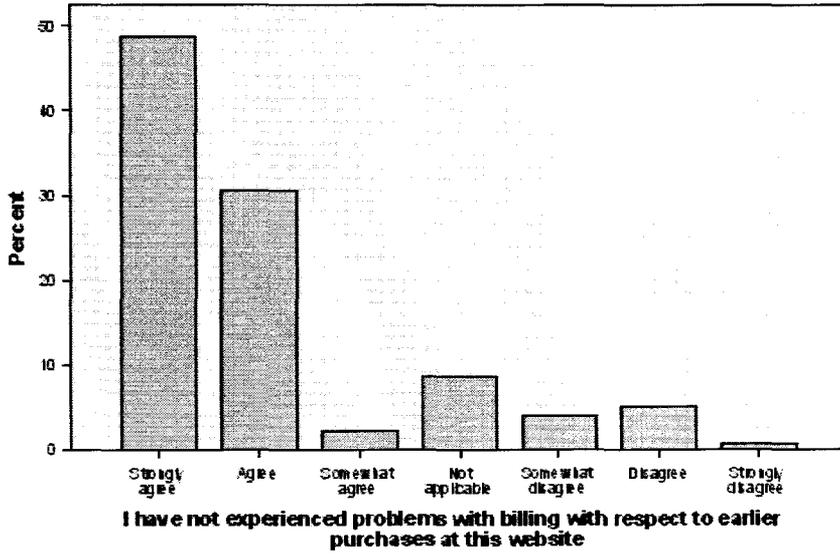
Cultivation – Question 4



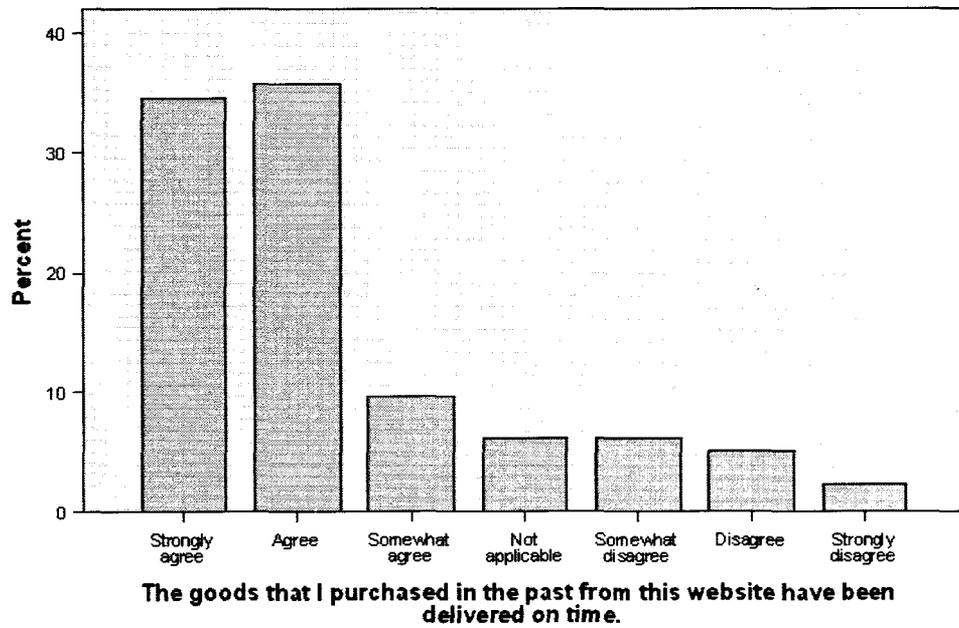
Cultivation – Question 5



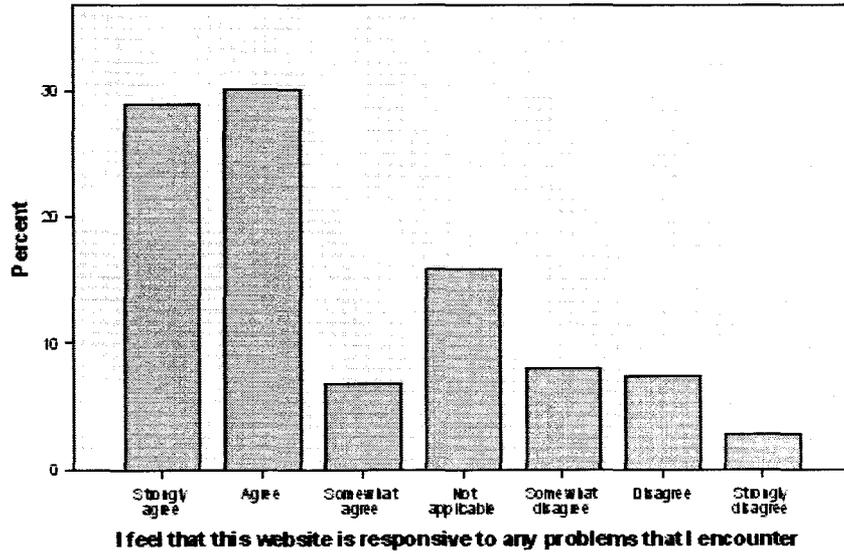
Care – Question 1



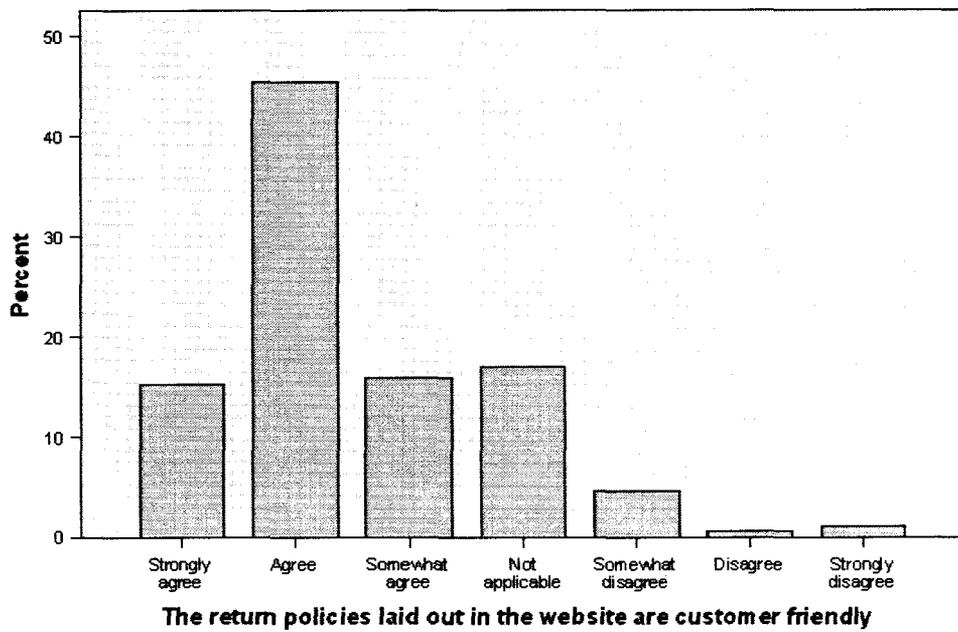
Care – Question 2



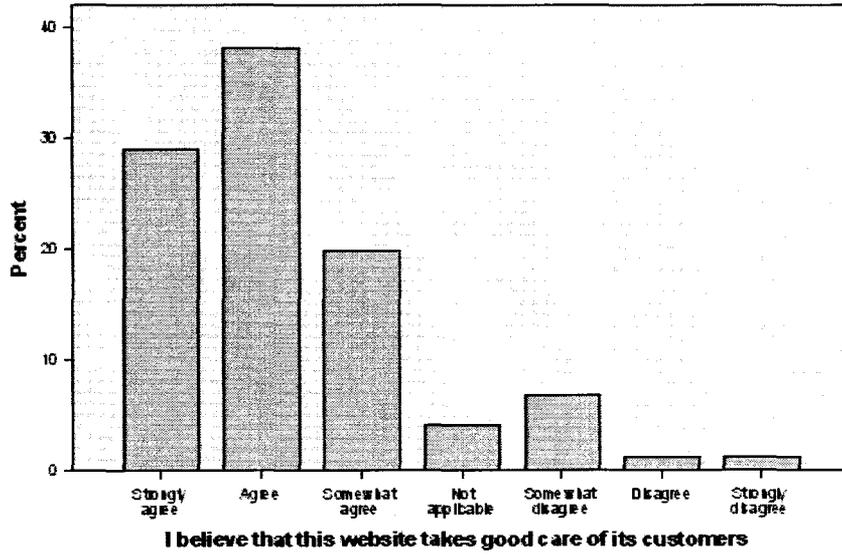
Care – Question 3



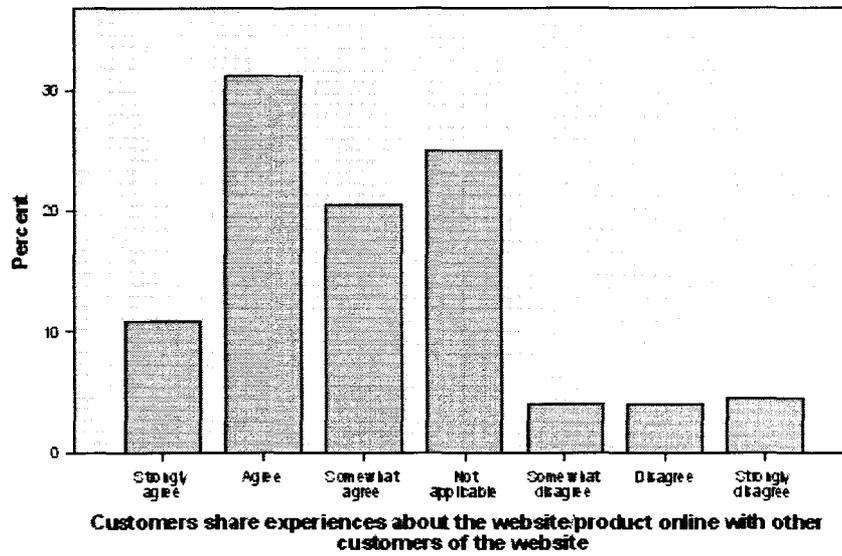
Care – Question 4



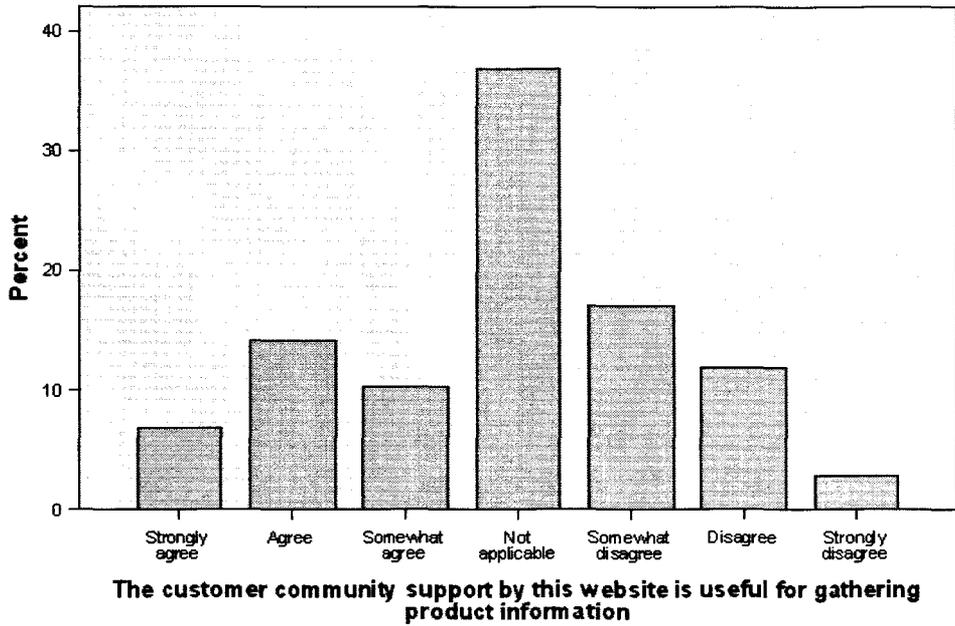
Care – Question 5



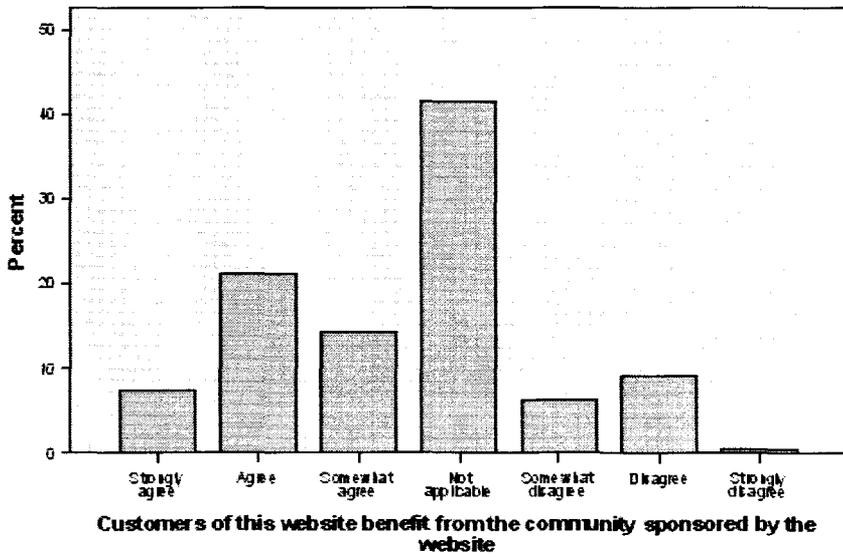
Community – Question 1



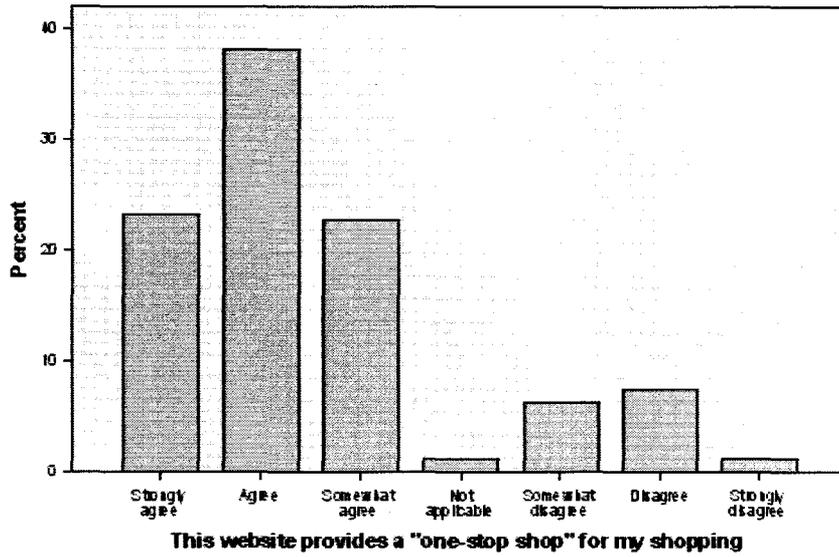
Community – Question 2



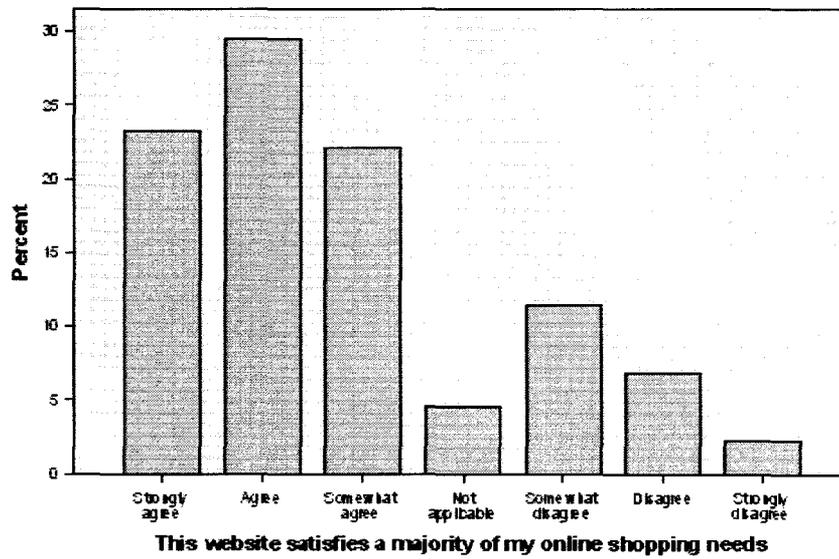
Community – Question 3



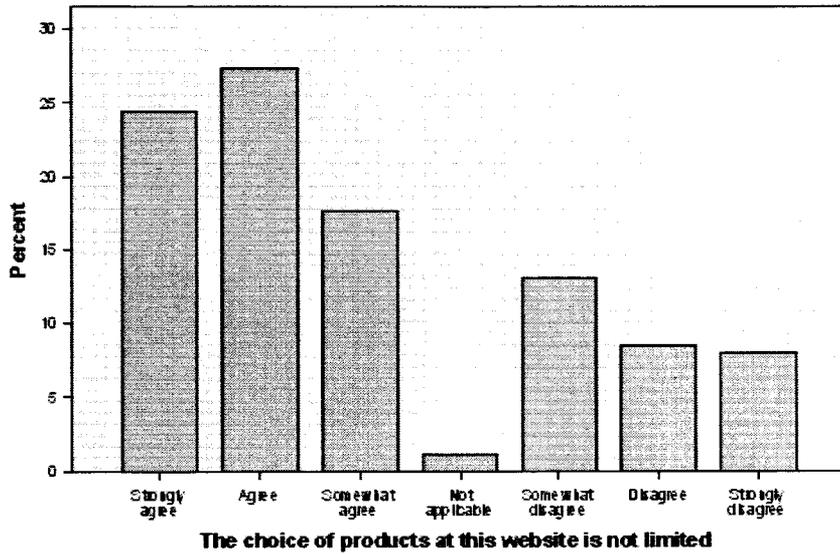
Choice – Question 1



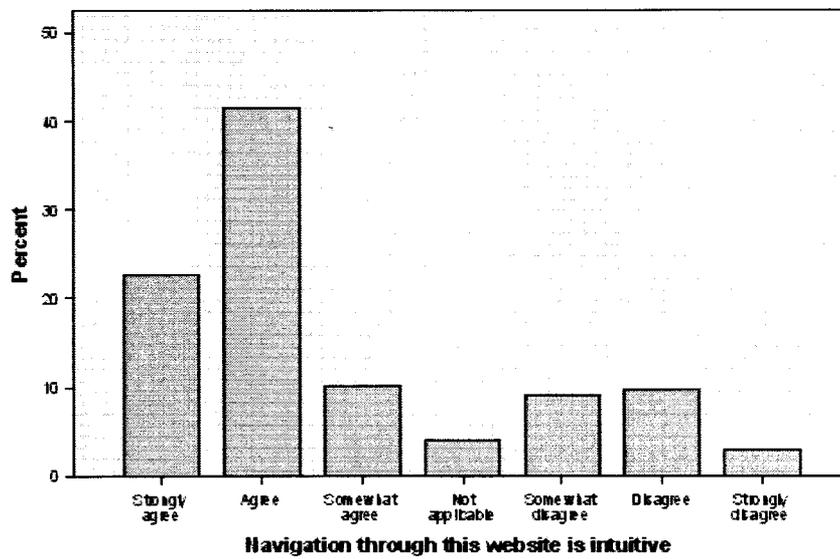
Choice – Question 2



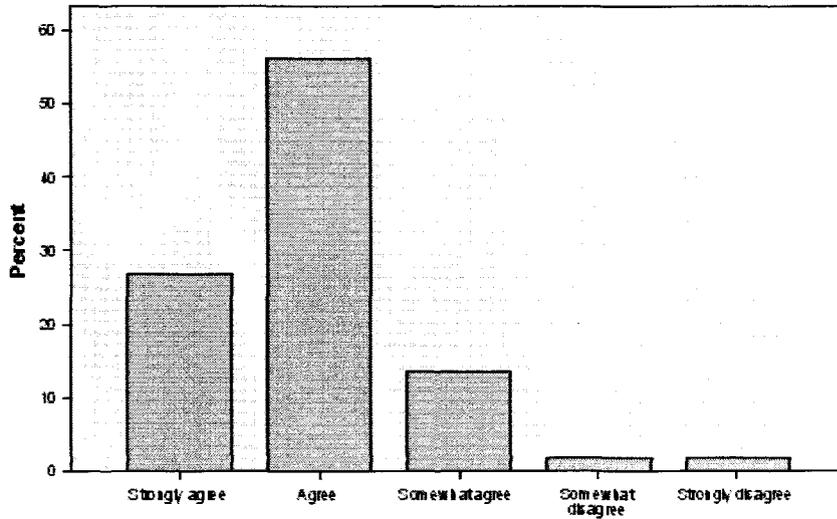
Choice – Question 3



Convenience – Question 1

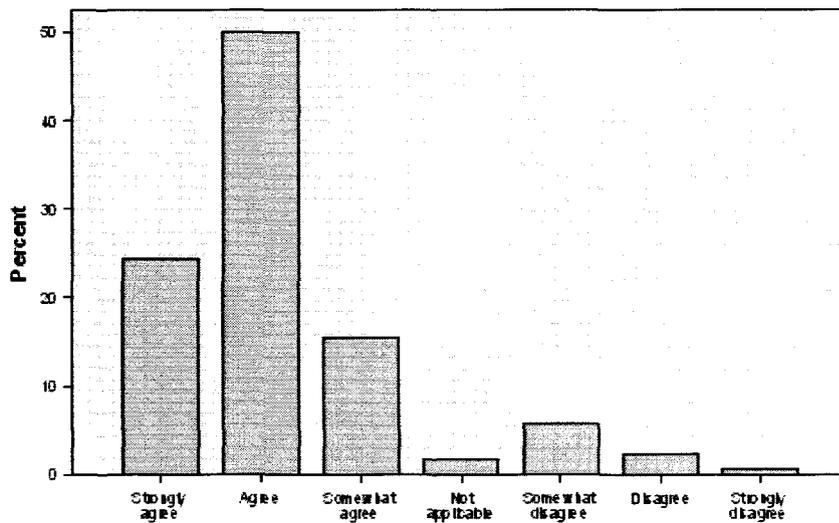


Convenience – Question 2



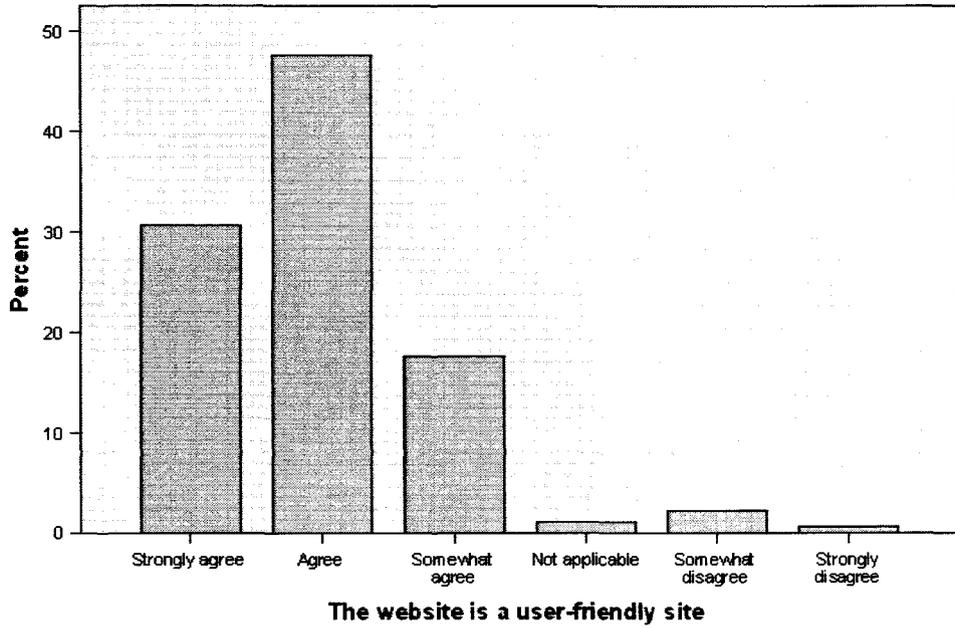
A first-time buyer can make a purchase from this website without much help

Convenience – Question 3

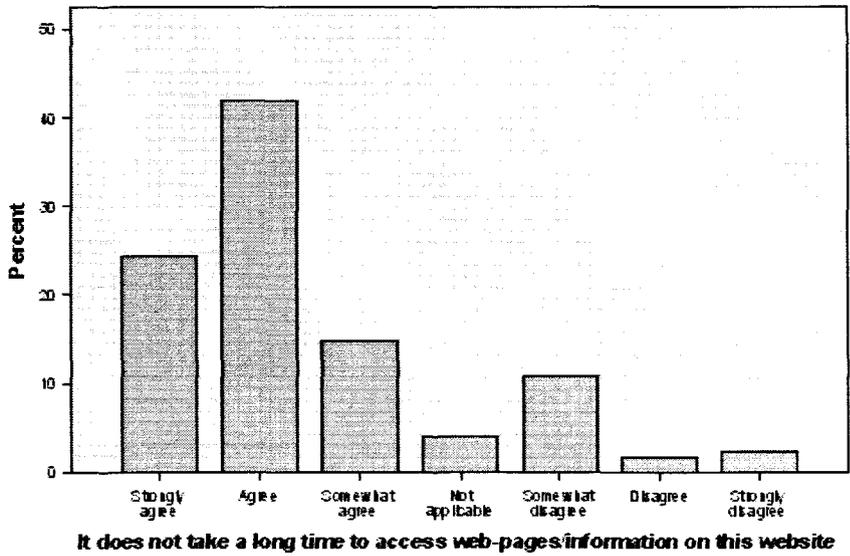


It does not take a long time to shop at this website

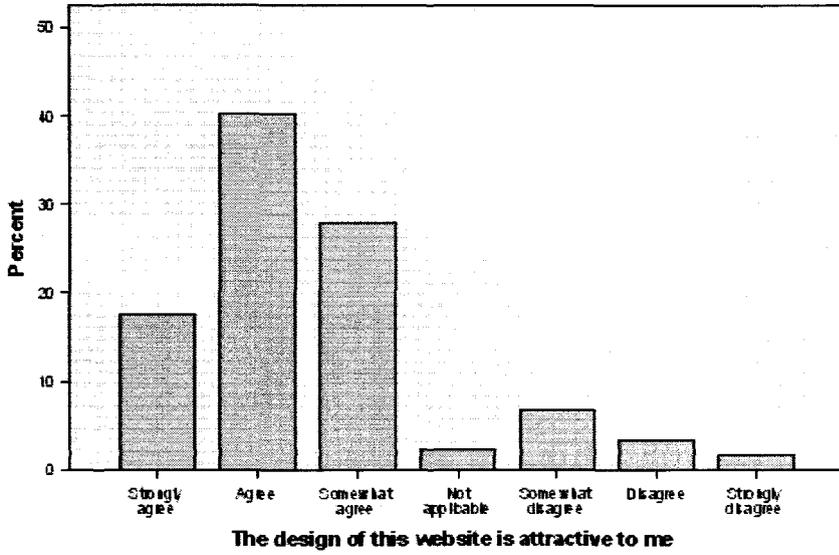
Convenience – Question 4



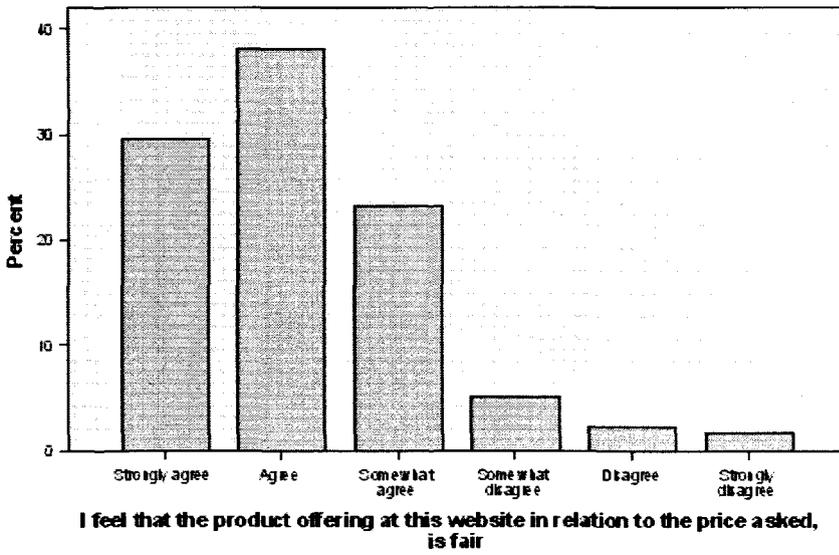
Convenience – Question 5



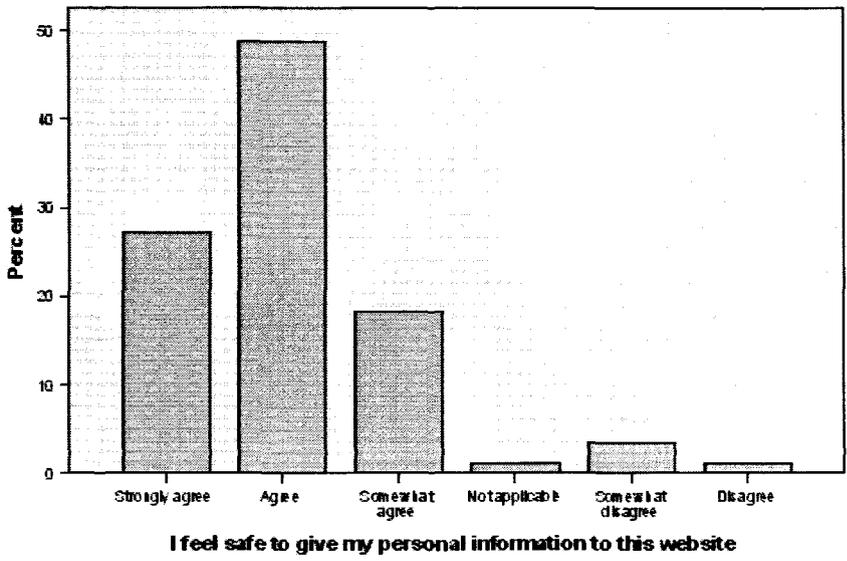
Character – Question 1



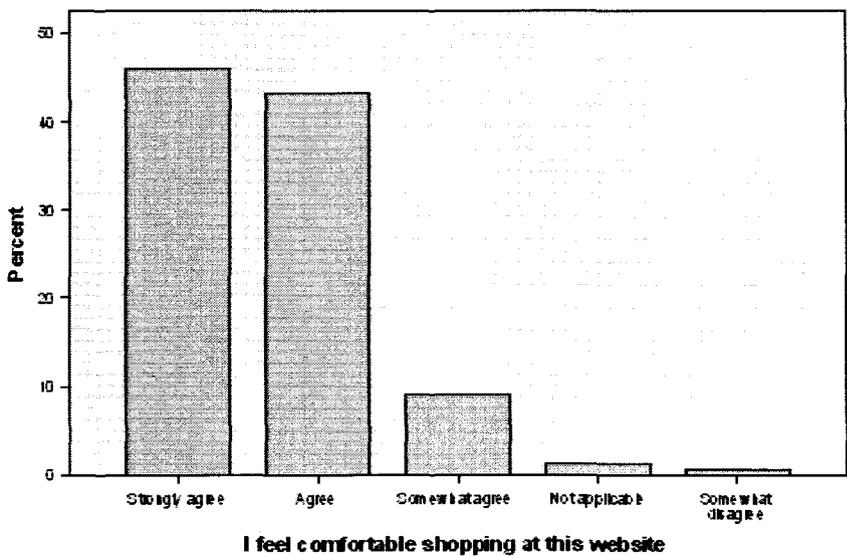
Character – Question 2



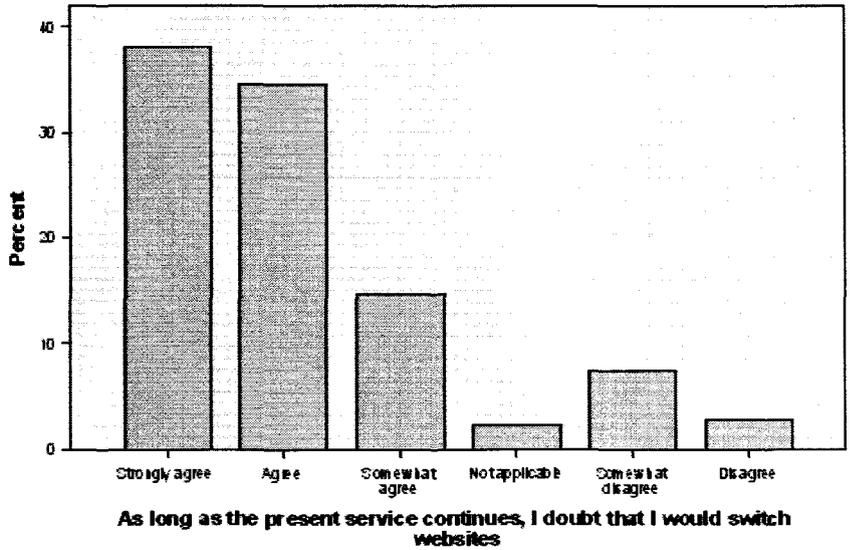
Character – Question 3



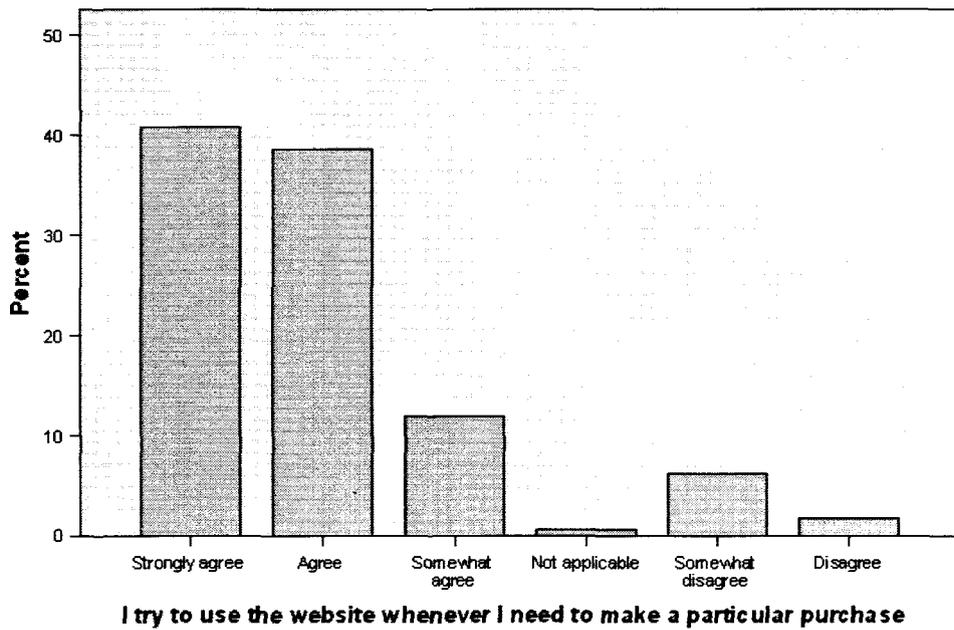
Character – Question 4



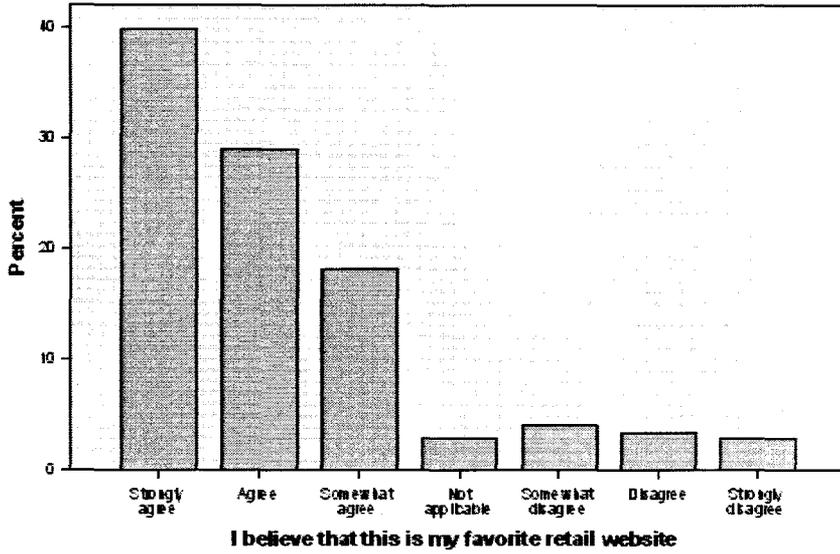
E-Loyalty – Question 1



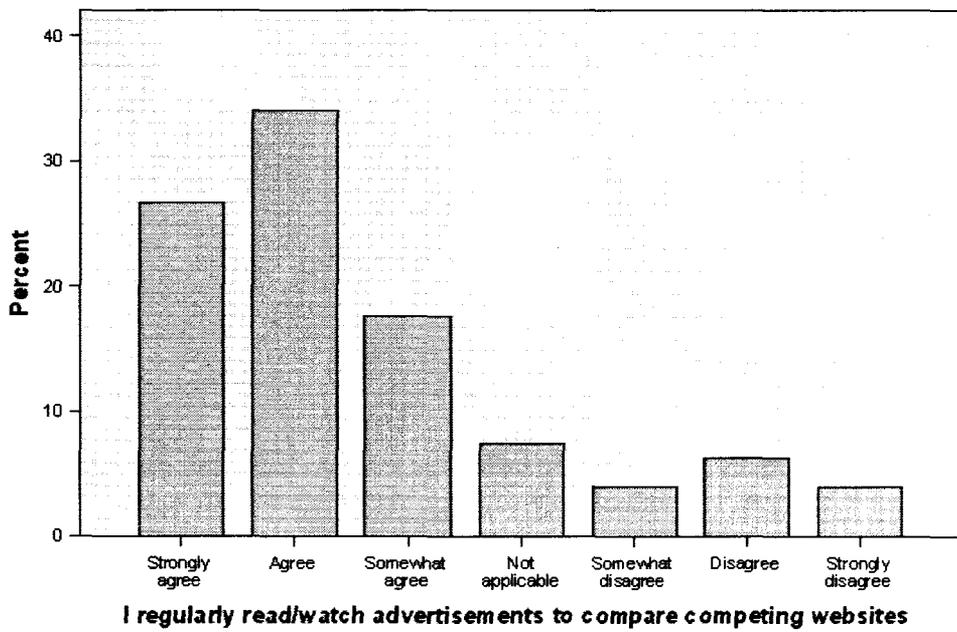
E-Loyalty – Question 2



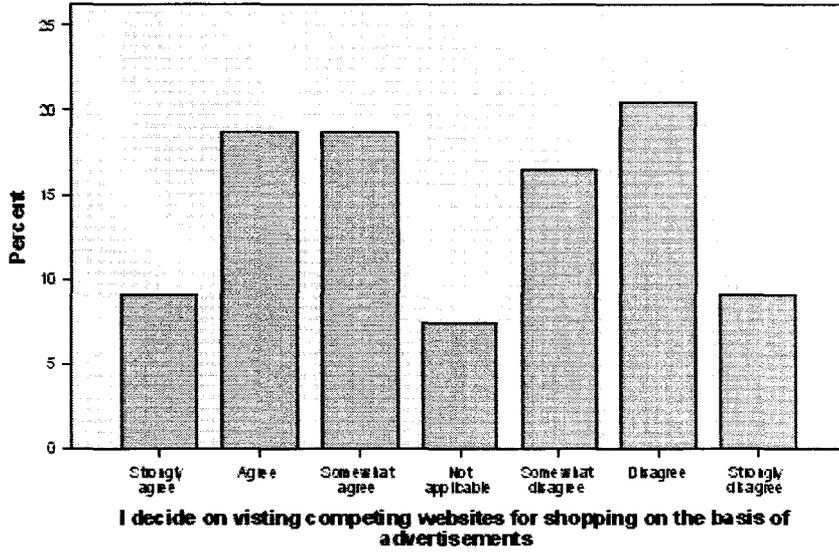
E-Loyalty – Question 3



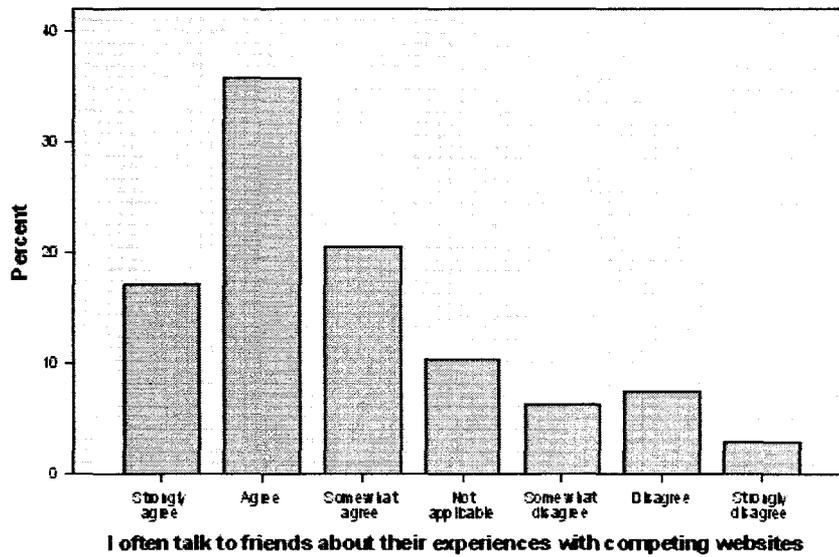
Search – Question 1



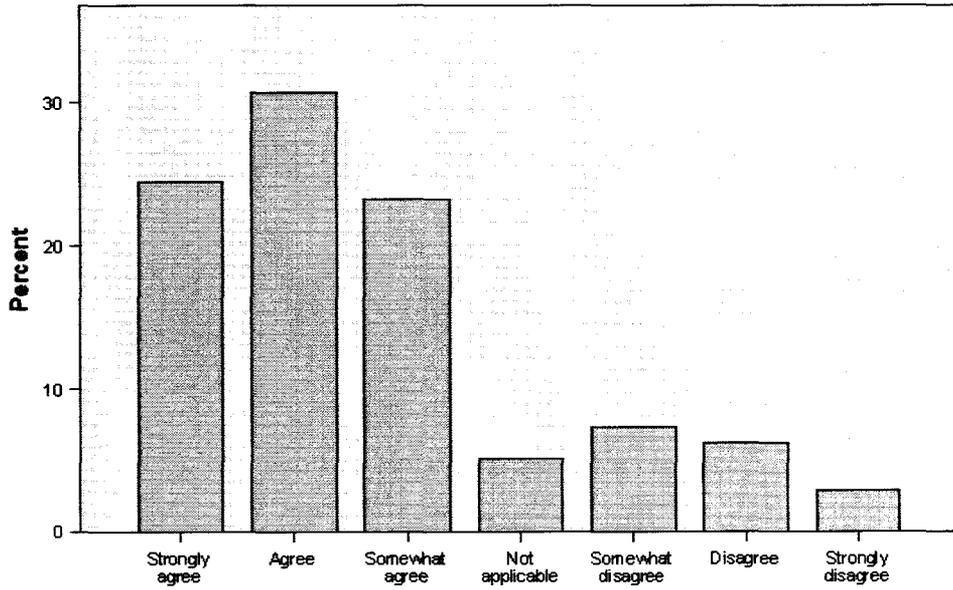
Search – Question 2



Search – Question 3

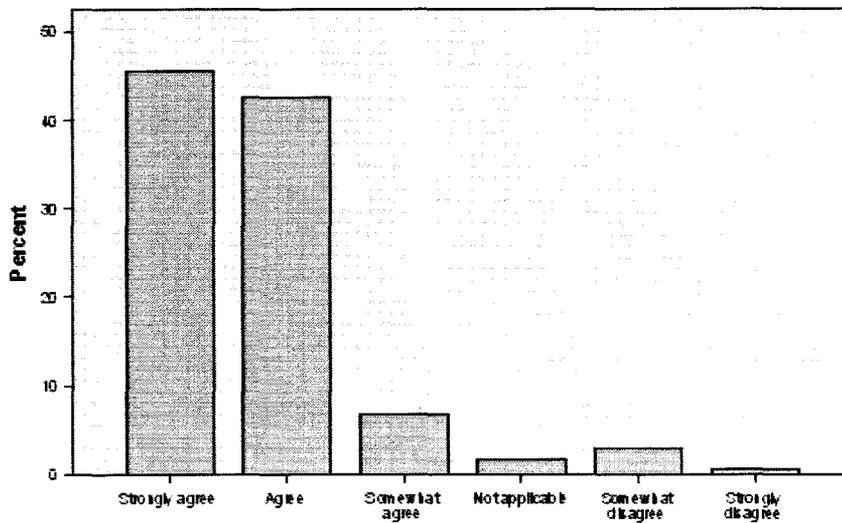


Search – Question 4



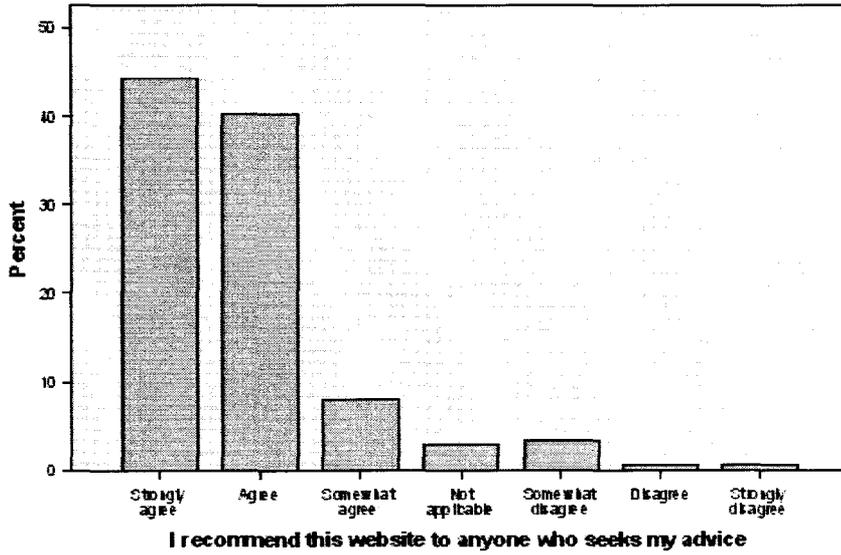
I conducted an extensive search before making a purchase at this website.

Word-of-mouth – Question 1

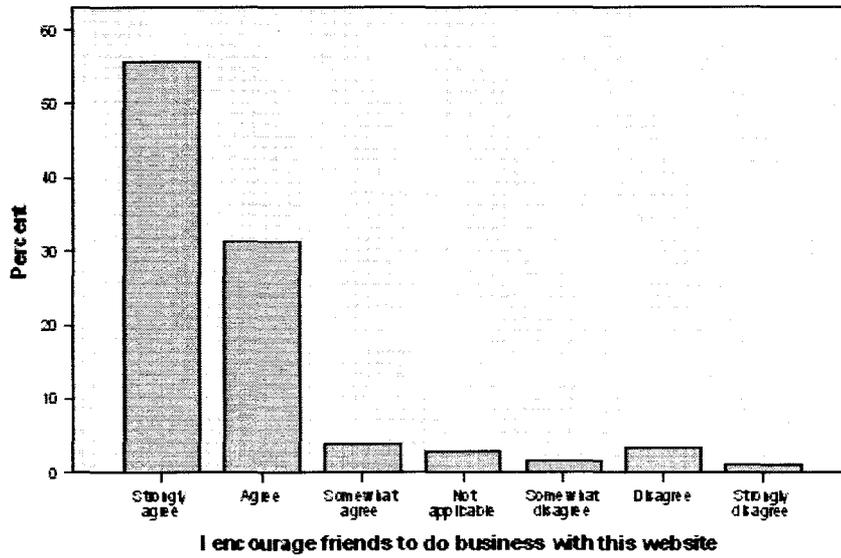


I say positive things about this website to other people

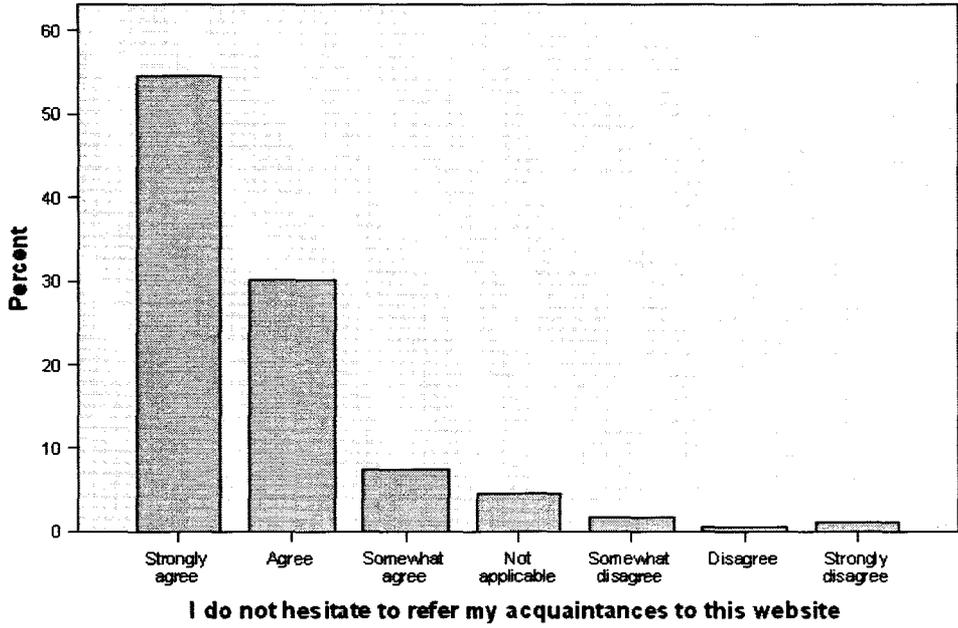
Word-of-mouth – Question 2



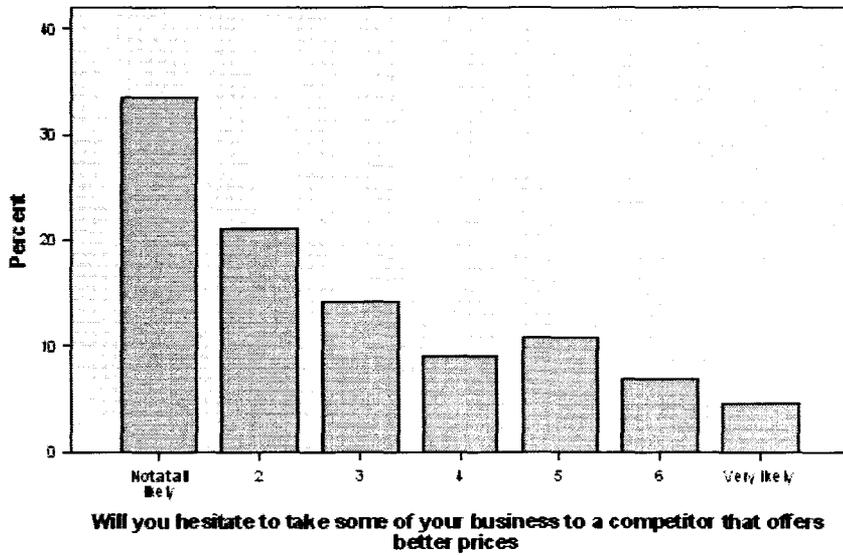
Word-of-mouth – Question 3



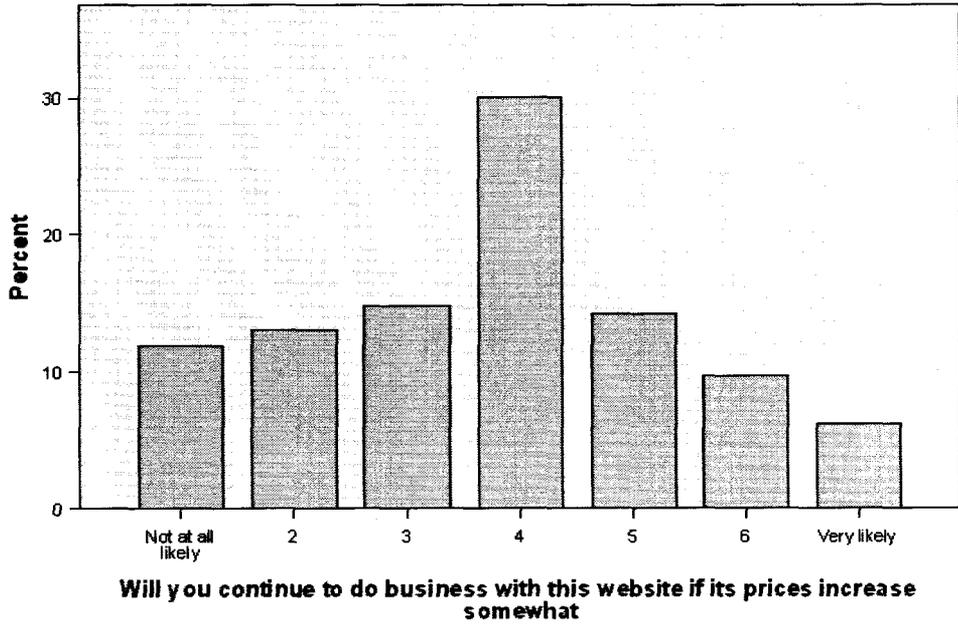
Word-of-mouth – Question 4



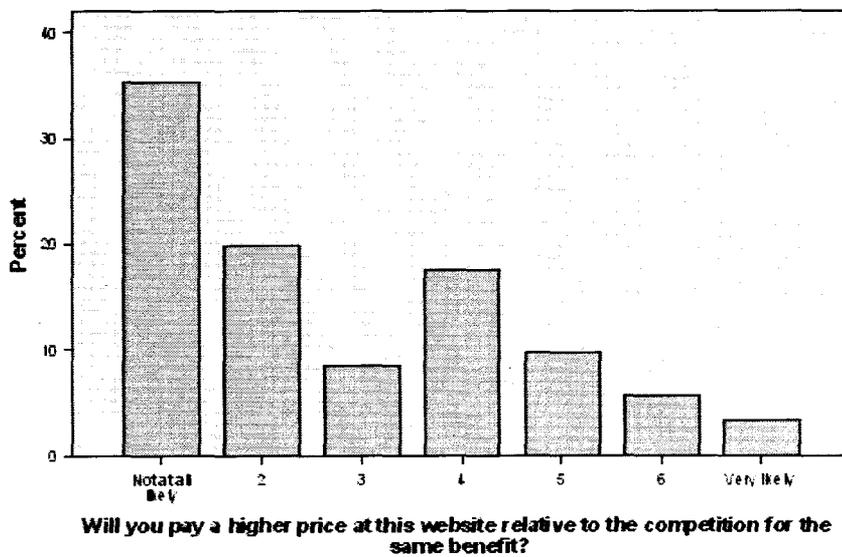
Willingness to pay more – Question 1



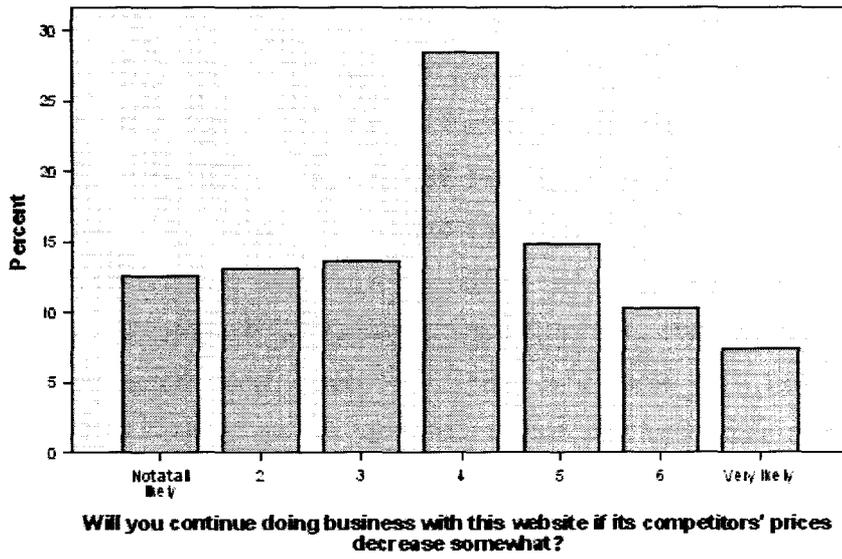
Willingness to pay more – Question 2



Willingness to pay more – Question 3



Willingness to pay more – Question 4



APPENDIX I: COMPANY PROFILE – WWW.BUYCOMPUTERS.CO.ZA

Since 2003, BuyComputers.co.za owners Demetri & Tony Mamacos have established themselves in the Online Computer Hardware market and have won the PCFormat Readers Award for Best E-Tailer of the year in 2004 and are now members of Proudly South Africa.

Buying a complete PC or a component that meet ones needs can be quite daunting when one does not know who one can trust with ones investment. Although the company targets the computer enthusiast who knows what they want and is educated in brands and suppliers, the company also caters for the novice and business sector. The aim of the company is to procure for the client any equipment or software of choice.

The company specializes in providing a incumbent service to the satisfaction of a client.

APPENDIX J: COMPANY PROFILE – WWW.TAKE2.CO.ZA

Take 2 (www.take2.co.za) is a South African based online shop specialising in DVDs, Books, Music, Games and Computer / Electronic Products. Take 2 has been established in 2002, and won the PC Format Award for E-Tailer of the year. The previous year the company occupied the second place. Currently there are over 2 million products listed on the website for customers to select from.

GLOSSARY OF TERMS

Electronic business (or e-business)	A generic term used to describe business processes implemented in electronic or virtual environments like the World Wide Web.
Electronic commerce (or e-commerce)	The process of doing commercial transactions electronically, and is often regarded as a subset of electronic business.
E-retailer (or e-tailer)	An online retailer who leverages the efficiency of the Internet to improve a customer's buying experience.
World Wide Web (or Web)	A distributed hypertext system that was invented by Tim Berners-Lee on a NeXT computer, which is now one of the most popular services offered on the Internet.