

Determinants of Customer Loyalty for Social Networking Sites

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Abstract. Although customer loyalty has been widely examined in various Internet contexts, the conceptualization and empirical validation of a customer loyalty model for social networking sites (SNSs) has not been addressed adequately. This study attempts to shed light on the determinants of customer loyalty for SNS. We propose a theoretical model comprising of perceived value, satisfaction, and consumer knowledge as antecedents of SNS customer loyalty. Theoretical and managerial implications together with suggestions for future research are discussed.

Keywords: customer loyalty, social networking sites, perceived value, user satisfaction, consumer knowledge.

1 Introduction

Social networking sites (SNSs) have emerged as one of the most popular Internet services over the recent years. SNSs allow users to construct a public or semi-public profile, articulate a list of other users, view and traverse their connections, and communicate with one another in their networks [1]. Since the first SNS SixDegrees.com was launched in 1997, we are witnessing the mushrooming of various types of SNSs, either based on shared interests (e.g., politics, literature) or focus on certain groups (e.g., college students, businessmen). In 2008, the total number of SNS users has grown by 25 percent worldwide [2].

The SNS scene has become very competitive. In the U.S., the top five SNSs Facebook.com, Myspace.com, Twitter.com, Flixster.com, and LinkedIn.com were reported to have 1191m, 810m, 54m, 53m, and 43m monthly visits, respectively in January 2009 [3]. Meanwhile, in China, the world's largest Internet market with 384m users [4], the popularity of SNS is also surging phenomenally. The number of Chinese SNS users is expected to achieve a growth rate of 67.8% and will reach 100m by the end of 2009 [5]. This figure is expected to hit 170m by 2011 while the potential revenue of SNSs in China would reach 1.7b Yuan in 2010 [6]. It was reported that there are at least more than 30 SNSs in China with sizeable user base [7]. The four leading Chinese domestic SNSs 51.com, Xiaonei.com, Chinaren.com, and Kaixin001.com were reported to have weekly independent visitors of 14m, 9.5m, 7m, and 3.5m, respectively [8]. Kaixin001 had more than 9m registered users by February 2009 and is one of the top 150 most-visited sites worldwide registering more than 60m hits a day [9].

However, it was found that the percentage increase of Chinese SNS users' browsing time varied greatly from less than 40 percent to more than 200 percent amongst different SNSs [10]. Similarly, U.S. Internet users spent five percent of online time on Facebook and only 2 percent on Myspace in January 2009 [11]. Considering the fact that there are so many competing SNS services, SNSs are facing the critical issue of customer loyalty. Hence, the challenge for SNSs is to be able to differentiate their services from other similar SNSs. They need to design services that users will find useful and valuable so as to increase website stickiness for user retention. In addition, it is also important for SNS operators to have a better appreciation of the factors that determine users' decision to remain with a certain SNS. Unfortunately, little research has been done on user repeat patronage behavior or customer loyalty for SNSs. Prior customer loyalty decision model derived in the context of e-commerce and other Internet services require a new examination considering the unique social capital building capabilities of SNS and the level of intense competition in the SNS market. Based on the research of customer value and knowledge, we propose a theoretical model to investigate the factors that influence SNS customer loyalty.

2 Conceptual Development

Figure 1 shows our proposed research model.

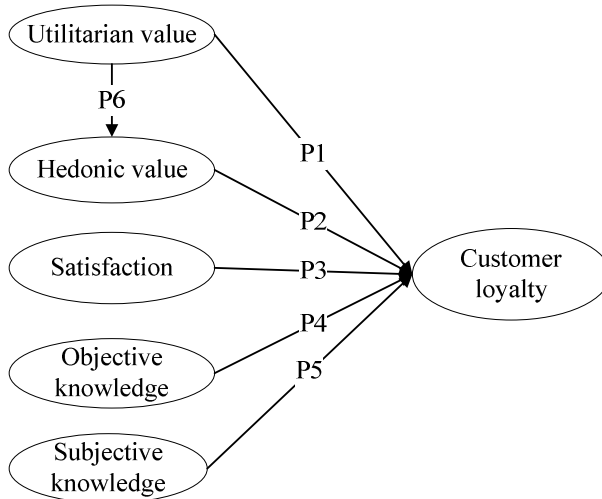


Fig. 1. Model of Customer Loyalty for Social Networking Sites

2.1 Perceived Value and Customer Loyalty

Customer loyalty is regarded as the relationship between the relative attitude toward an entity (brand/service/store/vendor) and repeat patronage behavior. It can be influenced by cognitive, affective, and conative factors [12] and is often suggested to

express an intended behavior related to the service or the company [13]. Furthermore, it represents 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 behavior [14]. One of the most important determinants of customer loyalty is the level of utilitarian and hedonic value that customers perceived.

Utilitarian value often arises from the conscious pursuit of an intended consequence [15] and is primarily instrumental, functional, and cognitive [16]. For example, savings, higher product quality, and improved convenience can be classified as utilitarian values [16, 17, 18]. Traditionally, marketers believed that market choices and consumer preferences were driven by utilitarian value [19]. In SNS context, utilitarian value mostly derives from the ability to interconnect with other users. For instance, users can upload their photos or interesting videos, post comments on each other's pages, blog, view each other's profiles, join virtual groups based on common interests, to realize their need of communicating with others. In addition, SNS users can find and reconnect with old friends, former classmates, or some relatives, as long as they are within the same SNS platform. As a tool of communication, SNS provides a larger pool of contacts available to their members and allow them to easily manage and maintain virtually unlimited number of contacts by just sending or accepting a request.

Conversely, *hedonic value* results from spontaneous responses that are more subjective and personal [15]. Hedonic values, such as entertainment, exploration, and self-expression [16, 17], are non-instrumental, experiential, and affective. They are derived more from fun and enjoyment than from task completion [18, 20]. SNSs offer many interesting and highly interactive applications that appeal to millions of Internet users. Users can indulge in many online applications that can provide them with a virtual realm to fulfill their needs for affinity and social needs. It has been found that both utilitarian and hedonic values can have a significant positive influence on both repatronage intentions and loyalty as well as preference towards Internet retailers [21, 22]. Thus, we propose that:

Proposition 1 (P1): The level of perceived utilitarian value is positively associated to the level of SNS customer loyalty.

Proposition 2 (P2): The level of perceived hedonic value is positively associated to the level of SNS customer loyalty.

2.2 Satisfaction and Customer Loyalty

Satisfaction is a consumer's post-purchase evaluation and affective response to the overall product or service experience [23]. A consumer's post-purchase response to a brand is believed to occur through a matching of expectations and perceived performance. The resulting satisfaction/dissatisfaction is considered to act as an antecedent to loyalty [12]. It has been widely suggested that satisfaction is a reliable predictor of repurchase intentions [24, 25, 26]. In addition, the relationship between customer satisfaction and purchase loyalty is nonlinear such that when satisfaction increases above a critical level, behavioral loyalty will increase dramatically [27]. In e-service context, customer satisfaction can have a strong positive influence on the loyalty [28]. This relationship was also established in different information systems (IS) contexts

such as mobile commerce [29] and customer relationship management [30]. In the case of content-based service, it was found that satisfaction with the service provider will positively impact user loyalty [31]. Thus, we expect that:

Proposition 3 (P3): The level of satisfaction is positively associated to the level of SNS customer loyalty.

2.3 Customer Knowledge and Customer Loyalty

The level of consumer knowledge about alternative products and services can have an impact on the perception toward the present choice. Given higher payoffs and lower costs, knowledgeable consumers are more likely to search for new information prior to making a decision, and will expect their decision criteria to change as product knowledge increases [12, 32]. Additionally, expert consumers may seek a greater amount of information about particular product attributes simply because they are aware of the existence of those attributes or because they are more capable of formulating specific questions about them [32].

Consumer research has traditionally considered consumer knowledge to comprise of objective and subjective knowledge. *Objective knowledge* refers to accurate information about the product/service class stored in long-term memory, while *subjective knowledge* refers to people's perceptions of what or how much they know about a product/service class [33]. Higher levels of objective knowledge about alternative choice at initiation of pre-purchase search are associated with greater likelihood to defect by influencing evaluation of alternatives [34], which means less loyalty for incumbent choice. Besides, subjective knowledge about alternatives can also affect choice of search strategy. Specifically, people high in subjective knowledge are quick to rule out alternatives they believe to be inferior and prefer to avoid relying on dealer opinions [35]. It was suggested that more subjective knowledge leads to less perceived risk and can influence decision making by increasing the likelihood of searching for alternatives [36, 37]. Hence, customers with high levels of subjective knowledge about alternatives would be less likely to remain loyal to their present product or service [34]. Accordingly, we expect that the level of customer knowledge about SNS alternatives can affect customer loyalty for incumbent choice. Therefore, we propose that:

Proposition 4 (P4): The level of objective knowledge about alternative SNSs is negatively associated to the level of SNS customer loyalty for the incumbent SNS.

Proposition 5 (P5): The level of subjective knowledge about alternative SNSs is negatively associated to the level of SNS customer loyalty for the incumbent SNS.

2.4 Relationship between Utilitarian and Hedonic Value

Customer perceived utilitarian value has a significant positive effect on perceived hedonic value [38]. Consumers can gain self-esteem (a form of hedonic value) from utilitarian benefits like monetary promotions [16]. For SNS users, utilitarian value is reflected in the convenience of communicating with friends, time saving on managing friend contacts and the ease of sharing interesting videos or meaningful articles etc. These instrumental, functional benefits can bring users hedonic values such as self-expression, exploration, entertainment and enjoyment. Therefore, we propose that:

Proposition 6 (P6): The level of perceived utilitarian value is positively associated with the level of perceived hedonic value.

3 Implications and Future Research

With the rapid development of SNS worldwide, identifying the key determinants of customer loyalty and understanding their differentiated effects will become a priority for all companies aiming to deliver superior and more attractive services. In order to have a sustainable SNS business model, it is of paramount importance to ensure that customers will be attracted and remained attached to a specific SNS. Our proposed model can have some implications for SNS operators and managers. First, the proposed set of determinants can inform SNS companies the important aspects that they should pay attention to in the tensely-competitive SNS market. Second, it should also help SNS operators and managers to better understand users' behavior so as to provide a stronger basis for functionalities design. Third, user segmentation can also be done so that more targeted strategies can be implemented to cultivate customer loyalty.

This paper is a response to the lack of understanding of customer loyalty in the SNS context. Through synthesizing relevant research, our proposed SNS customer loyalty model offers some insights into the determinants of SNS user behavioral loyalty. The contributions of this model to Internet services customer loyalty research are twofold. First, it applied the traditional conceptualization of customer loyalty in a new SNS context that is different from other services examined in prior studies. Second, it can serve as a foundation for extensive empirical examination of customer perceived value, satisfaction, and customer knowledge about alternative services as antecedents of SNS user loyalty.

Researchers can apply the conceptual model to different contexts, e.g., different regions or cultures, to examine whether the relationships in the model are supported, and which factors in different contexts have more significant influence on customer loyalty. Since it is both managerially and theoretically important to be able to identify the factors that determine different type of users' decision to stay or switch among different SNSs, researchers can conduct empirical investigations by classifying users into stayers (those who have been using the same SNS since they first started) and switchers (those who have changed SNS), and then perform a comparative study between them. This can lead to interesting insights on customers' loyalty behavior and advance our understanding of the factors that determine SNS users' decision to stay or switch among different SNSs. Such research endeavors will certainly have immense potential to contribute substantially to the emerging IS literature on Web 2.0 and social media.

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